



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT
AND THE ARTS

Reference: Adequacy of radio services in non-metropolitan Australia

FRIDAY, 2 FEBRUARY 2001

TOWNSVILLE

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE ARTS
Friday, 2 February 2001

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

Members in attendance: Mr Neville, Mr Gibbons, Mr Hardgrave, Mr McArthur, Mr Mossfield, and Mr St Clair

Terms of reference for the inquiry:

To inquire into and report on the adequacy of radio services in regional and rural Australia and the extent to which there is a need for the Government to take action in relation to the quantity and the quality of radio services in regional and rural Australia, having particular regard to the following:

- The social benefits and influence on the general public of radio broadcasting in non-metropolitan Australia in comparison to other media sectors;
- Future trends in radio broadcasting, including employment and career opportunities, in non-metropolitan Australia;
- The effect on individuals, families and small business in non-metropolitan Australia of networking of radio programming, particularly in relation to local news services, sport, community service announcements and other forms of local content, and;
- The potential for new technologies such as digital radio to provide enhanced and more localised radio services in metropolitan, regional and rural areas.

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Committee met at 9.20 a.m.

CHAIR—I declare open this public hearing of the inquiry of the House of Representatives Standing Committee on Communications, Transport and the Arts into the adequacy of radio in regional Australia. The inquiry has generated strong interest from across Australia. We have received approximately 280 submissions; they have come from relevant federal and state government departments and statutory bodies, peak industry associations, commercial networks, independent broadcasters and the community radio sector, shire councils, sporting associations, state emergency services and many individuals. It is clear that considerable effort has been put into the submissions, which is an indication of: (1) the importance of radio in regional Australia; (2) the concern in the community about current policies and practices concerning radio services; and (3) an indication of the concerns some have about possible changes to these policies and practices.

The information that has been provided to us will assist us in considering this very important issue regarding the provision and the adequacy of services to non-metropolitan Australia. The issues that have been raised in the submission are many and varied. We do not yet have all the answers. Some have very strong views and have expressed them as such, but for every claim there has been an equally strong counterclaim. We will be testing this evidence thoroughly, travelling widely and listening carefully. We will be looking for solutions to the problems in regional radio which provide the right balance between providing an environment that both recognises the reality of commercial and other considerations faced by all sectors of the radio industry on the one hand, and ensures that the community has access to a diverse range of quality radio services on the other.

On behalf of the committee, I welcome here today those witnesses who are giving evidence, I welcome members of the media and I welcome members of the public who are in the public gallery. I wish to advise people in the gallery that there is a legal matter existing between two of our leading witnesses and, because of that, if I call on either of those two organisations to speak today, it will be necessary, because of the sub judice requirement, to clear the room for the taking of that section of evidence.

[9.23 a.m.]

HALL, Mr Kingsley Campbell, Finance Director, DMG Radio Australia; Director, Festival City Broadcasters Pty Ltd; and Director, DMG Regional Radio Pty Ltd

ICKERINGILL, Mr Peter, Independent Legal Adviser, DMG Regional Radio

LEDDIN, Mr Garry Joseph, General Manager, Southern Group, DMG Regional Radio

SCOPELLITI, Mr David Bruno, General Manager, Northern Group, DMG Regional Radio

THOMPSON, Mr Paul Charles, Chief Executive, DMG Radio Australia; Chairman, Festival City Broadcasters Pty Ltd; and Chairman, DMG Regional Radio Pty Ltd

CHAIR—Welcome. Mr Ickeringill, I understand that you are employed by Mallesons Stephens Jaques.

Mr Ickeringill—Yes.

CHAIR—The committee is bipartisan and represents all parties: four Liberal, four Labor and two Nationals. A number of our colleagues could not attend today because of other duties. The committee has a very proud record of not dividing on issues but of reaching consensus. In the eight years I have been associated with the committee, I cannot remember one issue that has gone to a vote. It is interesting that the only dissenting report we have ever had during my years on this committee has been from a government member, not from an opposition member, so it is quite unique in that respect as well.

I would just like to touch briefly today—because of legal action that is pending in the courts involving two of our chief witnesses, who have also made written submissions—on the fact that, by the sub judice convention, the parliament and its committees have placed a restriction on debating matters awaiting or under adjudication by the courts. The restriction is to avoid the parliament being used as an alternative forum to the courts and to ensure the proceedings of the parliament do not interfere with the administration of justice. In practice, this means that the committee chairman can rule that any discussion of a matter currently before the courts is out of order. Alternatively, the committee may resolve that such a discussion take place in private session.

I am aware of newspaper reports that DMG has initiated legal action against one of its competitors, Austereo, alleging that it has engaged in improper conduct. To help determine whether the sub judice convention should be applied, we would appreciate a statement from you—I am referring now to DMG—this morning clarifying whether reports that the legal action is taking place are accurate and, if so, explaining the nature of the action that is being taken and the current status of proceedings. At this stage, we are inclined to take a cautious approach and simply seek information about the nature and timing of the legal action, without discussing the detail of the allegations.

However, we may briefly adjourn—as I said earlier—after hearing your statement to consider whether it is central to the inquiry and, if so, we might invite you to make a comment behind closed doors. If so, before asking you to make this statement on general matters to do with our inquiry, I ask you to clarify newspaper reports of legal action: are they accurate and, if so, could you describe the nature and cause of the action that has been taken, the remedies that you are seeking and the current status of proceedings?

Mr Thompson—Certainly. Would you like me to address that issue firstly or would you like me to make a general statement including that?

CHAIR—No, I do not want you to make a general statement yet. I want to clarify this issue first.

Mr Thompson—Certainly it is correct that DMG has issued proceedings in the Federal Court in Melbourne in respect of what we believe to be false and misleading activity on behalf of a competitor, Austereo. We would be pleased to provide detail of that claim and the support for that material to you—if you would like to do that now, we would be happy to do that now.

CHAIR—Would you prefer to do it today or at a later stage in Canberra, bearing in mind that we have a lot of general matters to consider today?

Mr Thompson—I am personally entirely happy to do it at either time.

Mr Ickeringill—Mr Chairman, we are happy to explain the proceedings and the basis upon which the proceedings are being brought. We are happy to do that today.

Evidence was then taken in camera, but later resumed in public—

CHAIR—Quite separate from what we have been discussing in camera, DMG has been mentioned adversely in some of the submissions. Out of fairness to DMG, I give you the opportunity this morning to reply immediately to any of those claims or to reply to those in writing. I said that I wanted to be scrupulously fair. We recognise that at times the big player is often a target and we want to offer you the opportunity to respond to any of the comments that have been made—excluding Austereo's comments. You have a right of reply to those and may do so either now or in writing to the committee.

Mr Thompson—I would like to make some general comments, if I might, in an introductory manner. Do you envisage that we answer particular issues that you raise? Is that how you envisage it?

CHAIR—We have not caucused on this so I cannot tell you what is in the mind of my colleagues when we come to the cross-examination of you and your colleagues. I do not intend to raise them specifically, though they may be raised peripherally. The nature of the complaint might come up in cross-examination but I cannot promise you it will or it will not.

Mr Thompson—Thank you. We would then deal with those matters that do come up here today and—

CHAIR—As we come to them.

Mr Thompson—if they seem to be requiring a more complex answer, rather than take the committee's time, we would respond in writing.

CHAIR—If your legal adviser wants to prepare a formal reply to the committee, we would be pleased to receive that. If, on consideration of the issues, you decide you want to prepare one then we would be pleased to receive it.

Mr Thompson—Thank you. We will do that.

CHAIR—Before I come to questions on the body of your submission, I have another matter to raise with you on behalf of the committee. In evidence yesterday we had a complaint that your organisation pulled a news story concerning this committee. We have received two different complaints about that, including one from a member of parliament. It referred to the evidence given by Mr Peter Andren and an interview that he gave to your network. The charge is that executive influence was used—to use the vernacular of the industry—to kill that story. Mr Leddin, you were cited as the person who authorised the order. I would like you to give the committee an explanation of that and your response to it.

Mr Leddin—Mr Chairman, our News Director for the Southern Group acted to stop that story. In her role as news director of that group, it was her belief that—

Mr Thompson—Could I clarify whether she stopped a story or stopped the interview.

Mr Leddin—She stopped the interview. There was news coverage of the fact that the committee was sitting in Bathurst and that was covered throughout the morning. The only change she made was to the actual interview. It was her view—and it is certainly my view—that we should not really be commenting or taking comment on individual submissions to the committee. It would have been unbalanced; it would have been a one-sided argument. The only way we could have balanced that would have been for us to have also had input into our side of the argument. We did not want to do that as we do not believe that we should be presenting via news—which we could do almost on a daily basis if we so chose—our side of what, to this point, are unsubstantiated claims about some shortcomings that may exist. Our news editor decided, for that reason and for that reason only, that that interview would be pulled. The story that the committee was sitting was aired as per normal. I still firmly believe that it was the right move to have made. As I said, the head journalist has the authority to do that. She checks news stories—local news stories—across the group very regularly.

Mr HARDGRAVE—Mr Leddin, would it be possible to provide to the committee—I hate to be unduly demanding—a proof of the stories that you said were broadcast. That allegation stands and there is a quick way to kill it off. I do not think the committee and the chairman will actually argue about the news judgment of one particular news editor, although we may choose to, but it is important that we have very clear in our minds that certain stories were broadcast, and clarity as to the shape and scope of those stories.

Mr Leddin—I would have to check, but I believe we would be able to supply that.

Mr Thompson—Mr Chairman, I make one further comment on that matter. Late yesterday I heard about that from one of our executives, Mark Spurway, who was at that hearing yesterday

when the matter was discussed. When Garry arrived in Townsville—I was here before him—and I asked him about that, he was clearly stunned. He had no knowledge of it at all. Let alone being the person who had in fact acted on the matter, he did not even know about the matter and had to make a call to find out what in fact had happened. He had no knowledge of it.

CHAIR—We can only conclude from that that someone in your organisation used your name as the authority for it. Whether you actually gave that authority I do not know; that is for you to say. I just make another comment: this is an inquiry about radio and it involves people in country areas. Your organisation has huge market dominance in country and regional areas. You can understand the committee's concern if matters that may be critical of one or other organisation are selectively culled from news bulletins. You deprived nearly a third of regional Australia of access to that information—albeit information sometimes unpleasant to your organisation personally or to your style of broadcasting.

We are members of parliament who have to carry out a very difficult task but we would take great offence if we felt that your media organisation, or any other, was selectively killing stories about this inquiry, given that three networks control over 60 per cent of the radio stations in Australia. If those networks—I only theorise here—were each selectively to protect their own positions, up to 60 per cent of the stories from this inquiry, which the public are entitled to hear, could be compromised. I make an appeal, not just to your organisation but to the other networks—even if it means, Mr Thompson, that you sometimes have to respond on behalf of your organisation; I do not think that is a problem. The ABC certainly would not be inhibited in doing that—and they quite often do issue the charge and give the competent person within the ABC the opportunity to respond to it. We want this to be a frank, open and transparent inquiry, and we appeal to the networks, especially given their market dominance, to act fairly.

Mr Thompson—We have taken a view—it may not be the view that you have put and we may not be correct in that view—that, rather than use our position to advance our own company, we would take a general position and offer a general view only of the inquiry. We thought that was the right decision to take, but we will take into account what you have now said.

Mr HARDGRAVE—Does your organisation have a stated set of rules or a judgment that you refer back to, from an editorial point of view, that states that, 'These are the basic things: our news must be this sort of thing'? Mr Thompson, you would know what I mean because of your experience in the industry—no offence to anybody else. You would understand what I mean about whether or not the news is meant to be locally focused, meant to be of a certain type of news. Do you report politics heavily? Do you not report politics? What I am trying to get at is: if you do have that, I think it would be helpful to the committee to have that. Perhaps we can also make a judgment about that editorial decision making: whether it is consistent with your practice or whether in fact you have stepped outside of any established practice. If you do not have it, that would be an interesting set of circumstances in itself.

Mr Thompson—We would certainly be prepared to summarise the news philosophy for you and make that available to the inquiry.

CHAIR—Having cleared the decks of those matters, we come to your core submission to the committee. I invite you, Mr Thompson, to give us a five-minute overview of that, and then we will break into discussion and cross-examination.

Mr Thompson—Thank you, members, for the opportunity to speak to you on such an important issue. I hope that the comprehensive nature of our submission to the inquiry reflects the importance that we attach to it. As you know, I am the Chief Executive of DMG Radio Australia. I have devoted my entire working life to the commercial radio industry in Australia—which is now getting to be a very long time. Over a period of more than 35 years, I have spent considerable time in such diverse roles as announcer, programmer, general manager, as well as chief executive of regional stations, metropolitan stations and national networks. It is so complex that I actually have to read it to remember what I did. I do not claim to be the best executive in the Australian broadcasting industry but it is likely that I am the most experienced. That, of course, is more a product of age than anything else.

I started my career in regional radio in Charleville, in south-west Queensland, as long ago as 1965. As a result, my core impressions are of small, regional markets. My most recent experience, before launching DMG Radio in Australia, was as chief executive of Austereo. I was the founding chief executive of Austereo in 1980 and oversaw its development over 15 years for it to become the first national FM network in Australia. DMG first entered the Australian radio market through its acquisition of the broadcast media group in 1996. Since then it has established a network of almost 60 radio stations in non-metropolitan markets. DMG also has one commercial station in metropolitan markets at the moment and later this year will commence two other stations in metropolitan Australia.

I assure the committee—I think this is very important—that DMG is absolutely committed to the non-metropolitan communities that it serves. We operate our stations with reference to one overriding principle: what does the audience want? We have introduced sophisticated and expensive audience research into regional and rural markets. Such research was not undertaken on a regular basis before we entered those markets. Too many stations in the past, in our view, were programmed with reference to what somebody else thought audiences wanted or possibly needed. That somebody else was often the owners themselves, individual announcers, advertisers or vested interests, some of which have made submissions to this inquiry in a very critical form. Our programming is driven by our listeners.

We are proud that our stations are ranked number one in every non-metropolitan market in which official surveys are undertaken; that is, markets where there is a competitive environment and the Nielsen survey company undertakes surveys. In every one of those markets a DMG station is ranked by the listeners as number one and in some of those markets we are ranked one and two. In markets where official surveys are not undertaken, we do our own research and our own tracking. That tells us that at this stage we are at number one in those markets as well. This is possible only because our programming is entirely based on listener needs. Based on this approach, it also follows that we are not inflexible. Our research of audiences is ongoing and we change our programming whenever our research demonstrates that a change would be supported by a majority of listeners within the determined target audience, which is something I am sure we will discuss later.

We have demonstrated in our submissions that the criticisms which have been directed at us have been made in virtually all cases by existing or potential competitors, or by former and, in some cases disgruntled, radio industry employees. We urge the committee, at the conclusion of its deliberations, to assess how much genuine criticism has been directed at us by rank and file audiences as opposed to vested interests. We are confident that you will find very little and

hopeful that you will not find any. I believe localism is the essence of good and successful radio broadcasting. Our audience research tells us that listeners believe that localism is not necessarily about physical presence at a particular place or how many broadcast hours are transmitted from a particular studio. Localism is about relevance of content. It is about making sure that what we broadcast to our listeners is relevant to their lives and is what they want. If we were not relevant and if we did not give audiences what they want then they would not consistently make us their number one choice. We believe that our success in surveys is the clearest possible evidence that what we broadcast is relevant to our audiences and is what they want.

DMG has invested more money in non-metropolitan radio over the past two years than the rest of the industry put together. I suggest that if we extended that further—back to 1996, when we started—that same principle would still apply: more money into non-metropolitan radio than the rest of the industry put together. I am not talking about the prices we have paid for licences in that, but about direct cash investment into new technologies, computer hardware and software, infrastructure and buildings, and many of the things that many of you saw this morning. It has all gone into regional Australia. That investment is already in excess of \$24 million. That figure is significant because it is so much greater than the amount that has been invested by anybody else. It is ongoing expenditure and enables us to continue to provide the best quality service to our listeners, notwithstanding the enormous commercial pressures placed on us by the number of new licences that have been issued in regional markets in recent years.

We could have taken a less expensive approach—a much less expensive approach. We probably could have done it for about a 10th of the price but we consciously decided not to. Instead, we made sure that we had the technological capacity to continually insert local program material in the most flexible way—which you saw today. That technological capacity is very expensive. No other regional owner or operator has ever committed to anything like this and I would suggest that it is unlikely that anyone has done so in regional radio anywhere in the world. We took the expensive approach because it is the only way to ensure that we can continue to provide the best quality service to our listeners and the only way we can guarantee our commitment to localism. With some pride I can say that DMG has built facilities which compare with the very best in the world, and they are here in regional Australia.

As you know, we call our three major centres our hubs. You have seen one of them this morning. Some people have expressed some misconceptions about those hubs and I would like the chance to mention a couple of them. The first is that, upon the introduction of our hubs, we have increased, across the board, the number of hours of prerecorded and syndicated programming. That is the misconception, not the fact. That is wrong. The introduction of hubs has enabled us to increase the total number of hours of live and dedicated broadcasts in more than 70 per cent of our markets and to retain pre-existing levels in the other markets.

Certainly the standard of announcing and music programming in regional radio is at its highest level ever; I say that after having been involved in it for 35 years. The programming contains more local program material than it did before DMG came into regional Australia. The second misconception is that we slashed employment upon the introduction of the hubs. We actually employ more people today in our non-metropolitan markets than were employed in those markets in 1996 when we bought in. They are obviously not all in the same places that they were then, but in total numbers that is an accurate statement.

Questions about foreign ownership have been asked by some people. At this stage I would like to make just four quick comments. Firstly, to the best of my knowledge every one of our regional employees is Australian. None of them has come across to us from the UK or, as far as I know, from anywhere else—although, as I say that, I think we have some former Kiwis but I think they are now Australians.

Secondly, 100 per cent of our programming is Australian. We do not put to air anything at all which is produced outside Australia and we have no intention of doing so. That may address a point raised in an earlier inquiry. Thirdly, all management and programming decisions, at every level, are made in Australia, with no input from the UK on programming decisions. Moreover in that regard, the holding company of the Australian operations is incorporated and situated in Australia, with the majority of its directors being Australian. Finally, our parent company was not only prepared for but also supportive of the significant investment identified previously and actually provided all of the money. It is important to note that, during the course of their time investing in Australia, they have only invested—they have not taken any money back. There has been no outflow; there has only been inflow to Australia. The profits that have been made here have all been reinvested. None has been repatriated.

We are committed to our local communities in many ways, and I will mention just two of them. Firstly, the aggregate amount of our direct donations to charities and community causes, coupled with the market value of free advertising, sponsorship and community service announcement time across all of our regional and rural markets, was \$22 million for the financial year 2000. We do not believe that any other company in the industry could match our performance in that regard. Secondly, we are committed at all times to the very best support for and aid to local disasters and emergencies. I know this is something that the committee is particularly interested in. We do so successfully virtually every week in Australia. Just this morning you have seen some of the technological capacity to broadcast warnings and related information at the flick of a switch. That is what we do. We are aware that some people have questioned the commitment of non-metropolitan radio in this regard, and some of that criticism appears to be commercially motivated. We reject the criticism insofar as it relates to DMG.

There is one final point which must be addressed, which has been touched on previously: DMG has been the victim of a sustained and vicious campaign by Austereo. Over a two-year period, literally dozens of letters were written to the press and to members of parliament under a fictitious name and address containing various allegations against DMG. Those letters have stirred up sentiment without any foundation whatsoever and have caused great damage to us accordingly. We have commenced, as you know, legal proceedings against Austereo, its executive chairman, Peter Harvie, and its public relations company, including one of its former directors.

I was surprised to learn that, last Tuesday in Melbourne, Mr Harvie's legal adviser told this inquiry that our proceedings have been commenced without any evidence against Austereo and Mr Harvie. That is wrong. As we demonstrated earlier, I believe, we have significant evidence against both of them. Our decision to proceed was not taken lightly. It was the view of Queen's Counsel that the evidence we have will certainly lead to our success in that matter. We also believe that Austereo is behind another campaign which has been relentless in its attacks upon DMG in Wagga. In my view, this committee should be appalled by that conduct and should express its rejection of it.

In conclusion, I thank you very much for the opportunity to address some of the inaccuracies which have been put to you and to set the record straight. I am firmly of the view that DMG now offers its listeners in non-metropolitan markets the highest level of broadcasting ever offered to regional and rural Australia. We are delighted that our audiences appear to agree with those conclusions and we thank you very much for the opportunity to express those views.

CHAIR—Thank you, Mr Thompson. You have a very large network, which I understand comprises 61 stations.

Mr Thompson—There are 57 regional stations. When the other two go to air there will be 60—we already have one other metropolitan station.

CHAIR—Given the size of the Australian market, to what extent should any company dominate the market?

Mr Thompson—That is a very difficult question because I do not believe a regional company is capable of dominating radio in Australia. Companies like Austereo or ARN—and I am not in any way critical of either of those companies in this respect—have many, many more listeners than we do, have a much higher revenue base and are the dominant players in Australian broadcasting. RG Capital—who are here today—are of a similar size to us in terms of revenue and numbers of listeners, and until our Sydney station goes to air they may even be ahead of us. I do not believe we dominate at all. We provide a service in a number of smallish markets where there are no other licences.

CHAIR—Is it healthy for three companies to control nearly two-thirds of the radio stations of Australia? This is a philosophical question.

Mr Thompson—I suggest that RG Capital would be the fourth—it is a little wider than three.

CHAIR—I just want to raise it with you; I am not going to go over ground that we spoke about in the closed session. You said that you took an editorial judgment in respect of a matter.

Mr Thompson—Yes.

CHAIR—If two of your colleagues took a similar editorial judgment, 60 per cent of the Australian population would have their news presented in a certain manner. The managements of those companies are never subject to scrutiny in their own markets. I ask this question: at what point does it become unhealthy for major companies to dominate so much of the market—and you may not want to refer to Austereo or yourselves or RG Capital, but in the generality?

Mr Thompson—It comes down to the individual market situation.

CHAIR—In other words, you would consider it okay to continue to expand if there were other open markets available in Australia.

Mr Thompson—We are not looking to expand further into regional Australia, to be honest, because it is enormously demanding to operate a large regional network. Frankly, the logistical

difficulty of it relative to the returns makes it a very challenging situation. In the individual markets previously, before we came along, the situation existed where a single station might be the only commercial outlet in that particular market. I do not think anything has changed in that regard because we are not directing our news across the network. Samantha Blair, the senior journalist—I do not think she actually has the title of news director—in Albury, made a judgment yesterday or the day before. I did not know about that judgment, and I found out about it last night. Garry Leddin did not know about it, although it seems his name has been used in some way in relation to it. I do not think the fact that we own that many stations actually affects the nature of opinion that finds its way into individual markets. We have scrupulously avoided giving our own opinions.

Mr GIBBONS—Throughout this inquiry—and bear in mind it is still in its very early days—a lot of organisations and individuals have expressed concern about the ability of network radio stations to get emergency services warnings out across the appropriate state at the earliest possible time. In your opening remarks you said that you had the technology to do that. Please explain to the committee just how that works.

Mr Thompson—All the emergency services outlets in every area in which we operate have a number of telephone numbers to call in the event of the need for immediate contact. It usually has the contact number for the general manager, includes a general station number and usually includes—almost always—at least two other backup numbers. The first number of those usually has a recorded message facility as well. If the station is broadcasting from the market in which the emergency is occurring then that matter goes to air in the same way as it always has: directly. If it is during a time when programming is sourced from the hub then one of two things can happen. Firstly, the local radio station has the capacity to be able to take over immediately. They can throw a switch and be live to air. It is not something that is controlled by the hub, it is controlled by the local radio station. They can do whatever they wish, broadcast from there and go live to air—which they do regularly and almost every week from somewhere in Australia.

If they judge it to be a different type of matter then it is handled in a different way. I will give you an example of a different type of matter: last year in Mount Isa people became trapped in an underground mine when the cable—or whatever it is that takes them up and down—failed. This was not an emergency where anything would have been gained by going live, so the station was asked by the mines people, and by police and emergency services, to play a role of reassuring the families, particularly, and the community, generally, that everything was okay and of telling them that although the people were down there and although they were trapped they were not injured and there was a process in place to release them. We handled this by recording updates three times an hour.

Mr GIBBONS—Were they recorded or broadcast?

Mr Thompson—They were sent to the hub, so they were, in that particular case, recorded. They were sent directly to the hub and broadcast three times every hour throughout the duration of the service. It was all done within minutes. Today, some of the members of the committee saw how readily that could be done. With a different kind of emergency such as a cyclone—which is probably the best example of that; and we have had this often in Cairns, Townsville and Mackay—as soon as what I understand to be a cyclone watch is announced we go live, as a

matter of principle. We do not just wait for the emergency to happen, we actually go live before it happens.

CHAIR—It has been conceded in evidence that the ABC and the commercial stations have a well-oiled machine for communicating cyclone warnings. The experience that Mr Gibbons is referring to in New South Wales and Victoria and the evidence we are receiving is that people might not be at their posts, or might be on holidays or they do not have keys to the radio station. Probably the most serious claim was that some of the younger managers feel intimidated about turning on the regional stations. Would you like to address Mr Gibbons's query? We understand the cyclone response, but we are talking about fires, floods and about an incident at Dubbo where a storm was going through and, had it not been for someone who had previously worked there—who happened to be a shire councillor—there would have been no warning at all.

Mr Thompson—I would like to address the Dubbo incident because that was very important. I do not want to be critical of anyone here, but I will not be able to totally avoid that. We invited the Canberra weather bureau to the Albury hub and showed them how the facilities work. Our manager at the hub discussed with the representative from the Canberra weather bureau how best to handle emergencies. It was agreed in that discussion that the best way to do it was to ensure that the emergency warnings were sent to the hub by email, as there is email in the studio, right in front of the announcer, and he can access that. It was then confirmed in writing that that procedure would take place. Then, when the Dubbo warning came through, not only did our station in Dubbo itself not get a warning—because it did not come to the Dubbo station—but also the agreed email system of notification was not followed. An email was not sent to the hub, rather they sent the message to the hub by fax. That was exactly what we had agreed not to do. The fax machines at that point were not in the studio.

CHAIR—When you are talking about human life and danger, surely you have fail-safe mechanisms.

Mr Thompson—We do now.

CHAIR—I am not directing this just at your organisation, but the point Mr Gibbons has raised is very important.

Mr Thompson—It is a terribly important one.

CHAIR—It is emerging as a key issue in this inquiry.

Mr Thompson—And rightly so, in my view.

CHAIR—Even to the point that I suggest we might have to recommend something to do with a community service obligation so that there is absolute clarity on this in the future.

Mr Thompson—Could I just say on that, Mr Chairman, that we would not in any way oppose anything the committee might recommend in that regard—assuming that it was obviously not unduly onerous. Assuming that it would be, as I am sure it would be, a practical and sensible approach, we would be supportive of any move in relation to that, because that is an area that we believe in deeply. I think you are right: I think in retrospect—we ourselves are

still learning with this—we should have had a foolproof system. We had a system; we had agreement. We had worked our way through the right way to do it and the people concerned did not do what it was agreed they would do. The fax machines are now in the studio, so even if they forget the original plan the backup is there in front of the announcer as well. We have also arranged now to ensure that they also send it directly to Dubbo, which I think they should have done in the first place anyway.

Mr GIBBONS—So you can say that all of your stations attached to the three hubs have that capability? Assuming it is taking a feed from the hub, a phone call can be made and somebody from that station can go into every one of those stations, flick a switch and start broadcasting live. Is that the situation in every one of your stations?

Mr Thompson—That is my understanding.

Mr McARTHUR—I raise four issues. The first one is this monopoly dominant position in the market. You responded to the chairman. You do have 61 stations, you are in a dominant monopoly position and you are overseas owned. Do you think that provides an unfortunate and difficult perception for the public that you could influence editorial policy and maintain a very dominant position in rural Australia?

Mr Thompson—The foreign ownership aspect is an interesting one. We were interested in 1992 that the government chose to rewrite the broadcasting act to allow foreign ownership in Australia. That was not something DMG was seeking to achieve. It was something that the government did, and I think a number of international companies took the change of law to be not just an opportunity to invest in Australia but almost an invitation. It seemed as though they were encouraging international investment in Australian radio. There has been quite a bit. ARN's two shareholders are international companies, for example. So the government seemed to wish that to occur and facilitated that. Our company responded lawfully to the opportunity that was presented. There was no suggestion from the government or the ABA that in any way the company was not welcome or did not wish to be here.

I will just briefly repeat the point that all the programming decisions are made by Australian executives and there is no need for any involvement by our shareholders in that. They simply would not know how to reflect Australian conditions and they do not attempt to do so. We do not even have a forum where they could if they wished to. That is, there is no programming meeting or anything. So it simply does not occur.

What they have done, I think, is be wonderful corporate citizens and wonderful media owners in the sense that they have been prepared over a period of four years to invest more money than any other company has been prepared to invest in Australian radio for, effectively, no return. All investment has been reinvested, as I mentioned earlier. So I think they have been great shareholders for Australia.

Mr McARTHUR—On the matter of licences, it has been put to us by other witnesses in regional Australia that the ABA's issuing of extra licences has been a problem to that restricted market. Would you care to comment? I note in your submission you mention the 100 per cent increase in the number of commercial licences in Townsville, Cairns, Mackay and Rockhampton, the 50 per cent increase in Albury, Port Macquarie, Coffs Harbour and other

markets, and the increase of only 10 per cent in Sydney. This matter has been raised, I think, by most witnesses. Would you care to add to that comment of whether the ABA should put further licences in these restricted regional markets? You might just comment on why there is such a difference in Sydney and Melbourne.

Mr Thompson—We argued at the time the ABA was considering planning for regional Australia that the population base and particularly the commercial base did not allow for a significant, or even necessarily any, increase in commercial services in regional Australia—and the smaller the market the more difficult it became. I suppose the economics of the way it works for a commercial radio station is that there is an amount of revenue in the market and it is split according to the number of commercial sources in that market. If there is one, then that station gets that revenue and is able to generate a profit, which enables it to invest in services in that market. If there are two it is split two ways. Sometimes the pie, if you like, is increased slightly, but a slightly increased pie split two ways gives you an awful lot less than you had to start with. A market such as Mackay is a good example. There are four commercial licences in Mackay and it is not a really big commercial market. So the amount of money that is then available to be spent on services in that market is diminished.

Mr McARTHUR—Why is the ABA putting up these propositions of extra licences in country areas and not in the city?

Mr Thompson—We have always found it absolutely extraordinary.

Mr McARTHUR—Have you made any comment to that effect?

Mr Thompson—I have written to the ABA more times than I could tell you in relation to that. I would suggest it has been probably 50 times. I have certainly made many personal representations to them.

Mr McARTHUR—Do you think this committee ought to have a view on these extra licences in rural Australia?

Mr Thompson—I suggest it would be appropriate for the committee to take the position to recognise that the more services there are in a market the less money each individual station then has to provide services in that market.

Mr McARTHUR—You are saying this is unique to the radio industry because the listeners and the advertising market are limited.

Mr Thompson—They are limited. It is a finite market in terms of numbers of people. It is not fair to say it is entirely finite in terms of the revenue in the market. It does increase slightly but, as I say, if the pie is 100 per cent and it moves to 110 per cent with the introduction of a new station, each station, if it is spread equally, gets 55 per cent of what was there before.

Mr McARTHUR—I was personally interested to see the new technology in your hubbing this morning. You are saying that this is a world first. Could you put on the record the hubbing technology in the three hubs that your company runs and how it relates to world's best practice?

Mr Thompson—Certainly, to the best that I can. The hub in Townsville and the hub in Albury do represent world's best practice. I do not think we would claim that for Bunbury. The Bunbury situation was in place before we bought that and we are yet to look at that. The facility that these two hubs bring to the world of radio is the flexibility to be able to insert local material—not just the ability but the practice is occurring—right through every broadcast hour on every station and for that to occur simultaneously. That involves highly developed technology not only at the hub but also at each individual station. So the investment I referred to earlier that DMG took in regional Australia—

CHAIR—It is important to have this on the record, so could I invite you to submit one or two pages on this? Mr McArthur's question is very important, but time is of the essence now and a number of colleagues have questions. We would be happy if you would provide that in writing.

Mr McARTHUR—You talk in your submission about the alternative forms of entertainment—Internet, video, pay TV. Could you make a brief statement as to how you see your company providing high-quality radio to combat the competition that is emerging in the marketplace?

Mr Thompson—Yes. There are now many different ways that people can receive music. It used to be that it was almost only radio. It is not only radio now. The Internet is the best example, but pay television services can provide things as well. Research is probably the first key in terms of the music quality. We bring research to Australian regional radio that was not there before. So we are playing music that is very specifically targeted to the audience. It is not what we think they might like. It is not what we hope they would like. It is what they have told us they do like.

The Internet provides a vast range of material in almost any format you could possibly contemplate, but it is not targeted to the audience in the local community. Our programming and our material, through the full-time internal research office that we operate with a significant staff number, enables us to provide targeted programming to everybody.

Mr McARTHUR—I commend you on the quality of your submission and the in-depth points you have made.

Mr Thompson—Thank you very much.

Mr St CLAIR—Do you see the local content going full circle in time? Do you see a time when you actually will end up doing far more local content than you were six months ago?

Mr Thompson—It is a very interesting point. That is what I think. I actually think that, as the range of technology and services grows, the only way radio can actually compete and really maintain its relevance over a long period of time into the future is by increasing that. As our people here will tell you, I drive them nuts by constantly saying, 'I want to do a localism audit. Are we doing enough?' We will have to, I think, do more in the future—and I think the future is more. I absolutely agree with your point. You are absolutely right.

Mr HARDGRAVE—Mr Thompson, who wrote this submission?

Mr Thompson—There were many authors. Everybody sitting at this table made a significant contribution and a very significant number of others made a significant contribution.

Mr HARDGRAVE—The reason I ask you is that there is a lot of talk about the conspiracies against your organisation, and you talked also in your verbal offering this morning about vested interests. I just wonder if you could help us—we have received hundreds of submissions—and give us a list of those who you believe have a vested interest against you. Name them, and if you could tell us now it would be very handy. If not, I would like it from you in writing or whatever. Either way, I think it would help us to dissect where people are coming from. Can you help us with that?

Mr Thompson—That is an interesting question. It does make us sound victims of extreme paranoia, but I suppose if you are being attacked, as we have been, by a phantom for two years, not quite knowing the source, paranoia is probably a natural result.

Mr HARDGRAVE—To be honest, that is certainly reflected in your submission. There is a great, I think, reflection of paranoia. You have given us a statement as to why there may be some understanding from the committee about it, but I am just concerned because a lot of people have come to us and presented themselves as concerned citizens who are dissatisfied, who think your theory and concepts are grand but they have failed them. Certainly that is what they are saying to us. So we need to try to work out where they are coming from. Can you help us with that, please?

Mr Thompson—I do not quite know how to deal with that, Mr Hardgrave. I have made the comment that I believe there is commercial activity in Wagga that is specifically related to vested interests—people who want a licence—and we believe they have support beyond their local place.

Mr HARDGRAVE—The point is that you have raised this in your submission.

Mr Thompson—Yes.

Mr HARDGRAVE—The reason I am asking you is that I cannot accept without further qualification exactly what you are driving at. I do not believe that the Port Macquarie Labor Party branch is necessarily a vested interest against you, but they are very critical of you. I am not sure that Mr Titley from Charters Towers is a vested interest, but he is upset at you. Some of the people have come to us and said—and the Port Macquarie Labor Party is an example—that your local station was broadcasting how wonderful the day was at Port Macquarie whilst a storm blew half the town out to sea in recent months. I want to try to get a handle on where these people are coming from.

Mr Thompson—It is such a wide question. It is enormously difficult for me to answer that. It is easier to answer specifics than it is generalities—and I am struggling to do so—but with that specific situation, you would find, and I am sure that you would actually know this from your own experience, that in radio it has always been the case for a large service area that in one part of it—

Mr HARDGRAVE—You forget about the weather.

Mr Thompson—In one part of it you have one weather pattern and in another you have another.

CHAIR—No, I do not think that is a cogent argument. Today in your studio—and I saw it in your studio—you have access to the Bureau of Meteorology mapping on a second-by-second basis, and that is updated every 10 or so minutes. I just do not think that is a cogent argument. If the networking was working and the slotting was being done as effectively as it should have been, there should not have been a storm circumstance in Port Macquarie when the announcer was saying that it was a fine and beautiful day. I have seen this program—it is a very simple program; anyone in this audience here can bring it up on www.bom.gov.au. You can bring it up instantly, and you can go click to radar and then click to any part of Australia, to any radar station, and get the absolute weather for every provincial city like that.

Mr Thompson—Quite true. My suggestion was that there was a variation within Coffs Harbour, I think, not Port Macquarie, was it not? I think there was variation within that. Garry is specifically aware of this and I wonder if he might comment on that.

Mr Leddin—I think we need to take this particular concern in context. I am not aware of there being general concerns about the accuracy of our weather forecasting. It is my understanding and my belief that our weather forecasting is very accurate and it is reflective, as you said, of the information that comes through from the bureau. Can I give you an absolute guarantee that we did not get it wrong once? I guess I cannot give you that, but I can certainly give you an assurance that I think if you go through the letters of concern you will not find that as being an ongoing problem.

Mr HARDGRAVE—Rather than hold the committee down on the weather in Port Macquarie six months ago, I am simply challenging you to come forward with some qualification as to who these vested interests are, because I think that you would have got a copy of all the submissions so you would be perhaps able to go through and put white squares and black squares beside certain names, or something. It would just assist the committee to understand, because it just strikes me that a lot of good people have come forward and have made reasonable comments. If you want to get into the old rule about the weather, you do not talk about the weather because you look out west and out east, there is a whopping great big storm coming and you are probably going to sound like a right proper goose on the radio. All I am saying to you is that the country Labor people out at Port Macquarie said that an announcer in Albury would not have a clue about what was happening in Port Macquarie but attempted to do so and got it wrong. We do not want to get bogged down on one example. We have already talked about Dubbo. We have heard about all the other complaints as well. So is this simply old news? Have you improved your act since these particular incidents, whenever they occurred? Or is this an ongoing problem?

Mr Thompson—I think it is an example which will always occur and for which we could give 1,000 examples of where it works. If you are in as many markets as we are, doing as many things as we are doing—we got a whole bundle of letters that were given to me yesterday from Charters Towers about people who are terribly pleased about the services that we provide in Charters Towers on a whole range of areas. We are not submitting all the letters from people who say what a wonderful job you are doing. These very small, I suggest, very isolated. A very small number of issues has been raised and there are logical explanations, when you go through

them, for each one of them. There are 100 or 1,000 positive stories that could balance that. I think as a major operator we are going to be the victim of that.

Mr HARDGRAVE—Mr Thompson, I can understand what you are saying there. I suspect that the simple argument is that a lot of parts in regional Australia have got the best sounding radio they have probably ever had in their life at the moment, but a lot of people have come forward and said that they are concerned that there is not a real, local involvement and that you do have to be local, not just sound local. There is an understanding of a lack of physical presence. There is a concern—and I will just take you through a couple of concerns which I am sure you are aware of because you have had people at the hearings—that, yes, you may have hired more people but they are not in the local area and that there are, in fact, fewer people. Therefore, the local economies are suffering. The money is great in Townsville, I suspect. Townsville is doing very well out of this—and Albury. Then the other comment the other day was that you are sucking money out of local areas and redistributing it elsewhere because locals who advertise on your stations are no longer supporting the station three doors up from the local pub; they are actually supporting the blue building out on Woolcock here in Townsville.

Mr Thompson—You could argue it exactly the other way, that the investment that the company has made is providing some of the best radio that regional radio has ever seen and ever heard, and that the community is better. We believe that it is better for that. If we can do some of these services better—we must be able to do them better and I suspect everybody can do it better—we try.

I am a programmer. You know my background. I am a programmer; I am not a salesperson, I am not an engineer. The thing that I care about the most—the reason that I got into radio, the thing that I put first—is programming, and I have done that for 35 years. The fact that we have been criticised reasonably broadly so far in this inquiry is a hurtful thing to me. I am hurt by it and I am upset by it. Somebody said to me—one of our staff in Townsville; in fact, our breakfast announcer on 4TO said it to me yesterday—‘Are you concerned about the inquiry?’ I said, ‘I am terribly concerned about the inquiry’ Our reputation is at stake. The reason I have worked my entire life is being questioned. Yes, I do care about it and I am concerned about it.

Mr HARDGRAVE—Mr Chairman, I do not mind saying for the record—because I am very well aware of Mr Thompson’s track record in this regard, and he is not just simply putting a happy face here—I would accept his explanation and his comments.

CHAIR—The committee accepts that. We have to press on.

Mr MOSSFIELD—Mr Thompson, I think the committee’s main concern—certainly my concern—is the welfare of country people and the radio industry in the country. I am not particularly interested in conspiracies. I regret that you are upset, but that is not a particular problem of the committee. What we are concerned about is that country people are saying to us that they are losing services in the country. They are losing their banks and they are losing their radio stations, just to name a few. I am not challenging the efficiency of your service—it may well be better—but you did raise the question of more people being employed in the industry. Mr Hardgrave has made the point that there are more employed but they are obviously employed in the major centres. You have taken people away from outlying areas, which is a negative impact on localism. I would suggest that you are not providing localism. You might be

providing something better, it could well be, but technology has taken over from localism. Localism is actually people on the spot. You might be providing a better service than existed previously but it is not localism, in my view. Have you got any comment to make on those? I have just one final question after that, anyhow.

Mr Thompson—I believe that we are supplying local content. I appreciate that that is different for the numbers of people. We do have people on the spot but the numbers of people on the spot in smaller regional towns is fewer than we had before. I accept that. I do not think it is dramatically affecting the local economy in any negative way because radio stations have never been huge employers. The total number of people employed at a radio station, even one such as you went to yesterday at Bathurst, is not a huge number of people. What we are also offering those people, though—the people who do join our smaller radio stations—is a career path that they never would have had before. This morning you very briefly met Dan Weston, the young radio announcer who started with us in Bunbury three years ago, who moved through the company to Townsville and who joins us tomorrow, I think, in Sydney. I could give you many examples of country people who have been given this career path. The end result is that they have a wonderful career. I appreciate that that wonderful career might culminate in them being in Sydney, which means they are not where you would like them to be. But it is a different structure, as you say.

Mr MOSSFIELD—I accept that. We have seen some good independent operators, and you mentioned the one in Bathurst. But what opportunity is there for these independent radio operators to exist side by side with large organisations such as yours? Do you support such coexistence?

Mr Thompson—Do you mean coexistence in the same markets or within the system?

Mr MOSSFIELD—Both, I suppose. I would say both—that is, within the same market or within the system.

Mr Thompson—Admittedly, it would be difficult for an independent operator in the same market to be competing with a well resourced, larger company. We would expect the larger company to be successful, to be honest. I am not aware of anywhere where that actually happens. Certainly in these markets here our competitor is RG Capital. It is well resourced and highly professional. Generally, in those markets such as Bathurst, there are no additional competitors. They have a solus situation and they can run a really different type of radio operation. Within the broader system, I think it works fine. There has been a move in recent years not just in Australia but all around the world towards consolidation of ownership, but I do not think the day of the small, independent owner will ever totally go.

CHAIR—I have a number of questions that I cannot ask because of the constraints of time. In fact, the secretariat is now looking at flying one of the witnesses to our Gold Coast hearings because we just cannot cover it all today. I want to pursue this matter of programming with you a lot further, along the lines of one size does not fit all. There are even variations within New South Wales—coastal New South Wales, inland New South Wales and so on—and I do not think we can do it. So I will have to ask if we can call you to appear before the committee again.

Mr Thompson—We would be happy to do that, Mr Chairman.

CHAIR—I do not suggest that you have to go to the expense of taking your whole team to Canberra or the Gold Coast or wherever we might find a slot for you. However, we certainly need to hear from you and a couple of your executives on a number of other matters. On that basis, I will have to wind up your evidence today. I thank you for your hospitality this morning in showing us over your facilities. I thank you for coming before us today and for the frankness of your statements in the closed session. We look forward to seeing you again. As you are aware, you will receive copies of the *Hansard* draft shortly and today's proceedings will be on the Internet in five days time. On that note, thank you to DMG.

Mr Thompson—Thank you very much for inviting us to attend. We appreciate the opportunity.

[10.52 a.m.]

TITLEY, Mr William, (Private Capacity)

CHAIR—I welcome Mr Titley. We will have to be short because we have a 12 o'clock wind-up deadline. Without going over your whole submission again, could you tell us the main things that are of concern to you? Then we will break straight into questions.

Mr Titley—Certainly, Mr Chairman. I made my submission as a private citizen, but I do acknowledge the fact that I am also a business operator in Charters Towers and therefore do on occasion have a need to use the facilities of commercial radio in particular.

CHAIR—Would you mind telling us the main things you find wrong with commercial radio as it affects Charters Towers and your business?

Mr Titley—The lack of a local presence—it is simple—because that impacts on so many other areas.

CHAIR—Just give us a few examples of that.

Mr Titley—Okay. We have no local news facility. We are a city of 9,500 people with a capture of about another 4,500 in our local shire. We have no local news facility other than a local newspaper, which is published twice a week. The radio station certainly, to my most recent knowledge, does not produce local news. It does not produce any local sporting programs. We are a country town where sporting clubs in general and social interest clubs are in high numbers—that happens to be the tendency in rural areas—yet they do not have a voice in the local radio area.

CHAIR—Have you approached the owners of the station in this regard?

Mr Titley—Yes, I have. I have approached the regional managers. They have a presence there in the sense that there are two people, but essentially they are salespeople. We have approached them. We have asked them to—

CHAIR—Have you spoken to the general manager of that particular hub?

Mr Titley—Not that I am aware of. I do not know the name of that person. I think about 18 months ago I had a visit from a person who may well have been the hub manager from Townsville and I raised those points with him.

CHAIR—You say that the lack of localism impacts on your business?

Mr Titley—It does.

CHAIR—Would you like to describe it to us?

Mr Titley—I certainly can. People listen to the radio, I believe, for a number of reasons. If they are in the lower age group they probably listen to it for the music content and the general chatter that goes on at these sorts of radio stations. If they are in the next level of probably the mid-20s through to late 40s, and probably even the higher age group, then I think they have a slightly more mature approach to it. Not only do they want the music that is served up to them; they also want to know what is going on in their community. They want to have general interest programs.

The local city council used to have a segment on radio before Rural Press and DMG took over. That is no longer the case. The local police would come in and would talk about crime statistics or factors affecting the running of the local population. That is no longer the case. There is a little bit of community service in the sense that community organisations are able to submit announcements and so on and they will be made. I have to acknowledge that fact.

CHAIR—Do you have a local announcer from six to nine?

Mr Titley—No, we do not. That is channelled out of Townsville.

CHAIR—So your entire program is on relay—the whole station?

Mr Titley—That is my most honest understanding of it, yes.

CHAIR—And do you have a modern station as well?

Mr Titley—HOT FM runs in parallel with it. The studio in Charters Towers has the facility. It may not now, but it used to have the equipment to handle it and always did broadcast from the local perspective.

Mr GIBBONS—What business are you in, Mr Titley?

Mr Titley—I run a combined electronics and business supplies business.

Mr GIBBONS—You say because there is no localism at the station at all it has affected your business. Could you elaborate on that?

Mr Titley—It affects my ability to advertise effectively.

Mr GIBBONS—So in other words you think your ability to advertise is retarded by the fact that you do not think people are listening because there is no local content.

Mr Titley—I believe that is a factor, unless the quality is there. The quality could be enhanced by local content, by local interests, by interesting segments. I am not a wowser; I have no problem with the music if that is what the people want. But I do believe that those other elements are extremely important. To me, that affects the whole concept. When I come at it from an advertising point of view, I want to know that the advertising I am spending money on with that radio station—or anyone else for that matter—is getting out to the right people in the right form and is likely to be effective.

Mr GIBBONS—So what other avenues for advertising are available to you locally?

Mr Titley—There is a newspaper twice a week. Because of one of the groups I belong to, we also use the home delivery fire program.

Mr GIBBONS—Have you done any research or do you have any access to any statistical information in relation to the perception of no local content?

Mr Titley—No, I cannot say that I have.

Mr GIBBONS—So how do you come to the conclusion that that is the problem?

Mr Titley—I suppose by talking to other people—other businesspeople and people in general.

CHAIR—Have you noticed a drift in business to larger provincial cities because perhaps the local community identity has been diminished?

Mr Titley—I think that is always going to happen because there is a reach out from provincial cities into our area.

CHAIR—Sure, I understand that. But have you noticed any over and above movement as a result?

Mr Titley—I think there is a bit there.

CHAIR—People are always going to go to the next biggest city.

Mr Titley—Certainly. That has always been the case and always will be, I am sure. We need to be able to advertise effectively to be able to pull that business back into town. I said in my submission that it is a double-edged sword. If we do not take up the advertising slots with the radio then, obviously, our competitors from Townsville will certainly do that. Now, either they have the money to throw down the drain or they do not really care what the result is, because unless they are at the other end listening to what goes on and understanding the local scene then I just wonder whether they are wasting their money.

Mr HARDGRAVE—Thank you for being here today. We have just heard DMG say that they are number one in every market they are in, so you are obviously cutting off your nose to spite your face here by not advertising on them.

Mr Titley—Well, they are the only one in the market out there.

Mr HARDGRAVE—That is a very interesting response.

Mr Titley—There is no competition, Mr Hardgrave.

Mr HARDGRAVE—So that is why they are number one?

Mr Titley—You can draw your own conclusions.

Mr HARDGRAVE—Mr Thompson also said that he felt hurt by complaints because he is a programmer. As I said, he has a solid reputation as a radio programmer. Really, what you are saying is that they have missed the key point about radio being physically located in and being part of the community.

Mr Titley—I think that is one of the key points. I have said in my submission—no doubt you are reading from there to some extent—that by positioning your announcing team in the local area they become familiar with the town or the region. They understand it. It is the simple things. For example, they know how to pronounce names and things like that. But these are all things that grate on people in a regional community. By positioning someone there they develop an affinity with the local community and, therefore, in my view and in the view of others, it makes them a more effective medium through which to advertise. It puts them in tune with the local community.

Mr HARDGRAVE—To borrow from the DMG submission and their statements this morning, what is your vested interest in all of this? What sort of a vested interest do you have in the radio industry?

Mr Titley—No vested interest other than from the local perspective to have a higher quality delivery of service and something that is relevant and suitable for the area.

Mr HARDGRAVE—How long has it been since you have had a service like that?

Mr Titley—I would say about six years. The radio station went from a regional ownership by North Queensland Broadcasting through to Rural Press and then to DMG. It was towards the end of the period of North Queensland Broadcasting that it had probably its most effective team in place and was very involved in the local community. Consequently, a lot of us spent our advertising dollar with them, to good effect.

Mr MOSSFIELD—Was the north-west radio operation profitable when it was operating in Charters Towers?

Mr Titley—I do believe it was, but bear in mind it also had 4LM at Mount Isa linked in with it.

Mr MOSSFIELD—It was networked with another radio station?

Mr Titley—It was owned by the same company but they operated through Charters Towers and through Mount Isa.

Mr MOSSFIELD—So what circumstances resulted in DMG buying that station or taking over?

Mr Titley—I am not absolutely sure, but I do believe that the principal of NQ Broadcasting passed away and then the company was taken over by, I think it may have been, Rural Press.

CHAIR—Do you pay the same advertising rate in Charters Towers that they pay in Townsville?

Mr Titley—I would not be absolutely sure, but I believe we probably would not.

CHAIR—So it is not a matter of price? Your main contention is that you have no local news, no local talkback and no local sport?

Mr Titley—Yes.

CHAIR—Other than presumably when a Charters Towers team plays in the Townsville competition. That would be obvious.

Mr Titley—Yes. If I might just amplify that a little bit. Under a previous management the station used to have a Saturday morning sport segment.

CHAIR—That has gone, has it?

Mr Titley—Yes, that has gone.

CHAIR—What about community announcements? How do you get those into the network?

Mr Titley—They are committed to the local office and—

CHAIR—One of the salesmen?

Mr Titley—Yes. I think they are broadcast a couple of times a day but usually in the morning.

CHAIR—They are slotted in from Townsville?

Mr Titley—I think it would have to be from Townsville, because there is no local switching.

CHAIR—Are you a member of the chamber of commerce?

Mr Titley—I am.

CHAIR—Do you know whether the chamber of commerce has ever been interviewed from Townsville on its future, how it is going and the like?

Mr Titley—Sorry?

CHAIR—Have there been instances where the Charters Towers chamber of commerce has been interviewed from the Townsville hub on its ambitions for the town and its future?

Mr Titley—No, it certainly has not been.

CHAIR—So there has not even been a pseudo localism in that respect?

Mr Titley—That was one of the points. I happen to be chairman of the chamber of commerce, but I am not coming at it from that angle. That was one of the points I raised with the representative from Townsville when he first came out about 18 months ago, I think.

Mr St CLAIR—How big is Charters Towers and how far from here roughly?

Mr Titley—It is 132 kilometres from here. It is about an hour and a quarter drive on a very good road. The ABS figure is 9,600. Then there is a capture within the Dalrymple shire of about another 4,500. So you are looking at about 14,000.

Mr St CLAIR—Do you receive any other broadcasts into the Charters Towers area from nearby somewhere?

Mr Titley—ABC and, I do believe, some of the FMs out of Townsville—the FM services there.

Mr St CLAIR—Where does the ABC come to there from? Here?

Mr Titley—Townsville.

Mr St CLAIR—Do they send reporters out to you at all?

Mr Titley—They do.

Mr St CLAIR—They will cover local events and all those sorts of things?

Mr Titley—Yes, they will ring us up or they will send people out.

Mr St CLAIR—Do they have television with that as well? Will they send a television crew out of Townsville?

Mr Titley—Yes, the ABC. And there are commercial channels here, too, who do—

Mr St CLAIR—Do the same?

Mr Titley—Yes, do the same.

CHAIR—Mr Titley, what you have told us is not unlike what we have heard in other areas. No-one is questioning the quality of the programming, rather the relevance of localism to that community. Are there any other points that you wanted to make that we may not have touched on in our questions? Are there any brief points? As chairman of the chamber, have you had any examples of emergency services situations where you had cause to complain about radio announcements?

Mr Tittle—There would be none that would spring to mind, but then I do not think we have had any dramatic ones in recent times. We would expect—

CHAIR—Are you on the SES?

Mr Tittle—No, I am not. We do have an SES. We have all of those facilities there. But, no, I am not involved with those.

CHAIR—You might talk to them in your capacity as a person from Charters Towers who appeared before the committee and you might like to write to us on that point. We will be interested to hear that. That has been a common theme. I must say and repeat for the public gallery that it has also been our experience that the cyclone warning set-up is far superior to anything else that we have encountered around Australia, both commercial and ABC. Do you have any other comments? Are you happy with your ABC service?

Mr Tittle—I indicated in the submission that, personally, I am. We do have a concern about transmission levels, but I think that is a technical thing.

CHAIR—Do you have an ABC representative or an ABC correspondent in the town—a freelance person who feeds stories in?

Mr Tittle—Not that I am aware. It used to be the case once, but I think that has passed by now.

CHAIR—I am sorry to cut your presentation a little shorter than it might otherwise have been, but I think we got to the key points and that is the important thing. Feel free to write to us again if anything else comes up. I would like to thank you, as a citizen, for going to the trouble to prepare such a good submission. I would like to thank you for your generosity of spirit in coming down from Charters Towers to appear before us. We will be forwarding you a copy of the *Hansard* draft. Once again, thank you very much. We look forward to that information on emergency and fire services.

Mr Tittle—I thank members of the committee for allowing me to appear before you. It is certainly my pleasure to put my views forward.

CHAIR—While we are calling the next witness, which will be RG Capital, we have received a late submission from Mr Pat Coleman. I see you are in the gallery, Mr Coleman. Were it not for the fact that we are on such a tight schedule today I would have given you 15 minutes, but we are already behind. I thank you for your submission. I have scanned it. I have not read it in depth. It is a very good submission. It is the sort of submission we wanted. Even though it is late, I think we should take it into the record.

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

That submission No. 254 by Mr Pat Coleman, together with any attachments that have not otherwise been received with the exhibits, be received as evidence to the inquiry into the adequacy of radio services in non-metropolitan Australia and authorised for publication.

CHAIR—It is on the record, Mr Coleman.

[11.11 a.m.]

HOLLERAN, Mr Rhys, Managing Director, RG Capital Radio Ltd

HUGHES, Mr Timothy, Executive Chairman, RG Capital Radio Ltd

CHAIR—Just for the record you might describe the network very briefly: the number of stations in each state, how many AM or standard type stations you have and how many hot rock stations you have, just to set the scene.

Mr Hughes—I have a five-minute presentation.

CHAIR—I was going to come to that, too. Is that included with it?

Mr Hughes—It is included, yes. After that, we will provide you with some further attachments.

CHAIR—If you could give us your five-minute presentation that would be great.

Mr Hughes—Firstly, I will give you some background about myself and Rhys just quickly. I have worked for Reg Grundy for 18 years. I started with him when I was very young. I am probably a rarity in that I have got experience in running regional television and regional radio businesses. In 1993 and 1994 I was the managing director of Sunshine Television, which was regional 7 in Queensland, straight after television aggregation. In 1995 I was made Executive Chairman of RG Capital Radio Ltd. Rhys Holleran has been in radio for 14 years. He has been a managing director of metropolitan stations and our regional network, and over the last three years he has probably launched more news services than any other executive in radio in this country.

RG Capital Radio Ltd is regional Australia's largest group. In our combined services we have 28 stations, which spread from Cairns in the north all the way down to Hobart in Tasmania. We employ over 400 people. We cover an audience of 2.7 million. Our nearest competitor is DMG, which covers only 1.9 million. In terms of revenue, we are by far the biggest radio group in regional Australia. We have revenue this year of \$60 million. In our submission, we provide a list of our stations.

In relation to the increase in commercial services, since 1992 the ABA, the Australian Broadcasting Authority, has planned a total of 92 new commercial regional radio licences, with the prospect of a further 19. This would total 111 new radio licences in regional Australia since 1992. During this time, the ABA has expressed plans of a total of four new commercial licences in metropolitan Australia, with the prospect of three more new services. In an interesting comparison, the radio revenue for all of regional Australia in 1997-98 was \$189 million. The revenue for metropolitan radio was 2.2 times this at \$406 million. Yet the ABA has planned and issued 92 new licences in regional Australia versus four in metropolitan Australia.

The Sydney market alone has a singular revenue base of that of all regional Australia, yet the Sydney market has 10 commercial radio services, which must be supported. Regional Australia on the same revenue base has 205. The ABA announced on 22 December it intends to issue new licences in Nambour and the Gold Coast during the first quarter of 2001. How can the government let the ABA issue more licences during this inquiry? Surely this inquiry deserves an opportunity to complete its report to the House of Representatives before the ABA issues even more licences.

Regional radio received a large increase in costs. Infrastructure costs do not discriminate between the city and country. Transmitters and equipment cost the same whether you are launching a new service in Sydney or in Townsville. RG Capital Radio has spent \$20 million launching 10 new services in regional Australia over the last three years. The cost for the launch of 111 new services since 1992 in regional Australia has been a huge burden on the industry. This is the time for flat, real revenue growth. The ABA issued a report on the commercial radio industry from 1979 to 1998 in November 2000. On page 20 that report states:

Overall, it would appear that the introduction of new radio stations in regional markets has not of itself led to an appreciable increase in real advertising revenue. Rather, it would appear that regional advertising revenues are being redistributed across the pre-existing and the new licensees.

There has been a total of 111 since 1992. This has caused a reduction in profits in markets with new licences. Increased costs with flat revenue equals less profit. In all markets in which we have launched stations, we are losing money. Our new licences have combined losses of \$3.2 million. We believe our competitors in these markets are making less profit. Our major competitor, DMG, supports our reality on page 7 of its submission. It states:

The ABA issued many new licences in regional and rural markets which could not immediately support their licences.

We agree. This has caused a reduction in local services. The impact of the sale of the new licences by the Australian Broadcasting Authority has been a reduction of local employment and services. We are live and local throughout the day in virtually all of our 18 markets throughout regional Australia. Our group's position is under serious review, however.

The threat of new licences in the Gold Coast, Sunshine Coast, Central Coast, Gippsland, Launceston and Hobart will cause us to reduce costs by networking throughout the day. The cost and competitive threat of new stations has caused operators to network programs. In summary, the ABA has sold far too many new licences in regional Australia with little regard to economic reality or the possible effect on local services. Radio is a high fixed-cost business. Allocation of these new licences has increased costs but has not grown revenue according to the ABA's report of November 2000. Reduced profits in regional radio has caused operators to network so as to spread fixed costs over a number of licences.

In relation to the solution as an operator, this committee must appeal to the minister to direct the ABA to suspend the allocation of more radio licences until this inquiry is completed and has presented its report. That report in my view should include a recommendation that the ABA stop allocating regional radio licences which are reducing the industry's profitability and local services, a 10-year freeze be placed on new licence allocations and operators in regional markets be allowed to own more than two licences in each market. Should the government accept such a recommendation, we as the largest operator would support a 10-year commitment

by the industry to provide local announcers from 6 a.m. until 6 p.m. in all major regional markets. Thank you, Mr Chairman.

CHAIR—Thank you for a very spirited presentation, Mr Hughes.

Mr Hughes—I have the presentation and all the attachments behind it, which I will hand out.

CHAIR—We will have to take that in as an exhibit. The secretariat will have to have a quick examination of it, but we will go on with your evidence while that is being done and then I will move the resolution at the end of your evidence. You said that you are retaining local announcers in those 28 markets.

Mr Hughes—In the majority of them we do.

CHAIR—Which ones don't you?

Mr Hughes—Northern Tasmania. There are three markets there which we acquired which already had those systems in place. The only other market is Bundaberg, I believe.

CHAIR—That is a bad choice. It is my home town. I declare a conflict of interest. So northern Tasmania and Bundaberg are the main ones.

Mr Hughes—My background reflects a bit of the policy of the company. I was the managing director of a regional television network after aggregation. I saw what happened to localism with that government policy. When we started—

CHAIR—Aggregation?

Mr Hughes—Yes, aggregation.

CHAIR—I do not think we will go over that because we have had a number of witnesses who have said that the two commercial station policy cherry picking from the three metropolitan networks would have been a much better model. We have been over that territory pretty well in the inquiry.

Mr Hughes—I was talking more about radio. My background is in TV. In radio 75 per cent of our revenue is local advertising and 25 per cent is national. It is the inverse for television. So I saw a tremendous opportunity for us to stay live and local as a commercial advantage against the other media.

CHAIR—Did you say the commercial breakdown is 75-25?

Mr Hughes—Yes.

CHAIR—How many of those stations maintain a news presence?

Mr Holleran—Most of them. We have a couple of markets where we do not. We certainly have a locally delivered news service in every single market in breakfast.

CHAIR—If you do not have a journalist there, do you network?

Mr Holleran—Some of it emanated from a market like this. We actually have an arrangement with Channel 10. In other markets we would produce—

CHAIR—How do you do it using Bundaberg, for instance?

Mr Holleran—We will do a local bulletin which actually runs out of the Sunshine Coast.

CHAIR—What about Rockhampton?

Mr Holleran—Rockhampton is produced out of the Gold Coast.

CHAIR—That is a very big centre.

Mr Holleran—Yes, it is.

CHAIR—And you have the original AM station.

Mr Holleran—We have 4RO, yes, and we have the new Sea FM as well. That is an interesting question. There was the CareFlight chopper disaster that happened just last year. We have a full-time journalist allocated to looking after Rockhampton and Toowoomba. That is the way we run it. We were in contact with the emergency services because we know them very well. In fact, the television stations aired comment from our journalist because our journalist was the person in touch with people on the ground. One of the things you need to understand is that the previous arrangement was that we had the same local journalist located in Rockhampton. In terms of collecting information and facts in disasters such as that, it does not mean you fly into the studio with a microphone to find somebody. You really have to be intelligent and considerate in how you collect information.

We think there is a clear distinction between information and emotion. So our philosophy, if you like, certainly in the larger centres is where we are able to support a journalist, we have one. Where we cannot, we still have a dedicated service and people allocated to stations. So they become experts. They are presenting news and information. Our philosophy, if you like, in terms of broadcasting across the day has been more about having live, local announcers because our belief is that you actually need to live in the markets.

CHAIR—You say you use Channel 10. There was criticism yesterday in evidence—that referred to Prime in New South Wales, but the analogy is the same—that, if you are using the local television station, they are not going to give you the best news bites of the day that are going to weaken their 6 o'clock bulletin. They might give you some good bites after six and they might give you some early in the morning, but as the day develops the best stories they are going to keep for their 6 o'clock bulletin or their 5 o'clock bulletin as the case might be. What is your response to that?

Mr Holleran—I think that the service that Channel 10 provides is excellent. I am not going to be in any way critical. I think that the economic reality that we need to understand, and what is underlined by Tim's comments, is that it is economically not viable for us to have a news service. If it was, we would have one.

CHAIR—But 10 do not even have a newsroom in either Bundaberg or Rockhampton.

Mr Holleran—We do not use them in Bundaberg or Rockhampton. We use them in North Queensland where they do actually have newsrooms.

CHAIR—I follow.

Mr HARDGRAVE—Just on that question, what has really changed in the sense of radio newsrooms? It has generally always been on the phone, anyway.

Mr Holleran—Of course, and that is the reality. Three or four years ago, when we put a satellite system in at the Gold Coast, we took the view that news was based on fact and information. As long as we were half smart about how we collected it we felt that, with announcers and daytime programming, getting the emotion of the region was best achieved by live and local programming. We stand by that still. We have an excellent record. It is live. Our local broadcasters are in all of our markets, including this one, including Cairns and including Mackay. As Tim said, we are not making money out of it but we actually think that it is good practice.

Mr HARDGRAVE—You are not selling yourself as the local news station. What is the format of your station?

Mr Holleran—Our formats, our Sea FM stations, are generally pop or rock stations. Here in Townsville we have a rock station and we have what we call a hot adult contemporary station. We generally have them in two streams but they are all individually music programs, too. We have a rock format here at Sea FM and in the Gold Coast it would be a more pop rock station.

Mr HARDGRAVE—Mr Hughes, in your opening statement you gave me the impression that the ABA are, in fact, creating the conditions of networking that people are now complaining about.

Mr Hughes—I think it is obvious. When you allocate 111 new licences in a market that is not growing, you increase the costs of operating. It is naturally going to impact.

Mr HARDGRAVE—So the viability of the industry is really one of the key points here.

Mr Hughes—Absolutely.

Mr HARDGRAVE—The Broadcasting Services Act 1992 is what the ABA runs their decision making on. So what you are urging is that this committee recommend amendments to the BSA 1992.

Mr Hughes—I think the minister can direct the ABA to cease the analogue planning process under the BSA.

Mr HARDGRAVE—I see you wrote to him earlier this week. There is a letter dated 29 in the submission.

Mr Hughes—I wrote to the ABA in September last year when this inquiry was announced asking them to cease planning until the inquiry was over. I would have thought that was a natural given the minister called the inquiry. Then on 22 December the ABA announces more licences, which are going to greatly impact us.

Mr HARDGRAVE—If we are going to amend the Broadcasting Services Act and look at this whole question of viability and localism, how would you, as the largest operator of regional radio, view a requirement to bring in some preconditions—a bit like the old licence hearings of years past—for proving your local credentials?

Mr Hughes—We would welcome anything that requires—as long as it was not too onerous—a commitment to localism, because we have it. We are live and local. We have local announcers in all our markets. In terms of the BSA, I am not a media lawyer but I do believe it does not require an amendment to stop the allocation of new licences. It may require an amendment to change the two to a market rule to three to a market.

CHAIR—That is a two-sided sword, is it not?

Mr Hughes—Absolutely.

CHAIR—In one respect it creates diversity—could create diversity—or it could create a narrowing of the market. Just explain to us how you would see that happening and how you would guarantee you would offer three services.

Mr Holleran—I think that is a good question. Our submission actually goes into that issue. If you have a market that has two stations in it, traditionally you will get a split of audience which will mean that you have a station targeting, say, 18 to 39—it makes sense to do that—and another station targeting 25 to 54, or it may be a tad older than that. Bundaberg is a really good example of putting a third licence into a competitive environment. We put a third licence into Bundaberg and we immediately went for an 18 to 39 market, which was already being serviced. Our contention is that, if we had a choice and we owned all three stations in the market, there would be a 55-plus station in that market.

If you look at when they went from one to two licences, that is exactly what happened. The Gold Coast is a good example. There is a station servicing the younger end and a station servicing the older end. When they were competitors, they were both serving the younger end. So our core belief is that you can promote the issue of diversity better by doing it that way.

Mr HARDGRAVE—Can you make radio advertising more appealing? I know radio as a share of total advertising spend is at a low base. In fact it is my understanding that the total advertising spend in Australia has been decreasing. So can you make radio more appealing by

having that market segmentation or do you just simply find, as somebody said to us, that it costs you \$1 million to put an FM station on the air and you do not get any extra money for it?

Mr Holleran—That is essentially true. If you look at the numbers again, we have produced a one-station model—and we really want to keep our submission quite simple. This is what happens in a small market the size of Bundaberg—it is not Bundaberg, by the way; it is actually one of our markets. If you go from one to two to three, all I can tell you is that if there are three, and you are going to get three and you want to operate, it is the least amount of pain, because the—

Mr HARDGRAVE—To have the one operator?

Mr Holleran—Absolutely, because the reality is this: if you put a third licence in a market of that size, you will expect—and we have already seen the results—increasing networking and no-one in the studios. That is just an economic reality.

Mr HARDGRAVE—Just one other quick question: do you think that, with bureaucracies and the succession of governments—none of us have been a member of any cabinet that has made these decisions—the importance of radio and the personal relationship that people tend to talk to us and have written to us about between the radio station and themselves is very well understood? Is radio just simply the most expendable media?

Mr Hughes—No, I think that it is most relevant. I grew up in Dubbo, so I came from the country and 2DU Dubbo was our station. Peter Andren, the member for Calare, was a newsreader on Channel 8 Orange when I was a lad. I think radio is very relevant locally in the bush, and it is the most relevant medium. It is the local medium, really.

Mr HARDGRAVE—Is it understood by governments, cabinets and bureaucrats, or is it just simply expendable?

Mr Hughes—I think regional Australia is probably more of a question for the government. Regional Australia is telecommunications, banking—

Mr HARDGRAVE—But what is your view, though? As a member of the media, with almost 20 years experience of running media outlets, are you looking back and saying, ‘My Lord, these people just do not understand’? Is radio simply seen as an expendable commodity? Is it a case of, ‘Let us have 111 new licences. They are a dime a dozen; they are as cheap as chips. Anyone can own a radio station; who cares what happens’? Do you think basically that they see it as the most expendable media to experiment with?

Mr Hughes—It happened in America—a similar model—where they basically sold off all the licences and what were called sticks were created, which is like network stations without people in them. I think, yes, radio has suffered. Certainly, the other media have had a large influence in Canberra. You have seen with television, for example, there are only three networks and there is a moratorium on that actually, for eight more years. In the meantime, radio licences have been issued. The government helped regional TV with aggregation. They had a licence rebate system for the operators. They did not have to pay licence fees for a number of years. Regional radio has not had any assistance with its 111 new services. So, yes, we are poor country cousins, I would say, as an industry.

Mr McARTHUR—I raise this issue of licences. You are very strong about this argument of no further licences—putting a moratorium on it. What would you say to other operators who say, ‘You have got your 28 station licences. You are in the game. You have been there 11 years. You have made progress in the last three or four. Suddenly you want the government and the ABA to restrict any other competition or new entrants into the market’? How do you respond to that suggestion, or allegation?

Mr Hughes—I can only respond with the facts, and that is that that policy has not worked. Localism has suffered. If it is a question for the government just to raise money for Treasury, they can auction the licences. It is not a question of protecting what we have got. It is to understand what has occurred and why it has occurred. It has occurred because of these new licences and it is going to continue.

Mr McARTHUR—You are going to list on the stock market.

Mr Hughes—We are already listed.

Mr McARTHUR—You are in a very severe financial return situation and so you are saying to us to protect your niche in the market there should be no more licences, from a commercial point of view.

Mr Hughes—No, I am saying to you that, if the government continues to issue more licences, local services will suffer, because I am telling you: we will have to network during the day and we will have to put off staff. That is what I am telling you. That is what will occur because we will have no choice because a third of our revenue in some of our markets could go. The smaller markets in our group benefit from being in the big markets. That is why we can have announcers in Townsville on both stations all day, even though we lose money, because we have a strong, vibrant group. If that group suffers because of licences in some of these bigger markets, then sure we are going to have to look at our cost situation and use technology like others did and network.

Mr McARTHUR—You make such a strong play of this. Why do you think the ABA are issuing more licences in regional Australia and not issuing any in the metropolitan markets?

Mr Hughes—I cannot answer why a market the size of Sydney would get one licence now and another one in three years. They say it is because of financial viability. Yet a market the size of Mackay gets two new FMs. It is ludicrous.

Mr McARTHUR—Have you made representations to the ABA on that matter?

Mr Hughes—Yes.

Mr McARTHUR—What has been their response to you?

Mr Hughes—Everyone makes representations through the planning process and they make their decision.

Mr Holleran—We have submissions this high.

Mr McARTHUR—But you have argued this case strenuously, have you, about the licensing restricted markets?

Mr Holleran—We have argued this case in every court. The ABA would thoroughly know our view on this.

Mr Hughes—I have written to the minister for communications about it, too. There is a copy of correspondence in my presentation to that effect.

Mr GIBBONS—When it grants the licence, even in spite of your representations, doesn't the ABA cite the reasons why?

Mr Hughes—It is not required to. We will be challenging that.

CHAIR—Should we be going back to the pre-1992 situation where you have to justify the need for a licence?

Mr Hughes—Yes.

Mr MOSSFIELD—What influences people to take up these new licences in such an uneconomic environment? Why are people doing this? Is there any conspiracy here to weaken the markets of other operators?

Mr Hughes—Absolutely not. Of the 10 new services we have launched, eight of them are in regional Queensland, and that was so we could cover all of regional Queensland and sell the market as one bite and compete against television.

Mr MOSSFIELD—But you are critical of the fact that there have been a lot of new licences issued, and you have cited the fact that that is making it uneconomical for existing operators to make ends meet. So why would new operators buy into that market? What is the motive for them to do that?

Mr Holleran—I think radio is one of those sorts of businesses—media generally. There are a lot of people who get three years down the track and realise it was a bad idea.

Mr MOSSFIELD—You cited 111 new licences since 1992. Who is purchasing these new licences?

Mr Holleran—A lot of these are section 69s. The point we are making is that existing owners are section 39.

Mr MOSSFIELD—So it is existing operators?

Mr Hughes—But their costs have increased.

Mr Holleran—And the revenue hasn't. We put an additional licence into our Maryborough operation. If we had not, that would have perhaps gone to someone else. As a result of that, it cost us \$1.6 million in capital expenditure to build a broadcast tower. That is really what has driven down returns. It makes perfect sense to anybody who can add up.

Mr MOSSFIELD—So the ABA really has to protect the industry from itself?

Mr Holleran—I think it depends on what you want: whether you want good local, strong content or you want a competitor in there with a cassette player pressing play and having nothing other than that and a few commercials. If that is what your definition of what radio is, then that is what you will end up with because competitive pressures will force it. If you look at the New Zealand experience, you will see that they ain't much better than that. For anybody who thinks that more is more, I think the New Zealand model is a fairly good example to go and have a look at. The standard of broadcasting there is terrible.

CHAIR—Should we have a look at it?

Mr Holleran—I think you should. From a programming point of view it is terrible. I think it is very sad. It is very insightful in relation to the idea of localism. Everybody else has had a crack of localism. If you give me a minute, I want to talk about localism. Localism is not about local weather or just about the local football team. We seem to get hung up on that idea a lot. It is an important thing about how a community feels about itself. I am going to give you one quick example.

Our network is in some areas of extraordinarily high unemployment. You would understand that that would be different from a market that has low unemployment. We conducted a research group into one of our markets, and three things came out: high unemployment, the future of their children's educational opportunities and their choice of friends. It just absolutely astounded us. Because we are a radio network and we actually have a lot of people and we do communicate, we came up with some global solutions to some local issues. That was getting the community together by doing a million dollars' worth of work—live crosses every hour, galvanising the community and making the community feel better about itself. We have just launched 'Gimme 5 for kids', raising money for scholarships, ensuring a better future for their children. You do not know that unless you understand that. It is not about saying, 'The weather is ...' I could insert that remotely. It is about saying to a community, 'I know how you feel. I live here, too, and I can communicate that to you.' That was something that we did last year.

CHAIR—Is that in the submission?

Mr Holleran—No, it is not, actually. That was a speech I gave last year for a conference.

CHAIR—Could we have the data on which that is based?

Mr Holleran—Absolutely. I will get it for you.

Mr MOSSFIELD—Would you favour the ABA conducting hearings to allow people seeking new licences to justify the issuing of new licences to them?

Mr Hughes—I think there are enough licences—

CHAIR—No, it is the five-year renewal idea. What if you have to go back every five years and justify your licence—the pre-1992 situation?

Mr Hughes—The fit and proper rule previously?

CHAIR—There is a rule now, but the evidence we have received is that it is too loose and it is not being enforced. What say we went back, going along with what Mr Mossfield is saying?

Mr Hughes—I think it is too late to go so far back. I think all the media has gone to self-regulation. We have codes of practice and policies, et cetera.

CHAIR—We have heard about the self-regulation and co-regulation with the ABA, but no-one is very impressed with it. What I wanted to say to you—I think it is implicit in Mr Mossfield's question—is: should we be going back to some form of pre-1992 justification of licence along the lines that Mr Holleran has just spoken about, where a radio station has to demonstrate its commitment to and its empathy with the community as part of it?

Mr Hughes—I cannot speak for the industry, but I can speak for RG Capital. We would be happy with that.

Mr HARDGRAVE—Just following on from that, what if there were hearings to allow the public to vent their views? From the volume of the stuff that is coming to us, basically people feel as though there is a complete disengagement from their local community by their radio station. So you would have no problem with that sort of a process?

Mr Hughes—So long as it was not onerous and did not put more cost on the industry, yes.

Mr HARDGRAVE—Looking down the list of 28 regional commercial stations that you own, 15 or 16 of them really were not there a dozen years ago.

Mr Hughes—We have built them.

Mr HARDGRAVE—So you have done pretty well under the whole 1992 act, anyway. You have been part of the growth of these 111 licences in rural and regional Australia, haven't you?

Mr Hughes—Well, yes. In the beginning we were the original shareholder in the first regional radio licence, which was on the Gold Coast.

Mr HARDGRAVE—I worked there, too.

CHAIR—I am sorry we have to cut it short. Thank you, Mr Hughes and Mr Holleran. May I commend you on your presentation. I wish to heaven that people could be as succinct as you were instead of making five-minute statements.

You set the scene of your submission. Although I have not been able to peruse all of it, you do not go into verbiage. You use very simple graphs and so on. It is an excellent submission. It is excellently put together and I compliment you on it. We trust that we can come back to you. I suspect that we will be talking to the three major networks again before the inquiry is finished. It may require your coming to Canberra. I trust that will be in order. Thank you once again.

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

That submission No. 186.01 from RG Capital Radio Ltd, together with attachments not otherwise received as exhibits, be received as evidence to the inquiry into the adequacy of radio services in non-metropolitan Australia and authorised for publication.

Mr HARDGRAVE—Would it be relevant to make available a copy of Mr Holleran's speech?

CHAIR—We have just asked for that. He volunteered to give it and more particularly the data on which it is based.

[11.45 a.m.]

HYDEN, Ms Aldyth Christine, Chairman, Burdekin Development Council

CHAIR—Welcome, Ms Hyden. You realise the constraints of time. Could you give us the three or four key points you want to make to us and then we can break straight into questions.

Ms Hyden—Yes, Mr Chairman, and I will be able to keep it very brief. Our perspective is probably a reflection of everything you have been hearing in 256 submissions. Radio stations are getting bigger, they are losing local identity, and because of that communities are losing their profile and their self-concepts. You are aware that we had a radio station operating in the Burdekin for 53 years. It was the old 4AY. It was swallowed up and disappeared. We felt a very true loss within our community. Our citizens felt that loss. It was part of their infrastructure. It represented them as a community and gave them identity. So we struggled quietly to re-establish a radio station. We purchased a narrowcast licence. We have had no federal or state funding. It has been done purely out of the drive of a small community. As for the cost of building a radio station, I am sure they have more than made you aware of those issues. The local people have done that on their own. They staff it, they manage it all voluntarily and their passion for their radio station is a reflection, I believe, of what radio stands for in communities that you are dealing with. These radio stations are important to our regional communities—their personalities are important—and that is probably the issue you are dealing with face to face.

Our submission was based on the fact that, after a community is very proactive in doing something to help itself under current conditions, we believe there is a moral obligation on the part of government to make sure that those efforts are not lost in the process of big business. If you say to us, ‘You may have a narrowcast licence and you may work for a decade or five years and you may expend all of these funds to create a working entity that does fill gaps’, then we believe that should not be then thrown open for commercial operators to purchase back. We feel that very strongly. That is about as succinct a statement as I could make on our major issue.

CHAIR—Ms Hyden, you were saying that 4AY was swallowed up. It exists as what now?

Ms Hyden—It became 4AY in Townsville and now it is in the network that exists in Townsville. It became 4RR and it is a racing station.

CHAIR—So you lost your whole radio station, so to speak?

Ms Hyden—Yes.

CHAIR—Unlike Charters Towers, it still has a presence.

Ms Hyden—We get services very adequately from 4TO and—

CHAIR—But you do not have a transmitter that says, ‘This is the old 4AY’?

Ms Hyden—No.

CHAIR—Okay. And you have done a community narrowcast station?

Ms Hyden—Yes, we have.

CHAIR—Who has helped you fund that? Is it council or just the community?

Ms Hyden—The Burdekin Development Council funded the radio station.

CHAIR—That is the local development board, is it?

Ms Hyden—That is the local development board. They have done it solely on their own.

Mr St CLAIR—How much of that hourly five minutes do you have for selling advertising?

Ms Hyden—Because it is a narrowcast licence we do not work under a community licence. They are two different licences. They have two different sets of regulations. We do not have a five-minute, one-hour imposition within our licence.

CHAIR—You can sell anything?

Ms Hyden—We can, within reason.

Mr St CLAIR—How do you go with that?

Ms Hyden—We sell advertising to all of the local area. I think I should probably clarify that we only sell to the local area.

Mr St CLAIR—How big is that area?

Ms Hyden—That is the Burdekin shire. It reaches from Giru down to Yellow Gin Creek.

Mr St CLAIR—What is the rough distance?

Ms Hyden—It is 77 or 80 kilometres square. It goes 110 kilometres out from the Burdekin River. We deal only with local businesses. We deal only with local issues. We do not stand in competition to 4TO or the ABC on any issues at all. It deals with local development issues. The charter of the radio station is the promotion of the health and wellbeing of and tourism in the Burdekin shire itself. But our issue is generic. It applies to every regional radio station and community station in Australia. That is where I stand.

Mr St CLAIR—Is it profitable?

Ms Hyden—No, it is not. But we live in hope.

CHAIR—To what extent is it subsidised per year?

Ms Hyden—Currently, because we are working purely with volunteer services, with private donations and a private guarantor our expenditure to date ranges at approximately \$56,000. Our income, without going too far, has not met that. Our shortfall is quite large. The development council and private donations cover that.

Mr St CLAIR—How often does the radio station run?

Ms Hyden—We run 24 hours a day, seven days a week.

Mr St CLAIR—And you would be looking at advertising income of at least \$1,000 a week to pay for it?

Ms Hyden—That would be an optimum but, no, we do not have that.

Mr St CLAIR—But if you could get to that it would certainly—

Ms Hyden—If we could get to that, we could run our radio station on its current terms, yes.

Mr St CLAIR—How big is the population of the shire?

Ms Hyden—We have just under 20,000 people, mostly rural.

CHAIR—Does the narrowcast cover the whole population?

Ms Hyden—The narrowcast licence and the wattage we have been allowed does give us most of our shire. It does not reach to the outer edges of the western boundaries of the shire. So we have two communities that are excluded. The communities of Millaroo and Dalbeg do not come under our footprint, I am afraid, because we do not have the transmission power.

Mr St CLAIR—Is it well supported by the community in the sense of businesses?

Ms Hyden—It is a testament to the passion of the people to keep that radio station up and going. Without the support of the Burdekin community there is no chance at all it could have gotten as far as it has.

CHAIR—What is your music format?

Ms Hyden—Middle of the road—soft.

CHAIR—Music style?

Ms Hyden—General easy listening music is our format. And our volunteer announcers come in with their own particular personalities, so we have hour-long shows where they run specialist music.

CHAIR—How do you do the local news?

Ms Hyden—We have no network arrangements with anyone.

CHAIR—You do not buy in any news?

Ms Hyden—We buy nothing in.

CHAIR—Not even the national news?

Ms Hyden—No, we cannot. But we announce as we go. We have a very tight system in emergencies.

CHAIR—Do you have a local newspaper?

Ms Hyden—We have a local newspaper.

CHAIR—Has it been invited to put a news bulletin on?

Ms Hyden—I would use the word ‘begged’ repeatedly.

CHAIR—Okay. And who prepares your commercials for your advertising?

Ms Hyden—We were using a professional. Obviously, the upskilling process for all of these people has been enormous now. Our team is actually creating its own advertising but that —

CHAIR—You say that it costs \$56,000 a year to run this.

Ms Hyden—No, that is what it has cost to establish.

CHAIR—Have you paid off your debt on your basic equipment?

Ms Hyden—Not yet. They are issues of process and growth.

CHAIR—I just want to understand. I am not being critical.

Ms Hyden—No, no.

Mr MOSSFIELD—Are the local businesses that advertise with you satisfied with the results of their advertisements?

Ms Hyden—In the last 12 months, from the original contracts we wrote to our rewrite, we had a 75 per cent uptake without question. Of the 25 per cent that did not immediately uptake on new contracts, because we wrote 12-month contracts—and you would be aware of the financial difficulties in the Burdekin; we are being seriously challenged with viability of businesses and that is affecting a lot of decision making processes—only five of the original contracts have chosen not to renew. So I have as chairman accepted that as a vote of confidence in the actions of the team. Our concerns are the fact that we are not protected from all of this if you choose to make our licences go to public auction.

CHAIR—We have taken note of that point you make.

Mr MOSSFIELD—That is a good take-up rate under the circumstances, I would agree. Have you any indication at all of the percentage of people in the area who might listen to your radio station?

Ms Hyden—Our capacity to do a survey is limited, obviously. We have it playing in the street during business hours. We have just been reading our public by its response, and it is sound enough for us to be believing that it is certainly getting ownership by the general public.

Mr MOSSFIELD—There is just one thing that worried me, I suppose. Why does not the local newspaper take up your begging to produce a news service for the radio station? Do they see that as competition that might affect the sale of their paper?

Ms Hyden—That may be an issue. Also they have had a very large restructuring themselves and people can only tolerate so much extra. I believe that is also an issue.

Mr MOSSFIELD—It has probably reached saturation point maybe as far as news is concerned—local news.

Ms Hyden—Commercial decisions are commercial decisions.

CHAIR—What is your relationship to your emergency services people?

Ms Hyden—Very good.

CHAIR—Have you got a protocol to put in place in the event of an emergency?

Ms Hyden—Yes, and we have had a number of them since the radio station's inception. We applied for a grant to provide automatic linkage between our emergency service information through the shire council to the radio. We did not get that grant. Our current protocol is that when an emergency is declared we move into the radio station; it is manned 24 hours a day and the information is fed through the radio to the local people on a relay system and a phone system from the SES to ourselves. They have full access and can use that for their own coordinators should they choose to use the service as well. One of the major factors in the decision to develop the radio station as it is is its enormous value to the community in flood and cyclone periods.

CHAIR—Yes, I can imagine.

Mr St CLAIR—Is it part of your local emergency management plan?

Ms Hyden—Yes, and they work very closely with us. And we have equipped it so that no matter what emergency we are faced with, it can stay on air with its own generator and all of those facilities. Everything along those lines that we have had the capacity to implement, we have.

Mr St CLAIR—Excellent.

Mr HARDGRAVE—Are the twin cities of Ayr and Home Hill part of the Townsville radio market?

Ms Hyden—Very much so.

Mr HARDGRAVE—So in other words, everything that is heard in Townsville is heard down there?

Ms Hyden—Yes, plus.

Mr HARDGRAVE—So yours is actually a narrowcaster in the Townsville radio market.

Ms Hyden—Our footprint does not reach Townsville.

Mr HARDGRAVE—But you are within the market area, is what I am saying.

Ms Hyden—Yes.

Mr HARDGRAVE—So you are a broadcaster across the whole market.

Ms Hyden—Yes.

Mr HARDGRAVE—I would just like to put to you a comment by DMG in their submission just to see how you react to it, given all that you have told the committee. They said:

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.

That is from page 9 of the submission. Is that a reasonable reflection of what actually is going on? Is there more local news now on your competitors and more local information on your competitors than there was when you made the decision to try to fill the void?

Ms Hyden—All right. We did a survey of how many mechanics in a mechanics shop change over to the radio stations when they are working. Despite a lot of public opinion and public debate, which I do not think a little old lady from the Burdekin is probably equipped to make too many comments on, my personal opinion is that the ABC and 4TO provide very good services and they do try to meet the needs of their people within their capacities. They do try to reflect their regional areas, but they are obviously meeting a need of a very large centre against very small people. That is a demographic fact and commercial decisions are commercial decisions.

Mr HARDGRAVE—So it is a Burdekin versus Townsville thing. This is probably a traditional argument—sort of an Ayr versus Townsville—

Ms Hyden—See, I do not take it that way. I put on the 4TO stations. I know they voluntarily turn on 4TO stations. Our station is getting a very strong hold because it is a massively local issue and we only have local issues, so our people want to hear it. But I genuinely cannot be too critical under the conditions they work under.

Mr HARDGRAVE—So they are doing all right in that regard in the overall marketplace?

Ms Hyden—This is a very personal opinion—I am not speaking on behalf of anybody except myself.

Mr HARDGRAVE—I just asked you for your opinion.

Ms Hyden—No, I do not have any true arguments with the delivery of service, given they service Townsville. You cannot get away from the fact that Townsville is their market, Townsville is where they make most of their money and Townsville is where they will live and die as far as producing a service that is listened to.

Mr HARDGRAVE—But that has been like that for 20 years, probably.

Ms Hyden—That is exactly right.

Mr HARDGRAVE—Probably since 4AY was aiming for Townsville.

Ms Hyden—And there is absolutely no difference, be it Townsville or Shepparton in Victoria; the processes and the matrix are the same.

Mr HARDGRAVE—So the most on Ayr is on your station, Sweet FM and probably that is the case for the first time for probably 20 years, do you think?

Ms Hyden—Yes, but I am very prejudiced in that issue.

CHAIR—Ms Hyden, thank you very much for that. That was very good. I have just one more question. What do you do for your overnight program? Do you use the BBC?

Ms Hyden—No, we do not. We have our own generated program because we are using a computer program called Smart Sound. We have prerecorded programs that are logged in by the computer and the computer puts it to air for us.

CHAIR—Excellent. We got your message.

Ms Hyden—I am pleased to hear it.

CHAIR—We will take that into consideration, I assure you. I would like to thank you for your evidence today. I trust that if we need to come back to you for other information we can. I am sorry if we have rushed you a little but it was the nature of today's activities. We probably bit off more than we could chew today. Some of us had to leave at a quarter to 12 and the rest of

us have to be away by one. So I once again thank you for your evidence and we wish your radio station well in its endeavours.

Ms Hyden—Thank you very much, Mr Chairman. I appreciate the opportunity and I am very pleased to hear that you have heard the message. I have been talking to Senator Alston about it for a long time. Thank you.

CHAIR—On behalf of the committee, I would like to thank the management of this hotel for its cooperation. I also thank the various witnesses today. We have had two of the big power players today, and you can see that we still have a long way to go and a lot of evidence to take from them. I also thank those who gave us the two private submissions, which I think are very important. In their absence I apologise to 4KZ as we had to ask them to forgo their teleconference slot today, but we will do that teleconferencing now from Canberra.

Resolved (on motion by **Mr St Clair**):

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

Committee adjourned at 12.04 p.m.