



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT  
AND THE ARTS

**Reference: Adequacy of radio services in non-metropolitan Australia**

MONDAY, 28 MAY 2001

BRISBANE

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE ARTS**  
**Monday, 28 May 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 Hardgrave, Mr Jull, Ms Livermore, Mr McArthur and Mr Neville

**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 9.35 a.m.**

**CHAIR**—I declare open this public hearing of the inquiry into regional radio services and thank you all for your attendance. In declaring this open, I bring to your attention that this inquiry has generated a tremendous amount of interest in the community. We have received 285 written submissions and held public hearings in a wide range of cities, towns and small communities. We have been to Melbourne, Tamworth, Bathurst, Townsville, Longreach, Logan City, Darwin, Geraldton, Perth, Albany, Walpole, back to Canberra, back to Melbourne and, now, following our earlier hearings in Logan City, we have returned to Brisbane.

Everywhere we have been we have heard about the unique and important role that radio plays in people's lives. We have heard that for many people, especially in regional areas, it is their primary source of information and up-to-date news. In times of flood, bushfire, cyclone and other emergency situations it plays a critical role in relaying information to those affected by the crisis. For many in rural areas it is a constant companion in the background, at least for those who can get it. As one witness said, the great value of radio is its immediacy and its portability. We have learnt in our travels about the history of radio, particularly in the last 10 years, and about the impact of the BSA of 1992, technological developments and a range of other issues on regional radio.

Many areas clearly now receive a greater number of services than they did previously but we are not convinced that the greater number has always meant more diversity. We are also concerned that some areas experience severe reception difficulties or receive limited radio services, or, as we found in Western Australia, none at all. We have heard much from broadcasters about their efforts to provide services to regional areas and about the relationships between commercial viability and the ability to provide these services. We understand that providing for adequate radio services is a difficult balancing act for both regulators and broadcasters but we are concerned about the impact of networking and other developments on the adequacy and comprehensiveness of radio services in regional areas and, in particular, in relation to the quality of life in local areas.

In the final two days of hearings, the first of which is today, we have invited back a number of organisations that have appeared before us at earlier stages of the inquiry. In doing so we hope to start exploring solutions to the problems concerning radio services that clearly exist in some parts of regional and rural Australia. We are intent on finding ways of ensuring that regional listeners have access to a mix of local, national and international content that together make up locally relevant radio services.

I welcome here today all witnesses, members in the public gallery and the ladies and gentlemen of the media. Before we start, may I introduce my colleagues. On my right is Mr Gary Hardgrave, the Liberal member for Moreton in Brisbane. My name is Paul Neville and I am the member for Hinkler in Central Queensland, based on Bundaberg and Gladstone. On my immediate left is Jan Holmes who is the secretary for this inquiry. On her left is Kirsten Livermore who is the ALP member for Capricornia, based on Rockhampton in central Queensland. On her left is Stewart McArthur, the Liberal member for Corangamite in Victoria. We will be joined later by Mr David Jull, the Liberal member for Fadden. Mr Hardgrave will be leaving us briefly to attend to a local function but returning before lunch. Thank you all, once again, for attending.

[9.41 a.m.]

**HOWARD, Ms Susan, Director, Radio, Australian Broadcasting Corporation**

**KNOWLES, Mr Colin, Director, Technology and Distribution, Australian Broadcasting Corporation**

**SHIER, Mr Jonathan Fraser, Managing Director, Australian Broadcasting Corporation**

**CHAIR**—I welcome the witnesses from the ABC. Mr Shier, I presume you will lead. Would you give us an overview of where the corporation stands now in regard to its earlier evidence, what you have deduced from the transcripts that you and your colleagues would have read thus far and where you see the ABC going in general terms, perhaps in particular as a result of the recent budget.

**Mr Shier**—Certainly. Firstly, we at the Australian Broadcasting Corporation welcome the opportunity to provide evidence today to the Standing Committee on Communication, Transport and the Arts. My opening statement will be relatively brief because you have had a detailed submission. My colleagues will address particular issues but I would like to make a number of points at this early stage. I think the first thing to emphasise is that the ABC's role is to provide an innovative and comprehensive broadcasting service to all Australians, and by definition that means we should provide a service to those in regional and rural Australia that is of the same quality and, hopefully, of the same choice, as is available elsewhere in the country. The ABC is particularly committed to regional and rural Australia and I think it is fair to say that there is almost an inverse relationship between the reduction of services in regional and rural Australia and the need for the ABC to provide a more robust service—the more people feel alienated or remote, the more they need to be communicated with and feel part of a wider entity. The ABC provides a vehicle for discussion and debate and it provides an opportunity for regional and local people to talk to one another and for their views to be represented to the nation as a whole.

I have stated publicly that I want the ABC to be more decentralised than it has been previously, both in terms of its activities and in terms of its staff, to remove what I have described as the 'Sydney broadcasting corporation culture.' I see this as a national imperative. It is not inexpensive, and it is for those reasons that the commercial broadcasters perhaps do not have a predisposition to provide services in these regions, but the national broadcaster sees it as a responsibility to do so. We welcome the news in the most recent budget to provide \$17.8 million for additional programming on radio, television and new media. Our submission indicated that the majority of this would be made available to regional and rural Australia and that is our intention. I would emphasise that it is some 16 years since the corporation received money over and above our base funding to spend on content in this way.

The priority areas that we indicated were to provide better programming in relation to children and families, business and economy, education and regional and rural programming, and, of course, they are not mutually exclusive. Regional and rural families are as concerned about the economy, families, children and education as anybody else. Soon we will be announcing a number of new projects that we will be investing in in the near future.

These will include two weekly radio programs that will travel Australia reflecting the views of people in regional and rural Australia to the rest of the country—one week we may be in Townsville, the next week in Kalgoorlie. One will be an extension of an existing program and one will be an entirely new program. Although it is not relevant to this inquiry, I might add at this point that we will also be having a weekly television program which would achieve the same objective. This will mean that in any given year approximately 80 locations across Australia will have been able to represent their view to the nation.

We also intend to increase local radio output and to reduce syndication. We believe we want to extend the content of regional and rural Australia to all Australians. This will involve the employment of additional staff. The final numbers have to be resolved once we have looked at the utilisation of the funds but I would expect it would be a number between 30 and 50 people. The director of radio is currently doing an examination of all stations to establish the best utilisation of the funds, having regard to the available money. I think this will provide a better service in relation to the *Backyard* site, which we currently do online, and continue the excellent work we do in emergency broadcasts. We also intend to spend money on research to establish that the programming that we are delivering in regional and rural Australia is, in fact, that which the people want.

We have also made it our ambition to establish one entirely new regional radio station which will be a state-of-the-art digital station and will demonstrate how services can be provided in radio locally. The location of that station is currently being discussed. There has been considerable discussion in relation to reception and we emphasise the point that the only restraint on us in reception is the limit on funds. Where money has been made available for reception, it has been welcomed. Our estimate is that some \$14 million is required to remove most of the problem areas in relation to transmission. We would hope that areas such as Western Australia could be addressed in a political context in the near future. My colleagues welcome your interest in the services provided by the ABC in regional rural Australia and we are happy to answer any questions.

**CHAIR**—Ms Howard, Mr Knowles, do you want add anything before we commence questioning?

**Mr Knowles**—No.

**Ms Howard**—No.

**CHAIR**—Thanks, Mr Shier. I do not think you used the word ‘networking’ but your inference was that you would be moving to more on-the-spot broadcasting. Is that because of the pressure of this inquiry or is that a conscious decision the ABC was working towards prior to that?

**Mr Shier**—It is partly the generosity of the last budget because, realistically, if we had not had that additional funding we would not be in a position to do it. Whether it was our own submission to government which resulted in that funding or whether it was your good work around this table, I do not know, but that funding has certainly helped.

**CHAIR**—Do we take it from that then that you would consider direct local broadcasting more desirable in regional stations than networking?

**Mr Shier**—Absolutely, no question.

**CHAIR**—Why is that? I would be interested for you to restate it because we have heard a lot of spins from a lot of people, from the extreme end of networking to the small stations privately owned and a range of ABC and community stations in between. We would be interested to hear a restatement of why you think it is more important.

**Mr Shier**—My director of radio might like to comment, but let me make a number of comments first. My gut reaction would be that good radio is radio which when received by the listener is not perceived as not for them. If it is networked but it is relevant and it is networked and it is pertinent then I do not think it matters that it was not generated 10 miles down the road. What clearly grates is where, for example, you are receiving reports on road traffic in Sydney and you are in a regional part of New South Wales. So for me it is not so much the technology and it is not so much the mechanism, whether it is being syndicated, but how relevant it is to local communities. That is a question of balance and my judgment has been that too often we have sided on the road of centralisation, either because of budget constraints or because of philosophy. I think there is certainly a need to address the philosophy and, hopefully, we can address the budget.

**Ms Howard**—I would add that I think it is also crucial not just that local communities are served but that local communities have the option to hear their own voices. I think that is one of the things that fundamentally underlines the philosophy of the ABC's regional radio services.

**CHAIR**—Mr Knowles, with your ABC stations, and we will use Queensland as an example, you have the local programs every morning—certainly Monday to Friday and most stations on Saturdays—and then you have networked programs. Is there the ability now within the ABC to slot into individual stations' content simultaneously? For example, what you might slot into Bundaberg could be different from what you might slot into Rockhampton or Mackay or Townsville.

**Mr Knowles**—Yes, there is some capacity to do that and it is something that we are currently working on and adding into. However, of course, my colleague on the right needs to generate that content in order for it to be available to put in. The traditional method, which we are finding amongst many of the commercial stations that are networking, is to just contain limited interstitial material, such as weather reports and other things, which allow them to give it a local feel as distinct from actually being truly local. So it really comes down to, yes, the technology can be there. We are progressively adding technology that allows us some capacity to do that.

**CHAIR**—But overall the ABC is committed to doing it locally wherever possible?

**Mr Knowles**—Yes.

**Mr McARTHUR**—The key issue of the local announcer having a feel for the local community, whatever that might be; how much emphasis do you put on that aspect of your local ABC station?



**Ms Howard**—If you go back to the last time we appeared before this inquiry, our answer would still be the same: local equals local. We would prefer, where we can and where we can afford it, to have local voices in local communities.

**Mr McARTHUR**—Do you think the ABC provides a better local voice than some of the commercial stations that are hubbed out of metropolitan areas?

**Ms Howard**—The ABC has the opportunity to be on the spot, which is a very important thing. I think that is one of the strengths of regional radio.

**Mr McARTHUR**—What do you mean by ‘on the spot’?

**Ms Howard**—We have people in 48 places around Australia and that is a very strong thing.

**Mr McARTHUR**—So you put an emphasis on them living in the community and knowing the local -

**Ms Howard**—Knowing that community, that is correct.

**Mr McARTHUR**—Knowing the local road conditions, knowing the local people and having a feel for some of the local issues. Would you claim you would be better than some of the commercial stations who do not have that local feel for the community?

**Ms Howard**—I am not claiming anything of the kind. I just believe that it is important that we are there.

**Mr Shier**—It is for others to make that judgment. We obviously believe that -

**Mr McARTHUR**—But this is a crucial argument that we are looking at. If you are saying that you have good local content then you need to demonstrate that. You have a good signal and you have local content and you are saying you have local voices who are known to local people; is that what your claim is?

**Ms Howard**—Yes. Most of the time we have good signals—obviously there are some places where we would like better signals but that is not necessarily something we can control. But it is important that we have local voices in communities who know their community and know the issues in that community and can give a voice to them. I think that is part of what we believe is important.

**Mr McARTHUR**—Do you have the drivetime-type program, the 7 till 9 a.m.? Do you regard that as an important aspect of regional Australia?

**Ms Howard**—Yes. In fact, I think we would be local almost everywhere around the country at 7 a.m.

**Mr McARTHUR**—Seven until when?

**Ms Howard**—It varies from state to state. There are different models in some different states—sometimes it would be until 10 a.m., sometimes until 11 a.m. It depends -

**Mr McARTHUR**—So as a broad brush you would get it at least from 7 until 9 a.m.?

**Ms Howard**—That would be the ideal, yes.

**Mr McARTHUR**—What about the evening or lunchtime?

**Ms Howard**—Lunchtime, of course, there is always the *Country Hour*, and I hope there always will be a *Country Hour*.

**Mr McARTHUR**—How local is that, do you think? Do you think that most regional listeners relate to the *Country Hour*?

**Ms Howard**—Well, it is obviously designed to a large extent for a primary industry related audience but I certainly know that, anecdotally, an awful lot of people who are not necessarily farmers or involved in primary industry also listen to the *Country Hour* and there are rural reporters in most regional stations in the country.

**Mr McARTHUR**—So do you regard this as a pretty important program?

**Ms Howard**—Yes, I do.

**CHAIR**—Even for western Victorian wool growers?

**Ms LIVERMORE**—Following on from that question, Ms Howard, would you think that localism—if you want to use the term which has been used throughout the inquiry—should be defined by a combination of not just analysing the programming content but also the relationship of the studio and its personnel to its community?

**Ms Howard**—Absolutely. I think the relationship between staff and community is crucial, I really do.

**Ms LIVERMORE**—So even though at 3 o'clock in the afternoon the Rockhampton listeners are getting a program from Brisbane, you still have ABC staff out and about checking out what is -

**Ms Howard**—Yes, Ross Quinn will be out and about.

**Ms LIVERMORE**—He is always out there.

**Ms Howard**— I get a lot of emails from Ross Quinn; he is very active.

**Ms LIVERMORE**—We are lucky to have him.

**Ms Howard**—Yes, I think so too.

**Ms LIVERMORE**—So even though the programming content at that time is not local, strictly defined -

**Ms Howard**—Yes, not strictly.

**Ms LIVERMORE**—You have networks going out into the community from your station.

**Ms Howard**—That is correct.

**Mr HARDGRAVE**—I must say that, having gone to a couple of regional areas in various parts of Australia in the last couple of months on this inquiry, the ABC local staff seem to be almost like local heroes and so many of the things would not occur if there had not been an ABC staff member there so I can only encourage there to be more like Ross Quinn and all these others all around the place. Do you think the ABC has an advantage over the local commercial radio stations—the supposedly local stations—in that it is the national broadcaster and any advance towards local content is not expected so when it happens it excites people a bit more?

**Mr Shier**—I think the important thing is that we do what we do. We have a mission as to the type of programming we will deliver and we want to do that locally to the extent that that generates a competition which the commercials then embrace because they think they should be more local or they should compete. I think that is the desire. But we do not operate in the environment of trying to influence them; we try and do what we do well, and I would suggest that the listening figures suggest that what we do regionally is even more appreciated than what we do in a more commercial metropolitan environment.

**Mr HARDGRAVE**—But I would have thought it is a heck of a resource having people in 48 locations to feed back into national programming content that virtually no-one else could get.

**Mr Shier**—Well, perhaps we should just agree to disagree. I actually think that those people in those stations will be extremely valuable. I would like to emphasise that in our submission we indicated that we want to increase the number of people. I do not see it as necessarily being one person in every station. In some cases we might need two people, in other cases one and in some cases maybe we are sufficiently resourced. As I have indicated, in one particular case we believe that we need to establish a full-blown radio station there. So it is not just allocating people out across 48 stations; it is actually looking at what service needs to be provided.

**Mr HARDGRAVE**—With regard to this roadshow concept, where you are going to be in Townsville one minute and Kalgoorlie the following week, is this going to be a Sydney-based crew who are going to slum it in the regions or are you going to use the local staff?

**Mr Shier**—I see it being state-based, exactly the same as the television. Mr Knowles can speak to this, but one of the key things we did in our submission in relation to digital was argue strongly for outside broadcast vans in television so that we could actually do things by state—the Queensland crew would be doing Townsville and the Western Australian crew would do Kalgoorlie the following week.

**Mr HARDGRAVE**—You have mentioned Kalgoorlie and that is almost like saying Coolgardie if you say it quickly. The wheat belt region, the south-west region of Western

Australia, Meekatharra, Katherine, Elliott, Muswellbrook, Apollo Bay, Stawell, Mornington Peninsula, Dover, King Island, Myalla, Hope Valley, Cook Shire, Mareeba, Cooma, Crookwell, Tumut Shire, Nyngan and Bogan shires are all black spot difficulties reception wise. In fact, in parts of Western Australia they cannot even hear ABC on short wave any more because the ABC took a decision to axe that—apparently because the neighbours might have been upset about the strength of the short wave transmitter, but I do not know. What are you doing to address that? It is great to have all these extra initiatives but if some people cannot even hear an ABC signal then certainly that must be a priority.

**Mr Shier**—I think there are a couple of points to make. Firstly, I guess it is known to the committee that I am not exactly happy with the amount of funding that is available to the corporation at the moment and, therefore, in most cases the responsibility of the directors is to allocate that money most efficiently. It is fair to say it takes quite a large amount of money to add a small number of people who can hear our service and in many cases the question must be raised: can that money be better spent on programming for the vast number of people who can receive us? I would call it the \$14 million question: \$14 million could solve that. I do not have \$14 million but -

**Mr HARDGRAVE**—You were just given \$17 million last week.

**Mr Shier**—That will go into content. All I am saying is that we would like to solve it. There is no-one at the ABC who does not want to solve that.

**CHAIR**—What would \$14 million provide?

**Mr Shier**—I will let Mr Knowles answer. As I understand it that figure would basically cover that black spot situation to a coverage of what, Mr Knowles?

**Mr Knowles**—It is \$14 million per annum that would be necessary to provide the transmission to cover communities of around a thousand and to give something like a 99 per cent coverage of the services, and that would still vary to some degree across the services. The ABC is not totally unfettered in what it can do, even given money, because it depends on the ABA allocating it channels. There are quite a number of locations, such as Geelong and so forth, where no channels are available for allocation to us—in fact, we have made submissions on a number of locations where we have been unsuccessful in getting channels -

**Mr HARDGRAVE**—Where are they going? What are they doing with these channels?

**Mr Knowles**—The ABA has to assign a scarce number of channels to a range of services. It has competing demands from community groups, new commercial services, the national services and the like and it makes its judgments based on what its criteria are for looking at each of those markets. We make submissions to it the same as everybody else does. It is a chicken and egg problem: if we are successful in securing frequency we then need to secure government funding to fund the transmissions.

**Mr HARDGRAVE**—Just going back to the ABA, you are telling me the ABA is not giving people access to the ABC—which I think is a basic tenet of the Australian way of life, being

able to hear the ABC, as a basic starting point, for radio services. Are there parts of Australia not getting it because the ABA will not allocate spectrum to the basic servers?

**Mr Knowles**—I think you need to draw a line to a couple of points. There are congested areas of spectrum, such as around Melbourne and the like, which makes it difficult to produce more local services, because a lot of the demand is about local services. In more remote locations of Australia, it comes down to a factor of cost. We have a satellite service which provides a direct service to everyone in Australia at a state-based level for both radio and TV. That clearly does not solve the problem of the man on the tractor or the person driving down the road. In the past, the ABC has worked through a number, and back when the government was funding it directly the number was to try to target locations where it was not going to cost more than about \$250 to \$500 per head to provide the service. Some of the services, of course, do not get into there because they are more recent, but local radio at the moment is sitting at about the 99 per cent figure. That varies a bit—Northern Territory is a bit more deficient. When we come back to some of the other services, like news radio for example, it is only about 70-odd per cent. It really comes down to allocating those funds in a way which does the best. At the moment a number of those locations you indicate are actually sub-5,000 populations. We still have a number of more than 10,000 populations which still have deficiencies in radio and we are doing our best to solve those.

**Mr HARDGRAVE**—So you would support the notion put to us in some places that the television black spot funding approach should perhaps extend to radio as well?

**Mr Knowles**—That is true. The government has done some of that in relation to the northern cyclone belt funding in that it has provided a \$50,000 grant, which is the same as the black spot funding, to rebroadcast state programs which we are making available on satellite, basically as a community-funded exercise. So it is a very common parallel.

**Mr HARDGRAVE**—Apart from the bloke on the tractor, the other problem with the satellite is that somebody on a homestead who has to start a generator to cook dinner at night is not going to start a generator to have the radio running all day. With regard to Walpole—

**Mr Shier**—Mr Hardgrave, can I just make a point. When we are trying to move into a situation where the entire nation ultimately will be tied up by broadband, it strikes me as a very first step to agree the entire nation should at least be connected by wireless. So I would not argue that we need to get into black spot funding; I would simply think it is a national priority.

**Mr HARDGRAVE**—Fair enough. Let us look at the Walpole situation. This is a town an hour or so west of Albany, and not more than about five hours drive from Perth. It is not really remote by lines on the map but it is not receiving even the ABC with any great success. It struck us as fairly extraordinary. What can be done to help them there?

**Mr Knowles**—It is certainly not unique, there are many towns in Victoria in exactly the same situation. It is a matter of geography—the transmitters we have there cover as large an area as we can cover. A lot of it is historical. As you might recall, the ABC inherited its current transmission network from the government and funding has always been something the government has taken directly. Extensions of that service also require additional funding and our estimates are that to address most of these locations we need—

**CHAIR**—We found Walpole a bit strange for a number of reasons. As Mr Hardgrave said, it is on the tourist route and the fact that there is already a tower being put up at government expense for mobile telephony meant it seemed to be a relatively inexpensive job to give that a series of ABC services.

**Mr Knowles**—To start with, putting a radio station on top of a mobile telephone tower probably destroys the purpose of the telephone tower because the levels of signal that we generate are that much higher than those of the phones and, as a consequence, we would desensitise that site for the purpose of broadcast. Mobile phone companies do not particularly like it unless they can get quite a substantial separation. It may be a feasible option but, once again, it is the ongoing cost not the capital cost that creates most of the problem. There is the cost of electricity, the cost of running it and so forth, and if it is local there is also the cost of trying to get a signal into there which is actually local.

**Mr HARDGRAVE**—Would one way be to tweak the Albany transmission site, either tweak up the power of it or tweak it slightly to the west?

**Mr Knowles**—I do not think either of those are practical options.

**Mr HARDGRAVE**—What about the Meekatharra circumstance? We had a very well-intentioned witness suggest that Meekatharra would be the best location for a 50-kilowatt ABC transmitter so services into the mid-western region would have absolutely no doubt. Is this sort of high-powered transmitter option viable?

**CHAIR**—If I could just add to that, the one thing that we all came away with was a sense that Western Australia does not enjoy the same quality of radio services as the rest of Australia. Mr Hardgrave touched on a seminal point, that some of these things were brought on by some inadequacies of the commercial networks, but I think there was a general view that the mid-west region—I think that is what it is called—of Western Australia was very badly served, both by commercial and ABC.

**Mr HARDGRAVE**—Although the irony is that the ABC people in Perth are, as I am sure Ms Howard would know, very parochial and demanding in their needs for localism. I thought it was quite a good model actually, what the ABC were doing there, or what they would like to do but are held back by technical restrictions.

**Mr Knowles**—Coming to your Meekatharra question, 50-kilowatt services are no longer permitted as an option. The only 50-kilowatt services in Australia are the very longstanding ones which were started when radio started basically.

**Mr HARDGRAVE**—Who is no longer permitting that?

**Mr Knowles**—It is an international agreement because of interference into other countries. It is possible that such an arrangement might be negotiated but a regional radio conference which would be necessary to achieve that—that is at an ITU world level—has not been held since about 1977. No country actually wants to hold one because they risk having to give up what they currently have as part of that package. So 50-kilowatts is not an option for us. There are countries around which run much larger stations than that but, once again, you get this cost-

benefit equation in the same way as the short-wave options which people have discussed from time to time. We have an HF shower service operating in Northern Territory which provides some sort of a gap to that.

On the other hand, while short wave does provide an option of sorts, the average Australian driving in their normal Ford or Holden does not have a short-wave radio receiver on board and so it does not necessarily solve the problem of those—people in 4-wheel drives carry short-wave receivers and transmitters and have ready access. So it is one of those vexing questions as to how you address these particular problems. We keep searching for answers and at the same time we search for ones which provide a solution which we can afford to buy.

**Mr HARDGRAVE**—Rather than hanging our hat on the 50-kilowatt thing, what is the biggest transmission option?

**Mr Knowles**—It is 10 kilowatts.

**Mr HARDGRAVE**—That is the ITU convention, is it?

**Mr Knowles**—That is the limit to which Australia is a signatory.

**Mr HARDGRAVE**—How many 50-kilowatt transmitters do we have in Australia?

**Mr Knowles**—The only ones are the major capital city stations in Brisbane, Sydney, Melbourne and Perth of the ABC.

**Ms Howard**—And also Horsham.

**Mr Knowles**—Yes, and Horsham.

**Mr HARDGRAVE**—Mr Shier, can I just ask a question on another front. In our recommendations regarding the radio racing inquiry we made a point about the ABC needing, as required under its charter, to consult more openly and comprehensively with its audience. I have kept talking and others have kept talking about the BBC model of public consultations. Has there been some progress or is there any likelihood the ABC might be interested in that kind of stream and following that example?

**Mr Shier**—I made clear that we are interested in it, and not, of course, restricted to radio but in terms of the entire ABC services to a given region. We will be having public meetings but we have not yet scheduled.

**Mr HARDGRAVE**—So we may see you on the road with fellow directors basically taking it as it comes from the public?

**Mr Shier**—Yes. I think that what is perhaps equally important though is that we are recognised for being on the road, as we are already, and that some of the programs we put out and some of the issues that people may want to raise in relation to the ABC will be seen as normal programming. I welcome the interest of the committee but the fact is that I would be

disappointed if we were broadcasting programs weekly from the regions and that some of these issues were not the very issues that people raised. I think communication is key to most people and I would be surprised if we went to 80 locations around regional rural Australia or parts of Australia and this was not regularly on the agenda.

**Mr HARDGRAVE**—Are we likely to see a ‘statement of promises to listeners and viewers’ type concept?

**Mr Shier**—Yes, you will see something similar.

**CHAIR**—I do not want to be unduly critical, but we all got the feeling in Geraldton that until we got there there were not a lot of people listening. If it is not practical for the ABC board to meet more extensively, what are the possibilities of your national advisory committee being given an upgraded role to do that sort of networking and sourcing of public feeling on an ongoing basis, rather than just from a central point sending them out into the regions?

**Mr Shier**—If the sentiment I pick up is that people think we are not listening then I think we have made a number of steps forward to make sure that that is not the case. As you probably know, soon after being appointed I upgraded all the state directors to a position where they report directly to me from every state. The Queensland director is here today. Their responsibility is basically to make sure that the people in that state, however the services are delivered from the ABC, are adequate and that they listen and that they travel the state, and I know that those state directors travel the state considerably. I have been to Western Australia seven times myself, I think, since being appointed which at least indicates that we are all trying to get around. I would be concerned if there was a feeling we were not listening.

**CHAIR**—I do not think the suggestion is that you do not go there and that you are not responsive when you are there but that there is not a comprehensive program of assessment. We picked up a lot of things in Geraldton that we thought should have been pretty obvious both to the commercials and the ABC. For example, one thing was that there had been an AM and an FM station and apparently when the second station, the section 39 licence, was issued it was not taken up by then AM commercial station and it faced a hot rock type competition from its new FM competitor. It then went to FM itself. Both stations ended up proving unsuccessful but in the meantime by cutting off the AM transmitter they ceased to have their penetration into the hinterland of Geraldton.

It was in the context of examining that that the matter of Meekatharra and a need for some more comprehensive ABC service in that hinterland area came up, and it is exacerbated by the fact that the short-wave transmitter was turned off. It was to be turned off as a trial. The community challenges very much the number of people who were consulted—I think there was a figure of 250 mentioned—and they felt that the method of sourcing that information at the time was not comprehensive and they ended up without their short-wave service as a result of that. So what we were coming to was that when we had the radio racing inquiry, prior to your appointment, one of the things that came up was that turning off of the ABC racing service was never tested against your own national advisory committee.

My earlier statement was not one of criticism so much as that you have a great network and you have a great rapport with the public at certain levels. Is there not a need for some

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comprehensive interaction, perhaps along the lines of the BBC model, where the public can talk to you about the nature of services, not the day to day running of your stations but what a particular area might like? For example, another thing we seemed to find in Western Australia, and Mr Knowles can correct me if I am wrong, was that the second service delivered to most of these country areas that previously only had ABC regional radio was Radio National. I found that a bit strange from an entertainment point of view. I think the figure for Radio National is, what, about 1.8 per cent of the population?

**Ms Howard**—In regional Australia it is 2.2 per cent. It is actually higher than in metropolitan areas.

**Mr Shier**—Just so we are clear what we are talking about, that is not the percentage of the population that listens to Radio National, that is the share that Radio National gets. The number of people who listen to Radio National would be in excess of 20 per cent.

**CHAIR**—Can you say that again?

**Mr Shier**—I do not have the precise figures with me, but the number of people who listen to Radio National is in excess of 20 per cent—cumulative ABC reach was 33.8 per cent, I think, the last time I looked.

**CHAIR**—The purpose of the question was: as various things bed down, do you have in mind to do a bit more comprehensive ongoing connecting with the community on its broader outlook on ABC services?

**Mr Shier**—I am listening and I am hearing the point. I think we are probably talking about the formalisation of a procedure because, going by the way people now use our email service to contact us, the way people write to us, the way people speak to us regularly on our programs, the way that our own staff now talk to us and the fact that we get them together now to listen to them, I would have thought the feedback is pretty substantial. I hear what you are saying, that you would like it to be more formalised, and we are currently looking at a way of doing that to demonstrate that we will engage in a more formal way.

**CHAIR**—For example, we did not pick these things up from written submissions; we had to get into Geraldton and that area to get the nuances from the interaction of a community group drawn from all of that mid-west region.

**Mr McARTHUR**—Can I go back to the fundamental issue that your ABC budget is in the range of \$550-600 million from taxpayers' dollars, which are scarce dollars. The evidence that we have heard from the commercial broadcasters is that to keep their advertising revenues and keep the stations viable they have to hub and network. In the longer run, how can you substantiate having 48 regional stations when the commercial stations are using newer technology and reducing people?

**Mr Shier**—If it is your view, Mr McArthur, that the commercial radio stations are providing adequate service to people in regional-rural Australia then I think I have something to answer, but I would argue that that is not the case.

**Mr McARTHUR**—That they are not?

**Mr Shier**—I would argue that we provide a different service, a more robust service, a more local service and a more appreciated service.

**Mr McARTHUR**—Let us have a look at the argument, though. The fundamental argument is whether in the longer run the ABC can justify spending these dollars in regional Australia over 48 stations—I think somebody mentioned that figure—compared to the commercial stations who use new technology to send the signal out.

**Mr Shier**—If I may suggest, that is the second question. The first question is: can the country afford to fund the national broadcaster sufficiently to provide these services? If the country decides that the ABC is worthy of additional funding, it is the responsibility of the management to use that money most efficiently. My view is that we are doing that. But I have to tell you that we are currently doing next year's annual budget and I have no easy choices. The only things that are on my table are good ideas, well considered and brought forward by executives who want to achieve them, but the money is not there to do all of them so it is a case of allocating priorities.

I have made it clear since I came in that decentralisation and increased service in regional and rural Australia will go up the agenda. That means I have a different view to some of my predecessors, but whether I am right or wrong time will tell because that will affect other parts of the corporation. There is only a finite pie and improving any part of that in how the ABC delivers those services will, by definition, affect how we deliver other services.

**Mr McARTHUR**—If you take your ratings in rural Australia, if you have any recognition of the commercial broadcasters who put submissions to us across the board that there are lesser numbers of listeners out in regional and rural Australia and that the ABC as a corporate entity might have difficulty over time in arguing the case that they can service a lesser number of regional listeners. How would you argue that case?

**Mr Shier**—I use the words 'inverse relationship'. I think this is not dissimilar to an argument that has been adopted by a number of other Australian institutions, such as banks, and I think the issue you have to decide is: is there a point where you eventually say that it is not purely an economic decision? If regional and rural Australia is losing services, I am making it clear that while I am managing director I do not want the ABC to be added to that list. My view is that in fact it works exactly the opposite way: as other institutions and organisations reduce their services to regional and rural Australia the responsibility is on the ABC to make those people not feel neglected and to make them feel part of a greater whole.

With respect, the debate should be about how we connect the whole of Australia in a modern technology using broadband; it should not be whether we manage to get a radio service to a relatively underpopulated part of south-west Western Australia. I think it is a sad comment on where we are that this is the level of the debate. The ABC will do its best to raise the debate but with the amount of funds that we have we cannot do the broadbanding of Australia, let alone creating radio stations wherever there may happen at the moment to be black spots.

**CHAIR**—Could I just give you a bit of a feel for why we went to Walpole. In every inquiry these committees are accused at times of being capital city or Canberracentric. We have endeavoured in all our inquiries—and, as you know, we do transport as well as communications—be it roads or the ABC sporting service or whatever it might be, to include some area that is indicative of small communities that miss out. It was not to go to Walpole -

**Mr Shier**—I understand that.

**CHAIR**—It was not just a flash in the pan.

**Mr Shier**—But it has a resonance, Chairman, because I drove through there the other day. So I understand the issue.

**CHAIR**—I think members of this committee have also been very supportive of the government's view of creating television black spots. There were 250 areas of Australia that just did not have television, and some of those areas Ms Livermore and myself represent, and it has been long awaited. That we have gone on 40 years without some people receiving either ABC or commercial television I think is outrageous. So these things were not thrown up as just some way to bait or barb the ABC and the commercials. Walpole was put in there because we had one of the best submissions from that area and we felt it might be indicative of a lot of towns that cannot get ABC transmission. The purpose of the earlier question to Mr Knowles was: might it not be the view of this committee—having heard all the evidence, and to take some of the pressure off the ABC and the commercials—that where there are genuine black spots we have some system, akin to the television black spots program—not just this one-off model in north Queensland but a more general state—where we source out 25 or 50, or whatever, areas that have reasonable populations that are not getting ABC or commercial services to have some sort of program? That was the purpose of our earlier question. We wanted to hear your views. We certainly are not here to barb and bait you on Walpole, other than to use it as an example.

**Mr McARTHUR**—Can I just say that I am encouraged by your view on regional and rural. I still suggest that the pressures of urban Australia will be considerable over time. I appreciate your comment on the banks and other rural institutions, but certainly the evidence we have is that the commercial stations are going in an opposite direction to what your stated philosophy is.

**Mr Shier**—And that is only reasonable. I am not finding criticism with the commercial stations; they have businesses to run and they have shareholders to deliver to. My point is that that is one of the *raison d'être*s for the ABC—we have a different agenda and we start from a different premise. To the extent that we can be complementary, that is highly desirable, and to the extent that the vitality of the commercial sector can make us address how we do things even better, then so be it. But we are talking about going into the 21st century, into a technological communication age, and we are dealing with issues—and I welcome it, do not misunderstand me; I am very glad the committee exists and I look forward to reading its report—that could have been addressed in 1975.

**Mr McARTHUR**—I am encouraged by your comment that, to use your words, you are changing the Sydney culture of the ABC and that you are going to consider taking into account

the far-flung regions who, hopefully, will maintain their regional radio stations, even at some cost to the budget.

**Mr Shier**—Obviously, I am often met with the response that decentralising the ABC is a less efficient and more expensive way of running the corporation. It is, in my view though, the only way to do it. Without holding up the committee, at the beginning of the last century it was decided that communication should be a federal matter, not a state matter, and in that situation the centre of power in influencing communications moved to the east coast. I suspect that if there was a Western Australian Broadcasting Corporation, we would not be having quite the same discussion in relation to the adequacy of services in Western Australia. The fact is that if you move the centre of gravity to places like Sydney and if, because of budget shortfalls, you find it is more efficient to produce content and programming in places like Sydney, then there is a risk that the more outlying parts of the nation will suffer. That is not an Australian phenomenon; it is true of any large nation on earth that has regions remote from the centre of decision making. I see my responsibility as delivering service to all Australians and I think that it is even more important to deliver service to Australians who otherwise would feel that they are not plugged into the system as a whole.

**Mr McARTHUR**—But within the budget context, do you genuinely feel you can continue to deliver service from the ABC to rural Australia, given the budget restraints that we hear a lot about from a number of sources?

**Mr Shier**—My apologies for the vocal nature of my comments in relation to funding. At the risk of repetition, I do think that if a small country like Britain can spend 12 times as much as we do on our public broadcaster, we have to understand that we have a bigger problem, because of geography, we have a larger task because of geography, and therefore those discrepancies of investment must be questioned. We must not be daunted by the task, but I do think there is a need to reallocate those resources, and that is a painful decision. In a way there has been a trend away from investing in radio—I think the director on my right has made a huge effort with her budgets—and I am determined to put some more money back into radio. At the same time I would point out that we are putting money into new media—we now get 10 million hits a week online and I would like to think that people in regional and rural Australia are using that service more and more, as they clearly are. So we have a large task. What we cannot do is go back to a Sydney bunker and ignore the rest of Australia.

**Ms LIVERMORE**—In the research that you do of your audiences, you mentioned that you will be embarking on a comprehensive study into what regional and rural audiences want; how do you measure what audiences want and their satisfaction with your service?

**Mr Shier**—I will hand over to my director of radio, but can I say there are two things. Firstly, there are large parts of Australia—not necessarily in numbers of people but parts of the nation—that are not actually recorded in listening terms because I think it is fair to say the commercial broadcasters are happy to extrapolate the metropolitan data and sell on that basis. I would obviously argue that is probably not unaffected by the fact that our listening figures are probably greater the more remote you get and therefore the metropolitan figures are probably more generous to the commercial broadcasters than they would be otherwise. They have no incentive as a business—and I do not blame them—to research those more remote regions. We

would like to spend the money on research but we obviously always get the cry in-house that we should just be putting it into the programs. So it is a question of balance there.

The director has made it clear she wants better research and we are going to earmark some of the money that we have recently received to make sure that we are delivering the sort of programming that we—and I include myself, as I happen to have the burden of living in Sydney—assume is wanted when it may in fact not be what is wanted.

**Ms LIVERMORE**—So this question might be a bit premature. What I am trying to work out is whether you pick up that regional or rural audiences want something qualitatively different from your metropolitan audiences from their ABC radio.

**Ms Howard**—There are a range of things that we use. Firstly, we do use Nielsen survey information where it is available in regional Australia. Another example is: in Western Australia a year or so ago, they wanted to discover whether the audience wanted local morning programs in their regional stations or local drive time programs. We set up a phone number which we publicised for weeks and got a lot of listener response. We actually said, 'Please tell us what you would prefer, what you would really like,' and got a great response to that. That is often one of the most effective ways that we can find out what it is that audiences might like from us. There is also the fact that they are very good at emailing, they are very good at calling—particularly if you do something that they do not like—and they are very good at, in regional Australia, where they can, dropping in to their local station and making their views known, which is something that I rather like.

**Ms LIVERMORE**—Is there a particular demographic—and I guess age is the most obvious one—that you attract or that you aim for?

**Ms Howard**—I think it is true to say for the local radio services, the talk radio services, that it is largely an audience that is over 40—not exclusively but it is largely an over-40s audience—often because people are listening on the AM dial and older audiences tend to listen to the AM dial and younger audiences are hooked on FM radio.

**Ms LIVERMORE**—The evidence seems to be suggesting that younger people seem to be more tapped into a national or international pop culture—

**Ms Howard**—Which is why Triple J should be there for them to listen to as well.

**Ms LIVERMORE**—and it is the older, 40-plus, age group who are wanting the very local flavour.

**Ms Howard**—That is an international trend, though, I think you will find—by and large, talk radio is listened to by an older audience. It is also the largest bit of the audience in Australia that is growing. The baby boomers are the fastest growing part of the Australian audience.

**CHAIR**—I am interested in a point you made before, Mr Shier. You made a comment that the things we are doing now could have been achieved in the mid-seventies.

**Mr Shier**—I was alluding to analog extension. My technical colleague is on my left, but I think it is fair to say that most of the things we are discussing today technically could have been addressed in 1975. So it has been a lack of will rather than a lack of technology.

**CHAIR**—Were you also alluding to the possibility of broadband replacing a number of services?

**Mr Shier**—Obviously, ultimately that will be the position but I was really reflecting on—

**CHAIR**—Does the ABC have a vision on where broadband should be taking broadcasting?

**Mr Shier**—Again, it is a two-stage question. The parliament of the nation has to have the vision in terms of deciding that the nation is going to be wired up and the ABC would like to have a position in that broadband environment. The ABC is happy to put the intellectual input into how that may be configured but we are not naive as to our ability to influence it.

**CHAIR**—I understand where you are coming from but the application of the technology is in its infancy. Were it available, do you have a vision then for what could be delivered to regional Australia?

**Mr Shier**—Ultimately, I would like to think, to use the layman's terminology, the entire nation will be wired, and I think it is very important to put a stake in the ground. There are a number of countries that are actually saying that, by year X, X per cent of the homes in the nation will be wired, and we know that in a number of countries the issue is hotly debated because once the nation goes digital then, of course, the analog spectrum is available for sell-off. Some of the countries that have done the calculation have found that the value of their sold-off analog spectrum would be more than the cost of perhaps connecting a significant part of the population to digital. The ABC has to manage each of those technologies. My concern, and my only reference specifically today, was that if we had the technical capacity to extend analog to these black spots back in the seventies, and we are now into 2001, how long are we assuming it will take for us to adopt the new technologies in the new environment?

As an Australian my concern is that we focus on what I think is a crucial area of nation building; that is, whether we like it or not we have a huge geographical space in our country and people are very remote from one another. Perhaps I am sidetracking a bit, but if you look at the new rail link that is going to go from Alice Springs to Darwin—and I am not commenting on whether or not that is desirable—that is addressing an attitude of distance and an attitude that many Australians feel needs to be corrected. I would say in new technology it is equally true; we ought to be able to get video signals and audio signals across the nation and Australians should be able to talk to each other very conveniently when the technology provides an opportunity for them to talk to anybody on earth who happens to have a PC and be connected to the Internet. It is regrettable that in many cases it is easier for me to communicate to all my former colleagues in Europe than it is for me to communicate to some parts of this country, and that needs to be addressed.

**Mr McARTHUR**—Can I get on the record your view of the listening audience? You mentioned a figure of 30 per cent; could you just clarify that for the committee?

**Mr Shier**—The reach of combined ABC services is between 33 and 36 per cent. It fluctuates but basically that is the combined reach of the ABC services.

**Mr McARTHUR**—So compared to these figures we read of 12 and 13 per cent—

**Mr Shier**—That is a share, you see. ‘Reach’ is the number of people who listen to the service on a weekly basis or watch the service on a weekly basis—and they are different numbers again—and ‘share’ involves adding up all the listening and finding out what share of that listening is to a particular ABC station.

**Mr McARTHUR**—The point I have heard you make on previous occasions is that in rural and regional Australia the ABC makes contact with 35 per cent of the listeners. The commercial stations would not be able to say the same thing, would they?

**Mr Shier**—It would depend on the region, but by definition in a combined sense they would because they would be the difference between 100 per cent and us. But on any given station, of course, the point is well made.

**Mr McARTHUR**—Are you saying that in regional Australia a third of Australians listen to the ABC in a week or in a day?

**Mr Shier**—I have been told that for the whole of the ABC, just regional and rural, the figure is 43 per cent. So you can be comforted, and I think it supports what we were saying earlier, that across Australia as a whole the figure fluctuates between 33 and 36 per cent and the figure for regional and rural is 43 per cent. So regional and rural Australians listen to the ABC more than they do in—

**Mr McARTHUR**—So in very rough terms half the rural people listen to the ABC.

**Mr Shier**—Absolutely, on a weekly basis.

**Mr McARTHUR**—So you could argue a case quite strenuously on that basis, could you not, to maintain your service?

**Mr Shier**—I am trying to do that but I often find, although I think the logic is there, the funding has not necessarily been made available in the past. So we need to keep articulating that. I would have thought the work of this committee and what the ABC is pushing for would be relatively self-evident, but clearly it has not won the argument.

**CHAIR**—Just before we close, you mentioned in your submission about extending the PNN service. How can that be done at present? You are using stand-by transmitters in the capital cities but apparently a fair cost will be involved in moving that out into the country. Will that be at the expense of something else or has there been long-term budgeting in favour of that?

**Mr Shier**—I know the figure but perhaps Mr Knowles will explain how we can do both at once.

**Mr Knowles**—It is not correct to say that we are using stand-by transmitters. In fact, the transmitters used in the capital cities are transmitters which the government acquired from commercial broadcasters as part of the AM to FM conversion program and those transmitters were then passed to the ABC for the running of the news radio service, so they have full-blown transmitters. It did start on the stand-by transmitters, then moved off. The cost of extending news radio to essentially those locations where we believe frequencies could be made available is around \$11 million per annum. As we have said before—

**CHAIR**—How does that compare with, say, the FM or the RN channels?

**Mr Knowles**—It is basically a comparable cost. What we would be doing is in fact—

**CHAIR**—They all cost about \$10 million or \$11 million a year to run?

**Mr Knowles**—They cost various numbers depending on their age. We have two sorts of things. In one case we would be purchasing a new service; therefore we would be looking at new capital costs. In the historical costs of what we have got with RN and local radio, we are looking at historical costs and it really is a factor of price that the contractor purchased in acquiring the NTA. So there is a disparity in that. But the \$11 million cost is based on what it would cost to establish a new network, whether it was Radio National or otherwise, with the same sort of coverage as that. That then purchases that service on an ongoing basis—forever, basically. We would expect in the normal course of events that the only way we could fund that would be by way of a special grant. It will be a new allocation of additional funding to the ABC, recognising that all our transmissions are funded through funds which the government has appropriated to us to allow us to do that as a consequence of the sale of the NTA.

**Mr Shier**—But, to make the obvious point, the content has already been provided, so that content could be just leveraged off and be more valuable to more people if that were able to be done.

**CHAIR**—And that requires a special grant of how much in the initial year?

**Mr Knowles**—The initial year would be a growing factor; the \$11 million is the final number when we are running a reasonably mature network. It really would depend on how much was available in the first year as to how many transmitters you could purchase. It is a variable factor. It is also important to point out that that service is available on the satellite now and is therefore available for rebroadcast almost instantaneously as soon as you get a transmitter up to do it.

**Ms LIVERMORE**—Do you think that the commercial networks take advantage of the ABC's work in regional areas to just go after a particular section of the market or to do their job in a less comprehensive way? I am thinking of the BSA, where the requirement is for adequate and comprehensive service in an area.

**Mr Shier**—I will hand over to the director of radio to answer that. Can I simply say that, if you look at many areas that we broadcast to in regional and rural Australia, the number of available options to the listener is appreciably less than you will get in many other parts of the world. So, by definition, regional and rural people are not entirely satiated with what they are being offered. So, to the extent that we segment part of the market and deliver some of the



services, obviously the commercials will address the rest. But I do not think there is a case of saturation and therefore in no way am I suggesting that there is not an opportunity for commercial broadcasters to be successful in regional and rural Australia.

**Ms Howard**—I think Mr McArthur touched on the fact that funding regional radio the way we do is a very expensive business. If we were in the business of making profits from a radio station I do not think we would be able to run quite the same number of stations as we do with regional radio in the ABC. If it were to be a purely commercial venture then you would be looking at different sorts of formats that are going to appeal to a particular spending part of the community, and you would do your business in a very different way.

**Ms LIVERMORE**—I am interested in Mr Shier's answer. What is it about what is happening overseas that is so different to here? Is it bigger populations that can support greater diversity and more stations delivering niche products?

**Mr Shier**—A lot of it is just the simple matter of geography, that to address that local issue that this committee is looking at you cannot simply syndicate that station from Sydney. If you are sitting in many parts of, say, rural Scotland, you will still get a large range of services but you will not have any more specifically local services.

**CHAIR**—On that note we might bring this to a conclusion. Thank you for returning, Mr Shier, Mr Knowles and Ms Howard. We really wanted to dot a few i's and cross a few t's before we moved on to writing the report and making our recommendations, so we thank you for your cooperation, both at this hearing and earlier ones.

**Mr Shier**—Thank you very much and thank you very much to the committee.

[10.48 a.m.]

**HIGGINBOTHAM, Mr Warwick Hamilton (Private capacity)**

**CHAIR**—Welcome, Mr Higginbotham. Before we commence our hearings I would like to thank you very much for the trouble you have gone to in coming to Brisbane today and also for your very thoughtful and thought-provoking submission. I know that we have asked you to do this before, but would you like to give another overview of your more recent comments and you could touch back on your original submission as well.

**Mr Higginbotham**—I did not really come prepared to do that. The essential reason that I appeared before the committee in Tamworth was because of my background and because I was concerned that in fact a lot more could be done for regional radio, that there were solutions and that the mistakes that had been made were quite obvious. Having had a strong radio background over many years, and being now no longer associated with radio in any sense—or television for that matter—but still being very much a country person, I thought that my views may be helpful. The upshot of that was that I gave a broad outline of my philosophical position in Tamworth. I was asked to write a further submission, which I wrote as a letter, and now I have been asked to come back without any further briefing, so I am here.

**CHAIR**—Let me put it another way. You had some very strong views on how regional commercial radio might be made more accountable—for example, changing the licence regime to one of area based licences.

**Mr Higginbotham**—I think the thrust of what I was trying to say in that letter was not so much making it more accountable but putting commercial radio in regional and country areas in an operating environment that would allow them to respond to the environment they were operating in. The concern that I personally have at the moment is that in all of the rehash of coverage of regional Australia we have created situation after situation where there was more centralisation—and this not only applies to radio; it applies to everything that you look at—and with radio all of the limits were taken off. My position has been all along that small and medium communities can only be serviced to the extent that they can afford. If you decide that you are going to put six radio stations into a population of 30,000 or 50,000 people, quite self-evidently those people cannot afford that and it becomes an exercise in futility. On the surface you appear to be providing a better service but in fact that does not happen, and I think this is why this committee is here. It cannot happen because the community cannot afford to pay for that number of services so immediately they are no longer local and they become centralised—they become demographic rather than geographic. Once they are no longer geographic and become demographic, people become alienated, and I think we have seen that in this quite clearly.

**CHAIR**—What is the answer? You mentioned area based licensing, but is the answer also that certain stations should be required to have locally based staff delivering a locally based program?

**Mr Higginbotham**—I do not believe that you can do more than create the environment and let things evolve. I do believe that when you impose heavy requirements on people you do not necessarily get the satisfactory answer that you would like. Having said that, certainly if you go back many years under the old control board there were some pretty heavy controls on what

could be done, but most of those heavy controls were on what could not be done rather than what could be done.

If you look at area based licensing, and I think Australia lends itself to area based licensing, having regard to where transmitters are and the ability to fill holes, which has historically not been the case, and you look at ultimately restricting ownership again, then out of that obviously will emerge a much more regional local service. That is what we had before it was cast aside, and it was cast aside on philosophical grounds. There were two ideas that really undermined radio and television. The first was this idea of monopoly operators operating in small markets and there was that ideological pressure to remove that monopoly situation. It was a very artificial monopoly—I mean, having a monopoly of radio was like having a monopoly of building Holden cars; there were plenty of other things—but radio was regarded as a monopoly and television was regarded as a monopoly. The upshot of destroying those theoretical monopolies, of course, was increased centralisation, concentration of ownership in the purest sense where you now have very, very few owners. Out of that, and with the overservicing, you destroy the commercial base for radio—and to a lesser extent television, but certainly radio.

During the time that I was involved, the bulk of our business was local, and that local revenue, which was serving the local community, was very important on two levels: it provided the funding that supported the local service—it still could. When we had the AM-FM problem, the department at the time—the name of the department eludes me for the moment because it changed its name pretty consistently—was concerned to bring in new players. They destroyed the opportunity that was there to joint-sell the AM-FM service for a lot of people. That obviously created a weakness and without being able to exploit that by being able to sell commercial radio into a local market you undermined its usefulness—that is, to the commercial users—and by undermining its usefulness and destroying its reach it became much less economic. The upshot of that was that rates fell, and in radio certainly you have to get volume, you have to get your price up. If you get those two things right then you can support the service.

**CHAIR**—So what you are saying is that aggregation in television actually led to less localism and that regional radio is going the same way?

**Mr Higginbotham**—Television was a bit different. What happened in television was that instead of having two regional operators across the country it was decided that there should be three. There were three national operators as well, which meant that each regional stream had to fall completely behind one operator. Now, the next step was that, because it was a national feed to all intents and purposes with local windows, those local windows had to be filled. You can do that two ways, and the most sensible way with that, apart from the bigger windows for news and this sort of thing, was to sell very cheap advertising, because you might as well get a dollar for it as nothing. The solution by television to the problem was to go out and have cheaper advertising rates than radio, simply because they had the holes there and something had to go into those holes—unlike radio, you cannot just play music in a break, you cannot sort of excuse your way out of it, something has to happen—so cheap television became the order of the day. I could never really put my finger on how effective it was, but it certainly undermined the radio side of the business, and it was quite different from what television was doing prior to that one-on-one situation with the three networks. That was unfortunate.

Radio, I think, is different from that. It would be very helpful to have a look at some of the revenue figures and see what has happened to revenues, say, in the last 10 or 15 years, but I suspect radio revenues are somewhat less now than they were per capita 10 or 15 years ago. That is just one of those things. Having created a structure that undermined the commercial viability of it for the communities it operated in, networking flowed.

**CHAIR**—We have had conflicting evidence on the point you are starting to touch on. On the one hand we are being told by some of the networks that unless the brakes are put on the number of stations there will be more networking because they cannot afford to run local stations. At the same time we get evidence from another source that tells us the profitability of radio stations has increased dramatically in the last seven years.

**Mr Higginbotham**—I would think the profitability has increased; it is the revenue flow that is the interesting thing and I do not know what the revenue situation is. Profitability should increase because I dare say their operating costs are much, much lower than ours ever were. If you can reduce costs, and you do that by reducing the service component of what you do, then obviously networking is a wonderful way to cut your costs to the bone. Even though your revenue might drop, when you look at the end result you say, ‘Well, that’s a more profitable solution.’ Of course, whether it is helpful to the community it is servicing is a different issue.

**Ms LIVERMORE**—I wondered whether you could explain in very simple terms your concept of area based licensing, because that is one that I have not really been able to picture myself. Can you talk us through that, maybe using a real geographical example of what you have in mind?

**Mr Higginbotham**—We can take a real geographical example that I know reasonably well in northern New South Wales. Inland northern New South Wales is where I come from, so that is easy. You have the tablelands, Armidale and Glen Innes, you have the slopes, Inverell and Tamworth, from there out you have Moree and in the middle you have Gunnedah. Gunnedah was a historical aberration all along because way back in 1936 a licence was given to a highly eccentric bloke called Mark Oliver who set the radio station up and it has been there ever since. If you take that situation and look at the population of something in the order of 160,000 to 180,000 people—again, I am a bit out of touch with these things—it is not all that difficult to say, ‘Yes, there is a community of interest,’ let us say between Armidale, not so strong between Inverell. Tamworth is a dominant region, but less so now than it perhaps was 15 years ago. But you can look at Tamworth and Gunnedah and say that is a region, quite clear, quite distinct, still quite local—it is only 45 or 50 miles between Tamworth and Gunnedah. The overlap between those transmitters at the AM level is 50 per cent—at an FM level I do not know because I am not sure where all those towers ended up but I would think it would still be quite high.

Then you look further afield at Moree and Inverell, which are relatively close together again, so it is quite practical to say that while you have two strong local towns you could still look at that on a regional basis, you could look at the tablelands, bearing in mind that whereas years ago parochially you would never look at dealing with Moree and Inverell in one breath, but now they do not have any local service per se, or a very minimal one, because of the networking situation. So if you looked at those I think you could develop a viable model, provided you do not attempt to overservice it, and by that I mean put too many signals into the market and destroy the commercial potential of it. Servicing these markets really revolves around the

operators being on the spot and having the revenue to provide a community service. If they do not have the revenue, they cannot do it. It does not matter whether or not it is a local person; if they cannot get the revenue there they cannot do it.

**Ms LIVERMORE**—So you are saying that if you have an operator with an area based licence they are going to have the revenue, and therefore the ability, to deliver very local services?

**Mr Higginbotham**—Potentially, yes, provided that you do not have too much intrusion. Bathurst and Orange was always a difficult situation because they were so close together. Ron Camplin is here and he could expound on this obviously far better than I could. I believe you have other markets now where the AM service has been more or less abandoned by the commercial operators—something that probably should never have happened.

**Mr McARTHUR**—Why then would the ABA want to issue more licences in some of these geographical local areas?

**Mr Higginbotham**—I believe you would have to ask them that. I have a very poor opinion of the ABA and its various predecessors. I think the ABA as they are now are ideologically driven and they do not grasp the fundamentals of the issue, because they associate improvement of service with improvement of quantity and they do not have any measure at all of quality. You cannot have quantity and quality; we all know that.

**Mr McARTHUR**—How would you bring about a change in philosophy? We had some interesting evidence on the advertising revenue in regional Australia compared to metropolitan Australia, so I guess the committee is sympathetic to what you are saying, but how would you convince the ABA to say, ‘Look, issuing more and more licences in rural Australia is not achieving the outcome’?

**Mr Higginbotham**—It is doing the opposite.

**Mr McARTHUR**—You would just argue a case quite strongly that more licences in fact produce a completely 180-degree opposite result. Is that what you are basically saying?

**Mr Higginbotham**—It does, yes. This is the overservicing problem.

**Mr McARTHUR**—The advertising revenue is limited, and therefore if you have two stations the advertising revenue does not change; it is as simple as that. Is that what you are saying?

**Mr Higginbotham**—It usually goes down. Our experience in Toowoomba was interesting in this context. Because of the environment we were operating in we went out and bought a broken-down radio station in Toowoomba—we nearly bought one in Sydney but we did not. We had the lowest rating station in Toowoomba, which had one other low rating station and one very good local operator. You had 4AK, 4GR and 4WK all operating in that market. The upshot was, when we really got our hands on some numbers, those three radio stations could not write the dollars per head of population that we could write in Tamworth or even Gunnedah, so the revenue actually declined. As you build the competition, the revenue does not increase; it goes down.

The other interesting thing that comes out of that in that particular environment—and it would happen almost every time where you have small markets, unless you have one person who can then control how they handle the radio stations—is that everybody ends up focusing on the biggest core market. Even Toowoomba, which to us was big because there were 130,000 or 140,000 people in that area, when you cut that down and say, ‘Okay, we’re going to deal with an over-45 demographic,’ as against the other people who were looking at younger age groups, you could not survive there because the demographic was not big enough. The customer down the street who kept you alive would really say, ‘Look, we’re really not that interested in buying a fragment of the market. Even though it’s an important fragment it’s not enough people to influence what we’re doing,’ so they would just buy the highest performing radio station, which was not ours.

**Mr McARTHUR**—How do you counter the sort of Thatcherite market economic thesis that the more stations theory is predicated on if that is the prevailing wisdom of the bureaucracy and the government?

**Mr Higginbotham**—That is very difficult and that is what a lot of this is about. It needs a philosophical mood shift, which is happening. We are starting to see an overall shift away now from that straight-out econorat approach to how to do things. I dare say it will have to be done the hard way. It really requires some focused thinking, first of all by the parliament, because most of these things happen as a result of what is going on in the parliament. Civil service, bureaucracy, however you think of them, really still have to be the servants of the parliament so it starts right there. For argument’s sake, it was parliament that made the decision to break down and blow apart the old broadcasting regime, and there were a lot of entrenched bureaucrats who believed in that system. It did not all happen inside the bureaucracy; it was parliament that decided things were going to change, people like Ian Sinclair saying to us, ‘You’re not going to be able to maintain this because we’re going to change it.’ A minister of the day, as I think I mentioned last time, looked me straight in the eye and said, ‘You’ll be gone in 10 or 15 years. Our objective is to get rid of you,’ and he was from the other side.

So it was right through parliament to say that the regional services and a lack of economic rationalisation in the way the regions were being handled generally at every level had to be broken down and that free markets would produce a result. What do you do? All I can do is say it was a pity that people were not better educated because if they were they would have known that this happened in the 1830s and 1840s in another big change in England. It did not produce a result then, it will not produce a result now, but it is a philosophical position. It has to start with parliament and work its way up from there.

**Mr McARTHUR**—But you could argue your case reasonably well by saying the market is limited, it is a static market, but you want a bit more competition by some method. The difficulty some of us would have is how you can argue your case in a situation where Australia is opening itself up to the world markets, there is a bit more competition across the board, and so in a philosophic context you have a bit of a problem. I hear what you say, and as I have heard the evidence I think you have a point, but how do you argue your case of restricting licences and restricting markets? There is always an argument for doing that and I have heard it over the years: people who have a licence always say the next guy should not come in.

**Mr Higginbotham**—That is a hazard of any controlled market, there is no question about that, because you are dealing with social values as against commodity values. If we are going to treat people as a commodity where we do not value them, we just price them—which we are doing at the moment—then it is fairly hard to run a convincing argument that people ought to be treated other than as a commodity that has a price. If you treat them as people and you treat them as having some value then immediately things tend to follow from that.

**Mr McARTHUR**—Except that the argument that we have heard before this committee is that it is the advertising dollar that is driving a lot of this commercialism, and you put that argument this morning that you only have so many advertising dollars or amount of wealth in the local community to support the stations. That is a pretty commercial thing, is it not?

**Mr Higginbotham**—It is commercial, but then if you destroy the basic viability of the product by running a demographic service that is disconnected from the local community and thereby reducing its value to the third person, as they have, it is sort of self-fulfilling.

**Mr McARTHUR**—Because the program is hubbed out of Sydney the advertising dollar is less attractive at the local level?

**Mr Higginbotham**—For radio. The advertising dollar in fact covers a whole gamut of things, everything from sign-writing, fliers, through mass media to what you do to get people through your door in any business. All of that broad brush is advertising we can get at in radio—more or less of it depending on the environment that we are operating in. If we destroy the commercial effectiveness of radio, which we have in the country fairly well I think—and again Ron Camplin may disagree strongly with that but I notice that his station is one of the ones that is highly regarded and probably doing better in the various things that we have heard—then radio's share of that dollar falls. It is never huge but in the right environment you can build it up quite well.

**Mr McARTHUR**—So its share is relative to television or print media.

**Mr Higginbotham**—And everything else that comes along. We have always regarded anything, including fliers, as competition and that is why we always said, 'We are not a monopoly.' While we have a radio licence, we are still not a monopoly. Because you happen to run radio does not mean that you have a monopoly, as I said, any more than if you build Holden cars. You have a monopoly on building Holden cars but we were actually in the advertising business.

**Mr McARTHUR**—The argument you put last time was that the cheapness of television really made a major dent in the radio capacity at the local level.

**Mr Higginbotham**—It undermined the price, there is no doubt about that, but at the end of the day the thing that I believe really made the mess in radio was bringing in all the extra services so that you fragmented it and brought about a situation, which is really discussed in here, whereby networking became the sensible solution. It is a sensible response to overservicing. How many banks do we have left; how many fuel companies? I think I mentioned last time that a lot of what was done for radio was predicated on the idea that it should be like fuel service stations, that there should be one on every corner. That was a bit of a

lousy model because now there is not, any more than there is a radio station in all these markets, because of the need to not—

**CHAIR**—Are you arguing that looking at radio itself, as distinct from the various forms of media, that you virtually need solus markets or restricted markets if you are going to have localism?

**Mr Higginbotham**—Yes, I am quite sure about that.

**CHAIR**—You think that one follows logically from the other?

**Mr Higginbotham**—I think more strongly than that: I think it is the only way you are going to get it. You are only going to get good localism if you have somebody on the spot who is committed to that area and is operating in that environment. You can then give them whatever tools they can afford to provide the best service they can afford.

**CHAIR**—What do you think of this pseudo-localism where a hub station puts in community-type announcements, weather-type announcements, gees up the community-type announcements?

**Mr Higginbotham**—The weather-type announcement is the classic, because that is what it is, a weather-type announcement. It is fairly wearing to hear over a weekend, as we do, what the weather forecast was that they got on Friday night. By Sunday it is getting a bit frail.

**CHAIR**—Is it that bad, is it?

**Mr Higginbotham**—It can be, yes.

**CHAIR**—Let us move this on a bit. You say as one of your suggestions we should reinstitute some form of licence review. Obviously you would not want to go back to the bun fights of the old tribunal.

**Mr Higginbotham**—That was crazy, yes.

**CHAIR**—What would be an accepted form of review that was not excessively bureaucratic or legalistic but put radio stations on their toes to demonstrate a certain set of standards?

**Mr Higginbotham**—First of all, I think you need to establish the standards you are looking for, which I am obviously not going to do unilaterally here. Having established those standards, I would have thought it was not very difficult to establish the opportunity, when there was sufficient concern about those standards not being met, to review a licence. When the ABC and the whole of that licence renewal regime came up, I am sure we were not the only people who said, 'It's crazy to do things the way that you're doing them because we're going to spend a lot of money and nobody will be interested in what's going on.' But I think they were triennial renewals and if there was sufficient concern about what was happening then you responded to that. We had a classic case where towards the end of that they were abandoning the idea of having hearings all the time. One of the things you are up against is lousy drafting, as I am sure



you are probably more aware than I am. A very kind lady, who we did not know, wrote in to support the fact that 2TM should have its licence renewed. The way that that particular thing was drafted meant that the ABT then had to come to Tamworth and have a public hearing because somebody had lodged a submission. Because of the way the act was drafted, a submission triggered a hearing right at the tail end.

**CHAIR**—Albeit a supportive one?

**Mr Higginbotham**—Yes, that was irrelevant; the fact was a submission was lodged so they had to come and have a hearing. We argued all along that what should happen is that come licence time when the ABT is reviewing these things they should simply be looking at that situation and if there were a lot of submissions—which you will get anyway if you open the door—about an operator not doing the right thing then that is the time to have an inquiry. If there are no submissions, as has happened time and time again, then you just renew the licence and keep it going. I do not think it is a difficult thing to do. The model was there before to do it.

**Mr McARTHUR**—What about people who want to be difficult and put a whole lot of submissions up? We have seen a bit of that activity around.

**Mr Higginbotham**—Vexatious?

**Mr McARTHUR**—Yes.

**Mr Higginbotham**—That is probably a judgment issue for the bureaucrats in control. With the licence renewal process that we had before, after the first two renewals those vexatious people disappeared.

**Mr McARTHUR**—What about competitors who want to expand their area?

**Mr Higginbotham**—That is usually pretty transparent. I do not think anyone has any trouble picking those things.

**Mr McARTHUR**—We even had one witness who argued that case. They have a certain market and they want to stop anyone else coming into it. They put that on the record.

**Mr Higginbotham**—It was not a problem then because we had licences that were very restrictive, back when the ABT was operating, and we had those triennial renewals. So it was not a case of keeping people out because the frequencies had not been allocated. You could not just go and buy a frequency like you can at the moment.

**CHAIR**—Did it keep the people who were in the circle on their toes, so to speak?

**Mr Higginbotham**—I think so, yes.

**Mr McARTHUR**—Could I just raise the broad issue that we see in the financial pages that investors are making considerable investments in the radio industry, broadly in the metropolitan markets. How can we recommend to government that we then put a whole lot of restrictions,

which are always difficult in the bureaucratic sense, on some section of the radio market when in fact people want to invest in radio generally? How do we argue that case just to suit a sectional regional interest?

**Mr Higginbotham**—I think this gets back to my starting point. I do not want to go through all of the things that I have covered in here, because some of that is pretty clear, but it is a fundamental question of whether you are going to treat people as a commodity—and I think you can do that in Sydney and Melbourne because in Sydney and Melbourne you can make those demographic breaks, there are not strong community of interest issues in those places—or whether you are going to treat these communities as communities. If you are going to treat them as communities you can draw a line—in New South Wales certainly around Sydney, Newcastle and Wollongong. It is certainly different once you get out of there.

**Mr McARTHUR**—So you would argue the non-market point by referring to the demographics in the two big metropolitan markets—the 40- to 60-year-old type demographics; is that what you are talking about?

**Mr Higginbotham**—Yes.

**Mr McARTHUR**—You can make some money if you play and organise the programs to suit that listening audience without any real questions being asked?

**Mr Higginbotham**—If I correctly understand what you are saying, if you take Sydney, there are stations in Sydney that appear to be surviving with audience shares of one and two per cent. Now, obviously one and two per cent of three or four million people is still a significant number—I suspect that is more than 100 per cent of Tamworth. The core issue all the time is simply one of numbers. If you can get 50,000 people listening to a radio station, that is probably great—Tamworth has a population of 35,000, the district is 50,000, and that is big in the context of getting away from Sydney, Newcastle and Wollongong.

**Mr McARTHUR**—Can you help us in drawing these lines a bit? You would just be as broad brush as the Wollongong-Sydney urban area and then you—

**Mr Higginbotham**—I am a bit under-resourced to do that sort of stuff these days.

**Mr McARTHUR**—As a radio man, you would be as broad brush as that to support your thesis?

**Mr Higginbotham**—At this level, obviously as broad brush as that. When you get right down to the wire, obviously there is a lot of detail. The reason that the department—and I have forgotten which department it was at the time—really knocked the approach that we took—and it had been consistent for our company over the years to take this approach—was that they were able to find one or two anomalous situations and say, ‘The system fails.’ I think you deal with anomalies as anomalies and look at the vast areas where something works and work your way back from that to deal with the anomalies.

The other point that I made in here very strongly was that, if it was decided to do something—and it can be done and it is a matter of willpower, not a matter of rational

argument—then it is very important to recognise that people have been entrapped, that the government has established the environment in which they have moved and invested their money. We were entrapped in that way. When television and radio were broken up, it was not a direct consequence of government action but ultimately it cost us over \$10 million. There was a bureaucratic situation so that we had to do things, and I have mentioned it in here. We were really compelled to divest either radio or television. We walked into an economic situation whereby our buyer almost completely failed. Then a broke bank stepped into the act, so we did not have any friends, and we could not get any security because the break-up thing had been drafted in such a way that we were not able to get security out of our asset to provide the finance because we would still be considered in control and therefore would be in breach of the act and therefore would have to go around the circle again. I do not think anybody deserves to have that happen to them, having been through it. That was absolutely wicked and it was very costly for our company. That is what we thought at the time, and I still feel quite strongly about it.

**Ms LIVERMORE**—We just heard from the ABC how they attract or aim at the 40-plus market in regional areas and they see themselves as having this sort of duty or responsibility to provide a local service. In that environment where they see themselves as covering that, why does commercial radio need to provide any local service? Why isn't it enough to say, 'There's that local service being provided, we can run off and do the hot hits for the 18 to 39s'? Why does commercial radio need to have a local approach?

**Mr Higginbotham**—I am not arguing a commercial radio case, of course, because I am out of that; I am merely arguing that as someone who lives in the country who happens to have spent most of their life in commercial radio. First of all, the ABC service is regional—it is only local if you happen to sit in Sydney or Canberra. You heard them say—and I did not know the number before he said it—they have 48 over the whole of Australia. Any of us who come from the country would see 48 as not a lot of areas, and 48 is certainly regional, not local. They have an office in Tamworth that covers the whole of the north-west of New South Wales. That is very appropriate—historically it has been there and that is fine. They have always been regional.

In terms of ABC demographics—not age demographics—they have always tended to target the top end, the As and down into the upper end of the Bs; that has always been their forte. It is pretty normal if you are in commercial radio to hear people say, 'We never listen to you, we only listen to the ABC,' because it is a very important social position to hold. The fact that those same people will tell you instantly what you have done wrong, of course, suggests to you that maybe that is not such a big issue after all. I grew up with the idea that the top 10 per cent of the population will listen to the ABC. We do not really care about that; it is the 90 per cent that we are interested in and that is where the bread and butter is. If we take that then we say, 'Okay, they're doing a good job.' The job they are doing now is pretty important in a lot of areas because it is not being done by anyone else. But at the end of the day the local radio station is the one that deals with the dogs knocking over the wheelie bins and this sort of thing—the ABC will not deal with that. That is classic commercial radio to me and a classic meeting of people's expectations.

Way, way back they put a man on the moon. We had been playing around with talkback radio, which was a difficult thing to do back then, and we had this night-time radio program which comprised half an hour of talkback radio. You would think that most people would be interested

in the man walking on the moon. The whole of that half hour of radio was taken up with the fact that there were marauding dogs knocking over the garbage bins—we did not have wheelie bins then—and something had to be done to stop them. That took up the whole half hour. It is very low demographics but it is very important.

**Ms LIVERMORE**—I can understand your point there. You are saying that it is not as simple as saying that the ABC has an age group demographic; they also have a social demographic—

**Mr Higginbotham**—Absolutely.

**Ms LIVERMORE**—Also, they are regional and true local commercial radio should be subregional and local.

**Mr Higginbotham**—Smaller than that, yes.

**Ms LIVERMORE**—How does that fit with your proposal in your submission where you are talking about the area based licences? Are you saying that—

**Mr Higginbotham**—The example I used in our own area was in fact that there would be at least three areas under that ABC region. Ideally, you would probably like more, but populations and the fact that the whole system has been fractured has a bearing on that.

**Ms LIVERMORE**—As I understand it, under the current BSA someone could now individually own each of those licences within your hypothetical area, so you could theoretically own Tamworth, Gunnedah and Inverell, or whatever the towns were. If your proposal for the area based licensing is a way of promoting viability, why are people not doing it now as a way of cross-subsidising and promoting their own viability? Or are they doing that?

**Mr Higginbotham**—Because you have no limitations on ownership so somebody can now buy 57 radio stations—I think I heard somewhere in one of these discussions—across Australia that are country radio stations. If you have 57 of them and you can find a market that will buy that, putting them on relay makes splendid sense.

**Ms LIVERMORE**—You are saying that the best elements of networking should be harnessed to promote localism and support regional radio under your area based licensing proposal?

**Mr Higginbotham**—I do not think I am saying that, but maybe I am. I am not intending to say that. What I am trying to get across is that if you have area based licences and you restrict, as we have in lots of other areas, how many licences you can have, then you limit the attraction of networking. Networking is obviously attractive. If you have 30 or 40 radio stations all out there in a stream and you can cut your costs to the bone and relay to them and find somebody who will buy that product, obviously you are going to make more money than if you run a full-blown radio station in an area with 20 or 30 people working for it in the local area. Would you not be happier with four or five or whatever you can get and take the profit instead? That is a consequence of simply lifting the ownership restrictions. The defect in the old system, of course, was that we had a licence for 2MO. That counted exactly the same as the licence for 2UE. That was the problem.

**Ms LIVERMORE**—So you are saying that if someone wants to get into commercial radio they have to say, ‘Listen, the tablelands, that’s the area that I know, that’s the area I care about, that’s the area I want to service.’ You will have the five or six licences relevant to that area and then that is it; you cannot then go and buy three other areas around the place.

**Mr Higginbotham**—Bearing in mind the environment you now have, you have to do something like you did with radio and television and recognise that there are operators there with huge numbers of stations. They only got there because of the action of the government in lifting all the ownership restrictions—the throwaway line, and I never understood why this was so, that radio did not matter so you could have overseas people buying radio stations. They are not allowed to buy anything else but they can buy radio stations; they do not really matter. I do not understand why that was done. If you were to bring in a more restrictive licence regime then you have to work back from the fact that you have those operators who have to ultimately disengage so you have to put fences around them that start pushing them in the direction that you want. You cannot just lock it in and say, ‘That’s that.’

**Ms LIVERMORE**—That is what you are saying in the fifth of your proposals?

**Mr Higginbotham**—I may well be.

**Ms LIVERMORE**—On page 17 you have a number of recommendations. In the fifth one you talk about grandfathering mechanisms. Is that what you are saying?

**Mr Higginbotham**—Yes, it is very important.

**Ms LIVERMORE**—While I have you on that page, do (i) and (iii) go together? You are talking about area based licensing but then you talk about having solus markets. If you have an area based licence there is only one operator in that area.

**Mr Higginbotham**—Yes, one operator is a solus market.

**Ms LIVERMORE**—But if you have a bigger area you are going to have increased revenue because you are covering that whole area. Does that not then set the scene for being able to support more than one operator?

**Mr Higginbotham**—As soon as you have two operators you have competition. It used to be that if you owned the bulk of the 25 to 39 market that was where the bulk of the revenue was. Taking the Toowoomba example that I used before, we thought we could find a market in the over-39s. We could find the market but we could not sell it. So down the street having that market did not help much because it was not saleable; that was the important thing we learnt. We spent a lot of money to find that out; I am telling you for free. That is really what it was about. So we ended up, like everybody else, focusing on those 25 to 39s because when you went down the street to sell it locally, which is where the bulk of your revenue came from, there was nobody there whose business fitted outside that 25 to 39 profile. Everyone would say, ‘Most of our customers are in that 25 to 39 profile’—maybe they have all got a bit older since then because I am talking about 10 years or more ago—so having the 39-pluses did not help because there was no customer base for us, other than maybe the odd dress shop or something that was really focused on that older demographic. Once you are dealing in those local markets

you are dealing essentially with retailers and to survive in those markets retailers want to deal across the bulk of your demographic as well.

**CHAIR**—On the next page of your submission you say—

**Mr Higginbotham**—I carefully wrote this as a letter but it did not help, did it?

**CHAIR**—Well, we accepted it as a submission. You really say very strongly there:

... the removal of local radio services by networking is symptomatic of the larger problem.

**Mr Higginbotham**—It is.

**CHAIR**—It goes on:

Just about all local services (education, health, local government, policing to name just a few) have been either removed or centralised away from country areas ...

Is that your experience of the area you live in now?

**Mr Higginbotham**—Absolutely. I cannot establish what the numbers were, but Tamworth was an important regional centre for government. Over the course of a couple of years there must have been something like 300 jobs taken out of Tamworth and centralised by government at national and local level.

**CHAIR**—Do you think radio contributed to that?

**Mr Higginbotham**—I do not think radio contributed to it, although—

**CHAIR**—A lack of local radio?

**Mr Higginbotham**—No.

**CHAIR**—One of our terms of reference is whether local radio has an effect on business.

**Mr Higginbotham**—These jobs I am talking about related to the fact that the regional office of the education department was closed down. Radio had no influence on that, obviously. They are the things I am talking about there—the diminution of the local market. I think at one level local radio is important—it is not explicit but it is important. If you are a local retailer competing against the major chains then you do not have the leverage and you do not have the resources to buy mainstream television or full-page ads in the paper or whatever it is that they are spending their money on. Local radio was always a very good vehicle for those people because it was affordable, it was effective and it was more or less instant; you could get a response from it very quickly—and if we did the wrong thing we instantly heard from them. So it certainly had an impact at that level because you have taken away from small to medium size businesses one of the ways in which they could effectively compete at an advertising level.

**CHAIR**—Do you think that the absence of local radio fuels this supposed sense of alienation that is embroiled in parts of regional Australia?

**Mr Higginbotham**—I do not think it fuels it but I think it is very much part of it. How do I respond to that? I think the sense of alienation is real and I think we are going to see that electorally—I think it has been emerging for close on 20 years. In our own area, which is a heartland National Party area, the loss of support there is quite remarkable. It is remarkable because partly it was ineptitude on the part of the National Party at a very local level and partly it was because people see the things I am talking about here going on and they feel that they are not being supported, that people do not understand what they are talking about. If you are in a community and you do not think you are understood you are inclined to think you are being alienated. I think one flows with the other.

**CHAIR**—Do you think networking is the prime cause of this?

**Mr Higginbotham**—I have tried to explain in here, without being silly about it, that there is to be a distinction always between networking and syndication, and I think it is important to take that on board. We get a lot of our material out of 2SM in our own local market. I do not know how 2SM is rating but I suspect it is not rating very highly. We have to have what 2SM dish up, night-time, afternoons, weekends. Since this inquiry started there has been a move in our market—we suddenly have weekend mornings back, which is a surprise. Within a matter of days of this inquiry starting, the local radio station suddenly had local content again over the weekend that it had not had. So you can coerce people. Someone was asking me about that: you can certainly coerce them. Sorry, I have lost the thread of what I was saying.

**CHAIR**—You were talking about the difference between syndication—

**Mr Higginbotham**—Yes, and networking. An operator in the market will take material offline but that is not networking because he is buying a syndicated program and he might have two or three to pick from. Let us say you are in Gunnedah and you are trying to save costs. You take a conscious decision, ‘Yes, we will take John Laws.’ Why do you take John Laws? Because he is the same price as anybody else and he is far more popular, so you take John Laws. 2DM always did something local because we had Laws on Gunnedah, and this is where this solus operator thing, if it is done well, can be very beneficial. In that case both markets got a benefit out of our approach to doing different things for the different stations with high levels of overlap. Now, Howard Sattler—and I do not know how he rates—is on Tamworth, he is on Gunnedah, he is on Armidale and Moree and goodness knows where else. I did hear the other night at the farewell for the local radio station manager that the local managers might be getting more choice about taking things from 2SM. But that is more a rumour than fact and it did not suggest that they would then be able to go and buy another radio station’s program out of Sydney; it just said that there might be more choice. So networking is fed out and syndication is where you take it and you cherry-pick what you want.

**CHAIR**—Can you touch briefly on the matter of advertising. You made the claim that local advertisers tend to miss out. How does that occur? In your letter you state:

... it deprives smaller local advertisers of an effective, and cost effective, outlet, thereby placing them at a disadvantage to larger (usually non-local) competitors.

**Mr Higginbotham**—Because you have undermined the reach of the media. Let us go back to the good old days, so-called, of AM radio where all the demographics are done on time breaks and radio stations effectively surveyed all the time. At that time there were surveyed reaches of 90 per cent out into the community, so if you were advertising in that environment you had a very effective medium. If you are advertising on a medium that has a reach of, let us say, 35 or 40 per cent, it is obviously half as good, and the price cannot come down much—it can come down a bit but, realistically, it cannot come down a lot. I think they sort of follow like night and day. That is what I am driving at there, that those smaller local advertisers who could buy an effective medium no longer have that effective medium.

**CHAIR**—I see. As with your last appearance, Mr Higginbotham, you have been very challenging in what you have dished up to us, and I suppose that is what this is about.

**Mr Higginbotham**—I had hoped that that was lucid and you would not ask me to come back.

**CHAIR**—All of the members of the committee were very impressed with your first round of evidence. We were talking to the key players and we felt that you probably best represented the independent voice of people who knew something about radio.

**Mr Higginbotham**—Thank you.

**CHAIR**—I would like to thank you once again. We will now break for about 10 minutes.

**Proceedings suspended from 11.44 a.m. to 12.01 p.m.**



**EVERETT, Mr Stephen Frederick, Managing Director, Ace Radio Broadcasters Pty Ltd**

**CHAIR**—Mr Everett, welcome and thank you for making yourself available again to the inquiry. For the benefit of my colleagues and to save you time, you might just like to give us a thumbnail sketch of your network, the number of stations, where they are located.

**Mr Everett**—Certainly. We operate in six markets in Gippsland, Victoria: in Traralgon we have an AM station, in Colac we have an AM and an FM station, in Hamilton we have an AM station, in Warrnambool we have an AM station, in Horsham we have an AM and an FM station, and in Swan Hill we have an AM and an FM station. Further to that we are, literally as we speak, about to open a second service in Apollo Bay which is a relay of MIX FM in Colac.

**CHAIR**—Did you want to recap on anything in your submission?

**Mr Everett**—No, not particularly. Perhaps I can give you an overview of how we operate and some of the history. Firstly, we do not network. The term ‘network’ has been clearly defined as to what it is and—

**CHAIR**—I used ‘network’ in the loose sense of the word. It has been bandied around with a couple of applications.

**Mr Everett**—We do not network. We take syndicated programming—

**CHAIR**—Of your own station or from outside?

**Mr Everett**—No, from outside. John Laws was mentioned this morning. We take syndicated programming not as a matter of cost saving—in fact, it is more expensive: if we are running John Laws we still have to have an announcer sitting in the studio but that announcer can be playing music. We take syndicated programming in the form of national news that emanates from Southern Cross in Victoria and there are other small pockets that we take. But we take syndicated programming to improve our product. I am quite firmly of the view that in our markets syndicated programming offers our listeners a better product than what you get in metropolitan markets because we are not aligned to any one network.

**CHAIR**—You can pick the eyes out of it.

**Mr Everett**—We pick the eyes out of it, precisely—we take product from Austereo, we take product from 2UE, we take product from Southern Cross. We choose programming on the basis of what we believe is good for our audience.

**CHAIR**—You are fortunate in the sense that you do not have any third competitors, do you?

**Mr Everett**—We do have a competitor in the ABC.

**CHAIR**—No, I mean a third commercial competitor.

**Mr Everett**—Not directly. In Gippsland we do in part of our market, 3GG, but outside of that, no, we do not have a third commercial competitive radio licence.

**CHAIR**—What is your definition of localism?

**Mr Everett**—Localism, to me, is, firstly, local news and local announcers, people who live in the community. We choose to do it that way because we could not function the way we do in selling advertising—which is how we survive—unless we had people living there. A very big part of our business is doing outside broadcasts and you cannot do an outside broadcast unless you have competent on-air people, local news and people who live there. Going back into the early nineties we networked in the classic sense in that we hubbed all of our stations—and there were only four then—out of one location in Horsham. We tried it; it failed. We did not like the product and—

**CHAIR**—What was the failure? I would be interested to hear.

**Mr Everett**—What didn't we like about it?

**CHAIR**—What didn't the community like about it is probably more to the point.

**Mr Everett**—The community did not like it because the quality of the service, in terms of its consistency on air, was falling away. We would have breaks and we would have dead air. We did not like it because fundamentally we did not like the product. Ultimately, if we do not like the product—

**Mr McARTHUR**—When you say 'we', who do you mean?

**Mr Everett**—'We' being the owners and the people running the network. We did not like the product and there was some negative feedback from the community. In our markets, unlike metropolitan, the people who listen to us are the people who buy our advertising. If our advertisers do not like what we are putting to air we cannot go to a whole group of new people, we have to have the product right for the advertisers. So we stopped doing it.

**CHAIR**—Do any of your stations prerecord evening programs?

**Mr Everett**—How do I explain this? We take the voices out of one of our stations and we, if you like, cut and paste that at our FM stations. The way we do it is the local station still takes local calls for music and that is fed into the program. I do not know how you describe that.

**CHAIR**—What proportion of your day is live?

**Mr Everett**—They are all different. Our FM stations are live 24 hours a day. They are prerecorded, but from that station. The program is generated within that station.

**CHAIR**—Let us take your FM stations. How much is actually live and how much is prerecorded?

**Mr Everett**—It is not fixed but you could probably work on about fifty-fifty. About half the time would be prerecorded but the program has been generated from within that station by local people.

**CHAIR**—I understand that.

**Mr Everett**—So fifty-fifty probably.

**CHAIR**—What about the AM stations?

**Mr Everett**—It would be a high percentage. If you are taking syndicated programming out—

**CHAIR**—No, your live format.

**Mr Everett**—A little less probably, perhaps 25 to 75—25 per cent actual live to air.

**CHAIR**—You have a studio stand-by for Laws. Do you have a local midday program?

**Mr Everett**—Yes, we do. Once again, we—

**CHAIR**—What do you do in the afternoon?

**Mr Everett**—Most of the afternoon is prerecorded.

**CHAIR**—Do you have a drive?

**Mr Everett**—Yes, but most of that is prerecorded.

**CHAIR**—Evening?

**Mr Everett**—Depending where we are. Once again, we take product out of AW. From 6 p.m. on, most of it would have been automated or prerecorded.

**CHAIR**—Do you do your own programs from midnight to dawn?

**Mr Everett**—Yes, we prerecord and automate. But I was just making the point that during that we are still running national news and local news which is 'live' because that emanates out of Melbourne, which is live. It is a cocktail.

**CHAIR**—One thing that surprised me a little bit was that you do not have your own journalists.

**Mr Everett**—Yes, we do.

**CHAIR**—I thought you said you took your news from—

**Mr Everett**—National news we do, yes.

**CHAIR**—You take national news from—

**Mr Everett**—From Southern Cross, Victorian news, and we have journalists—

**CHAIR**—Is that a radio news or is that a special news put together for you by the television network?

**Mr Everett**—The news that emanates from 3AW is a national news which they broadcast in Melbourne. I would call it generically Victorian news.

**CHAIR**—They have recently taken over 3AW, have they not?

**Mr Everett**—It is the other way around: Southern Cross, who own 3AW, recently took over 2UE and 4BC.

**CHAIR**—I have got it now.

**Mr Everett**—But to complement our national news we have journalists at every radio station—or we are moving towards that. We have had two journalists at one station providing news for two stations but probably by July we will go back to having the same number of people but putting a single journalist back into each station.

**Mr McARTHUR**—I raise the issue of your moving away from hubbing. We have heard on the evidence here from a number of the other bigger players where it is almost an act of faith. Could you just expand on the rationale for moving away from what others are moving towards, because we find that unusual?

**Mr Everett**—We found it unusual that they chose to do that. Admittedly it was in the early nineties that we experimented—and there is no better way of describing it—with the technology, but we just became frustrated with the product, that we could not deliver a consistent product. It is pride in what we were doing and I cannot explain it any simpler than that. We just—

**Mr McARTHUR**—What about now with new technology? We have seen examples where the technology is fairly sophisticated and—

**Mr Everett**—But it is not perfect, because we have listened and it is not perfect.

**Mr McARTHUR**—It is interesting that you are going against the trend we have seen in some of the bigger players in saying you will keep it local and you will keep with your advertisers. That is not the broad thrust of evidence that we have picked up.

**Mr Everett**—I think DMG are the ones who have, what you might say, attempted to master the craft of networking—I would not put RG Capital, Grant Broadcasters or ourselves in that category. So I think there is only one major player, but certainly the biggest player.

**Mr McARTHUR**—They are pretty major though, aren't they?

**Mr Everett**—Yes, they are the biggest player.

**Mr McARTHUR**—The other two you mentioned have a different view of the marketplace, in my judgment.

**Mr Everett**—Yes, RG Capital and Grant Broadcasters do and we do as well.

**Mr McARTHUR**—RG Capital are a relative newcomer to the operation.

**Mr Everett**—Yes, but I understand from their chief executive that they are philosophically committed, in much the same way we are, to maintain the quality of their product.

**Mr McARTHUR**—Can we move to the argument of the ABA putting another licence into your listening areas, those five stations you mentioned. You would be aware of the ABA putting another possible licence into the Geelong region?

**Mr Everett**—Yes.

**Mr McARTHUR**—If they did that to each of your listening areas what would be your response?

**Mr Everett**—Quite frankly, if the ABA were to put licences into those areas it is simple: you could logically say our revenue would drop, say, by half. I would maintain that there is a heritage there and it would not drop by half, that it would drop by, say, 30 per cent. Every one of our businesses would lose money. What would we do to overcome that? You obviously would have to cut your expenses so that you could survive; it would be a matter of survival. Our biggest expense is our staff—over 50 per cent of our running costs are staff—and that is the first thing you would look at. It would be a balance between maintaining a product that would be obviously inferior and trying to survive. It would be catastrophic, quite frankly.

**Mr McARTHUR**—But the ABA had a serious proposition to put another licence into the Geelong region, which you would be aware of. Why would they not be serious about moving into your markets without the same 200,000 listening audience?

**Mr Everett**—It would not be logical, to me, for the ABA to propose that. What would happen is you would have a new player in there that would be pursuing the same audience that we pursue with our one licence.

**Mr McARTHUR**—What if they put their licence up for auction and somebody bid up quite strongly to buy that licence?

**Mr Everett**—If they were to put a licence in there we would bid for it as well, because to not bid for it would be economic suicide for us.

**CHAIR**—But you cannot hold three licences.

**Mr Everett**—I thought you were talking about if you were putting a second licence in. If we pick a licence which is part of the group 5 plan at the moment, say, Warrnambool, if the ABA said, 'We are not going to give you a section 39, we are going to put in a second licence to be auctioned,' we would have to bid for it because if we did not bid for it we would know that we were not going to survive.

**Mr McARTHUR**—So that would be just dead money? You would be bidding on that just to stop the competition?

**Mr Everett**—Indeed—insurance, if you like.

**Mr McARTHUR**—It is a strange way for governments to do business: they put a thing up for auction and a current player bids on it to stop the competition. I think that is contrary to the spirit of having further licences as I hear it.

**Mr Everett**—As I said, I am using Warrnambool as an example where we have a moderately sized market. If you were to go in there and take 30 per cent of our revenue away we could not survive. The market will not get any bigger because there is another licence there.

**Mr McARTHUR**—What would you be recommending? We just had a previous witness who was talking about area based licences. Now that you are in the marketplace with those area based licences, would you be recommending that?

**Mr Everett**—That was interesting when he said that. I think the provisions within the current act whereby you cannot have adjoining markets where you have more than a 30 per cent overlap of your audience would prevent that. If I can use, say, Hamilton and Warrnambool, they might look a long way apart, but there has to be a change in the service area for one of those for us to be even eligible for one licence in each. So it would take a change of the Broadcasting Services Act because adjoining markets where there is a 30 per cent overlap is considered that you already have two licences.

Can I perhaps answer your question another way. It was put to me if we would consider as an option when we are applying for our section 39 adjoining Hamilton and Warrnambool as one market. The ABA asked me, unofficially, if I had thought about it. I said, 'Look, we've thought about it but it's not the way we do business. People in Warrnambool want their Warrnambool station and people in Hamilton want their Hamilton station.' The capital cost would be substantially less if we were to take that approach but, as I said earlier, philosophically the locals want local radio.

**Mr McARTHUR**—What about the argument that has been put to this committee that if you are in a dominant position in a regional market then you use every possible method of keeping anyone else out. You are in a dominant position in the Warrnambool, Hamilton, Kerang market, so why should not somebody else come in if a licence becomes available? That is the other debate.

**Mr Everett**—I would ask: what does it actually achieve in terms of benefit for the community? I understand the issuing of new licences is to bring a benefit to the community. To my way of thinking, to put another licence in there does not bring any benefit to the community

at all—quite the opposite. You have two services competing for the same audience trying to survive. If you are trying to survive you are going to logically cut back on those things that are the most expensive, which is local news and—

**Mr McARTHUR**—Some people might argue that you are in a pretty strongly entrenched position because of your dominance in western Victoria. How do you refute that proposition?

**Mr Everett**—Dominant in terms of the radio market but not dominant in terms of the total advertising dollars, and, as we have heard earlier, there is television, newspaper, billboards. We are dominant in commercial radio, certainly, but there is not room, in my view, for more players if you wish to maintain the level of service.

**Mr McARTHUR**—Do you think there is an economy of scale because of the geographic spread of your stations and your ability to manage them and have a feel for the western half of Victoria?

**Mr Everett**—I would put it differently in saying that our shareholders, of which there are two families, live in those markets and understand the markets we are in. We certainly have an advantage in that we are sensitive to what our audience wants, because they live there, and there may be physical economies in terms of travelling. We have had opportunities to buy outside of the state, and some very attractive ones, but philosophically we have chosen not to because if we do not live in the markets then we are not sure that we will understand what those communities want.

**Mr McARTHUR**—So you would be saying to the committee that you are a classic case of a group of broadcasters who have demonstrated a commitment to a region, in your presence, your commercial activity and your philosophic approach?

**Mr Everett**—Yes, definitely. Perhaps if I go back a step. You raised the issue of Geelong before. Back in the early nineties I was a director of a radio station in Geelong against a competitor, and the same in Shepparton. Second licences were issued in those markets, and they were the very first ones, and both the incumbent and the new player went broke. There is a history there; it happened in Geelong. Bay FM has had so many owners over the years I have lost count. It has only become what I would expect is a successful business since it has had one owner.

**Mr McARTHUR**—Perhaps he should just say to the committee that the ABA then wanted to put a third licence in in the last 12 months. You might just comment to the committee because that is a pretty significant policy position that, as I heard the argument, they were only just persuaded not to put a third licence in because of submissions and maybe some thoughtful comment.

**Mr Everett**—I was staggered that there was a decision to put a third licence into Geelong, for two reasons: the first is the history, one player against another could not survive; and the second is that the Geelong market receives every Melbourne station. It has to be one of the most densely populated areas in Australia for radio services.

**Mr McARTHUR**—You are a radio man; how could the ABA even contemplate such a manoeuvre?

**Mr Everett**—I do not know is the short answer. I cannot see, by putting a third licence into Geelong, what benefit it was going to bring to the community. In fact, the downside is that it was going to allocate another frequency that could be better used elsewhere.

**CHAIR**—The proximity to Melbourne is the problem, is it? What is the population of Geelong?

**Mr Everett**—Their service area is a bit over 200,000 people.

**CHAIR**—Normally that would be able to carry three, would it not?

**Mr Everett**—Yes, 200,000 you would argue would, but it is on record that the incumbent stations in Geelong have as their listening audience less than half that, substantially less than half. So, in other words, to put it another way, more than half the potential audience are listening to Melbourne stations.

**Mr McARTHUR**—What about the sinister suggestion that the third licence would be bought up by a Melbourne based conglomerate to then give them a springboard to attack the Melbourne market or another area? Would you care to comment on that suggestion?

**Mr Everett**—I had not really thought about it. I would not have thought it was necessary for a Melbourne station to attract that part of the audience. They would then have to include Geelong as part of their survey. It would be an expensive way of attracting a larger audience. I have not really given it much thought.

**Ms LIVERMORE**—I was curious as to whether each of your stations is profit making and self-supporting in itself, or does the whole house of cards rely on everything else?

**Mr Everett**—The answer to your question is yes, each of the stations is profitable in its own right, but can I perhaps give an example. In building a new FM station at Warrnambool, if that station was a stand-alone station we could not afford to build it out of its own resources. So, if you like, there is a corporate structure that supports the individual growth of stations. There are ups and downs in each market. Gippsland is a classic example at the moment. It is a very tough market; it has the highest unemployment in Australia. I spoke with our competitor at GG on Saturday and said it was very tough and he said, 'It certainly is.' Now, we grew the network really for that reason, so that if one was up the other was down. It was like it was an insurance policy. I do not think in my most recent seven years under the new ownership have we ever had every single station performing as we would like. It is a moveable feast—Horsham is in drought at the moment.

**Mr McARTHUR**—But you say that the operation of these stations together provided a better service. The history of a couple of your stations had been one of changing ownership almost every two or three years and you have provided a stability of ownership, a stability of direction and a stability of service to the community. Is that what you would be saying to us?



**Mr Everett**—In fact, I would go further to say that because of technology, and we like to use it in a clever way, we are able to—I will take Colac as an example, where we might have four people there that can voice commercials—shift voices around. We might get someone with a particular characteristic voice in Traralgon to do an ad for the dress shop whereas before we could not do that. So we will use those resources to produce a better product. Collectively we have a lot of voices. Individually we do not have many at each station, but collectively we can produce the best product for each one, and it is working very well.

**CHAIR**—What would your reaction be to the reintroduction of some form of three-yearly or five-yearly assessment?

**Mr Everett**—I do not have a difficulty with that.

**CHAIR**—I am not talking about the bun fight of the tribunal days but I am also not talking about the laissez faire type of atmosphere that exists today.

**Mr Everett**—I do not have a difficulty with some form of requirement for local news; I just do not have a difficulty with it. That is easy for me to say because I believe that we are already there. We have a fairly simple philosophy: we have to have an outstanding product, that is where we start from, and that outstanding product has to be a local product, in our view. From there we have to have excellent customer service to the people that buy our advertising. If we achieve those two things then we will have a successful business. But the product is the most important thing. The perfect example is that a general manager of one of our radio stations, who you could logically argue is responsible for the bottom line, is also the group programmer. So he has to wear two hats: he has to be responsible for an outstanding product on air and at the same time he has to be responsible for the bottom line of his station. So we are in balance, if you like, we do not have one person driving the bottom line arguing with the person who wants to spend money on product; he wears both hats and he is one of our most experienced operators. So we like to think we have it in balance and that both things are important to us.

**Ms LIVERMORE**—Are you basically advocating that the current regulatory regime could remain in place but maybe with just a more commonsense approach to the issuing of new licences?

**Mr Everett**—Yes—‘commonsense’ is very well put.

**Ms LIVERMORE**—So do not rule it out but have a very good look at the commercial realities and exercise some commonsense?

**Mr Everett**—Yes, the commercial reality of what benefit will be brought to the community by introducing a new licence. Following the last hearing I provided to the committee a survey of our markets, including the ABC, showing that when we were granted a second licence in our markets all that happened was our audience grew slightly but we were able to rifle shot, if you like, those people. We have got the kids now. If you are running a station in Hamilton, you have to appeal to the 10-year-olds and the 90-year-olds, so you try to be all things to all people. Let us have a second licence and we will make the AM station the talk station, and we quite freely admit we will target the ABC for some of their audience—good luck to us—and we will target

Triple J for the younger audience and have a better product. Our audience grew, revenue grew marginally, but we were able to do that because all of the revenue stayed with us.

**CHAIR**—Triple J was there ahead of you, was it?

**Mr Everett**—Yes, they were ahead well and truly. There was a part of the audience they appealed to, 10s through to 17s, that we were able to approach where we could not do it before—because if you go for that end you are going to lose them at the other end. If you have both an AM and FM then naturally you will grow your audience, not hugely because the number of the people in the area do not grow; all you are doing is attracting more people to what you are doing by having a diversity of product.

**Ms LIVERMORE**—Is it something about your specific area of Victoria, the history or the geography or whatever, that allowed your group to buy up these stations and develop into your own little network?

**Mr Everett**—It was certainly a strategy. In 1994 when the Handbury and Paterson families bought, if you like, just the radio stations—there were four radio stations—I felt there were two fundamental weaknesses we had at that time which we should address, and that was Warrnambool, which we did not own, but required a change in their service area, or Hamilton when the FMs finally came. And I thought I would much rather be owning it and being able to basically address that internally, and the ABA certainly appreciates that because they do not like brawling. I said, ‘If we agree to change it then that is easy.’ The other side was that we had no presence on the other, eastern side of the states so we felt that was important. Since then we would have liked to have grown further in Victoria but it is unrealistic in terms of the prices being asked. They have basically been acquired by DMG and RG Capital, so that is it.

**Ms LIVERMORE**—Because it seems to be a bit of a win-win situation; it is making your business more secure and successful and it also seems to be delivering benefits to the listeners. I am just wondering whether that same pattern of ownership and operation occurred in other parts of Australia and, if not, why has everyone else missed the boat that you seem to have jumped on?

**Mr Everett**—Perhaps if we go back. As I said earlier, our owners live in the area and I think that is where it starts. They are immensely proud of the product we produce—that is certainly the case—and they enjoy being in the industry. As I said, if we can have an excellent product, have a successful business by the standards they set, which obviously has to be profitable, then it is a good business to own. We are not anywhere remotely close to the size of your RG Capitals or DMGs. We have 130 staff. In revenue terms, what we write out of Victoria would probably be the equivalent of a DMG or RG, perhaps a little ahead, but then we have the smallest markets; we are not in Bendigo or Shepparton or Albury. Gippsland is our largest market with about 120,000 people and Colac is our smallest with less than 50,000 people. Our economy of scale comes from having, if you like, a head office of four people, including myself, and that is it. To move outside of the state, as I said earlier, just imposes certain philosophical problems for us: we cannot listen to the station and we certainly cannot drive to it if it is much outside the state.

**Mr McARTHUR**—Could we just pursue this whole geographical distribution. It has been put to us by other witnesses that the total ability of a region is somewhat limited. If you look at the geographical spread of your stations, you are very dependent upon the prosperity of the rural industries that you serve and they have come and gone, the wool industry, the wheat industry and the dairy industry. Would you care to make a comment on this suggestion by other witnesses that the advertising revenue is limited by the prosperity of the region?

**Mr Everett**—It certainly is. I said earlier that Horsham at the moment is in drought and we are feeling the effect at that radio station. If we come up to Colac, the dairy industry is going very well and that particular region seems to be a lot stronger. It is a balancing act. I said earlier, we grew because of the benefits of scale and there has not been a time in seven years where everything seems to work together. But it does impact on the community. For example, in Horsham the newspaper there is constantly writing up the negative impact of the drought and all of this and we just choose not to do that. It does not help us; it does not help the people to remind them that things are tough. A lot of it is in the mind. But, yes, we are very strongly impacted by the rural community. We often argue that when the rural economy is booming we do not seem to get a benefit but as soon as it drops away we feel the negatives. Sometimes the farmers are slow to react.

**Mr McARTHUR**—There is an interrelationship between your stations, especially those ones south of the divide, so a lot of your listeners would hear Warrnambool, Colac and Horsham, would they not?

**Mr Everett**—In those markets they listen to, yes.

**Mr McARTHUR**—So they would be aware of the other stations. Do you think that the advertisers have a feeling of support and the fact that you are obviously very local by any measure? Your owners are local, the stations are local, there is a local hinterland, it has all the characteristics of the advertisers knowing that the market is not being interfered with, except for John Laws coming out of Sydney from time to time.

**Mr Everett**—That is why we say, ‘Let us have an FM in those new markets,’ because it gives the listeners the choice. We do not take John Laws in Gippsland; in Warrnambool we play—

**Mr McARTHUR**—Are they different in Gippsland?

**Mr Everett**—Going back a step, we have an FM in three of our markets and it is just a programming decision. Even though it is the one group programmer, we do not program all of our stations exactly the same.

**CHAIR**—What do you in the Gippsland program in the morning?

**Mr Everett**—We have a live announcer to play music.

**CHAIR**—Do you do any local talkback?

**Mr Everett**—No. When you say ‘local talkback’, if you are talking on current affairs the answer is no. We have local news, we have competitions that involve local people, but in terms of a current affairs type talkback, no, we do not do it. We have just chosen not to.

**Mr McARTHUR**—Given that you have this good feel for the local advertiser, why have you instituted John Laws for two hours on a couple of these stations?

**Mr Everett**—It is very simple: you try a program, you measure it by survey, which I have distributed, and if the survey says that John Laws is popular, and we can see that he is, we continue with it. It is simply a matter of saying—

**Mr McARTHUR**—Why do you not run him for the whole three hours instead of two?

**Mr Everett**—It is a programming decision. If you surveyed all year round, as metro stations do, you might change a little. It is as much a philosophical feel for the market. Warrnambool, for example, has an AM station only so we only run him for an hour. Now, Colac has an AM and an FM but some people in Warrnambool can listen to Colac so they can listen to John Laws for three hours if they want to tune in there. It is a balancing act. Perhaps I can give it to you in a big picture: if we had an AM and FM station in every market, which, subject to the group 5 planning, we hope we will by the end of this year, we almost certainly will run John Laws for three hours on all the AM stations. That is because the listeners will have a choice; they can listen to the music or they can listen to John Laws. It is where you do not have that choice that we have—

**CHAIR**—Do you have a hot rock format with your FM station?

**Mr Everett**—No, it is adult contemporary.

**CHAIR**—Adult contemporary?

**Mr Everett**—It is actually a little older than we thought. It would appeal to, say, the youngsters through to the 39-year-old and it just tapers off after that.

**CHAIR**—Do they use the local news as well?

**Mr Everett**—Yes, local and—

**CHAIR**—Do you use the same bulletins or do you use a more racy format?

**Mr Everett**—No, exactly the same. We started off the FM with a slightly different news service but then after a while decided it was not critical. We run exactly the same news on both.

**Mr McARTHUR**—What are you going to do when John Laws is no longer available?

**Mr Everett**—We have a number of options: playing music would be one or an alternative would be to take Neil Mitchell out of 3AW. We will make up our mind when the time comes.

We have discussed it, as we have discussed continuing with John Laws many times. For the time being we will continue.

**CHAIR**—Do your competitors in Gippsland run Laws?

**Mr Everett**—No.

**Mr HARDGRAVE**—What about the editorial decision making of these different stations, the section 39 licences and so forth? If you are running two stations in one marketplace, are you making separate editorial decisions in each of those stations?

**Mr Everett**—Do you mean in a news sense?

**Mr HARDGRAVE**—Yes.

**Mr Everett**—As I said earlier, the news on both stations is identical.

**Mr HARDGRAVE**—It is identical.

**Mr Everett**—It is identical, yes.

**Mr HARDGRAVE**—So it is a straight feed, everything times out at the top of the hour and everyone takes the same bulletin.

**Mr Everett**—National news, certainly, local news, of course.

**Mr HARDGRAVE**—It is the same thing?

**Mr Everett**—Yes, we introduce our own local news.

**Mr McARTHUR**—What is your view on overseas ownership? What if your owners were given an offer that they could not refuse from DMG?

**Mr Everett**—What is my view?

**Mr McARTHUR**—That is one side of it. The other side is what is your view of overseas ownership of rural and regional radio stations that we see?

**Mr Everett**—I can say that at a company level it is not something we have ever philosophically sat down and discussed. It is a surprise to me that foreign ownership is allowed of radio and yet not other forms of the medium. I do not understand why they changed it and I would suggest that is one of the reasons that this inquiry is on.

**Mr McARTHUR**—Do you think the foreign owned companies are providing a lesser service for regional Australia?

**Mr Everett**—If I quote the one that has perhaps promoted this inquiry, DMG, the answer would have to be that it is a service that a lot of people feel uncomfortable about because it is not local. So the answer would have to be, yes, it is a lesser service if it is not local.

**Mr HARDGRAVE**—Do you think it would be fair enough to try and embark upon a condition of licence modelling the sort of thing that you are doing; that is, to have live and local, to have this local-first approach imposed, even if it is just for part of the day—actually imposed rather than simply a voluntary effort?

**Mr Everett**—If it was determined that our local news of three minutes had to become 10 minutes on the hour we would adapt to it. I think they will adapt to any legislative change that comes to place.

**Mr HARDGRAVE**—So if you want to live and breathe radio you can survive. The viability of the sector is there if you can manage your resources right.

**Mr Everett**—Yes. For example, let us assume that there was a demand put upon us, to take an absurdity, that you had to produce your own national news; you were no longer allowed to take it out of 3AW. Firstly, it would be a lesser service, but I would think about how I could construct a hub to create a national news and then feed it out to those stations. You would adapt to it whatever it was in those cases. I believe if there were conditions imposed on DMG or whoever it was, and that was the law, they would have no choice; they would have to adapt.

**Mr HARDGRAVE**—What about the linkages you have with other media in the centres that you operate in? Are you affiliated with the local newspaper or television stations?

**Mr Everett**—Affiliated in a personal sense, certainly, in a cooperation sense, certainly.

**Mr HARDGRAVE**—What about a sharing of journalistic resources?

**Mr Everett**—We have tried that several times and changes—not at our end, at the other—have generally upset that arrangement. I will give you an example. At Colac at the moment there is a huge fundraising effort going on to expand the cultural centre there and the newspaper and ourselves are together working towards that. They are giving us publicity for what we are doing and we are promoting what they are doing. If you want to take it to the next step, our executives and their executives sit on the same committee independent of—

**Mr HARDGRAVE**—Where has that cooperation come from? Is it the executives telling the radio and newspaper assets to do certain things or is it a community project and you have made decisions independently?

**Mr Everett**—Let me put it this way, our general managers would just see it as instinctive.

**Mr HARDGRAVE**—I guess what I am driving at is just the independence of and the range of voices in the marketplace. Is there a linkage that suggests that the local newspaper's editorial decision making is commanded of them, the radio station, or vice versa, or do they simply make news judgments that are similar because obvious stories make them similar?

**Mr Everett**—I understand what you are driving at. There is no communication agreement linkage between what the newspaper chooses to write about as a key issue and what we do. Our journalists will make their own decisions. Certainly they use newspapers as a source—and, more importantly, the newspapers use us as a source because we are instant. We are ahead of them: if something happened in Murray Street, Colac 10 minutes ago that was of importance, we will have it on the news. The newspaper, of course, monitors what we do and we monitor what they do.

**Mr HARDGRAVE**—My old friend and constituent John Knox from 4KQ always used to say to me, ‘When you read it, it’s history; when you hear it, it’s news,’ which is a fine radio nexus.

**Mr Everett**—That is true, yes.

**Mr HARDGRAVE**—To follow up Mr McArthur’s question about foreign ownership, is the foreign ownership matter a threat to radio assets such as yours or do you just simply proceed as you currently are without the sense that someone overseas might buy you out—although if the price is right you might be tempted? The second part of my question is: you mentioned radio is treated differently to the rest; would you be fairly relaxed and comfortable if the rest were treated the same as radio or do you want radio to be treated the same as the rest?

**Mr Everett**—There are about four questions in there. On the threat of a takeover, I suppose it depends from where you sit: if you are a shareholder you may see it as opportunity; if you are in effect an employee, as I am, you may see it as a threat. From a personal point of view, and from what we have built and established in terms of the way that it has evolved, particularly over the last seven years, I would be personally very disappointed, as I think a lot of our people would too, because we believe we have the right balance in terms of the right number of people and efficiencies. We could make more money if we chose to chop start, and we could do it. I have spoken to other operators and they have said the same, but it is a philosophical position of producing an outstanding product and being comfortable with that as a return on your investment. So in terms of foreign ownership, it is not something I really give a lot of thought to.

Should radio be treated differently to the others? It is now but I really do not have a firm view on whether they should change it. It is not something that I could have any influence on, I do not think. I just find it unusual that they did change it several years ago for one part of the medium and I do not know why.

**Mr HARDGRAVE**—Apart from the impact of a big buy-up of certain assets by one station—but admittedly they have been around in the Australian marketplace for 50 years in one form or another anyway—has there really been a noticeable change in the attitude of the industry as a result of foreign investment?

**Mr Everett**—No, would be my short answer. We attempted—and I will say unsuccessfully—to network many years ago. We saw it back then as a method of survival in the long term. What happened was that technology leapfrogged forward—the capacity to prerecord. We can do temperature calls without somebody being in the studio, so if it is 11 o’clock at night—and let us presume for the moment that we have prerecorded the program, the national news, which is updated by 3AW, so it is live, as I would call it, or certainly current—you can report something

that happened half an hour ago, and the local bulletins for the day can be in there and at the end of that we can actually give the current temperature.

**CHAIR**—That is all automated?

**Mr Everett**—Automated, yes. It is a local person who has done it but the fact is it sits on the computer files—I think minus five degrees to plus 50, but if it is outside of that nobody cares so it will not matter. But seriously—

**Mr HARDGRAVE**—It would not work in Canberra; it gets colder than that there.

**Mr Everett**—But in our markets that is what we have prerecorded and it just feeds in as part of it, ‘and the current temperature is’. That technology did not exist in 1992 and if it did exist—can I say that we all know that the price of hardware and software has halved and halved and halved again and halved again, so we make comprehensive use of technology to produce a good product.

**Mr McARTHUR**—Given your impressive submission on the validity of localism, as you see it from Ace Broadcasters, how would you recommend to the committee that we might implement some of your philosophic stance through the legislative process to look after local people with local content and local advertisers?

**Mr Everett**—I have not given it a lot of thought because I am very parochial and very selfish. I am very proud of what we do and I have not given serious thought as to how you could impose it. I have imagined what might happen as a result of this inquiry but I have not sat down and documented how you would do it. I have imagined that you might come out and say, ‘There will be a minimum amount of local news,’ that would have to be your starting point, but I think it would be impossible to legislate—or you can legislate but then you have to enforce and that is the hard part. There is no point legislating something that you cannot monitor and enforce. Is a local presence, if you like, in announcers and so forth? We need to generate advertising revenue and to do that we need people in that community, and I am not just talking about the radio station; they have to participate in Rotary and Lions and they have to be at the football. We have to be part of the community. Let us face it, we have to broadcast the same number of hours as a market that has 200,000 people; we still have to be on air for the same number hours if we have only 40,000 people, so we have to approach it differently.

**Mr McARTHUR**—So it gets down to the issue of licences, and the government can have a say in that. So you are saying that in your marketplace at the moment you have this range of radio stations, FM and AM. Would you be saying to us that you do not want any other predators coming to your market just to upset a reasonable set of conditions?

**Mr Everett**—Certainly. As I said earlier, it will not in my view—and history in bigger markets than ours proves it—bring anything to the market; it does the opposite. In Geelong you had—

**Mr McARTHUR**—You think Geelong is the prime example of—

**Mr Everett**—The same thing happened in Shepparton.



**Mr McARTHUR**—What happened in Shepparton, for the record?

**Mr Everett**—You had 3SR there with a broad cross-section of program. Sun FM started—this is in the nineties, as I recall—and both Sun FM and 3SR aimed at exactly the same demographic. Inevitably, 3SR went into receivership—I became involved just before 3SR went into receivership—and Sun FM was certainly struggling. This was in 1992, right on the time of the act where it allowed two to a market. They combined the two radio stations and they both went in—

**Mr McARTHUR**—Was there a threat of a third radio station in the market?

**Mr Everett**—There is a third one there now, yes.

**Mr McARTHUR**—What are you saying about that?

**Mr Everett**—How do you put it? It survives but there is a cross-ownership between Albury and Shepparton that allows it to survive. There are three in Albury as well.

**Mr McARTHUR**—Could you quite strongly advocate in regional Australia the lack of the ABA putting a third licence in where there is reasonable profitability and viability, the viability argument?

**Mr Everett**—It is sustainability, yes.

**Mr McARTHUR**—You quoted Geelong and Shepparton. In your long years of experience, do you have any other regional areas where the third licence upset the viability?

**Mr Everett**—I have dealt with Shepparton and Geelong for the simple reason that I was a director of one or the other in both markets. I am aware of others but I cannot speak accurately about how they performed.

**Mr McARTHUR**—So you would be putting a pretty strong recommendation to us that the ABA should be very cautious in regional Australia in putting an extra licence in without regard to viability of the current stations.

**Mr Everett**—Indeed. You would have to say: what will the impact be on the incumbent—

**CHAIR**—But if viability is a measure and there is no mechanism for hearings, who should be the arbiter and what should the guidelines be? In your case you have been able to fight off one by the strength of your own argument, but is that sufficient? You have a certain unique area of Victoria where your towns and cities are much of a muchness and there possibly is not a lot of room for a third operator anyhow, but who should be the arbiter, who should measure—

**Mr Everett**—Whether there should be a third licence?

**CHAIR**—Yes.

**Mr Everett**—The way it is working now—and we are in the process—is that it is the ABA, and they are doing group 5 planning. If it went back a step, there was group 4 planning, there was the opportunity, if you wished, for a third licence to go into Colac, and in my discussions with the ABA, as they work through the process, I did not lose one moment's sleep because they were saying, 'It is just not sustainable. It would be ridiculous to put a third commercial licence to Colac.' I visit them fairly regularly and they talk to the owners and say, 'How do you feel about a community licence?' I said, 'Fantastic idea, because that will fulfil a certain part of the audience need.' I have no difficulties with a community licence because they are not going to be attracting a substantial amount of revenue to survive.

**Ms LIVERMORE**—My question was similar to the chair's. We had some discussions with the major players in the advertising industry a couple of weeks ago and we were talking to them about whether the ABA consults with them about advertising trends and revenue and all that sort of stuff. Do you think they would be a good, reliable, objective source of information if the ABA needed more information about the lay of the land in particular licence areas?

**Mr Everett**—I read what Harold Mitchell said in that. I read that he said that in his mind he sees regional radio as localism and that is the strength of selling national advertising in there. Advertising agencies certainly rely upon more black and white data; they rely on survey figures; that is why we survey. We survey for two reasons: firstly, to get our programming right and, secondly, to be able to go to advertisers and say, 'We have this part of the audience and these demographics.'

**Ms LIVERMORE**—So in fact the advertisers would not be able to add any more to the case or to the assessment than you guys could?

**Mr Everett**—No. You are looking at hundreds of regional radio stations across Australia and an advertising agency is going to buy a product; they are not going to sit down and say, 'Now, what format do they run in Colac as opposed to Warrnambool?' They would be relying upon data about the share of audience. Where it is a competitive market they certainly get far more—

**CHAIR**—Do you use AC Nielsen?

**Mr Everett**—Yes, we certainly do.

**Ms LIVERMORE**—Mr Mitchell had figures that day—and he had figures from your market—and he was saying that they do not care necessarily about the cost, because some of the costs in those markets were very high.

**Mr Everett**—Yes, the cost per thousand is high.

**Ms LIVERMORE**—But if you want to reach that audience it has to be through you guys.

**Mr Everett**—That is right, yes. In the last several months—post-Olympics if you like—national advertising has been incredibly low, and this is not just unique to us. It has made radio in the last five or six months a very difficult business.

**Mr McARTHUR**—And your salvation has been the local advertisers.

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**Mr Everett**—Yes, to a point. That has fallen away in Horsham, as I said earlier, because of the drought, and in Gippsland because of the difficult economic conditions there. National advertising makes up—and it would be fairly much across the board in regional markets—between 20 and 30 per cent of their revenue.

**CHAIR**—On that point, do you have your own group salesmen to deal with the national and state advertisers or do you work through a wider group?

**Mr Everett**—The way it works, we have a representation company which represents the majority of radio stations across Australia, the Regional Radio Bureau, and internally, in the interests of efficiency, one of our general managers has a secondary role as a national sales manager to liaise with them. So we are represented across Australia by one group. Could I say very simply that it is owned by DMG and RG Capital—they each own 50 per cent of that company. It obviously represents their stations and they also represent stations that they do not own.

**Mr HARDGRAVE**—I have one hanging point from the hearings on 11 May with Harold Mitchell. What is it that is so unusual about Colac that gets \$55.24 per thousand people? What is it about Colac that is so unusual, apart from the quality of the local federal member, that Colac advertisers get \$55.24 per thousand? What is it that makes them that worthwhile?

**Mr Everett**—Can I say to you that it is a moveable feast as to what particular rate is being charged. I could sit here and tell you for an hour—

**Mr HARDGRAVE**—No, please do not. It was just a comparison to Bendigo, where it is \$6.90 to reach a thousand. I felt it was the purview of the member for Corangamite, but I just wondered if it was something else.

**Mr Everett**—It comes back down to audience share and not just the people in the community.

**CHAIR**—Once again, Mr Everett, we are most grateful for your evidence. You are quite unique in that you are a small network, though you do not network. You certainly set some sort of a model that you have proven can be profitable and efficient in retaining your own journalists and with that a degree of localism. You have helped put some more threads into the fabric that we are trying to put together. We appreciate the trouble you have gone to today to come so far to give us that evidence. As you know, today and tomorrow we are trying to wind up and get into the consideration stage so you made life a lot easier for us by coming here today and we appreciate that very much. On that note, ladies and gentlemen, we will adjourn for lunch.

**Proceedings suspended from 12.56 p.m. to 2.15 p.m.**

**ICKERINGILL, Mr Peter Damian Joseph, Legal Adviser, DMG Regional Radio Pty Ltd**

**LEDDIN, Mr Garry, Regional General Manager, Southern, DMG Regional Radio Pty Ltd**

**THOMPSON, Mr Paul Charles, Chief Executive, DMG Regional Radio Pty Ltd**

**CHAIR**—I welcome to the table representatives of DMG Regional Radio Pty Ltd. Thank you for appearing again. To commence the afternoon's proceedings, would you like to give us an overview of your original submission and any material that you wanted to add since we last met.

**Mr Thompson**—We do not have any additional material to submit to you today. Since we met in Townsville previously, we have forwarded two letters, dated 6 February and 16 February, I think, touching on some of the issues that were raised at the previous inquiry and expanding on some of those issues as we undertook to you to do. I think that covers our position as it is at the moment.

I suppose in general terms I would like to say that we believe that regional radio has moved on from the era that existed when I started—as you would hope it would because that was a very long time ago—and it now requires a different approach. For example, I started in the 1960s—I hesitate to even say that—and it was quite a different industry then. I suppose it is fair to say that regional Australia was quite a lot different then and the capacity for some markets, quite a number of markets, to support a local radio station in the way that they did some decades ago no longer exists economically for a range of reasons.

One of the important reasons, I think, is that a lot of those markets that were granted licences under particular circumstances because of their size and economic strength at a particular time no longer are of that size and no longer have that economic strength. Further to that, some of those markets have now had additional licences granted—in some cases more than one, in some cases up to two in a market that previously had only one—and the economic dynamics of the market have changed quite appreciably in those markets as well. So the larger regional markets, certainly the larger regional markets that we are in, now have a number more services than they had before and the smaller markets no longer have the population that they had before, which I think creates a completely different economic structure now from the one that certainly existed in the time when I started in regional radio. And that is coupled with the fact that new technology is now available that simply was not available in years gone by, and there is the fact that through the usage of that new technology it is now possible to provide a very high standard of service, a higher standard in my view than has, in the key areas that listeners care about, ever been possible in regional Australia in the past.

For those reasons, we have structured our company to provide services in a way that involved the usage of a very highly computerised operation that utilises centralised resources in regional hubs in Townsville, Albury and Bunbury. We believe the result of that is, as I say, a higher standard in the key areas that people care about—we can expand on that later if you would like us to—than has ever been provided before. And I think it is higher by a pretty big margin. It also enables, particularly in the smaller markets, a service to be provided that, given the

changed economic circumstances, simply would not be possible at all if the operations were not conducted in either the way that we do or with some form of networking. I would go so far as to say that in the smaller markets—there is now a reasonably large number of small markets in Australia—if services were not being provided in the way that they are being provided there would no longer be a possibility for a service at all. The services would need to shut down and a significant number of markets would no longer have any commercial service at all and there would be nobody wishing to take those licences to continue the service.

I think the result, however, the reality of what is the case now, is a very positive one. The services are excellent. We appreciate the concern that the committee has had in relation to, in particular, emergency services. We have had a further look at our own approach to those services, and I think, in any way that we are able to, we have addressed those services and made them better. I think they were already very good, but there were some things, I think, that could have been better, and we think they are now better. We have addressed those. I think the combination of all of that is a service that is the best that has been provided to regional Australia in my working lifetime. I would leave it at that.

**CHAIR**—Do you want to add anything, Mr Leddin?

**Mr Leddin**—No, I think Paul has covered it.

**CHAIR**—Since we saw you last, one thing has been confirmed very much in our minds: the desire of regional people for local services. While I do not quibble with your statement that the service you provide is of a high standard, our terms of reference from the minister were to tell him what part regional radio plays in the fabric of the community; what impacts it has on employment; in particular, to what extent local news, talkback, sport and community announcements have been affected with particular regard to networking; and, finally, to what extent digital radio might provide some answers in the future. I do not quibble with the things you have said today. We have seen your hub; we have seen one of your hubs and the technology is quite outstanding. So we are not arguing that case. What we are arguing about is, if you like, the sense of ownership of radio and the part it plays in the community. You say you have changed some directions since we last met. In what fields were they?

**Mr Thompson**—They were quite simple things in one sense. The emergency services organisations have found it a little difficult to adjust to the fact that the structures and systems are a little bit different. As a result of that, there had been some communication between radio broadcasting and them, which I really think it is fair to say has not by any means been entirely the fault of the radio industry; I think it has been a shared situation. But we have endeavoured to simplify certain things for them. For example, in most of our stations now, and within a week in all of our stations, in terms of emergencies, there is now one telephone number and that telephone number will divert to the next telephone number in the event that the first one fails, which in turn will divert to a third one and there will be—and there is now in most of the stations—a single telephone number that is accessed at all times, 24 hours a day.

It was a little more complex than that before. We had a range of telephone numbers and I suppose when you think about it, with respect to the emergency services people, they have not just got us to deal with; they have other people to deal with as well. To have a list of telephone numbers probably created some complications that did not need to be there, given again that the

technology allows you to do it with one telephone number. So now we are in that position where a single number will achieve whatever needs to be achieved. I think that is probably the main thing that has changed in the time since we last spoke.

**Mr JULL**—I can follow on on that point of localism. There has been a suggestion that in actual fact we should make provision for a greater role for the community broadcasters, maybe lifting their advertising limits, maybe giving them a deeper recognition, with the licence being to provide strictly the local parish pump stuff. Are you terribly concerned about that?

**Mr Thompson**—That would possibly open the door to the potential for a backdoor commercial licence. In buying the stations we bought, we actually paid quite a lot of money for them all, and for each one, and of course the community licensees get their licences without charge. The difficulty that you have, once you start extending, in my view, the commercial scope of a community station, is: when does it stop being a community station and when does it start being a commercial licence which the people concerned have managed to obtain without charge?

There have been some examples. In at least one that I am aware of, in Sydney, some people were testing community frequencies—only running tests—and the people concerned made, I am told, very significant amounts of money out of those services—more than some of the commercial stations were in fact making at the same time. One or two individuals became quite wealthy in a very short space of time on a tests transmission.

They are not going to do that in regional Australia because we all know regional Australia is a bit tougher than that, but it is a very difficult definition, I think, of what is a commercial licence and what is a community licence. At the moment I believe the ABA is having a look at defining particularly narrowcasters. I think they are also going to extend that and have a look at the community aspect, because the Broadcasting Services Act is not terribly clear in its definitions—and I am sure you have had a look at it—particularly in regard to narrowcasters, but to a degree with community as well. The definition of what is a commercial licence, what is a community licence and what is a narrowcast licence is a bit hazy.

If it became more hazy—that is, the distinction of commercial content also was taken away—I think it would be very difficult. It may be possible to do so, but I would have thought it would be very difficult to not create a situation where backdoor commercial licences started to be created. We would certainly have a problem with that, because that would mean more money would be taken out of the small regional markets and the services that could be provided by commercial radio would probably be diminished.

Once upon a time, in a large market like Mackay—a non-hub market—it was possible for the original station, which was 4MK, to be all things to all people and provide a very wide range of services. Once two more licences were granted in that market—and there are now three commercial licences—4MK can no longer be what it once was. It has to now be very narrowly targeted; it has to now make sure that every element that it has in there is very much what the audience wants. It has to redefine itself, remake itself, and it cannot be that broad-based station that provided funeral announcements and all the wide range of things that some of our stations still do. But in those larger markets now, because they are competitive, it cannot do so.

This is a very long-winded answer; I apologise for that. I suspect that, if you could define a community licence with more commercial content in a way that kept it as a community licence, you are nonetheless splitting the money that is available for services to be provided in the market and the likely result of that, given the history in other places, is that services are more likely to be diminished than to grow, I would think.

**Mr JULL**—What percentage of your revenue is national? What percentage would be local?

**Mr Thompson**—It is about 80-20 local-national. National is sometimes a little bit more than that, maybe somewhere between 20 and 25.

**Mr HARDGRAVE**—Are you growing revenues in regional Australia?

**Mr Thompson**—The last six or nine months have been pretty tough. It has been a very difficult time. I would have said yes to that question nine months ago, in our stations.

**Mr HARDGRAVE**—You were growing them prior to that, though; is that what you are saying?

**Mr Thompson**—Yes, we were prior to that, but we have been through—and I am not telling you anything you do not know about regional Australia—a pretty tough time. Generally, I would say their revenues are not growing at the moment, particularly in the smaller markets.

**Mr HARDGRAVE**—The big question of commercial viabilities occupied a lot of the committee's time, as you know, and I guess the balance for us to try and figure out is the viability question—city versus country, region versus region. I guess all those things are difficult, but is profitability being so heavily squeezed? We are hearing it a lot and yet we have got figures from the ABA which probably show that that is not quite consistent. They keep showing that essentially revenues are rising and the profitability is rising. The metropolitan areas are more profitable than the bush, of course.

**Mr Thompson**—Yes, they are. I think you would find, Mr Hardgrave, when you get the figures for this year, because we have not got those yet, that it has been a pretty tough year. I might be wrong, but my feeling would be that they would not be doing too much growing in this current year.

**Mr HARDGRAVE**—City and country, or just country?

**Mr Thompson**—This is no more than a guess, but my guess would be that country is going backwards. I have figures on city, so I know that it is growing at about the inflation rate, or underlying inflation—at about the two per cent mark. I cannot ask the RG Capital representatives this, but I suspect that people in places like the Gold Coast might still be really buoyant, but in places like Roma, where we have obviously got a drought, and in a whole range of regional markets that are doing it pretty tough at the moment—

**Mr HARDGRAVE**—So the radio stations basically reflect what is happening out in each of those regions?

**Mr Thompson**—Exactly, yes.

**Mr HARDGRAVE**—So if God has intervened and we have got floods, droughts and so forth, radio stations tend to get knocked about?

**Mr Thompson**—That is true. You are right: there is the great contrast—there are floods in some areas and droughts in another.

**Mr HARDGRAVE**—You would have heard what the radio industry is saying—that the DMG purchase of the Sydney licence is going to preoccupy your company's activities and that the rural based licences may, in fact, be drawn upon to pump up the Sydney operation. I think everyone agrees that the Sydney based operation obviously has the potential for profitability, and sustainability is huge—none of those peaks and troughs that you get in the rural areas. What do you say to people who say that DMG will offload all further network country stations to meet the costs of running the Sydney station?

**Mr Thompson**—Firstly, with respect to offloading—although I should be careful in making comments that are not sanctioned by my board—our current attitude is that we are not in any way interested in doing that. We have had some offers recently along those lines, but our view is that we made a commitment. DMG is a very long-term investor and it is not thinking of doing that at all.

**Mr HARDGRAVE**—Let me put it to you in another way, which may appear somewhat more positive than perhaps how I framed it a moment ago: is it part of DMG's business plan to have this large group of country stations and to let the peaks and troughs of that operation just continue to sort themselves out and to supplement and add to what the Sydney licence does, or is it the other way around? Which way is it working?

**Mr Thompson**—It will end up being more the other way, I suspect.

**Mr HARDGRAVE**—So Sydney will subsidise the bush?

**Mr Thompson**—I suspect that is the way it will go. As you know, both our shareholders are UK based and so far it has been the shareholders investing in regional Australia and now in metropolitan Australia; it has not been a case of their benefiting from that because there has not been much to benefit from. The profits that we have generated so far are certainly going to cover the initial losses in Sydney, but we are expecting that in quite an early period it will actually turn around slightly, and Sydney will be the great growth generator. There are very early and very good signs of that already.

But these stations are fragile. To give you an example, we have one station in Western Australia that had a profit last year of \$10,000. It would require nothing for that station to be in loss and not to be an economic proposition. We have a number of other stations, particularly in Western Australia—because there are some very small markets in that wheatbelt area—where profits are finely balanced. We are not talking about walking away with lots of money. You are talking about surviving, and I think in some of those markets a local independent owner could not do it. The service would not exist.



**Mr HARDGRAVE**—As you can imagine, the committee has got a range of possibilities for its recommendations, so if we were to recommend that there was live and local at each of the broadcast points, we would pretty well destroy your business plan. Is that what you are saying?

**Mr Thompson**—If there was an increase in even one shift a day from the hub to the local market there would be, in our case, probably five stations that may not be able to continue.

**Mr HARDGRAVE**—So what would you do with them?

**Mr Thompson**—No-one would buy them so you would probably have to hand the licence back, I imagine.

**Mr HARDGRAVE**—You would hand the licence back. I do not suppose we should ask you to name the five, so we will leave it at that. With respect to this admittedly huge exposure and this huge asset base, the peaks and troughs iron themselves out, from what you said. How can you balance that against organisations like Ace that are running nine stations on network and other smaller, not on network, affiliated stations that use the same process but admittedly over a smaller group of stations? They still manage to maintain their viability and profitability—or are they cherry-picking?

**Mr Thompson**—I have highlighted the very small stations in our group and, to be honest, if we had been buying them individually, we probably would not have bought stations that small. We bought them in a bulk situation.

**Mr HARDGRAVE**—Who did you buy those ones from?

**Mr Thompson**—We bought them from Rural Press, and in that group are stations like Bunbury and Kalgoorlie which, until the gold price collapsed, was an enormously profitable station. It is less so now, at this particular time, although there are signs of a recovery. Esperance and Albany down in the south-west are pretty good and we do well out of those stations. We are talking, in general terms, about Western Australian wheatbelt stations in particular. There is also one of ours in Queensland as well, that we would say would be in that category. There are a lot that are independently owned that I could identify but I would prefer not to do so. I think they would almost certainly have to close down with any increase in non-networking services—in their case, not a hub; in their case, a network service.

**Mr HARDGRAVE**—As far as you are concerned, the horse has bolted, the die is cast, all the other metaphors we could think of: this is the way life is.

**Mr Thompson**—I think it is. I do not think it is as bad as you may think it is.

**Mr HARDGRAVE**—Don't worry about how I think; I am looking more at the submissions from people who have some views on these things.

**Mr Thompson**—I think there was a time, prior to the licence area planning by the ABA commencing, to consider those things. I think the difficulty now is that, in particular, with respect to licences in many of the larger and more profitable regional markets, new licences have now been granted in those markets, and whether it was appropriate to do that or not is

another question. I suppose we would say that we have been bemused throughout this process that additional licences have been consistently granted in regional Australia where there was no economic capacity to support those licences, yet a great conservatism has been utilised in metropolitan markets where there is an enormous economic capacity to support the stations, and the most that has ever been granted in any market is one licence.

**Mr HARDGRAVE**—You would therefore support any finding of this committee that the question of viability—perhaps checking with those who choose to advertise and all those sorts of things—be factored back into the Broadcasting Services Act, in the granting of new licences?

**Mr Thompson**—The difficulty with that now is that the process is almost finished. There are a very small number of regional markets yet to be done, including a couple that we are in, in Wagga, Griffith and Mt Gambier, but most of them have been done and in most of the cases where there was a reasonable level of profitability, and in some cases where there was not, additional licences have now been granted. We argued strenuously against it, but it happened, and we have to live with the situation that we find ourselves in. This was not by any means the only reason that we built our hubs, because we do believe we provide a superior service, but there were no hubs prior to this process.

**CHAIR**—Yes, but that was a conscious decision.

**Mr Thompson**—Yes, it was.

**CHAIR**—At the time you did that, there was not a financial constraint upon you to do that. You might say that there was a profitability constraint, but at the time that you bought those stations, presumably most of them were in profit; you determined to go in a particular direction. What would you say if the government asked you to come back to providing some on-the-ground regional services? Does that necessarily make all those stations unprofitable again in such a short time?

**Mr Thompson**—The thing that has happened between the time that we bought them and now, apart from the hub, is the granting of additional licences. The licences had not been granted at that stage. In Townsville, for example, we knew there was going to be one additional licence. Almost within two months of our acquiring those stations, they did not just grant one; they granted two. The whole dynamics of North Queensland, for example, and some other markets, changed completely.

**CHAIR**—But you can see, Mr Thompson—and this is not exclusive to your network—that we have come up against this argument that, ‘We went into the laissez-faire market that the 1992 act created with our eyes open and for our own profitability, and we wanted to be able to take over radio stations that had a particular format, change that format to suit our particular operations’—

**Mr Thompson**—Or to suit the audience, really.

**CHAIR**—No, ‘To suit our operation, and then when the ground rules changed and the third and fourth licences came off the scene, we did not want laissez-faire any more; we wanted to stop it.’ You are not the only person who has put that proposition to us and it is not exclusively

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directed at you, but we just find this a little bit self-serving that, on the one hand, when the market was thrown open, it was a case of, 'We wanted to be able to go for our lives, but now we have got there we would prefer a lot more constraint before you issue any more licences.' Some other group above you says, 'Well, it's a laissez-faire market, we want to get into this now, too.' Is that unfair?

**Mr Thompson**—I think I have failed to express my view properly there, because that is not my view.

**CHAIR**—Everyone is telling us how difficult it is and if any more licences come into the field it is going to be unprofitable, yet we are provided with figures by the ABA that show that the profitability of the country stations has increased in the seven years from 1991-92 to 1998-99. The profitability of the small country stations had increased from eight per cent to 15 per cent and the metro stations increased from 16 per cent to 29 per cent. These figures, too, seem to be inconsistent with the arguments we are being presented with. Can you clarify that for us?

**Mr Thompson**—Firstly, could you tell me which year that was?

**CHAIR**—That was 1991-92 at eight per cent, going to 15 per cent in 1998-99. That was for the country. For the metro stations, in 1991-92 it was at 16 per cent, going to a profitability of 29 per cent in 1998-99—in both instances almost doubled.

**Mr Thompson**—I think the year after the one that you are talking about is the year where the effect of the new licences will click in, so I think that is a very important point. You will see a different situation once that occurs. Secondly, our view is not that the free market effect of 1992 should now stop; I have seen other people argue that. That is not our position. We are saying, 'It is too late.' We may have argued it at another time, but our position is that it is too late to stop it. The process is almost complete and I am not suggesting for a moment that now we should turn around and say, 'Let us hastily change everything'; you cannot change it. As I think Mr Hardgrave said, the die is cast. The planning process—

**CHAIR**—Let me take another point that Mr Hardgrave also made. Put it this way: we are talking about the Ace stations, by way of example, that are a small network, but not represented in the largest communities; they can maintain a journalist at every station. You are saying that if you are forced to put so much as one extra shift onto your stations, a great swag of them will become unprofitable.

**Mr Thompson**—Every one of those is very much smaller than each of the Ace stations.

**CHAIR**—Each of the ones that you were referring to?

**Mr Thompson**—The ones that I was referring to, yes.

**CHAIR**—So even as much as one shift a day would destroy the profitability of those stations?

**Mr Thompson**—We are talking about, in one of the markets, a \$10,000 profit, which we really struggle to achieve. In another, in the wheatbelt also, \$34,000; in another in that area,

\$29,000. None of those really cover one extra person with on-costs and so on, and certainly the \$10,000 does not—even a casual to try to get through that. Another one of those stations in that same region has a profit of \$58,000. These are the smaller stations. We have got many other stations that are infinitely more profitable, and I am not trying to mislead you in that regard. This is only a small group of stations—four or five of ours in those very small markets are one person away from unprofitability.

**Mr HARDGRAVE**—But is it not also interesting to note that the number of people being hired in regional areas has fallen in this period, in the 10 years up to 1998, according to the ABA, by 1.7 per cent per annum? It is also interesting to note the difference between the profitability of independent stations, which I perceive to be freestanding, live and local stations, and network stations is a broadening gap. So, in other words, networking creates a higher ratio of revenues for expenses. It is obviously creating a higher level of profit. So is the exposure question of fifty-something stations, some falling by the wayside therefore by comparison to the most profitable in the network, just too much for one owner to cope with? If you were the small owner of a small station in the middle of the wheatbelt area of Western Australia and you were earning a \$10,000 a year profit, after paying all the wages and expenses, that is probably not a bad scenario. So you could, as a private owner, actually justify that \$10,000—

**Mr Thompson**—Except that the only reason it is a \$10,000 profit is because of the services that come from the hub. If those services were not there it would be quite a significant loss.

**Mr HARDGRAVE**—So it would not be viable unless it was hubbed.

**Mr Thompson**—It really would not. I honestly do not think anybody would even make us an offer for those stations. They were only sold in the first place as part of a package, if you like. It is a terrible way to talk about it, but that is how it was.

**CHAIR**—You bought another small network; is that right?

**Mr Thompson**—Yes, we did.

**CHAIR**—Of which they were part?

**Mr Thompson**—Yes, that is right.

**Mr McARTHUR**—Could I go back to this question of the purchase of the new Sydney licence for \$155 million that has been reported. Your overseas company has bought the 59 regional and rural stations, so it is an interesting scenario. You have now got a metropolitan station, you have paid a large sum of money for the licence and you have still got to set it up by the—

**Mr Thompson**—It is actually on the air now.

**Mr McARTHUR**—Okay. Some people might suggest that there might be either a subsidy or a squeezing of the 60 rural stations whilst you get your metropolitan station up and running. Others might ask, 'Why did you invest in rural and regional Australia first up, rather than

moving into a metropolitan market, which by all accounts is more profitable and has longer term possibilities?’

**Mr Thompson**—Yes, I have heard and read the squeezing argument and I think it is a really unfair one, although I understand why it is made. Our shareholders have spent more money in regional Australia on infrastructure than any company has in the history of regional radio. This is quite separate from the cost of buying the stations, which is one thing, but in technical infrastructure, \$24 million has been spent in the time since we have owned them, over and above that figure. No-one has ever spent \$24 million before on infrastructure for regional radio, even talking about the entire industry, let alone the stations that we have. So they have made an extraordinary contribution, in my view, to regional Australia, in that sense, to make this standard of service possible.

Moving on to the second part, the Sydney part, I can absolutely assure you—and this would be able to be verified—that the \$155 million in its entirety came from the UK. None of it came from the profit of the Australian operations. So it was a fresh, separate investment. It was not a rechannelling of profits from regional Australia. Of course, profits from regional Australia could not possibly have supported that kind of investment, anyway.

So the way that we run our stations, and having regard to the investment that we have made, does not support the squeeze argument that has been brought forward by people in recent months. On the contrary, there is huge investment in regional Australia, and now a huge investment in metropolitan radio. But that investment in regional Australia has been made, and continues to be made.

**Mr McARTHUR**—Why did they make the investment in rural Australia first?

**Mr Thompson**—I failed to answer that question. It was, to be honest, a pragmatic thing. At that time, the ABA planning process, which started in 1993, was due to be finished, on the original timetable, by the end of 1995. We launched in Australia in 1996. We knew it had not finished at that stage but we thought it could not be far away, given that it is already past the original date. But we quickly found out that the capital city dimension of it was still several years away and we then had a company ready to invest in radio and nowhere to go in capital city radio. We decided that we would look at the opportunities in regional radio, and we went down that path. Had the capital city licences been available first, we possibly would have done it the other way around and invested in the capital cities. So it was purely pragmatic and a question of which licences were available first. That was really the decision.

**Mr McARTHUR**—I float the scenario that your city based licence might, in fact, enhance your 59 regional and rural stations by the cross-fertilisation networking—hubbing, whatever you like—so there might be an improvement for rural listeners, because—

**Mr Thompson**—I am hopeful that that is so. In fact, so far we have been able to provide quite a few employment opportunities for the better people out of the regional operation—people who have been able to be promoted out of there into Sydney already—because there is quite an unusually high number of people in our Sydney station, for example, that did not come from another metropolitan station but came directly from our regional operation. There have already been some great employment opportunities for regional people to come through.

In terms of enhancing, I think the thing that we are able to bring so far to regional that we did not have before is the calibre of people that were able to be involved in the senior management of the regional operation. For example, the senior programmers that we have now are people that you would not have been able to get. They are of a calibre that you would not have been able to get just for a regional job, and they are among the best, if not the best, in Australia. They are now, albeit in a lot of spare time just at the moment, spending time—in fact, a team of them are going to Townsville next week to do some work. These are the capital city programmers, not the regional programmers. So we are able to bring the talents of quality people to bear in regional Australia to a degree that was never previously possible.

**Mr McARTHUR**—What did you say last time when I asked, ‘What would you say to the comment that your editorial control of 60 rural stations and a major metropolitan station would put you in a very dominant position in the radio industry’?

**Mr Thompson**—In terms of numbers of stations, it probably does. In terms of revenue, we are still a long way behind the two big companies—

**Mr McARTHUR**—No, editorial comment.

**Mr Thompson**—In terms of editorial, we do not have centralised news coverage. With respect to our senior programmers and our senior management, I would certainly have no knowledge whatsoever of individual news decisions that are being made across our regional company. In fact, I would not have knowledge of individual decisions in relation to our metropolitan ones either.

**CHAIR**—How many of the 59 stations have their own journalists?

**Mr Thompson**—Only the very small ones do not, and I would have to count them. I think I knew the answer to that question last time I saw you and I do not think I know it now. I think it is about 10 that do not. Of those 10, about five have people who are not necessarily trained journalists but who are programmers who provide a local news service. So when you get down to the ones that have no direct input, we are getting back to the same five that we were talking about before.

**CHAIR**—Refresh my memory: from the hub station, what news do you put out from the hub station? Is it the national bulletin?

**Mr Thompson**—We put out national and local bulletins that are prepared by materials sent from the individual stations to the hub and then we broadcast back to the local markets.

**CHAIR**—But the local journalist does not do his or her own presentation?

**Mr Thompson**—Some of them do but some of them just prepare material that is sent back to the hub for rebroadcast back. It is a mixture of those two, depending on the size of the market.

**Mr HARDGRAVE**—Who makes the editorial decisions on those materials sent back—as in the order of the story and whether the story is run the way the journo has recommended?

**Mr Thompson**—The editor of the hub.

**Mr HARDGRAVE**—So the editor at the hub is in a very powerful position. There are three very powerful people that literally control 15 or 20 stations' worth of news information.

**Mr Thompson**—Yes.

**Mr Leddin**—I can only speak for the southern group, which is our stations from New South Wales through to Mt Gambier. There is only one market in that group of 11 markets where the local news is not written, prepared and read from within that station, so I am not sure about the other two.

**Mr Thompson**—You have not got as many of the really small ones as the other—

**Mr Leddin**—No.

**Mr HARDGRAVE**—Thanks for that, but the other question that does beg to be asked is with respect to the affiliation that your group has with any other media, as in television or newspapers, as news sources; is there any sharing of facilities?

**Mr Thompson**—Yes, there is some sharing of facilities and a small number of stations share news with television.

**Mr Leddin**—Currently in the southern group, the only market where that actually occurs is Orange, and we are in the process of ending that and appointing our own journalist there as well.

**Mr HARDGRAVE**—So the Orange television station was providing you with content?

**Mr Leddin**—Yes, it was the only market in the southern group, but that will be finished within four weeks.

**Mr HARDGRAVE**—And despite the Rural Press background, no local papers are providing content for you, other than incidental?

**Mr Leddin**—No.

**CHAIR**—Who compiles your national bulletin, and from what source?

**Mr Thompson**—Again, it is done from the hub and you might like to run through that as well, Garry.

**CHAIR**—Do you use AAP?

**Mr Leddin**—Yes, all of the national and international news sources plus, more importantly, information fed in from the markets. We do, out of the southern group, three distinctly different news services. One is for New South Wales, one is for Victoria and one is for South Australia,

because the stations are spread across those different states. So we compile three distinctly different news services—

**Mr Thompson**—Of course, the same thing applies, one for Queensland and the north, and one for WA in the west—

**Mr Leddin**—Yes, so we avail ourselves of all the accepted services, plus information from the markets if it is of national value.

**Mr McARTHUR**—You talked about the editorial comment. I was interested in the influence of the talkback shows, either by omission or by hubbing, and that can have quite a lot of influence on political and social attitudes. Have you got a view on the influence of senior talkback personalities, and what your group might do with either developing those personalities, hubbing with them or syndicating with them?

**Mr Thompson**—Most of the talkback programs occur in the larger markets, like Townsville. There is not a lot in the very small markets. Clearly, they are influential. Obviously, we use some services that are provided to us in that regard. The John Laws program runs across a number of our markets and we find that it is sufficiently popular not to worry whether we really do need to maintain that. We have talked of taking talk programs in one of our larger regional markets and running them across a number of regional stations and regional markets. We have not done that yet. You would have to do it on a basis of having feedback from the individual markets. You could not just run a program that only had feedback from the large market in which the personality was based. It becomes a matter of research, really. If the market shows in the research that we need that kind of program, then that is what we would do. Generally speaking, those sorts of talkback programs appeal, as we know from the talk station that we run in Adelaide, generally to an older top-end market, and most of our stations are targeted in the age range of roughly 15 to 55, generally in that zone, which is starting to become unfortunate for me, but talk stations are generally for outside of that age group.

**Mr McARTHUR**—Where would you rate the future of radio compared to print media and television over the next 20 years, in terms of entertainment and information provision?

**Mr Thompson**—Radio is an amazing medium. I think the great strength that it has—and this has always been its strength—is that you can listen to it while you are doing other things. That simple quality is the thing that I think has taken it through all these changes. You will remember that when television started the word then was that radio was finished. When colour television started, it was finished. Certainly, when the Internet started, again radio was finished—radio would be an Internet service. And none of those things have happened. I think it has an amazing capacity to evolve that maybe newspapers do not seem to have, and I am still very optimistic about the future of radio. People still spend more time with radio than they do with any other medium, which I think nobody would have predicted 30 years ago. You would have said that is just crazy, that that simply would not be the case. But it only occurs by adapting to its audience.

I will refer to one of the things that we brought to the markets in which we operate that they did not have before. All of the markets in which we operate now have access to research to find out what the listeners want. None of those markets knew what their listeners wanted before that. I remember when I started out at Charleville, in my first radio station, the station was



programmed according to the general manager's friends and the general manager's wife's friends' comments. They had really strong views of what it ought to be, and I know, talking to another set of people that I knew when I went out there, that people of my age, the age I was then, hated the radio station. It offered them nothing. It was a completely useless medium for them. But the general manager's friends were really happy with it. Now that has all changed. Now the audience is asked what they want, and now you just get much better radio. The general manager's friends at his club may be less happy than they were before, but the broader community is a lot happier than it was—

**Mr McARTHUR**—Obviously your owners are very confident of the future of radio in rural and metropolitan Australia. They have put a lot of money into it.

**Mr Thompson**—They have.

**Mr McARTHUR**—So they must see a future in the next 20 years.

**Mr Thompson**—They do. They are both long-term media companies. DMGT is firstly a newspaper company, it should be said. They have a multi-decade commitment to newspapers, but much of it has been in rural communities in the UK. GWR is a pure, 100 per cent dedicated radio company. The people that founded that company and run it now are absolutely dedicated radio people who really care about radio and believe in it, and are there for the long term.

**CHAIR**—But you must say that when you say that you have got research into these things, because the common thread we are picking up, no matter where we go, is the appeal for more localism. Mr Shier and his team were here this morning and they said—and I am not speaking in any way pejoratively about commercials, just speaking in bland terms—that to be successful in country areas you have to be near your audience; you have to be near the people. His exact words were, 'have to be part of the local community'. While we accept that you have journalists in these towns, if most of the programs are hubbed, how do you maintain that connection with the community?

**Mr Thompson**—It is something you really do have to work at, and you have to have constant feedback from the individual stations back to the centre. You must remember also that our hubs, unlike networking that had taken place previously, and that still takes place in some companies—

**CHAIR**—The terminology was, 'You must have people on the ground.'

**Mr Thompson**—Which we do.

**CHAIR**—Yes.

**Mr Thompson**—If we did not have people on the ground, then clearly we could not get a feel for what is going on and that is why we spent something like \$12 million, which gave us the capacity to be able to take the material from the local market, and although it flows back to the local market through the hub, it does emanate from the local market, and less sophisticated, less expensive systems just could not allow that to happen.

**CHAIR**—One question I did want to ask you is: what would your reaction be to a three-year assessment of each station? I am not talking about the old tribunal bunfight, nor am I talking about the laissez-faire of today, but a review every three years as to what extent stations connected with their communities and provided a comprehensive service. I do not doubt you, but every network that has appeared before us tells us that they are doing the best ever that these country stations have had—they have got the best programming, they understand the communities—yet we go out to the communities and they tell us something totally different. So there perhaps needs to be some arbiter that looks at this every three or every five years and says, ‘Well, is there a connect and to what extent is that being fulfilled?’ What would your reaction be to some form of reintroduction of hearings?

**Mr Thompson**—Just before I answer that, can I say that I think sometimes some of the feedback that you would naturally get as a committee will come from people who represent their own points of view. They are not necessarily always representing the broader base, and that is where I think it is a bit like the general manager and his club being represented before. I believe the only way you can actually find out what a community wants is by passive research; that is, research into the passive listener who will not come to inquiries and it is simply not a forum that they would normally move to, and you have to go and ask them, and so in that sense, I think that is where—

**CHAIR**—Do you do market research in all 59 markets?

**Mr Thompson**—At some time we do. We do not do research every day in all 59 markets. To research in Merredin every day would not be appropriate, but we research in some markets every day, and we spread it across the stations, seven days a week. Our team works seven days a week.

**CHAIR**—What about the second part of the question: what would your reaction be to some form of hearing?

**Mr Thompson**—I think it is fair to say that when the Broadcasting Act was introduced in 1992, it set up a certain structure—or non-structure, people may argue, but it did set up a particular system, a particular process. We, and I guess everybody who came after us, acquired and invested in radio on the basis of the system that was set up in 1992, having paid very considerable amounts of money for those stations. Of course, back in the earlier eras the people who were being assessed often got their licences either a very long time ago or free of charge as part of a different system. But for us, if that three-year review were to be connected with the licence—that is, whether you would retain the licence or not—you are then introducing a system of very great uncertainty into the asset of the radio property that was not there at the time of acquisition. The government deliberately established a regime—

**CHAIR**—I accept your argument. What we are saying is that, even in the new act, the ABA still has some powers. Some might argue that they are not always exercised as forcibly as they might be. What we are asking is: do you have any objection to the formalising of those powers into some form of hearing?

**Mr Thompson**—If the hearing was connected to a licence review, we would not be in favour of that.

**Mr HARDGRAVE**—Come on, Mr Thompson! Surely, you have spent today, in your submissions and in other appearances here, telling us how well-connected you are to the marketplace, that you do not even need to be in the main street of the town to understand what is occurring in that town. So if there was a test on a three- or five-year basis, an ABA review to determine whether or not you were providing an adequate and comprehensive service, you would have to be confident that your stations would meet that test, surely. Based on everything you have told us, you would have to be.

**Mr Thompson**—Yes, we would be.

**Mr HARDGRAVE**—So why would you be afraid of a hearing? I could not understand why you would be. Are you worried about the sword of Damocles hanging over your head about losing a licence?

**Mr Thompson**—It is simply that in business, investors, owners, would say that there was no condition attached to the licence when they bought it; there now is. It changes valuations; it changes everything to do with the investment.'

**Mr HARDGRAVE**—Doesn't it also change your attitude to the marketplace, because I would have thought that if you were doing the job and you ended up having a public hearing like this, and we were sitting here and David Flint or whoever was sitting where you are sitting, and they said, 'Fantastic station, greatest thing since high bikes.' Mr Bloggs gets up, the general manager's mates get up and everybody gets up and says, 'What a great station.' Where is the problem? If you are doing the job you are saying you are doing, surely you would not be afraid of it, no matter what might potentially be hanging above—

**Mr Thompson**—Apart from anything else, the average person is not going to get up because the average person is not going to be represented at the hearing. The vested interests are going to get up because they are the ones who know how the system works. So I do not think it would quite—

**Mr HARDGRAVE**—I appreciate the table you have sent us and the dissection of other people's contributions to the committee's inquiry, but you would reckon that all of them would be out to get you. I would have thought you would have sustained yourself in the market no matter what the test. I am sorry; I am quite disappointed by your discouragement of your station's prowess in these markets.

**Mr Thompson**—I have got absolutely no problem with what we deliver. I really believe it is first class. But it does change the legal situation related to—

**CHAIR**—Mr Thompson, I have just had a look at the objects of the act and there are 18 objects there. Certainly, the power is here, if the ABA wanted to exercise it. Things like 'to encourage diversity', 'to control the more influential broadcasting services', presumably news, 'efficient, competitive and responsive to the audience, the Australian identity, cultural diversity, provision of'. You can go on and read a whole host of them. What I am saying is that the act already lays this down. Is there anything wrong with some formal structure to test these things?

**Mr Ickeringill**—The objects that are set down in the act apply for the ABA in going through its planning process, and many of the other powers that it is given in the act. However, once it has issued a licence, the ABA would not have the ability to go back and simply look at one of the particular objects and perhaps look at not renewing our licence or doing something which is adverse to our licence, because of something which they reviewed and something which they assessed in accordance with the objects. If they came to a view that was contrary to that, they would need to look at the conditions which attach to the licence. This, I think, gets back to the fundamental point: what Mr Thompson, as I understand it, has a concern about is not a public hearing into the adequacy of our radio stations; it is a concern about what the implications of that will be.

Therefore, if there is an inquiry into the adequacy of our radio stations—localism, and whatever issues we look into—what does the committee suggest would be the outcome if there was a finding which was contrary to our belief and our research as to what we believe we perform and provide through our stations? The relevance of that is that if we are subjected to a system which requires this sort of review every three years or five years, whatever it is, we need to convince auditors that we can value our licences in a certain way. We need to convince them that they are assets of indefinite life.

**Mr HARDGRAVE**—Mr Ickeringill, when was the last time a radio station had a licence taken off it as a result of a hearing under the old system?

**Mr Ickeringill**—But that—

**Mr HARDGRAVE**—No, I am serious. What you are saying to me is that, as a consequence of a hearing, if you do not pass the test of a hearing, you lose the licence. That has never happened.

**Mr Ickeringill**—But it did—

**Mr HARDGRAVE**—It never happened. What ended up happening was that people were put on notice that if they did not smarten up their act then the next stage might be that. So do not put the suggestion forward that the automatic result of any inquiry into a radio station's ability to provide an adequate and comprehensive service to a market would result in a licence being taken off. I think you are taking this in a far more hostile way, and that is why I am returning it. The fact is that all that ever happened was that the listeners were the people that were being put forward by the process of inquiry every so often into somebody's licence and their ability to maintain an adequate or comprehensive service. That is all. The listeners were given an opportunity to comment. Mr Thompson has put the case to us—and I know Mr Thompson's background enough to know that what he is saying is correct, based on his experience—that the station researches heavily in the area. We have gone down this path in order to say, 'Well, if you're so confident about what's going on, you surely wouldn't mind participating in an inquiry into how you have actually gone,' not in order to have your licence taken off you but actually to test your mettle against another forum—not your research forum but rather a public forum.

**CHAIR**—Mr Thompson, I think you are arguing that, once you get a licence under the new act or once you take over a station under the new act, you have got the licence and you should be taken on trust forever. But let me read a couple more sentences: 'to encourage providers of

broadcasting services to respect community standards in the provision of program material', 'to encourage the provision of means for addressing complaints about broadcasting services'. I do not know whether there is a mechanism for addressing complaints short of an outright blast at the ABA that they are failing to do their duty or that something outrageous has occurred. I do not know that there is a mechanism that reviews these matters. And what we are asking you is—and it would apply equally to anyone, so I do not see how it would damage the market as a whole—why would anyone object to some formalisation of these guidelines?

**Mr Thompson**—I understand Mr Hardgrave's point there, but I disagree with it to this extent: people like auditors, people like bankers, people like investors, would see it as being quite a different situation, even though we may approach it on the basis of yes, we are confident that we are providing a great service, we are doing a great job and we would fail to see how an inquiry, or this process that you are talking about, could not share our confidence. But the auditor is not going to look at it that way, the banker is not going to look at it that way, because there is now a condition, and investors are not going to look at it that way. So it changes the business proposition. It is a different situation in that regard.

**Mr HARDGRAVE**—Mr Thompson, are the auditors and the bankers currently being told, 'Look, we have got a licence and essentially now that we have got a licence there is no test on how well we handle our efforts, other than whether or not we make a profit.' There is no test currently as to how you perform, other than whether or not you make a profit. Is that in fact the business case that has been sold, and has it been sold too far the other way to bring it back to the idea of a public inquiry?

**Mr Thompson**—I see your point. I think that is what the Broadcasting Services Act did in 1992.

**Mr HARDGRAVE**—It backs the market.

**Mr Thompson**—It did say it is a market situation and I guess all I am saying is that we bought in on that understanding. For that to change, it changes the basis on which we invested.

**CHAIR**—We had better move on.

**Ms LIVERMORE**—I just wanted to ask you about the research that you talked about, and you put a lot of emphasis on that in your submissions. What would be some examples of the biggest gaps that might occur between the assumptions of, say, policy makers or the general manager of the Charleville station as to what listeners want to hear, and what your research shows they do want to hear? What might be some of the biggest surprises or debunking of assumptions that come up in your research?

**Mr Thompson**—Yes, I can think of one. We have a very talented general manager in our Port Macquarie operation whose background is in sales, and he has not hesitated to share his views on programming with us. He has felt that, at times, with respect to our music, because the Port Macquarie market is recognised as something of a retirement environment, because a lot of people go there to retire, the average age of the people is somewhat older than average in the markets in which we operate. So we were talking about the age appeal of the music that we were playing, and he was suggesting that that age should be at a higher level, that we were

actually programming too young for the market. We did a comprehensive study of the market along those lines, and we found in fact—because we had done research in so many other places that we did have a sense of it—that the age targeting was as close to accurate as it could possibly be and that, had we made the error of targeting older, we would have lost audience.

**Ms LIVERMORE**—The ABC was here this morning and they were saying that they would define localism partly through their program content, partly through the relationship with the station and the community—again, I guess I am getting back to the assumptions that people might make versus what people in listener-land really want. What are some of the examples of your most successful or biggest hits, in terms of gimmicks and schemes and things that you have done through your stations that have really hit the mark as far as localism and that relationship are concerned?

**Mr Thompson**—Garry, that sounds like a great question for you.

**Mr Leddin**—They are almost too numerous to mention because they are there every day. There seems to be an assumption that we do not have any people in the stations; we do not have any people in the towns. We still have live shows in all of the markets, we still have promotions managers in a lot of the markets, we still have sales teams, we still have people everywhere. One of the roles that radio plays is its involvement with community. That has never changed. There seems to be this belief that all of a sudden that used to be there and now it has all stopped. That is a fallacy. Almost all promotions are driven through breakfast and that still happens the way it used to happen.

I also would suggest to you that in a number of our markets there is actually more happening now because of the involvement of the higher calibre of programming people that push these stations to be more proactive and involved than previously was the case. In many instances you had people in the station who had not really looked outside that little world and did not have the expertise to do anything, and now they do. It is my expectation, as the general manager of the group I operate in, that all of our markets will be promotionally active and there are community based promotions all the time. I could send you a list of literally hundreds of them that we do all the time.

**Mr Thompson**—Would you like that?

**Ms LIVERMORE**—No, that is okay.

**Mr Leddin**—I could certainly do it. But please do not be of the understanding that all of this activity just dried up and went away. It absolutely has not. Every single market drives an enormous amount of promotional activity, particularly through breakfast, but it also gets driven through the rest of the day as well.

**Ms LIVERMORE**—So you might not be running a segment interviewing the local mayor, but people would actually rather go and have a sausage sizzle and a balloon down at the shopping centre.

**Mr Leddin**—Exactly right. Or we will be raising money for a community event or we will be planting trees or we will be doing whatever—that is exactly right.

**Mr Thompson**—Can I just comment on that, because it is an interesting one. I do not intend any disrespect when I say this: we did a study very recently in two markets, Mount Isa and Griffith, to try and compare the elements of programming between the two markets, given that one is a quite different style of market, a town that is based on the mineral industry, mining industry, and the other is a far more agriculturally based market. In that study we asked questions about the elements of programming that people would like, in each of those markets. The top six, as a matter of interest, corresponded, not in the same order, but the top six for one market were the top six for the other—as I say, in a slightly different order. You talked about the interview with the mayor. It was at the very bottom of the list of things that they really saw as the type of program. It does not mean that we would not do it, though.

**CHAIR**—On that note I would like to thank you, Mr Thompson, Mr Leddin and Mr Ickeringill for coming in today. We appreciate it very much. We thank you for going to the inconvenience of coming to Brisbane, but this suited the dynamics better. So thank you very much.

[3.35 p.m.]

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

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

**CHAIR**—We welcome you, Mr Hughes and Mr Holleran, and we thank you, too, for going to the inconvenience of coming this far. As you are probably aware, we are at the penultimate stage of writing our report and we wanted to recap on some of the evidence. You are not being singled out, but we obviously wanted to talk to the main players. Are you going to lead, Mr Hughes?

**Mr Hughes**—Yes, Mr Neville.

**CHAIR**—Would you like to give an overview—it is not exactly an overview, because we have been through this before—or a reaffirmation of your evidence or touch on any other matters that might have occurred since we last met that you would like to describe to us?

**Mr Hughes**—Yes, Mr Neville, I would like to do that. I would like to do a quick overview based on the minister's terms of reference to the committee, and how we would react to that. Why the inquiry? It was obvious that your committee was asked by the minister to look into the quantity and the quality of regional radio. In terms of the quantity of regional radio, regional Australia has more than 200 radio licences. The number of licences in regional Australia has doubled since 1992. Regional radio is a similar sized revenue market to that of Sydney, yet regional Australia must support 205 licences versus 10 in Sydney.

On the quality of regional radio, the emergence of hubs and networking has greatly reduced the quality of regional radio as a local medium, in our company's view. Regional radio has been burdened with a huge cost increase due to new licences being flooded into the market, which has forced operators to reduce local services. New licences do not increase the revenue of regional radio; they merely split it up, according to the ABA and national advertisers, as evidence was given by Mr Harold Mitchell.

On the social benefits and influences of regional radio versus other media sectors, regional television is now a national network model which is funded by national advertisers. Mr Jull asked a question earlier about revenue splits. Regional television's revenue splits at around 80 per cent national and 20 per cent local. Regional Radio, or our company, is about 75 per cent national and 25 per cent local.

**CHAIR**—Can you repeat that?

**Mr Hughes**—My point here is that in the terms of reference we were asked to look at the social benefits and influence of radio versus other media sectors. Regional television is now a national network model which is funded 80 per cent by national advertisers. On the other hand, regional radio, which is funded 75 per cent by local, is really the only true local electronic media. So radio is the most influential local medium in terms of news, sport, weather, traffic and



local community activity. In times of disaster, tragedy and community support people turn to radio. We would like to look at the future trends in radio and, in particular, employment. The continuation of the government's licence area planning process involving the sale of new licences will further weaken the industry, reducing localism. Employment in regional markets will be reduced if more licences are issued. Strong local radio leads to a greater coverage of local services and issues. The trend towards more licences can only weaken local radio—the effect of networking on individuals, families and small business, which no one has really looked at.

Examples before this inquiry have clearly shown how networking cannot cope with national disasters. Live and local announcers are in a better position to inform the community. For example, if there is a gunman loose on the streets and you do not know the streets, how can you really inform your local community where not to go? Local announcers are in touch with and understand how a community feels about itself. Small businesses find other media too expensive and not effective in communicating the message. You would all know that regional television has become very expensive over the last year. Thus, a strong, local and vibrant radio station is essential for small business.

Let us look at the potential for new technology to enhance and increase local radio services. Internet radio has not worked. The Internet is a global medium, versus radio, which is a local medium. The delivery method and cost of digital radio have not been sufficiently explored. All we know is that, given new services do not increase revenue, unless these services are supplied by existing radio operators, revenues will continue to be fragmented, plus reducing local services.

Some facts are that new licences have increased costs, split revenue and forced operators to network. Financial viability is not a solution—subjective, uneven outcomes. Radio is no longer a market-by-market proposition. If you added financial viability as the only clause, you would have 30 stations in Sydney and one in Bundaberg. Financial viability is not the solution. Networking has seen a major reduction in localism and local employment. By continuing with the government's licence area planning process you will continue the reduction of localism and local employment in radio. As I said at the last inquiry, if we have new services come into our large markets—and all our small markets benefit from having those large markets in the group—we will be forced to do exactly what DMG have done and network—and we do not want to do that.

On solutions: the government's LAP process has not worked in regional markets. It has reduced profitability and local services. It must stop. Just because there are another 19 licences to be planned does not mean you should still continue on, because what has happened has happened, and if you keep going it will only get worse. So therefore you need to stop it now if you feel that these new licences are not increasing local services and adding much diversity in listening.

Another solution—which we recommended last time—would be a 10-year moratorium on new licences, except in markets without FM radio. We gave examples in our submissions where previously under section 39 you could get a supplementary FM. If you were the incumbent operator with two stations and you got a third FM licence, it was in your interest and the interests of the community for you to broaden your listenership. Therefore you program them

complementarily. Unfortunately, under this regime, with new licences, operators have come in, paid large money for the licence and have to go for that key market which, as Harold Mitchell pointed out, is just them splitting up the pie that is already there.

On that basis we have suggested to the committee that you repeal the two-to-a-market rule to promote efficiency and increase localism in regional markets because the regional markets are much different to metropolitan markets and by having a third station in a lot of these markets you would be providing a greater service to the community.

Finally, given regional radio had no assistance from the government and regional TV received a large rebate system under television aggregation, we would suggest that the government consider a rebate of licence fees. Why not tie that to live and local employment of people? So those stations that have live and local announcers employed and live in the local communities would receive a rebate on their licence fees. That would then encourage live and localism. That is my overview, Mr Chairman. We would welcome questions.

**Mr HARDGRAVE**—We have heard a couple of different views about the viability factor. The live and local matter would need something like a licence rebate to make it viable in a lot of markets?

**Mr Hughes**—No, I am not saying that at all. I am saying that to encourage live and localism you could consider a rebate. Rebates encourage a fact. You do not get a rebate on your tax unless you actually do something, like child support et cetera. So my suggestion is that you look at rebates that encourage, because it is going to be hard for you to go back and change the past. So let us encourage live and localism.

**Mr HARDGRAVE**—What about public hearings to check whether or not you are providing an adequate and comprehensive service on each of the stations? Are you concerned about that?

**Mr Hughes**—No, not at all. I would encourage it. We are all for that.

**Mr HARDGRAVE**—So you do not see it as being a big threat to investors and bankers and auditors and so forth.

**Mr Hughes**—I do not think so, as long as it does not incur a huge cost and as long as they cannot just take your licence away.

**CHAIR**—You do not want the pre-1992 situation.

**Mr Hughes**—Yes. But I think we need some regulation. The television industry has three networks. It is limited to that for one reason—local content. Without local content they would be exposed to a lot of competition.

**Mr HARDGRAVE**—So what you are saying is that if you are going to bring in more regulation, there has to be an offset. There has to be—

**Mr Hughes**—No more licences.

**Mr HARDGRAVE**—There has to be a certain amount of protection of the current industry.

**Mr Hughes**—Yes, protect the current industry, particularly in the regional markets, where local radio is so important to these communities. It is the only thing that is left in most of them. So encourage the localism and protect the marketplace and, where there is a new service, like a supplementary FM licence, give it to the existing operator because according to the studies that we have given you—and as a lot of people have said—you will actually grow their services to the community.

**CHAIR**—I do not think that we have any trouble with the supplementary licence, the section 39. Leading on from what Mr Hardgrave said, explain to us what sorts of ground rules you would have for a third licence, because what you are suggesting there is pretty radical. While you say you can stay more local and you can segment the market with three different services, the counter argument is that if we recommend that we would be destroying diversity.

**Mr Hughes**—It is no more radical than occurred before under section 39, where if you had an AM you could apply for an FM—just pay the standard fee and then launch your FM.

**Mr HARDGRAVE**—Some would say—and, I declare, from my own point of view with some justification—that if you were to have, say, three voices in the sense of news, material, and voices in a marketplace, the ABC and the local paper and the local television stations, but if you had three all in the hands of one operator without having a division of responsibility for editorial matters divided amongst each of those stations, you in fact are concentrating the range of news, variety of news and views. If the radio operator took exception to somebody in one marketplace they could use three radio stations to exercise that exception.

**Mr Hughes**—I do not think it would work, not in our experience.

**Mr HARDGRAVE**—How would you make it work?

**Mr Hughes**—It works for the market—that is why it works. If a third FM came into the Gold Coast, where there is Sea FM and Gold FM, and it was auctioned, one of the large networks would buy it and target the Sea FM audience, probably. They would probably network it in. That would affect us greatly and it would shift revenue from us to them and we would have to cut costs in other areas to cover it. But if the third licence applied in Bundaberg, for example—a good market—you would have one older station, you would have a middle adult contemporary and you would have a younger rock. So a news story that would appeal to say, the older audience, you would not play—they do not vote anyway—on the under-18 station. So it is really driven by the market. We do not have any editorial influence or position.

**Mr HARDGRAVE**—It would still be the same editor. When I was the first news editor of Sea FM at the beginning of 1989 we had Sea FM, and we had 4GGG down the road.

**Mr Hughes**—They were competing against each other; there was no diversity.

**Mr HARDGRAVE**—Then in the mid-1990s, about 1994 or whatever, when I did some casual news shifts at that station, I would have to record the Sea FM news onto a cartridge for replay when it was convenient. I did the Gold news live, if I remember correctly. There were

different story styles and different types of editorial decisions made, but it was still me making that one decision. All I am trying to drive at is that if you then introduced a third station—so if you could imagine that I was creating or controlling the news output at three different stations—listeners do not know who own what but I am sure listeners would like to get a variety of possibilities. But when it all comes back to one person making an editorial decision on three stations, there are those who would argue that that is not an advance.

**Mr Holleran**—There are several points to be made here. Firstly, if you are in a regional market now you are likely to have one newspaper. So you have one form of that. You are competing in an environment where radio markets are smaller than a television market. So if you have three television markets, by and large you will find two of those providing a news service. Probably one of them cannot afford to, so they do not. So they are providing a much bigger environment. You look at the way radio is now. Our point is that if you are in some markets in Australia—indeed there are only two radio stations in a market—they are currently allowed to be owned by the same operator.

Our proposition is on the basis of saying, ‘In some markets now, one person, one operation can own all the radio in the market. In some markets it cannot.’ In the context of trying to stop some of the problems with decreasing localism our proposition is that if you allowed us to at least own that third service you would get two things. First you would get more local services, and our organisation is prepared to say, ‘We would support regulation in that regard.’ Secondly, you would get a better mix of programming because it would not make sense for us to try to knock ourselves out, having two 25-to-39 targeted radio stations. So you are more likely to get one 18-to-39, one 25-to-4 and one 55-plus service. So that is where we are coming from with that debate.

**Mr Hughes**—The Gold Coast exactly. Sea FM and GGG used to compete head-to-head. Then when we acquired GGG we made Gold FM, we reprogrammed it older, created diversity and now you get different news stories, and you can do a younger story—

**Mr HARDGRAVE**—If you take it a step further—let me run the hypothetical past you—and the local newspaper owned all three radio stations and the local television station was owned by the local paper, you could arguably end up with one view only controlling editorial output. I am talking about news—not about what the format of the music might be, but the output of the news broadcast—

**Mr Hughes**—That is cross-media though, and we are not talking about cross-media—

**Mr HARDGRAVE**—No, I accept that. I am just concerned that, if you were to bring a third station into a market, what you want is diversity in the news content. But you do not see it that way.

**Mr Holleran**—No. There are two points to make. Prior to 1987 and cross-media ownership, almost every town had the radio station, the television station and the newspaper under one roof. So not many years ago that was the case. In the broader context of news and information and shaping views, what we are talking about is how do we foster a great local content in the local community. The absolute reality of life is that there is enough information outside the barriers of the local radio market to influence and shape behaviour, surely.

**Mr HARDGRAVE**—And the ABC lends a hand with that.

**Mr Holleran**—There is a myriad of things.

**Mr Hughes**—We have our inquiry and we have editorial controls we have anyway and if anyone steps out of line—

**Mr Holleran**—Our point of view is fostering and doing all the good things that radio networks do, but also doing it at a local level.

**Mr HARDGRAVE**—Can I emphasise what I believe Mr Hughes has said. You have your inquiries, so if you felt that the station was doing the wrong thing that would be exposed anyway by a public inquiry.

**Mr Hughes**—Absolutely. It happened to us. There was an unfortunate occurrence in the Rockhampton market, where an on-air announcer read out something that had been sent around the Internet. We went through a total process of reconciliation, apology. We abide by all those. All our program directors and news editors are fully kept up and trained in that regard.

**Mr HARDGRAVE**—Thank you.

**Mr McARTHUR**—Can I go back to our original discussion? It is my understanding that your group was a commercial company formed by shareholders to move into radio. You do not have a long tradition of being in radio.

**Mr Hughes**—We have been in radio for over 20 years. Reg Grundy, who is our principal shareholder, was in the first syndicate that got the first FM station in Australia—Melbourne, Fox FM. Back then it was not an auction; it was an ABA tribunal, based on fit and proper services. The first provincial one was Sea FM on the Gold Coast in 1988. We were also a member of that. So we have been in it for a long time. That company has grown over the years.

**Mr McARTHUR**—Let us pursue the argument that you put to us last time and that you are putting to us today. You have a number of stations, you have your mark on them, and you control them. You are really telling us that under no circumstances should anyone else be allowed to enter the market.

**Mr Hughes**—No, I am not telling you that.

**Mr McARTHUR**—It was a pretty strong message last time.

**Mr Hughes**—No. Look at what has occurred with the licence area planning process. It was a great intention. The intention was to create diversity and raise revenue for Treasury. It has certainly raised a lot of revenue for Treasury, but it has had an adverse impact on localism. Operators have had to adjust the way they operate and network because they have lost revenue share to these new licences.

**Mr McARTHUR**—To pursue my original point, you seem to have purchased some new estates in recent times. You have expanded quite vigorously under the current set of rules into certain markets, with the full knowledge of these sorts of problems.

**Mr Hughes**—No.

**Mr McARTHUR**—What is different?

**Mr Hughes**—We have not networked. We do not have hubs. We have not been forced to. We are lucky, I suppose, that this inquiry is looking at it now, because it has not worked.

**Mr McARTHUR**—The hubbing has not worked?

**Mr Hughes**—No.

**Mr McARTHUR**—That is a pretty strong statement. We just had a witness here half an hour ago suggesting that their hubbing arrangements worked well.

**Mr Hughes**—From our point of view, we think live and local is the most important thing because you are there and you are in touch with the community. As I said, if there is a gunman loose in the streets you cannot tell the people about that if you are 1,000 kilometres away.

**Mr McARTHUR**—We just had a witness, a fairly senior witness saying that hubbing is working from their point of view, and that they provide a better service. That is their view. I am not making a judgment on it.

**Mr Hughes**—Nor am I. But you have to make the judgment on all the submissions. Everyone knows that they are probably going to talk with self-interest.

**Mr McARTHUR**—Let me go back to the argument. You are pretty strong—both this time and last time—that no further licence should be introduced in any of your areas, and that the government should draw a line in the sand and stop any more licences being issued.

**Mr Hughes**—Absolutely, because the policy does not work—

**Mr McARTHUR**—What about in the metropolitan areas?

**Mr Hughes**—It is sort of like a right-wing economic policy driving regional markets, which is wrong. You have new licences and people come in to a market where the revenue does not grow, so they just take share. What happens? The incumbent operator has to cut costs, so he takes the knife to local services and fires his daytime announcers and networks it in from another centre. That is what happened. But in terms of whether that is good or bad, you are the judge, not me. I am only telling you what we believe has occurred. It astounds me that the government would want to continue on that, when regional markets are going to get hurt. If new licences come into our markets on the Gold Coast and Sunshine Coast and our whole group benefits from having those strong markets, if someone comes in there and works in, they will target an existing—

**Mr McARTHUR**—What is the listening audience on the Gold Coast? That must be a pretty big market.

**Mr Holleran**—It is probably about 200,000 people.

**Mr McARTHUR**—Only 200,000?

**Mr Hughes**—It has more radio stations than any market in Australia.

**Mr Holleran**—Yes, but you need to appreciate the fact that the Gold Coast is 65 kilometres from Brisbane.

**Mr Hughes**—It has all the Brisbane stations. Toowoomba has more radio stations than any market in Australia—

**Mr JULL**—That is 200,000 residents. What happens in the tourist season, when she is up to 850,000?

**Mr Holleran**—The fact is that tourists do not listen to commercial radio stations—full stop, although we would love that to be the case. The reality is that people who go on holidays go for five-day trips to the Gold Coast and spend a lot of time going to Movieworld, Dreamworld and Seaworld. They do not switch the radio on. If they do, it is incredibly incidental. What makes the Gold Coast is that the tourist population underpins the industry, underpins the populations. It has nothing to do with radio. We have long since got over the idea that somehow you can advertise to a tourist. On radio, that just does not happen.

**Mr McARTHUR**—What about the impact of Brisbane metropolitan radio on the Gold Coast?

**Mr Holleran**—Yes, it has a tremendous impact, particularly on the Sunshine Coast, because of the amount of peripheral services that have a significant impact. So we have markets either side of this city. This city has a far higher and far more significant revenue base—

**Mr McARTHUR**—Surely there must be an overflow of the Brisbane market in the Gold Coast? I am a foreigner—I do not know. I am just raising the issue.

**Mr Holleran**—Absolutely. There is a lot of listenership from Brisbane.

**Mr Hughes**—We do not have advertisers in Brisbane. You cannot take advantage of it because it is not shown in survey, and how do we sell it?

**Mr McARTHUR**—No, but you are happy to be in the Gold Coast market, I am sure, because there might be a 200,000 audience plus and the whole of Brisbane.

**Mr Hughes**—No, but we do not sell the whole of Brisbane through advertisers.

**CHAIR**—They intrude into your market, but you do not try selling back?

**Mr Holleran**—No. There is a good reason for that, and it is completely technical. At the end of the day, with the kilowatts of the average Brisbane service—or Sydney, because we happen to be in Gosford—they have transmissions which have far greater power than ours in the way their signals are constructed. It is not comparable to say that because we happen to be in an adjacent market to Brisbane somehow we are Brisbane. It does not work like that. Moreover, at the end of the day this is still a 1.4 million person market, and the Gold Coast is 300,000-odd. So you cannot compete under those circumstances. It makes no sense. Geelong to Melbourne is a very similar sort of arrangement.

**CHAIR**—We had evidence on that earlier.

**Mr Holleran**—Absolutely right. Adjoining markets have peculiarities in that regard.

**Mr JULL**—Are you good mates with the ABA?

**Mr Hughes**—Not at all. We are supposed to have influenced certain cases, but that is a bit ludicrous. We make our representations like everyone else. We put a lot of work into them.

**Mr Holleran**—We have a good day-to-day working relationship as a regulator, but we differ subtly on policy issues in regard to licence planning. We get on very well.

**Mr Hughes**—There is a case at the moment which we were challenged in, the Gosford case, because the ABA did not consider that huge overlap when they assessed the market.

**Mr JULL**—Would your promotion of repealing section 54 take a few of your headaches with the ABA out of the scheme of things?

**Mr Hughes**—No, it would enhance the prospect of greater diversity in the marketplace, because if we had the third one we would probably move 2GO older and put a mixed format in.

**Mr Holleran**—Logically, it is the only way to undo some of the problems. There are two aspects to our argument. One is that there have been some issues and some problems with regard to the issuance of licences. We have said, ‘A section 54 repeal for regional areas would seem appropriate only in those circumstances’, and moving forward to make sure that we do not make the mistakes that we have made in the past in the future is the cessation of the planning process as we now see it. Those are the two prongs to what our group has constantly been putting forward.

**Mr JULL**—In an ideal world what should be the role of the ABA?

**Mr Holleran**—I think they play a very important role in terms of regulating and overview, and they obviously do a great job when it comes to the Code of Practice and those regulatory issues. They certainly have a very big job to do in terms of technical planning and frequency and spectrum. They do more than just produce licence area plans. With the raft of all the other things they do, we by and large do not have too much of a problem—they do a fantastic job. It is the policy decisions; we just have real trouble understanding their role.



**Mr Hughes**—It is not really the ABA's fault; it is the policy behind them, which is a government policy, which started in 1992.

**CHAIR**—Because the act does not define the processes.

**Mr Hughes**—No, because the act was a liberal act to go through each market and assess what is available, and then determine where they use the commercial or community services.

**CHAIR**—What was that act?

**Mr JULL**—It was the Broadcasting Services Act.

**Mr HARDGRAVE**—Which Broadcasting Services Act was that?

**Mr Holleran**—In 1992.

**Mr HARDGRAVE**—That is right, when the Labor Party were in government.

**Mr Hughes**—But that is the point.

**Mr HARDGRAVE**—I am sure you said 'Liberal'.

**Mr Hughes**—It is liberal to issue all the licences.

**Mr HARDGRAVE**—That is all right. I was very conscious of these sorts of terms. I do not want the record to be incorrect.

**Mr Holleran**—We like all people of all political persuasions.

**Mr Hughes**—No, but it is liberal in the sense that it is really about selling off all the resources available. This inquiry, I think, when I read every submission and read every *Hansard*, has shown that the regional market is different and needs protection, because it is so important to local communities—regional radio.

**CHAIR**—We are finding it a little bit bemusing why the ABA is so protective of the metropolitan markets.

**Mr Holleran**—It is a good case in point. When they started the planning process they started with regional areas first. Metropolitan was actually done last.

**Mr Hughes**—You would have thought it would be sensible to start with metropolitan.

**Mr Holleran**—I do not understand it either. It means that if you are a regional based network—and that is what we do for a living: we are a regional based network—we get put under all the pressure first in terms of networking services. Metropolitan radio—you have got the statistics—is incredibly more profitable, and good for them. Good quality metropolitan radio is really important, too.

**Mr HARDGRAVE**—I just want to get this clear, Mr Hughes. In the Mark Day article in the *Australian*, 8-10 March this year, he is quoting a conversation with you, which I just want to get very clear. To paraphrase it essentially: your stations may be broadcasting later this year as the election approaches; a schedule of ads suggesting that your listeners write to their local members urging them to tell the government to stop issuing more licences, or it would expect job losses in their local markets. Are you still planning to do that, or has he got you wrong?

**Mr Hughes**—I think that position there is Maryborough. We have got two licences, and we are live and local all day. If this continues we are going to have to assess that and, unfortunately, we will have to lay off some staff. We do not want to do that, and that affects the local community.

**CHAIR**—Were you referring to members of parliament in particular, or to the members of this committee?

**Mr HARDGRAVE**—According to this article, Chairman, the inquiry is headed by Paul Neville, the member for Hinkler, Queensland.

**Mr Hughes**—Wherever we operate, we are going to be affected.

**Mr HARDGRAVE**—Which covers our broadcast areas of Bundaberg and Gladstone.

**Mr Hughes**—I have made the point many times that the bigger markets we operate in, the small markets benefit that we have got some strong, big markets. If all of a sudden a third of that revenue goes, we are going to have to assess how we operate, like others.

**CHAIR**—I think the point Mr Hardgrave is making is that it is not appropriate in a public inquiry to target the members of those inquiries with—

**Mr Hughes**—No, absolutely not.

**CHAIR**—With the threat that—

**Mr Hughes**—We are talk to local members in each of our markets we operate.

**Mr HARDGRAVE**—That is why I wanted to clarify it, Mr Hughes. Is this what was said, or has he paraphrased it?

**Mr Hughes**—No. I think it is a misunderstanding. In was in terms of local members in all our local markets, not in terms of anyone on this committee. I think that was just a coincidence.

**Mr HARDGRAVE**—The article says:

... member for Hinkler, Queensland, which covers our broadcast areas of Bundaberg and Gladstone. He, and another couple of members in our markets, have been portrayed as John Howard's 'sitting ducks'—members with less than 1 per cent margins.

We believe regional radio policies have failed ...

On it goes. So you are not particularly singling out members of the committee for this, but rather looking at generally getting the public information out there about your concerns?

**Mr Hughes**—Because it does affect all our stations.

**Mr HARDGRAVE**—It is important just to clarify, that is all. I think it is important for your position.

**Mr Hughes**—No, it is only where it affects our local markets. If the intention was misinterpreted, I apologise.

**Mr HARDGRAVE**—Where are those markets that you are concerned about? You have mentioned Maryborough.

**Mr Hughes**—Everywhere, from Cairns down to Hobart.

**Mr Holleran**—We are in every market in Tasmania. We currently maintain two newsrooms, one in the north and one in the south. We are currently live and local. These things are incredibly hard to do. The ABA are currently in the process of doing group 5 planning for those markets. The absolute reality of life is this: if they put another licence in Hobart, and another one, and they plan services in the north of Tasmania, we will just get rid of announcing staff. We will have no choice. We are not making huge amounts of money in Tasmania. We are a significant operator, a significant employer, a significant media operator in the state.

**CHAIR**—You have heard me put this to the last witnesses. It is a great dilemma for the committee. You are saying to us now that, in some of the markets where you have two stations, you do not want a third.

**Mr Hughes**—No.

**CHAIR**—Maryborough?

**Mr Hughes**—I am saying if there is available spectrum and by issuing it, like under section 39, you can create diversity.

**Mr Holleran**—Just to clarify that, there are a couple of markets where there are no FM services, and it would be unfair of us to say, you know, in the year 2001 that some of those markets should not get to enjoy FM radio. There are few of those and we would concede that.

**CHAIR**—Let us go back to our dilemma. You have gone into some markets where there are two, be they two independents or an independent with a section 39, and you provide the third station. How do you react to the criticism from some who are saying—and this was not directed just at you, but you are one of the ones—‘In some of the markets we are in now, a third station is going to be deleterious to us, so we do not want any third station; we want the process stopped now’? How do you reconcile those two?

**Mr Holleran**—I have make points. Firstly, we recognise that we got it wrong. Secondly, one of the suggestions we make about the repeal of section 54 is that there will be, as a result, a natural shakeout of ownership in those markets and they will be able to return to being buoyant and hopefully local. On the assumption of both of those things, we would support local content rules.

**CHAIR**—But you would not be that keen that the government is providing third licences in all markets?

**Mr Holleran**—No, we would not. One of the things that we have pointed out is the huge capital infrastructure cost of having to do these things in regional markets. That is enormous. It costs the same amount of money to put an FM service in Toowoomba—we have just put one in there—as it does to put one in Sydney.

**CHAIR**—How many stations are there in Toowoomba now—four?

**Mr Holleran**—Essentially, it is four. There was an additional licence allocated; there were three there already. No-one is making any money.

**CHAIR**—Do you own any of the other three?

**Mr Holleran**—We own one AM station and one FM station.

**Mr Hughes**—The licence area planning process—people say it is near the end. It is not. It has another two or three years to go, and another potentially 19 to 20 stations.

**CHAIR**—But how many markets have been targeted for four stations?

**Mr Hughes**—I think everyone is going to go in for a lot of those markets, more stations.

**CHAIR**—It is pretty hard to present your case clearly because in recent times you have gone in and bought into a market where there is an established network or a strong independent. And you are saying that is fair play.

**Mr Hughes**—Those were the rules. That was the act and the policy at that time. We had to go and build a station that cost a lot of money. Therefore, we had to target the key demographic where all the income is. There was very little diversity. Now we have lost money. I would have preferred not to, in hindsight. But the fact is that that is the past, and we are now looking at what has occurred. What has occurred is a reduction in localism and services and employment.

**Mr HARDGRAVE**—Could you also put the case for your 10-year moratorium by comparing it to what has been going on in the city, because essentially, in most capital cities, there has been a decade of no real change; has there not? It is all about changing now.

**Mr Hughes**—Yes. Capital city television just got a moratorium on digital TV for eight years. I think a 10-year moratorium gives two things. It gives the industry a chance to settle down, apart from new FM services where they do not exist, and also it gives the chance for other

recommendations you may make to work in a stable environment—such as your suggestion of inquiries. Perhaps, rather than take the licence away, the moratorium might be lifted in a market if you are not providing the service—give someone else the opportunity to do it. I would not have a problem with that.

**Mr HARDGRAVE**—That is good to have on the record because I would imagine, over a decade, the value of the licence that currently exists would become more valuable if the pressure in that marketplace for an additional licence was not actually being adhered to—was not being met.

**Mr Hughes**—I am not sure whether it is a question of value, success or profitability. It is more of service, and I think strong, vibrant operators provide good services.

**Mr HARDGRAVE**—It is about sustainability in your industry, though, isn't?

**Mr Hughes**—Absolutely.

**CHAIR**—You can see the point, I think, that while a few followed the format that you suggested—that you might have a beautiful music station and a contemporary adult and hot rock station in the market, and you had someone who was doing that and doing it well—that creates one form of diversity. But the one newsroom, unless you are very strong editorial control—

**Mr Hughes**—We do not have a problem with that.

**Mr Holleran**—I think your alternative is no newsrooms. You make a point about the multiple newsrooms. I have to tell you that in a three-station market—just about any regional market in Australia—there will not be a newsroom. That is the reality. It will come from the TV station, it will come from the local press, where a journalist will just read it. That is the reality.

**CHAIR**—No, that is not right. The experience is not that at all. We have seen a lot of independents with their own newsrooms. We had a network in this morning that is not nearly as flush as your network that has got a journalist in every newsroom.

**Mr Hughes**—But if they had one new station in each of their markets, and that station was splitting the revenue up, they would have to consider having those journalists, like we will have to consider, in our markets, if this sale of losses is continued.

**Mr Holleran**—That is my point completely. Where we enjoy a better position, we certainly have journalists, too. We just do not because we cannot afford it.

**Ms LIVERMORE**—But did you not consolidate your newsroom before—I am just thinking of the Rockhampton example—the 4RO journalist left town, before the section 39 licence, and DMG took over the other station?

**Mr Holleran**—That is just not correct.

**Ms LIVERMORE**—Is that just an anomaly?

**Mr Holleran**—No, that is not correct. Firstly, in Rockhampton they were not section 39 licences. We had to actually go and buy them at auction. They were planned. When the licence plans were released and the Rockhampton market went from two to four licences, we felt that the only way for us to actually retain local announcers—and can I add we are the only station in the market that actually has a local announcer across the day still—was to try and do something different with the way we deliver news. Journalists in nature—and I made this point clear the last time I was here—sit in an office and deliver news and information. You can equally do that from a different location. This is what we believe in terms of localism because, at the end of the day, we are supposed to be looking at what is localism. Announcing is about putting local feeling: news is about putting local information. Our contention is that having a local journalist in a market is absolutely desirable, but the absence of that—

**CHAIR**—Both Kirsten and I have used Rockhampton. I find it is very difficult to get stories on Rockhampton because the newsroom is remote. This is not motivating my consideration of the issues, but I find it very difficult to get a story on there, because your station is on the Gold Coast, remote from Rockhampton. I do not know what Kirsten's experience is. How do you monitor that the news that is fed down the line comes back to that station in a comprehensive way for that community?

**Mr Holleran**—I am not sure what you mean by that question.

**CHAIR**—Do you just use a generic news bulletin?

**Mr Holleran**—No, we produce a local Rockhampton news service. We should make the point—

**CHAIR**—Do you pick that up from—

**Mr Holleran**—No, we produce it in the same way as we have always produced it, which is that we have a journalist sitting in a studio who rings people up and sources local information by telephone in the same manner that the person has also done it. Geography is important, I think, in announcing things, and understanding things. But Rockhampton and Gladstone are 120 kilometres apart. It takes you an hour and a half to get from Rockhampton to Gladstone. According to the licence area, we serve both Rockhampton and Gladstone. The studios happen to be in Rockhampton. We cover that kind of distance anyway. Does it matter whether the person is sitting 300 or 400 kilometres away? I absolutely agree that if you want to talk about how a community feels and the sorts of things that are going on in the community, announcers should be. But journalists are not there to do that. A journalist is there to deliver local news bulletins.

**Ms LIVERMORE**—I was not actually raising that question to make any comments about the quality of the news service on 4RO. I thought you were being a bit disingenuous about saying, 'Oh, if you get more competition in the market you have got to consolidate your resources.' But you answered that question by outlining the chronology. That is all I was pointing out, and you have answered it.

**Mr Holleran**—That is exactly right.

**Mr JULL**—Just to be perfectly clear, your news out of 4RO is written and read in Rockhampton?

**Mr Holleran**—No, it is actually written and read and delivered via satellite from the Gold Coast. I might add that we do 28 radio stations. All have local news. Of the 28 stations that we operate, 20 of them are generated in the local area. Eight are not. And they are the ones that are under the most competition, oddly enough.

**Mr Hughes**—Rockhampton has four stations. It is such a small market.

**CHAIR**—Have you cut the number journalists in any of your stations?

**Mr Holleran**—In total number, no. In fact, when we centralised the news from Rockhampton, for instance, the same person was doing it.

**Mr Hughes**—She was the first person they would call, and she got the story. The funny thing was, she was on Channel 9 news and it said, ‘Live from Rockhampton, 4RO announcer.’ She was actually on the Gold Coast, but she had the contacts.

**Ms LIVERMORE**—I thought that you had done that when you were still in a situation with just the two AM stations, but you have explained the chronology.

**CHAIR**—You answered Mr Hardgrave earlier that you are quite relaxed about some form of hearing?

**Mr Hughes**—Absolutely. We are live and local and we think that is the value of radio. That is the opportunity of radio. But when it is disintegrated, or cut up too many times, and the fixed costs are the same, local services suffer.

**Mr Holleran**—There has to be a trade-off, though. And we are very up-front about it.

**Mr Hughes**—A moratorium—no more licences.

**Mr Holleran**—We would all go broke.

**Mr Hughes**—It obviously has not worked. Show me the diversity. In terms of the audience, not much is the same. You have seen networking come in which, in our view, I do not think is localism. I think you need announcers there in the studios in each of the centres.

**CHAIR**—Thanks for appearing before the committee again. At times we might have sensed a bit of tension, but we all said after your Townsville appearance that you were forthright—you say what you want and you do not muck around. We appreciate that, because that gives us something to hold on to. We might not always agree with you, and in our findings we may not agree with you—and we have not reached that stage yet—but what we do think is that you

present a very cogent case for the type of argument you are developing, and we thank you for that.

**Mr Hughes**—I would like to thank you. I have followed the inquiry and have never been involved in one like this before. The work you have put in and the miles you have travelled, I think the Leyland brothers would be proud of you.

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

That the information from RG Capital, dated 28 May 2001, be received as evidence to the inquiry into the adequacy of radio services in non-metropolitan Australia and incorporated in the committee's records as exhibit No. 33.



[4.23 p.m.]

**FERGUSON, Mr Reginald John, General Manager, 2DU and ZOO FM, Broadcast Operations Group**

**LODGE, Mr Barry Christopher, General Manager, Broadcast Operations Group**

**CHAIR**—We now welcome to the table Mr Barry Lodge and Mr Reg Ferguson from Broadcast Operations Group, the Caralis group. Thank you for your earlier submission and for making yourself available today. Just before you commence, I think for the record that I should mention a matter. We have, as you know, requested Mr Caralis's appearance before this committee on two occasions, and I seek to assure you there is nothing vindictive about that. Mr Caralis is a leading operator in the radio industry in Australia and to get a full and holistic view of the industry it is very difficult not to interview someone of his status, and that is not said with any form of denigration to yourselves. On both occasions Mr Caralis has advised that he was unable to meet with us and instead has asked for regional managers to give evidence. We have made it plain to Mr Caralis that, while we would prefer to speak to him directly, because it seems he exercises very close control of the company, we are prepared to take evidence this afternoon, but I think to help us you need to be able to tell us the philosophy of the company. Has he authorised you to speak on behalf of the company in all matters or are you just giving an overview of how the company operates?

**Mr Ferguson**—I think he has given us a direction to speak on behalf of broadcast operations. I think he realises that Mr Lodge and myself, and possibly one other gentleman, Mr Elmes, are the three senior managers in the group with a long list of service in the company. Being au fait with the operations of the companies since they were purchased in 1988, 1989, we can speak on behalf of broadcast—

**CHAIR**—So you can speak on behalf of the operations and general philosophy of the company?

**Mr Ferguson**—I feel we can, yes.

**CHAIR**—Were you part of the preparation of your company's submission?

**Mr Ferguson**—No, I was not aware of our submission. The only submission I saw was the one that Mr King—Mr Caralis's solicitor on the Gold Coast—forwarded to us in relation to this inquiry.

**CHAIR**—No, I was talking about earlier at Tamworth. Were you part of the—

**Mr Ferguson**—No, I did not know about that one.

**CHAIR**—You were not aware of the content of that submission?

**Mr Lodge**—I have read it.

**CHAIR**—Having read that, would you like to give us an overview of where the company is now since we last met at Tamworth? I am at a bit of a loss. Would you like to give a five-minute overview of what you were going to say today so that we can use that as the basis for our future discussion?

**Mr Lodge**—Yes.

**CHAIR**—Okay, let's do that. Are you going to lead, Mr Lodge?

**Mr Lodge**—I will, thank you.

**CHAIR**—Feel free to drop in, Mr Ferguson, as you feel appropriate.

**Mr Lodge**—The Broadcast Operations Group is 100 per cent owned and each radio station operates autonomously under the direction of its own manager. Day to day decisions are made by each manager at each radio station. Apart from that, financial proposals, for example the purchase of major equipment, are submitted to Mr Caralis for his approval. In the last 10 years there has been a proliferation of radio services, commercial and public, into regional radio. The commercial numbers have increased by 84 per cent. The share of the total revenue is down by 2.85 per cent. Ten years ago the average regional station income was \$1.4 million; it is now \$1.1 million. If we were to deduct the major centres of Newcastle, Gosford, Canberra, the Gold Coast and Wollongong from that revenue, I would estimate that the average regional radio income could be down as low as \$800,000 per station.

In 10 years wages alone have increased, plus the capital cost of FM services, some by up to \$1.5 million. If we add to that additional community broadcasters who now have five minutes per hour of sponsorship time, narrowcasters operating—some like commercial radio services, for example, in Bathurst—and let us not forget the ABC also taking listeners and increasing services over the last 10 years, then it is fair to say that there has been a huge financial impact on operating regional radio services. So regional radio does need financial support to continue as it should there be local content regulation. We would also support the ownership of three radio stations to a market to preserve that, and the repeal of section 54. If we were to talk about being fair, and while it is outside the scope of this inquiry to talk about regional television, that should also be looked at from the point of view of local news, sport, community service and local content because there are television services in the regional areas that do not provide any of that.

Metro radio also networks and automates, while taking \$505 million annually in revenue, which is more than double that of its regional share, and yet there are five times more regional radio stations operating. Networking is not new. Ten years ago it was the metro markets that were doing most of that networking. We had 2UE, ARN, Macquarie, Austereo and other metro stations that made a small fortune from regional radio. Now, to provide a service, and a good service, the regional networks do it themselves and are being asked to provide answers as to why. Not a lot has changed with networking in the past 10 years in our group; it is only the provider that is different. In the Broadcast Operations Group that service is the same as it was 10 years ago and I believe that our communities do receive services that reflect their interest.

**CHAIR**—Do you want to add anything, Mr Ferguson?

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**Mr Ferguson**—I think Mr Lodge has covered it quite adequately, thank you.

**CHAIR**—Just recapping, you have how many stations now?

**Mr Ferguson**—We have 30 altogether, one capital city and 29 regional stations.

**CHAIR**—Are most of those regional ones an AM with a section 39?

**Mr Lodge**—Tweed Heads is a solus AM, in Toowoomba there are two AM services and in Sydney there is an AM only.

**CHAIR**—Do you have both AM services in Toowoomba?

**Mr Lodge**—We have Warwick which overlaps with Toowoomba.

**CHAIR**—And AK?

**Mr Lodge**—And AK, yes.

**Mr Ferguson**—I think YM in Dubbo is the only station with three commercial licences. We have the section 39, which 2DU obtained, and the recent addition in July last year of the DMG station, Star FM. I think we are the only station of Mr Caralis's network that has the three stations in the market.

**CHAIR**—Although you would have some competition on the Gold Coast, obviously.

**Mr Lodge**—And Tweed Heads.

**Mr Ferguson**—I should imagine Gold Coast licensing is stopped short of the Tweed Heads licence area, which is more or less northern New South Wales down to—

**CHAIR**—But the airwaves do not stop at the border, do they?

**Mr Lodge**—No, officially I think there is a 30 per cent overlap with the Gold Coast stations and little bits down south.

**CHAIR**—How many of those stations have newsrooms at this stage?

**Mr Lodge**—Every one of them.

**CHAIR**—They all have newsrooms?

**Mr Lodge**—Yes.

**CHAIR**—One journalist to each newsroom or do you cluster in some areas?

**Mr Lodge**—What do you mean by cluster?

**CHAIR**—Where you might use one journalist to do two or three stations.

**Mr Ferguson**—Not that I know of. We have two journalists at 2DU and Tamworth, and I think Lismore and some other stations. All the other smaller stations provide a local news service.

**CHAIR**—How much of your programming is live?

**Mr Ferguson**—In our particular stations?

**CHAIR**—Yes.

**Mr Ferguson**—In Dubbo we are on the air live for 18 hours a day, from 6 a.m. until midnight.

**CHAIR**—When you say ‘live’, do you mean live to air?

**Mr Ferguson**—Yes, live to air.

**Mr Lodge**—On the AM stations it is 6 a.m. to 6 p.m. and it does vary in some of the FM areas.

**CHAIR**—What is the average for the FMs?

**Mr Ferguson**—We are live on our FM station from 6 a.m. until 6 p.m., 12 hours a day, and at weekends we go until 6 p.m. on the AM station and until 12 noon on the FM station. So quite a lot of it.

**Mr Lodge**—Of the 13 FM services, if we take 6 a.m. to 6 p.m. as an average for local live then there are probably 70 per cent of them doing that 6 a.m. to 6 p.m.

**Mr JULL**—So live to air does not necessarily mean local live to air?

**Mr Lodge**—For the point of answering this question, if we take local live to be on air with an announcer sitting in the radio station behind a microphone, that is 6 a.m. until 6 p.m. Of the 13 radio stations in our network, at least 70 per cent are doing the 12 hours a day, the rest are doing a little bit less.

**Mr JULL**—But would that not include the Sattler relay from 2SM?

**Mr Lodge**—No, I am just talking FM now. On the AM they are all 6 a.m. until 6 p.m.

**CHAIR**—How much of that is relayed from 2SM?

**Mr Lodge**—During the daytime?

**CHAIR**—Yes.

**Mr Lodge**—Howard Sattler for three hours, nine until midday, and then apart from—

**CHAIR**—But all stations take Howard Sattler?

**Mr Lodge**—Yes.

**Mr Ferguson**—We only take it for one hour. Most stations take it for three hours.

**Mr Lodge**—Some might take two hours.

**Mr Ferguson**—So one, two or three hours; it varies.

**CHAIR**—You support the idea of third stations being owned by—

**Mr Lodge**—Yes, we do.

**CHAIR**—As a matter of course or as a matter of contestability?

**Mr Lodge**—From a number of points of view. We believe it will provide a greater diversification of programming for the community.

**CHAIR**—Let me take Mr Hardgrave's earlier point that you would have heard as you were waiting: how do we guarantee diversity? I understand it would create diversity in programming, but how do you create diversity in opinion making?

**Mr Lodge**—The person on air would do that.

**CHAIR**—I am talking about your newsrooms. If a particular journalist gets a set on a particular issue or a particular individual in the community, does that not just multiply by three stations then?

**Mr Lodge**—Yes, that is true, but it would happen now with two.

**CHAIR**—You are not admitting to that, I hope.

**Mr Lodge**—Certainly not.

**Mr HARDGRAVE**—But would you argue also, as RG Capital did, that if there was a series of public hearings at convenient locations to test your ability to broadcast to a market that would probably alleviate some of that?

**Mr Lodge**—Would we support the—

**Mr HARDGRAVE**—Would you support the idea of public hearings?

**Mr Lodge**—Yes, we would. I would like to think that having had to prepare for the three-year ones we would get to five years.

**Mr HARDGRAVE**—That is fair enough, but if there was a problem where a particular news editor set upon a person that could in fact be discovered through some sort of public hearing process, whether five years or three years?

**Mr Lodge**—Yes, but I do not think it would take five years or three years because if that was the case then I am sure that I would get a phone call from somebody within the community suggesting that, and then I would have a look at it.

**Mr HARDGRAVE**—So your point is that regardless of whether it is live and local broadcast, regardless of whether Howard Sattler is on for one or three hours a day, the decisions are taken at a local level as far as the content is concerned?

**Mr Lodge**—Yes.

**Mr Ferguson**—Undoubtedly, yes. Each station has the complete autonomy to conduct and organise their own local content, yes. It is very important.

**Mr HARDGRAVE**—What is the source of complaints that may come on occasions to these network stations? Do you have a list of vested interests that have made comments about you, as has been submitted to us by DMG? Can you highlight people who have come to us and said, 'Broadcast Operations Group are X, Y, Z' and they have a vested interest that they are exercising, or you cannot see that?

**Mr Lodge**—Am I aware of any complaints that have been made about us?

**Mr HARDGRAVE**—I must apologise, I cannot really finger one directly in front of me now, but the comments out of your marketplace—and we copped a bit of it in Tamworth, for instance, when we were there with people's perception being that it was a structure that did not allow for local needs to be exercised on occasion. I note that we have on the record a rebuttal of evidence we had with regards to the Dubbo storm experience. Are each of these complainants in some form or another falling into the category of industry competitors or ex-industry or former employees, somebody with a vested interest?

**Mr Ferguson**—The Dubbo one was an exceptional one, the storm on 6 January this year. We put a lot of time into putting that submission together and I am pleased you have received it, together with the four tape recordings we sent down. The person at the helm of the complaint, a Mr Richard Mutton, was a former employee of the station. He had a vested interest. He, as I explained in that submission there, failed on two occasions to enter parliament.

**Mr HARDGRAVE**—But, regardless of this particular one, is this an example that generally anybody who is going to complain about the way your radio stations operate falls into a similar vested interest category, that they have an axe to grind?

**Mr Ferguson**—That is the only one I know of.

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

**CHAIR**—We wondered at the beginning of this inquiry—and we have said nothing other than my response to him on air—whether someone might have poisoned you or part of your network against this inquiry. Mr Sattler made some very derogatory comments about the committee, that we were trying to put him off the air and a number of other things. I reiterate, as I did to him, that nothing could be further from the truth. Did someone put the proposition to you that we were gunning for you, or something of that nature?

**Mr Lodge**—I have never heard that.

**Mr Ferguson**—I am surprised at that. I heard the Sattler comments—I cannot help but listen; I work at the station and I heard his comments.

**CHAIR**—You heard my rebuttal?

**Mr Ferguson**—Yes, and I have also heard you on our station several times with Mr Leo de Kroo and I am very pleased at that too. I have followed the inquiry with great interest. But I would be absolutely astounded if journalistic licence came into the fact that someone would influence the inquiry to take a set against the chair and the committee. I think Mr Sattler probably falls along the lines of most current affairs commentators.

**CHAIR**—You know we are an all-party committee, do you not?

**Mr Lodge**—Yes, absolutely.

**Mr Ferguson**—Yes. He would fall along the same lines as the Alan Joneses, John Lawses. They get a set against a thing and it is sensationalism and it sounds good and it gets people listening on what he said to you and you said to him. It is certainly not influencing in any way but it makes good radio because of the fact that people's interest is raised.

**CHAIR**—We just thought a parliamentary inquiry might have been treated with a little more respect, not because of us as the personalities but because it was the fact of the parliament acting in the community and taking privileged evidence and we thought it was unusual for a station to attack us, even before we had commenced our hearing.

**Mr Ferguson**—I take your point, yes.

**Mr HARDGRAVE**—Are your stations doing more or less in your local community since the Broadcasting Operations Group have taken over?

**Mr Lodge**—It has not changed, not in any of the radio stations.

**Mr Ferguson**—It is still very much for the—

**Mr HARDGRAVE**—That is the case in your stations. Could you say that is true for all stations across the organisation?

**Mr Ferguson**—I would say so, yes.

**Mr Lodge**—To the best of my knowledge, the only thing that has changed is the provider of the networked programs.

**Mr HARDGRAVE**—We got complaints in Tamworth about dropping country music and pulling back out of country music festivals and this man in Gunnedah—the Grey Power Festival and all these other things. Are there other stories like that out there? What has changed over the last few years in this group and the way this group of stations are organised?

**Mr Lodge**—Possibly with Tamworth and its country music, because the radio station was instrumental in being involved in the country music festival—albeit it only played country music of a night-time because I think it has been said before that each metro market has probably tried a country music format and it has failed in every case.

**Mr Ferguson**—I think all of our stations, and stations in general everywhere—Mr Camplin at Bathurst and everywhere else—play a proportion of country music right throughout all their programs; it is not isolated, that country music is played. There is some good stuff now with Adam Brand and people like that, Beccy Cole—great artists—and some of their songs, I think, are crossover contemporary; they are a combination of country and adult contemporary and they are very good music.

**CHAIR**—Graeme Connors type stuff.

**Mr Ferguson**—Great stuff, and we play Adam Brand an enormous amount at the stations.

**Mr Lodge**—Most of the stations mainly took it from midnight to 6 a.m.

**Mr HARDGRAVE**—Heaven knows, I am not here putting a place for country music; I will let others do that.

**Mr Lodge**—In fact, each AM station in the network still has a one-hour program of specialised country music.

**Mr HARDGRAVE**—I am sure people are very pleased about that.

**Mr JULL**—Can you give me an indication of how much of your revenue is national and how much of it is locally generated?

**Mr Lodge**—I would say it is a 70 to 30 split.

**Mr Ferguson**—I did some figures before I came here and the last two months were 69 to 31 national and 70 to 30. An average throughout the year would have been a 69 to 31 split—say, 70 to 30—and it has been the case for quite a long time.

**Mr JULL**—How many sales reps would you have in a typical market?

**Mr Ferguson**—Smaller stations may have one or two; we have four.



**Mr Lodge**—I have five.

**Mr Ferguson**—Possibly Toowoomba has five. I would say an average of no less than two to a maximum of five, depending on the size of the market.

**Mr JULL**—Would it be fair to say that the stuff they sell is fairly typically the locally owned business?

**Mr Lodge**—It would be all.

**Mr Ferguson**—Yes, all local, no national. We have national representation companies who look after national businesses on our behalf.

**Mr JULL**—But the local McDonald's fellow would not necessarily buy any time?

**Mr Ferguson**—He would not buy any at all. We have tried very hard but we cannot get a penny out of him.

**Mr JULL**—How important is it for someone to try to assist the viabilities of this market? The criticism we have been getting is that the ABA comes in, 'Wham, bam, slam, thank you, ma'am, have a licence.' Do you know of anybody, whether it be the national representation companies or any of the market research people, who have actually gone through and done any viability studies of regional markets?

**Mr Lodge**—With regards to the impact of another station?

**Mr JULL**—Just to know how much your market is worth or what the potential of a market would be? Is this a science that nobody has really bothered about until there is another licence imposed on top of them?

**Mr Ferguson**—I think the advertising dollar is still there, whether it be split up two ways, three ways or four ways. The market itself defines what is available. Like you heard earlier, between good times and bad, floods and droughts, as the gentleman told Mr Hardgrave earlier, it fluctuates; it is up and down. But to answer your question, I do not think any one person has gone in and said, 'Okay, Dubbo or Lismore, let's go and see what this market's worth,' and it might be \$200 million; it might be \$100 million. It is up to the media to know its place and to go out and get their share of it and the fight is on from 9 o'clock every morning. It is an interesting question as to what that viability is worth.

If I could answer your question on another point, as I said before, we are the only station with three commercial stations to the market in the whole network and our revenue on Western Broadcasters has suffered with the advent of the DMG station in the market. We always knew that we would lose revenue. But in saying that, we have not decreased staff; we have maintained the status quo. We still have our two journalists, we still broadcast 18 hours a day, six announcers and so on. Whereas, as Mr Thompson said earlier, the situation at Merredin in Western Australia where they have made \$10,000 and it would be close to a loss if one person had to be disemployed, in our case we realise that the profit of the company, although I am not privy to it, would certainly be reduced by the fact that we have lost up to X amount of money in

the marketplace. But we have not reduced our services accordingly and nor do we have any intention to do so, because we believe in localism and that is our philosophy.

**Mr JULL**—Markets change so much. Can you give some examples in your network of changes, say, in the last five years? Obviously we have dying areas in Australia—and I am trying to think of one that might be a case in point where in fact they have been through hard times and you have declining populations—but in theory you can come in and hit them with another licence straightaway?

**Mr Ferguson**—The section 39 licences were great. We fought for 15 years to get that and we finally got it. I remember a convention on the Gold Coast when it was announced by the minister and we all got our section 39, we put them on the air quickly, and we were quite good. Then the ABA, in their wisdom, allocated a third licence to certain areas, and I was surprised to hear this morning that there were another nine areas earmarked for a third licence. I can recall several years ago when, because the viability question was so strong on the stations that got the third licence, and I do recall, and I tried to find out where, and I read that the ABA did quote that there would be no more third licences granted—in fact, I think one was earmarked for Tamworth but I read that that was not to go ahead, and about four years ago I thought that was the end of it.

**CHAIR**—There are different levels, are there not? There is a four and a five and—

**Mr Ferguson**—I do not know about the four and the five. The three that were granted were Albury, Orange and Dubbo. I know the first one was a place north-west of Western Australia—Geraldton, I think. It was the very first one years and years ago and we were surprised that a very small station like that got three licences after having had their section 39 licence. Then suddenly out of the blue they awarded these extra ones—there may have been one or two in between in Queensland. But what I am saying is: when they were issued I thought Dubbo was going to be the last one, which was a DMG one, and I did not know about these new ones.

**CHAIR**—So you say the only future to these is that you have something paralleling section 39 where the third licence goes to the existing operator, assuming he or she wants it, on the basis that there has to be a very strict understanding of diversity of programming?

**Mr Ferguson**—Exactly, diversity of programming. Yes, definitely, and the owners of the two incumbent stations should be given the opportunity to purchase that third licence.

**CHAIR**—How do we then go back to the government, because we argue all the time for diversity, when some of those companies have highly centralised news services, so there is not diversity in public opinion—maybe diversity in the entertainment but on the informatics side of the radio station there is no diversity. How do we justify that to the government? How do we also convince the government, if that were to be the case, that what we are giving those towns or those areas is a better quality radio? How can we convince them that perhaps another operator with fresh ideas might not do quite a good job?

**Mr Ferguson**—Maybe with conditions on the licence to say, ‘A third licence is going to be granted now and the conditions are that you must provide a service that is diversified from the current two services,’ and this would work, providing that the ownership was under the one

control. I am sure an owner then would make sure there would be three excellent, diverse services going out to the community. Also, of course, the viability of that station would be assured. In saying that, with respect to the viability of the staff, there would be no staff reductions—or maybe an increase in staff; I do not know. But it would certainly be in the listeners' best interests.

**Mr Lodge**—On the question of news services, which seems to be fairly important, in regional areas there is only so much news that happens in a day and when parliament is not sitting, especially over the summer period, journalists are walking around asking sales people whether they have seen any news. It can get fairly quiet and there is not always a lot to report. So on the question of—

**CHAIR**—I am sure the members at this table would not disappoint them!

**Mr JULL**—I have a confession to make: when I was in the game the news editor said, 'If there's no news, get out and make some.'

**Mr Ferguson**—We say that now but no-one finds any.

**Mr Lodge**—So on the question of whether there would be a diversification of news services and opinion—

**CHAIR**—I do not mean of news services, I mean of opinion—whether that is expressed in talkback.

**Mr Lodge**—I am talking from the Lismore point of view where we have talkback right across our AM service, breakfast, afternoon and drive, for the 12 hours, so everyone is—

**CHAIR**—You do talkback any time of the day, do you?

**Mr Lodge**—Any time of the day.

**CHAIR**—Do you do it in half hour blocks?

**Mr Lodge**—No, it is just—

**CHAIR**—You can ring in any time if you have a—

**Mr Lodge**—It is just part of the format that the breakfast announcer, between six and nine—

**CHAIR**—So if Lismore gets knocked back for some government grant and you get the news at a quarter to two, that might be the hot issue from two until four that afternoon?

**Mr Lodge**—Yes.

**CHAIR**—Mr Ferguson, is your station the same?

**Mr Ferguson**—We can do it. When news breaks, it breaks, and it has happened quite a lot lately—journalists are on the toe and they will hear a story and we will go live to it. It is not called a news flash but we say, ‘Here is an item from our newsroom.’ The two journalists there have to earn their money and they are there to get the news. I know a lot has been said today about news and—

**CHAIR**—I cut Mr Jull off in the middle of his question.

**Mr JULL**—No, I was trying to get your thoughts on the viability question and trying to work out some way that we can try to get some estimate as to whether or not a market might be a viable proposition for a third licence, or indeed for an independent operator. There was another reason for asking it as well: are you scared of community radio?

**Mr Ferguson**—That is a good question. I am quite strong about this. You read the ABA update, the book that comes out each month, and all you read are pages about the ABA issuing all these community licences, dozens and dozens of them all over the place, and you see them listed down there, and I wonder why, because no-one listens to them. Sorry, I should not have said that but I will keep it on the record. Who listens to them?

**CHAIR**—We want you to say what you are thinking.

**Mr Ferguson**—I do not know of anybody who listens to them—well, certainly the group of people connected with the station would. I know the station in Orange, Apple FM, is going broke. They are publicly appealing for funds to keep the station on the air. It is only in the hundreds who listen to the stations and if they cannot make a living why do they issue all these dozens and dozens more licences?

**Mr Lodge**—But probably what is of equal concern is what is happening within the narrowcasters at the moment. We have Sydney radio station 2KY just putting its complete service, fully commercial, into regional centres. They are just breaking the law; they are not supposed to do it.

**CHAIR**—But 2KY is the TAB station.

**Mr Lodge**—They have been told not to do it after the result of an ABA inquiry into Bathurst. They said, ‘We would like an extension of the date,’ and they got an extension of the date. I do not understand how they can get that. If they are breaking the law then they are breaking the law.

**CHAIR**—I am not trying to stick up for them totally but, as you know, we have a separate inquiry into this. Some peremptory moves by the ABC threw the whole racing information industry into disarray and it is a bit of a fly-by-the-seat-of-your-pants situation until there is some sort of coverage pattern. But I do not see how that interferes with your day. You do not provide a racing service, do you?

**Mr Lodge**—No, we do not, but they are providing a full, uninterrupted commercial radio program into our area. They are competing for—

**CHAIR**—But if you were not a punter you would be bored out of your brain.

**Mr Lodge**—Absolutely, but if you are a punter and you listen—

**CHAIR**—Or a sportsman, I suppose.

**Mr Lodge**—If I were a sales rep for 2KY then I would be selling advertising on the basis that it is going into all these centres throughout—

**CHAIR**—But the reality with that is, firstly, it is narrowcast because its field is very limited—it is racing, it is the prices, occasionally it is an interview with a trainer or someone like that. So it is narrow within the—

**Mr Lodge**—But it is the full service, 2KY's breakfast program, and they do not broadcast too many races at 7 o'clock in the morning. Their full breakfast program, uninterrupted, with all commercials, goes to air. They do not just broadcast races; they broadcast the whole lot.

**CHAIR**—I wonder whether that is not so much a matter of redefining narrowcasting. I do not think they are deliberately setting out to destroy your market. In fact, we were looking for ways in our inquiry to encourage them to get into areas where there are no broadcasts. We went to a place where, if the Sky satellite went down, the race meeting had to be cancelled because there was no other way they could get information unless they actually went to a course.

**Mr Lodge**—We are not against narrowcasters, we are not against the broadcasting of racing services—because I believe, probably like country music, that is about where it should be—but it should not be a commercial service.

**CHAIR**—Just coming back to Mr Jull's original question, I do not think we had one witness from a community station where anyone had taken up more than four minutes. Was that right?

**Mr Lodge**—But is permitted to have five.

**CHAIR**—Yes. Early in the inquiry we were investigating, when we saw the original written submissions, whether or not there would be a case for six minutes, but when we started to investigate we found that for some reason just about every single one of them has not gone over four minutes. Some were as low as two and three minutes.

**Mr Ferguson**—If I may just point out a real bone of contention for me: the community radio station in Bourke, 2WEB, is the great commercial radio station in Australia and I have given up the fight over many, many years of trying to complain about it. The ABA has a file from me and from people in charge of other stations. It is a pure commercial. I have been there many a time and I sit there and listen to the music they play and ad after ad after ad. They do not say, 'This ad is sponsored by so and so.' It may be serving a disadvantaged area such as Bourke which has a huge Aboriginal population, and it probably is all they have to live for, but then they have appointed another community station called 2CUZ FM in Bourke in the last couple of years, so they have two community stations acting as pseudo-commercial stations. So there are places where the community stations are de facto commercial radio stations.

Talking about community radio stations, in yesterday's local Dubbo newspaper there is a community radio station in Bathurst advertising for a station manager and the ad states, 'Salary \$49,000-\$55,000 plus a generous incentive package will be offered to the successful applicant.' I am going to apply for it; that is a lot more than I am getting—

**CHAIR**—I thought Mr Camplin was applying.

**Mr Ferguson**—I gave it to him and he is faxing it through to his wife now. But this is what is happening: they are taking over. I am sorry to say that but when you get people in community radio doing things like this, where are we going to?

**Mr JULL**—One of the propositions that has been put to us is that, in a market that is highly networked where there is an absence of localism, you may be better off making provision for a community station to provide a lot of that local stuff with some special type of licence. It may not be a community licence as we know it and it may not be a full commercial licence, but maybe there is some way in between that they could come in to meet a niche.

**Mr Lodge**—Can I comment on that? In the Lismore market we had a February flood and we had a March flood. The February flood was a bit of a disaster for a number of reasons in that the SES people had not been through a flood for about 10 years, there were new people there, all the old people were no longer part of the organisation and that contributed to the disaster. The weather bureau just got it wrong, and admitted so. Unfortunately, the radio station took a lot of flak. We were just the messenger delivering the information. By the time we got to the next disaster in March we had had a couple of meetings with council and the SES and the way that the information was disseminated was done a little differently in that the council set up its own web site and broadcast the fact that that web site was available for road closures, which they took control of. The SES set up a call centre and we broadcast that fact. We also broadcast lots of road closures for schools and all sorts of people as well as a lot of the other flood type information. Then just recently, in the last week, council put out a report on the way that they operated and, again, radio came in for a bit of criticism because we were broadcasting too much information and people could not absorb it all at once. So whether it be narrowcast or community, it just does not matter how we broadcast it, this problem of doing river heights, road closures, school bus pick-ups, the bowls day being cancelled that we all broadcast—

**CHAIR**—There was some criticism of the old cyclone warnings too.

**Mr Lodge**—Yes, I am glad you raised that.

**CHAIR**—They became so repetitive, but they have this new method now where they announce when the next change of advice will be so that if you have heard it once you can switch off, so to speak.

**Mr Lodge**—But, with regard to cyclones, the March flooding we had that stretched all the way down through Grafton to Port Macquarie, on the north coast there were 130 kilometre per hour winds associated with the storms. If it had been above the Queensland border it would have been a category 2 cyclone, but because it did not start up there it was only a strong wind warning. Perhaps the weather bureau did not get it wrong, but if you are sitting at home and you

hear that a category 2 cyclone is going to belt you around the ears you are going to move pretty quickly.

**CHAIR**—Yes, you would sit up and take notice.

**Mr Lodge**—So, to answer the question, I think that getting that information out, whether it be us or somebody else, could create the same information overload.

**Mr HARDGRAVE**—Are all the stations in your network viable?

**Mr Lodge**—I cannot answer that.

**Mr Ferguson**—We are not privy to the financial returns. I would say that the larger ones certainly would be and I would say some of the very small ones—maybe Mudgee, Parkes, Gunnedah—would be on the \$10,000-50,000 profit margins. I do not think any of them would be losing any money but the margin would be quite low, I am sure, in some of the smaller stations.

**Mr HARDGRAVE**—But you do not know for sure?

**Mr Ferguson**—No, I am sorry, we are not privy to those reports.

**Mr HARDGRAVE**—Who would be privy to all of that?

**Mr Ferguson**—I would say Mr Caralis would have the details.

**Mr HARDGRAVE**—We had DMG in here today. They have almost twice the number of stations you guys have and they raised the spectre of probably a tenth of their stations being almost in the charity category from the way they were talking.

**Mr Ferguson**—A lot of our stations certainly would not be able to sustain a third commercial station owned by an opposition company—they could if they owned it themselves but if an opposition company, such as DMG, RG Capital, ARN, went into those markets they would all go broke, no doubt about it.

**Mr HARDGRAVE**—With regard to the Broadcast Operations Group stations that might be on that \$10,000-50,000 profit margin—and I think we heard before the average was about \$800,000 or \$1.1 million or something—that is pretty low down the scale on the scheme of the average so there must be some making reasonably good profits then.

**Mr Lodge**—Yes, but there are some also making a lot less. The smaller stations in our group—the Parkes, the Mudgees and the Gunnedahs—would not be up around that mark.

**Mr HARDGRAVE**—Which mark are we talking?

**Mr Lodge**—We are talking up around the \$1.1 million.

**Mr HARDGRAVE**—So they would be more down around the \$10,000.

**Mr Lodge**—They would be in the category of Mr Thompson's smaller markets.

**Mr HARDGRAVE**—What I am trying to get at is: what is the difference between your network's stations versus the DMG stations? Is the make-up of your expenses different?

**Mr Lodge**—Can I say that Mr Caralis does take a personal pride in his radio stations serving the community, which I believe is demonstrated by the number of local hours that he does allow his radio stations to broadcast directly into their community. He sees that as a very important part of his operation and each manager is required to work along the basis that he does take a great deal of pride in his station supporting its community.

**Mr HARDGRAVE**—What I am trying to drive at here is: are the cost structures of a Broadcast Operations Group station different to DMG in that, while you may have a networked programming coming in for some hours of the day, you have a lot of local content, whereas DMG's is hubbed, and the investments are in the hubs, not necessarily in the local stations?

**Mr Lodge**—On the cost structure, we do not have regional managers, as I understand to be correct, that DMG with its hubs have hub managers and there is a structure.

**Mr HARDGRAVE**—Do you have local announcers instead; is that what you are saying?

**Mr Lodge**—We have Mr Caralis and then the manager.

**Mr Ferguson**—That is it.

**Mr HARDGRAVE**—So you could tell me about what is happening in Lismore. Where do you sit in the scheme of things? How far along the scale? Are you doing all right in Lismore?

**Mr Lodge**—We are probably closer to the top.

**Mr HARDGRAVE**—So you are keeping the average up.

**Mr Lodge**—Possibly.

**Mr HARDGRAVE**—What is happening in Dubbo?

**Mr Ferguson**—Much the same. Our expenses are much higher than Lismore's because we have more local content and we have a larger staff. We were doing quite well until, say, July last year but I would still say Lismore and Dubbo would be the two main profit makers for the company. Since Star FM DMG came into the market last July, our revenue has suffered accordingly, possibly to the extent of about \$50,000 per month.

**Mr HARDGRAVE**—So local is not necessarily being listened to. Is that what you are telling me?



**Mr Lodge**—I had a discussion about that with Mr Caralis one night last week until the early hours of the morning and he was asking for an explanation. He said, ‘This is a radio station in Dubbo that has been there since 1936 and has been providing broadcasts live from 6 a.m. until midnight. Then a new player comes into town, beats a drum and says, “Listen to me,” and then takes the revenue and in the survey results gets a reasonable share. Why are we going to an inquiry talking about localism? What does it mean? I’m pouring all my money into being the local radio station, both AM and FM, and the new boy comes into town and gives me a kick in the pants.’

**Mr HARDGRAVE**—Does that mean Mr Caralis is looking at copying the DMG style?

**Mr Lodge**—No, I do not think so.

**Mr Ferguson**—I doubt it.

**Mr Lodge**—No, not at all.

**Mr HARDGRAVE**—But you do not know, of course.

**Mr Lodge**—Well, we do not know but I think his past has shown, the number of years that he has had his radio stations, that it has not changed and I do not think he has any intention, on the discussions I have had with him.

**Mr HARDGRAVE**—But a \$50,000 kick in revenues cannot be sustained over a long period of time.

**Mr Lodge**—Absolutely.

**Mr Ferguson**—But we realise, on the historical record, that the station is there, has always been there—I have been at the station 48 years and I have seen it go from a baby to what it is now. Historically, we have kept the hours we have done and so on. It just serves that niche that it always has. I do not know whether Dubbo is unique from any other stations there but, yes, we took a kick in the backside with the \$50,000 and if we do like DMG did from six to midnight and that will save us another \$25,000 a year there, and then maybe we will get rid of some of the weekend stuff, a lot of the sport—we have a full-time sporting guy. Like I said, I could cut \$100,000 from costs straightaway but we have not done it. So our profit would have gone down. It has certainly gone down, but we have kept the status quo.

**CHAIR**—Are you saying that if we are having localism the rules should apply equally to anyone who is in the market?

**Mr Ferguson**—Yes, I would say so.

**Mr Lodge**—Narrowcasters and community as well? Whatever the rules are, they should apply to everybody?

**CHAIR**—I am talking about journalists. You put on journalists, you put on a sports editor and so on. Someone comes into town with a jazzy format but does nothing else for the community and they take part of your market. Is that what you are saying?

**Mr Lodge**—Yes.

**Mr Ferguson**—Yes, I would say so.

**CHAIR**—There is also the dimension of program; you have to be fair there.

**Mr Ferguson**—Yes. In Orange the third station provides a semi middle-of-the road oldies program, and that is a complete diversification. But this station has come into our area and other places and there is similar programming to what is already there. I know the ABA cannot tell you what programs to format. It is carte blanche. They just say, ‘You’ve got the licence, go in there and play what you like, and good luck.’

**Mr HARDGRAVE**—What is happening with the 2TM-2MO overlap? Are there different programming priorities at each of those two stations?

**Mr Ferguson**—I think so. I do know that the manager of 2MO, Mr Peter Rasmussen, is a dedicated radio man and lives and breathes Gunnedah. At Tamworth, as you know, the general manager, Mr Morrison, has recently retired due to ill health and the new manager has been appointed recently. There would be an overlap. Tamworth, which has always been in the old New England network, was the major station in the five- or six-station network. I think it would provide services to Gunnedah and Armidale and places like that. But as far as overlap, I am sure they do not provide any programming. I know that 2MO take Howard Sattler, the same as Tamworth do—

**Mr HARDGRAVE**—It is my understanding that in the days when the Higginbotham family owned it they used to consciously program 2MO differently to 2TM because they recognised there was about half the market overlap. In other words, some listeners had the opportunity to listen to both 2MO and 2TM. So they programmed different stations attracting, arguably, more listeners. But that is not the case now?

**Mr Ferguson**—It happens everywhere. There is overlapping in every station.

**Mr HARDGRAVE**—Yes, but is there a separate programming stream to maximise the combined audience, as was the case in the years past for 2TM and 2MO?

**Mr Lodge**—The manager there, like the rest of us, is allowed to autonomously operate his radio station.

**Mr HARDGRAVE**—Make his own decisions?

**Mr Lodge**—Yes.

**Mr Ferguson**—And program accordingly.

**Mr HARDGRAVE**—Except between nine and midday, where you would get the same programming stream to that marketplace?

**Mr Lodge**—Yes.

**Mr Ferguson**—Most of the stations do program an adult contemporary format, which is the most popular format on commercial radio.

**Mr HARDGRAVE**—Just on the question of viability—especially as you have been at the station for almost 50 years, which is a tremendous length of service—how long can you sustain \$50,000 and \$100,000 drops in revenue and not make a radical change to the way you go about your business?

**Mr Ferguson**—We are fighting back.

**Mr Lodge**—You are going to put in another one.

**Mr HARDGRAVE**—How long? How big is this Broadcasting Operations Group? Can you use your 2SM revenue streams or your 2LM revenue streams to prop up 2DU or do you stand alone and have to be judged on your performance market by market without getting cross-subsidies?

**Mr Ferguson**—As long as we continue to make profits, and I hope they are good profits, we will continue that way.

**Mr HARDGRAVE**—But if you do not?

**Mr Ferguson**—If we do not I think we will be told. We have not been told yet. It has been good so far and the revenue has been coming in. We always wrote good revenue. It is not as if we were raising a small revenue and then suffered greatly when DMG came in. Fortunately, we were writing excellent revenue so we could sustain that loss per month of revenue now. It is up to our sales staff to go out and get it back, and they are starting to gradually crawl their way back.

**Mr HARDGRAVE**—But you would have to be worried by Mr Lodge's recollection of the conversation with Mr Caralis last week that localism is not being rewarded by listeners?

**Mr Ferguson**—Yes, I am aware of that. It was our first survey. They are the new kid on the block and they came in and took a niche market—their market is 10-to-39. The survey showed that they won that area. 2DU won just about everything, but they won that area and they are selling to that particular group. They have that and we have the rest. So now it is up to us to go back and recover some of what we lost. We will gradually get there—we will do it.

**CHAIR**—With your AM stations, when you get to 6 p.m., do you go on relay to 2SM or do you have pre-recorded programs of your own?

**Mr Lodge**—We relay 2SM.

**CHAIR**—Right through until 6 a.m.?

**Mr Lodge**—Yes.

**Mr Ferguson**—Except in Dubbo, where we go to midnight and then take from 12 midnight until 6 a.m.

**CHAIR**—What about the FM stations?

**Mr Lodge**—A special program emanates out of 2SM specifically for the FM radio stations.

**Mr Ferguson**—It is very good. It does not go to any Sydney stations; it is a special network that Mr Caralis has set up broadcasting out of the 2SM building with FM announcers to send that program to all his stations.

**CHAIR**—A bright evening sort of thing.

**Mr Ferguson**—It is all good stuff.

**CHAIR**—What is your reaction to three-yearly or five-yearly reviews?

**Mr Lodge**—We said we would be happy with five-yearly. Having been through the three-year ones, you are just getting over one and you start to prepare for the next one.

**Mr HARDGRAVE**—Is Mr Caralis happy with a five-year review?

**Mr Ferguson**—This has just come up. I was not aware of it until today. Three years was horrendous.

**Mr HARDGRAVE**—But, knowing Mr Caralis's record, as you have suggested to us this afternoon, do you think he would be happy with the concept of facing the public in each of the markets?

**Mr Lodge**—I do not think he would have a problem with that.

**Mr Ferguson**—I think he would be quite happy. Five years is fine. Half the crowd will be gone by then anyhow—managers come and go—so it is up to the next boy on the block to take it on. Put it this way: five years is a long time in any business. I could write a couple of pages of report in five years.

**CHAIR**—We are not investigating or trying to tease out this area—and it should not be assumed that we are going to put it in our recommendations—just to make life a misery for the radio stations. The things that are referred to in the objectives of the 1992 act are lofty ideals but there is no mechanism to see that they are adhered to. If we could connect those up, not with the bun fights that we used to have in the tribunal days, but with something more focused—

**Mr Lodge**—The cost of preparing those and the time involved was quite astronomical, so the only concern would be going through all that again.

**Mr Ferguson**—Even now we are going through some horrendous stuff the ABA has asked us for on programming detail. We spent hours just recently completing those yellow forms on programming.

**CHAIR**—But what does it mean?

**Mr Ferguson**—Every second of the day you had to account for this and account for that.

**CHAIR**—Yes, but what does it mean? Where does it ever appear?

**Mr Lodge**—It really is a Clayton's renewal.

**Mr Ferguson**—Exactly. It was the five-year overview and we gave them every second of the day, 136 hours a week—they got the lot.

**CHAIR**—Did they ever write back and say, 'This is good' or 'This is bad'?

**Mr Ferguson**—No.

**Mr Lodge**—I have just had to do my second one. The only difference was the justification of what you were doing in the community to get your licence renewed.

**Mr HARDGRAVE**—Do you think Mr Caralis would be happy about certain conditions placed on the licence to ensure a commitment to live and local and a commitment to generating local news and all those things?

**Mr Ferguson**—I do not think he would be happy with any conditions at all in that it sounds like it is a provision being placed on the licence grant. I do not think any proprietor would be happy with having provisions placed on it.

**Mr HARDGRAVE**—RG Capital just said they were.

**Mr Ferguson**—I heard that, but DMG said no. I think that he would be happy with a five-year review. In other words, after five years we get a two-page report saying, 'Give us an overview of what you've done in the last five years.'

**Mr HARDGRAVE**—What about a public hearing so you take your critique?

**Mr Ferguson**—No, I think we have had enough of those.

**Mr HARDGRAVE**—You think that, but do you know if Mr Caralis thinks that?

**Mr Ferguson**—It is hard to speak on behalf of him, but I do not think he would like public hearings. I have been through dozens of them over the years and they are the worst things I've

been through. As you said yourself, Mr Hardgrave—and you are quite right—no station has ever lost their licence. Yet at some of the hearings you think, ‘They’re lucky to be on the air still.’ But they have never lost their licence. I do not think they ever will lose their licences. The only one I can remember was back when 2HD and an Adelaide station lost their licence because the Jehovah’s Witnesses were broadcasting German propaganda. That was back in the war days. Do you remember those days? You were not around then; you are too young. I can recall them.

**Mr HARDGRAVE**—Mr Ferguson, I must say I am pleased to have on the record an endorsement from a 48-year radio industry veteran. Thank you.

**Mr Ferguson**—They did lose their licence—2CH. Mr Jull would remember those two—

**Mr HARDGRAVE**—His father told him about it, Mr Ferguson.

**Mr Ferguson**—and 2HU. There were three stations who did it. All I am saying is that since the early war years no licence has ever been revoked in the middle.

**CHAIR**—On that note, I would like to thank you both, Mr Ferguson and Mr Lodge, for representing your company today. It has been more fulsome than we came away from Tamworth feeling. We thank you for the frankness of your responses. I trust if we need any further information we can call on you or Mr Caralis directly in writing.

**Mr Ferguson**—Thank you very much and, on behalf of our station, I thank you for your cooperation over the past 12 months and what you have done for the station. I was pleased to be asked to come along today because I had read so much about these hearings and had not been to one. It was very educational.

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

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

**Committee adjourned at 5.24 p.m.**