

**SUBMISSIONS BY AMI RADIO PTY LIMITED TO THE INQUIRY INTO THE  
ADEQUACY OF RADIO SERVICES IN NON-METROPOLITAN AUSTRALIA  
BY THE HOUSE COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE  
ARTS**

**SUMMARY OF MAIN POINTS**

- The Terms of Reference for the Inquiry require the Committee to inquire into and report on the adequacy of all radio services in regional and rural Australia, not merely any one sector of the radio industry.
- In recent years there has been a dramatic proliferation of radio services in Australia, particularly in regional and rural areas. The introduction of a large number of new radio services, including additional commercial services and open narrowcasting services, has heightened competition for advertising revenue in regional and rural areas.
- The introduction of additional commercial radio services throughout Australia has facilitated the provision of a diverse range of radio services.
- The proliferation of radio services throughout Australia in recent times has been a “two-edged sword”. On the one hand, the additional services provide the technical capability to offer additional and diverse services. On the other hand, the significant increase in competition for limited available advertising revenue has imposed commercial restraints on the operations of such radio services.
- Commercial radio broadcasting licensees in regional and rural areas have to balance two conflicting factors, namely the provision of additional diverse services on the one hand and heightened competition for revenue on the other.
- In introducing an “easy listening” format in regional and rural areas for the first time, AMI did not wish to provide radio programming substantially similar to that already available in the markets concerned. Instead, it wished to further the objects of the relevant legislation by contributing to a diverse range of radio services offering entertainment and information.
- Where possible, the radio services provided by AMI originate locally produced programming for inclusion in the service.
- Radio services in non-metropolitan Australia still have a significant influence on the general public and provide substantial local social benefits.
- As a consequence of the need to identify economies of scale and restructure operations because of heightened competition resulting from the allocation of additional commercial and other radio licences, there have been instances in which radio operators have been required to reduce the level of staffing.

- The reduction of some staff numbers as a consequence of technological change is not peculiar to the radio industry. Most other industries throughout Australia have experienced the same trends.
- In the markets in which the AMI radio services operate, the available radio services still provide substantial content relating to local news, news services, sport and community services.
- The introduction of additional radio services throughout Australia has provided a more competitive environment for small businesses wishing to advertise their goods and services. In addition, as a consequence of the introduction of diverse programming, small business in regional and rural Australia now have the benefit of being able to target their advertising with greater precision at a particular audience group.
- AMI does not believe that it is possible at this time to speculate with precision as to what impact digital radio will have generally, and in regional and rural Australia in particular. A close watch will need to be maintained on the manner and timing of the actual introduction of any digital radio services so as to avoid a situation in which the galloping advance of technology has an adverse impact on the quality and types of services provided.
- There is no significant evidence available to support a contention that radio services in regional and rural Australia are not providing adequate services of the requisite quantity and quality.
- The introduction of the “easy listening” radio program by AMI throughout Australia is only one example of recent developments which have resulted in diverse programming of a high quality being provided for the first time.

## 1.0 INTRODUCTION

- 1.1 These submissions to the inquiry being held by the House Committee on Communications, Transport and the Arts (“the Committee”) into the adequacy of radio services in non-metropolitan Australia (“the Inquiry”) are made by AMI Radio Pty Limited [ACN 075 044 861] of 9<sup>th</sup> Floor, 139 Macquarie Street, NSW 2000 (“AMI”).
- 1.2 AMI holds the licences for and operates 8 commercial radio broadcasting services in non-metropolitan areas of Australia. Those commercial radio broadcasting services are located at Cairns, Mackay, Orange, Bendigo, Coffs Harbour, Port Macquarie, Bunbury and Mildura (“the AMI Services”).

## 2.0 TERMS OF REFERENCE

- 2.1 AMI notes that the Terms of Reference for the Inquiry require the Committee to inquire into and report on the adequacy of “radio services in regional and rural Australia”. Accordingly, the Inquiry must have regard to all radio services provided in regional and rural Australia. Those services include the radio services of the kinds set out in s.11 of the *Broadcasting Services Act* 1992 (“the BSA”). Those categories of radio broadcasting services include the following:
- (a) National radio broadcasting services;
  - (b) Commercial radio broadcasting services;
  - (c) Community radio broadcasting services; and
  - (d) Open narrowcasting radio services.
- 2.2 In addition, in more recent times other radio services have commenced on the internet and are readily available throughout Australia, including in most major regional and rural areas. Although such radio services communicated to the public by way of the internet are somewhat fledgling services at this time, AMI submits that regard should be had to such services by the Committee in the course of its Inquiry because of their number.
- 2.3 The terms of reference which require the Committee to inquire into and report on the adequacy of all radio services in regional and rural Australia is consistent with the scheme of the BSA which (in clause 8(2) of Schedule 2) imposes the following condition on each commercial radio broadcasting licence in Australia (the emphasis is ours):

“(2) *Each commercial radio broadcasting licence is also subject to the following conditions:*

(a) *the licensee will provide a service that, **when considered together with other broadcasting services available in the licence area of the licence including another services operated by the licensee**, contributes to the provision of an adequate and comprehensive range of broadcasting services in that licence area;*

(b) *...”*

### **3.0 PROLIFERATION OF RADIO SERVICES IN REGIONAL AND RURAL AREAS**

- 3.1 In recent years there has been a proliferation of radio services in regional and rural areas. That proliferation has resulted from additional licences granted by the previous regulatory authority, namely the Australian Broadcasting Tribunal, and further licences allocated under the BSA by the current regulatory authority, namely the Australian Broadcasting Authority.
- 3.2 The introduction of a large number of new radio services, including additional commercial services and open narrowcasting services, has heightened competition for advertising revenue in regional and rural areas. In many areas previously serviced by only one commercial AM radio service additional FM services have commenced, with the further commercial and open narrowcasting FM services all competing for available advertising revenue so as to be able to provide programs. Heightened competition also has resulted from the changed circumstances in regional and rural areas which occurred as a consequence of the introduction of television aggregation. That process saw the introduction in most cases of an additional two commercial television stations in non-metropolitan areas of Australia.
- 3.3 In addition to the introduction of a large number of additional commercial and open narrowcasting radio services, further community radio broadcasting services have commenced in recent times. Although such community services are not permitted under the BSA to broadcast “advertisements”, they are permitted to broadcast “sponsorship announcements” and, hence, compete not only for a share of the audience but available advertising revenue.
- 3.4 The highly competitive nature of radio broadcasting in regional and rural areas of Australia generally is evidenced by the level of such competition in the markets in which the AMI Services operate. **Schedule 1** to these submissions details the numbers of commercial, national, community and narrowcasting radio services as well as television services which operate in those markets. For example, in the Mackay area of Queensland there now are four commercial radio services, four national (ABC) services, one community radio service, two open narrowcast radio services and four free-to-air television services. As is also apparent from **Schedule 1**, pay television services are now available in most, if not all, regional areas and for some time now such services have been able to broadcast advertising. Radio narrowcasting services also are permitted by the BSA to broadcast advertisements and do so.
- 3.5 The rapid increase in the number of radio services in regional and rural areas (for example, in approximately the last two years an additional four radio stations – 3 commercial and one narrowcasting service which also broadcasts advertisements – have commenced in Cairns) has not occurred to date in metropolitan areas, notwithstanding the levels of potential revenue and audiences in those areas. The phenomenon seen in regional and rural areas has occurred at a time when there has been little, if any, population increase in those centres and at a time of adverse economic conditions for many.
- 3.6 In addition to competition within each market, most regional and rural radio licenses face competition from adjoining markets. For example, in the Orange licence area there are 3 commercial radio services based in the market, with a further 9 commercial services in adjoining markets with significant coverage in Orange. Those commercial stations, which are detailed in **Schedule 2** to these submissions are included in the official Orange radio survey and all impact on the commercial audience/revenue share of the Orange market. A

similar situation exists in Bendigo, where a further 8 commercial stations from adjacent markets can be received in addition to 3LO, the ABC service from Melbourne, which consistently gains a higher audience share in Bendigo than the locally based ABC station.

#### **4.0 CONSIDERATION OF ALL AVAILABLE SERVICES**

4.1 Consistent with the regulatory regime established by the BSA and referred to in paragraph 2.3, AMI respectfully submits that, when inquiring into and reporting on the adequacy of radio services in regional and rural Australia, the Committee should have regard to such radio services in the context of all other competing media services, such as free to air television, pay television, internet radio and local newspapers. The adequacy of the relevant radio services can only be gauged by also taking into consideration the nature and content of other services provided by competing and supplementary media.

#### **5.0 OBJECTS OF THE BSA**

5.1 AMI submits that it is relevant for the purposes of the Inquiry to have regard to certain objects of the BSA. S.3 of the BSA sets out the Parliament's intention as to objectives to be achieved by the regulation of broadcasting in Australia.

5.2 AMI refers to three particular objects contained in s.3 of the BSA. They are in the following terms:

- “(a) to promote the availability to audiences throughout Australia of a diverse range of radio and television services offering entertainment, education and information;*
- (f) to promote the provision of high quality and innovative programming by providers of broadcasting services;*
- (g) to encourage providers of commercial and community broadcasting services to be responsive to the need for a fair and accurate coverage of matters of public interest and for an appropriate coverage of matters of local significance.”*

#### **6.0 DIVERSITY OF SERVICES**

6.1 It is an object of the BSA that regulation of broadcasting in Australia promotes the availability to audiences of “a diverse range of radio and television services offering entertainment, education and information”. The introduction of additional commercial radio services throughout Australia referred to above has facilitated the provision of a diverse range of radio services. Clearly, the existence of more than one commercial radio broadcasting service in a particular location enables different and complementary programming to be provided. In addition, the large number of open narrowcasting services provide additional types of programming as do the national and community radio services. Furthermore, the introduction of three commercial television networks in most parts of Australia has enabled a greater range of services to be provided. The advent of pay television has significantly facilitated the opportunity to provide broadcasting services targeted to a vast range of interest groups within the community.

6.2 As regards commercial radio in regional and rural Australia, it is self-evident that such services depend upon receipt of advertising revenue to be able to provide services offering

entertainment, education and information. Unless a service provided by a commercial radio licence is commercially viable, diverse programming cannot be achieved.

- 6.3 Accordingly, the proliferation of radio and other services throughout Australian in recent times is somewhat of a “two-edged sword”. On the one hand, the additional services provide the technical capability to offer additional and diverse services. On the other hand, the significant increase in competition for limited available advertising revenue has imposed commercial restraints on the operations of such radio services. That being the case, most commercial radio broadcasting licensees in regional and rural areas have had to balance those two conflicting factors (namely the provision of additional diverse services on the one hand and heightened competition for revenue on the other) by reviewing their operations and adjusting them, where necessary, to obtain the appropriate economies of scale.
- 6.4 As the relevant markets grow and the amount of available revenue increases, AMI is confident that the programming offered by radio services in regional and rural Australia (in particular commercial radio services) will become even more diverse.

## **7.0 PROGRAMMING PROVIDED BY THE AMI SERVICES**

- 7.1 With the exception of its radio service in Mildura (which provides a predominantly sporting coverage), each of the radio services operated by AMI (and detailed in **Schedule 1**) provides what is generally known in the radio industry as an “easy listening” format. That format has proved to be particularly popular with listeners in the higher age groups and has been available for many years in the large capital cities, such as Sydney and Melbourne. In the markets in which AMI currently operates no easy listening format has been available prior to its introduction by AMI. AMI’s intention in establishing a relatively new radio network was to introduce an Australia-wide service delivering a format of easy listening music aimed at a target audience of people aged 45 years and more with “back-to-back” music reminiscent of the universally popular songs and themes of the 1950s, 60s, 70s and 80s. The strength and appeal of such a format arises from evergreen songs and melodies that have stood the test of time, plus classic popular hits. In introducing such a format AMI did not wish to provide radio programming substantially similar to that already available in the markets concerned. Instead, it wished to further the objects of the BSA by contributing to a diverse range of radio services offering entertainment and information.
- 7.2 In providing the easy listening format throughout Australia, AMI has been conscious of the Parliament’s requirement that the BSA should promote the provision of “high quality and innovative programming”. That being the case, AMI has attempted to provide programming services of a quality similar to that provided in metropolitan cities, notwithstanding the fact that the radio service concerned operates in a much smaller environment with substantially less available advertising revenue.

## **8.0 IMPERATIVE TO NETWORK**

- 8.1 Because of the need to balance the opportunity to provide additional diverse radio services on the one hand and limited revenue on the other in rural and regional areas, in many locations the only way in which truly diverse radio services (such as AMI’s easy listening format) can be provided is to obtain the essential economies of scale by providing such sources from a central location and not merely duplicating the same service from individual centres throughout Australia. In the case of an easy listening format, in reality, there would be little, if any, utility in so far as the music content of the format was concerned, by having

the programming originate in each of the locations set out in **Schedule 1** rather than a central source. Not only would local origination of such programs be commercially impossible at this time, but the quality of those programs, if originated locally, would suffer. The easy listening format currently networked by AMI is devised by programmers with extensive expertise in such matters and is presented by some of the most experienced and respected Australian announcers familiar with that format.

- 8.2 Commercially, after giving the matter close consideration, AMI established that, at this time, the only way in which an Australia-wide easy listening radio service could be established would be to acquire a specially produced service from a company related to a Sydney radio station which also provides a similar, but different, easy listening format. Without such an arrangement in place, the economies of scale to permit the new diverse service to be provided would not be available. Accordingly, persons in the areas concerned would be deprived of such a radio service, which to date has been warmly welcomed by many listeners but is not yet operating profitably.
- 8.3 The need to network certain programs to rural and regional areas so as to obtain both economies of scale and quality presentation also is recognised by the ABC, which in many areas relays programs to regional and rural areas from metropolitan centres. Throughout New South Wales, for example, most non-metropolitan centres receive four ABC radio services, three of which originate in a metropolitan city and not locally. The fourth ABC radio service broadcasts locally produced programs for only part of the day.

## **9.0 LOCALISATION OF AMI SERVICES**

- 9.1 Even at this early stage of its development, where possible, the AMI Services originate local programming for inclusion in the service. For example, in each of Cairns and Mackay the breakfast program is announced and presented by a local announcer so as to enable the service to provide information and comments in respect of local matters to a greater degree than would be possible during times at which the programming is taken on relay.
- 9.2 In Cairns, in addition to the provision of a local breakfast service, the AMI Service also provides a morning talkback program presented by a well known radio personality, John McKenzie. That program enables residents in the area to participate in and listen to community discussion and comment regarding matters considered to be of local importance.
- 9.3 As the available revenue in each market increases with the effluxion of time and as the service provided by AMI matures commercially, it is intended that an increasing amount of programming provided on the AMI Services will be originated in the markets concerned. That, however, will be a gradual process so as to be able to maintain a diverse, quality service in the meantime.
- 9.4 As noted above, the AMI Service in Mildura is different to the services provided by AMI elsewhere. The programming provided by the Mildura service relates predominantly to sport with the emphasis being on the broadcast of race descriptions. If such a service were not provided by AMI in Mildura at this time, racing descriptions, which have proved popular with a sector of the available audience, would not be available on radio in the region. The programming concerned is taken on relay from a sports/racing station in Melbourne. The obtaining of that programming on relay is the only way in which the necessary economies of scale can be achieved so as to provide a sports/racing radio service in a centre such as Mildura. That is consistent with the fact that in the large capital cities it

is generally the case that only one radio service provides such programming, notwithstanding the number of available listeners and the level of potential advertising revenue.

- 9.5 In providing locally originated programming where possible, such as the talkback program in Cairns presented by John McKenzie, AMI has been mindful of the object of the BSA to encourage providers of commercial and community broadcasting services to be responsive to the need for “a fair and accurate coverage of matters of public interest and for an appropriate coverage of matters of local significance”. Such programs are only able to be presented to further that object of the BSA as and when available advertising revenue permits. That is because of the extremely high cost of providing locally originated talk/current affairs programs.

## **10.0 SOCIAL BENEFITS AND INFLUENCE ON THE GENERAL PUBLIC**

- 10.1 AMI notes that, as part of the Inquiry, the Committee is to have particular regard to the “social benefits and influence on the general public of radio broadcasting in non-metropolitan Australia in comparison to other media sectors”.
- 10.2 There is no doubt that radio services in non-metropolitan Australia still have a significant influence on the general public and provide local social benefits. Those benefits include the provision of community service announcements and general community involvement as well as the provision of programs and information which focus on local issues.
- 10.3 Many non-metropolitan commercial radio services still provide programming originated locally and which deals with purely local matters of interest and concern. Nonetheless, AMI submits that the vast range of other media sectors available in even the smallest of regional centres significantly dilutes the degree of influence on the public of individual radio services. As noted in the introduction to these submissions, the adequacy of the role played by radio services in regional and rural Australia can only be gauged having regard to the social benefits and influence provided by all media sectors. Radio provides only part of those needs and supplements and complements the other media sectors.

## **11.0 FUTURE TRENDS IN RADIO BROADCASTING**

- 11.1 As the Committee is aware, its terms of reference also require it to have particular regard to future trends in radio broadcasting, “including employment and career opportunities in non-metropolitan Australia”. In that regard, AMI submits that it is unlikely that there will be a further substantial proliferation of radio services in those areas in the near future to the same degree as additional services have been introduced in the past decade. Should such a proliferation be repeated, the commercial viability of most, if not all, of the existing commercial radio services in rural and regional areas would come under threat. It will take some substantial period of time for the market to readjust to enable the additional services to continue to be diverse but at the same time provide a larger amount of locally originated programming.
- 11.2 As a consequence of the need to identify economies of scale and restructure operations as a consequence of heightened competition resulting from the allocation of additional commercial and other radio licences, it is readily apparent that there have been some instances in which radio operators have been required to reduce the level of staffing in some centres. That has been consistent, however, with the general trend in commercial radio



throughout Australia. The introduction of new services of various kinds in the capital cities over the past two or so decades has required existing operators to restructure their services/operations so as to develop more efficient and, hence, cost effective operations. In many cases that has seen a reduction in the numbers of personnel involved in management and the use of technical advances to reduce staff levels. The reduction of some staff numbers as a consequence of technological change is not peculiar to the radio industry. As the Committee would be aware, most other industries throughout Australia have experienced the same trends.

- 11.3 Nonetheless, as a consequence of the introduction of additional services, some new job opportunities have been created and staff employed who otherwise would not have been employed. In connection with the AMI Services, each such service employs local management and sales representatives so as to enable the communities served to have direct personal contact with the station. As the viability of the services improves and the operations mature, the level of personnel to be employed is likely to gradually increase, thus providing additional employment and career opportunities for persons residing within the relevant licence areas. Again, the reality is that a fine balance must be struck at this time between the competing elements of diversity of programs, economies of scale and heightened competition for advertising revenue.

## **12.0 EFFECTS ON INDIVIDUALS, FAMILIES AND SMALL BUSINESS**

- 12.1 As regard the effects on individuals, families and small businesses in non-metropolitan Australia as a consequence of networking of radio programming, AMI submits that, in the markets in which the AMI Services operate, radio still provides substantial content relating to local news services, sport and community services. That is not to say that in all areas each of the large number of radio stations now operating provides all of those programming elements. It may, for example, be the case that only one or two of the radio broadcasting services provide local news. That, however, is a necessary consequence of true diversification of programming. In addition, the ABC radio services (regard to which the Committee must have as part of its Inquiry) continue to provide programming in relation to local news, sport and the like. It is neither necessary, nor appropriate, for each station in a market to duplicate programming so as to provide an adequate service. That fact was recognised by the Parliament at the time of the introduction of the BSA as is noted in paragraph 2.3 above.
- 12.2 The introduction of additional radio services (both commercial and open narrowcasting) throughout Australia has provided a more competitive environment for small businesses wishing to advertise their goods and services. Instead of having only one commercial radio service in a particular centre with which to deal, invariably now there are competing services, each seeking to attract the illusive advertising dollar. In addition, as a consequence of the introduction of diverse programming (such as AMI's easy listening format), small businesses in regional and rural Australia now have the benefit of being able to target with greater precision their advertising at a particular audience demographic, such as the persons aged 45 and more catered for by AMI's services. Previously, in circumstances in which only one commercial radio operator existed in a regional or rural area, such a station had to be "all things to all people" and, as a result, the ability to target advertising (which has been done for many years in the metropolitan centres) was not available in regional and rural Australia. That is no longer the case. Overall, the proliferation of radio services in regional and rural areas in recent times has had a positive effect on individuals, families and small business in non-metropolitan Australia.

**13.0 POTENTIAL FOR NEW TECHNOLOGIES**

- 13.1 It would be a brave person who would speculate at this time what the future holds for new technologies relating to radio and other forms of mass communication. AMI does not believe that it is possible at this time to speculate with precision as to what impact digital radio will have generally and in regional and rural Australia in particular. Indeed, the “jury is still out” as to precisely what the impact of digital television will be in metropolitan and non-metropolitan Australia.
- 13.2 It is, of course, theoretically the case that digital radio will make possible even more radio services in any particular area. As a matter of pure logic, the technical opportunity to introduce more services must give rise to potential for a greater diversity of programming. Nevertheless, as has been alluded to on numerous occasions in these submissions, the operation of radio services generally and commercial radio services in particular, requires appropriate economies of scale to exist if quality, diverse programming is to be made available in reality. A close watch will need to be maintained on the manner and timing of the actual introduction of any digital radio services so as to avoid a situation in which the galloping advance of technology has an adverse impact on the quality of types of services provided.
- 13.3 In addition, significant technological advances have, and are, being made in respect of the “streaming” of audio and video content on the internet. That will result in even more competition for radio services distributed by more conventional means.

**14.0 PUBLIC ATTITUDES**

- 14.1 AMI respectfully submits that radio services in regional and rural areas of Australia are continuing to provide adequate radio services in the public interest. AMI submits that an examination of the increased number of services in the areas in which AMI operates and the types and kinds of programming provided by those services evidences that fact.
- 14.2 AMI submits that there is no significant evidence available to support a contention that radio services in regional and rural Australia are not providing adequate services of the requisite quantity and quality. The introduction of the easy listening radio programs by AMI throughout Australia is only one example of recent developments which have resulted in diverse programming of a high quality being provided for the first time. It is being done by professional radio broadcasters in a manner which enables the AMI services to be provided on a commercially viable basis.

Dated: 27 October 2000

Signed for and on behalf of  
AMI Radio Pty Limited by  
William Ray Gamble, Director

.....  
W.R. Gamble

## SCHEDULE 1

List of AMI Radio services and other relevant media in each market.

<b>MARKET</b>	<b><u>COMMERCIAL</u></b>	<b>ABC</b>	<b>COMMUNITY</b>	<b><u>NARROW CAST</u></b>	<b>OTHER</b>	<b>TELEVISION</b>
CAIRNS	4	4	2	3		5 + Pay TV
MACKAY	4	4	1	2		4 + Pay TV *
ORANGE	3	4	2	4		5 + Pay TV
BENDIGO	3	4	2	1		5 + Pay TV
COFFS HARBOUR	3	4	2	2		4 + Pay TV *
PORT MACQUARIE	3	4	2	2 (+ 1 Kempsey)		4 + Pay TV *
BUNBURY	3	4		1 (+ 1 not in service)		4 + Pay TV
MILDURA	3	3	2	2		4 + Pay TV **

\* Full SBS television service to be introduced in Nov/Dec 2000-10-26

\*\* "Self Help" SBS TV (No. 10 Affiliate)

## **SCHEDULE 2**

Overlapping services, Orange market

2BS Bathurst

B-Rock FM Bathurst

2LF Young

Star FM Young

2PK Parkes

Rok FM Parkes

2DU Dubbo

ZOO FM Dubbo

Real FM Mudgee