

## **Introduction**

This submission is made on behalf of the members of the Australian Association of Independent Regional Radio Broadcasters, generally referred to as IRB.

The members of IRB comprise 15 of the 29 principal companies which operate commercial radio stations in non-metropolitan Australia. They operate in 30 of the 114 markets which are served by non-metropolitan commercial radio and broadcast from 54 of the 197 commercial radio stations in those markets. A list of IRB members and the markets in which they operate is given at Appendix 1.

Membership of IRB is limited to persons, firms or corporations which own or control commercial radio broadcasting licences other than in the mainland state capitals of Sydney, Melbourne, Brisbane, Adelaide or Perth and which do not have a controlling interest in either a commercial television broadcasting licence or a newspaper as defined in the Broadcasting Services Act 1992.

IRB policies include support for the principles of “full-service” broadcasting, the encouragement and defence of localism and the retention, in non-metropolitan areas, of the current restrictions on cross-media ownership.

Currently all IRB members are also members of the commercial radio industry’s “umbrella” organisation, the Federation of Australian Radio

Broadcasters (FARB). IRB sees its role as complementary to that of FARB, not as a competitor. While generally acknowledging FARB's position as the lead advocate for the commercial radio industry, one of IRB's functions is to represent its members' specific interests when issues arise – such as cross-media ownership – which defy the achievement of industry consensus.

## **Summary of this submission**

- The number and range and hence the diversity of broadcasting services available to people in regional and rural Australia have increased very substantially over the last quarter of a century, but the degree of localism has not. (pp 4-10)
- Commercial radio plays the most important role of all media in supporting localism. There is a long history of support for localism in the Australian broadcasting system. (pp 11-14)
- Commercial radio's support for localism is manifest in many ways, but broadcasters' ability to sustain this performance is dependent on commercial viability. (pp 15-19)
- Long-standing obligations on broadcasters to support localism, which were enshrined in earlier legislation, have been omitted from the present legislation, the Broadcasting Services Act 1992. (pp 20-22)
- Networking has much to offer rural and regional audiences. Networking and localism are not mutually exclusive. (p 23-24)
- Conventional competition policy will not solve the challenge of ensuring localism in regional commercial radio. On the contrary, it will ensure the destruction of localism. (pp 25-26)

## **Radio in regional Australia**

Over the last quarter of a century broadcasting services in regional Australia have proliferated to a remarkable extent. Major factors in that development have been the introduction of FM, significant expansion of both the national sector and the so-called public sector and, in the commercial sector, the introduction of supplementary licensing. The period has also witnessed a massive reorganisation of regional television (equalisation) aimed at delivering three commercial television services to the regions where formerly there was only one, and more recently the introduction of pay television with more than 30 different channels.

As a consequence, Australians in most of regional and rural Australia today have a broad diversity of choice of broadcasting services.

### **The national radio sector**

Most regional areas today have a choice of four national radio services – Radio National, Classic FM, Triple J and so-called “local” ABC. In this context the word “local” has a different meaning from that applied to commercial radio.

In accordance with long tradition, planning for the ABC has been based on the premise of delivering services to as many people as possible, whereas the coverage afforded by commercial stations has been consciously limited. This policy is generally reflected in the higher power given to national stations and the application of the licence area concept to commercial radio services.

Thus, a “local” ABC service will almost invariably encompass a much greater area than a single commercial service.

### **The community sector**

What is known today as community broadcasting was formerly known as public broadcasting. Both terms tend to be misleading, but two essential features of community broadcasting are that it depends to a very high degree on unpaid volunteers and does not operate for profit.

Today there are approximately 140 community radio broadcasting stations in regional Australia, a figure which is rapidly approaching the number of commercial stations. But while the term “community” might suggest a broad community base and involvement, the categories which the Australian Broadcasting Authority has assigned to these services is indicative more of narrow interests; these categories include ethnic, arts, print handicapped, sporting, religious, aboriginal, educational, Torres Strait islander and three different sub-categories of music.

Nine of the 12 “community” stations licensed by the ABA in 1998-99 were special interest – 1 print handicapped, 3 aboriginal and 5 religious.

Our purpose in quoting these facts is not to derogate from the community sector, which plays an important role in complementing the other sectors and catering in many instances to minorities whose special interests might otherwise be overlooked. Community broadcasting makes a significant contribution to diversity, but community broadcasters would neither wish to,

nor be capable of, assuming the roles of commercial radio. This is not because of their level of funding, but because of the ethos of community broadcasters generally and in particular the specialised and usually narrow interests of individual licensees.

### **Narrowcasting**

Narrowcasting is another form of broadcasting of relatively recent origin. Narrowcasters broadcast on frequencies not currently required for national services or for licensed commercial or community broadcasting services. Narrowcasters may carry paid advertisements (although they are not liable for broadcast licence fees based on advertising revenue) but are constrained under the Broadcasting Services Act 1992 by limits on their coverage and/or their period of operation and particularly on their target audience, which is supposed to be confined to special interest groups.

Because the conditions attached to narrowcasting virtually ensure it cannot do much more than subsist financially as a straight commercial undertaking, four broad categories of narrowcasters have emerged:

- (i) Racing stations. Racing radio, by serving the race-betting public, makes an important indirect contribution to the revenue of the TAB, at relatively small cost. For the TAB, a narrowcast licence is an inexpensive means to an end.
- (ii) Special interests which have been unable to obtain a community broadcasting licence.

- (iii) Narrowcasters which flout the Act by operating like commercial radio broadcasters and are apparently immune to prosecution under the present legislation..
- (iv) Commercial radio broadcasters which take up narrowcast licences in their own markets in order to provide “niche” programming. The fact that they already have a broadcasting infrastructure means they can operate narrowcast services at minimal cost. In some cases they have made a small contribution to diversity and localism.

### **Section 40 licences**

Section 40 of the Act provides for the allocation, on application in writing, of commercial radio licences that do not use the broadcasting services bands. The application fee for such a licence is only \$2,400, and the licensee is not liable for ongoing licence fees based on advertising revenue.

Although the operators of Section 40 licences must operate on frequencies which are not within the broadcasting services bands, the reality is that they almost invariably operate on frequencies which are so close to the limits of the broadcasting services bands that they can be received by ordinary domestic radio receivers.

The ABA issued six licences under Section 40 during 1998-99, all in regional markets.

### **The Commercial Sector**

The most important development in regional commercial radio in the last 15 years has been a virtual doubling of the number of stations, principally as a

result of supplementary licensing (under the previous legislation) and the grant of additional licences to existing licensees under Section 39 of the present Act, and to a lesser extent the auctioning of new licences in some larger markets. All of these licences have been assigned in the FM band.

Implicit in the grant of supplementary and Section 39 licences was recognition of the fact that in smaller markets the public interest is better served by allowing an existing licensee to provide an additional service rather than by introducing a competitor, it being widely accepted that most regional markets are not capable of sustaining two competing stations and maintaining the same level of service which listeners are entitled to expect.

From past experience and on the basis of simple calculations it was clear that to introduce competition into such markets would inevitably result in both stations having to abandon any attempt to serve the wider audience and concentrating on the most lucrative target audience, which is predominantly made up of younger people.

While the cost to a new player of setting up and operating a station might be prohibitive, the cost to an existing licensee, because of economies of scale, is substantially less – roughly in the order of 25 to 30 per cent. In these circumstances a new player would have to find more than twice the capital and earn more than twice as much revenue as a viable supplementary or Section 39 station in order to achieve the same level of viability.

The benefit for listeners arising from the operation of a duopoly is a markedly improved diversity of choice.



Under the old “one-to-a-market” rule the commercial radio station faced the unenviable task of trying to cater for all tastes and juggling programs to suit the differing life styles of many classes of listener – young and old, music lovers, sport followers, those interested in news and current affairs, housewives, farmers, office workers and so on.

With a second licence, the licensee is able to split programming so that each station will appeal to a different section of the audience. In practice, this has most commonly meant devoting the FM station to a younger audience, with mainly contemporary music, and the AM station to a more mature audience, with more emphasis on news, current affairs, information and music of older appeal.

### **Fortuitous reception**

Because the planning of licensed broadcasting services is based on the concept of precisely defined licence areas there is a tendency to overlook the fact that actual coverage is greater – broadcast signals invariably spill over from one licence area into another.

Consequently the number of services actually received in a market is almost always greater than indicated by official records. For example, listeners in Bathurst, NSW are able to receive commercial stations based in Sydney, Lithgow and Orange.

The combined effect of all these developments in the national, community and private sectors has meant that radio listeners (and TV viewers) in

regional Australia today have numerous choices; as many as three or four times the number of choices they had two decades ago.

### **Commercial effects of increased diversity**

Notwithstanding the commercial sector's continuing and substantial dominance of radio listening in regional Australia, the expansion of the other sectors has, directly and indirectly, increased the financial pressures on the commercials.

Directly, the most obvious cause of pressure has been the decision to allow community radio stations to increase their level of paid announcements by 25 per cent, from four to five minutes per hour, thereby creating more competition for the advertisers' dollar. Indirectly, the cause has been the tendency to whittle the commercial stations' audiences, a process which inevitably affects the rates at which advertising can be sold.

## **Localism as policy**

Despite the improved diversity of broadcast services being delivered to people in regional and rural Australia, media support of localism has not increased. Television is not a local medium and the majority of truly local newspapers have very small circulations and are published infrequently.. Arguably, commercial radio today is the last bastion of support for localism, because it is the only medium remaining which operates 24 hours a day, seven days a week which is committed to serve a limited locality and has the resources to respond to the community's needs.

Defining localism is not easy. Macquarie Dictionary definitions include “a local custom” and “attachment to a particular locality”. In the context of this inquiry we suggest it might be defined as that which contributes to a sense of mutuality, cooperation, pride, resource, security and well-being in a community. Well-known researcher Hugh McKay once described it thus: “It is a fundamental human need to define ourselves in terms of other people and to define ourselves in terms of ‘place’: I understand myself more clearly in relation to places where I feel ‘at home’, and in the context of my relationships with other people.”<sup>1</sup>

It is not surprising, therefore, that the policy of support for localism has been a continuing feature of the Australian broadcasting system virtually since it commenced.

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<sup>1</sup> In a submission to the Oswin Report (see below)

The last major review of the policy, generally known as the Oswin Report<sup>1</sup> was undertaken in 1984.

The report acknowledged that the concept of localism could not be easily or precisely defined, but in broad terms-

*“...it refers to the notion that commercial (and, as appropriate, public and ABC) radio and television stations should be individually operated units located in as many areas as possible, the size of the service area of a station being such as will reasonably permit the station to be commercially viable ...1 and that the programming provided should cater for the particular needs and interests of the community within the station’s service area.”*

This theme recurs frequently throughout the Oswin report.

The first statutory authority to regulate broadcasting was the Australian Broadcasting Control Board (ABCB) which was established in 1948 with a responsibility to ensure that *“adequate and comprehensive programs are provided by ...stations to serve the best interests of the general public.”* This was the first use of the term “adequate and comprehensive” which was perpetuated in legislation up until the passage of the present Act.

In 1950, in its Second Annual Report the ABCB provided a benchmark of its view of localism:

*“...the Commercial Broadcasting Service is, generally speaking, intended to provide a local or regional service through a number of*

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<sup>1</sup> Localism in Australian Broadcasting – a review of the policy. Dept of Communications, August 1984

*separate broadcasting stations serving particular areas. The Board feels that one of the functions of a commercial broadcasting station is to provide a comprehensive service covering local activities and that from the point of view of the well-being of Australian country life the local broadcasting station may well prove a cementing force for its rural community”.*

In its 1952 report, the ABCB outlined its pre-requisites before recommending to the Minister that a licence for a new commercial station should be granted. Apart from technical considerations and the suitability of licensees, these were:

- The ability of the proposed station to earn sufficient income to permit of its satisfactory operation.
- the effect of the operation of the proposed station on existing stations.
- generally that the licensing of the proposed station is “in the widest sense, in the public interest, having regard in particular to the broadcasting services already available.”

The Oswin report offered a lengthy chapter of conclusions and recommendations. The key conclusions relevant to the present inquiry are paraphrased and summarised here:

- Localism in commercial broadcasting should continue.
- Although stations should not be precluded from taking some programs by relay, the local “sound” should predominate. (“Sound” meaning the mix of music, voice or other elements which causes listeners to be conscious that they are listening to “their” station).

- New services in the form of independent licences may have a noticeable effect on localism through the effect on the “overall general programme service.” *“That is, if revenues are reduced sufficiently so that neither the ‘old’ nor the ‘new’ station is profitable, programme expenditure will invariably suffer and employment will be curtailed.”*

## **Localism in practice**

Following are some specific examples of ways in which commercial radio stations can make a contribution to localism. The list is not complete, but is indicative of the kind of criteria against which we believe broadcasters' performance can be measured.

### **Local programs**

Listeners are always aware of the fact when a program is local, either because the content is locally specific or because the announcer's voice is familiar or because listeners can interact with the station by participating in contests or promotions or talk-back programs or perhaps because the program is a regular feature. The needs of different markets vary greatly throughout regional Australia, for reasons of climate, industry, culture, general life-style and differing time-zones.

### **Local management and autonomy**

Localism depends heavily on the ability of a station to cater to the needs of its community, including the ability to respond promptly as circumstances arise. This may necessitate, for example, the suspension at short notice of normal programming and advertising. All IRB members have managers at their stations with full authority to make such decisions. Managers and staff of full service stations accept as a fact of life that they will be called to work to help deal with a local emergency which occurs outside their normal working hours.

### **Local emergencies**

Emergencies come in many forms, both large and small. An emergency may be a lost wallet, a missing person, an escaped criminal, a road accident, hazards of various kinds, flood, fire – the list is almost endless. In almost every case local radio has a vital role to play. In order to do that, however, the station must have at its disposal the resources necessary to meet the occasion, people to receive information and pass it on to the announcer, to drive a vehicle and be equipped to broadcast from the scene, to maintain contact with emergency services and so on.

### **Local advertising**

The ability to get advertisements to air at short notice has long been regarded as one of radio's strengths. This is particularly important to local advertisers who need to be flexible and to respond quickly to competitors, which is not possible in other media, such as press. Practically all IRB members are able to get local advertisements to air within one hour or less. This can also be important to government departments wanting to get warnings to farmers or orchardists (eg fruit fly) where time is important.

### **Local news and opinion**

Local news and information about community affairs are at the heart of localism, and can find expression in many forms – news reports, interviews, talk-back programs and announcements and as a platform for the local member of Parliament and other community leaders – all of which require adequate resources to enable the broadcast to take place at the local station level.



### **Local talent and employment**

For decades, regional commercial radio has been, in effect, the nursery of Australian radio talent. Almost all of the leading names in metropolitan commercial radio went through an “apprenticeship” on regional radio. As well, full service commercial radio is labor intensive. IRB members employ on average 18 persons full time and 3 part time in each of their markets. This represents not only a significant contribution to the local economy, but also an avenue for work experience and for training and employment as vacancies occur.

### **Local community assistance**

Commercial radio’s most conspicuous form of community assistance is community service announcements – advertisements broadcast free of charge for local charities and community organisations. IRB members broadcast on average more than 300 such announcements per week. This is by no means the limit of direct assistance, which extends to station editorial matter, interviews, talk-back shows, promotions and the like.

### **Local involvement**

Equally important but less obvious is the personal involvement of station management and staff in a wide range of community organisations, including P & T Associations, Rotary, Apex, Lions, Legacy, chambers of commerce, tourist associations, local festival committees, sporting groups, Australia Day celebrations, Carols by Candlelight and many, many others. All IRB members are involved in this aspect of local involvement in and assistance to their communities. This kind of activity is not mandated by any

licence condition, but is part of the ethos of being a full-service local broadcaster.

## **The cost of localism**

It is self evident that the achievement of localism through commercial radio depends almost entirely on people. Even an act as simple as broadcasting a community service announcement requires people: to acquire the necessary information, to prepare it in an acceptable form for broadcast, possibly to enhance it with production input such as theme music or sound effects, to schedule it, to record it or to speak it.

More complex examples, such as broadcasting a local sporting event, call for planning, technical expertise, and coordination between studio and commentator.

It follows, therefore, that the maintenance of localism in regional commercial radio is entirely dependent on the broadcasters' ability and willingness to maintain the human resources necessary to carry out the task.

It is equally clear that if viability deteriorates, so too must localism.

## **From mutual obligation to no obligation**

Prior to 1992, the notion of an obligation on the part of a broadcaster to provide adequate and comprehensive – including local - programs was enshrined in the legislation.

As we have seen, the legislation establishing the Australian Broadcasting Control Board charged the ABCB with ensuring “adequate and comprehensive programs are provided by...stations to serve the best interests of the general public”. The ABCB interpreted this to include a comprehensive service covering local activities and felt that from the point of view of the well-being of Australian country life the local broadcasting station may well prove a cementing force for its rural community.

The concept, however, rested on the principle of mutual obligation. While it was incumbent on the broadcaster to provide adequate and comprehensive programs, it was also incumbent on the regulators to be aware of the need for commercial viability.

This underlying principle was carried on when the ABCB was abolished and replaced by the Australian Broadcasting Tribunal (ABT) in 1975. The Broadcasting Act 1942 was amended to provide that an applicant for the grant or renewal of a commercial licence had to give a written undertaking which included the provision of an adequate and comprehensive service. But, at the same time, the ABT was required, in considering whether to grant a new licence, to take into account the need for the commercial viability of an existing licence in the same area.

In 1991 the government proposed a dramatically different approach to licensing which was strongly influenced by some of the economic rationalism of the period. With commendable openness (and perhaps some sensitivity to controversy!) it released an exposure draft bill for industry and public comment on what was eventually to result in the present legislation, the Broadcasting Services Act 1992.

The exposure draft was indeed controversial, for its effect would have been to jettison the principle of mutual obligation. Clause 28 exhorted the ABA to “ensure that maximum use is made of the broadcasting services bands”. The intent was to license as many commercial stations as possible, without regard to commercial viability, and “let the devil take the hindmost”. By the same token, there would be no obligation on broadcasters to provide an adequate and comprehensive service. The theory was that if a broadcaster failed to provide a satisfactory service, there would always be another ready to step into the breach. While this may have seemed like a good idea it was of course nonsense, for it gave no heed to the fact that the maintenance of adequate and comprehensive programs is a desirable social and cultural objective which is entirely dependent on commercial viability. . (As the eminent economist David Landes has observed: “...many economists do not accord importance to culture, which cannot be measured and, for these experts, just gets in the way of good ideas.”)<sup>1</sup>

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<sup>1</sup> The Wealth and Poverty of Nations – 1998 – Little Brown & Company

In the event the controversial Clause 28 was dropped and the Bill which was presented to Parliament and is now law makes no reference to commercial viability nor to adequate and comprehensive programs..

The only thing remaining is one of the objects of the Act (subsection 3 (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.”

In an address to the annual general meeting of the Federation of Australian Radio Broadcasters in Melbourne in 1998, the Chairman of the ABA, Professor David Flint drew broadcasters’ attention to subsection 3 (g), saying:

*“We are concerned to see that listeners can hear some programmes of local significance, especially news and current affairs.*

*“It would be inappropriate if all of these programmes were relayed from state capitals; it would be worse if they were all relayed from Sydney. Of course, that is not what is happening. I mention this to say that it were a trend it would concern the ABA.*

*“In all forms of broadcasting, we cannot just be concerned that the needs of city dwellers are satisfied. We want to see that the needs of those who live outside of the capitals, and especially those in remote Australia, have good access to broadcasting.”*

## **Networking**

The term “network” is by no means precise, and in broadcasting covers a range of activities. The Macquarie Dictionary defines it thus: “A group of affiliated radio or television stations, sometimes commonly owned, and from which at times the same program may be broadcast.”

Networking is closely related to program syndication, where a number of stations with no affiliation whatsoever may elect to buy a program from a program provider.

It is interesting to note that networking and program syndication have been a significant feature of the Australian and other broadcasting systems since the early days of radio and that from time to time concerns have been raised in particular about networking. The principal basis of that concern has been a perception that the cost of networking is a loss of localism.

We submit that both networking and program syndication have a great deal to offer audiences in all areas, from the cities to the remote outback. Networking and localism need not be mutually exclusive.

Regional and rural Australia should be entitled to hear the best that Australia and the world have to offer in the way of radio programming. Both networking and program syndication make that possible. By the same token, regional listeners are also entitled to the best that localism can offer. It is all a matter of balance and proportion, and essentially a matter for judgment by station management at the local level.

The key issue, in our view, is the degree of autonomy which is given to station management at the local level. It is vital that the local manager must at all times have the authority to take control – even if that means suspending a network program – if the needs and interests of the local community so dictate.



## **Conclusion**

We believe it is fair to say that most submissions to inquiries of this nature have a strong element of self interest. Ours is no different.

We are aware that there have been complaints in some areas of regional and rural Australia – areas which are not served by IRB members - about the loss or reduction of localism on commercial radio.

We do not seek to make a judgment as to whether those complaints are justified. But if they should be upheld, we would be vitally interested in any remedy which might be proposed.

We hold strongly to the view that there is an unbreakable nexus between programs and commercial viability. Programs, including the people who contribute to them, comprise the largest component of the costs of operating a commercial radio station. Absent commercial viability, a station will be quite incapable of providing a adequate and comprehensive service – and most especially an adequate and comprehensive **local** service.

If intervention is necessary to ensure that adequate and comprehensive local programs are maintained in all regional markets then we submit the legislation should revert to the time-honoured principle of mutual obligation, by restoring the program requirement on the one hand and recognition of the need for commercial viability on the other.

We submit this is one of those cases where commercial self interest and the interests of the community are in perfect accord.

October 2000

**IRB members and markets  
served as at October 2000**

Ace Radio Broadcasters Pty Ltd

Colac, Hamilton, Horsham, Sale, Swan Hill, Warrnambool.

Alice Springs Commercial Broadcasters Pty Ltd

Alice Springs

Bathurst Broadcasters Pty Ltd

Bathurst

Bundaberg Broadcasters Pty Ltd

Bundaberg

Capital Radio Network

Canberra, Cooma, Goulburn

Coastal Broadcasters Pty Ltd

Innisfail

Commercial Broadcasters Pty Ltd

Hobart

Grant Broadcasters Pty Ltd

Ballarat, Bega, Darwin, Geelong, Murray Bridge, Muswellbrook, Nowra,  
Wollongong.

Great Northern Broadcasters Pty Ltd

Geraldton

Ipswich & West Moreton Broadcasting Corp Pty Ltd

Ipswich

Mid West Radio Pty Ltd

Lithgow

North East Broadcasters Pty Ltd

Wangaratta

North West Broadcasters Pty Ltd

Karratha, Port Hedland

Rich Rivers Radio Pty Ltd

Deniliquin

West Coast Broadcasters Pty Ltd

Mandurah

