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The Committee Secretary
House Communications Committee
Parliament House
CANBERRA ACT 2600

House of Representatives Standing
Committee on Communications,
Transport and the Arts

Submission No: 197
Date Received: 29/11/00
Secretary: Janet Holmes

Dear Ms. Holmes,

Please find following the Star Broadcasting Network submission to the inquiry.

Star Broadcasting Network is a joint venture company majority owned by Rural Press Limited. Attachment one is a document provided to the ABA in response to the Draft LAP into Cairns, Innisfail and Atherton in 1997. Regional Broadcasters Australia (RBA), mentioned in the document, was an 100% owned subsidiary of Rural Press Limited.

Yours sincerely,

Richard Burns
CEO Star Broadcasting Network

Star Broadcasting Network Pty Ltd
Submission to
House of Representatives Standing Committee
On Communications, Transport and the Arts

Friday, November 24, 2000

Overview

The commercial broadcasting industry has been in a state of unprecedented change since the Broadcasting Services Act of 1992. Some of the change has resulted from:

- removal of ownership limits
- as a result of technology advancements
- foreign ownership restrictions being removed,
- introduction of Aggregated Television services.
- introduction of Cable Satellite/television,
- increased proliferation of ABC, narrowcast and community stations,
- introduction of section 39 services and new competitors.
- Changes to the telecommunications Act that deregulated the satellite industry.

Add to all this a population drift that has been occurring in many parts of regional Australia and it is against this overview that the regional radio industry has had to operate.

Impact of BSA of 1992

Pre 1992 the commercial radio industry was segmented by virtue of the Act which provided that no more than 8 stations could be owned by any one operator. While the intent of the Act may have been to maintain diversity of control it had a second and unforeseen effect. That was, limiting the possibility to network large segments of the day from central locations. The fact was that satellite time was too expensive, pre the telecommunications Act mandating deregulation, to make networking from a central location of station owned groups cost effective. This was made so by the fact that technology was crude by today's standards providing only a few "pulses" to remotely start local commercial breaks. These breaks by necessity had to be compiled (each commercial in each break had to be replayed and re-recorded to include every commercial that appears in each commercial break) for each break which meant that it was easier and cheaper to have the local station produce local programmes.

Until March 1st 1987 when the first Australian generic satellite programming (MacSat, launched by the Macquarie Radio Network) became available there was no wholesale generic networking. Programmes were syndicated or entire relays were taken from the parent station. The John Laws programme was the only exception which was widely available in NSW on Telecom landline and for other stations provided on a delayed basis (of a few days) on tape. Until this time most country stations ceased transmission at times varying from 7pm (in the case of 4LG Longreach), 10pm (at 4VL Charleville). Regional centres, in the main, ceased transmission at midnight (at 4LM Mt Isa). The larger provincial centres provided 24 hour service – Townsville, Gladstone, Rockhampton, Cairns and others. Mostly these were "live" services however some of the larger stations were able to afford the significant capital required to operate computer controlled banks of tape machines to provide off-peak locally generated programming.

The natural progression for announcers was to start at a small country station and develop a set of basic skills then move to the larger regional and provincial centres. The nights and mid dawn slots on the regional and provincial stations were training grounds for prime time slots. In the months following March 1987 these slots were increasingly covered by a generic satellite programme.

Country stations utilised the satellite programme availability to fill "off-peak" programme demands and save on operational costs. Typically country stations would receive the satellite programmed from 6pm weeknights, 6pm Saturday (most country stations broadcast interstate and local horse racing) and on Sunday from noon to 6am on Monday. Regional stations typically used the generic satellite programme after 9-10 pm, mid dawns and Sunday night from 6.

News at country stations was a mix of National news from the nearest capital city and local news so provided as a part of one of the duties undertaken by a designated announcer.

In regional centres local news was undertaken by a dedicated journalist and in provincial centres by a local news room operation.

The makeup of the industry was that the provincial centres were able to maintain, in most cases, profitable operation despite providing a full service operation to the license area. Smaller regional stations were, in the main, profitable while most country stations always struggled to maintain a break even or small profit operation. Generic networking, to some degree, changed that, but significantly enough to impact on the local flavour the stations provided. Customised networking was the innovation that was to deliver the bigger improvements.

Networking needs to be separated into four categories.

1. Generic Networking
2. Customised Networking
3. News Networking
4. Programme Syndication

Generic Networking can best be described as the satellite programmes that were used as off-peak programme fillers. They were designed to fit into the local stations format reasonably seamlessly with out providing any localism except what the local stations could fit within designated and fixed time commercial windows. The practical implication of this was that during generic satellite programmes no current information like updated weather or traffic information was available unless someone from the local station went into the station to record the information and place in it a break or conversely provide the information live.

Customised Networking. In 1989 the first conventional pc based systems started to become available with music and commercials being able to be stored on domestic like computer hard drives. The first group of stations to utilise the technology included 4CC Gladstone/Rockhampton, 4ZR Roma, 4HI Emerald and 4AM Mareeba. The group utilised the technology to provide the first Customised network programming on an extensive basis. The technology was implemented to make the stations profitable and fight off the effects of television aggregation in Gladstone/Rockhampton. Customised networking is disguised to *sound* local but isn't.

Programme Syndication. The fact is that Programme Syndication and National News Networking have been around for a long time and should not be confused with Generic Networking or Customised Networking. Programmes like Dad and Dave, Life with Dexter, The Castlereigh Line, Cattleman, How Green Was My Cactus are all homegrown examples of syndicated programmes. Other examples are top 40 countdown shows. In the main these programmes filled time slots varying from five minutes to 3 hours in duration. Most of these were widely broadcast on stations across the country. They don't present to be local and few would assume that they are.

News Networking. National News has always been provided by the nearest metropolitan station or in some cases by the ABC for commercial station use. Local news customisation or customisation of composite local and national bulletins has been made possible through technology advancements and is a cost saving imperative due to the ABA's implementation of the LAP process.

The growth in networking of all types is as a direct consequence of ever increasing pressure on the available revenue in small markets. It would appear that the ABA may not have factored in the impact on radio revenues from increased commercial television in regional markets. Regional television is a real competitor for radio advertising revenue. The decision to allow television aggregation rather than television versions of supplementary licenses had a negative impact on radio revenues and greatly increased competition for the small revenue available in regional and country markets.

Television stations have more commercial airtime available than can be sold for the retail rate card prices. Therefore to attract a wider client base when aggregation commenced regional television stations, in their aggregated markets, began wholesale dumping of commercial airtime. One package that was on offer for some time by one of the networks was 100x30 second commercials, 50% primetime placement, for \$400 - \$4 each! The local radio station in this same market was selling breakfast commercials for around \$50.

Supplementary licensing for television would have to a large degree avoided the wholesale airtime dumping.

When the ABA awarded section 39 licenses for solus market operators (that is 30% or under overlap between two commercial license areas) this also impacted on the cost structure of the operation. Increased revenue has barely able to cover the costs of leasing and depreciation costs for the new station setup.

The ABAs allocation of licenses in Cairns, Townsville, Mackay, Bundaberg and Maryborough underscores the over "mediaed" status the ABA and its predecessors approved for these markets. As an example Townsville has:

Hot FM	Commercial
4TO FM	Commercial
Mix Fm	Commercial
Sea Fm	Commercial
4RR	High power narrowcast
4KIG	Community
4TTT	Community
Live FM	Narrowcast
JJJ	National
ABC regional	National
ABC FM	National
ABC RN	National
Ten	Commercial
7	Commercial
WIN	Commercial
ABC	National
Townsville Bulletin	Daily Newspaper

All these services compete for audience and the commercial and community stations compete for revenue in a market of just 173,502 people.

As a comparison Townsville has only two less commercial radio stations than Brisbane with a population of 1.4 million people.

Where is all the demand for services in Townsville? The demand was entrepreneurial demand, not demand from the broader population base for more services. While allocating more commercial radio services may satisfy the entrepreneurial demand and boost the Governments revenue base it does nothing, or little, to promote the aims of the Act. The ABA must look at market conditions and viability over a long period before allocating licenses in small markets. The ABA must also look closely at the available revenue base and the demand placed on that base as they do vary from metropolitan markets to provincial market to country market. One size does not fit all when it comes to radio planning.

In regional areas radio competes fiercely with television and newspapers for its revenue. This varies from the metropolitan markets where there is a clearer definition between the media, because of cost of each media and therefore the clients that can afford each media. By way of example no local fish and chip shops can afford to advertise on Brisbane television yet they do advertise on television in aggregated markets.

These are the issues that have faced the radio industry and impacted so heavily on it. The ABA was advised of the impact by Regional Broadcasters Australia in August 1997, then a wholly own subsidiary of Rural Press Limited. The document (attachment 1) clearly draws the ABAs attention to the likely outcome of more commercial radio services in many markets including Cairns, Townsville and Mackay. That is, a reduction of local services.

The services in these and other regional markets are very different to what they might have been if the ABA had dealt with regional Australia on a different basis to metropolitan Australia.

Cross Media Rules

In the ever-changing technological and regulatory environment in which all media must operate it has now become clear that amendments to Cross Media Rules would not only be prudent but necessary. It seems to us that media services in regional Australia are totally different to metropolitan Australia and it therefore makes sense to view Cross Media Rules in that light.

Few Australians regardless of where they live could reasonably claim they do not have a wide and varied range of news and information available to them. The Internet has seen to this with up to the hour news, customised to each users needs, available with relative ease. These enhancements, which will only increase with time, mean that now Cross Media Rules are redundant in regional Australia.

It may have escaped the regulators but some radio stations already have joint news arrangements with local television stations and others with local newspapers. Does this take away from diversity of news and information? If it does, then the practice should be stopped. If on the other hand it adds to the breadth of coverage of matters of local significance, as we say it does, then surely this is one piece of evidence that would indicate that Cross Media Rules need reviewing for regional Australia.

On the evidence to date the ABA has viewed regional areas differently from metropolitan areas. If this were not the case how would it be that Cairns and Townsville have only one less commercial radio station than Adelaide with a population many times larger?

Perhaps Cross Media Rules make the assumption that all radio stations, all television stations and all newspapers carry an equal weight in influencing public opinion. Is this true of regional operators? Our experience has been that metropolitan newsrooms set the agenda and regional news operations report the news and give coverage to matters of local significance. The two media are very different and Cross Media Rules need to properly reflect this difference.

. Diversity of choice in regional Australia and localism can now only be enhanced by a fresh look at ownership and control. We submit that local services would be greatly enhanced by multiple property ownership in the same market as a way of defraying operational costs and maximising locally produced programme content. This could be achieved in a number of ways, for example: An operator in regional Australia could in the one market own:

- daily newspaper and two radio stations
- daily newspaper a television and a radio station
- daily newspaper and two television stations
- three televisions stations
- three radio stations

By utilising this ownership regime in regional Australia a degree of diversity will be maintained and enhanced local coverage of events on multiple media outlets would result.

Foreign Ownership

Foreign ownership needs to be the same levels across all media outlets. There is no justification as to why foreigners should be allowed to own 100% of a radio station and only minority control levels in television and newspapers. If majority Australian ownership is considered important for television and newspapers why is it not considered important for radio?

In a news release from the ABA regarding program standards for commercial radio, ABA Chairman Professor David Flint stated "*Radio is an influential medium*". Is it appropriate for foreign interests to be able to have not only majority control over an influential medium that is a part of the fabric of every Australian's life, and more so a part of regional Australia, but 100% control? The same ownership rules should apply to all media. The present systems treats radio as less important than the other media yet it is at other times viewed as an essential service.

Metropolitan Radio V's Regional Radio

The mediums have, until recent times, been used differently. Metropolitan radio is largely and entertainment and broad news medium. The market is catered for via a range of formats targeting demographic and gender groups.

By way of example total Brisbane commercial listening attracts in the order of 65% of the total available people in the market with six commercial licenses. In 1997, for Cairns and Townsville, with only two commercial stations the total listening was approximately 80% of the market. Diversity is not increased by allocating additional licenses to different operators. Diversity of programming is created by allowing more licenses to fewer operators in the same market.

Commercial radio stations in regional Australia are the centre of the communities they serve. They were full service operations. Very few, if any, metropolitan stations can claim (or would want to) that they are full service stations. Regional radio, particularly in areas effected by emergencies like Cyclone threats, are viewed by the community as an essential service. During emergencies the stations become the point of contact – a rallying point.

ABC licenses are not allocated by the ABA but rather the ABC requests that the minister makes provision for services. If radio frequency spectrum is to be managed by the ABA then it would appear that the ABA should manage the entire suite of services rather than national services being treated differently from the rest of the broadcast industry.

The removing of the viability test when considering whether to issue new licenses has perhaps changed the outcome on the LAP process in many markets. It is not required that the ABA have regard to viability.

This means that the ABA can allocate as many services as they “think” the market can support. If the ABA were required to ensure that existing services were viable before allocating new licenses this would ensure the commercial issues that effect programming quality would be addressed.

Programme diversity is not enhanced by the ABA selling licenses to the highest bidder. This process only ensures that the highest price is paid. In turn this means that the highest return on investment format strategy will be employed. This approach ensures that innovative programming that does not target the lucrative 25-39 year old market will not be introduced. If this were not the case, how would the ABA explain the lack of diversity in commercial radio programming in Australia? There are no commercial FM country music stations in Australia, there are no 15 –24 demographic commercial stations, there are no commercial dance music stations. We submit the reason that these formats, which would provide diversity, do not exist is that they are not viable at the high prices paid at auction. The current auction systems ensures that tried and true formats will occupy the new stations. This only adds direct competition to other stations targeting the 25-39 demographic and does not grow commercial listening overall and therefore does not add to diversity in the market.

Radio markets that are encompassed within the license area of metropolitan stations have special needs and problems. 4QFM Ipswich is such a station. The ABA has stated that they want Ipswich maintained as a discrete market. The populated eastern boundary of the licence area is a mere 15 minutes from Brisbane. All the Brisbane stations have Ipswich included in their license areas and the FM stations have 76% overspill into the solus license area of 4QFM. The result is 4QFM has to compete with Brisbane stations with a revenue base up to 9 times greater and also provide local services.

The following table proves that by any measure Ipswich is currently “overradioed”. If the ABA proceeds , as they have indicated in the Draft LAP, to introduce two additional FM commercial stations the average potential audience available to 4QFM would fall to 15,000.

Market	Population	Number of Commercial Stations	Potential Average Audience
Cairns	131,750	4	32,937
Townsville	173,502	4	43,375
Rockhampton Gladstone	146,409	4	36,602
Ipswich	135,000	7	19,285

It appears to us that again the ABA is not taking account of viability issues. The station has provided to the ABA full financial accounts which proves the stations marginal financial position – we understand no operator has ever made this information available before – yet it appears to have made no difference.

More services are being planned despite the fact Ipswich cannot support them and undue pressure will be placed on 4QFM as the existing operator.

The 4QFM situation is exacerbated by the fact that the station has suffered interference to its signal as a direct result of two ABC high powered services. The station has had no relief since the ABA acknowledged it in 1993. Even today the matter is unresolved. The ABA is proposing to fix the problem created by the ABC by moving 4QFM from 106.9 to 94.9. We understand that the ABA is not intending to pay any compensation for the costs of moving and marketing the new station. A conservative estimate for this is \$3.5m.

4QFM has recommended, as have Ipswich City Council, Logan City Council, Redlands Shire Council and Brisbane City Council, amongst many others, that the Ipswich and Brisbane markets be totally amalgamated. This would allow 4QFM to compete on an even basis with the other stations broadcasting into the Ipswich license area that forms part of the Brisbane license area. Without this amendment the viability of the station and the preservation of localism is called into question given the tenuous financial position of the business. This will be made worse if the ABA allows two additional Brisbane commercial stations unfettered access into the Ipswich license area.

4QFM's most recent submissions to the ABA are found in attachment 2 for your reference.

Section 51 BSA

This section of the Act requires the ABA to treat any population overlap of commercial license areas greater than 30% as being in full overlap for the purpose of considering whether a market has a competing service. This has the practical effect of stopping licensees in areas with even .01% greater than 30% overlap (as at the 1996 census) of applying for section 39 FM supplementary licenses. This has meant that areas with significant population drift and/or accidental overlap have been unable to apply for section 39 licenses and provide FM radio service to some of the larger regional centres in the area of Australia yet to be considered by the ABA.

One such area is Whyalla where the population drift since 1996 has been significant and even in 1996 the overlap between 5CS and 5AU was 30.01%. This has meant that as the licensee of both stations we have had to make submissions to the ABA on the market and now await their reply. This could have been averted if the ABA was allowed discretionary power in matters where circumstances such as significant population drift can be demonstrated since the last census. The current rigid approach has robbed people in regional South Australia of FM radio that we have desired to introduce to the market for three years.

Conclusions

1. The Government should legislate for different cross media regimes in regional Australia than Metropolitan Australia. This would allow for better provision of services given the already cluttered media markets created that have impacted on service provision.
2. The Broadcast Services Act should be amended to mandate that the ABA take into account viability as a key issue when determining if additional services are allocated. This would ensure that true local services, where they exist, would be able to be maintained if viability was a key factor in the decision making process along with the other aims of the Act.
3. Foreign ownership for radio, television and newspapers needs to be consistent. There is no justification for radio having a different level of foreign ownership when it is such an influential medium.
4. The ABA should administer the planning and allocation of ABC licenses subject to the same regime as the rest of the broadcasting sector.
5. Section 51 of the BSA should be amended to allow the ABA discretion in its application if significant population drift has occurred since the latest available census.