



**INVESTIGATION INTO THE ADEQUACY OF
REGIONAL TELEVISION NEWS SERVICES**

**SUBMISSION IN RESPONSE TO THE
AUSTRALIAN BROADCASTING AUTHORITY
TERMS OF REFERENCE**

**THE FEDERATION OF AUSTRALIAN
COMMERCIAL TELEVISION STATIONS**

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TABLE OF CONTENTS

Executive Summary	3
1 Introduction.....	4
2 The outcomes of regional television equalisation.....	5
3 Localism in regional television markets	5
4 Market conditions	7
5 News services not static.....	8
6 Audience expectations of news and other local programming	11
7 The adequate and comprehensive licence condition.....	11
8 Conclusion.....	13
Appendix 1	14
Appendix 2	18
Appendix 3.....	20

EXECUTIVE SUMMARY

- 98.6% of the Australian population has access to three, or in a small proportion of cases two, commercial television services. Prior to regional television equalisation, over 35% of the population had access to only one commercial television service.
- Commercial television provides more local news services and employs more journalists in regional Australia than prior to equalisation. In addition to more local news services, viewers in regional Australia now also have access to news and current affairs programs available to metropolitan viewers, including weekend news and multiple news breaks each day which were not available pre-equalisation.
- All regional markets which had a local news service prior to equalisation still enjoy at least one local news service (and a range of other news and current affairs programs). A number of markets now enjoy more than one local news service, for example, Orange, Dubbo, Wagga, Albury and the Sunshine Coast. Markets which did not receive a news service prior to equalisation now receive local news services, for example, the Sunshine Coast (Qld), Central Coast, Port Macquarie, Taree and Moree (NSW) and Karratha, Albany, Esperance and Broome (WA).
- The quality and professionalism of regional news services has significantly improved.
- In addition to local news, regional commercial television broadcasters provide extensive local information in the form of community service announcements, community billboards, a variety of periodic information and sporting programs. Commercial television stations are also significant sponsors of local causes.
- Regional commercial television also provides locally-focussed advertising services in 88 regional markets and sub-markets and five remote markets. Local television advertising plays a significant role in maintaining local businesses and the viability of local towns.
- In addition to a vast increase in choice and diversity of television programming, regional Australia has also benefited from a doubling in the number of commercial radio services and additional services in the form of public radio, pay television and greatly improved coverage by the ABC and SBS.
- It was acknowledged throughout the planning of regional television equalisation that local programming would be determined by competitive forces. The early period of equalisation saw the introduction of many news services. Some of the news services that were introduced have not survived in the highly competitive regional television environment. However, competitive forces have operated effectively to meet demand for news services which can be supported by the market.
- Market forces, not regulation are the best guarantee of service that reflects the audience's interest. There is no justification for direct regulatory intervention unless the market is failing to operate effectively. There is no evidence of such a failure.

1 INTRODUCTION

1.1 The Federation of Australian Commercial Television Stations (FACTS) welcomes the opportunity to comment on the ABA's issues paper concerning regional television news services. The comments that follow are made on behalf of all commercial television stations.

1.2 The contents of this submission is as follows:

Section 2 provides an overview of the **outcomes of regional television equalisation**. In particular it notes that regional television equalisation has resulted in vastly better television services for regional viewers.

Section 3 outlines the **effect of equalisation on localism** in regional television markets. Importantly, it notes that there has been an increase in local news services and an increase in the number of journalists employed in regional Australia.

Section 4 assesses the **market conditions** which impact upon the ability of broadcasters to deliver services to regional Australia.

Section 5 identifies that **news services are not static**. However, competitive forces have operated effectively to meet the demand for news services which can be supported by the market.

Section 6 notes that broadcasters must balance **audience expectations of news and other local programming**. Ultimately ratings are the best indicator that viewers are receiving the programs they desire.

Section 7 outlines the change in regulatory philosophy that led to introduction of the **adequate and comprehensive licence condition**. The requirement looks to an outcome of effective viewer choice across a range of services and program types.

Section 8 concludes that there is no justification for regulatory intervention to influence the amount or nature of local news on regional television. Rather competitive forces have operated effectively to meet demand for news services that can be supported by the market.

Appendix 1 sets out in more details FACTS' understanding of what was envisaged by the regional television equalisation policy, and how it has worked out in practice.

Appendix 2 contains a comparison of regional television weekday news services pre and post-equalisation.

Appendix 3 identifies the number of translator and transmitter sites required to disseminate signals across Australia.

2 THE OUTCOMES OF REGIONAL TELEVISION EQUALISATION

- 2.1 The new competitive markets created by regional television equalisation have produced vastly better television services for regional viewers, whether this is judged in terms of the range of programming available, the amount and quality of local news and information or the cost and availability of local advertising services.
- 2.2 Prior to equalisation, over 35% of the population was served by only one commercial television service. Now 98.6%¹ of the Australian population has access to three, or in a small proportion of cases two², commercial television services.
- 2.3 The objects of equalisation of regional commercial television were that:
- (a) persons living in regional areas of Australia have, as soon as practicable, access to three commercial television services; and
 - (b) commercial television stations in regional areas of Australia:
 - (i) serve larger and more commercially viable markets; and
 - (ii) provide television services on a competitive basis.

These objects have been successfully achieved.³

3 LOCALISM IN REGIONAL TELEVISION MARKETS

- 3.1 It was recognised throughout the planning of equalisation that there would inevitably be tension between the stated policy goals and the provision of locally relevant programming by licensed broadcasters.
- 3.2 Government statements and planning reports from 1985-87, and the 1987 Senate Equalisation Inquiry accepted that there was a demand for locally-relevant programming, but saw a more pressing demand for greater diversity of programming. They saw some pressure on localism as an unavoidable price for greater diversity, but considered that there would be market pressure for stations to provide local advertising, local information and news, and possibly other local programs. See Appendix 1 for more detail in relation to Government statements and planning reports on the issue of localism during the planning of equalisation.

¹ The total estimated population that resides in solus markets (Mt Isa, Broken Hill, Riverland, Mt Gambier and Spencer Gulf) was 250,216 in 2001. This is 1.34% of the national population. The 98.6% figure does not take account of the less than 2% of the population who do not receive free-to-air services. In December 2001 the ABA approved second licences under s38A of the Broadcasting Services Act for Mt Gambia and Riverland. Applications have also been made for second licences in the Spencer Gulf and Broken Hill markets. As a result soon the proportion of the population that only has access to one commercial television service will be virtually eliminated.

² Two station markets are Tasmania, Mildura, Griffith, Darwin, regional and remote Western Australia and remote North-East/Central. The total estimated population of these markets in 2001 was 1,387,827 or 7.4% of the national population

³ Section 90 of the Broadcasting Act 1942.

- 3.3 In fact there has been an overall increase in the number of news services provided to regional Australia and regional commercial television broadcasters employ more than twice as many journalists in regional Australia than before equalisation⁴.
- 3.4 Appendix 2 contains a comparison of regional television weekday news services pre and post-equalisation⁵. All regional markets which had a local news service prior to equalisation still enjoy at least one local news service (and a range of other news and current affairs programs). A number of markets now enjoy more than one local news service, for example Orange, Dubbo, Wagga, Albury and the Sunshine Coast. Some markets which did not receive a news service prior to equalisation now receive local news services, for example, the Sunshine Coast (Qld), Port Macquarie, Taree and Moree (NSW) (which now each receive two local news services), the Central Coast (NSW) and Karratha, Albany, Esperance and Broome (WA).
- 3.5 The quality and professionalism of regional news services has significantly improved since equalisation.
- 3.6 In addition to local news, all services provide extensive local information in the form of community service announcements and community billboards, as well as coverage of local events (such as local awards ceremonies) and sporting programs in some instances. For example, during the recent bushfires, regional television broadcasters provided regular updates on fires affecting their local areas.⁶ Regular updates were also provided in relation to the monsoons affecting Darwin .
- 3.7 Commercial television stations are also significant sponsors of local causes⁷. These include sponsorship of local events such as the Newcastle bi-centenary, sponsorship of sporting stadiums, local sporting clubs and teams, active participation in work experience programs and fund raising for important local causes via telethons.⁸

⁴ The Oswin Inquiry was told in 1984 that regional commercial television employed 102 journalists (Report, paragraph 3.287). Regional commercial television services currently employ 275 journalists in their regional news services.

⁵ Appendix 2 has been compiled from available documentary sources and advice from regional stations. It is as complete and accurate as possible given the period of time since equalisation and changes in ownership of some stations.

⁶ As one example, during the recent bushfires in NSW Prime Television in Wollongong worked very closely with, media liaison officers from Shoalhaven Emergency Services to advise viewers of imminent evacuations, road closures and other information of vital importance. Messages were broadcast immediately on request, both inside and outside of business hours. This involved coordination between the Wollongong Station Manager and operators in Prime's presentation facilities in Canberra so that the messages could be relayed and appear on screen within minutes of each request. Broadcast of these messages played a vital role in ensuring the safety of local residents.

⁷ A survey by FACTS in 1998 revealed that in the preceding 12 months regional commercial services provided over \$23 million in air-time to local charities and causes, over \$1.1 million in production assistance with community service announcements, and raised \$6.2 million for local charities and appeals.

⁸ As one example a telethon conducted by NBN in Newcastle provided funding towards the construction of an Oncology Unit and Palliative Care Unit of the Newcastle Mater Hospital. Other telethons have provided funding towards a Life Education Unit in Newcastle and the restoration of the Newcastle cathedral.

- 3.8 Commercial television also provides locally-focussed advertising services in 88 regional markets and sub-markets and five remote markets. Local television advertising plays a significant role in maintaining local businesses and the viability of local towns. The introduction of competing regional services forced down television advertising rates, for a time to much the same level as radio rates, in some areas. Regional commercial television is more affordable to small businesses than television in most other parts of the world. In the UK, for example, the small number of local television advertising markets – 28 in all – means that television advertising in most parts of the country is at city rates. This rules out the use of television by all but large companies.
- 3.9 These changes have occurred in tandem with the Regional Radio Program, which has seen a doubling in the number of commercial radio services in regional Australia. Additional regional services have also been introduced in the form of public radio, pay television and greatly improved coverage by the ABC and SBS. All these services have increased audience choice in regional licence areas.

4 MARKET CONDITIONS

- 4.1 The costs of establishing and maintaining a service in regional markets is formidable - the mainland aggregated markets each cover thousands of square miles, and contain on average five discrete sub-markets, each of which may justify its own local programming and advertising mix.
- 4.2 Complex news gathering link systems, transmission chains and scores of subsidiary transmitters are required to disseminate signals to all significant settlements within these huge markets. The map in Appendix 3 identifies the number of translator and transmitter sites required to disseminate signals across Australia (it does not identify the news gathering link systems which are also numerous and cover a vast geographical spread).
- 4.3 Services extend to many small towns and localities which return little or no revenue to the operator but are expensive to service. The growing demand for the spectrum that broadcasters use to distribute their signals to distant transmission points and for news gathering purposes is likely to lead to steep increases in operating costs over the next few years.
- 4.4 Each mainland aggregated market's population is around the million level, but generates far less revenue than the smallest capital city market. Revenue for all regional markets in 1999/2000 was less than 20% of the revenue for all markets in the same year..⁹
- 4.5 To achieve the quality and diversity of service available in regional television markets today, regional television broadcasters have had to re-invent the business of providing a television service in a regional market. This has involved new ways of designing technical operations, assembling news, making advertisements, and assembling and distributing services for multiple sub-markets in the most cost-effective centralised fashion. It has also

⁹ ABA Report, *Broadcasting Financial Results for Commercial Television Licensees 1999/2000*.

required new approaches to selling advertising locally and to national advertisers, and to marketing services that were unknown to a large part of the new market.

- 4.6 These challenges confronted regional broadcasters at a time of major pressure on television revenue and production costs nationally. Revenue growth in the early years of equalisation was largely due to a higher share of local revenue (largely at the expense of radio revenue). Regional television as a whole relies quite heavily on local revenue (which makes up almost one third of its total compared to less than 5% for metropolitan stations)¹⁰. Aggregated markets have achieved solid revenue growth since those early years (4.8% pa since 1993, in real terms)¹¹. However, their share of television advertising - along with other regional markets - is still limited. With 35% of the population, regional television attracts less than 22% of the total national television advertising pie.
- 4.7 As noted above, these changes have occurred in tandem with a doubling in the number of commercial radio services in regional Australia, competing with commercial television for local revenue.
- 4.8 The success of equalisation would not have been possible without substantial Federal Government assistance (in the form of licence fee rebates and other concessions totalling almost \$150 million over a decade¹²). These subsidies have been phased out over time. It is only in very recent years that regional broadcasters have operated in the competitive markets created by equalisation on a fully commercial (non-subsidised) basis¹³.

5 NEWS SERVICES NOT STATIC

- 5.1 When planning for regional television equalisation, the Government recognised that local programming, like all other services, would be determined by competitive forces. As noted in paragraph 3 above, one of the objects of equalisation of regional commercial television was that commercial television services be provided on a competitive basis.

¹⁰ ABA Report, *Broadcasting Financial Results for Commercial Television Licensees 1999/2000* states that for the 5 mainland capital cities non-agency/local revenue was \$106.4 million compared to total advertising revenue of \$2206.9 million (made up of agency/national, non-agency/local and contra advertising revenue). Regional non-agency/local revenue was \$192.6 million compared to total advertising revenue of \$614.1 million. The 2000/2001 Report has not yet been released. The figures assume that advertising agencies generally advertise on a national basis throughout Australia whereas npn-agency advertising tends to be more locally focussed.

¹¹ The Draft Indicative Plan considered that equalisation would succeed if revenue growth averaged 4% in real terms. Average regional advertising growth from 1980-86 had been 9.8%pa in real terms, but regional stations argued that there was likely to be minimal growth in the years ahead.

¹² This figure was given by the Department's *1995 Impact Evaluation of Implementation of TV Equalisation in the Eastern States*. It comprised \$10 million in sales tax exemptions on equipment, an unspecified sum in licence fee rebates and substantial fee waivers for commonwealth transmission sites. Licence fee rebates to date total \$122.9 million, which suggest that the overall total may be considerably higher than \$150 million.

¹³ Separate subsidies (by way of licence fee rebates) apply to digital rollout.

- 5.2 It was recognised that the much larger markets required for aggregated services did not involve close communities of interest¹⁴ and that the financial demands of building and operating aggregated services in a highly competitive environment could leave few resources for local programming. However, it was also argued that competition for audiences and advertisers would oblige broadcasters to provide programs that viewers wanted, including local programming. See Appendix 1 for more detail in relation to Government statements and planning reports on the issue of localism during the planning of equalisation.
- 5.3 It was never contemplated that aggregated markets would support the delivery of local news services by all broadcasters. The early period of equalisation saw the introduction of many news services. It is no surprise that some of the news services that were introduced have not survived in the highly competitive regional television environment.
- 5.4 As expected, competitive forces have operated effectively to meet the demand for news services which can be supported by the market.
- 5.5 Television news services are expensive. The spread of population over a number of widely-separated centres in each aggregated market makes it difficult to provide a successful single news service for the entire market. As noted in paragraph 5.1 above, it was recognised when planning for regional television equalisation that aggregated markets would not involve close communities of interest.
- 5.6 Separate news services for each significant sub-market are usually seen as the only way of satisfying viewers. However, each of these sub-markets has a relatively small potential audience, so a news service must rate very well to remain viable. Only the market leading news service has normally achieved these viewing levels in regional sub-markets. In some larger sub-markets, three competing news services were available for a time. No more than two have survived in any regional market.
- 5.7 Even in smaller metropolitan markets, the lowest-rating news service is unprofitable (on a stand alone basis). This is significant given that the smallest metropolitan market attracts more advertising revenue than the largest regional market¹⁵ but both markets serve similar total populations.
- 5.8 The Remote Eastern licence area is the only licence area which received a local news bulletin prior to equalisation but does not currently receive a dedicated local news bulletin¹⁶). Equalisation resulted in the merger of the

¹⁴ The Draft Indicative Plan released by the Department of Communications in August 1986 commented: "...community of interest is not always easy to identify...Generally speaking, community of interest will tend to diminish as geographic spread increases. However, there are obvious shared interests at regional and State as well as city and township levels. The concept covers not only shared topography and weather patterns, but local, regional and State institutions". (Paragraph 3.2.13)

¹⁵ In 1999/2000, television advertising revenue for Adelaide (pop 1.2 million) was \$172.6 million, whereas AMA (Regional Queensland – pop 1.4 million) it was only \$131.6 million (ABA Report, *Broadcasting Financial Results for Commercial Television Licensees 1999/2000*)

¹⁶ Aggregation resulted in the solus market of Mt Isa being included in the Remote Eastern licence area. Mt Isa also exists as a separate licence area of 25,000 people. Immediately

Remote Eastern and Remote Central licence areas. This meant that viewers had a choice of news services for some time. Currently, one broadcaster, Imparja (which previously served the Remote Central licence area), still provides a locally produced news service to the aggregated area.

- 5.9 Obviously the economics of providing even a single regional news service for such a huge area (4.5 million square kilometres in size) is highly questionable. Imparja's news service covers the Remote Central region but also includes occasional windows for Remote Eastern only items and more extensive coverage as necessary. For example, during the extensive flooding of areas of Queensland and Northern NSW (covering some of the Remote Eastern area) in 2000, Imparja dedicated a journalist and cameraman team to covering the floods for a period of 18 days. Both stations broadcast Cyclones warnings and emergency information concerning other major events affecting the region.
- 5.10 In most cases, the news service that existed in a regional area before equalisation still attracts most viewers. In a few cases – Newcastle is one – a popular incumbent station has been helped by the retention of a VHF channel, while new stations have had to operate on UHF channels that a significant minority of the local population cannot receive. Where viewers have been able to receive distant metropolitan signals on VHF, they have not had the same incentive to convert to UHF that existed in markets more distant from capital cities.
- 5.11 Many competing news services have been successfully introduced since equalisation. In a few cases, a competing service has overcome the 'incumbent's advantage' and supplanted the established service. However, this is not usually the case.
- 5.12 The market has been shown to operate effectively to meet demand in cases where news services have ceased in a particular area. For example, in two cases – Bendigo and Coffs Harbour/Lismore – the incumbent licensee dropped its local news in the early stages of equalisation because of financial difficulties. In each instance, a competitor introduced a local news service to replace the discontinued service. When Northern Rivers Television (NRTV) ceased to provide local news to Coffs Harbour and Lismore (after being placed in receivership shortly after the introduction of aggregated markets) its competitor, Prime Television, stepped in to provide local news. Prime's full half hour local news service was also provided to Taree and Port Macquarie for the first time.
- 5.13 In FACTS view, the market has been shown to deliver news services where there is audience demand and advertiser support. We do not believe there is a case for regulatory intervention unless there has been demonstrated market failure – that is, audience demand exists, financial support for a service is available and no service is provided. Currently, the market operates to provide the level of local news services which can be sustained in each relevant area.

prior to aggregation Mt Isa received a news service from Townsville. It now receives the Imparja news service and the Southern Cross Brisbane news service.

6 AUDIENCE EXPECTATIONS OF NEWS AND OTHER LOCAL PROGRAMMING

- 6.1 Surveys and public inquiries have regularly shown strong community support for existing local news services, and a desire for more choice. The recent House of Representatives inquiry into regional radio attracted widespread expressions of support for more news and other local programming on regional commercial radio. The evidence presented by broadcasters suggested that regular audiences for local radio programs (as measured by ratings) were generally well below the level that this voiced support would suggest. This has also been commercial television's experience¹⁷.
- 6.2 The disappointing viewing figures for most local television news services other than the established market leader may suggest that in practice audiences have a limited appetite for local news, and do not necessarily place a high value on a choice of news services.
- 6.3 Ultimately, market forces have balanced the desire of viewers for local news services with their desire for a choice of other programs. After failing to reach acceptable ratings for its long-running local news bulletin in Canberra, Prime replaced the local news bulletin with a network current affairs program. Average audience numbers have risen by 43%. This clearly demonstrates that the majority of viewers in Canberra prefer to receive the current affairs program rather than an alternate local news service. Ultimately ratings are the best way of ensuring viewers receive the programs they desire.

7 THE ADEQUATE AND COMPREHENSIVE LICENCE CONDITION

- 7.1 The policy reassessment that gave rise to regional television equalisation also prompted the introduction of a new legislative framework for broadcasting. The focus of the new Act was structural, not behavioural. Planning was to be the "driving force" of broadcasting regulation.¹⁸
- 7.2 This change in regulatory philosophy was reflected in a new approach to programming requirements. Previously, licensees were subject to a licence condition which required the licensee to provide an 'adequate and comprehensive' service having regard to, amongst other factors, the nature of the community to be served, its diversity and the nature of the other services capable of being received¹⁹. This was balanced against a requirement that

¹⁷ Prime Television will be providing the ABA with details of its extensive market research that bears out this assessment.

¹⁸ Explanatory Memorandum to Broadcasting Services Bill 1992, clause 23, Planning criteria, states "*The range of planning criteria to be considered, together with the provision for wide public consultation, makes the broadcasting planning process the "driving force" of broadcasting regulation. It is at the planning stage that judgments will be made about the number and types of services to be available in market areas.*"

¹⁹ Section 6 Broadcasting Act 1942.

- the licensee have the financial, technical and management capabilities necessary to fulfil the comprehensive service requirement²⁰.
- 7.3 The new Act introduced a licence condition which requires a licensee to *contribute to an adequate and comprehensive range of services having regard to other broadcasting services available in the licence area* (emphasis added).
- 7.4 This condition requires consideration of the range of services provided by all other broadcasting services available in the licence area, include all commercial, public, community, subscription, open and subscription narrowcasting radio and television broadcasting services. There was no balancing requirement of financial viability. This made sense in the environment of regional television equalisation where one of the objects was that television services be provided on a competitive basis.
- 7.5 The condition focuses clearly on the market, rather than individual broadcasters. It reflects an approach that sees viewers' interests being met through the interplay of competitive forces in the marketplace rather than by a regulator seeking to modify the behaviour of individual broadcasters.²¹ It replaced a highly interventionist regulatory approach with one that placed far more faith in market competition and the operation of the market to drive broadcasters to satisfy the viewing interests of their audiences.
- 7.6 The condition is not program or even service-based, but looks to an outcome of effective viewer choice across a range of services and program types. As a licence condition, it reflects the object of promoting the availability of a diverse range of radio and television services (s 3(i)(a) of the BSA).
- 7.7 Notably, the old licence condition was connected to the "community" to be served – a notion which had more relevance when regional commercial television licences covered much smaller areas, dominated by a regional centre. The concept has less meaning in the context of services covering many centres, over areas larger than Great Britain. Instead, the focus is now on a range of services within a licence area.
- 7.8 An ABA submission to the recent Parliamentary Inquiry into localism in regional radio commented: "...A *shortcoming of the current 'adequate and comprehensive' condition is that it does not impose a clear obligation on any single licensee to do anything in particular. Thus if all services in a market ceased to carry local news, it is unclear which, if any, has breached the obligation to 'contribute...to the provision of an adequate and comprehensive service'*"²².

²⁰ This was one of the grounds on which the Australian Broadcasting Tribunal could refuse to grant or renew a licence: sections 83A(4)(a)(ii) and 86AA(4)(b)(ii) Broadcasting Act 1942.

²¹ The old condition which required the Australian Broadcasting Tribunal to assess whether the broadcaster was providing an "adequate and comprehensive service" was seen by many as requiring it to substitute its judgement in place of the broadcaster's regarding appropriate programming for a particular market. The Tribunal generally exercised this statutory power with caution, but it was clearly an intrusive regulatory approach that was inappropriate in a competitive marketplace.

²² Submission No 79, vol1, p 152, quoted on page 68 of *Local Voices, September 2001*.

- 7.9 FACTS does not see this as a shortcoming in the Act. There is no justification for direct regulatory intervention unless the market is failing to deliver news services which are demanded and can be supported. There is no evidence of such a failure.

8 CONCLUSION

- 8.1 Market forces, not regulation are the best guarantee of service that reflects the audience's interest.
- 8.2 It was acknowledged throughout the planning of regional television equalisation that local programming would be determined by competitive forces.
- 8.3 Competitive forces have operated effectively to meet demand for news services which can be supported by the market.
- 8.4 There is no justification for direct regulatory intervention unless the market is failing to operate effectively. There is no evidence of such a failure.
- 8.5 Although news services have not been static, there has been an overall increase in the number of news services provided to regional Australia. There has also been an increase in the number of journalists employed by commercial television in regional Australia.
- 8.6 Significantly, with only one exception, all markets which had a local news service prior to equalisation still enjoy at least one local news service (and a range of other news and current affairs programs). A number of markets now enjoy more than one local news service. Markets which did not receive a news service prior to equalisation now receive local news services. In instances where the only local news service in an area has been dropped market forces have resulted in another provider offering local news services.
- 8.7 Any proposal to intervene in a market needs to be clearly justified and the justification must outweigh the distortion of a competitive outcome.
- 8.8 There is no justification for regulatory intervention to influence the amount or nature of local news services on regional television. Further, such intervention would be contrary to the underlying regulatory approach of the Broadcasting Services Act, that services be provided on a competitive basis and that planning be the "driving force" of broadcasting regulation.

APPENDIX 1

Regional Television Equalisation

1. This appendix sets out briefly FACTS' understanding of what was envisaged by the regional television equalisation policy, and how it has worked out in practice.
2. The regional television industry in 1985 consisted of over 30 services (including some which had become pure relay services due to financial difficulties). Most were substantially locally-owned, often by regional press and radio interests. All operated in "solus" markets. Apart from the Newcastle, Canberra and Wollongong services, most stations served populations well under 200,000 people. These markets were considered unlikely to be able support a separately-owned competing station in the foreseeable future.
3. The television equalisation process involved several clearly stated strategic policy goals:
 - to provide services in most regional areas comparable to those in the capital cities (ie equalisation);
 - to create larger, more viable markets in regional Australia (through aggregation); and
 - to promote competition²³.
4. These objectives were obviously major departures from long-established policies. Several years of industry discussion, Government and parliamentary inquiry and public debate ensued before the policy assumed its final form. That involved the creation of five Approved Markets covering most of the Eastern Mainland and Tasmania. Each of these new markets incorporated up to six former television service areas. These existing services were combined into three services in each of the mainland Approved Markets. The population of each of these markets was around 1,000,000²⁴ - the figure that regional licensees had argued was the minimum that could possibly support three competing commercial services. Tasmania's much smaller population led to the decision that it should have only two competing services.

Equalisation in other regional markets

5. Equalisation policies also profoundly reshaped regional commercial television markets considered unsuitable for aggregation, because of their small size or distance from other markets. Most of these former solus markets now have a second service, either in the form of a s38A licence, or (in five former solus markets) a competitive second licence. Previously unserved areas have also received remote commercial television services since the late 1980s.

²³ These strategic goals were announced in a Ministerial statement on 20 May 1986, where they were described as the Government's strategic goals for regional television for the decade to 1996.

²⁴ AMB (Northern NSW) had a population of 1.4 million in 1987, but this included over 400,000 people in areas of overlap with Sydney and Brisbane stations. Its net population was little over a million.

Localism in regional television markets

6. It was recognised throughout the planning of equalisation that there would inevitably be tension between the new policy goals and the provision of locally relevant programming by licensed broadcasters.
7. Commercial television services have always been licensed to localities, in explicit contrast to the provision of ABC services on a state and national basis. Local ownership had always been strongly preferred by the regulator in issuing licences – with local press and radio interests usually preferred on the grounds that they offered relevant management capabilities and experience, financial stability and an appropriate local focus. Local management and operation was expected, except where services had demonstrated that they could exist only on relay from a nearby service.
8. By the 1980s, localism had become a political issue, as regional television (and radio) licensees attempted to head off the introduction of new services in their markets by arguing that only a well-resourced locally-based (and preferably locally-owned) solus operator could provide the range of local service required (and demanded) by the local audience.
9. The 1984 report *Localism in Australian Broadcasting* (The Oswin Report): largely accepted the case put by regional broadcasters. It concluded that key local service elements could not be ensured in the absence of local control and management of a station, and argued for legislative changes to support local ownership of regional television and radio stations²⁵.
10. The traditional view of localism in regional broadcasting (set out in great detail in the Report) was already under challenge as Government grappled with ways of accommodating satellite delivery of programs, providing a greater choice of programs to regional audiences, and introducing greater ownership diversity into Australian media (particularly in regional markets, where a single family company often controlled local press, radio and television).
11. The Government was looking increasingly critically at the long-standing trade-off between guaranteed commercial viability for broadcasting licences and local service: it clearly operated as an obstacle to new services while failing, in practice, to guarantee the high levels of local service expected²⁶. While many regional licensees provided extensive local service – particularly in

²⁵ *Localism in Australian Broadcasting* (Canberra, August 1984), pages 163 and 262

²⁶ The Oswin Report considered there to be general agreement that localism in programming consisted of five elements:

- a) *assembling a program format, as evidenced in the selection and scheduling of programs;*
- b) *local production of specific programs - for example, local news and sport, information, children's programs, light entertainment and religion;*
- c) *provision of an advertising service including the production of commercials for advertisers in the service area;*
- d) *community service, including the development of a local or regional identity, the encouragement and coverage of public events, activities of charities and local sport, production of community service announcements and provision for free air-time for service organisations; and*
- e) *local employment* (page 171).

larger markets such as Newcastle – some sizeable and profitable markets did not even provide local news services.

12. Government statements and planning reports from 1985-87, and the 1987 Senate Equalisation Inquiry accepted that there was a demand for locally-relevant programming, but saw a more pressing demand for greater diversity of programming. They saw some loss of localism as an unavoidable price for greater diversity, but considered that there would be market pressure for stations to provide local advertising, local information and news, and possibly other local programs.
13. The Oswin Report all but acknowledged that regional television already provided a regional service rather than one that could really be called local:
“Having different operating and economic constraints, the medium performs its local role over a larger area and, to some extent, in a necessarily different manner...However, overall the stations are providing programming and related activities which have an extensive local character and are of relevance and interest to the particular and diverse communities within each service area. Taking into account the structure of the industry and economic factors, the service provided is still in substantial accord with the traditional view of ‘local’ commercial television.” (page 203).
14. Planning for television equalisation recognised that the much larger markets required for aggregated services did not involve close communities of interest²⁷ and that the financial demands of building and operating aggregated services in a highly competitive environment could leave few resources for local programming. However, it was also argued that competition for audiences and advertisers would oblige broadcasters to provide programs that viewers wanted, including local programming.
15. The Draft Indicative Plan released by the Department of Communications in August 1986 commented:
“It is likely that, for the most part, the existing competition between the networks would be imported into the regions but there will also be a need to compete for local advertising revenue and thus to be locally relevant.” (paragraph 3.2.9).
16. The 1987 Senate Equalisation Inquiry into the legislation to implement equalisation foresaw growing commonality of scheduling and programs, but saw local programs surviving under equalisation:
*“The committee understands that there is considerable community support for local programming. Whilst it is unlikely that the introduction of three competitive services would treble the demand for, and the supply of, local programs, it is equally unlikely that aggregation will undermine these. Viewers’ preference for localism will presumably provide some commercial incentive for the regional licensee to include locally produced programs”.*²⁸

²⁷ The Draft Indicative Plan released by the Department of Communications in August 1986 commented: “...community of interest is not always easy to identify...Generally speaking, community of interest will tend to diminish as geographic spread increases. However, there are obvious shared interests at regional and State as well as city and township levels. The concept covers not only shared topography and weather patterns, but local, regional and State institutions”. (Paragraph 3.2.13)

²⁸ *Television Equalisation - Report of the Senate Select Committee*, March 1987, paragraph 8.23.

17. It is no surprise that some regional news services introduced in the early days of equalisation have not survived in the highly competitive regional television environment. It was clearly understood that local programming would not be static.