



AUSTEREO GROUP LIMITED

SUBMISSION BY AUSTEREO GROUP LIMITED

TO

**THE SENATE ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS COMMITTEE**

INQUIRY INTO THE

BROADCASTING SERVICES AMENDMENT (MEDIA OWNERSHIP) BILL 2006

AND RELATED BILLS

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1. PURPOSE OF THIS SUBMISSION

- 1.1 This submission is made by Austereo Group Limited ("Austereo") to the Senate Environment, Communications, Information Technology and the Arts ("ECITA") Committee ("the Committee") in response to an invitation for submissions from interested parties in relation to the Broadcasting Services Amendment (Media Ownership) Bill 2006 and Related Bills ("the media reform legislation").

2. DESCRIPTION OF AUSTEREO

- 2.1 Austereo is a public company listed on the Australian Stock Exchange. It is one of the leading commercial radio operators in Australia. It owns and operates two FM commercial radio stations in each of the five mainland metropolitan markets ("the metropolitan markets"). It also holds a 50% equity stake in two FM commercial radio stations in the regional market of Newcastle and two FM commercial radio stations in the regional market of Canberra.
- 2.2 Austereo is a member of Commercial Radio Australia ("CRA") the industry body which represents commercial radio licence holders who provide services in that part of the spectrum known as the Broadcasting Services Band ("BSB").

3. AUSTEREO'S SUBMISSIONS

Strongly Supports the Government's Preferred Options

3.1 Austereo strongly supports the Government's media reform legislation.

Considered and Sensible Path for the Transition to Digital Distribution

3.2 Austereo considers that the Government's media reform legislation represents a considered and sensible path by which Australia's commercial media industries can make a successful transition from analogue to digital distribution platforms.

3.3 As the transition from analogue to digital distribution platforms involves a number of significant technological and commercial challenges, as well as considerable financial expenditure, for Australia's commercial media industries, Austereo greatly appreciates the Government's efforts to make such a transition as manageable as possible.

Advocates Accelerated Timetable for Certain Reforms

3.4 While, as stated above, Austereo strongly supports the Government's media reform legislation, Austereo does advocate that the implementation timetable for certain aspects of the proposed reform package should be accelerated to allow for their commencement as soon as is practicable.

3.5 In particular, Austereo considers that all media sectors would significantly benefit from the Government's proposed modifications to the existing cross media ownership restrictions commencing as soon as is practicable.

Need for Accelerated Implementation of Cross Media Modifications

3.6 As was is noted in the initial Discussion Paper for the Government's media reform proposals "*traditional media services are being challenged by new digital technologies resulting in the emergence of new players, content, services and delivery platforms...(and those)...digital technologies blur the lines between the traditionally distinct telecommunications, broadcasting, print and IT sectors as they deliver an increasingly common range of services...*". Consequently, Austereo submits that there is a compelling need to immediately modify the existing cross media restrictions, to enable traditional media players to make maximum use of the new digital technologies.

- 3.7 Austereo further submits that there are three main reasons why the proposed modifications to the cross media ownership restriction would be particularly beneficial to commercial radio operators in metropolitan markets and should therefore be implemented as soon as is practicable.
- 3.8 First, unlike any other major media sector, commercial radio operators in metropolitan markets have experienced a substantial increase in analogue competition over the past five years. Between, March 2001 and September 2005, the number of commercial radio stations operating in the five major metropolitan markets increased by 23.5%, from 34 commercial stations to 42 commercial stations.
- 3.9 Second, commercial radio operators in metropolitan markets have for a number of years been planning for their transition from analogue to digital distribution platforms and following the announcement of the Australian Government's plans for the development of digital radio in October 2005, commercial radio operators have and will continue to incur substantial operating and capital costs in making the transition from an analogue to a digital distribution platform.
- 3.10 Third, since the second half of calendar 2005, commercial metropolitan radio as well as most other main media sectors has suffered from a cyclical downturn in advertising expenditure growth.
- 3.11 Thus, at the same time that they are required to adjust to substantial increases in analogue competition and incur substantial costs to facilitate the transition from analogue to digital distribution platforms, metropolitan commercial radio operators are now also struggling with deteriorating market revenue conditions.

Benefits of Accelerated Implementation of Cross Media Modifications

- 3.12 Austereo believes that accelerated implementation of the Government's proposed modifications to the existing cross media ownership restrictions would provide much needed relief to all traditional media sectors, including the metropolitan commercial radio operators, as they make the important but costly transition from analogue to digital distribution platforms and also would contribute to a more rapid transition to those digital distribution platforms.
- 3.13 Austereo submits that the immediate implementation of the Government's proposed modification to the existing cross media ownership restrictions will also help to ensure that all traditional media sectors, including the commercial radio industry, will continue to have the financial capacity to provide a wide range of diverse and high quality programming to listeners, viewers and readers throughout Australia.

No adverse impact on competition for advertising revenues in individual markets

3.14 Austereo submits that, contrary to the concerns of certain parties, implementation of the media reform legislation will not lead to any adverse impact on competition between various media sectors for advertising revenues or on the rates which the various media charge to carry such advertising. Austereo submits that advertising rates are set by the demand of advertisers in any given market rather than by the owners of the various media in those markets.

4. CONCLUSION

Any questions concerning this submission should be directed to Peter Harvie whose contact details are shown on the cover page of this submission

**Submitted by
Austereo Group Limited**

25 September 2006