

Silk purse or sow's ear?

Submission to the Inquiry into
Broadcasting Services Amendment
(Media Ownership) Bill 2006

by

Independent Regional Radio

September 2006

1. About Independent Regional Radio

1.1 Established in 1997, Independent Regional Radio (IRR) is an association of licensees of 71 regional commercial radio services located in 41 of Australia's 96 regional radio licence areas

1.2 All IRR members are committed to local service in that they employ local station managements which have both the responsibility and the autonomy to ensure the needs of their local communities are effectively served. For this reason, all IRR members' main programs are produced locally, being neither dictated by, nor delivered from, some remote "hub" or headquarters organisation.

2. IRR's position

2.1 IRR has consistently opposed relaxation of cross-media ownership restrictions in regional markets* on several grounds, including-

- (i) The fact that no public benefit can be demonstrated.
- (ii) The fact that removing the restrictions will reduce the existing diversity of both ownership and content wherever mergers occur.
- (iii) The fact that removing cross-media restrictions would almost certainly enable one media group to dominate and exploit a market without the possibility of competition by another group on equal terms.
- (iv) Power would be conferred on a single media proprietor with multiple influential media outlets to set the news and current affairs agenda within its market and to influence public opinion, especially on matters of local interest and issues of concern.

2.2 Broadcasting Services Amendment (Media Ownership) Bill 2006 does not address any of these issues. Because its rationale is self-contradictory and fundamentally flawed, the provisions relating to regional media should be deleted.

* IRR has no position regarding ownership of metropolitan media.

3. The Explanatory Memorandum

3.1 The Explanatory Memorandum to the Bill, purportedly providing a rationale for removing cross-media ownership restrictions, contains glaring logical inconsistencies.

3.2 It endorses one of the goals of the Broadcasting Services Act – to encourage diversity in control - and then sets out to do the opposite.

3.3 It proposes to provide an opportunity for media companies to make economies of scale and scope - and then creates a new and complex process which would offset economies by imposing compliance costs on those companies and on government agencies.

3.4 The Memorandum and the stated objectives of the Bill give no indication that the Bill has anything to do with the public interest. The principal objective is about providing an opportunity for companies to achieve economies (that is, to increase profits). There is no suggestion these economies might translate into a better deal for media consumers. In fact it is impossible to comprehend how consumers will be anything but disadvantaged.

3.5 Warnings from a Productivity Commission inquiry in 1999, that removing cross-media restrictions while regulatory barriers to entry to television and radio are still in place would be counterproductive, are airily dismissed in the Memorandum on the spurious basis that “many of the issues identified by the PC have been overtaken by the media developments since that time.” IRR asks, what developments have occurred to show that the situation has changed in regional Australia and that companies free to make economies and to increase profits by reducing services, without fear of competition, and may do just that, when recent history has demonstrated this is exactly what can happen?

4. Why the Bill fails

4.1 In paragraph 2.1, IRR identified four grounds for retaining the cross-media restrictions in regional Australia. It is appropriate to measure the provisions of the Bill against each of those grounds:

4.2 There is no public benefit

4.2.1 Not even the statement of objectives in the Explanatory Memorandum pretends for one moment that the public can expect any benefit from this Bill, confirming IRR's long-held position that this is all about giving a few companies the opportunity to increase profits at the public's expense.

4.3 Less diversity of both ownership and content.

4.3.1 It is self evident that the Bill does not encourage diversity, but in fact reduces it. The Explanatory Memorandum glosses over the fact that this runs counter to its professed objective of encouraging diversity. The principal justification is that media companies need to achieve economies of scale and scope.

4.4 Removal of cross-media restrictions would allow one media group to dominate a market, without fear of competition on equal terms.

4.4.1 Again, this is self evident. It is due to the limited availability of commercial media in regional markets and the existence of regulatory barriers to entry into television and radio.

4.4.2 A dominant media group in these circumstances is in a position to dictate advertising rates, to exploit the synergies between its different media and to effect economies not available to its less-advantaged competitors. The Bill does not address this issue.

4.5 Power to set the news and public affairs agenda and influence opinion.

4.5.1 Concern about the potential for influencing public opinion has long been at the heart of laws restricting cross-media ownership. Even the government

(according to the Memorandum) accepts that “diversity in news and opinion is substantially influenced by the diversity of ownership of media groups.”

4.5.2 The implications of ownership become clearer when one considers specific markets.

4.5.3 Taking Canberra as an example, one proprietor could own a formidable combination of newspaper, television and radio and effectively dominate the news and public affairs agenda within that market. Its competition would consist only of three unrelated media companies – one radio, two television – and no newspaper.

4.5.4 In smaller markets such as Wagga Wagga, where there is only one local newspaper and one local radio company, a merger of even two media companies would be very powerful. Having regard to the fact that regional television companies usually devote little time to local (as opposed to regional) issues, a radio-newspaper combination would be exceptionally influential at the local level.

4.5.5 There are also broader implications. Given that substantial sections of the regional radio and newspaper industries are already in the hands of relatively few proprietors, there is nothing in legislation to prevent a single company emerging in the future as a dominant media entity, and principal purveyor of news and opinion, across much of regional Australia.



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