



26 September 2006

Secretary (Media Ownership Bills Inquiry)
Senate Environment, Communications, Information Technology
and the Arts Committee
Department of the Senate
Parliament House
Canberra ACT 2600

By email: ecita.sen@aph.gov.au

Southern Cross Broadcasting welcomes the opportunity to make a submission to the Inquiry into Broadcasting Services Amendment (Media Ownership) Bill 2006 and the discussion paper by the Minister for Communications on new digital services.

Southern Cross Broadcasting supports the proposal in the Media Ownership Bill to permit cross media transactions to occur subject to there remaining a minimum number of separately controlled commercial media groups or 'voices' in the licence area.

Southern Cross Broadcasting submits that, with the retention of at least four independent commercial media voices in a regional market, common ownership and control of a daily newspaper, two radio licences and a television licence will cause no disadvantage to the public or the business sector.

The reasons for this view are as follows.

Firstly, there are very few synergies between television, radio and newspaper businesses. The three mediums consist of three distinct operational centres:

1. Product
 - a. News - local, regional and national
 - b. Current affairs - local, regional and national
 - c. Entertainment for electronic media
2. Advertising
 - a. National, regional and local
 - b. Classifieds for predominately print media
 - c. Production of advertisements/commercials
3. Administration
 - a. Management
 - b. Accounting

1. Product

Sharing of news staff and resources has extreme limitations, as the compilation, writing and presentation of news for each medium is very different. Specifically:

- Newspapers rely on the written word in detailed form. The local news catchment area is immediate, i.e. focuses on the city it serves and typically not the surrounding towns within the region;
- Radio news consists of a three minute bulletin, collected in-house by phone contact, with each story consisting of about 150 words. The catchment area is regional covering the entire service area, including surrounding towns; and
- Television news is typically twenty-two minutes with actuality including footage and on-site presenter. The catchment area is the State with regional inserts.

In each case, the news director and news staff are specialists in their medium. It would be highly improbable that there would be meaningful connectivity with news gathering, collation, presentation or direction between the three mediums.

The entertainment base of electronic media is also distinctly different. The opportunity for sharing of specialised programming staff is non-existent.

2. Advertising

The advertising department for each medium has to be separate and competitive to succeed. A sales person could not effectively sell even two of the three mediums, regardless of how desirable this would be for the owner. Each medium relies largely on a different client base. In particular:

- Newspapers rely on local (not regional) advertisers for 70% of their revenue. The sales team specialises in print advertising. Any compromise of the sales role by attempting to cross-sell other media would not lead to a reduction in staff numbers; but would lead to a shift in focus which would result in an ineffective sales performance.
- Regional television relies on national/agency advertising for about 70% of its revenue and radio relies on local advertising for about 70% of its revenue. Television deals in the higher end of the local retail sector and radio primarily in the lower end. Selling the two in tandem leads to lower combined revenue as the more powerful medium swamps the importance of the other. Advertising rates for both radio and television are driven by demand, i.e. the higher the fill factor of available advertising airtime, the higher the rate and vice versa. Ownership is irrelevant.
- Print advertisements, radio copywriting of commercials and television commercial production require specialised teams for each medium.

3. Administration

The management role for each medium requires a specialist to be successful in a competitive market. The only consolidation of the businesses would occur within a common corporate division, which would be non-operational apart from a centralised accounting function.

In conclusion, whilst there is some opposition to cross media reforms, the opponents have not clearly identified any insurmountable issues. It is difficult to envisage a reasonable scenario that produces a downside for the consumer, considering:

- The distinctly different roles of the three mediums;
- The geographical reach difference in service areas within a market;
- The difference in demographic appeal;
- The essential operational separation of each medium, including management; and
- The number of competitors, as there would still be four separately controlled commercial media voices.

Conversely, there is clearly upside in that the combined ownership would indicate increased resource capacity, resulting in improved quality services. Unstated in the small regional radio groups' arguments opposing cross media reforms is their objection to the elevated level of competition they may face. The overriding upshot is that the consumer stands to benefit considerably more from cross media ownership than be disadvantaged.

New Digital Services

Early uptake and ultimate success of DVB-H services in Australia will be determined by the availability and quality of content. Whilst there are many DVB-H licence suitors who are capable of amassing content, none are better positioned than existing commercial broadcasters. Many of the arguments for excluding commercial broadcasters from acquiring a DBV-H transmitter licence lack substance and are motivated by self interest.

Commercial broadcasters are best positioned to provide a superior service as:

1. They have access to and control over the program content consumers will want to access in a mobile environment; and
2. They are more attuned to the content needs of consumers than those who do not understand the nuances of the visual entertainment and information medium.

It is nonsensical to deny the opportunity of acquiring a DVB-H transmitter licence to the industry sector that has the greatest capability of immediately providing the most appropriate service.

I would be pleased to elaborate on these views in person if desired.



Tony Bell
Managing Director



About Southern Cross Broadcasting:

Southern Cross Broadcasting (Australia) Limited owns and operates commercial radio and television stations throughout Australia and an integrated film and television production and distribution business in Australia and overseas.

Regional Television Network:

Southern Cross Ten Queensland
Southern Cross Ten Northern NSW
Southern Cross Ten Southern NSW and ACT
Southern Cross Ten Victoria
Southern Cross Television Tasmania
Spencer Gulf Telecasters South Australia
Southern Cross Ten South Australia
Southern Cross Central
Southern Cross Darwin
50% interest in Tasmanian Digital Television

Metropolitan Television Station:

Channel Nine Adelaide

Talk Radio Network:

3AW Melbourne
2UE Sydney
6PR Perth
4BC Brisbane

Music Radio Stations:

Magic 1278 Melbourne
96FM Perth
4BH Brisbane

Southern Star

Southern Star Entertainment
Southern Star International
Southern Star Entertainment UK
Carnival (Films & Theatre)
75% interest in Darrall Macqueen
49% interest in Endemol Southern Star

Other Businesses:

Southern Cross Sales
Satellite Music Australia
Southern Cross Syndication
Southern Cross Telecommunications
Southern Cross Tricom

Southern Cross Broadcasting's media interests have a potential reach of 94% of Australia's population.

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