

Q & A

STAN WILLMOTT IS EXECUTIVE CHAIRMAN OF SEA FM LTD ON THE GOLD COAST AND CHAIRMAN OF THE FEDERATION OF AUSTRALIAN RADIO BROADCASTERS. HERE HE TALKS ABOUT CURRENT ISSUES FOR COMMERCIAL RADIO BROADCASTING, IN PARTICULAR THE CODES OF PRACTICE.

The codes of practice for commercial radio came into effect in May 1993.

How do you think they are working?

I think the significant thing to recognise is that commercial radio was working under codes for some years which were similar to the ones adopted under the self-regulatory system. Therefore, while the final codes had some modifications and involved different procedures as to the manner of their implementation, essentially they had been there for a while. The transition was not an enormous one for the industry.

In terms of how they are operating, we believe they have been very successful. There is a procedure for the public to have direct access to radio stations, and express any concerns they have in areas covered by the codes. We have found the system is working well because the stations are able to satisfy the public about their concerns. The level of complaints in relation to the codes is extremely small. Across Australia complaints average about four complaints per station each quarter.

Does it make much of a difference to the stations given that they are, in effect, directly accountable to the public now?

We have always felt we were accountable to the public. I don't think the stations see the system as a major change. Under the previous system, the complaints were lodged directly with the Australian Broadcasting Tribunal (ABT). If warranted, the ABT took the matter of the complaint up directly with the station. The current system encourages more direct contact between the station and public, which is good, because, on most occasions, there is an ability for differences to be resolved. So, from the point of view of both the public and the station, the direct liaison is working well.

I think it is the nature of the radio industry that it is reasonably close to the community it serves, because of that you tend to find the liaison between the station



and the public is good. In any system of course there will be the odd exception, but by and large, the complaints procedure is running very smoothly.

On the issue of Australian music: the former standard had a flat 20 per cent requirement, but now the proportion varies according to format. How is this code working?

Quite well. The proportion of Australian music varies from format to format, but the net effect has been that the amount of Australian music played has increased.

Some of the formats have a very low requirement, as low as five per cent, increasing to 25 per cent.

The percentages reflect the amount of Australian material that is available. For some of the easy listening formats, for example, there is a limited amount of Australian material available. The greatest volume is in the rock segment of the market. The high percentage requirement reflects the fact there is the potential in that segment to play more Australian content.

The industry has just completed its first

return to AMPCOM based on the period from May 1993 until 30 June 1994 and metropolitan stations and major regionals—which in the main are required to meet either a minimum of 25 per cent or 15 per cent—averaged more than 22 per cent of Australian content. Regional stations, although only required to meet a minimum of ten per cent, have easily exceeded the previous 20 per cent minimum with an average across Australia of 23 per cent. So there is a very conscious decision by commercial radio stations to meet the varying percentages applying to Australian content.

Australian radio stations have been criticised over their reluctance to play, promote and develop Australasian music.

Recently, Austereo, as part of the shortly to be merged group Austereo and Village, has taken the initiative by promoting a whole program to develop and expose new Australian music. They are by far the largest and the most significant group of stations in the under 40 age group so their potential impact is far

greater than anyone else's. They are committing to a total program and spending half a million dollars, which is a substantial amount.

All stations keep a watch on what is being released. I think the problem everyone has, regardless of who they are, is that there is a need to be able to identify a new product as having appeal to the Australian public at large. As commercial operators we need to have wide appeal in order to get support from listeners and so survive commercially. You cannot take a high degree of risk in the amount of new material you expose without being fairly confident there will be acceptance for it.

What other effects on industry will mergers such as the Village/Austereo merger have?

The ABA is currently involved in a planning process around Australia which will lead to more stations of different types coming onto the airwaves progressively over the next two or three years. As that happens there will be a need for all of us in all the sectors to operate more effectively in the way we produce quality product. I think the need to be more effective in the way we do things, in all sectors, means mergers. Mergers of the Austereo/Village type allow you to be more efficient in what you do, because the more you can move towards what the Americans call duopoly operations, the more you can manage cost structure without reducing quality of the service, which is really what it is all about.

What effect do you think this has on the solo operators. Do you think they will be forced out?

No I don't think that will mean they will be forced out. I think that that's too extreme a position. Certainly, the duopolies will have an advantage over the single station operators in terms of efficiency of operations.

Do you think the small operators have a larger chance of success in regional markets where they have greater identification with their home base?

Regional markets have a slightly different scenario. What you need to look at particularly is the size of each of the markets, their strengths, and their ability to sustain a quality of service with an increased number of services. I think the

same principle applies though—duopolies have a better chance of operating more effectively than single operators. Localism has more relevance in smaller markets but is not the only factor.

What effect do you think specialist music stations have on the market?

There is a trade-off in commercial terms between the degree of specialisation you can effectively have and the level of revenue you need to operate. If by specialist music stations, you mean there will be a trend towards more niche programming and narrower music formats, obviously the more stations you get in a market the greater the tendency to try and find additional program op-

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tions. There is a limit for a commercial operator though. If you become too small then you are no longer viable. We have seen this with some of the metropolitan markets where there has been an attempt to play say, a country music format and there is a limit to the size of the audience for that in Australia at present. Commercial radio is constantly seeking to find formats which will produce a sufficient support base from the community to justify their commercial operations.

Advertising revenue for commercial radio is increasing?

I think that is true. There are areas of concern however. The effect on consumer demand of drought in rural areas, the possibility of a wages breakout and rising interest rates should not be underestimated. As each month passes and the drought continues, which is happening in a large number of areas, then the impact is deeper on advertising revenues. Other areas of the economy are starting to cause me concern, despite the political rhetoric.

What is the outlook in metropolitan areas?

It is certainly positive. The magnitude and duration of the growth in the Australian economy is subject to a lot of conjec-

ture in the financial press and among economists and forecasters. There are any number of forecasters who are expressing concerns about the duration or sustainability of the current growth pattern. Certainly for the next six months you can confidently predict a continuation of growth in the commercial economy, in the metropolitan markets at least. Beyond that I'm not so confident.

How do you view the new narrowcasting services?

There are a few things I think to note about them. Firstly, they provide an opportunity to present broadcast programming to the public which otherwise would not be available. Because

of this there are quite a few commercial broadcasters who have chosen to extend their services to the community by also providing narrowcast services. At this stage the number of narrowcast services using high power transmission is relatively limited.

There are a large number of low power services which tend to be concentrated in the tourist information area although there are other examples of low power narrowcasting services which are performing useful services. A commercial operator in Bathurst (NSW) is providing narrowcasting services as an adjunct, if you like, and using the resources of the base commercial operation. No-one else could do it because it would be just uneconomic. For example, they have Tiny Tots Radio directed at the very young audience, but there is no way you could do that independently, because it could not be self-supporting.

Narrowcasting is quite interesting, as is the way people have picked it up and sought to use it.

Have other operators combined narrowcasting with an existing commercial operation to the same extent?

There are a number of commercial operators who obtained high power narrowcasting licences in the ABA allocation

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process earlier this year and they are using them for a variety of purposes. Some stations are putting specialist programs to air, like an hour of fishing information or an hour's real estate programming, or farming information. Narrowcasting is an interesting development and I think as long as it stays in the areas of serving specialist narrow markets that cannot otherwise be served then I think it is an appropriate development.

Are community stations making any inroads on commercial markets?

I would have to say that most of the community station operators are what we would call true community operators who put programming to air of interest to diverse community groups. Their shareholding and programming represents a diversity of community interests. On the Gold Coast, for example, there is a community station which performs a very worthwhile service, complementary to other services on the Gold Coast. They have one extra element—they have ethnic groups presenting different programming on different nights of the week.

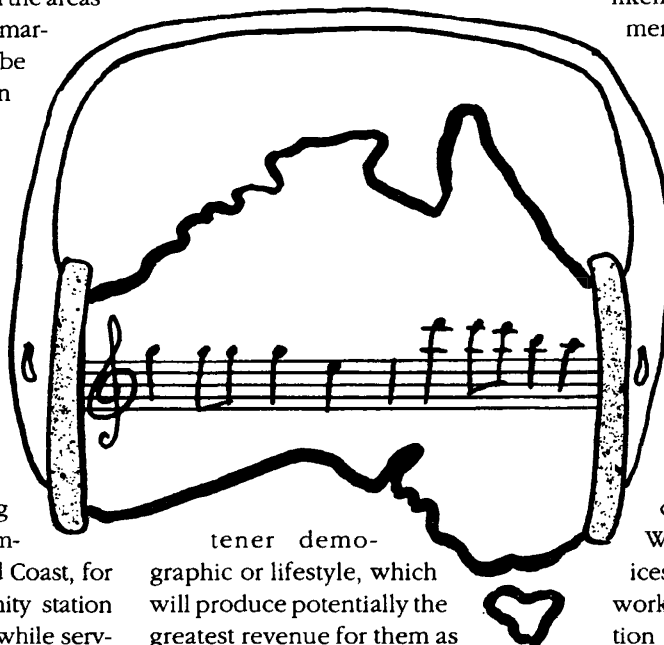
The ethnic groups on the Gold Coast therefore have the opportunity to express what is of interest to them and their communities. Unfortunately a small group of people are attempting to use the community radio banner to set up commercial operations for their own benefit. However, in the vast majority of cases community radio is performing a useful service and we expect to see community stations developing throughout Australia as part of the planning process.

What is your opinion of the relaxation of ownership rules: foreign ownership and two stations to a market?

Taking the second one first, two stations to a market has only good effects. I'm not aware of anywhere it has been applied to negative effect. It allows for

efficiencies in operations while not reducing the standard of service being provided. Therefore the consumer benefits because two high standard services can be maintained—if they were separate they might be under more pressure individually. In addition, I think in markets with a limited number of services available it tends to ensure there is a diversity of programming. You can get a situation where individual stations standing alone might both concentrate on a particular lis-

This has not produced any significant change in commercial radio ownership to date although, interestingly, there are more foreign media groups looking at Australian commercial radio. An English group has taken a stake in Austereo, an American group has a five per cent stake in Wesgo. Some interest has developed in the last six months. If there were an increase in the interest, I don't see that is a problem. Certainly I would have concerns if foreign interest were to become extensive, but there is no likelihood of that, I think, at the moment.



tener demographic or lifestyle, which will produce potentially the greatest revenue for them as an individual operator. If you put the two together they are more likely to present complementary programming and therefore the community benefits. So I think the two stations to a market rule has a lot of good features and has not produced any negative features.

Do you think there are potential dangers?

No, the nature of the industry is that we do not stand alone anyway. The whole communications environment is one of emerging alternatives to existing communications. There is always a competitive environment in the communications media between different services, be they press, television or whatever, as well as other radio services. There are always plenty of competing forces around to ensure you don't get any negative effects.

And the changes to foreign ownership regulation?

Are there any other areas of particular interest to you?

I think the commercial radio industry recognises we are entering a period of accelerated change with the opportunities presented by the emerging technologies for the provision of services. I'm not talking in just a technical sense, but I'm also looking at the ability to provide programming to a variety of new outlets and channels of communication with the public.

Whether it is through broadband services, satellite services, computer networks or whatever, there is a recognition we are about to enter an era of developing opportunities which will take us beyond the existing role we play. I think that is pretty important.

Does radio have an important role to play in this?

In my view there will be lots of opportunities. If, for example, commercial broadcasting enters an era where operators have an enormous capacity to disseminate digitalised information, it gives them the opportunity to expand what we are doing. These are things I can't postulate on here and now because some of them are competitive. It's up to the industry to be active in recognising the opportunities as they occur.

Does this include digital audio broadcasting?

Yes, because digital audio broadcasting, in whatever format it comes, gives enormous flexibility which we don't currently have. Therefore we see it as creating a lot of opportunities. We look forward to them. 