# Commercial radio: behind the figures

*As the U.K.'s Daily Mail Group quietly consolidates its Australian radio holdings, converging technologies are allowing incursions into media content which cross existing media boundaries and throw up important challenges to the intentions of the cross-media laws*

**1**998 was an interesting year for commercial radio for two reasons: firstly, the Macquarie Network, cut up and sold off by Warwick Fairfax more than 10 years ago, suddenly rose from the dead; and the London-based Daily Mail Group (DMG) continued to expand through purchases from Rural Press and a marketing partnership with the Grundy network (see CU 151, February 1999, Media Ownership Update, pp14-21).

## Capital city networks

The basic structure of the capital city networks was established more than a decade ago but consolidated with the Broadcasting Services Act 1992 , which allowed overseas ownership and the relaxation of ownership limits - licensees can now own two stations in each market with no overall national limit.

The three major metropolitan networks - Austereo, Australian Radio Network (ARN), and Lamb/Southern Cross - quickly established national networks, each with integrated radio syndication facilities. The basic pattern is simple enough: the major stations produce expensive programs like news and star format comedy and talk programs (like John Laws, Martin and Molloy, Doug Mulray) and network these to the smaller stations as core programming. The smaller stations then either purchase other specialty programs or produce their own to construct a unique mix.

Austereo dominates the younger music markets, with a soft rock format (targeting younger women) and a harder rock format (targeting younger men) station in each capital city.

ARN, jointly owned by Tony O'Reilly's Irish-based global media group and the U.S. radio/TV group Clear Channel moved quickly to purchase two stations in each capital city, and now dominates the family audience spot.

The third major network, Skyradio (2UE/3AW), is a coalition of the Lamb family's stations in NSW and Queensland, and Southern Cross's Melbourne and Perth interests. Skyradio targets the growing older audience and the format is news/talk - the talk hosted by strong "beast" personalities. They remain the dominant force in this field, with their star, John Laws, networked to 90 per cent of non-capital city markets.

Similar (non-networked) formats are used by other talk stations targeting older audiences, for example, the ailing Sydney stations 2GB and 2CH. Their acquisition by John Singleton has been among the most interesting developments in 1998: formerly a client of the ARN news service, Singleton has revived the Macquarie News Service as a fourth syndicated service, and recently announced an associated "Easy Listening" music service. But this revival was accompanied by "downsizing" at ARN and the end of 2WS' newsroom, so in effect, this was a rearrangement, rather than the creation, of new jobs.

The star strategy followed by the major networks is important: faced with a future where any small station can use low-cost computer technology to automate production - with program material downloadable to hard disk, and infinitely variable in its programming mix possibilities - the only future-proof product that an Australian network can market is original material, and this in turn depends for its general acceptability on having nationally-known stars.

A second interesting development is the expansion of two regional networks into capital city markets. Grundy's Capital network acquired Sydney station 2SM. DMG's purchase of Adelaide station 5AA also brought them into the capital city markets. DMG has also indicated strong interest in bidding for further metropolitan licences as these become available through the Australian Broadcasting Authority's planning process. There was speculation through 1998 about the possibility of a Grundy sale to DMG, but this did not happen. Instead, the two established a joint advertising sales office

in July 1998 - a "one-stop shop" which claims to represent 90 regional stations, according to a report in the *Sydney Morning Herald* (2/7/98: p28).

## Regional city networks

Outside the capital cities, the four main regional networks, clustered in low growth Eastern state regions - Caralis, Grant, Century and ACE - expanded slightly. In the high growth regional centres along the east coast, Reg Grundy's Capital network expanded strategically, acquiring Sydney station 2SM and three more regionals to its coastal network, which stretches from Sydney to Cairns.

## Regional small-town networks

In the small rural towns of the outback, DMG Australia acquired Rural Press's 33 country stations in 1997, bringing its network total to 55 (including 5AA in Adelaide). It also has the option of establishing at least 10 additional (s.39) services in areas where only a single service now exists.

## Policy issues

The general consolidation suggests that the adequacy of cross-media ownership rules needs to be carefully monitored.

Old loopholes remain - there are still close ties between many country radio services, TV services and newspapers which mean that the intentions of the legislation are actually thwarted and ownership limits are effectively breached. The O'Reilly family's ARN holds two major Sydney radio licences, and a third Western suburbs licence which overlaps substantially, a situation de facto permitted by the legislation but unlikely to have been intended by the legislators.

Southern Cross Media held the licences of three radio stations in Perth until November 30, 1998 when it sold the 6IX licence to Radio Perth Pty. Ltd. But it was still deemed by the ABA to be in

control of the station and the authority is about to embark on an investigation. The Ten Network is part owner of Southern Cross Media, though at 14.9 per cent, this sits just below the cross-media rules' 15 per cent threshold.

On regional equity, the issues are already clear - what do we do when some regions do not receive a reasonably broad mix of services, voices and political opinions? (Keep in mind that many remote areas do not get terrestrial television services, have few newspapers, and often have access limited radio service. Internet services are a long way off for some areas).

It is here that the expansion of DMG Australia is cause for concern: with 55 local stations stretching across virtually the whole of inland, it is a fair conclusion that its programs are heard in an information-poor environment. Also note that some DMG-owned stations have local news-sharing arrangements with, for example, local TV stations - old loopholes sanctioned - "grandfathered" - by the Broadcasting Services Act 1992. Now that these stations are part of large media organisations with access to capital, rather than individually owned services, the economic rationale for their local news-sharing is less convincing.

## Is the quality high?

Journalist-shedding and "downsizing" trends continued in 1998, as the big networks combined their two stations' news teams, and cut back in the smaller centres. There are reports of further losses in country stations as well. While these cuts may have reduced some doubling-up, there are genuine concerns that it has reduced some journalists from investigators to assemblers of other people's stories.

## Rehearsals for digitisation

The most obvious rehearsal for

change is the development and testing of digital audio broadcasting systems (DAB). 2KY, the Sydney racing station, has begun the establishment of actual DAB facilities, and will shortly commence test broadcasts. The data and image capabilities of DAB will mean that 2KY could commence all kinds of new services, including betting facilities (already a big growth area for the TAB via the Internet), video feed of races, and other related information services.

Commercial radio stations now commonly use web pages to promote their services - with program information, fan mail facilities, email links, news tip pages and so on. But increasingly, Australian radio stations offer audio streaming web broadcasts of their on-air programs, and occasionally, archived programs. Thus, time-shifting is becoming commonplace.

John Laws' Fortress site is largely promotional but also offers some archived broadcasts, memorabilia, poetry and material from other media like Foxtel, his music recordings, and press columns, an interesting multimedia mix which crosses both copyright and media channel boundaries. Doug Mulray's 2WS site adds to this mix some satirical horoscopes, news reports as well as live streaming audio and video: the audio of his 2WS broadcasts in drivetime; the video of his Foxtel appearances.

These experiments are interesting in that they blur the boundaries between the old commercial media and the new medium of the Internet. Personal websites reproduce exactly the content on these old media but allow the user a few more apparently interactive choices - like sending their host an email, filling in an online survey, making an instant entry in a competition, requesting background information, and media-hopping - from John Laws' Foxtel show to his radio program to his newspaper column, to his poems or trucking songs. This is, in a sense, a

work. It can also undertake work for other companies.

Although the trend to liberalise access to telecommunications markets is apparent in all the surveyed markets, it is significant that consumer protection regulation is proving more durable than the regulation of access to markets. Indeed, there are elements of the customer relationship which have become more regulated as a response to the potential impact of more liberal markets.

For example, the U.S. federal communications regulator introduced quality of service monitoring for local exchange carriers in 1991 as part of the liberalisation of price regulation (replacing rate-of-return regulation with price caps). This mirrors the Australian experience of the introduction of a "customer service guarantee" and the expanded jurisdiction of the Telecommunications Industry Ombudsman (to include Internet access services) as part of the regulatory reforms which accompanied the privatisation of the incumbent telephony operator, Telstra, and the introduction of open competition.

In the U.S., it appears that the very light-handed regulation of DBS and Internet service providers stems from confidence about the competitiveness of these markets. But the treatment of cable TV operators and local exchange carriers suggests the durability of traditional forms of consumer protection where effective competition is slow to develop.

Many companies surveyed stressed the advantages of new technologies in facilitating improved customer relationships: better and more accessible information about individual customers; the flexibility to structure service functions to suit customer demand rather than geography (although geographical proximity may be an important element of the service demanded by some customers); better and more up-to-date information about new products; automated service ordering and modification and bill payments.

As in Australia, billing is one of the major sources of complaints by customers of the companies surveyed. In the U.S., "slamming" (the unauthorised switching of a customer's pre-selected long distance carrier to another carrier) and "cramming" (submitting unauthorised, misleading or deceptive charges for inclusion on a customer's bill) have been the focus of particular regulatory attention in recent years, with a number of actions commenced and settled by the FCC about slamming, and voluntary guidelines to address cramming issues announced in July 1998.

Other important areas of complaints in different territories included unsolicited faxes and emails and the effects of tariff rebalancing, particularly for some customer segments.

Improved quality of service has been an important element of competitive service offerings in some areas, notably pay television services delivered in competition to incumbent cable operators in the U.S. by satellite providers and cable "overbuilders".

Customer service guarantees are very common among companies in all product lines surveyed. As in Australia, they most commonly provide a rebate in the event of a failure to install or repair a service within a particular time frame, or to keep appointments. Other areas include rebates for incorrect directory listings and automatic, standard (pro-rata) rebates of access charges where a service is non-operative for a period of time.

Some industries or individual operators have self-imposed quality of service guarantees: America On-Line's money-back guarantee if the customer is not satisfied with an on-line purchase and the U.S. cable TV industry's On-Time Guarantee for installations and fault rectification.

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rehearsal for some of the possibilities of the new digital broadcasting environment; in another sense, it is already with us through these experiments.

There are plenty of other commercial radio sites now providing live webcasts, including some unexpected smaller sources like Edge-FM from Wangaratta, Victoria, and SA-FM from Adelaide, which have both experimented with radio broadcasting on the Web.

## Where to from here?

Interestingly, these webcasts have already crossed the media boundary into the assembly of images - many of them moving images, and some, relays and archives of video from other sources entirely - as in Doug Mulray's case. What we are seeing here are convergent technologies and convergent media. While some of the smaller services are only webcasting their existing broadcasts, the big services have framed their experiments around their name stars, in the process creating new cross-media associations through their webcasts.

These rehearsals for the digital communications environment of the new century may not be rehearsals at all but important incursions into media content which cross existing media boundaries, throwing up important challenges to the intentions of the cross-media laws - which are to stop concentration of control flowing across all media. If Foxtel content is rebroadcast with 2WS programs on the Internet, then a new kind of association has been made - and that is precisely what policy analysts must now examine.  ✎

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