



ABA gives go ahead for new FM licences

The Australian Broadcasting Authority is to commence the allocation process for a new commercial radio broadcasting licence in Adelaide next month. The new service will broadcast on 91.9 MHz with a translator service for the Adelaide Foothills on 99.1 MHz.

The ABA proposes to advertise for interested parties to register to bid for the Adelaide licence in late August 2003. If there is more than one registered bidder, the ABA would look at conducting an auction-style licence allocation exercise in Adelaide in late October 2003.

The Adelaide allocation will be the first in a series to take place as a result of the ABA's decision to confirm commercial radio allocations in Adelaide, Sydney, Brisbane and Melbourne. The process for new licences for Sydney and Brisbane is to commence in February 2004, with auctions proposed for April 2004. The allocation process for a new licence in Melbourne is scheduled to commence in May 2004, with the auction proposed for August 2004.

The ABA's decision followed an invitation for and consideration of submissions on whether to consider varying the licence area plans for radio services in Adelaide, Sydney, Brisbane and Melbourne to defer the availability of spectrum for the allocation of further commercial radio licences. The ABA's invi-

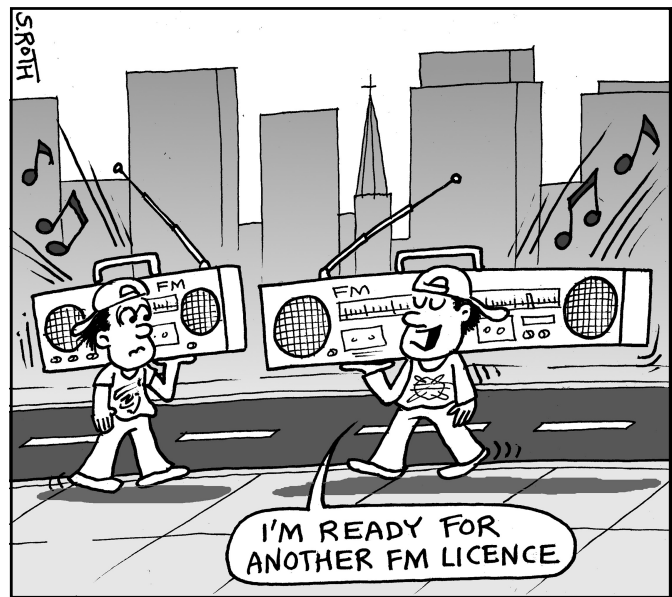
tation followed approaches by a number of interested parties, some concerned that the allocation of the new licences should proceed, others concerned that the allocations should not proceed or that they should be delayed. The ABA decided to seek submissions from interested parties to ensure transparency in its decision-making process. The seven submissions the ABA received in relation to this issue are now available on the ABA website.

The ABA was not persuaded that there had been such a significant change in market conditions in Adelaide, Sydney, Brisbane or Melbourne that it should consider deferral of the licences. The ABA's decision will result in a greater choice for radio listeners in the four cities.

The ABA was satisfied that the overall trend in capital city FM revenue had remained positive since the determination of the relevant licence area plans. This had occurred against a backdrop of sustained growth in each of the relevant State economies and the national economy. The ABA noted that growth in the national economy is projected to continue at around three per cent over the next couple of years.

History

When it determined the licence area plans for Adelaide, Sydney, Brisbane and Melbourne, the ABA decided that the



availability of an additional commercial radio licence in Adelaide be deferred until 20 September 2003, and the availability of second additional commercial radio licences in Sydney, Brisbane and Melbourne be deferred until 23 December 2003, 11 January 2004 and 5 July 2004 respectively.

On 10 April 2003, the ABA decided to seek submissions on whether to consider varying the licence area plans for radio services in Adelaide, Sydney, Brisbane and Melbourne to defer the availability of spectrum for the allocation of further commercial radio licences in those cities. This decision was made following approaches by a number of interested parties. The ABA decided that it would only consider deferring the availability of spectrum for these licences if

there has been a significant change in market circumstances since the determination of the relevant licence area plans, such that proceeding with the allocation would fail to promote the objects of the *Broadcasting Services Act 1992*, including the economic and efficient allocation of spectrum.

Submissions

The ABA received seven submissions in relation to deferring the availability of spectrum for further commercial radio licences in the four markets. The submissions were provided by Austereo Group Limited (Austereo), APN News & Media Limited (APN), DMG Radio (Australia) Pty Ltd (DMG), Star Broadcasting Network Pty Ltd, Clemenger Communications Ltd, Mr Phil Dobbie and Mr Brian Chew.



Austereo and APN argued that there has been a severe change in economic conditions and no improvement in program diversity since the determination of the relevant licence area plans and opposed the allocation of the licences. Austereo recommended a minimum two-year deferral and APN recommended deferral in favour of an industry review.

DMG argued that radio revenue markets have grown and there has been an increase in program diversity since the release of the licence area plans. DMG supported the allocation of the licences in accordance with the timing announced when the licence area plans were determined.

Clemenger Communications Ltd supported the deferral of licence allocations in the four markets and Star Broadcasting Network Pty Ltd supported the deferral of the licence allocation in the Brisbane market. Mr Dobbie supported all of the planned allocations and Mr Chew supported the planned allocation of the licence in the Brisbane market.

Question considered by the ABA

The crucial question to be resolved for each market was whether circumstances in the market (or similar markets) have changed in some significant way since the release of the licence area plans such that proceeding with the allocation now

would fail to promote the objects of the Act and the economic and efficient use of spectrum.

An issue in considering the individual submissions to the ABA was whether they raised issues that go to the threshold test of whether there has been a significant change of circumstances. The ABA decided that the issue of program diversity was not relevant to the threshold question of whether there has been a significant change in circumstances in the relevant markets. In making its original decisions, the ABA took account of the possible effect of its decisions on program diversity. The issue would have to have been re-considered if the ABA had decided to consider varying one or more of the licence area plans.

Analysis of the markets

The ABA examined trends in the relevant State economies and in commercial FM radio revenue.

The South Australian economy has continued to grow since the licence area plan decision, and since 1999 growth in South Australia has been the fastest in the country, although there is disagreement among economic forecasters as to whether this is likely to continue. Between 1998-99 and 2001-02, South Australian FM revenue grew by a real 4 per cent, and Adelaide radio revenue by 5 per cent.

The NSW economy has con-

tinued to grow in real terms since 1999, albeit at slightly lower rates similar to those experienced by other parts of Australia. Sydney FM revenue grew significantly between 1998-99 and 2001-02, by a real 16 per cent. The Victorian economy has grown strongly since 1999, although it did not sustain the very high levels of 1998. Melbourne FM revenue has also continued to grow since 1999, by 9 per cent in real terms between 1998-99 and 2001-02.

The Queensland economy benefited greatly from tourism leading up to and after the Olympics, however, post 11 September 2001, has suffered somewhat. Economic growth overall, however, remains positive. Both Brisbane radio revenue (8 per cent) and Queensland FM revenue (28 per cent) grew in real terms between 1998-99 and 2001-02.

The overall trend in capital city FM revenue as measured by the ABA's Broadcasting Financial Results (BFR) has remained positive since the determination of the relevant licence area plans. Revenue levels did fall in 2000-01 and 2001-02. However, this fall was off an increase in 1999-2000 that was above the long-term trend rate. Data from the Commercial Economic Advisory Service of Australia (CEASA) provides evidence of a recovery in advertising levels since 2001-02. Advertising spend remains reasonably well aligned with overall economic growth. The

commercial radio industry's share of advertising expenditure has been a constant 8 per cent between 1993 and 2002. In real terms, radio advertising grew at an average 2.6 per cent per annum.

In conclusion, the ABA's analysis suggests that the State economies, as measured by gross state product, have continued to grow since the determination of the relevant licence area plans. Analysis of the BFR shows that FM revenue in all capital cities has also grown over this period. This has occurred against a backdrop of sustained growth in the Australian economy, which is projected to continue at around 3 per cent over the next couple of years.

ABA's decision

Given the analysis above, the ABA concluded there had not been significant change in the circumstances of any of the relevant markets. The ABA decided not to consider varying the relevant licence area plans to defer the availability of spectrum for further commercial radio licences in Adelaide, Sydney, Brisbane and Melbourne.

