

1987

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

SENATE

RADIO LICENCE FEES AMENDMENT BILL (NO. 2) 1987

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Transport and Communications, Senator the Hon. Gareth Evans QC)

This memorandum takes account of amendments made by the House of Representatives to the Bill as introduced.

OUTLINE

The Radio Licence Fees Amendment Bill (No.2) 1987 will amend the Radio Licence Fees Act 1964 in three significant respects. Firstly, it will impose the following annual licence fee scale which will take effect from 1 January 1988 (with the percentages paid increasing progressively through each range):

Annual Gross Earnings (AGE) - percentage of AGE

\$ 5m	-	3.5%
\$ 6m	-	4.4%
\$ 7m	-	5.3%
\$10m	-	6.2%
\$12.7m and over	-	6.5%

Secondly, the Bill provides for an "establishment fee" which is to be paid in relation to the grant of a new commercial radio licence where the notice under sub-section 82(1) of the Broadcasting Act 1942, proposing the licence was published on or after 1 January 1987. The level of the fee will be determined by the Minister pursuant to the proposed sub-section 82AA(2) of the Broadcasting Act and will be specified in a notice published in the Gazette.

Thirdly, the Bill provides for the payment of an AM/FM conversion fee equal to 50% of the establishment fee specified in the Minister's notice under the proposed sub-section 82AA(1) of the Broadcasting Act in relation to the new licence. The fee will be payable where the holder of a commercial AM licence applies to the Minister to vary the technical conditions of its licence warrant to enable it to transmit on FM in circumstances where the Minister has proposed to introduce a new commercial FM licence with a substantially similar service area.

The Bill also provides that the new fee scales which it introduces (other than the establishment fee) will apply to old system licences.

FINANCIAL IMPACT STATEMENT

Establishment and Conversion Fee

Successful applicants for new licences to be granted in this financial year are expected to pay around \$11 million under the establishment fee scheme. Incumbent regional commercial licensees converting are expected to pay around \$5.5 million under the conversion fee scheme. The precise financial implications in future years will depend on progress with the Planning Timetable and Tribunal inquiries. As explained earlier, the amounts paid by a converting licensee will always be half that paid by the new competing licensee.

Licence Fee Increases

These measures are expected to raise \$1.0 million in the current financial year, \$1.2 million in 1988-89 and \$1.3 million in 1989-90. Total revenue from radio licence fees is estimated at \$11.7 million in 1987-88, an increase of 31.2% on 1986-87. Most of the increase reflects assumed increases in stations' earnings.

NOTES ON CLAUSES

Clauses 1 and 2: Short title etc. and commencement

The first two clauses provide for the short title and commencement of the legislation. The Radio Licence Fees Amendment Act (No 2) 1987 will come into operation on the day it receives the Royal Assent. "Principal Act" is defined to mean the Radio Licence Fees Act 1964.

Clause 3: Interpretation

Formal.

Clause 4: Amount of fees

Paragraph (a) of clause 4: adds subsections (1A) and (1B) to section 6 of the Principal Act. The proposed subsection 6(1A) provides that where a notice in respect of a commercial radio licence is or was published in the Gazette under subsection 82(1) of the Broadcasting Act 1942 on or after 1 March 1987, there is payable on the grant of the licence a fee of an amount equal to the amount specified in the notice published under the proposed subsection 82AA(1) of the Broadcasting Act 1942 in relation to the licence. Proposed subsection 6(1B) provides that the fee payable under subsection (1A) will be in addition to the existing fee of \$500 payable on the initial grant of a licence under subsection 6(1) of the Principal Act.

Paragraphs (b) to (h) of clause 4: set the following new scale of radio licence fees with the percentage of annual gross earnings to be paid as fees increasing progressively through each range:

\$5m	- 3.5 per cent of Annual Gross Earnings
\$6m	- 4.4 per cent
\$7m	- 5.3 per cent
\$10m	- 6.2 per cent
\$12.7m and over	- 6.5 percent

Clause 5: Change of accounting period - effect on fees payable

The proposed changes to the formulae in section 6A of the Principal Act reflect the proposed amendments of section 6 explained in the note on clause 4.

Clause 6: Fee in respect of a licence on conversion from AM to FM

Proposed clause 6 inserts a new section 6B into the Principal Act.

Proposed subsection 6B(1) provides that where:

- at any time after 1 March 1987 the Minister has published a notice under subsection 82(1) of the Broadcasting Act 1942 inviting applications for a new commercial radio licence with a service area substantially similar to an existing non-metropolitan commercial AM radio licence; and
- the existing AM licensee requests the Minister to vary the technical conditions applicable to its licence warrant in respect of the existing licence so as to authorise FM transmission;

there is to be payable on the variation of the technical conditions a fee of an amount equal to 50% of the amount specified in the notice published under the proposed subsection 82AA(1) of the Broadcasting Act 1942 in relation to the new licence.

Proposed subsection 6B(2) defines terms used in subsection 6B(1).

Clause 7: Amendments of the Broadcasting Stations Licence Fees Act 1964 as in force immediately before 1 January 1986 for the purpose of its continued application to old system licences

Subclause 7(1) provides that clauses 4 (other than paragraph (a)) and 5 apply in relation to the Broadcasting Stations Licence Fees Act 1964 as in force immediately before 1 January 1986 as if references in the clauses were references to that Act. The effect of this provision is to make the proposed new licence fees (other than the fee payable on the grant of a new commercial radio licence) applicable to old system licences.

Subclause 7(2): formal.

Clause 8: Application

Subclauses 8(1) and (2) provide that the new licence fee scales which are to be introduced under clauses 4 (other than paragraph (a)), 5 and 7 apply in relation to a licence where the 'due date' for fees (as defined in section 123A of the Broadcasting Act 1942 and section 106AA of the Broadcasting and Television Act 1942 as in force immediately before 1 January 1986) in relation to the licence occurs on or after 1 January 1988.

Subclause 8(3) provides that the amendment made by the proposed paragraph 4(a) of the Bill (i.e.: the fee equal to the amount specified in a notice under the proposed subsection 82AA(1) of the Broadcasting Act 1942 in relation to the grant of a new commercial radio licence) will apply in relation to the grant of a commercial radio licence on or after the commencement of clause 8.

