

GOVERNMENT OPTS FOR AGGREGATION

On 20 May 1986 the Minister for Communications, Mr Michael Duffy, made a major statement on the future development of Regional Commercial Television Services to the House of Representatives.

In May 1985 the Minister had announced that equalisation of commercial television services was the Government's highest priority in broadcasting policy. In July 1985 the Forward Development Unit ("FDU") of the Department of Communications delivered to the Minister a report entitled "Future Developments for Commercial Television", which was subsequently published. The Ministerial statement arose out of the FDU's report and the Government's priorities. First, the Minister stated that in the decade 1986 to 1996 the Government was seeking to achieve three strategic goals:

1. provide services in those regional areas comparable to those in capital cities - this is what we call equalisation;
2. create larger, more viable markets in regional Australia by means of aggregation; and
3. prevent extension of existing regional monopolies; that is, encourage competition.

In relation to the equalisation of services, the Minister said that in the states of Queensland, New South Wales and Victoria the Government expected to achieve three commercial television services generally around 1988. In the less populated states development was expected to be slower and in small isolated areas only two services might initially be available. However, he said that nearly all Australia in regional areas could expect at least one extra service by 1990, and that most would have two.

The FDU report had indicated two means of moving towards the equalisation. One was aggregation of existing markets in order to provide a sufficient population growth for competitive services and the other was multi-channel services ("MCS"). This would allow non-competitive, regional licensees to provide up to three services within their existing markets instead of only one.

The Government clearly favours aggregation and financial incentives have been given to encourage licensees to opt for it and to implement aggregation at an early stage. Contrary to the figures put forward by the Regional Television Association, the Government noted that the growth of regional stations' revenue has ranged between 9.3% and 13.9% per annum from 1975/76 to 1983/84. The Minister said that it was a quite modest assumption that long term revenue increases, in real terms by an average of 4%, was sufficient to provide a financial base for aggregation in most markets.

The Government's plan is for regional stations to make a choice between aggregation and MCS. A draft indicative plan of approved markets on the basis of which investors and affected licensees will make decisions related to equalisations would be submitted for consideration by the Government by 31 July 1986 and then published. A final plan will be submitted on 31 October 1986. If no licensee in an approved market chooses aggregation, all licensees will be granted MCS permits. However, if one licensee in a market chooses aggregation all other licensees in that market will also be obliged to aggregate. The decision of one licensee is to be taken as prima facie evidence that the aggregation involved is viable.

The Government then expects licensees to know their equalisation paths by 31 January 1987 and to commit themselves to their implementation plans throughout 1987 and 1988. MCS permits will be re-issued in approved markets only until 1996, by which time three competitive services would be required throughout such markets.

As far as amendment to the Broadcasting Act is concerned there will be two major changes. The first will be the repeal of the Supplementary Television Licence Scheme. The Minister is to write to the Chairman of the Australian Broadcasting Tribunal and other interested parties suggesting that the only television supplementary inquiry yet commenced, being one commenced in Canberra, be deferred pending this legislation. The same will not necessarily apply in relation to radio, in which area parties are awaiting the release of the FDU's report and future developments in commercial radio.

The second major change will be to

facilitate the indicative plan. The Minister for Communications will be empowered to authorise multi-channelled services by use of supplementary television permits, each allowing for the provision of an additional service. The Australian Broadcasting Tribunal will not be used. Such permits will:

- (a) not be available for metropolitan areas except in Tasmania;
- (b) be issued for one year only and require annual re-issue;
- (c) will allow for one or two new services in any one area;
- (d) will require the holder to commence transmission at times to be set by the Australian Broadcasting Tribunal and under similar undertakings;
- (e) involve similar program standards to those for commercial television licences;
- (f) will not be capable of being transferred or sold; and
- (g) will incur licence fees on gross earnings earned through the permit and the main licence.

Another change will be to enable consolidation of licences in a case where the same company owns 100% of two contiguous licences. There will also be automatic conversion of "Old System" Broadcasting and Television Act licences to "New System" service-based Broadcasting Act licences.

The financial incentives referred to above will be the exemptions from sales tax of all Ultra Higher Frequency television transmitters purchased specifically for equalisation. This has been costed at about \$10 million. Further, if licensees opt for aggregation their fees paid under the Television Licence Fees Act 1964 will be rebated between 1986/87 and 1989/90. The rebates will be calculated on a tapered scale falling from a maximum of 100% in the first year to 25% in the last. This has been costed at approximately \$22 million. There will be provision for the Tribunal's monitoring and reporting on progress towards aggregation at licence renewal inquiries.

To assist in aggregation the Government has agreed to a capital works program

to upgrade Commonwealth transmitting stations to accommodate equalisation and the ABC's second radio network and clearance of Band II television channels in order to provide for commercial FM and radio services.

The Minister specifically said that the Government did not intend to in any way regulate networking this time, as it was adequately covered by the Trade Practices Act 1974.

Naturally the issue which will run hand in hand with aggregation will be that of ownership and control. The FDU is currently considering amendment to the current ownership and control rules in the Broadcasting Act. It would appear that this report has been completed and shall be given to the Government by the end of July 1986. The Minister has agreed that an announcement will be made on ownership and control changes by 31 October 1986. However, it is likely that such a statement will only relate to regional commercial television stations and may not address broad issues.

The Government has decided to use UHF channels for each of the two new commercial television services in given areas, although the existing ABC and commercial television stations will probably remain on the VHF frequency. However in some areas, such as Wollongong and Newcastle, where the existing VHF services may need to be cleared to make way for development of new radio services it is likely that all television services will be on UHF.

Although not covered in the Minister's statement, he has stated that the FDU's report on the future directions for commercial radio should be available by the end of this year.

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