

rebel media

Breeze fm

rebel FM
THE ROCKSTATION

Wednesday 23 May 2007

Jenny Brigg
The Manager
Compliance Monitoring & Review
Australian Communications & Media Authority
NSW 1230
localcontentradio@acma.gov.au

Dear Ms Brigg

I refer to a letter from ACMA Deputy Chair; Lyn Maddock dated 13 April 2007 inviting a submission on material of local significance for regional commercial radio. Rebel Media is an independently owned broadcaster that operates two regional commercial FM radio stations in Queensland; Rebel FM (4RBL) and The Breeze (4BRZ). ACMA identifies the Licence Areas as North East Australia Remote Commercial Radio Services.

We broadly support the Commercial Radio Australia (CRA) submission.

ACMA asked for comments from regional licencees on four issues, which are addressed below;

**1(a) - How should 'material of local significance' [Local Material] be interpreted, and
1(c) - Should there be different requirements for different licence areas/classes of service**

Our licence area is over 2600 km long, 1,389,713 km² in area and represents 18% of Australia's land mass. The largest solus market town is under 3,500 people. Localism is virtually impossible to practically implement and enforce right across a sparsely populated licence area of this size.

As a quite simplistic example to demonstrate just how big that is in terms of a typical regional commercial radio station, for the purpose of this example, lets define a 'Local Region' as a large square block of Australia 200 km long x 200 km wide.

In this example, the 'Local Region' is already far larger than an average (ie-non Remote) regional commercial radio licence area. 35 of those 'Local Regions' would fit within our licence area!

If we were to broadcast local news of interest to any one 'Local Region' it would be of limited or no relevance to the other 34 'Local Regions' in our licence area. And those 34 'Local Regions' would represent over 97% of our licence area.

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Any small market commercial broadcaster investing resources into programming that appealed only to a maximum of 3% of its licence area would quickly be insolvent. Mandating local content requirements will force this company down that path. We are being asked to divert valuable resources into content that will ultimately reduce the overall popularity of our services and effect our revenue base.

The idea of 12.5 minutes a day of local news broadcast across our licence area is difficult to understand. It can be likened to asking MusicMax or Channel V (Foxtel/Austar TV) to do 12.5 minutes a day of local news via satellite for towns across Eastern Australia.

Assume the 12.5 minutes in our licence area is (on average) divided evenly across the 35 'Local Regions'. For each and every region, that would represent only 21 seconds a day of locally relevant news and 12 minutes and 9 seconds of news that is irrelevant.

Rebel Media is entitled to simulcast the one program feed for Rebel FM and The Breeze on all FM transmitters within its licence area, similar to how the Western Australia & Central Australia Remote services operate. However, we voluntarily provide a number of different regional variations of our services. Rebel FM has one main program feed that is delivered to 90%+ of our licence area, but also has an additional four sub-feeds (local program windows & elements) that are localised in geographically small areas where it has been viable to do so. The Breeze has two sub feeds.

Forced localism on the Rebel FM main feed that covers such a large area (with the exception of irregular emergency information) will be disastrous. Forced localism on any of our four sub feeds would reach less than 10% of our licence area and may render those sub feeds unviable. Any move to enforce localism on the sub feeds would be strongly opposed and would serve as an incentive for us to discontinue those sub-feeds, along with the localism they currently provide. Market forces currently dictate the level of localism on the sub feeds (and whether they continue as sub feeds) and that's the way it should stay.

Both Rebel FM and The Breeze are strongly music focused stations based on a 'more music, less talk' format. As nearly all local content is talk based, forced localism will detract from the format and appeal of our stations, negatively affecting our revenue base and driving away listeners to other classes of radio stations that are not forced to provide local content of any kind. Music is a broad appeal and cost effective program format that has the capacity to attract a large audience share right across our vast licence area, which is the foundation for viability of the remote services.

For all the reasons listed above, it is essential that ACMA exclude the remote radio services from any forced local content requirement. CRA also support the full exclusion of the remote services.

1(b) - The appropriate number of hours of local material

For remote radio services, zero minutes is our recommendation. If that's not possible, then we propose a 5 minute limit weekdays (broadcast at any one or more locations in the licence area) if ACMA includes Community Service Announcements for local non-profit community groups as being material of local significance.

2 - The likely additional costs of complying with the new requirement to broadcast weekdays 4.5 hours of material of local significance

It's difficult to answer that question until such time as ACMA can make it clear how it has defined 'material of local significance'.

If a broad definition covers compiling and voice tracking a 4.5 hour music based program, in its entirety, produced from a location outside the licence area but designed for broadcast solely with the licence area (with the exception of relaying state based hourly commercial radio news bulletins), then there is a relatively small increase in operational costs, as we already easily exceed those requirements for both Rebel FM and The Breeze. The immediate increase in operational costs can be contained to administrative costs in ensuring and proving compliance with the local content requirements.

However, if the radio stations are sold, most likely to an existing radio network, it is likely the new owners may seek to take advantage of synergies by relaying generic networked programs from an existing hub to lower costs and avoid duplication. If they are required to bear the costs of retaining 4.5 hours a day of unique content for each of our radio stations, it will lower the sale value of our radio stations accordingly at that time.

We believe this will have a gradual but significant negative impact on our cost and revenue structure in the long term, starting well before sale of the radio stations, as our investment in new infrastructure, expanded transmission reach and staff resources will be markedly reduced from this point forward, in line with the reduction of the market value of our broadcast licences.

3 - The likely additional costs of 12.5 minutes a day of local news

If the ACMA definition requires us to provide local news, then the effects will be greater, as they will be if a sale trigger event occurs.

The cost of providing a Journalist/s will require us to relocate premises, as our existing studio and administration building is at capacity. In addition to the costs of relocating, a preliminary estimate has minimum additional operational costs of \$118,000 pa, depending on the quality of the service, the type of service provided on each station and which of the main program feeds and sub feeds are required to carry a news service.

As detailed earlier, we believe the impost of local news on a music based remote commercial radio service in our licence area will have the simultaneous effect of driving

listeners away from the station, reducing listener and client satisfaction with our services and reducing revenue.

With an increase of costs, a reduction in revenue, without government subsidy they will undoubtedly quickly drive the stations into a loss making situation.

4 - Any other comments

We are strongly opposed to any mandated local content requirements. The legislative amendments should be repealed altogether, or an exclusion be granted for the remote broadcasters, including local news requirements following a change of control trigger event.

When amendments to the Broadcasting Services Act 1992 were passed in October 2006, the sections which dealt with local presence and local content requirements were drafted without industry consultation. At this time, it's likely that the remote radio licencees, of which there are only three in Australia (Rebel Media, Red Wave Media and Fresh Stream), were unintentionally overlooked.

The proposed local presence and local content requirements are very much at odds with the nature of our licence area and the services all remote licencees provide.

All the remote licencees commenced service with studios located outside their licence area. Currently all have studios and office facilities based within or immediately adjacent to their most central capital city, where they are able to more readily secure quality staff and contain expenses. From that central location, services are centrally distributed via satellite across the vast licence areas via a wide and extensive network of FM retransmission sites to service the small towns within it.

It is our understanding that within our licence area, ABC Radio, ABC TV and the remote commercial TV services do not have any full time staff or any on-air broadcast studios. Commercial TV broadcaster Imaparja TV is based interstate in Alice Springs and most of their commercial break content broadcast into our licence area and across remote Queensland is for NT/SA and is not relevant to Queensland viewers.

If the Government and ACMA are intent on providing localism, a more effective way to provide it would be through the government funded talk/information based ABC local radio stations, grants to small market commercial broadcasters (where it can be accommodated by a stations format) or by the community radio sector. Community radio stations are licenced to serve local communities, receive their licences for free, have local volunteers on the ground and often have segment based programming that is conducive to local content.

There is a real danger of sending broke a number of family based small independent radio station owners who have invested a significant part of their lives and savings into building strong radio stations that are valued within the communities they serve.

We've adapted to significant market changes over the years, seen an explosion of new media services via satellite Pay TV, TV aggregation, newspapers, the Internet, community radio, ABC radio, SBS radio, narrowcast radio and in our case, additional commercial radio competition in our key markets. All of which have impacted our marginal revenue bases. People within our licence area now have a greater choice of news services and opportunity for local interaction than they have ever had before.

Rebel Media is not in a position to absorb higher costs, lower revenue and reduced licence valuation in order to be the only medium forced to provide services that our audience have not asked for. We are intimately familiar with our licence area, what people want and what is viable to provide to them. For Canberra to mandate content of any kind, especially content that is costly to produce and limits our existing flexibility to respond to market changes, is a path that endangers the services that our audiences are already very happy with.

Regards

A handwritten signature in black ink, appearing to read 'Aaron Jowitt', with a stylized flourish at the end.

Aaron Jowitt
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