

**SUBMISSION BY GRANT BROADCASTERS PTY LTD  
A.C.N. 000 667 470**

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## SUBMISSION BY Grant Broadcaster Pty Limited

### A. EXECUTIVE SUMMARY

Grant Broadcasters Pty Limited (GRANT) is a family owned owner and operator of regional radio stations. GRANT has interests in 33 commercial radio stations covering 19 Licence Areas in every Australian State and Territory and has been in the local regional radio business for over 60 years.

GRANT (and its predecessor entities) is a 2nd generation family company and likely to transition to a 3<sup>rd</sup> generation company, albeit with good luck and good health not in the immediate future.

GRANT has been exposed to the impacts of the changes to regional radio with the passage of the amendments surrounding cross-media legislation. This has occurred in 18 of our 19 Licence Areas and has had a far-reaching impact on our business.

These changes have increased our compliance and administrative overheads. They have also restricted our flexibility and adaptability.

We pride ourselves on our local involvement, both on-air and off-air, in our radio stations, yet the local content provisions and especially the fear of incurring a trigger event have not acted for us as a floor of minimum requirements, but as a cap to our current operations that may only be breached at great risk to the ongoing value of the business.

The operation of the legislation makes it quite clear that once the minimum standards are met, it is quite dangerous to perform above that level because there is every likelihood that the business will become frozen at that higher level.

Yet the vast majority of GRANT stations operate well above the minimum, and further we have significantly increased our localism (both presence and content) in all our recent acquisitions, including Mildura, Bendigo, Ipswich, Launceston, Burnie, Devonport, Queenstown and Scottsdale.

Perhaps it is because of the risk that we have taken, in the face of legislation that could at any day severely penalise us for doing what we believe in, that we feel so strongly about the urgent need for change. We make no apology that the strength of this belief flows through in the choice of our words in responding to the key issues.

In summary, we believe that

- The trigger event components of the legislation are badly flawed and needs to be replaced with legislation that only captures real change of control. Few changes of control actually threaten localism to a sufficient degree as to warrant trigger event style provisions. There should be clarity of what transactions are always exempt from review (such as family transfers, corporate re-structures, and single station transactions) and a review process to determine appropriate provisions for other transactions.
- When triggered, provisions focus on outcomes, not inputs
- The trigger events provisions, on the infrequent usage of them, have realistic time limits on their operation (a sunset clause)
- Local content provisions are themselves reasonable, but there needs to be practical considerations to when and how that material is delivered, particularly with regard to the weeks of operation and the days to be counted.

**Key issue 1**

*Should greater flexibility be provided for regional commercial radio broadcasters required to provide 'material of local significance' (for example, should broadcasters be permitted to broadcast material of local significance on weekends)?*

GRANT has observed 2 issues that arise from the constraints regarding the time period for local requirements

- 1) The requirement makes no allowance for annual leave, sick leave or the effects of staff turnover – all of which occur in practice and leave is of course mandated. In larger markets there is some flexibility in staffing that lessens the practical impact, but in smaller markets, this creates a significant burden where there is simply not the skills available locally to hire on a short term basis, nor are there the financial resources to re-locate the necessary people on short notice.

Previously, in small markets over holiday periods, we have met our listeners' expectations by offering a number of options that have included quality network programming and pre-recorded special shows. We can no longer use network programming to provide some interesting variety to address the leave issue, so the effect of not allowing any flexibility in the sourcing of content means we need to find flexibility in other areas. As described above, additional resources are not an option, so this leaves one area of flexibility – we have to lower the standards of the program production for that period.

The requirement to produce local content 52 weeks a year has the unintended consequence of delivering lower quality programming for a period covering lower staffing and **should be changed to be 46 weeks a year.**

- 2) Whilst we are not aware of any instances across our group where we have actively moved local content from weekends to weekdays to bolster local content, there would be very little interest in moving local programming from weekday to weekend. In particular, we would not be able to consider whether a move from weekday to weekend had any merits in the face of current legislation concerning applicable hours of local programming.

**The legislation should be changed to allow weekends or public holidays to count towards a weekly cumulative measure of material of local significance.**

**Key issue 2.1**

Should the 'material of local significance' and local presence requirements in the Act apply to:

- (a) regional commercial radio broadcasters primarily providing racing services
  - (b) remote commercial radio broadcasters
  - (c) regional radio services operating outside the Broadcasting Services Bands (section 40 licensees)?<sup>16</sup>
- Please comment.

**Key issue 2.2**

Should the additional local news and information requirements imposed after a trigger event occurs apply to:

- (a) remote commercial radio broadcasters
  - (b) regional commercial radio broadcasters primarily providing racing services?
- Please comment.

2.1a & 2.2 a) In GRANT's view, racing service radio providers are addressing audience needs that are not local. Their audiences do not come to them for localism and there are services that meet their local needs. A requirement for material of local significance, or for local news and information would detract from their programming and add no benefit to the community. GRANT also notes that there are protections in place to deter operators from changing local commercial stations into racing radio services.

**Therefore neither 2.1a "material of local significance" nor 2.2a "local news and information requirements post trigger event" should apply to racing radio services**

2.1b & 2.2 b) GRANT is of the view that the 2 concepts of remote broadcasting and local broadcasting are about distinctly different policy objectives and that it is not possible to provide meaningful local broadcasting with a remote broadcasting licence. Any attempts to bridge this gap will do a disservice to these 2 important, but disparate, concepts

**Therefore neither 2.2a "material of local significance" nor 2.2b "local news and information requirements post trigger event" should apply to remote broadcasting services.**

2.1c & 2.2c) As Section 40 licences adjacent to the AM Broadcast Services Band are the result of unique adaptations to the Broadcasting Services Act, it is difficult to generalise the correct way to treat them. **The best suggestion is that if they act like a commercial radio station, then they should have the same regulations, but if they act like a Narrowcast station, then those regulations would be more appropriate.**

**Key issue 3**

Should section 61CB(1) be consistent with the media control principles in the Broadcasting Services Act 1992?  
Please comment.

GRANT believes the Act is reasonable and correct in the way it operates currently in this regard.

As a matter of practical experience in this area, GRANT has acquired the shares in 2 companies that hold a single radio licence since 2007 (and have not endured a trigger event consequently for those companies). The change of ownership has been correctly recorded and all control provisions of the Act satisfied. Trigger events were introduced to allow TV foreign ownership and cross media transactions to occur. **The acquisition by GRANT of these stations were not cross media transactions, and so there is no reason we can see why the legislation on cross media should apply.**

It is worth noting, that despite the absence of legislation that might compel us to take action, both of these stations are dramatically more local post our acquisition.

**Key issue 4**

*How can the existing requirements be modified to ensure the appropriate application of the trigger event related provisions? What types of events, if any, should be exempt from the trigger event requirements?*

GRANT feels most strongly that government powers to absolutely prevent changes in the daily operations of private enterprises should be reserved for only the most extreme circumstances. As these circumstances are by definition rare, they should be subject to individual scrutiny of the event in question. In our view, there are already adequate mechanisms to require enforceable undertakings as a condition of a merger or acquisition to address these most extreme examples.

We cannot stress enough the damaging effects on business that trigger events and the constant threat of trigger events is to the business. Whilst it may have been intended as putting a floor under a perceived risk of greedy proprietors, it has also placed a ceiling and straightjacket on all regional radio proprietors. Some examples:

In one very small, very remote market, a sales person took maternity leave. No suitable person was available or interested in working in this market and so we were down to 1 sales person and inevitably sales revenue suffered. Instead of being able to absorb this set-back by at least lowering expenses for the duration, the trigger event provisions on staffing forced us to hire a person anyway to do "administrative duties" forcing that radio station into loss for the period.

A year after the acquisition of the Northern Tasmanian radio stations, we decided to move to creating our own programming for these stations and to cease taking the program from the Gold Coast centre from Macquarie Southern Cross. An important factor in locating the staff in Launceston rather than Burnie and/or Devonport was that we would not be increasing head count or studio facilities in those areas lest another trigger event occur. As it stands we remain reluctant to build any studio facilities in those markets for that reason (in the meantime, we have moved and built completely new replacement studios for Queenstown, Mildura and Bendigo and have substantially refurbished studios in Ipswich & Darwin in the last 18 months)

On the subject of refurbishment and renovation, had the trigger event legislation existed earlier, we never would have been able to build entirely new modern studios for Hobart and Wollongong stations as their old buildings had a vast array of old production facilities (including a live performance auditorium for radio plays in the case of Wollongong) that would have been economic folly to maintain, as the legislation would have insisted.

A current situation exists in Tasmania – a well respected debtors clerk is leaving us in Launceston, and as our accounts are otherwise centred in Hobart, it would make sense to move the Launceston role to Hobart (where there would be room, career opportunity etc). Unless we work out some clever counting of the numbers, then the trigger event provisions are quite clear: we may not do this. Ever. Unless we were to move an announcer or perhaps a journalist from Hobart to Launceston to keep the staffing levels right. It would have the advantage of reducing staffing numbers in Hobart which might be a good idea to get done more than 3 months in advance of an uncontrollable and unpredictable trigger event.

These are foolish outcomes that are the result of the inappropriate application of legislation; and it must be improved.

Our stated preference is for the repeal of the trigger event legislation and the handling of areas of concern (eg potential news room consolidation) by case specific means conducted during a review of a proposed significant change in control.

If that cannot be achieved, then the situation could be at least improved by limiting the provisions to those times when significant management changes are more likely and linked to the actual trigger. To this end, we would recommend that the following changes are exempted

- Intergenerational change
- Partner buyout
- Radio to radio sale
- Corporate re-structure
- Changes to licence area

*Key issue 5*

*For how long should broadcasters comply with the additional requirements imposed after a trigger event occurs? If a change to the current arrangements is proposed, what type of change should apply and why is it appropriate?*

Consistent with our recommendation that trigger event like provisions should be made on a case by case basis, the duration of those undertakings should be determined by the particulars of the circumstances, but should never be indefinite.

If trigger events are to continue to apply indiscriminately to all changes in control (less the suggested exemptions), then there needs to be an end-date that allows for business owners to focus on being able to adapt their business to the dynamic media environment.

Radio continues as a vibrant industry today because it has been able to adapt to the massive changes in business, technology and media since its inception in the late 1920's. If radio had been locked to any one decade in the past, then it, like any other industry, would have surely withered and died. That a sector of any industry should be locked indefinitely to any one period of time is a staggering concept in its brutality. That it should do so for the benefit of other sectors of the industry is outrageous.

In our view, 12 months is an appropriate period for new media controllers to assess and understand the environment before making changes. Since the obligations on local content remain, any changes to staffing and other resources will be about how the job of delivering the required programming is best done according to the circumstances.