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PRODUCTIVITY COMMISSION SUBMISSION

BROADCASTING

3UZ PTY LTD (RADIO SPORT 927)

May 1999

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Sport 927 (3UZ Pty Ltd) Profile

Radio Sport 927 (3UZ Pty Ltd) is a Melbourne commercial radio station owned by the Victorian Racing Industry. The primary role of the station is to broadcast all racing events, thoroughbred, harness and greyhounds on which the Victorian wagering agency Tabcorp operate a betting service for its customers.

Over the course of the racing year, 1998/99, Sport 927 will broadcast approximately 43,000 individual races, supplemented by the provision of information (tips/scratchings/odds etc) to enable 'punters' to make informed wagering decisions.

The station's secondary role is to promote the sport of racing to Melbourne's sport enthusiasts that listen to the station's programs that cover the 'major' sports such as AFL football, cricket etc.

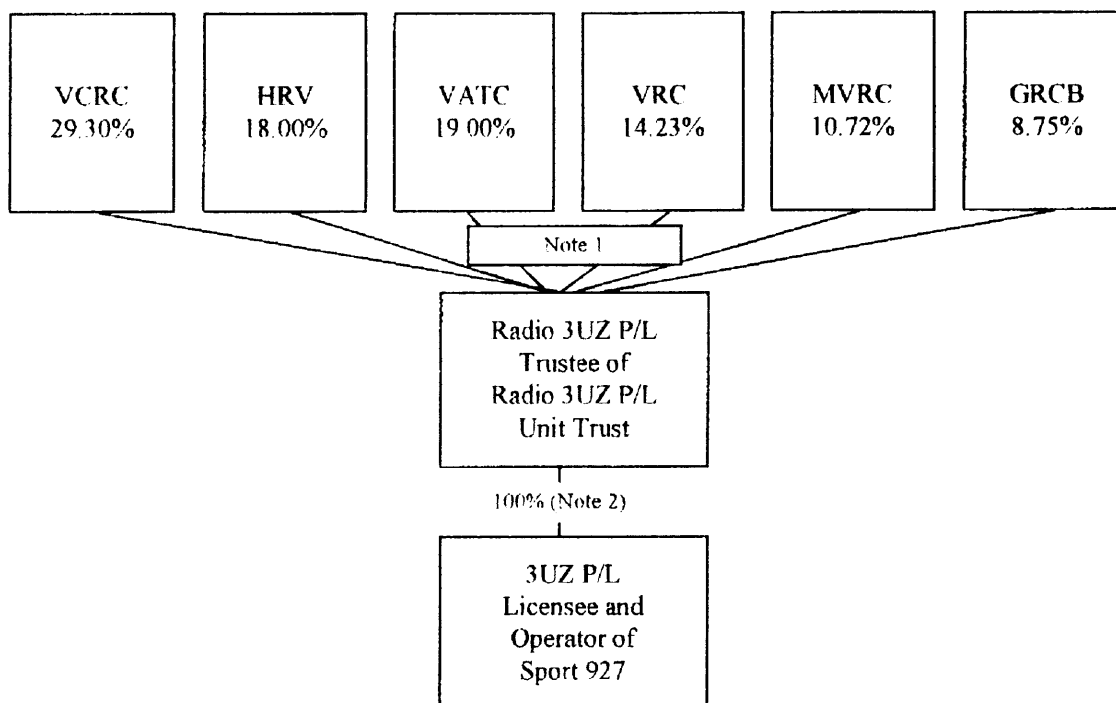
Sport 927 broadcasts to the Melbourne metropolitan market on frequency 927AM and also relays those programs to a number of Victorian regional areas through a network of 'open narrowcast' and commercial licences.

<u>Region</u>	<u>Licence Class</u>	<u>Frequency</u>
Melbourne	commercial	927 AM
Ballarat	commercial	1314 AM
Bendigo	'open narrowcast'	945 AM
Shepparton	commercial	1260 AM
Swan Hill	'open narrowcast'	106.9 FM
Mildura	commercial	97.9 FM
Wangaratta	'open narrowcast'	99.3 FM
Wangaratta	'tourist'	87.6 FM
Bairnsdale	'tourist'	87.6 FM
Lakes Entrance	'tourist'	87.6 FM
Traralgon	'tourist'	88.0 FM
Sale	'tourist'	87.6 FM
Horsham	'tourist'	88.0 FM

In addition to those services listed Sport 927 relays its race broadcasts and supplementary programs into all interstate markets, through its affiliate Racing Radio stations from which it also receives a number of interstate race broadcasts.

Sport 927 (3UZ Pty Ltd) Ownership

SPORT 927 is the trading name of 3UZ Pty Ltd, which holds the broadcasting licence. This company is wholly owned by Radio 3UZ Pty Ltd as trustee for the 3UZ Pty Ltd Unit Trust.



Note 1: Radio 3UZ Pty Ltd issued 2 fully paid ordinary shares and 9,998 ordinary shares paid to \$0.01. VRC and VATC each hold one fully paid share. The partly paid shares are held by the racing bodies in the proportions listed above.

Note 2: 3UZ Pty Ltd issued 2 fully paid ordinary shares and 11,000,000 fully paid Redeemable Preference Shares. All are held by Radio 3UZ Pty Ltd.

Note 3: Trust Units are held by each of the racing bodies in the proportions listed above:

Abbreviations:

VCRC	Victorian Country Racing Club
HRV	Harness Racing Victoria
VATC	Victorian Amateur Turf Club
VRC	Victorian Racing Club
MVRC	Moonee Valley Racing Club
GRCB	Greyhound Racing Control Board

Sport 927 Submission

This submission is limited to 'competitive' restrictions relevant to radio broadcasting, as referred to in the Productivity Commission *'Issues Paper'* March 1999.

For the Commission's ease of reference those issues commented upon by Sport 927 follow the numerical order of the *'Issues Paper'*.

2.1 The Changing Nature of Broadcasting

Prior to the introduction of Television into the Australian market in 1956 radio was primarily a fixed medium and for many families the very centre of their entertainment needs.

The introduction of portable and motor vehicle radio units quickly changed the usage pattern of radio where its portability became, as it remains today, its competitive advantage over other mediums. The advent of new technologies such as radio/audio services via the internet do not, and are not, expected to provide such portability and are essentially 'wired' services.

The advantage of radio or 'wireless' services will remain one of the medium's competitive advantages, without these advantages the future of radio would be severely jeopardised.

It is recognised that the quality and consistency of radio/audio services currently provided by the internet are vastly inferior to traditional radio services provided by licensed radio broadcasters.

Submission

1. That any future amendment to the Broadcasting Services Act 1992, or any future amendment to related legislation or policy, recognise radio's unique and perhaps only 'major' future competitive advantage, portability, and that this unique competitive advantage be preserved within legislation.
2. Recognition that any future introduction of satellite audio services proposed by companies such as 'Worldspace' would effectively extinguish licence service areas, thus jeopardising radio's existing geographic boundaries that all commercial broadcasters have operated within for some seventy five (75) years under the definitions of their licences.
3. That any legislative or policy change that would enable 'traditional' geographic boundaries, defined as service/coverage areas, be extended, that in the first instance any such expansion of service/coverage areas be offered to licensed broadcasters.

2.2 The Public Interest and the Objectives of Broadcasting Policy

Social Dimensions of the public interest

Does the current policy framework support access to adequate broadcasting services throughout Australia, including regional and remote areas?

Sport 927, and its affiliate Racing Radio broadcasters, contend that the present broadcasting policy framework is deficient insofar as enabling access of broadcasting services into various regional areas throughout Australia.

Racing radio services are denied to a very large number of Australian regional residents due to the significant time delays to Local Area Planning (LAP) investigations and subsequent recommendations undertaken by the Australian Broadcasting Authority (ABA) Planning Branch.

Various executives from the ABA confirm that these delays are due wholly to a lack of manpower to execute the finalisation of the LAP process.

This issue of the denial of Racing Radio services into certain regional areas has now reached a critical stage following the decision of the ABC regional radio stations, Australia wide, to cease broadcasting their traditional Racing service.

Submission

1. That a licensing regime be established to enable the relay of program content, in this instance Sport 927 Racing broadcasts, into regional Victoria without the reliance on the purchase at auction of open narrowcast licences.

A precedent for this relay of broadcasts into multi-service areas is the JJJ network

The Sport 927 licence holder, the Victorian Racing Industry is a statewide organisation and is supported by Tabcorp, also a state based operation, both of whom have an expectation that Sport 927 provide a statewide race broadcasting service of a permanent nature.

The listing of the 13 regional licences operated by Sport 927 demonstrate that these services are not 13 individual radio stations but 1 commercial service being relayed to 12 separately licensed transmitters throughout the state of Victoria.

2.2 The Public Interest and the Objectives of Broadcasting Policy (Cont'd)

Submission (Cont'd)

Most of these licenses are of necessity the 'narrowcast' type in the absence of any other licensing regime. Unfortunately 'narrowcast' licences are held only for a limited tenure whilst the service is expected to be of a permanent nature. The present licensing system under the BSA does not provide for the type of permanent licence class to enable the permanency that our shareholders and listeners expect the station to deliver.

2.4 Australia's Current Broadcasting Regulation

Digital Conversion (Radio)

In March 1998 the Minister for Communications, the Information Economy and the Arts, Senator Richard Alston, announced the introduction of Digital Radio services (press release appendix A).

The Minister stated that "planning will proceed on the basis that the Eureka 147 system will be used to provide digital services, operating generally in L band....."

Submission

1. That the introduction of Digital Radio Broadcasting (DRB) services be introduced from January, 2001 or as soon as possible thereafter
2. That the Eureka 147 system be adopted as the digital radio system for Australia.
3. That spectrum in L Band be planned to enable satellite delivery of DRB at a future date for those broadcasters whose format/services are deemed appropriate to provide the services represented by their licences, particularly to those areas that no longer receive Racing broadcasts following the recent cessation of coverage previously provided to some markets by ABC radio.
4. That each commercial broadcaster be automatically allocated 256 Kbits of multiplex capacity and be free to utilise this capacity for enhanced audio quality, multi channelling and the provision of program associated data (PAD).
5. That an equitable policy for the transmission of non-program related data by broadcasters be formulated with reasonable limitations.
6. That those commercial broadcasters who do not commit to migration to Digital Broadcasting within a reasonable timeframe, forego the right of access to the allocation of 256 Kbits.

2.4 Australia's Current Broadcasting Regulation (Cont'd)

Submission (Cont'd)

7. That a firm timetable be established for the introduction of Digital Radio Broadcasting (DRB) as follows:
 - (a) that no broadcasters in a given market commence digital (simulcast) transmission before a nominated date.
 - (b) that all broadcasters within given markets commence digital (simulcast) transmission by a nominated date.
 - (c) that the Government determine a timetable for the ultimate termination of analogue transmission.

2.5 The Role of the Australian Broadcasting Authority

"What have been the strengths and weaknesses of the division of responsibilities between the ACA and the ABA?"

Submission

1. That the Radio Communications Act and the Telecommunications Act be amended as required to facilitate the provision and operation of broadcasting services.

For example, the allocation of frequencies for broadcasting within the currently designated broadcasting band has been delegated by the Australian Communications Authority (ACA) to the Australian Broadcasting Authority (ABA). However the ACA has exercised the right of issuing licences for broadcasting services in frequency bands that are planned by the ABA eg. in the band 1602.5 khz and elsewhere.

The operation of two different planning regimes for services in adjacent bands has led to anomalies, interference problems and anti-competitive situations.

A further potential problem concerns the so-called 'L Band' (1452 –1492 MHz) which is to be used for Digital Radio Broadcasting. This frequency band is under the control of the ACA not the ABA.

We submit that all broadcasting services and their use of spectrum should be under the one Government body, the ABA.



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Media Release

SENATOR THE HON RICHARD ALSTON

*Minister for Communications, the Information Economy and the Arts
Deputy Leader of the Government in the Senate*

Australia's Digital Radio future

The Minister for Communications and the Arts, Senator Richard Alston, announced his support for the introduction of digital radio broadcasting (DRB) in Australia.

'DRB is probably the most significant event in radio technology since the development of FM, and its impact on the medium will be even more far-reaching,' Senator Alston told the Annual Convention of the Federation of Australian Radio Broadcasters in Brisbane today.

The Minister's comments followed the receipt of the report from the Digital Radio Advisory Committee on the introduction of DRB.

In thanking those who participated in preparing the report he emphasised that further work was necessary before detailed policies could be developed. This work will be undertaken by the Department of Communications and the Arts and the planning agencies, in consultation with industry 'The features of DRB are impressive and can offer a greater number of services than are currently available, together with a robust, interference free signal with little or no distortion and fading,' Senator Alston said.

'It means listeners will receive vastly superior sound quality, especially in difficult reception areas.'

The Minister said that the Eureka 147 system, which is being introduced in a number of overseas countries, is probably the most appropriate DRB system for Australia.

A key feature of the Eureka 147 system is the 'multiplex', which brings together and encodes several audio channels and adds data and other services. Each Eureka 147 multiplex occupies 1.5MHz of spectrum and is able to provide five CD quality programs; or around six FM quality services; or around 12 AM quality services; or around 30 voice channels; or some combination of these.

DRB will also offer a range of new services, such as music on-demand and services tailored to the tastes of individual audience members, similarly personalised news services, as well as the potential for data and information services, road maps and traffic conditions, and even addressable message services.

The introduction of widespread digital radio services will depend upon the availability and price of receivers. Digital receiver prices are expected to fall to the existing prices for AM and FM radios once there is a substantial market. 'Timing of the introduction

of digital services is difficult to predict but some services should be in operation by the turn of the century, at least on a trial basis,' Senator Alston said.

'There would, however, be a period where AM and FM radio services continued along with the new digital services.

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19 September 1997

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Digital Radio Advisory Committee Media Release

Digital Radio Broadcasting in Australia

5 September 1997

The Digital Radio Advisory Committee has recommended introducing digital radio broadcasting (DRB) in Australia, in its report to Government, which has been presented to the Minister for Communications and the Arts, Senator Richard Alston.

'DRB is an exciting new way of providing broadcasting communications services using digital technology,' Committee Chair, Victoria Rubensohn said.

The Committee believes DRB - which is in its early stages of introduction in Canada and Europe - could enhance and strengthen Australia's already successful radio industry. For example, DRB has the potential to provide better reception and deliver higher quality sound than current analog broadcasts.

DRB can also carry a range of extra services such as still pictures, data and text. Capacity can be reconfigured so the number and quality of services can be changed at any time.

'DRB technology in Australia could change the way we understand and use radio, in terms of possible services and the way those services are provided. Digital technology presents an opportunity for further strengthening an already popular, high quality and successful medium,' Ms Rubensohn said.

The new digital radio era will require new reception equipment for listeners, as well as new transmitters, studio equipment and other infrastructure for broadcasters. Implementation strategies will therefore need to be carefully considered to avoid disadvantaging consumers, and analog services are likely to continue for a number of years.

The independent Digital Radio Advisory Committee was established in late 1995 and comprised broadcasting industry bodies, the electronics manufacturing industry body, telecommunications carriers, the Communications Law Centre and Government agencies. In September 1996, the Committee released a discussion paper and invited public submissions. A summary of these submissions is included in the final report.

The report is available online at <http://www.dcita.gov.au> or by calling 02 6279 1714.

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