



19 January 2017

Budget Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

COMMUNITY
BROADCASTING
ASSOCIATION OF
AUSTRALIA

Budget submission

This letter forms the submission of the Community Broadcasting Association of Australia (CBAA) to the 2017/18 Budget Process.

At a time when economic and technological reforms are increasing the need for independent and local voices in media, government decisions have significantly impacted community radio station budgets.

The CBAA, in consultation with sector stakeholders, has identified two priorities for the 2017 Federal Budget to ensure the maintenance of existing services provided by financially sustainable community radio stations:

1. Increase of funding targeted to community digital radio under the Community Broadcasting Program to \$4.5 million per year. This incorporates a restoration of \$1.4 million lost in 2016 as well as additional funding to secure community radio participation in the digital roll-out in regional Australia.
2. A one-off contribution to targeted transmission funding of an additional \$2.2m, allocated through the existing Community Broadcasting Foundation transmission funding and grant allocation arrangements, to cover the cost of spectrum reallocation of the 803-960 MHz radiofrequency band.

The CBAA has been working closely with the Minister for Communications and the Department of Communications and the Arts on our sectors operating budget and approach to resourcing. All details have been shared with them and we would be pleased to engage with other officials as required as the 2017/18 Federal Budget process progresses.

Background

The CBAA is the peak body for community radio stations, and champions community broadcasting by providing services that build stations' capability and create a healthy environment for the sector to thrive.

Community broadcasting is Australia's largest independent media sector, a key pillar in the media landscape, and recognised internationally as one of the most successful examples of grassroots media.

Australia's first community radio station was licensed in 1972 and the sector has developed rapidly over its 40 year history. There are currently 450+ community radio stations, 66 per cent of those operating in regional, rural and remote areas.

Community radio stations play an important role in catering to the needs of, and providing a voice for, communities that aren't adequately serviced by other broadcasters. This includes Indigenous, ethnic and multicultural, educational, community access, faith-based, the Radio Reading Network for people with a print disability, youth and seniors, LGBTBIQ, and specialist music and arts content.

Stations do this both through their programming and by providing opportunities for the community to be involved in its operations.

In metropolitan areas, this is achieved through a diversity of specialist stations; in regional and rural communities, community radio stations are more likely to be generalist stations, which reflect the diversity of their communities through diversity of programming.

The national community radio audience listens to services that contribute to and reflect Australia's open society, strong democracy and vibrant culture by:

- Sharing a diverse range of viewpoints that enrich the social and cultural fabric of Australian society and contribute to public interest outcomes
- Promoting the identities of local communities and contribute to social inclusion
- Providing opportunities for participation in free-to-air public broadcasting and content production
- Contributing to media diversity
- Generating a high level of local content
- Providing a unique range of services and programs

The 2016 National Listener Survey recorded the highest listenership on record; more than 5.3 million people tune in to not-for-profit, community-owned and operated radio services across the country for an average of 16 hours each week.¹

But as the sector celebrates its strengths, it faces challenges in technological developments at the same time as reductions to funding. The future of community radio is critical whilst commercial media ownership concentration leads to further retreat or syndication of media services, reducing access to local content, including local news and information provided by local voices. This is especially an issue for regional communities. .

This submission has endorsement by the following Community Broadcasting organisations:

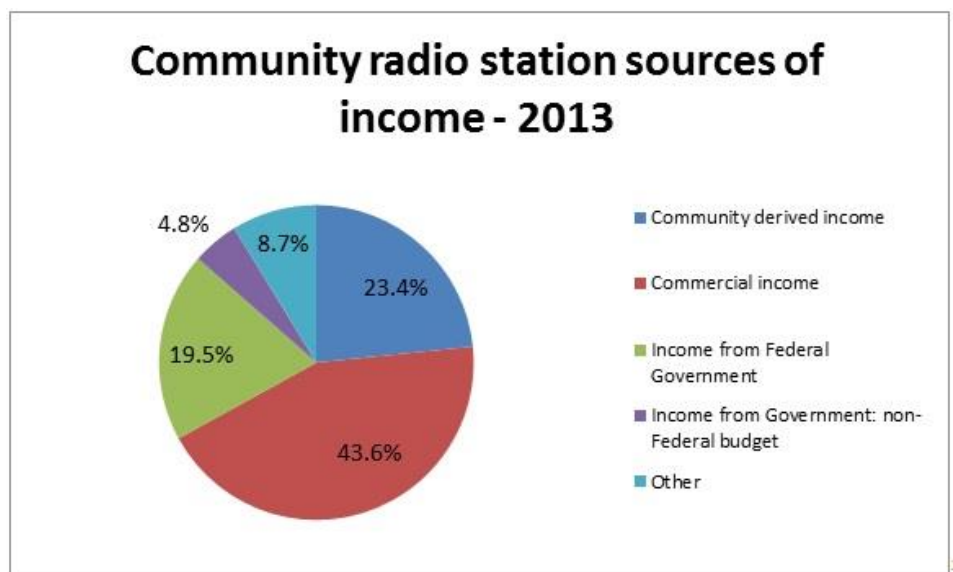
- The Christian Media & Arts Australia
- The Australian Community Television Alliance
- The Community Broadcasting Foundation

¹ <https://www.cbaa.org.au/sites/default/files/media/McNair%20Ingenuity%20Research%20-%20NLS%20Fact%20Sheet%20-%20Australia%20-%202016%20-%20Wave%20%231%20-%201605R.pdf>

The financial costs of Government decisions are impacting on the costs faced by community broadcasting licensees

Community radio stations are able to achieve their significantly low-cost / high output radio production, with strict regulations limiting their commercial fundraising capacity², through self-funding via sponsorship, fundraising and membership contributions and the efforts and commitment of over 19,000 volunteers supporting around 680 EFT employed staff.³

Federal funding accounts for about 20 per cent of station income on average, although this varies greatly by individual stations, depending on a range of factors. There is great diversity in community radio licensees, and some sections of the community broadcasting sector are more heavily reliant on government income than others. This reflects the greater difficulty of these stations in raising commercial income due to their targeted communities of interest.



Community radio stations have a limited capacity to absorb income shocks.

The low budgets that stations operate under, and the difficulty of quickly mobilising 'community capital' to face funding shortfalls in the same way as financial capital, makes stations vulnerable to shifts in their existing income sources, especially where these are unforeseeable and outside of their control.

Incomes for community radio stations are currently impacted by a number of decisions taken by the government. The CBAA supports some of these decisions, and has passed on our concerns about others to the Minister for Communications. The intent of this submission is to highlight the impacts and unintended consequences of these decisions, and the immediate budget priorities that arise.

Administered Program Indexation Pause

The 2014 Federal Budget introduced the Administered Program Indexation Pause, freezing the Community Broadcasting Program (amongst others) in nominal terms for three years. The 2015 Federal Budget extended that for an additional two years, resulting in a real terms cut equal to the rate of inflation compounding over four years.

In October 2015, the Minister for Finance provided the cost of the Administered Program Indexation Pause on the Community Broadcasting Program in response to a question upon notice. Senator Cormann detailed that the cost of the initial phase of the Pause would be \$3.093 million (over three years), and the cost of the two year extension to be \$0.934 million. Over the full five year period, the

² The Broadcasting Services Act (1992) places limits on the amount of advertising, in the form of sponsorship, that community broadcasters are permitted to put to air.

³ https://www.cbaa.org.au/sites/default/files/media/CBAA-Station-Census-Report-Dec-2013_0.pdf pages 37-42

⁴ In this chart, community derived income represents membership and subscription fees, as well as donations and other fundraising.

total cost to community broadcasters is \$4.024 million, with ongoing impacts. This amount is beyond the capacity of community radio stations to sustain without impacts on services.

DAB+ Digital radio⁵

Throughout 2015/2016, the CBAA, and member stations, raised concerns about the impending gap between the costs faced by digital community radio services and targeted funding to keep those services on air. Unfortunately, the 2016 Federal Budget saw a \$1.4 million reduction of funding for the sector. The community radio sector now faces the confluence of inadequate funding to maintain existing services whilst planning proceeds for expansion of Australia's digital radio footprint.

The existing budget allocation for community digital radio is \$2.3 million per annum. The community broadcasting sector requires an increase of \$2.2 million, bringing the total amount of targeted funding for digital radio to \$4.5 million p.a. This increase represents a restoration of \$1.4 million lost in 2016 allocated to maintain existing services in 5 metropolitan capital cities as well as additional funding to secure community radio participation in the digital roll-out in regional Australia.

The reduction of funding in 2016, at a time when the roll-out of regional digital radio is being facilitated by the Government creates a tipping point for community radio's participation in digital broadcasting that may not be able to be reversed in future.

The funding being sought for digital broadcasting is for platform and infrastructure costs for encoding, data, linking, multiplexing and transmission. Content production and digital service costs are borne within the existing operations of community radio stations.

Transmission

In November 2015, the Australian Communications and Media Authority (the ACMA) completed its review of arrangements in the radio frequency band 803-960 MHz.⁶

The ACMA decision has implications for some community broadcasters who use part of this band for studio-to-transmitter linking (STL). Forcing these stations to move frequency requires them to purchase new equipment, with additional impacts on other stations as spectrum allocations are shuffled to accommodate the moves. This generates costs that are considerable for community radio stations.

A planning timeline has been set for services to be substantially relocated by July 2018. Transitional funding is necessary to ensure continued broadcasting of those community radio stations impacted by this decision.

Spectrum made available through this review is to be reallocated to other economic uses, for example mobile broadband. The revenue from this reallocation is a possible funding source to cover the costs imposed on community broadcasters.

The CBAA is seeking a one-off increase to targeted transmission funding of \$2.2m in the 2017 Federal Budget, allocated through the existing Community Broadcasting Foundation transmission funding and grant allocation arrangements. Grants would then be made available to community broadcasters progressively over the coming 4-5 years, at the time that costs are required as per the ACMA reallocation process.

Disability funding reforms

Some community radio stations have been significantly impacted by decisions in portfolio areas other than communications. RPH radio services provide radio reading services for people with a reading disability and others who may not be able to access print media. The withdrawal of funding for these services from State and Territory Governments as part of the National Disability Insurance Scheme (NDIS) is understood to be an unintended consequence, yet has a major impact on the ability of these stations to maintain services.

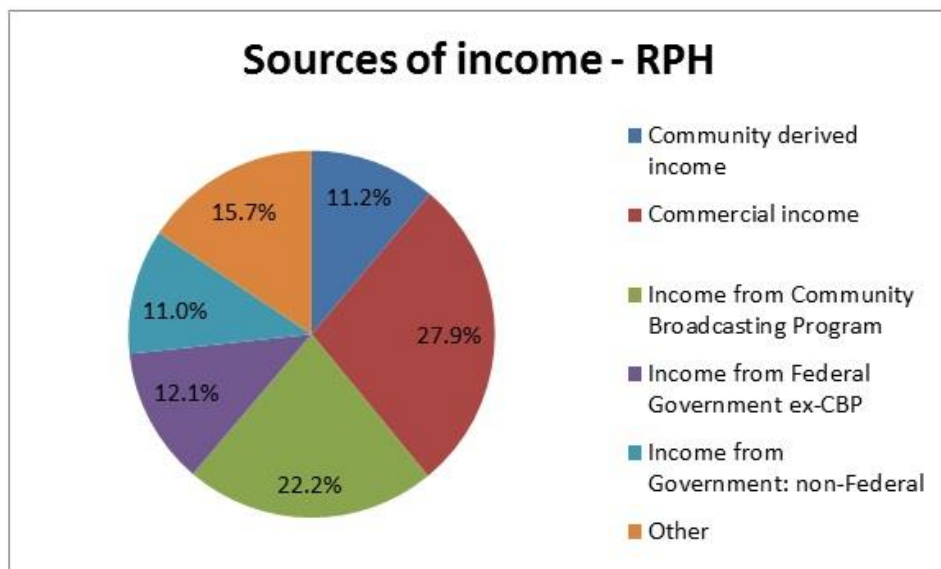
As part of the agreement with States and Territories to introduce the NDIS, existing funding for disability services was redirected into the NDIS as it was rolled out. It is not clear how, if at all, RPH

⁵ DAB+ is the digital radio standard used in the roll-out of digital radio services in Australia. For more information, see <https://www.cbaa.org.au/broadcasters/get-latest-info-digital-radio>

⁶ <http://www.acma.gov.au/theACMA/review-of-the-803-960-mhz-band>

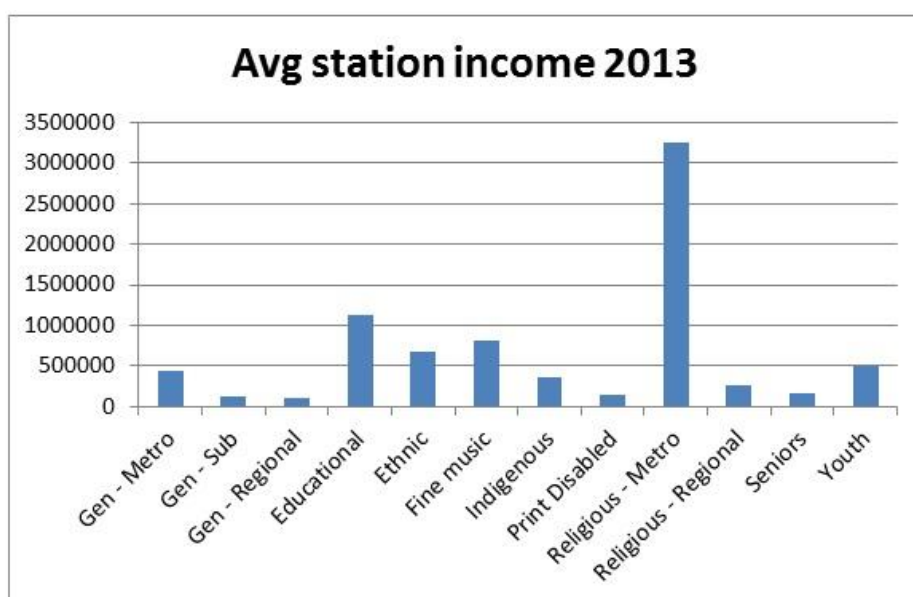
services are eligible to apply for disability funding under the NDIS as they do not fit the model of individualised care and services.

Whilst Federal funding accounts for about 20 per cent of station income on average, this figure is much higher for RPH stations and they also receive a higher proportion of their funding from State Governments. This reflects the role that these stations play as a community service and the limited opportunities for other revenue that this provides. Funding through the Community Broadcasting Program was 22 per cent, with a further 23 per cent from other Government funding. This leaves RPH stations much more exposed to financial risk with the withdrawal of funding.



Almost all of the 11 per cent government funding (excluding Federal Government) is State Government funding set to be lost in the NDIS reforms. The immediate impact of this is around \$77,000, \$110,000 and \$40,000 for Hobart, Sydney and Canberra respectively.

This is a significant impact for stations that already have smaller budgets than most other station types (as broken down in the following chart). It is notable that a number of the RPH stations are running metro-wide services, satellite services in proximate regional areas and even digital services on these budgets.



If you have any questions or would like any further information please don't hesitate to give me a call.

Kind regards,



Jon Bisset
Chief Executive Officer