Broadcasting Draft Report

This is a draft report prepared for further public consultation and input.

The Commission will finalise its report to the Government after these processes have taken place.
2 The structure of Australian broadcasting

The Australian broadcasting industry provides a wide range of services which are highly valued by the community. The breadth and depth of involvement in this and other inquiries concerning broadcasting services is testimony to that. Broadcasting services are more or less universal, with free to air services available to anyone with a suitable receiver, and they are consumed by most people every day.

This chapter provides an overview of the structure of the broadcasting industry in Australia. It discusses, first, the consumption of media services by the Australian public; secondly, the various sectors of the broadcasting industry and their key players; then its financing arrangements and profitability; and lastly, some of the main features of the industry’s regulatory framework.

2.1 Consumption of media services

Australians are enthusiastic consumers of media and especially of television. In 1996, 99 per cent of Australian households owned at least one television set (60 per cent owned two or more) and 79 per cent owned a video cassette recorder (ABS cat. no. 4172, 1997). According to Australian Bureau of Statistics (ABS) data, around half of the recreation and leisure time of the average person in 1997 was spent using some form of audio visual media, including television, radio, newspapers, magazines, cinema and the Internet (ABS cat. no. 4153.0, 1998). This was considerably more than the average time spent pursuing active leisure (primarily sport and outdoor activity, which made up 2 per cent of the average day), socialising (3 per cent) or shopping (3 per cent) (figure 2.1)\(^1\).

Ratings data show that commercial television is the most popular type of media service in Australia. In a survey by Roy Morgan Research (Roy Morgan Research 1999), 94.5 per cent of Australians had watched commercial television in the

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\(^1\) These ABS data do not include media consumed for work or study purposes, or in the background to another main activity (for example, listening to the radio while eating). ABS data on broadcasting consumption are defined differently from (and not always consistently with) survey data collected for commercial purposes by Roy Morgan Research and AC Nielsen.
previous seven days. Newspapers were the next most popular media (85.5 per cent of people surveyed had read one in the previous seven days), followed by commercial radio (72.4 per cent had listened to it in the previous seven days). Around one quarter of those surveyed had used the Internet in the previous seven days.

Figure 2.1 **Main activities in an average day. All Australians, 1997.**


According to this ratings survey, Australians spent an average of over 20 hours per week watching commercial television, 16 hours listening to commercial radio and four hours reading newspapers (although not necessarily as a ‘main activity’ or only activity for all of that time). Internet users averaged over three hours per week on the Internet (Roy Morgan Research, 1999).

**Use of media**

The reasons that people use these media services vary widely. Most media consumption is a leisure activity and takes place within the home. It is also used by people at work or for study purposes.
In general, people use print media and the Internet to provide information and knowledge. Radio, television and cinema are used more for entertainment, escapism and relaxation. Some types of radio and television programming also provide information and knowledge, including news, current affairs and documentaries (BDA 1999, p. 11).

People use the various types of media at different times of the day and the week for different purposes. Sometimes media forms are substitutes for each other, at other times they are complementary. In general, media consumers prefer news and information in the morning and entertainment in the evening and on weekends (figures 2.2 and 2.3).

At breakfast time, when most people prefer news and information, radio is the most popular form of media with close to half of the population aged 14 years and over listening to radio programs. Newspaper reading is also high early in the morning. Throughout the day, radio audiences decline and television viewers increase, as people move from news to entertainment. About 77 per cent of the adult population watches television in the evening on week days (figure 2.3).

Among the newer media, subscription television is less popular than free to air television at all times of the day. Internet use varies throughout the day with peaks at mid-morning and afternoon (which may indicate business use) and another peak after dinner, which is presumably for leisure rather than business purposes.
Figure 2.2  Percentage of people using media throughout the day, by media type, 12 months to June 1999.

- **Television**
  - Weekdays:
  - Weekends:

- **Radio**

- **Newspapers**

- **Magazines**

- **Internet**

- **Cinema**

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Aged 14 years and over.

Figure 2.3  Media content preferences of people on weekdays, by time of day, 12 months to March 1999a

- News
- Political Analysis
- Sports
- Entertainment
- Music

Percentage of population

a Population aged 14 years and over. Totals can be greater than 100 per cent because people can prefer more than one type of media content for each time period. b Entertainment consists of the Roy Morgan Research categories of ‘something funny’, ‘around the home advice’, ‘drama’, ‘action adventure’, and ‘romance’.


Media consumption habits

Media consumption habits and preferences vary significantly across the Australian population. Preliminary results of marketing research commissioned from Brian Dermott Associates for this inquiry identified nine distinct groups of adult media consumers (box 2.1 and figure 2.4). Media consumption — and especially consumption of new media — generally increases with socio-economic status (based on income, occupation and education levels) and decreases with age.

At the top of the media consumption scale is a very small proportion (1.5 per cent) of mostly younger people who have a strong interest in all types of media, and especially new media technologies. Another 8 per cent of people from a range of backgrounds also use a wide variety of old and new media, often for professional and personal development purposes.
The majority of the population (around 55 per cent) are middle level media users who have a distinct preference for a single type of media — Internet or newspapers or magazines and cinema or radio or television. The people who watch most commercial television are among the lowest consumers of new forms of media such as the Internet or of media requiring payment such as newspapers, subscription television and cinema. They are predominantly from the lower socio-economic sections of the community, including unemployed and retired people, who rely on free to air commercial television as a main leisure activity. Similarly, the heaviest consumers of commercial radio tend to be low consumers of other media.

Around 15 per cent of people use a range of media to fill in time, but prefer lower cost media such as television, radio and newspapers over cinema, subscription television or the Internet. One fifth of all Australians have a low level of involvement in any type of media. They are mainly older people or families of middle to low socio-economic status in both urban and rural locations.

These differences in media consumption are important in considering the interests and capacity of different groups in the community to pay for new services such as digital television (chapter 6). It is also of interest in considering issues of ‘influence’ in cross-media ownership regulation (chapter 8).
Box 2.1 Media consumption typology

This typology identifies nine media consumer types for Australians aged over 14 years:

- **High involvement** (1.5 per cent). These people are the true ‘media addicts’, with a wide interest in all media types, especially the Internet. They are young, urban and mostly male. They have high disposable incomes and include many students.

- **Self development** (8 per cent). These people are heavy users of newspapers, the Internet, ABC radio and cinema. They are mainly urban professionals on middle to high incomes.

- **Net focus** (12.7 per cent). These people account for half of all Internet use but have low interest in other media excepting cinema. They are mainly students, professionals and skilled workers on middle to high incomes in urban areas.

- **Heavy readers** (19 per cent). These people read a large number of newspapers and magazines but are low users of most other media. It includes older workers and retirees across all income brackets in both urban and rural locations.

- **Magazines and movies** (6 per cent). These people are high users of magazines, cinema and subscription television but low users of Internet, newspapers, commercial television and radio. This group is composed mainly of younger women, across all income levels and urban and rural locations.

- **All day radio** (6 per cent). These people listen to commercial radio all day at home or at work but are low users of other media, including ABC radio. They include blue and white collar workers, retirees and people on home duties with middle to low incomes and in urban and rural locations.

- **Heavy television viewers** (12 per cent). These people spend a lot of time watching commercial television but are very low users of all other media. They are mainly retired or unemployed with low incomes, in urban and especially rural locations.

- **Filling in time** (15 per cent). These people are medium to heavy consumers of newspapers, commercial television and commercial radio but rarely use the Internet, cinema and ABC radio. They are mainly retired or unemployed people on lower incomes in urban and rural locations.

- **Low involvement** (20 per cent). This group has below average use for all media types, but tends to favour slightly ABC television and radio. They are mainly families and retirees with middle to lower incomes, in both urban and rural areas.

**Source:** BDA Marketing Planning (1999). Derived from Roy Morgan Research, Single Source database (accessed September 1999). This typology is only one interpretation of the data. Details are available from the Commission.
Differences in media consumption patterns are apparent across geographic regions with differing demographic characteristics, access to technology and alternative leisure activity options and preferences. As a general observation, media use tends to be greater in larger cities and in colder parts of Australia (people in warmer areas or in the country may prefer active outdoor pursuits to passive media consumption).

Differences in the demographic profiles and leisure activity preferences of people in the Australian Capital Territory, Sydney and the rest of NSW, for example, are reflected in their media consumption profiles (figure 2.5). In the Australian Capital Territory, 22 per cent of people are high ‘self development’ media users and 20 per cent are ‘net focussed’ media users, compared with 10 per cent and 15 per cent of people in Sydney and 5 per cent and 10 per cent of people in the rest of NSW.
respectively. Similar differences are observable across the different cities and regions of Australia. These demographic and regional differences have important implications for the potential take-up rates of new media and digital television across Australia (chapters 3 and 6).

Figure 2.5 Percentage of population in each media typology profile, Australian Capital Territory, Sydney and the rest of NSW, 12 months to March 1999

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\[a\] Aged 14 years and over.

*Data source: BDA Marketing Planning (1999).*

### Trends in media consumption

The total consumption of newspapers, television and radio has not changed greatly during the 1990s. In contrast, use of the Internet and subscription television has grown strongly (figure 2.6). Growth in the popularity of cinema is evident.

As with other media, Internet consumers are using it for a variety of purposes (figure 2.7). Some of these purposes may involve using the Internet as a substitute for other media or communication products. Over 80 per cent of people who use the Internet at least once per week use it for e-mail. This is largely a substitute for other forms of communications such as telephony and normal mail. These users of the Internet also use it to obtain general information from Web sites, for entertainment, and for general purposes such as browsing for information and personal searches.
Figure 2.6  Gross media consumption measures, March 1993 to June 1999

Twelve month moving average

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a Population aged 14 years and over. b Gross readership is the number of instances of people reading each issue of a newspaper or magazine. c In 1998 a number of magazine titles were added to the Roy Morgan survey. d Hours of commercial television watched and radio listened to was derived by BDA Marketing Planning from the Roy Morgan Single Source database, using the categories of heavy (over four hours), medium (between two and three hours) and light (less than two hours) commercial television watching and radio listening. It was assumed that heavy users consumed 6 hours, medium users consumed 2.5 hours and light users consumed 1.5 hours for both commercial television and radio.

Figure 2.7  Purposes of the Internet for regular users, July 1998 to June 1999

- General info
- Promo/publishing
- Social/entertainment
- Shopping/bills
- Visit web site
- Acad./bus. search
- E-mail

Per cent

a Aged 14 years and over. Regular users are those who use the Internet at least once a week.

Figure 2.8  Intention to use new media, July 1998 to June 1999

Likelihood of using Internet in next six months
- Don't know
- Unlikely
- Likely
- Very likely

Percentage of population

Pay TV Intentions
- Subscribers
- "Definitely subscribe in the next..."
- 6 months
- 12 months
- Later
- Never

Percentage of population

a Aged 14 years and over.
The take-up rates of the Internet and subscription television have been relatively rapid but the penetration levels are unlikely to reach those of free to air television or radio in the foreseeable future. Some 42 per cent of the population are estimated to be likely or very likely to use the Internet in the next six months, but 90 per cent of these people already have access to the Internet at work or home. Over 50 per cent thought it unlikely they would ever use the internet (figure 2.8).

According to survey data, the penetration of subscription television was about 17 per cent in June 1999 (Roy Morgan Research 1999). Only 8 per cent of those surveyed thought they would definitely take up a subscription in the future; some 48 per cent said they would never subscribe.