

1945.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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# SIXTH REPORT

OF THE

## PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING

RELATING TO

### THE DENILIQVIN CASE.

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CANBERRA, 20TH FEBRUARY, 1945.

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MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING.

(SEVENTEENTH PARLIAMENT.)

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VICE-CHAIRMAN . . . . . THE HONORABLE JOSIAH FRANCIS, M.P.(b)

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DAVID OLIVER WATKINS, M.P.(b)

(a) Appointed, 30th September, 1943.

(b) Appointed, 14th October, 1943.

(c) Appointed, 14th September, 1944.

(NOTE.—The late Senator Richard Darcey ceased to be a member of the Committee when his term of office as a Senator expired on 30th June, 1944. Senator the Honorable Allan Nicoll MacDonald resigned from the Committee on 20th July, 1944. They were succeeded by Senators Hays and Nash.)

# SIXTH REPORT OF THE PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING.

In accordance with section 85 of the Australian Broadcasting Act, we present this Report to Parliament on a matter which has been referred to us by the Minister.

## THE DENILIQUN CASE.

The question for decision is whether the 200-watt commercial station 2QN Deniliquin, New South Wales, should be removed to Wangaratta, Victoria.

2. In requesting us to investigate and report on the question, the Postmaster-General supplied transcripts of the proceedings at two rival deputations which had waited upon him—one on behalf of Wangaratta interests, strongly advocating the removal—the other on behalf of Deniliquin interests, just as strongly opposing it.

3. Our inquiries have disclosed that there is also some difference of viewpoint in the matter between two of Melbourne's daily newspapers. The *Argus*, owner of the 2,000-watt station 3SR Shepparton, which serves the Wangaratta district, is firmly opposed to the removal. The *Herald*, through the manager of the stations it owns, has tendered advice which, in effect, is in favour of the removal.

4. Important questions of principle have arisen from the information we have received during hearings at Deniliquin, Wangaratta and Melbourne, and from information which has been supplied to us on the understanding that we shall treat it as confidential.

## THE CLAIMS OF THE LICENSEE.

5. The main points in the evidence publicly given by the licensee of the Deniliquin station are summarized as follows:—

- (1) He did not do much about advertising when he started, having arranged for the station manager to concentrate on the purchase of records to improve the station's programmes. He has "followed the underlying principle of the commercial broadcasting system, to give first consideration to service to the public".
- (2) He acquired the station, not with the object of making any great deal of money from it, but to give a good service to the people of the district, of which he is a native. He had purchased the station partly as a speculation and would be willing to continue it at Deniliquin if he could make a modest interest on his outlay. He thinks this is impossible and desires to move the station to Wangaratta, where he has received a guarantee against loss for five years, and where, subject to the necessary approvals, he has entered into an agreement with a syndicate of eight for the running of the station under the control of a company or partnership with a share capital of £5,000.
- (3) He has incurred considerable losses during the period of approximately three years (to 30th June, 1944) he has held the licence. There has been insufficient local advertising revenue, and receipts from national advertising have been very small.
- (4) His applications for membership of the interstate broadcasting organizations known as the Macquarie Network and the Major Network have been declined.

- (5) His request to the Macquarie Network (controlled from Sydney) that the Deniliquin station be allowed to participate in its programmes was refused on the ground that the Shepparton and Wagga stations (both of 2,000 watts) sufficiently covered the Deniliquin district.
- (6) A similar request to the manager of the Victorian unit of the Major Network, who is also manager of the *Herald* stations, was met with the reply: "Get your station removed first, get a decent spot on the dial, get the power of your station bumped up, and we will see what we can do."
- (7) He has attended every convention of the Federation of Commercial Stations. "The disabilities which I have been suffering", he says, "have been experienced only by those stations which have not received assistance from any of the networks."
- (8) No difficulty would be experienced in obtaining substantial contracts for national advertising if the station were moved to Wangaratta.
- (9) Following a public meeting at Deniliquin on 5th May, 1944, he and his manager canvassed sections of the business people, about 30 persons in all, but satisfactory advertising contracts did not eventuate. In the course of the interviews it was admitted that the station has "a splendid listening audience", but war-time rationing of supplies, staff difficulties, and drought conditions were mentioned as reasons for reluctance to incur much expenditure on advertising at the present time.
- (10) He has produced, as testimony of "absence of serious objection to the transfer of the station", reports of interviews in March, 1944, with eight people, also a letter dated 23rd March, 1944, from the Secretary to the Deniliquin Chamber of Commerce (who is also Secretary to the Deniliquin Broadcasting Company, from which he purchased the assets), commending the station for "its splendid service", wishing it success in its new location, and regretting that Deniliquin could not have remained its centre.
- (11) The licensee admits that if the station were removed from Deniliquin, there would be a loss of the support for war loan rallies which the station had sponsored.
- (12) There is urgent need for a station at Wangaratta. The national station at Corowa transmits a consistently good signal to the Wangaratta district, but the neighbouring commercial stations at Albury and Shepparton do not provide an adequate signal. It is almost impossible to hear the Albury station with the average set, and reception from the Shepparton station is "patchy".
- (13) A survey has been given of the industrial and other activities of the Wangaratta district, mention being made of the aluminium factory; woollen, knitting and flour mills; butter, cheese and bacon factories; dairy and agricultural farming; banks, shops, churches, schools, &c.

(14) The provision of a station at Wangaratta is supported by the municipal authorities and by representatives of religious, educational, and other local bodies, including the Wangaratta Branch of the Australian Labour party, the North-Eastern District Council of the United Country party, and the Returned Soldiers League, from all of which correspondence has been circulated in support of that objective. In some of this correspondence differing criticisms are made in regard to reception from existing stations. For instance, the Wangaratta Progress Association describes the service from 3SR Shepparton as "unsatisfactory at times"; the Returned Soldiers League, writing on behalf of its 200 members within a radius of 20 miles, says "no 'B' class station can be satisfactorily received in this locality"; the Wangaratta and District Decentralization Committee, without referring to any particular station, national or commercial, says "radio service in Wangaratta and district is extremely unsatisfactory"; and the United Country party says "with the exception of 2CO Corowa and at times 3SR Shepparton, it is often quite impossible to listen to any of the other stations".

(15) When he was negotiating for the purchase of the assets from the Deniliquin Broadcasting Company, "they would not disclose any figures" to him. He had shown his balance-sheet and profit-and-loss account to two members of the Wangaratta syndicate. He is also willing to disclose them to a representative of any similar syndicate in Deniliquin "in order that they might know of the guarantee they might have to give".

(16) If the transfer were delayed for six to twelve months, he doubts whether the Deniliquin people would find means to "bridge the (financial) gap".

6. In evidence tendered in support of the licensee's representations, the manager of 2QN has outlined the history of the station, describing it as a "joke" before the present licensee took it over in 1941 and contending that if the application for transfer had been made at that time there would have been no protest from the Deniliquin people. He has given an account of the efforts made to secure local advertising revenue in Deniliquin, Echuca, Finley, Hay and Jerilderie. Referring to the expenditure incurred by the licensee in improving the station's equipment and programmes and in extending its hours of service, also to his generosity in allowing the station to be used without cost for local war loan rallies, hospital and other charitable appeals, &c., the manager says "he raised the value of 2QN as a service to the community, but the more money he pours into the concern the better the service and the more the Deniliquin people will fight to retain a public utility at the expense of a private citizen".

7. We have received three letters from Deniliquin (two from business firms and the other from a resident), expressing the opinion that the district is reasonably well served by other stations; that it would not be reasonable to expect the station to remain at Deniliquin without satisfactory financial support; that the station has been conducted in a most efficient manner, except that local advertisers have not been fully shown the benefits to be derived from radio advertising; and that the station's operating power of 200

watts is insufficient to secure national advertising, which is described as "the backbone of any successful radio station".

#### THE EXPERIENCE OF THE DENILIQUN BROADCASTING COMPANY.

8. A shareholder of the Deniliquin Broadcasting Company has produced copies of the company's balance-sheets and profit-and-loss accounts, which show that a loss had been incurred in each of the six years during which the company had operated the station prior to selling it to the present licensee in 1941. The losses for the six years had totalled £3,650.

9. The company's secretary (who is a chartered accountant practising in Melbourne and Deniliquin) attributes the station's misfortunes principally to the fact that bigger distant stations, giving a Riverina coverage, precluded 2QN from "getting its reasonable fair share of the business offering". "Stations such as 3UZ, 3SR, 3DB, 3LK and Wagga", he says, "with their bigger power and consequent better coverage, were more easily 'sold' than 2QN. . . . An application for 500 watts was refused by the Department. . . . The national advertising from the Macquarie and Major Networks was very small indeed, and our main advertising was sold in Melbourne, Sydney and Deniliquin by direct approach to advertisers. . . . The company was financially supported by local men who had the interests of the district and township of Deniliquin more at heart than big profits, but after a long period of insufficient local support and small city contracts, it was decided, as the station was near to paying expenses at that time (1941), that it would be wise to negotiate for its sale. . . . I was the only person who negotiated with the purchaser; no figures or information asked for by him were withheld; and we have no complaint of any nature whatsoever from him. We did not disclose our profit-and-loss account and balance-sheet figures for past years, as he was not buying the shares and was only interested in the results being obtained at the date of purchase and future prospects. He made the purchase firmly believing that his own methods would quickly and substantially increase revenue and show him a good return on his outlay, at the same time consolidating by free publicity his other business interests in the locality. . . . A capable radio man could have made it a paying proposition had proper time been devoted to its management. . . . He (the licensee) experienced the same difficulty as the company—he was not free to manage the business himself and was evidently not able to obtain the services of a competent manager."

#### THE CLAIMS OF WANGARATTA.

10. Twenty witnesses at Wangaratta have enlarged upon the actual and potential development of their district. They have pointed out that a radio station would improve the standing of the town and add to its social amenities. They support the application for transfer of the Deniliquin station, although in some of the representations there is evidence of reluctance to deprive the Deniliquin people of their facility.

11. The Mayor says: "Without social amenities it will become increasingly difficult to keep people on the land. Good wireless reception may not induce them to remain, but it will add to the amenities they enjoy. . . . It is civic pride principally which prompts my enthusiasm for the transfer to be effected, but it is only fair to say that we would be better served by a local station. We have not made any complaints in regard to reception from Shepparton, although it is not quite so good as other centres have. . . . I have no solid complaint to voice on behalf of the district in regard to reception from 3SR (Shepparton) and can merely say that, generally speaking, it is said not to be

good. I cannot support that with tangible matter. . . . There have always been complaints in regard to the reception; perhaps they are heard more definitely now because of the possibility of getting something better. The citizens of Wangaratta had not lodged a protest against the transfer (of the Wangaratta station to Shepparton in 1934). . . . I considered that its transfer was a loss to the town and told different people that it was a pity it was going. . . . According to the profits that were made last year by 3SR, it could afford to lose a lot through competition."

12. Most of the witnesses have elaborated the advantages which a station at Wangaratta would confer in relation to news of local happenings and market reports; the activities of the war agricultural committee; the fostering of the co-operative farming movement; the development of local talent; bush-fire control; flood, frost and hail warnings; education in better methods of farming; broadcasts of local religious services, political objectives, lectures, &c.

13. One witness, who is a radio mechanic and a member of the syndicate, has submitted technical data showing the results of tests he had made in the premises of ten residents of Wangaratta. These related to reception from the national stations 3LO Melbourne and 2CO Corowa and the commercial station 3SR Shepparton, and have been tendered as evidence in corroboration of adverse criticism of the Shepparton station's service to Wangaratta. This witness has also said: "In my twelve years' experience, hardly a day has passed without receiving a complaint from listeners about poor reception due to electrical noises"; but adds "During the last four months, there has been a marked improvement in 3SR's programmes."

14. Another member of the syndicate, who is a radio dealer, has supplied details of high tension electric mains in the streets of Wangaratta, and says that during the last ten years he has received hundreds of complaints from listeners, in the town area, of poor reception due to electrical interference; that most of the complaints are that the Shepparton station cannot be heard; and that certain well-known serials (which he named and which are transmitted through the *Herald* stations and the *Argus* station at Shepparton) cannot be followed in Wangaratta. This witness also says he was present when the manager of the *Herald* stations visited Wangaratta, that he accompanied him back to Melbourne, and that during the journey the proposition to move the Deniliquin station to Wangaratta was "very fully discussed" with him, except that at no time was there any reference to the *Herald* station obtaining an interest. In addition, he (the witness) states he has been advised that the licensee of the Deniliquin station has received permission to increase its operating power to 500 watts.

15. There has been general commendation of the charitable and other work done in the Wangaratta district by an organization known as the 3SR Friendship Club, sponsored by the Shepparton station, but it is argued by witnesses that similar work would not cease with the provision of a station at Wangaratta.

16. Maps have been produced to illustrate the contention that there is no community of interest between Shepparton and Wangaratta, and there has been criticism of steps taken by the Shepparton station to establish a studio at Wangaratta, where discounts have been offered by the station to local advertisers as an inducement to secure radio contracts.

17. Certain witnesses, who have taken a prominent part in the negotiations with the licensee, have spoken in disparagement of the worth of a statement, signed by over 600 residents of Wangaratta, at the solicitation of the Shepparton station management, that "the

programmes from 3SR are quite enjoyable; the reception from 3SR is quite good". It has been said that the prospect of 3SR Shepparton establishing a relay station at Wangaratta was held out as an inducement to secure signatures. It has also been said that people signed the statement without knowledge of an intention to use it to prevent the establishment of an independent station, that this was contrary to representations made to them when they were asked to sign, and that these people had been invited to write to us requesting withdrawal of their signatures. (Eight of the signatories have written asking us to do so.)

18. These witnesses have strongly disclaimed any intention to acquiesce in the allotment of shares in the station to any Melbourne newspaper. They believe the terms of the agreement with the licensee provide a safeguard against such a possibility.

19. One of the principal witnesses, in reference to 36 letters which he handed in, says "every one contains a promise of advertising contracts" for the desired Wangaratta station. (Perusal of these shows that five do not contain any promise, four are indefinite, and the remaining 27 have promised to advertise without mentioning any specific commitment.) The witness goes on to say: "They (the 36 letters) do not give the whole of the story, because many letters had already been posted to the Committee and we did not bother to duplicate them." (We have received six letters undertaking, in general terms, to support the station. In eleven other letters, the writers have expressed themselves in favour of the provision of a station, but have given no indication of any intention to use it as an advertising medium.)

20. These letters are said to be the result of the syndicate's "full investigations in the town", and they have been referred to as the only justification the syndicate had for giving the guarantee against loss for five years.

21. The same witness says that the manager of the *Herald* stations, on the occasion of his visit to Wangaratta with the licensee to meet the syndicate, expressed the opinion that the station would function satisfactorily at Wangaratta. The witness also says that "we tried to induce him to advise the licensee to come here", and that the question whether the *Herald* might have an interest in the station was not discussed.

#### THE "ARGUS" PROTEST.

22. The *Argus* Broadcasting Company, through its superintending manager, has elaborated the following reasons why it considers the removal of the Deniliquin station to Wangaratta should be refused:—

- (1) The transfer would cause unnecessary overlapping and would be viewed as a distinct breach of faith. When the Company purchased the Shepparton station in 1936, after its transfer from Wangaratta, the company was concerned with the area to be serviced, and it was understood that a satisfactory service to Wangaratta would be ensured by the permission given by the Post Office to increase the operating power to 2,000 watts, at considerable additional cost to the company. The re-establishment of a station at Wangaratta would be an intrusion on the company's equity, built up in seven and a half years' good service to the Wangaratta area from 3SR.
- (2) The company has not received one official complaint that the Wangaratta and district listeners were not fully satisfied with the reception of, and service given by, 3SR, since February, 1937, when the station commenced on 2,000 watts.

- (3) A report is given of tests made in Wangaratta by the chief engineer and the manager of the station in March, 1944, from which the conclusion is drawn that "3SR is definitely giving a solid primary coverage in Wangaratta" and that the local interference observed in certain parts of the town adjacent to the sewerage works and the hospital can be remedied by attention to the electrical equipment at those points, which is a task for the interference elimination squad of the Post Office.
- (4) In pre-war years, 3SR was supported by radio advertising from a large number of the traders in Wangaratta. Since the introduction of rationing, country storekeepers and the smaller business houses have suspended advertising in the majority of cases. They have experienced great difficulty in securing the continuance of supplies and can dispose of what little merchandise they do obtain without advertising.
- (5) 3SR has a strongly developed women's organization known as the "Friendship Club". Its Wangaratta branch, next to Shepparton, is the strongest of the 27 affiliated clubs, which are located at distances up to 75 miles from Shepparton. Details are given of the funds raised by various branches for charitable and patriotic purposes, and commendatory references to the club's work are quoted to demonstrate that Wangaratta is a "stronghold" in the 3SR service area. The company knows of no other organization associated with a commercial station "which has done and is continuously doing such marvellous work for charitable purposes".
- (6) 3SR broadcasts a special Wangaratta hour every Wednesday afternoon, in addition to community singing once a month in the evening programme.
- (7) Wangaratta has been included in 3SR's war loan rallies, from which £800,000 has been received. An appeal for the Wangaratta Bush Fire Fund raised £1,200.
- (8) A statement has been submitted, signed by over 600 residents of Wangaratta, that they consider "3SR's programmes are quite enjoyable and that the reception of 3SR in Wangaratta is quite good". Letters of appreciation by prominent political and district citizens for services rendered by 3SR have been tendered.
- (9) High-powered government transmitters are being erected only 1 mile from 3SR's transmitter. Any consequential move of the latter would be in an easterly direction, nearer to Wangaratta.
- (10) Doubt is expressed whether those who have been working to obtain a licence for Wangaratta represent a majority interest of listeners in that town, and the question is raised whether any contractual or other arrangements have been made by the licensee of 2QN with any Melbourne commercial radio interest in the event of his application being successful. It is mentioned that after the manager of the *Herald* stations visited Wangaratta with the licensee early in 1944, he passed adverse comment on the reception of the Shepparton

station in that town; also that country stations are known to have entered into permanent relay arrangements with powerful city organizations, and there might be such a possibility if the Deniliquin station were moved to Wangaratta.

- (11) A station in Wangaratta would be in very heavy opposition to the Shepparton station in a commercial sense, especially if it "tied in with a powerful network".
- (12) 3SR conducts an open-pulpit session each Sunday. There have been no complaints from religious bodies of inability to obtain broadcasts from 3SR. The station has constantly received and is receiving commendation for what it is doing for the churches.
- (13) It is maintained that Wangaratta is being adequately serviced by 3SR. Should it be decided, however, that from a purely prestige point of view the town should have its own broadcasting station, then the *Argus* company desires permission to erect a relay station there, so as to preserve its equity.

23. The secretary of the Wangaratta branch of the 3SR Friendship Club says that no other movement has brought more publicity to Wangaratta than that club, and has submitted evidence that the station is heard in localities where it has been said that its programmes could not be received satisfactorily. She has questioned the assumption that the Deniliquin station would be a financial success at Wangaratta, mentioning that up to the time the Wangaratta station was transferred to Shepparton it had not received much support in Wangaratta, notwithstanding that there was then no rationing of goods. In her opinion there is not sufficient business to support a station at Wangaratta as well as 3SR. She concludes: "The proposed transfer would entail considerable expense which should be avoided in war-time. I think the district is well served at present and the money that would be required for the establishment of a new station could be expended to better advantage if it were put into the Victory Loan."

24. The manager of 3SR, commenting on statements made by some of the Wangaratta witnesses, has given evidence of the station's activities in the broadcasting of market reports; of lack of co-operation on the part of interests at Wangaratta in the supply of that town's market-day proceedings, war agricultural committee activities and other local news; of the station's initiation of an accepted plan, applied to all commercial stations in Victoria outside the metropolitan area, through the police department's communication system, in connexion with bush-fires; of the credit due to 3SR for its leadership and free service five days a week in the affairs of the Friendship Club. He has also referred to the meagre amount (less than £4 in seven years) which has been spent by a member of the syndicate who was critical, from his own experience, of the value of 3SR as an advertising medium; to the arrangements made with the Department of Agriculture for talks to dairy-farmers through 3SR; to the shortage of man-power, accounting for the station's inability to maintain personal contact with business houses in the many towns included in its coverage, as had been done regularly before the war; and to the station's canvassing in recent months at Wangaratta and other places having been undertaken, not so much with the object of selling space at the present time, as to let the business people of those centres know that the station is desirous of being entrusted with their advertising instructions when they are once again able to purchase the goods to sell.

25. The manager also says his first intimation that the *Argus* company was prepared to install a relay station at Wangaratta came to him on the day the superintending manager of the company tendered his evidence to us.

26. An employee of 3SR, who had been instrumental in securing the 600-odd Wangaratta signatures to the statement concerning reception of the station in that town, has denied, emphatically, the allegation that he had said the *Argus* contemplated establishing a relay station at Wangaratta. He had no knowledge that that was proposed until the day he gave evidence to us. Until then his impression was that the negotiations which had been proceeding were in respect of a studio in the town. Referring to Wangaratta criticism of his having offered a 33½ per cent. reduction in 3SR's national advertising rates, the employee has explained that he made a similar proposition as an inducement to local advertisers at other towns, as well as Wangaratta. "As a matter of fact", he says, speaking of commercial stations generally, "a station does principally national advertising, but also a fair amount of local advertising."

#### THE CLAIMS OF DENILIQVIN.

27. At Deniliquin, seventeen witnesses have given evidence of their desire that the station should remain at that town. They include representatives of the municipal authorities, Country Women's Association, Farmers and Settlers Association, religious and educational bodies, the local branch of the Australian Labour party, graziers, stock and station agencies and other business interests.

28. Narrating the course of events, the mayor has explained that rumour of a move to transfer the station to another town led to a public meeting which he had convened on 24th April, 1944, as the result of a petition signed by 73 people representing a cross section of the community who were perturbed at the risk of "losing one of the amenities of our life, our local station". The licensee, who was present at the meeting, would not admit any intention to move the station. He had merely indicated that it was a losing proposition which called for more practical support from the Deniliquin people. The meeting sought information as to the width of the financial gap that would have to be bridged, so that it might have a basis for a proposition, but this information was not supplied by the licensee. A committee, comprising the chairman of the Chamber of Commerce and two others, was appointed to discuss the situation with the licensee and report back to a further public meeting. The committee's report, presented at the further public meeting held on 5th May, indicated the result of interviews with a number of the business people, 30 of whom had signified their willingness to support the station with advertising. Although only a portion of the town had been canvassed, the committee had reason to believe that others would similarly respond, also that advertising would be forthcoming from other towns, such as Hay and Echuca. The committee expressed the view that the task of translating this goodwill into concrete terms for the benefit of the station remained with the licensee, and made the following recommendations, which the meeting adopted:—

- (1) That a protest be made to the Postmaster-General and the Parliamentary Committee on Broadcasting against the transfer of the licence of 2QN from Deniliquin.
- (2) That evidence of the support promised by local business people be supplied along with the protest; also that the licensee be given this data.

- (3) That we suggest to the licensee consideration of the advisability of increasing the power of 2QN with a view to enlarging the station's coverage, and that in the event of his applying for permission to make the increase we recommend it to the Postmaster-General for his favorable consideration.

- (4) That the present committee continue to function; to submit evidence in support of the case for the retention of 2QN at Deniliquin; and to take whatever action it considers necessary to that end.

29. The licensee had not accepted an invitation to attend that meeting of 5th May.

30. Continuing, the mayor says that, from his own knowledge, the additional towns and areas served by the Deniliquin station are Hay, Jerilderie, Finley, Berrigan, Echuca, Moama, Mathoura, Barham, Moulamein and Balranald. These towns "ring around" Deniliquin, at distances varying from 21 to 116 road miles, and in between them lie all the rural farms with small village settlements, the total population being approximately 30,000.

31. Demonstrating their belief that the removal of the station would be a retrograde step, the mayor and other witnesses have given detailed accounts of the vast irrigation schemes existing and approved, but suspended until man-power becomes available after the war. These, it is said, will facilitate the provision of attractive holdings for members of the fighting services and make Deniliquin a town destined to grow in importance as a centre of regional development in the immediate post-war years, by reason of its situation in relation to those irrigation districts, its terminus of the direct rail link with Melbourne, and its claim to be the geographical centre of the Murray Valley. "In order to make life easier on the farms and in the homes", the mayor says, "it is necessary for us to have a broadcasting station in our centre so that the people may keep in touch with their domestic affairs."

32. Other aspects of the representations made on behalf of the Deniliquin people include an impression gained by certain witnesses that the licensee has not shown convincing evidence of a desire to co-operate enthusiastically with the local committee formed to assist him in securing additional advertising contracts. Suggestions have been made that his attitude may have been due to his visualizing brighter prospects elsewhere. In the opinion of one of the witnesses, who was a member of that committee, "the matter is one of drive in the management, the making of attractive propositions, energetic canvassing, and effort in inducing the people to become enthusiastic and get behind it". The witness maintains that this has not been done, and, referring to the failure of the licensee to secure promised contracts, he says: "A lot of people fell down on their word and will not do as they said they would. I should feel much more satisfied if I or the other canvasser had been with the person who interviewed them and had seen what their treatment had been and the manner in which the case had been put to them." And the mayor says: "You may take it from what I have said that the suggestion is that he (the licensee) has not made much of an effort to obtain advertising in this town or adjacent districts. My basis for that is that various people mentioned to me that they have not been approached for advertisements. . . . I have not been approached by him."

33. The principal features of the evidence given on behalf of the Country Women's Associations of Deniliquin and Echuca and other witnesses are summarized as follows:—

- (1) 2QN admirably serves the Echuca district, which has similar interests to those of Deniliquin.



- (2) One of the main causes of 2QN's financial difficulties is the people's lack of spending power due to rationing of goods. The shopkeepers have not the materials to advertise and the tendency is to discourage people from buying, there being a constant appeal from the government to think of the nation's needs before their own. The same difficulties would be experienced by the station if it were moved to another location.
- (3) The manager of the station has seemed to be always broadcasting. If he could be spared for a sufficient time to approach the people personally they would give him a great deal of support in his work.
- (4) The proprietor of the station does not live at Deniliquin and consequently cannot feel sentimental about the prospect of its being moved, as do the people whose interests are in the district.
- (5) Prior to the present management taking over there had been a women's session in which the sister at the Health Centre broadcast to mothers. Very often she had urgent questions to answer which had been brought in by mail from people who had not a telephone or a car and wanted advice in regard to a sick baby. The sister could give a reply sometimes within a few hours of the letter being sent. Without that advice they would have had to bring the baby over indifferent roads or wait for days, during which the illness might become more serious, necessitating hospital treatment. That was a very important session to the district, but it was not continued by the present management.
- (6) There was a children's session and a "Cheerio" Club under the last management. The revival of that session with a small charge for membership would bring in revenue to the station.
- (7) The radio sets in many homes can only get reception from the Deniliquin station. If the station were moved a very large number of people would be deprived of radio service.
- (8) The revenue should be built up sufficiently to induce the present proprietor or some one else to carry on. The people have never realized until now that they might lose the station. A concerted effort would be made to retain it. If the cost to each of many were, say, £5, they would all be happy to get behind the station, notwithstanding their losses from bad seasons and their obligation to contribute to the war loans.
- (9) The station gives the following services:—Local news, stock sale reports and prices, Newmarket sale results, public announcements, bush fire warnings and information, educational talks, Junior Farmers' Club news, music (including encouragement to local talent), hospital and Red Cross appeals, war loan rallies and the sponsoring of the Murray Valley development.
- (10) No other irrigation area in Australia has more high-class land suitable to take water, and no area has more scope for subdivision. Before long the population will be doubled.
- (11) Life on the farm will have to be made much more attractive if people are to be kept there, and there is no better way to assist in doing this than by a local broadcasting station.
- (12) 2QN is the only station on occasions, particularly in the summer, that can be "dialed" without interference.
- (13) The licensee has not put up any concrete proposal to the Deniliquin people as to what he requires, and if the transfer of the licence were held up for six, or preferably twelve, months, there would be time to organize practical support to assist in making the station a financial success, possibly by the formation of a local syndicate similar to the Wangaratta body. That would give time to get over the effects of two successive droughts.
- (14) It should be possible to raise £20 a week among the business people in Deniliquin for radio advertising.
- (15) There is resentment at an investor coming to Deniliquin, buying the wireless station which had been established by enterprising local men, and now wanting to move it away. Deniliquin has suffered from similar moves in the past when outside interests had secured financial control of their undertakings. The district should not be deprived of amenities which local men of enterprise had obtained for it.
- (16) If prospective newcomers to the district discovered that industrial interests, including a broadcasting station, had been moved, they would be dissuaded from making Deniliquin the centre of their operations, and local development would suffer.
- (17) The station provides many avenues of service, including the local news service, which could not be provided by any other station. A newspaper does not reach many of the outside districts for several days after publication, but the people who are in those districts can tune into the local station and be kept acquainted with what is happening.
- (18) Running the station and canvassing for contracts have placed too heavy a burden on the present manager.
- (19) So far as the advertising side of 2QN is concerned, the question is one not of canvassing but of salesmanship—an art which has not been applied as it should have been.
- (20) In reference to the letter of 23rd March, referred to in paragraph 5 (10), the secretary of the Chamber of Commerce had not been authorized by the Chamber to convey such a message to the licensee.
- (21) The broadcasting of local market reports by the Stock and Station Agents' Association on the night preceding sales, makes the station especially valuable to farmers and graziers, particularly those without telephone communication, as these reports enable them to decide whether there are any lines of stock they wish to purchase or sell, thus saving time, petrol, tyres, &c., in journeys which they would otherwise have to make to the town on market days to ascertain this information. The Association would welcome paying higher fees for such broadcasts, as the charges made by the stations in other localities are over 300 per cent. more than those made by 2QN.
- (22) The licensee, who is practically a stranger to the people of Deniliquin, bought the station purely as a business proposition. A radio licence should be regarded as the property



of the people. The Postmaster-General controls the mail runs. If the licensee had secured a mail run which proved a loss he would not be permitted to take it to another town. If the radio licence were retained at Deniliquin, or even remained dormant for a period, the station would eventually succeed.

- (23) If the licence were transferred to Wangaratta there would be no other licence for Deniliquin, and that is one of the reasons why the people are keen on retaining the station. If there is to be a period of waiting for a new licence, Wangaratta should be called upon to wait.
- (24) Great enthusiasm has arisen among the people for the retention of the station, now that they realize there is a grave possibility of losing it, but it is believed that the licensee would not be interested in selling to a local organization which might be formed, because he would desire a price which would be at least equal to the sum he had invested and, if possible, recoup some of his losses. A new company at Deniliquin could not afford to pay the value of the assets plus accumulated losses.

34. One of the witnesses (a stock and station agent), while expressing the hope that the station would not be moved in view of its value to the district, says it would be unfair to expect the licensee to continue the station at a loss without a concrete proposal from the Deniliquin people justifying a request to keep it there.

#### THE ADVICE OF THE POSTMASTER-GENERAL'S DEPARTMENT.

35. In outlining the history of the Deniliquin station, the Post Office has explained that the licence was originally granted to the Deniliquin Broadcasting Company which consisted mainly of local residents (who had taken over the assets of what had previously been an experimental station), and commenced service in 1935 on a radio channel shared with station 4IP Ipswich, Queensland. Its operating power at first was limited to 50 watts. An increase to 100 watts was approved in September, 1936, and to 200 watts in July, 1939.

36. The station was not a profitable venture to the company and its difficulties were aggravated by a fire which destroyed its building and plant in June, 1939. Subsequently, the Department had great trouble in getting the necessary improvements effected by the company.

37. In August, 1941, after an application for permission to lease the station was refused, approval was given to the sale of the station and the transfer of the licence to the present licensee under an agreement between the parties containing conditions which provided for a payment of £2,875 on terms spread over five years.

38. The new proprietor effected substantial improvements to the plant and the radiating system. He also improved programmes and gradually increased the hours of service from 43 to 68½ per week, but since March, 1944, he has reduced the hours to 56½, due, it is said, to man-power difficulties.

39. Requests from the licensee for improved operating conditions have been refused because of the limited number of radio channels available, and the fact that the geographical separation between Deniliquin and Ipswich is insufficient to permit any further increase in power for either station.

40. If the station were transferred to Wangaratta, shared channel interference between 2QN and 4IP would, if anything, be slightly less than at present, and the service areas of both stations would consequently be somewhat increased.

41. Listeners in the Deniliquin and Wangaratta districts receive the following service:—

*Deniliquin.*—A reliable signal is provided by the national stations 2CO Corowa and 3WV Doon and by the commercial stations 2QN Deniliquin and 3SR Shepparton.

*Wangaratta.*—A reliable signal is provided by the national station 2CO Corowa. To the west of Wangaratta a reliable commercial service is available from 3SR Shepparton. In the town of Wangaratta the service from this station is fair, considering its size and the amount of interference due to electrical equipment. To the east of Wangaratta the signal from 3SR becomes weaker as the distance increases and cannot, therefore, be regarded as satisfactory.

42. In addition, listeners in both the Wangaratta and Deniliquin districts receive some service from stations in other localities, but it cannot be regarded as satisfactory at all times. If 2QN were moved, listeners in the Deniliquin district would still receive a reliable service from the commercial station at Shepparton and from the national stations at Corowa and Doon.

43. The location of 2QN at Wangaratta would provide residents throughout that district with a local service which would augment that at present available from the Shepparton and Corowa stations, and listeners in adjacent districts to the east of Wangaratta, who are at present not satisfactorily served by a commercial station, would be provided with a reliable service.

44. It is not practicable to licence an additional station to serve Wangaratta and adjacent districts, as there is not a suitable radio channel available.

45. On the usual basis of allowing four listeners per licence, the estimated numbers of listeners compared with the population of the districts concerned are:—

District.	Population.	Number of Listeners.
Within 25 miles—		
Deniliquin .. .. .	6,550	3,600
Wangaratta .. .. .	24,110	17,884
Shepparton .. .. .	33,435	19,104
Within 50 miles—		
Deniliquin .. .. .	38,225	20,424
Wangaratta .. .. .	81,635	46,268
Shepparton .. .. .	85,566	48,008

46. The estimated primary service area of the Deniliquin station, that is, the area in which reception is free from perceptible interference and fading, day and night, extends approximately 50 miles to the north of Deniliquin, 45 miles east, 25 miles west and 15 miles south.

47. A licence was issued to the Wangaratta Sports Depot to establish a commercial station in that town about twenty years ago. It commenced service in March, 1925, on a power of 100 watts. In December, 1925, the licence was cancelled, at the licensee's request, but the station was continued in service as an experimental one.

48. Five years later, a commercial station licence was issued to the Wangaratta Broadcasting Company, which was to be formed by the previous licensee, and the station recommenced service in January, 1931, on a power of 50 watts.

49. In May, 1934, an application was made for permission to transfer the station to Shepparton with an increase in power. There was no station at that town, and because of its greater population, compared with that of Wangaratta, the Department considered that the owners of the station, who had been pioneers in the broadcasting industry, should be given the opportunity to establish the station in a town where the business prospects appeared more promising. Shepparton was, in addition, more centrally located in relation to the population of the north-eastern and Goulburn Valley districts than was Wangaratta, and therefore the transfer seemed advantageous from the listeners' viewpoint generally. Accordingly approval was given to the change, the power was increased to 500 watts, and the transfer was effected in September, 1934.

50. Subsequently, the licence was transferred to the Argus Broadcasting Company, the power being increased to 2,000 watts on 17th December, 1936.

51. In reference to the adverse technical tests of the Shepparton station's service to Wangaratta, submitted by a member of the syndicate whose evidence is referred to in paragraph 13, the Post Office advises—

The reception tests and measurements of noise level are too inadequate to provide a basis for definite conclusions. The data submitted has been derived from observations made with a normal communications type of receiver during one afternoon, and has not been based on absolute measurements of signal strength and noise intensity over a lengthy period, which would be necessary before such results could be accepted as a reasonable indication of reception conditions generally, throughout Wangaratta.

Most large country towns are traversed by high-tension electric mains. This, of course, presents a potential source of interference to radio reception, but does not materially affect conditions unless a fault occurs in the reticulation system. The number of complaints received and the observations made by departmental officers do not indicate that abnormal conditions in this regard obtain at Wangaratta.

No complaints of the nature referred to have been received by the Department, nor would experience suggest that conditions such as those mentioned would be expected to prevail in the Wangaratta district to the extent stated.

In order to prolong the life of the valves employed in the main transmitter of station 3SR, which have been in short supply because of the requirements of Defence services, the Department, on the 6th May, 1943, authorized the use of the stand-by transmitter during the afternoon sessions, aggregating 15 hours per week. During this period, no advertising matter was broadcast. The stand-by transmitter used was a modern unit constructed in 1943, and employs aerial power of 500 watts. The use of the 2,000 watt transmitter for all sessions was reverted to on the 25th March, 1944.

The transmitting equipment employed at station 3SR is designed and operated in accordance with modern engineering standards. The Department has reason to believe that, having regard to the terrain between the towns, the most effective signal practicable is being provided to Wangaratta listeners by the Shepparton station. There is nothing unusual about the fact that transmissions from stations 2SM Sydney (1,000 watts) and 2TM (Tamworth) (2,000 watts) are received at Wangaratta after sunset with reasonable strength. Such a condition is due to reflections from the ionosphere, but signals received in this manner are inherently subject to fading and other vagaries which prevent them from supplying the same entertainment value as is obtained from the ground wave of local stations.

52. Regarding the statement of the Wangaratta syndicate member as to the Deniliquin station having been given permission to increase its power to 500 watts, the Post Office's reply is—

No approval has been given by the Department for the power of station 2QN Deniliquin to be increased beyond the present licensed value of 200 watts under any conditions. The licensee has, on several occasions, been informed that it would be impracticable to increase the power of his station because the geographical separation between 4IP Ipswich, its sharing station, is insufficient to permit the use of higher power.

In December, 1941, the licensee submitted to the Department proposals to modify the existing transmitter. The contemplated alterations envisaged the installation of equipment which would provide power capability exceeding 200 watts. Following discussions with the licensee, the proposals were

amended to ensure that the licensed power could not be exceeded. Subsequent inspections of the station have disclosed, however, that the alterations were not effected.

53. Since we heard evidence at Deniliquin correspondence has been received from the Town Clerk at that place, in support of an application from the licensee for the station's power to be increased to 2,000 watts. The request has also been supported in letters from the surrounding shires of Balranald, Berrigan, Conargo, Jerilderie, Murray (Mathoura), Waradgery (Hay) and Windouran. Coupled with the request there is a suggestion that an exchange of radio channels should be arranged between the Deniliquin station and a commercial station at Griffith.

54. The Post Office's advice on these matters is as follows:—

Authorization of the use of 2,000 watts, which is the highest power allotted to commercial stations, necessitates, insofar as the eastern States are concerned, the exclusive use of a frequency channel. No provision has been made in the broadcasting frequency plan for an additional high-powered commercial station on a clear channel—in fact, none is available for the purpose. From a technical viewpoint, therefore, the use of 2,000 watts by 2QN is impracticable.

The proposal that an exchange of frequencies with 2RG Griffith should be arranged in order to permit of the Deniliquin station using higher power cannot be adopted, because the Griffith station, operating with 200 watts, is approximately 120 miles nearer Ipswich than is 2QN. The lower separation (620 miles) would impose greater restrictions on the Ipswich service than at present, which would be quite inequitable to Ipswich listeners. Moreover, Griffith is supplying a service in a district which has no satisfactory alternative programmes from other commercial stations. Its operation on the same channel as 4IP would reduce the service area of 2RG, and many listeners now served by that station would be deprived of their only commercial programme.

For many years the Department has realized the desirability of extending the coverage of 2RG, and for this reason approved in 1940 of its power being increased to 500 watts. The increase has not yet been effected because of circumstances arising from the war. It is, however, noteworthy that the licensee of the Griffith station has also recently requested an increase of power to 2,000 watts.

55. Dealing with the factors which influence the extent of a station's reliable service area, the Post Office has explained that there is considerable variation in the propagation characteristics of the available radio channels (otherwise described as frequencies) in the "band" of frequencies used for broadcasting in Australia, known as the medium wave band.

56. Generally speaking, the lower the frequency the greater will be the range of the ground wave, because the energy absorption, due to the resistivity of the soil, is less with waves having a low frequency of vibration (low number of cycles per second) than with waves of high frequency. In planning the allocation of the available channels, therefore, the lower frequencies in the band are assigned to those stations intended to cover the largest rural areas, with the reservation that the lowest frequencies, being more subject to limitation by atmospheric noise, should not be used in areas near the tropics if it can be avoided.

57. Most station licensees are now aware of this, and there have been many requests for permission to operate on lower, or more favorable frequencies. The Department, however, has found it quite impracticable to accede to the stations' wishes, for the reason that all the frequency channels available are now in use or have been reserved for national stations which are to be established in remote areas as soon as circumstances permit.

58. Although the fading boundary of a station is not affected by its operating power, it is very greatly affected by the radio channel assigned to it, by the nature of the surrounding terrain, and by the efficiency of the radiating system it uses. Hence, the fading

boundaries of two stations operating in the same locality on the same power, but on different frequencies, would vary considerably, particularly if one employed a more efficient radiating system than the other.

59. Power, however, has a most important bearing on the reliable service area of a station from the point of view of interference, because it permits a stronger signal to be laid down, thus ensuring a higher ratio of signal to noise level. For example, the reliable service from a 1,000-watt station might be limited at night by fading at a distance of, say, 100 miles. Within that area the signal strength is sufficient to prevent interference from electrical appliances and other sources. The transmissions from a 50-watt station operating under comparable conditions are also subject to fading at night at the same distance of 100 miles. But in this case, because of the power difference, the signal laid down is much weaker, and at a distance of, say 30 miles, may be insufficient to overcome the prevailing noise level. In other words, the signal to noise ratio is insufficient to provide a reliable service beyond 30 miles, despite the fact that fading does not occur for a further 70 miles.

60. These factors are the fundamental reasons for the disparity in the reliable service areas of 2QN and 3SR, the former having very much the worse operating conditions both in respect of power and frequency.

61. The listener's receiving set, however, can exert as marked an influence on reception results as any of the other factors. For example, if the listener were using a modern set with an indoor aerial of the "picture-rail" type and then replaced it with an outdoor aerial erected, say, between the living-room window and a 15-ft. pole in the back-yard, he would have made a change at least as great as any of the following:—

- (a) Substantially increasing the power of the station.
- (b) Changing a station's frequency from 1,500 to 550 KC/s. (i.e., from one extreme of the broadcast band to the other).
- (c) Broadcasting over good conductivity undulating pastoral country instead of bad conductivity mountainous country.

62. The power of 3SR was increased about the end of 1936, following a review of the operating conditions of commercial stations, as the result of which it was decided that 2,000 watts should be authorized for each of the stations which, operating on clear channels, are intended to provide wide coverage in rural areas. An increase to 2,000 watts was approved for several such stations at that time, because experience had demonstrated that higher power was necessary if they were to provide a reliable service in the areas they were required to serve.

63. This decision was in conformity with the Post Office plan of establishing commercial stations in country districts in three categories (a) for wide coverage, (b) for district coverage, and (c) for local service. The Department realized that the service areas of many of the stations in the two latter categories would be encompassed within those of the 2,000-watt stations, but it was expected that they would be able to derive sufficient revenue from all sources to maintain the type of service required of them.

64. In reference to 3SR's practice of giving a discount to local advertisers, as distinct from national advertisers, the Post Office has pointed out that this arrangement is not disclosed in the tariff of advertising charges published in pursuance of section 61 (2) of the Broadcasting Act.

#### THE MAJOR NETWORK'S ATTITUDE.

65. In connexion with the Deniliquin licensee's unsuccessful efforts to participate in network programmes, the following are the principal points in information supplied by the controller of the Victorian unit of the Major Network, who is also manager of the *Herald* stations:—

- (1) It is not customary to recommend a country station to national advertisers, but to sell on a network basis, which consists almost entirely of city stations with country relay units. No objection is made to the advertiser extending to as many country stations as he desires. The network has considered inviting certain country stations to take a more active part in its programmes, but has not felt any urgency to do so.
- (2) The network's programmes are not heard in the Deniliquin district except in distant reception from the *Herald* station 3LK Lubeck (approximately 155 airline miles from Deniliquin).
- (3) All national advertising is done through advertising agencies.
- (4) At present "it is easier to secure business for any broadcasting station than at any time in our history".
- (5) "As the live-artist programme is rapidly displacing the recorded programme, the licensee of the Deniliquin station must plan for his station to be so self-sufficient that whatever he has to offer to a network must be good enough to offset the cost of the programme plus time on the air plus land-line charges."
- (6) "Unless a station could build a strong listening audience by dint of its own exertions, the provision of good programmes from local sponsors, and so on, it could not hope to attract national business unless it was very favorably located. Station 2QN is well conducted, I think, but the local sponsors do not appear to be very ambitious."
- (7) The licensee should be given facilities to make field tests in his area to prove his coverage. If the results are good he can issue some literature to the advertising agencies and prospective customers with a definite basis of authority. "Armed with this authority he could command respect and I would do my best to interest the Major Network as well."

66. Asked whether, if 2QN were transferred to Wangaratta on its present power of 200 watts and shared radio channel, the licensee would fare any better there as regards inclusion in the network's advertising contracts than he does at Deniliquin, the network controller says: "With regard to your query whether 2QN would be included in more national campaigns if it were moved to Wangaratta, I would imagine that since it could hardly do worse than at present a move to Wangaratta would be advantageous to its licensee". He also says: "As to whether national advertisers are more likely to use 2QN if it were at Wangaratta, I think it is likely they would do so if it is true, as I have been informed, that a rather compact pocket of listeners in this area does not receive adequate service from existing stations".

67. The network controller has also suggested a revision of the Government's policy in regard to the allocation of operating power to commercial stations generally, but this is a matter outside our terms of reference.

#### THE MACQUARIE NETWORK'S ATTITUDE.

68. Replying to the Deniliquin licensee's complaint that participation of his station in the Macquarie Network's programmes was refused, the general manager of that network, whose head-quarters are in Sydney, has supplied information which is summarized as follows:—

- (1) The network was formed to give listeners throughout Australia "the best possible commercial programmes".
- (2) Most of these programmes, particularly those at night, are sponsored by large national advertisers who have a larger advertising appropriation than others and are, therefore, able to make available programmes "of the highest merit".
- (3) If the best programmes can be received from a distant station, it would achieve no useful purpose for a local station with a very low power to broadcast the same programme. It would be "infinitely better" that such a station should present an alternative programme.
- (4) The Shepparton station, which is a co-operating member of the network, has a power of 2,000 watts on a clear radio channel and delivers an excellent signal to the Deniliquin district.
- (5) The network desires to place before advertisers the best value for money expended, and the inclusion of additional stations at additional cost without any benefit to the advertiser in the matter of additional coverage would be unsound and uneconomical from a business point of view.
- (6) On the question whether, if the Deniliquin station were transferred to Wangaratta, the licensee would fare any better there as regard participation in the network's programmes than he does at Deniliquin, the general manager says he would prefer not to comment, as his advice would be "to the undoubted advantage of one country station to the very obvious detriment of another". He also says: "2QN have a shared channel and it is impossible to say what the value of their transmission would be if they transferred to Wangaratta until actual transmission tests had been taken in the district. In some cases, with these low-powered stations, interference, particularly at night, from the station with which the channel is shared occurs within a distance of 5 to 10 miles from the transmitter. Whether this would be the case if 2QN were transferred to Wangaratta it is impossible to say."

#### THE POLICY OF THE FEDERATION OF COMMERCIAL STATIONS.

69. Invited to comment on the application for removal of the Deniliquin station, the Federation of Commercial Stations has refrained from expressing any direct opinion in the case. It declares that its policy is to maintain, as far as possible, the *status quo*, and to ensure that stations which pioneered the industry in a district do not have their economy upset by the intrusion of other stations into their service areas.

#### THE STANDING COMMITTEE'S CONCLUSIONS.

70. On the evidence before us, we believe that, although there have been commendatory references to the standard of the station's programmes, the licensee's attention to the business side of the undertaking has,

at times, lacked the degree of personal activity necessary to make the station a financial success at Deniliquin, so far as local advertising is concerned. Our reasons for this conclusion are—

- (1) On his own admission he did not do much about advertising when he started, with the result that the revenue slumped, it being common knowledge, as pointed out by an experienced witness, that if an advertiser is not approached by a salesman to renew a contract on the date of its expiration, he more often than not becomes disinterested.
- (2) His station manager has been too pre-occupied with the programme side to be able to devote sufficient time to procuring advertising contracts.
- (3) The licensee failed to accept an invitation to attend the public meeting at Deniliquin on 5th May to hear the local committee's report on the outcome of its canvass of portion of the town.
- (4) Having signed the agreement three days previously (on 2nd May) to sell the station to the Wangaratta syndicate, he would not be likely, in the natural order of things, to be enthusiastic in subsequently seeking contracts from the prospective Deniliquin advertisers whose names were supplied to him by the local committee on 10th May.
- (5) The attraction of the Wangaratta syndicate's guarantee against loss for five years in an undertaking to be capitalized at a figure substantially exceeding the balance-sheet value of the tangible assets of the Deniliquin station, afforded a strong inducement to relaxation of efforts at Deniliquin.
- (6) Although a native of Deniliquin, he resides at Swan Hill, and he owns and operates nine picture theatres in various towns; consequently, he has not been free to devote proper personal attention to the Deniliquin station's business.

71. Nevertheless, even if the licensee could not be faulted in his efforts to secure local advertising, we have confidential information, from a source we are not free to disclose, which shows that there is no prospect of a country station like 2QN, whether located at Deniliquin or Wangaratta, being a financial success if it has to rely on local advertising alone at the present time.

72. In the evidence initially tendered we were impressed by the references to the extent to which commercial stations depend upon national, as distinct from local, advertising revenue for their financial success in these times. We noted especially the Deniliquin licensee's statement that he had attended every convention of the Federation of Commercial Stations and had found that the disabilities which he has been suffering have been experienced only by those stations which have not received assistance from any of the networks.

73. Wishing to check the weight of this evidence and to confirm the accuracy of advice that all national advertising is done through advertising agencies, we invited all the commercial stations to supply an analysis of the last year's revenue shown in their profit-and-loss accounts which, under the Broadcasting Act, they are required to supply each year to the Postmaster-General.

74. We were subsequently informed by the Federation that, owing to staffing difficulties, many stations were anxious to avoid the work involved in supplying the desired analysis, the preparation of which, it was said, would be an onerous task for them. In the circumstances, we refrained from pressing our request.

75. However, 24 country stations and seven metropolitan stations were able to make their figures available without difficulty, and although it would be unwise to generalize from their significance in the absence of similar figures from the other 67 stations, it is noteworthy that the aggregate national advertising revenue derived by the 24 country stations comprises about 70 per cent. of their advertising income and that they have only been able to secure local advertising to the extent of about 30 per cent. of that income. It is also shown that stations receive national advertising contracts (a) through networks, (b) through agencies independently of networks, and (c) to a small extent from advertisers independently of both networks and agencies.

76. As noted above, so far as the Deniliquin case is concerned, we are satisfied from the confidential information in our possession that there is no prospect of 2QN being financially successful, either at Deniliquin or Wangaratta, without a reasonable share of the national advertising revenue offering. We believe that the licensee has done his best to secure that share, but he has encountered difficulties which appear to be insurmountable without the sympathetic co-operation of the authorities controlling the organizations and interests associated with the commercial broadcasting system, under a policy which recognizes in a practical way the importance of assisting in the maintenance of country stations similarly circumstanced.

77. At a time when there appears to be general recognition of the necessity to extend, rather than decrease, amenities in rural communities, and in the face of such vehement representations as we have witnessed in our discussions with the Deniliquin people—particularly those who spoke on behalf of the Country Women's Association and farming interests—to take away a facility already enjoyed would be a much more serious step than to refuse one not now existing.

78. Few long-range thinkers nowadays question the necessity, emphasized in evidence tendered to us, to devise means of arresting the drift to the cities. Australia's population crisis alone provides a convincing answer to any doubt on that issue. Its reality is demonstrated in well-known figures. For every 1,000 potential mothers there must be 365 children under the age of five if the population is simply to remain stationary. The rural areas average 520 children under that age. The provincial towns average 420. Sydney (typical of the industrial metropolis) averages only 290.

79. Thus, in contrast to the metropolitan city, the country more than reproduces itself; and hence, withdrawal of an amenity which makes life attractive to a rural community is a move to be deprecated in the national interest, so long as that community is strongly opposed to relinquishing it and is prepared to play its part in retaining it.

80. It is this feature which distinguishes the Deniliquin case from the others (Charlton and Derby) which the Standing Committee has investigated and reported upon, for in those cases there was no evidence before the Committee that the local communities concerned were opposed to the removal of the radio station to another centre.

81. Some of the representations made in favour of Wangaratta having its own station are equally applicable to Deniliquin; such as, for instance, the statement that "a local wireless station means progress for the district and is another step towards decentralization, bringing just one more amenity of life to the folk whose occupation on the land keeps them far from the city".

82. With the exception of the opinion expressed by the licensee and the manager of the *Herald* stations, there is no evidence that any national advertising

revenue would be forthcoming if the Deniliquin station were moved to Wangaratta, and as against those opinions, we have been informed by one of the leading national advertisers that it is unlikely his company would patronize the station at Wangaratta.

83. Even as regards local advertising, the evidence of promised support at Wangaratta is not only meagre but is noticeably indefinite. Not one of the local traders, on whose general promise of support the guarantors have relied, commits himself to a contingent contract of any specified amount, and if the licensee's experience of similar vague promises at Deniliquin is a criterion, the indications are that although he would be protected by his guarantee against loss, the guarantors would probably have to meet the deficit.

84. The initiator of the proposal to move the station to Wangaratta is the president of the Wangaratta Progress Association, who is also secretary of the Wangaratta and District Decentralization Committee. After he came to Wangaratta (he is not a native of the district) he had conversations with several people concerning reception from the Shepparton station. These talks led to a meeting of six persons who deputed him and another to explore the possibility of getting a radio station re-established at Wangaratta. The inquiries subsequently made resulted in his sending a letter to the licensee of the Deniliquin station, intimating that he was acting for a syndicate and asking whether the licensee would be prepared to negotiate for the transfer of his station or "the sale outright of your equipment and licence". That was in December, 1943. Up to that time the licensee had no idea of moving the station from Deniliquin.

85. The syndicate (of eight) comprises the initiator of the proposal, a radio dealer, a chemist, a baker, a dentist, a wireless mechanic, a furniture salesman and a solicitor, all of Wangaratta.

86. In January, 1944, after the preliminary negotiations at Wangaratta between the licensee and the syndicate, the initiator sent a reminder to the licensee, the outcome of which was a further visit by the latter to Wangaratta, accompanied by the manager of the *Herald* stations.

87. Eventually the stage was reached when the negotiations could be committed to writing. An agreement was prepared and signed by the licensee and the eight members of the syndicate. Dated 2nd May, 1944, its principal provisions are—

- (a) "For the purpose of this agreement it is estimated by the parties that the assets of the business at Deniliquin including value of licensee stock and plant are of the value of £5,000".
- (b) Subject to the necessary approvals, the signatories are to form a proprietary limited company or a partnership with a paid up share capital of £5,000 divided into 7,000 fully-paid shares to be taken up in the ratio of at least 51 per cent. by the licensee and up to 49 per cent. (but not less than 1,000 shares) by the syndicate—the difference between the said 1,000 shares and the 49 per cent. to be allotted at the discretion of the licensee and the syndicate to people carrying on a bona fide trade or business or profession within a radius of 50 miles of Wangaratta.

88. In a second agreement dated 9th September, 1944, between the licensee and the syndicate, the latter guarantees the former against loss for five years. Amongst other things, this agreement requires the licensee to supply the syndicate with a profit and loss account every four months and empowers the syndicate



to remove the licensee as well as his secretary from the managerial and secretarial posts "immediately" any loss is shown; thereby enabling the syndicate to take virtual control of the station although they would not be bound to hold more than 14 per cent. of the shares of the undertaking. There is also a clause providing that in the event of the licensee ceasing to hold a majority of shares the syndicate may cancel the agreement of guarantee against loss.

89. The extent to which governmental authority should concern itself with the financial aspect of agreements for the transfer of radio station assets is debatable.

90. On the one hand it could be said that these are business deals which only concern vendor and purchaser and that the *caveat emptor* rule should apply to them.

91. On the other hand it could be argued that any excessive payment for the assets reacts on the profits which have to be made to give the purchaser, in the Deniliquin licensee's words, "a modest interest on his outlay", and could contribute to a situation in which the community concerned might lose the local broadcasting service which they desired to retain. Moreover, if there appears to be ground for raising the question whether the contemplated capital investment is soundly based in relation to potential earnings, it could be held, with some justification, that to refrain from drawing attention to the question would be tantamount to condoning a possible injustice to those who would be financially interested, and might have repercussions on the grade of service to the listeners concerned, if the station subsequently encountered difficulties due to over-capitalization. Furthermore, it is very doubtful whether we would be doing the right thing in remaining silent when we have sound reason to believe that neither the Wangaratta syndicate nor a similar syndicate, if formed, at Deniliquin, could hope to make the station a financial success without a fair share of national advertising revenue so long as the existing restrictions on supplies of goods for sale make it impracticable for local advertisers to adequately support the station.

92. We have given careful thought to all aspects of this question, and our considered view in the Deniliquin case is that in any further negotiations a suggestion should be made to the parties concerned that they would be well advised to mutually agree upon the engagement of an independent expert accountant to act as arbitrator in the valuation of the assets. We have two reasons for offering this suggestion.

93. First, when the present licensee purchased the assets from the Deniliquin Broadcasting Company in 1941, he had not seen the latter's balance-sheet and paid over a sum which was not only in excess of the value of the tangible assets as shown in the company's books, but also included a certain sum for goodwill—a highly controversial item, particularly in the case of an undertaking in which, as in the Deniliquin case, losses had been incurred during each of the six years preceding the sale.

94. Second, although the present licensee has since incurred additional capital expenditure in improving the equipment, his agreement with the Wangaratta syndicate contemplates capital investment in excess of the value of the tangible assets (including that additional expenditure) as shown in his latest balance-sheet, and the £5,000 valuation is stated in the agreement to include "value of licence". Whatever decision the suggested arbitrator might reach on the value of the assets, he could scarcely sanction—nor would it be proper, in our opinion, for governmental authority to knowingly accept—a proposition involving treatment of a broadcasting licence as something to which a valuation may be assigned, as it is merely an ephemeral

authority, renewable at the discretion of the Postmaster-General for not more than one year at a time. This limitation of tenure of licences is imposed by section 46 of the Broadcasting Act.

95. We make no comment on the question whether the amounts paid or contemplated for tangible assets and goodwill in this case are justified or not. It may be that certain factors such as present-day costs would have a bearing on the situation. That would be a matter for the suggested arbitrator. But we do say that firm exception should be taken to any proposal which visualizes a broadcasting licence as an asset having monetary value.

96. The Macquarie Network's claim, on behalf of national advertisers, that it transmits the "best possible programmes" of the "highest merit" appears to be inconsistent with the network's suggestion that it is "infinitely better" for a small station like Deniliquin to present an alternative programme. It seems to us that it would be futile for the Deniliquin station to hope to induce an advertiser to sponsor a local programme which could successfully compete for an audience which has the alternative of a network programme of the "highest merit" and of the "best possible" type.

97. The granting of the licensee's request for permission to operate at 2,000 watts is out of the question under existing conditions. Apart from the fact, shown in evidence from the Federation, that it costs over £10,000 a year to run a station of that wattage, other considerations have to be taken into account in the allocation of power to commercial stations, especially the technical aspect, concerning which the Post Office evidence shows that it would be impracticable to allow 2QN, whether located at Deniliquin or Wangaratta, to operate on a higher power than 200 watts.

98. The degree to which, and the method by which, a small country station like 2QN should be protected in the matter of getting a fair share of national advertising revenue is a difficult but not an insuperable problem, and it should not be beyond the capacity of those with a will to safeguard the interests of country stations under the commercial broadcasting system to devise a basis that would be equitable to all concerned, bearing in mind that there is inequality of opportunity among the stations to earn revenue, due to the fact that under their annually renewed licences some stations have been more fortunate than others in being allotted more favorable radio channels and operating conditions. The effect of this advantage is shown in the case of Deniliquin, whose territory is more or less covered by at least one powerful station, 3SR Shepparton, thereby bringing it into the category of stations which, in the words of the Federation, "have their economy upset by the intrusion of other stations into their service areas".

99. That this is a matter in which we suggest the Federation of Commercial Stations should actively concern itself is evident from the fact that the Federation's constitution describes one of its objects as follows:—

To protect, defend and conserve the rights and interests of the members in broadcasting and also the rights and interests of licensed broadcasting stations individually and collectively.

Furthermore, in evidence to a previous Parliamentary Committee, the president of the Federation said—

From the outset, the policy of the Federation has been to encourage the smaller stations. . . . In country towns, the local commercial radio station is the centre for civic expression, and the local people consider that the station belongs to the district in which it is located, the local residents appreciating the fact that it is their own radio which does much to keep the name of the town in front of the public. By its operation, the residents are able to be kept regularly informed of all those local happenings which mean so much in the life of the community.

100. An important consideration which should not be overlooked in appraising the utility of country stations is that although their areas may be reached by powerful distant stations, the latter would scarcely be in a position, on account of the large number of places to be catered for, to allocate sufficient air time to keep the residents of each country town (to quote the words of the Federation) "regularly informed of all those local happenings which mean so much in the life of the community". Moreover, even if there were sufficient air time and appropriate hours to make such a centralized feat possible, residents of one town waiting to hear news of local happenings would be obliged to listen to broadcasts of happenings in a large number of other towns in which, probably, they would not be particularly interested.

101. We recommend that the Federation should initiate a conference between the members of its executive, the controllers of the networks, and the leading national advertising agencies, for the purpose of devising and voluntarily adopting a plan whereby, with the approval of the advertising firms concerned and without necessarily involving them in additional expense, a portion of their annual appropriations for national advertising will be diverted to a trust fund to be administered by the Federation; or that the Federation should itself voluntarily arrange for an equitable percentage of the stations' revenue from national advertising—perhaps on an appropriate sliding scale—to be so diverted and administered; or that some other acceptable plan should be voluntarily adopted; with the object of assisting small country stations like Deniliquin during the restrictions on local advertising due to the rationing of supplies to country business houses.

102. The adoption of some such voluntary plan to encourage the smaller stations would not be altogether an innovation. It could be regarded as an extension of the concessionary principle already voluntarily adopted by the Federation in the arrangements whereby such stations pay smaller subscriptions to the organization and a lower scale of charges for copyright fees than the more powerful stations.

103. When information is available as to the share of national advertising revenue which the Deniliquin station would receive under whatever plan the Federation may arrange, the licensee will then be in a position to acquaint the Deniliquin people, say, through the medium of a public meeting to be convened by the mayor, as to the approximate amount of local advertising revenue he would need to receive in order to

give him a fair return on the value of the undertaking. If that local revenue is not forthcoming within a reasonable time, and if there should be convincing evidence of any lack of enthusiasm on the part of the licensee in the solicitation of local advertising business under attractive programme features, then the question of arranging for some other party to run the station in Deniliquin should receive consideration. In this connexion we have evidence that there is at least one prospective buyer of the station's assets for that purpose.

104. In the meantime, unless the Federation is disposed to arrange for some advance payment to the Deniliquin station in anticipation of the adoption of a plan on the lines recommended, the licensee might be permitted to suspend the operation of the station, if he so desires, subject, of course, to necessary adjustment of existing contracts with advertisers, to mutual satisfaction.

105. In conclusion, and in reference to the difficulties which 2QN has experienced in endeavouring to make ends meet, we invite special attention to the significance of the statement made by the manager of the *Herald* stations that "at present it is easier to secure business for any broadcasting station than at any time in our history". Accepting this statement from such a responsible quarter as a reflection of the experience of the powerful stations, under the more favorable operating conditions they enjoy, we suggest that this is a particularly opportune time for the Federation to initiate a move in the direction we have recommended, in furtherance of its expressed policy of encouraging the smaller stations and of protecting the interests of all, individually as well as collectively. It is noteworthy that the total revenue of £1,330,000 derived by all the commercial stations during 1941-42 increased during 1943-44 by £515,000 to £1,845,000.

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20th February, 1945.