DEPT. OF THE SENATE
No. 6108
Presented 4 - JUL 1946
John Edwards
CLERK OF THE SENATE

1946

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THIRTEENTH REPORT

of the

PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING

relating to

THE FINANCING OF THE NATIONAL BROADCASTING SYSTEM

Canberra, 3rd July, 1946.

MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE

ON BROADCASTING

(Seventeenth Parliament)

Chairman ... ... Senator Stanley Kerin Amour (a)
Vice Chairman ... ... The Honourable Josiah Francis, M.P. (b)

Senate	House of Representatives
Senator the Honourable Herbert Hays (c)	George James Bowden, M.C., M.P. (b)
Senator Richard Harry Nash (c)	William George Bryson, M.P. (b)
	Cyril Chambers, M.P. (b)
	The Honourable James Allan Guy, M.P. (b)
	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 as Senator expired on 30th June, 1944. Senator the Honourable Allan Nicoll MacDonald resigned from the Committee on 20th July, 1944. They were succeeded by Senators Hays and Nash.

THE FINANCING OF THE NATIONAL BROADCASTING SYSTEM

In accordance with Section 85 of the Broadcasting Act, we submit this report to Parliament on the future financing of the national broadcasting system.

2. Our terms of reference have arisen from correspondence addressed to the Postmaster General by the Australian Broadcasting Commission, intimating that it is impracticable to give effect to its charter with its present income. The Commission has requested that its share of the listener's licence fee should be increased to 15/- per full rate (£1) licence, with corresponding allocations in respect of concession rate licences.

3. In referring the matter to us, the Minister advised :-

> The balance of the listeners' licence fees, after payment to the Commission of its proportion, is already insufficient to meet the Post Office costs in connection with the national broadcasting service, i.e., on the maintenance and operation of stations and the provision of telephone trunk lines for relaying programmes, etc. During the year ended 30th June 1945 the loss incurred by the Department was in the vicinity of £120,000 and it will increase progressively each year as new stations are added to the national network. The deficit would of course be substantially greater in the event of the Commission's proportion on each full licence fee being increased to 15/-. The request made by the Commission raises the question of the future financing of the national broadcasting system. In these circumstances, and in pursuance of the provisions of Section 85 of the Australian Broadcasting Act, I hereby refer the matter to the Parliamentary Standing Committee on Broadcasting for investigation and report.

Historical

4. When the national system was established in 1932, with a Commission to take care of the programmes, and with the Post Office in charge of the associated technical facilities, the licence fee was 24/- per annum, of which 12/- was apportioned to the Commission for programme costs, 3/- was allocated to the Amalgamated Wireless Company for patent rights, and the balance (9/-) was credited to the Consolidated Revenue, from which the technical facilities were financed.

5. In 1934 the payment of patent royalties to the Amalgamated Wireless Company ceased and the licence fee was reduced to 21/-, of which the Commission continued to receive 12/- and the balance (9/-) was credited to Consolidated Revenue.

6. In September 1940 the license fee was further reduced to 20/-, of which the Commission received 10/- and the other 10/- went to Consolidated Revenue.

7. In 1942 a Joint Parliamentary Committee recommended that the fee should be restored to 21/- or that the Commission's share should be 11/-. It was decided to retain the fee at 20/- and to restore to the Commission 1/- of the 2/- cut which had been made in its share in 1940. This decision was embodied in the Australian Broadcasting Act, which came into operation on 1st July 1942.

8. In 1943 the Commission asked that at least the remaining 1/- of the 1940 cut should be made available to it, and in the Standing Committee's Third Report, dated 22nd February 1944, it was recommended that the Commission's share of the fee should be restored to its pre-cut rate of 12/- (with corresponding allocations in respect of concession rate licences) as from 1st July 1944. / The Committee also recommended that the amount by which the remaining revenue from licence fees proved insufficient to meet the annual charges on the technical services should be financed at community cost, that is, from the Consolidated Revenue.

9. It was decided to restore the Commission's share to 12/-, as recommended by the Committee. This decision, however, was applied on a temporary basis, on the ground that the conditions which had prompted the Commission's application for restoration of its 1940 apportionment were, at least to some extent, abnormal in that they were partly due to developments arising from the war.

10. Hence, although the Broadcasting Act (in section 27) still provides for the 11/- rate, the restoration of the Commission's share to 12/- has been effected by means of a special appropriation in respect of 1944/45 and 1945/46.

The Commission's Case

11. In presenting its case for an increase of its apportionment from 12/- to 15/- per 20/- licence, with corresponding allocations in respect of concession rate licences, the Commission has made the following submissions :-

(1) For many years the Commission has been conscious of increasing difficulty in adequately performing its functions within the financial limits imposed. This situation has become particularly acute during 1945/46. A review of the position early in the year disclosed that the Commission would not be able to balance income and expenditure without some retrenchment of personnel, in addition to rigid economies in administration and programmes. To that end it had decided to dispense with the services of certain of its permanent music personnel, including the national military band. As the result of discussions with the Standing Committee, however, it had been agreed to review that decision on account of both the hardship involved to the persons concerned and the programme value attached to the services of these musicians. The Commission decided to maintain rigid economy in all departments, to refrain from retrenchment of its personnel, and to meet the budget deficit from its reserves. This decision, however, was contingent on presentation of an urgent request to the Minister for a parliamentary review of the immediate and long term position of the Commission's finances. In this the Commission was actuated by the knowledge that the difficult financial situation which it now faced was an inevitable development of the natural growth of broadcasting services in conjunction with inadequate growth of income due to the existing system of finance.

(2) The difficulties in 1945/46 have been particularly onerous, due to the Commission's obligation to re-establish service personnel in the organisation, and no short term amelioration of these difficulties could meet a situation which has long been developing.

(3) The Commission desires its 12/- rate of apportionment increased to 15/- by amendment of the Act, not only to ensure the effectiveness of its service vis-a-vis the commercial stations, but also in the light of the experience and financial standing of comparable organisations within the British Commonwealth.

(4) It would be quite possible for the Commission to operate its services strictly within the scope of its present income, but to do so would necessitate immediate retrenchment of personnel and a lowering of programme standards. The Commission feels, however, that it is the desire of Parliament and the people of Australia that their national service should cover all aspects of broadcasting with a high degree of excellence and that it should keep abreast with developments and standards of comparable institutions overseas.

5) The figure of 12/- per licence, established in 1932, returned an income to the Commission of £250,600. It was intimated to the Commission, however, that it would be expected not only to make its programme and administrative expenses self-supporting from that rate of revenue but also to set aside a percentage into a reserve fund which would enable the Commission to finance from licence revenue its permanent offices and studios. The undeveloped character of radio in the Commission's early years, together with the rapid increase of listeners' licences, enabled the Commission for some time to operate on this basis.

(6) By 1939 the Commission's licence fee revenue had risen to £658,700 and the Commission had been able to meet running expenses as well as to set aside a reserve fund of £249,000 and to secure capital assets in building and equipment valued at £179,000.

(7) As time went on, however, the growth and complexity of broadcasting increased in greater ratio than the increase in licence fee revenue. The requirements of the six separate State establishments to serve the wide complexity of an Australian continental coverage, in addition to a Federal organisation, made repidly growing demands on the Commission's finances. In addition, the phenomenal development of permanent orchestral and other musical establishments, together with the growing importance of news services and the spoken word, opened up for the Commission, as for all broadcasting authorities in the world, unsuspected demands upon organisation and personnel.

(8) It became clear to the Commission, therefore, as early as 1939/40, that in spite of the gradual increase in licence revenue it could not hope to contribute a satisfactory service to the Australian community on its financial allocation and at the same time accumulate building reserves. The last contribution to the reserve fund was the comparatively small sum of £20,000 in 1939/40. Since then no such allocations have been possible.

(9) In 1940/41 the Commission's finances suffered a staggering blow by the reduction of its revenue to 10/- per licence as against the 12/- originally granted. This forced such drastic economics that the national service suffered severely

(10) The restoration of 1/- of the cut in 1942 proved quite inadequate to meet the community's growing demands, and the Commission was forced to make further representations for increased funds, with the result that its revenue was brought back to the original 12/- by special grant without amending the Act.

(11) This restoration, however, does not take into account the reduction in the rate of increase in licences. From 1933 to 1940 (a period in which the Commission's development was paralleled by annual increases in income) the mean increase in revenue was £64,200 per annum, but from 1940 to 1945 the increase rate dropped to £34,600 per annum.

(12) Thus, the allocation of 12/- per licence as the sole revenue source for the Commission, except during the early and rapidly expanding days of radio listening, has failed to keep pace with the normal growth of a national service of this character, and must inevitably reach a stage in due course, as licences approach saturation point, where no development of the service at all can be contemplated, even with the abandonment of the building of reserve funds.

(13) This situation has already arisen. Even with the consolidation of the 12/- rate, the increase in licences cannot hope to meet even the general rise in costs both of salary and artistic personnel which is steadily taking place. Still less can it afford the Commission that opportunity for development of its service in the community interest which the great advances of broadcasting technique and the strong competition of commercial stations make imperative.

(14) During the war it was possible to run on a reduced scale by reason of employing a considerable number of temporary personnel, largely female, in the place of officers serving in the Forces, and because of the greater restriction of artistic material available during that period. The full weight of the inevitable financial position, however, is now being felt by the Commission with the return of its staff and with the rapidly rising standards demanded of broadcasting in the peace-time competitive field, so much so that personnel retrenchment would be required to balance the year's accounts.

(15) Having regard to the general difficulties of post-war re-habilitation on the one hand and the over-riding importance of maintaining high programme standards on the other, the Commission has set its face against such retrenchment but will be forced to draw to some slight degree upon its reserves to cover the year's operations, in spite of drastic economics in all departments.

(16) It is presumable that a review of the financial resources of commercial broadcasting in recent years would indicate that the flow of expenditure into modern radio transmissions represents an extraordinary rise wholly out of proportion to the slow development of the Commission's resources, if regard is paid to the statutory demands upon it in its charter.

(17) The British Broadcasting Corporation commenced its public service on the rigid lines of a proportion of licence fee similar to that of the A.B.C. It, too, for some years was able to maintain its service owing to the rapid growth of listener licences. During the war, however, its services to the nation were so highly valued that it was deemed advisable to remove the financial restrictions imposed by this method, and direct grants from consolidated revenue were made to meet its costs which were incurred according to the requirements of the day. Now, however, it is proposed that it shall revert to the 'per licence' basis of finance. The British Government has had occasion to study the B.B.C's. position and assess its value in the meantime with the result that the licence fee in the near future is to be doubled (from 10/- to 20/- per licence). This increase is in respect of normal radio services only and has no reference to television for which special licence fees are to be imposed. In Britain, of course, the whole of the licence fee goes to the B.B.C. and is not shared with any other government department, with the exception of a nominal amount which is paid to the Post Office for collection of fees. (Standing Committee's note : The B.B.C. unlike the A.B.C., is responsible for technical services as well as programmes. During the year ended March 1945, approximately 30 per cent of the B.B.C's. expenditure was charged to "Engineering").

(18) Having regard to the comparative economy with which the B.B.C. is able to operate at least for its Home services and the vast number of listeners from which it draws its revenue, the position of the A.B.C. in attempting to operate

a system divided of necessity into six separate establishments in addition to the essential federal administration and specialised directors, requires no emphasis.

(19) It is clear, therefore, that the British Government has recognised the necessity of a complete re-assessment of the B.B.C's financial position. In reply to a question, Mr. Herbert Morrison on 23rd February intimated that the Government was not prepared to depart from the policy of not broadcasting sponsored programmes and advertisements. He said that the B.B.C's present estimated expenditure was :-

Home Service	.. ..	4.7 million pounds
Overseas	.. ..	3.9 " "
A total of	.. ..	8.6 " "

Of this, licence revenue contributed only 4.5 million pounds, leaving a deficit of 2.1 million pounds. This deficit would be made up by the Treasury. Looking to the future, however, he indicated that when certain contemplated improvements were made by the B.B.C., the budget position would be as follows :-

Home Service would cost	..	7½ million pounds
Television " "	..	2 " "
A total of	..	9½ " "

Licence revenue doubled from 10/- to 20/- per licence would realise 9½ million pounds. Mr. Morrison made it clear, however, that it was not proposed to finance the Overseas Service of the B.B.C. out of the increased licence fee from which it must be deduced that the Overseas Service would be an extra Treasury grant in addition to these figures. The above figures contemplate a differential licence fee for Television sets at £2 as against £1 for normal receiving sets.

(20) This policy is indicative of recognition that a national broadcasting service must either maintain its position in line with current broadcasting standards in the world or vacate the field in favour of the purely commercial system. It appears that the majority of British opinion favours the retention of the national broadcasting system whether concessions are made or not to commercial broadcasting in the forthcoming review of over-all policy in the United Kingdom, and, with the retention of the B.B.C., opinion also favours much enlarged financial allocations for its effective operation. The position as between the United Kingdom and Australia is, of course, fundamentally different in view of the large number of licences in that country, and it could not fairly be suggested that a scale of expenditure in Australian equivalent to that in the United Kingdom would be justified. On the other hand, the figure quoted above to be granted as the annual income of the B.B.C. does emphasise the fact that a national radio service has almost unlimited opportunities for improvement which can only be thought of in terms of large expenditure figures.

It is of further interest to note that the United Kingdom is able to concentrate its expenditure on the preparation and diffusion of radio programmes mainly from one centre, with a consequent enormous saving in administrative costs. By comparison, the task of the A.B.C. in Australia is incomparably more exacting both from an administrative and financial point of view. State demands and vast distances with a host of local problems involve much dissipation of funds and programme facilities.

(22) The greater significance, however, of this review of the B.B.C. position is the abovementioned fact of the British Government's recognition of a sharp review upwards of national broadcasting expenditure if its national institution is to retain anything like an adequate place in the radio world.

(23) The financial position of the Canadian Broadcasting Corporation is equally significant, although for purposes of comparison with Australia is complicated by the fact that its revenue is derived partly from listener licences and partly from advertising revenue. By latest figures, some 30% of the total revenue in Canada comes from advertising sources. The C.B.C. has informed the A.B.C. that for the year ended March 1945, its total expenditure was $5,342,486, of which $1,115,000 was chargeable to technical services and salaries. This income, which is applicable to a broadcasting service more akin to the Australian by reason of geographical considerations and the dual system, is considerably in excess of the revenue of the Australian national stations. (Standing Committee's note : *The figures in the C.B.C's accounts for the year* ended March 1945, converted to Australian pounds at 3.575 dollars to the pound, show that the Corporation's income was approximately £1,538,000 in comparison with the Australian national broadcasting service income of £1,569,000 *for the year ended June 1945*, and that £571,700 was spent on the C.B.C's technical services, including wire lines).

(24) The whole of the amount in Canada goes to the C.B.C., which, as in the case of all Empire countries other than Australia, has full control and responsibility for its technical services. From a financial point of view, however, the interesting feature of Canadian finance is that the C.B.C. is not confined to a statutory limit for its income. By virtue of its ability to sell time for sponsored programmes it is able to increase its income parallel with its development to a degree impossible under Australian conditions. For this reason a review of Canadian licence revenue has not become imperative to keep pace with development as in the case of Great Britain. Briefly, therefore, the C.B.C. has the great financial advantage of being a trading as well as a national corporation and has a degree of elasticity in equating income with development denied to the A.B.C. In spite of this the C.B.C. actually showed a deficit of about £20,000 (Australian) in its last balance sheet.

(25) A further factor is of immense significance, namely, the greater degree of *economy* possible to the C.B.C. in presenting its musical and feature programmes. Many of its most popular light entertainment and serious musical sessions are derived from the United States and are not only not a charge against the programme expenditure but are actually *revenue producing*.

(26) The New Zealand National Services also derive their revenue from two sources, licence fee and the sale of time for commercial broadcasting. The licence fee is 25/- per licence and returns the New Zealand Service £436,000 per annum as disclosed in its accounts for the financial year ended March 1945. This sum, together with £274,000 received for commercial broadcasting and £60,000 from other sources of income, gives that body a total annual income of £770,000 from which it was able in the year referred to to place £170,000 to a building reserve fund. The New Zealand services have in fact, through the expansion of their income, been able not only to conduct their programmes but to establish a total reserve of £1,570,000. In

comparison with the position of the A.B.C., New Zealand is in a greatly superior position. It has an extremely small geographic coverage to undertake in comparison with the Australian scene. A single medium wave station at Wellington is able, with fair efficiency, to cover both islands for the broadcasting of parliamentary proceedings. The New Zealand service has no commitments for permanent musical establishments on the scale obligatory in Australia. In addition it has developed no news staff or news service of the quality and coverage of the A.B.C. It enjoys the elastic trading facilities of Canada to an even greater degree by virtue of having a commercial monopoly in the dominion for the collection of advertising revenue. This revenue has not only enabled the New Zealand service to build up large reserves, but has put it in a position in which by the development of its trading activities it is able to meet developmental obligations and the rising scale of costs by commercial operations. (Standing Committee's note : The accounts of the national and commercial services in New Zealand are kept separate, and the reserve appears to have been built up almost entirely from licence fees. It is doubtful whether any contribution to the reserve has been made from the funds of the commercial service).

(27) The South African Broadcasting Corporation is in a particularly favourable financial position by virtue of the fact that its charter enables it to determine the amount of the licence fee, which is the source of its revenue. This fee, which is variable, averages approximately 39/- (Australian) per licence and returns the Corporation £567,000 gross. Deducting £50,000 as the Post Office collection charges and the Government's share of the licence fees, a net revenue of £516,000 goes to the Corporation. It is clear, therefore, that the S.A.B.C. has been in a position to meet its normal development by the charge of a licence fee approximately double that of the Australian. Here, too, however, in spite of the buoyant finances of the Corporation, which was able to December 1944 to show a reserve and development fund of £504,000, the inevitable slackening of licence increase in late years has given cause for concern. In the years 1939-1942 the average annual increase in licences was approximately 30,000 which rate has now dropped to approximately 10,000 per annum. The S.A.B.C. is therefore at the present moment making a survey of other British Empire national services in order to advise the South African Government among other things as to whether the Corporation should in view of approaching saturation point alter its long term policy in the light of experience abroad.

(28) Meanwhile, however, the larger licence fee charged places the South African service in a much more favourable position relatively than the Australian, which serves a continental coverage of some 1,500,000 licences as against the South African figure of 363,000.

(29) It will be seen that, of the Empire national broadcasting services, only the United Kingdom, South Africa and Australia have so far retained the system of a fixed licence fee as the sole source of income. Canada and New Zealand are in the commercial field and are able to make profits commensurate with rising costs and development. Of the three fixed licence fee systems, the United Kingdom abandoned the system entirely during the war and in now reverting to it has doubled the figure. South Africa alone has retained its initial financing ratio, but as this is on a very high level the position has not yet become critical in that quarter. The Australian system is therefore peculiarly disadvantaged by having been compelled to finance its operations on a low fixed rate of licence fee income which

increase in expenditure has overtaken increase in the licences, from which the revenue is derived. (Standing Committee's note: In supplementary evidence it is stated that the South African authorities have now decided to finance a third national network from commercial revenue.)

(30) The Commission, therefore, under the present Act can only look forward to a very minor increase in revenue each year while at the same time facing not only the problem of development but an all-round increase in the cost of administrative and artistic personnel. Indeed, it is doubtful whether the increased licence revenue on the Commission's present allocation is adequate to absorb the normal increase in wages, salaries and fees, over which it has no control.

(31) Not only, therefore, is the prospect one of arresting all development and expansion of the Commission's activities, but even of retrenchment of its existing establishment. Such a prospect is one which must inevitably be faced if the national broadcasting service is not to become progressively less efficient. The Commission wishes to make it clear, however, that in its view the financial problem now before us cannot be resolved merely by the retention of an expenditure rate adequate to cover our existing establishment. A progressive policy and a higher expenditure rate are imperative.

(32) The A.B.C. is operating within a broadcasting framework of great difficulty. Unlike any other British Commonwealth country, the A.B.C. though debarred from entering the commercial field itself, is required not only to carry out cultural and service functions, but to compete openly with a commercial system operating more than four times as many stations as the national service. The United Kingdom and South Africa have no commercial system at all with which to compete for the listener's ear. New Zealand and Canada have commercial systems, but in the case of the former it is under the control of the national system, and in the case of the latter commercial broadcasting is combined with the non-sponsored method.

(33) The Commission urges that this position is fundamental in assessing the requirements of national broadcasting in Australia. It means primarily that national broadcasting in such circumstances to maintain its position is compelled to keep pace not only with the flood of highly popular light material radiating from commercial stations, but also to compete for artists and features in this very competitive field at a rate which is rapidly increasing. This task is frankly impossible under existing circumstances. While pressed from many quarters, both governmental and private, for performances in popular entertainment of a quality and at a cost equal to the best on commercial radio, the demand is equally insistent that the Commission will in no way minimise its cultural and service functions.

(34) The Commission feels that both these demands are entirely legitimate but it has never been fully recognised how deep are the financial implications if the Commission is to achieve excellence in both spheres. The A.B.C. has committed itself to the development of Australian music by the formation of permanent units of considerable magnitude. It has undertaken news services for whose reliability, objectivity and wide coverage it is compelled to pay heavily. It conducts educational and essential services designed to assist the cultural and economic efficiency of the community, as well as spoken transmissions dealing with current affairs.

(35) None of these activities can be dispensed with if a major reason for the establishment of national broadcasting is to be met, but if in addition to such services the A.B.C. is to be in the top flight of competition with its commercial colleagues for popular entertainment, then a dual financial responsibility is incurred. It means that the Commission must be prepared for a scale of expenditure for popular artists and features which is established quite outside its own control or its own estimation of value. Whatever merits such a position may have in terms of producing an over-all vitality in Australian broadcasting, its financial implications cannot be ignored. Of late years the Commission has been forced to accept the position that it can easily be outbidden for popular artists and even for staff by its rivals.

(36) It is safe to say that were the A.B.C. in the privileged position of either South Africa or the B.B.C. where the national services have the field to themselves, the present financial position would not have arisen for some time, although it would inevitably occur at some later stage in the normal course of development.

(37) (7) The Commission therefore submits that the task it has been given by Parliament of conducting not only a cultural and service function, but also an entertainment function, within the framework of a numerically stronger and highly competitive commercial system, involves recognition by Parliament of the extra financial demands created by such a situation. Of a total expenditure of £946,000 for the past year, the Commission has been enabled to allocate only £137,000 to Light Entertainment, a sum wholly inadequate to maintain parity in this field in the Australian scene.

12. In reference to the requirements of its individual departments, the Commission points out :-

(1) <u>Music</u> - Of a total income of £946,772 during 1944/45, a sum of £410,955 was chargeable to Music. This sum illustrates the degree to which the Commission has been involved in carrying out the specific requirements of the Act. The establishment of permanent orchestral units in each State, the engagement of conductors and artists, and, above all, the Commission's policy of spending as much as possible on the encouragement of local artists and live broadcasts as against recorded numbers are primarily responsible for this outlay. Such a policy has received not only the approval of the community and of Parliament, but the Commission has been consistently pressed to increase its musical establishments and its engagements of Australian artists. As the figures indicate, the Commission has stretched its expenditure in this regard to the full extent of its resources. Now, however, with the upward trend in current costs and living standards, it is faced with additional expenditure in new rates for musicians which are estimated to cost £8,000 extra in 1945/46 and £11,000 per annum in succeeding years, even on existing establishments. The Commission is loath to meet these new charges by retrenchment of musical personnel and feels that its musical establishments not only should be fully maintained but expanded with adequate rewards to its musicians. The Commission hopes, for example, to reintroduce its former practice of arranging interstate tours for leading Australian artists and to organise an annual national radio eisteddfod. In addition it has long felt the need of arranging annual competitions for adult and school choirs, and also for Australian composers and script writers. These are

considered to be essential to the proper development of the A.B.C.'s function for the encouragement of musical talent in Australia, but they are costly and can only be contemplated when increased funds are available.

(2) Light Entertainment - The importance of an increase in the Commission's activities in Light Entertainment in the highly competitive field of Australian radio has already been touched upon and its present annual expenditure, £137,633, referred to. The Commission estimates that to enable its Light Entertainment to compete with the commercial stations, the sum of at least £40,000 per annum in addition to present expenditure would be required. It is felt to be essential that the Commission should be in a position to engage more script writers and arrangers and to be able to compete successfully for leading variety stars. In addition, its programmes require the more extensive use of light ensembles such as Fred Hartley's, and the engagement on either a casual or permanent basis of well-known bands which are already available. This department of activity is one in which excellence of quality is particularly essential if the national programmes are to share adequately in the wide popularity which the community accords to such material. The Commission feels that the effective impact of its other activities upon the community will largely depend upon its success in this field.

(3) Drama and features - The present proportion of the Commission's total expenditure chargeable to this department is £75,614. The existing budget, however, confines the officers of this department within very severe limits. The development of dramatic and feature sessions is one of the most promising and popular of radio progress generally, and the Commission is anxious to keep abreast of technique now being perfected in the radio world and to utilise this type of programme as a prime means of combining radio education in its best sense with a high degree of entertainment. For example, the Commission hopes to create a Features Department to specialise in documentaries and features of Australian life and history. Such documentaries would be made available to both British Commonwealth and United States broadcasting organisations on an exchange basis. In addition, it is generally agreed that a wide field is opening for the extension of the use of dramatisations in school broadcasts and in the provision of field broadcasts to give sound pictures of the Australian people, their occupations and character.

(4) Youth Education - The field of Youth Education is one peculiarly the responsibility of the national services on the broadcasts side. As exemplified in a recent Radio in Education Conference, there is a growing demand for the utilisation of radio as a most valuable adjunct to education both in the school curriculum and in the home. The Commission's present expenditure in this department is £75,956 which is required to cover its school broadcast functions in all States as well as its highly successful Children's sessions. These functions are becoming increasingly varied and have a special significance in the Australian scene owing to the enormous difficulty of carrying adequate educational facilities to the scattered population of a continent of this size. Almost unlimited prospects of service are available in this field through co-operation with the State and Federal education authorities, were

adequate finances available. The use of dramatised sessions for historical, geographical, social and industrial matters is one of the most promising characteristics of future prospects. Such dramatisations, however, require expert personnel and much preparation with consequent high level of costs. This department also must inevitably develop the present practice of issuing brochures and pamphlets outlining the nature and subject of the broadcasts and providing background comment. In addition it is hoped to develop Children's Sessions by encouraging correspondence at present forced to severe limits by lack of staff, and extending the organisation of the Argonauts Club.

(5) Talks - The amount of £98,715 chargeable to the Commission's Talks Department is wholly inadequate to the growing demands made upon this important function. The development of radio everywhere in the world is stressing its vast importance as an informational agent in a democracy. The radio is rapidly becoming in very truth the forum of a people's thinking and a melting pot for its ideas and values of political, social and ethical subjects. The Commission feels that its responsibility in this regard is peculiarly great at the present time, and is anxious to widen its scope by the more effective presentation of the best views and information available in the country. Existing fees to contributing speakers are deplorably low, and the development of spoken transmission has had to be neglected to a degree which has given the Commission much concern. The technique of spoken transmissions is becoming more and more exacting financially while being more effective in popularity. The Commission hopes, for example, to extend the Nation's Forum of the Air to a weekly instead of a bi-weekly fixture. Such an extension, however, involves expansion of staff and expenditure. In addition, the development of church broadcasts from studios and the better preparation of "straight" talks and discussions are urgently needed. Under this department, too, come listening groups which are a feature directly associated with adult education. So wide are the demands in this field that the Commission has recently found it necessary to establish a separate directorate of Rural Broadcasts designed specifically for the service and entertainment of the country dweller. This function, which is now only in its very early beginnings, and is quite inadequate to the demands upon it, has already proved of great service to the rural community. The Commission proposes to develop this phase of its work to a much greater degree. It is undeniable that in the field of rural broadcasting Australia is still well behind the achievements of both Canada and the United Kingdom

(6) News and Essential Services - Radio news services, like other spoken transmissions, have proved to be one of the most important and most appreciated of radio's contributions. In a national service its importance is difficult to over-estimate in that it requires to be of a quality and integrity beyond reproach. The history of its development within the A.B.C. is one which has high-lighted as essential two facts, namely, (i) it must be prepared to cover all news available both home and overseas with speed, efficiency and objectivity; (ii) for the purposes of its standing in the community it must be free of all commitments which would prevent first-hand access to news sources. The fulfilment of these conditions requires a

degree of expenditure which would not be necessary if these requirements of high policy were not to be met. These conditions, however, so essential to an adequate and trustworthy news service, require that the Commission not only subscribe to adequate basic news sources on conditions of freedom from restriction, but also maintain an adequate news staff of its own for checking and for preparing the bulletins and where necessary for news-gathering purposes. Such a policy is by its nature expensive, but the Commission is convinced that no lesser policy can be contemplated. If the objective of a news service which can be guaranteed as completely unbiassed in its selection and presentation, and at the same time as fully reliable, both as to fact and to coverage, is to be reached, then commitments both of staff and news subscriptions on an adequate basis are essential. The Commission has recently agreed upon a policy in this regard which will involve it in a considerable expansion of its expenditure. Its projected news agreements will not only involve an annual increase in expenditure of £15,000, but will also require enlargement of the Commission's news staff, both locally and abroad to carry forward these developments. In addition, however, to the regular news sessions, it is proposed to introduce special new features such as daily news round-ups from all States, the extension of coverage of sporting events, and the development of special services to women listeners.

(7) Publicity - The Commission has been conscious of, and the Standing Committee has repeatedly emphasised, the lack of adequate publicity for the Commission's programmes. Many excellent items on which much care and trouble have been lavished have been heard by a comparative minority of listeners owing to the Commission's financial inability to draw the public's attention to its sessions. Here again the situation of the highly competitive radio framework in Australia applies with obvious significance. Commercial sessions of note are given widespread and increasing publicity at great cost both in the press and on hoardings. The Commission's present funds do not permit of similar facilities. Its direct expenditure in publicity is principally the small amount entailed in publication of the A.B.C. Weekly, which has great value but is necessarily limited to a weekly circulation. The Commission desires to be in a position in which it can utilise the advertising aids so lavishly availed of by its commercial competitors for the attraction of public attention. This will require the engagement of competent publicity officers as well as the expenditure in the direct advertising media.

(8) Staff Salaries and Artists' Fees - The Commission has recognised for some time the justification for the representations made both by its junior and senior staff for re-assessment of salary rates. This is particularly true in respect of those positions within the organisation which require specialised artistic or educational qualifications. Here again the Commission cannot help but be conscious that the standards of reward for such staff are inevitably set by the competitive radio market within which the Commission operates. Owing to its stringent finances the Commission has hitherto been compelled to request such officers, both senior and junior, to continue to operate on rates considerably inferior to those operating in commercial radio. The Commission consequently has been forced to acquiesce in the loss not only of casual artists to its competitors but of staff personnel such as announcers, news readers and so forth, on account of the much higher salaries offering in other quarters. More recently the

Commission has regretfully accepted the resignations of its Director of Light Entertainment and its Assistant General Manager, both of whom have been engaged by the B.B.C. under more attractive conditions than are possible with the Commission. This situation has become so acute that the Commission, in spite of its awareness of the difficulty of meeting its existing obligations out of current income, has agreed to support the senior officers in a consent award for increased rates before the Public Service Arbitrator. The amount involved in these increases is £1,750 per year. Even so, the rates so agreed are considerably below comparable salaries offering not only in the commercial field but also in Canada and South Africa as well as Great Britain. Certain of the senior officers have received tempting offers from outside at figures ranging to more than double their salaries with the A.B.C. The junior staff is shortly presenting a log of claims which, if approved, would involve the Commission in an increased annual payment of £37,000. As for artists' fees, the new proposed rates for permanent musicians will amount to £11,000 per annum. The situation in regard to casual artists is, however, even more acute in that the competition for first rate performers on a casual basis in all branches of radio is immediate and from day to day, and there is a progressive loss of high class talent in which the Commission is at present forced to acquiesce. The Commission, therefore, while having due regard to the utmost claims of economy is convinced that under Australian conditions as they are at present the Commission cannot hope to retain a specialised staff of the quality necessary to render its programmes in all departments of sufficient merit. Apart from the necessary increases in staff to give effect to the plans outlined above, the retention of existing staff must inevitably cost a considerably higher figure than at present. As far as the administration of the A.B.C. is concerned, the percentage of expenditure compares very favourably with that of comparable institutions abroad. In the United Kingdom salaries and wages constitute 20.64% of the total expenditure on the programme side, whereas the A.B.C. operates on a figure as at 1945 of 14.84% on the same basis. Staff increases, therefore, appear to be fully justified not only from the point of view of comparative emoluments with competitive concerns in Australia but on the grounds of conservative administrative costs in relation to total outlay. Apart from these considerations, however, the Commission feels that the good estate of national broadcasting demands that it shall not be required to ask of its staff the acceptance of inadequate rewards.

(9) New Developments - The Commission is required under Section 6 of the Act to provide programmes from the national broadcasting stations including the territories of the Commonwealth. Under this obligation the Commission has now agreed to provide programmes from the national stations established in New Guinea and the Northern Territory. These activities are estimated to cost the Commission in the initial stages £25,000 per annum while the radiation of programmes from these centres cannot be expected materially to increase licences and consequently licence revenue. This figure, therefore, must be added to the rising schedule of costs. Of further minor activities which may be mentioned, the Commission has this year carried out what has long been agreed upon, namely, the setting up of a London office in the charge of a responsible officer who will act on the Commission's behalf in all matters requiring negotiation and liaison either in London or New York. This step was taken by

agreement at the recent Inter-Empire Broadcasting Conference and has been paralleled by the location of a B.B.C. representative in Australia. The extra cost of this office in view of the fact that an existing officer has been appointed is estimated at £2,000 per annum. A further development which the Commission has found necessary has been the establishment of staff schools in Australia. For the next two years the Commission proposes to run four to five schools a year which will cost approximately £2,000 per annum.

(10) Building Programme - The Commission at present is operating under deplorable conditions in respect of office and studio accommodation and has long looked forward to the possibility of occupying its own premises in all States where its operations can be co-ordinated in one centre. Approval has been given for the Commission's building operations to be undertaken as a post-war national work, and for this purpose the Commission's own building reserve accumulated in the early years of its operation will first of all be employed. A further sum, however, of some £600,000 will require to be borrowed from the Treasury which, at 3½% and spread over, say, thirty years, will involve the Commission in an annual obligation of £30,000. This expenditure, while not, of course, immediately pressing, is an inevitable obligation which must be faced in the very near future.

(11) Television - The above outline of the position of the national services does not include any consideration of the requirements of television. If it is agreed that this new development should become a responsibility of the A.B.C. in part or in whole, it is clear that further financial allotment will be required for such a service. The United Kingdom Government proposes to issue special licences at double the figure chargeable for normal broadcasting receivers to meet the current expenses of the B.B.C. in radiating a television service. Preparatory work, however, in this field would be costly and the Commission would need to expend considerable sums in such preparation before revenue from the receiving end could be counted upon. It is suggested, therefore, that this matter should be treated as a separate financial issue when policy in this respect has been determined.

13. In amplification of the foregoing, the Commission has supplied detailed reports from its executive officials, showing how the estimated requirements of the various programme sections have been reduced to keep the overall figure within the desired income, as represented by the 15/- rate of apportionment of the licence fees. The Commission has also pointed out that during the last five years the cost of actors has increased by 30 per cent, other artists by 63 per cent and speakers by 45 per cent. The broadcasting of parliamentary debates will not materially reduce the cost of other programmes; any savings effected will be used to give opportunities to artists at times when the Commission is not broadcasting "live" artist programmes at present. Under existing conditions such programmes are restricted almost entirely to the period 6.30 p.m. to 10 p.m., whereas before the war "live" artist programmes were featured during the afternoon, evening and after 10 p.m.

Standing Committee's Comments

14. At our request, the Post Office has supplied the following figures showing the income available for the programme and technical services of the national and commercial systems during recent years:-

Year	National Service	Commercial Service
1941/1942	£1,382,893	£1,329,876
1942/1943	£1,437,778	£1,298,297
1943/1944	£1,526,826	£1,[illegible]71,851
1944/1945	£1,569,318	£2,185,708
1945/1946 (estimated)	£1,593,000	£2,200,000

(For details in regard to the financing of the national system during earlier years, reference is invited to the Standing Committee's Third Report)

15. We have also obtained the following Post Office estimates of the amounts which the Commission would receive during the next three years at the 12/- and 15/- rates of apportionment of the licence fee revenue (including corresponding allocations in respect of concession rate licences) :-

Year	12/- Rate	15/- Rate	Increase
1946/1947	£891, 160	£1,113,950	£222,790
1947/1948	£909, 310	£1,136,640	£227,330
1948/1949	£924, 460	£1,155,580	£231,120

16. We are impressed with the general cogency of the arguments presented by the Commission in support of its request. , but certain factors require consideration before determining upon the method by which its resources should be augmented.

17. On the one hand, the Commission is naturally anxious that the desired increase in its income should be made a statutory obligation by amendment of section 27 of the Broadcasting Act, as this would facilitate long-term planning and would be more satisfactory from the Commission's point of view than a temporary grant, year by year, with the attendant risk that the Government of the day might not be disposed to arrange for continuance of its authorisation.

18. On the other hand, the greater the apportionment of licence fee revenue to the Commission, the less the amount available from that source for maintenance and operation of the technical service, which, in the national system, is an obligation of the Post Office, whose deficits in the rendering of this service would have to be financed from the Consolidated Revenue under existing conditions. As noted in paragraph 3 of this report, the deficit for the last year for which figures are available (1944/45) was £120,000, and this loss will increase progressively each year as new stations are added to the national network and would be increased still further according to the extent to which the Commission's apportionment of the licence fee revenue was raised.

19. One method of meeting the situation would be a re-adjustment of licence fees, which would involve amendment of the Broadcasting Act. In considering this method, however, it is necessary to take into account the question whether an increase in the listener's fee, which is tantamount to an increase in direct taxation, would be fair to country listeners who do not have the choice of programmes available to metropolitan listeners.

20. A second method would be to finance the deficits on technical services from the Consolidated Revenue. This was the method recommended by the Standing Committee in 1944 to adjust the position arising out of restoration to the Commission of the remaining 1/- of the 2/- cut in its apportionment in 1940. The amount involved in that recommendation was of the order of £70,000 per annum, but the annual amount involved in the present proposal is

three times higher than that sum, and the resulting technical service deficits on this very much higher scale are of correspondingly greater significance in relation to community taxation if they are to be financed from the Consolidated Revenue.

21. The Australian community is already making a very substantial aggregate payment directly and indirectly for its radio services. As pointed out in evidence tendered on other matters and recorded in our earlier reports, it is the people as a whole who pay for the commercial broadcasting service as well as the national service. That comes about by the fact that in purchasing commodities manufactured by the sponsors of commercial programmes, the general public pay prices loaded with the cost of those programmes. At the present time the total annual income of the national and commercial services is of the order of £3,793,000; that is to say, the Australian public is now directly or indirectly contributing to these services at the rate of 10/4d. per head of the population. This is not only a very substantial increase on the 6/10d. per head in 1939/40 referred to in the report of the 1941/42 Joint Parliamentary Committee, but actually it does not include the expenditure incurred by those sponsors who supply their own programmes for transmission by the commercial stations and who load the cost of such programmes into the prices of the commodities they advertise, in the same way as they include in their prices the cost of their "air time" on the stations.

22. It will be seen, therefore, that if additional income were made available to the A.B.C. either by an increase in the licence fee or by subsidy from Consolidated Revenue, either method would involve increase in taxation - direct in one case, indirect in the other. None of us is in favour of an increase in the licence fee at the present time, but some of us are inclined to agree that irrespective of the taxation aspect, it would be proper to finance the national system from Consolidated Revenue, on the ground that, just as unprofitable railways are provided at community cost in the general public interest to develop the country, so also the national broadcasting system, which must necessarily provide stations in more or less sparsely populated areas where income from licence fees does not cover cost, should similarly be financed from public funds to the extent that the revenue from the fees does not cover the expenditure.

23. There is a third method which some of us favour, under which it might be found possible to make the programme and technical services self-supporting, and thereby avoid the additional taxation involved in the other two methods. This method would involve, first, allocating to the technical authority (the Post Office) a sufficient portion of the licence fee revenue to balance the cost of the technical services which would be a prime cost, and without which the Commission, as the programme authority, could not function; and to give the Commission authority, by amendment of the Broadcasting Act, to supplement the remainder of the licence fee revenue by entering into contracts for sponsored programmes. Those of us who favour sponsored programmes are of the opinion that there appears to be room for the Commission to receive a share of the radio advertising revenue now available without upsetting the economics of existing commercial stations, in view of the phenomenal rise of income in the commercial service during the last four years, namely, in round figures, from £1,330,000 in 1941/42 to an estimated amount of £2,200,000 in 1945/46.

24. This idea of a publicly-owned instrumentality seeking to balance portion of its expenditure by revenue from advertising would not be an innovation. For instance, as is well known, the Post Office partially offsets the cost of its telephone directories to the extent that it derives revenue from the commercial advertisements in those publications.

25. With sponsored programmes, it may be that there would be a degree of automatic reduction of the Commission's expenditure on its own programmes. This reduction would be experienced by the extent to which the Commission, instead of preparing the programmes itself for the sponsors, availed itself of opportunities to accept suitable programmes supplied by the sponsors themselves, who, as in the case of commercial station programmes, would have already purchased them from producers or advertising agents.

26. Some of us hold that the introduction of sponsored programmes in the national service would be parallel with the advice of a broadcasting advisory committee appointed in 1928 by the Government of the day. The committee comprised Sir Harry Brown (Director General of Posts and Telegraphs), Mr. Justice Hammond, Professor J.P. Madsen, the Honorable R.B. Orchard and Mr. W.H. Swanton (former President of the Chamber of Commerce). In a report dated 22nd September 1928, that committee recommended that the "A" class (national) services be maintained from the revenue derived from licence fees and from any profits which might be derived from "C" class stations. The following is an extract from the committee's recommendations:-

> That the "A" class services be maintained exlusively from the revenue derived from broadcasting listeners' licence fees and from any profits which may be derived from "C" class stations. The apportionment of the revenue between the various authorities concerned is left for subsequent determination.
>
> That a restricted number of stations, to be operated under similar conditions to those now obtaining in respect of "B" class services, be provided for under the scheme. The number of such stations will be determined from technical considerations, the guiding principle being that in no circumstances should they jeopardise the main service to be rendered by the national service stations. The "B" class stations will obtain their revenue from advertising sources, but a restriction will be placed upon the companies to prevent their service being leased for a single advertising item exceeding a period which has been tentatively fixed at fifteen minutes.
>
> That a group of stations to be known as "C" class stations be provided for in the general scheme. These stations would be owned, controlled and operated by the same authority as that responsible for the "A" class stations. They would be leased for agreed periods to firms and other organisations which might desire to transmit comprehensive programmes for the sake of publicity in such manner as not to compete with the smaller advertising items for which the "B" class stations are provided.

27. The committee's recommendations were accepted by the Government, but the class "C" station proposal was not implemented. In this connection the Post Office has advised in evidence tendered in December 1945:-

> It is understood that at the time a statement was made to the Press announcing the Government's proposals for the establishment of the national service, the development of the class "B" stations and the institution of class "C" stations. According to official records, no subsequent action was taken to establish the class "C" stations, and, with the expansion of both the national and commercial services, it would appear that the proposal was allowed to lapse.

28. Now that the national service has two networks of stations in the capital cities and in Newcastle, some of us are inclined to think that consideration should be given to the question of regarding one of the networks as available, within proper limits, to fulfil the purpose of the class "C" stations envisaged by the 1928 committee, except that the idea of leasing any of the stations would no longer be applicable, as the Commission could itself arrange contracts for the sponsoring of programmes at levels appropriate to the national service.

29. The principle of sponsorship as a means of financing publicly-owned broadcasting stations has been adopted in Canada, New Zealand and South Africa. The United Kingdom and Australia are the only Empire countries that have avoided that method so far. The Chairman of the Commission, while conceding that there is no question about the ease with which sponsored programmes can be operated, is personally opposed to the idea; in his opinion a national service directly supported by public funds is preferable. He also says:-

> If we had a third network on which we could sell time we would have a second leg to our finances and would probably be in much the same position as the Canadian or New Zealand broadcasting authorities . . . It is really a matter of high policy which should be determined by Parliament.

The Chairman has added that he would be glad to arrange for the question to be considered by the Commission with the object of making recommendations if so desired.

30. On the question of establishing a third national network in capital cities at the present time, it is a matter for consideration whether it would not be preferable to defer a decision until country listeners who pay the same licence fees as city listeners are provided with the second national network at present enjoyed by capital city listeners. In any case it does not appear practicable to favourably consider such a project until additional radio channels become available, that is, until the frequency modulation proposals referred to in our Twelfth Report are implemented.

31. The annual charges on the capital cost of national frequency modulation stations and on any experimental television stations which it may be decided to provide in the national service, are also factors which affect the future financing of the national system.

Conclusions.

32. In the circumstances, and as the present Standing Committee will cease to hold office on the termination of the present Parliament during the next few weeks, and having regard to the restrictions imposed by the Broadcasting Act on our conducting investigations while Parliament is in session, we are not in a position to examine thoroughly, in consultation with all the interests concerned, the alternative ways in which the expanding requirements of the national service system, for both technical and programme services, might be financed more satisfactorily than is now possible under the methods adopted in the past. We therefore recommend that this be the first duty of the incoming Committee to be constituted when the new Parliament is elected, and we suggest that the necessary terms of reference should be issued to that Committee.

33. In the meantime the Commission is in urgent need of an assurance in regard to its income for 1946/47 at least, and we recommend that its requirements for that year be met by the special grant method adopted in the last two years and that this