



1947

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

FIFTEENTH REPORT

of the

PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING

relating to

THE FINANCING OF THE NATIONAL BROADCASTING SYSTEM

CANBERRA, 1st May, 1947.



COMMONWEALTH OF AUSTRALIA.

PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING.

*Amours -*

I present the 15th Report  
of the Parliamentary Standing Committee  
on Broadcasting, relating to the financing  
of the national broadcasting system; and  
move that it be printed.

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*Passed.*

*7-5-47*

MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE

ON BROADCASTING.

(Eighteenth Parliament)

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Vice-Chairman ... .. David Oliver Watkins (b)

Senate

House of Representatives

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Finlay (a)	Charles William Jackson Falkinder, D.S.O., D.F.C., M.P. (b)
Sonator the Honourable	William Joseph Hutchinson, M.P. (b)
Herbert Hays (a)	The Honourable Percy Claude Sponder, K.C., M.P., (b).

(a) Appointed 13th November, 1946.

(b) Appointed 6th December, 1946.

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## THE FINANCING OF THE NATIONAL BROADCASTING SYSTEM

In accordance with section 85 of the Australian Broadcasting Act, we present this report to Parliament on the financing of the national broadcasting system, the matter having been referred to us by the Postmaster-General in the following terms:-

You will recall that in March, 1946, the Chairman of the Australian Broadcasting Commission, after expressing the Commission's opinion that it was impracticable for it to give effect to its charter with the income then available to it, requested that the Australian Broadcasting Act should be amended to provide for payment to the Commission at the rate of 15s. on each full fee broadcast listener's licence.

As the balance of the listener's licence fees even under the existing allocation is already insufficient to meet Post Office expenditure in connection with the maintenance and operation of national broadcasting stations, the provision of telephone trunk lines for relaying programmes, and the cost of issuing listeners' licences, the request of the Commission raised the whole question of the future financing of the national broadcasting service.

In the circumstances, I thought it was desirable that the matter should be considered by the Parliamentary Standing Committee on Broadcasting and accordingly, on the 29th April, 1946, I referred it to the Committee for investigation.

As you are aware, the Standing Committee submitted a report to Parliament on the subject on 3rd July, 1946, in which it indicated that it had not been able in the time available to it "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". The Committee recommended that this should be the first duty of the incoming Committee to be constituted when the new Parliament was selected.

The Standing Committee was satisfied that the Commission required additional income and recommended that for the year 1946/47, it should be paid at the rate of 15s. per full fee licence the amount in excess of the statutory payment at the rate of 11s. per licence by means of a special appropriation.

The Standing Committee's report was considered by the Government, which decided that the Commission should, during the current year, be paid the sum of £100,000 in addition to the amount of 11s. per full fee licence and the previously approved special grant at the rate of 1s. per licence in force on the 30th June, 1946.

New obligations involving the expenditure of large sums were imposed on the Commission by the recent amendment of the Australian Broadcasting Act, and the Post Office also is faced with increased expenditure in the establishment, maintenance and operation of the additional regional stations which are required to provide a reliable service in certain rural areas.

It seems fairly obvious that the present income available from listeners' licence fees will be quite inadequate to meet these mounting costs and, in view of the recommendation of the former Standing Committee that the Committee should continue the investigations commenced by the previous Committee into the finances of the national broadcasting service, I accordingly, in pursuance of the provisions of section 85 of the Australian Broadcasting Act, refer the matter to the Parliamentary Standing Committee on Broadcasting for investigation and report.

#### ABBREVIATIONS

2. In this report A.B.C. means Australian Broadcasting Commission, B.B.C. means British Broadcasting Corporation, C.B.C. means Canadian Broadcasting Corporation, and F.C.C. means Federal Communications Commission of the United States of America.

#### HISTORICAL

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

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

5. In September, 1940, the licence fee was further reduced to 20s., of which the Commission received 10s. and the other 10s. went to Consolidated Revenue.

6. In 1942, a Joint Parliamentary Committee recommended that the fee should be restored to 21s. or that the Commission's share should be 11s. Parliament decided to retain the fee at 20s. and to restore to the Commission 1s. of the 2s. cut which had been made in its share in 1930. This decision was embodied in the Australian Broadcasting Act, which came into operation on 1st July, 1942.

7. In 1943 the Commission asked that at least the remaining 1s. 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 12s. (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.

8. It was decided to restore the Commission's share to 12s. without amending the Broadcasting Act, which (in section 27) still provides for the 11s. rate. The restoration of the Commission's share to 12s. has been effected by annual grants from the Consolidated Revenue in respect of 1944/45, 1945/46 and 1946/47.

9. At the end of March, 1946, the Commission applied for its allocation to be increased to a 15s. rate to secure additional income of £223,000 per annum over and above the 12s. rate.

10. At the end of April 1946 the application was referred to the Standing Committee of the previous Parliament which, in its 13th Report, dated 3rd July 1946, recognised that the Commission's immediate needs were urgent and unanimously recommended that its request be granted in respect of 1946/47, but pointed out that the future financing of the system required more thorough investigation, in consultation with all the interests concerned, than would be possible before the members of the Committee ceased to hold office, and suggested that this should be the first duty of the incoming Committee (ourselves) constituted on 15th December, 1946, in accordance with the Broadcasting Act, after the new Parliament was elected.

#### PROCEEDINGS

11. The necessary terms of reference were received on 24th December 1946, and on 3rd January 1947 we notified the principal parties concerned (the A.B.C., the Post Office, the Treasury, the Federation of Commercial Stations and the Federal Council of Radio Manufacturers) of our intention to hear evidence on the subject, at times to be subsequently arranged, with particular reference to the alternative proposals discussed in our predecessors' interim report of 3rd July 1946, namely:-

- (1) Increase the licence fee to an extent necessary to meet the deficit; or
- (2) Allow sponsored programmes in the national service to supplement the income from licence fees; or
- (3) Finance the difference between costs and receipts from licence fees by grants from the Consolidated Revenue.

12. At the same time we issued a general invitation to all organisations and persons interested to send us statements of their views on those alternatives and on any other ideas they might have for meeting the deficits in the national service.

13. In deference to requests from the Federal Council of Radio Manufacturers and the Federation of Commercial Stations, we postponed the hearing of their evidence until towards the end of March, 1947.

#### DEFICIT IN THE PROGRAMME SERVICE OF THE NATIONAL SYSTEM.

14. Appendix I contains particulars of the A.B.C.'s income and expenditure during each of the five years ended 1945/46, as shown in the Commission's annual reports tabled in Parliament; also its estimated income and expenditure for 1946/47, as shown in figures supplied during our discussions with the Commission's representatives in February 1947, which figures disclose an estimated deficit of £75,000 for the current year.

15. For the year commencing 1st July 1947, the Commission estimates that its minimum needs over and above a 12s. rate of allocation will be £323,000, or (if provision is to be made for improvement and development of programmes) £373,000, which would involve, under the Commission's estimate, a total allocation to the A.B.C. of approximately 17s. per licence for the programme service of the national system. That would probably suffice for two or three years until the Commission's building programme was commenced, when further funds up to about £50,000 per annum are estimated by the A.B.C. to be required to meet annual charges associated with that building programme, the capital cost of which it is proposed to finance partly from the A.B.C.'s reserve fund but mainly from loan funds to be sought from the Treasury. (Standing Committee's note: The figures of £323,000 and £373,000 include arbitrary assessments of expenditure to meet staff claims, which have been submitted to arbitration, and the determination of which will necessitate revision of those figures).

DEFICIT IN THE TECHNICAL SERVICE  
OF THE NATIONAL SYSTEM

16. Appendix II contains particulars of the profit and loss account of the Wireless Branch of the Post Office during 1945/46 and the estimated results from 1946/47 to 1949/50, as supplied during our discussions with the Post Office representatives in March 1947. They show that under the departmental accounting system, and on the basis of a 12s. allocation to the A.B.C., there was a deficit of £143,000 in 1945/46 in respect of the technical service and other requirements of the national broadcasting system under the control of the Post Office; and that on the same basis of allocation the technical service deficit is estimated at £289,000 for 1946/47, £220,000 for 1947/48, £269,000 for 1948/49 and £312,000 for 1949/50.

TOTAL DEFICITS IN THE NATIONAL SYSTEM.

17. The figures submitted by the two authorities (the A.B.C. and the Post Office) show that on the basis of a 12s. rate of allocation to the A.B.C. the estimated combined deficits of the programme and technical services of the national system during 1947/48 will amount to £593,000 (£373,000 plus £220,000). The two authorities, however, differ in their estimates of the gross receipts from licence fees. If the Post Office estimate be accepted, the raising of the Commission's allocation from a 12s. rate to a 17s. rate, as requested by the Commission, would result in the A.B.C. receiving during 1947/48 an additional income of £401,000 (instead of the £373,000 which the Commission has sought).

SUMMARY OF WITNESSES' SUBMISSIONS

18. Appended is a summary of the evidence tendered, incorporating also a digest of replies to questions raised during the hearings.

19. On behalf of the A.B.C. -

- (1) Reference is invited to the evidence tendered to the Standing Committee of the 17th Parliament (as narrated in its 13th Report) concerning the Commission's request for an allocation of licence fee revenue at a 15s. rate, involving an increased income of £223,000, above the 12s. rate, for 1946/47.
- (2) The decision to limit the allocation to a grant of £100,000 for 1946/47 necessitated some pruning, but rather than dispense with some of its music establishment, e.g. the national military band, the Commission decided to budget for a deficit of £75,000 pending a long-term re-arrangement of its finances.
- (3) Since the request for a 15s. rate the Broadcasting Act has been amended to require the Commission to establish an independent news service, which will involve an annual expenditure of £155,000, that is, £72,000 more than the estimate of £83,000 given to the Standing Committee by the Commission as the expenditure which would have been necessary under agreements which the Commission had proposed with the newspapers. The estimate of £155,000 comprises £121,000 for the Australian service and £34,000 (including £5,000 for contingencies) for the overseas service. Portion of the cost, perhaps between £7,000 and £8,000, will be reimbursed from receipts from commercial stations which decide to take the A.B.C. service.
- (4) In addition, since the request for a 15s. rate, unavoidable expenditure of £25,000 per annum is involved as a result of the increase in the basic wage of 7s. per week.



- (5) It was inevitable that the time would come when the increase in licences taken out, and therefore in revenue, would slow down as the demand for home sets became satisfied, until eventually a period of saturation or near saturation would be reached. At this point the income of the national service on the original licence fee basis would become static. While that position was developing, it was equally inevitable that progress in broadcasting technique and rising costs would continue. It is these two factors which are primarily responsible for the present situation and which pose the problem of the future.
- (6) In Britain, where there are 10,700,000 licences, the fee has been increased from 10s. to 20s. to finance the home service.
- (7) Britain is a comparatively small area which allows of high centralisation of programming and administration. In Australia the A.B.C. has the problem of six separate administrations and programme areas which require adequate staffing in addition to necessary central operations. The B.B.C., being the sole broadcasting authority in Britain, has no home competition for artists and performers from competing radio systems. In Australia, the A.B.C. is in constant and severe competition for artistic talent with a commercial system greater in respect of numbers of stations than itself.
- (8) In Canada the C.B.C. accepts sponsored programmes in the national service, and acts to some degree as agent, as well as controller, for sponsored sessions on Canadian private stations, which are licensed to operate in regional centres to provide an outlet for local commercial broadcasting in addition to taking some of a network character arranged by the C.B.C. It became almost impossible for the C.B.C. to refuse sponsored programmes owing to the contiguity of the United States, whose programmes could be heard in Canada, with the result that there was a demand from Canadian listeners to hear the best of them over the C.B.C. system, through whose network reception would have a higher fidelity. Approximately 30 per cent of C.B.C. revenue is derived from sponsored programmes. Other factors make the position of the A.B.C. much more onerous financially than that of the C.B.C. which, nevertheless, has had deficits in the last two years, there having been increases in the remuneration of musicians, etc., from 30 to 100 per cent.
- (9) The cost of broadcasting in the United States (where there is no listener's licence fee and no national system) is four hundred million dollars per annum, which means that it costs Americans over 4 dollars per year per listener to maintain their system. This is significant in relation to any plea that commercial broadcasting costs a country less than a national system. With the British broadcasting bill at 36 million dollars, it would appear that on a population basis the American public under a commercial system pay four times as much as the people of Britain, where there is no commercial service.
- (10) In New Zealand, where the licence fee is 25s., there is a non-sponsored national system alongside a commercial system also controlled and operated by the national service, and the returns from the commercial network are used partially to finance the non-sponsored programmes on the national network.

The total income is of the order of £770,000, which dwarfs to insignificance the present allocation to the A.B.C. when it is remembered that New Zealand, like Britain, is a small compact country easily accessible from a minimum of centres. For example, the broadcasting of Parliament is adequately carried out from a single transmitter at Wellington. Furthermore, the New Zealand system operates no news services and finances no orchestras.

- (11) In New Zealand and in Eire the national service has the commercial broadcasting field entirely to itself, and is, therefore, in a position not only to reap all the financial resources commercially available in that field but to determine the standards and policies of commercial broadcasting.
- (12) South Africa is in the same position as Britain, in that there is a single broadcasting system and no sponsoring of commercial programmes, although consideration is being given in South Africa to establishing an additional network for such programmes under the control of the national authority. That authority, which is empowered to determine the amount of the licence fee, receives a revenue equivalent to £709,000 (Aust.)
- (13) Britain, South Africa and New Zealand, having no competitors, are greatly advantaged financially in comparison with the A.B.C.
- (14) If the Australian listener's fee were 25s. he would be paying less in terms of present currency than he did when the fee was 21s. in 1934.
- (15) It is not desirable for major policy reasons that a service which above all things is expected to be non-partisan in character, politically as well as in other respects, be subject to the annual budgeting of the government of the day, on whose goodwill the adequacy or otherwise of the grant from consolidated revenue might easily depend. If the national system is to be clothed with that necessary independence of action and judgment in respect of controversial, and particularly of political, matters, it is essential that it should be assured of its income direct from the public which it serves, on a basis fixed by Act of Parliament. It would be satisfactory to the A.B.C., however, if its requirements were financed by grants on a basis of three-year periods. The objection is to annual grants.
- (16) The present financial year (1946/47) was well advanced before the Commission knew that the extra grant was to be £100,000. Only £66,000 of it had been received up to February 1947. In order to meet current obligations, the Commission had realised £25,000 of Inscribed Stock, and proposes realising a further £35,000.
- (17) If it is probable that the general public is more or less ignorant of the fact that the Standing Committee on Broadcasting is a statutory body consisting of Members of both Government and Opposition parties in the Parliament.
- (18) The derisive description of the Committee in a section of the press as the "Stand Over" Committee would have the effect of discrediting the Committee in the eyes of the public; it is not a good thing, in the interests of democratic government, to discredit Parliamentary institutions.
- (19) The interests of the community would be better served if critics of the Committee's recommendations avoided abuse of the Committee and tried to answer the reasons for its recommendations. There is no recollection of any attempt by critics of the Committee's recommendation concerning the independent news service,

to answer the evidence of the Australian Journalists' Association that journalists are instructed or expected to prepare their reports in a way that will conform with the policies of the newspapers on which they serve.

- (20) In reference to press comment that an independent service had been "foisted" on the A.B.C., the Commission had no aversion, in fact quite the contrary, to an independent news service. Its main problem was cost. It was obvious that it would be expensive. It would be a fair conclusion that as Parliament has placed the added liability of an independent service on the Commission, a substantial portion of the expenditure should be met from Consolidated Revenue.
- (21) The Commission believed that the agreements it contemplated with the newspapers would provide for a sufficiently independent service, in that there would be access to the news at the source. The majority of the Standing Committee and the Government, however, felt that in order to remove all objections it was not enough that there should be independence of selection - there should also be independence of actual collection of news. The Commission did not object to that view in principle, but believed that for the expenditure of less money it could have obtained a sufficiently independent service. Nevertheless, if the people of Australia or any large section of them would still be dubious about the national news if it were taken in that way, then quite a large sum of money is worth spending to give full confidence in the service.
- (22) The overseas news service will be independent to the extent that material supplied in London by International news agencies, to which both the Commission and the Australian newspapers subscribe, will be sifted by journalists employed in London by the Commission instead of by journalists employed in London by Australian newspapers to select agency news for publication in Australian newspapers. The Commission's journalists in London will enable the A.B.C. in Australia their independent and impartial selection of such agency news, whereas the newspaper journalists in London can select and cable the news to Australia to suit the customer asking for it. The A.B.C. is an institution with no political policy and its selection of news may conceivably be different for it from what it would be for a newspaper that favored a particular policy. It is possible to have a selection of news that is accurate but is also misleading. The most important thing in news is not what is published but what is omitted. That is one of the basic justifications for the national system, as the Commission will try to look at the news, not with the idea of supporting any particular point of view, but with the object of determining its value to the people of Australia. It is trying to develop a new canon of news values.
- (23) In Australia, under the independent service, the Commission will have 240 correspondents covering country news, but only 60 of them are to be paid a retaining fee of £20 per annum. The others are to be paid on the basis of news items supplied. The major cost is for telegrams and for telephones. In some quarters there is a belief that metropolitan newspapers do not give sufficient attention to country items of news. There is a trend in broadcasting to give greater emphasis in country districts to local news. The A.B.C. regional stations have hitherto been rather too remote from the people in the areas they serve. In the new set-up the country districts will get more comprehensive news from the national stations than by listening to the commercial stations. Furthermore, the news will be up-to-date; under the old set-up items were cut from newspapers which did not reach the A.B.C. offices for some days after publication.

- (24) Although country newspaper journalists are to be employed by the Commission, the news they supply to the A.B.C. will conceivably be different from their reports to their newspapers in matters of a political nature. The local newspaper might have a strong political attitude in one way or another and feature that attitude in its reports, but the journalists' reports to the A.B.C. will have to be completely impartial. In the event of evidence of partiality the Commission will cease using the services of the journalist concerned and engage another in his place.
- (25) The development in respect of country news will be largely from the A.B.C.'s regional stations. The Commission hopes by the development of regional news broadcasts to serve the country people more adequately than has been the case in the past.
- (26) It is believed that the A.B.C. production costs are less than those of the commercial stations because, although both operate under the same award for actors, the A.B.C. pays the award rates, whereas some of the commercial stations pay more. Sometimes actors are prepared to make a financial sacrifice in working for the A.B.C. because they wish to be associated with a good production.
- (27) Some of the commercial stations have more modern appliances than the A.B.C., including better microphones.
- (28) The Commission has always felt that a fundamental error was made in separating the technical from the programme service of the national system. If both activities were consolidated under the A.B.C., it is fair to assume that they would be more efficient, and probably less costly on account of the duplication of personnel in the studios under the existing system. The Commission should control at least the studio technical services.
- (29) Under present Australian conditions the acceptance of sponsored programmes in the national service would be inadvisable on principle and would not be worth while from a revenue standpoint. The competitive field of commercial advertising in Australia is already heavily, if not over-heavily, exploited. The Commission would have to adopt the type and nature of the advertising sessions at present current over commercial stations.
- (30) If sponsored programmes were accepted by the A.B.C., the revenue would be derived largely from big business which would obtain the use of the national network for the advancement of particular products.
- (31) Many people have the wrong feeling that they get their programmes from the commercial stations for nothing. That is a fallacy. Revenue derived from commercial advertising must necessarily be recouped ultimately in the cost of the articles sold.
- (32) In whatever manner national broadcasting is financed it must derive from the pockets of the people. There is no possible way in which a country can support any broadcasting system except by popular contribution in one form or another.
- (33) Although it is desirable on general principles that the listeners should finance the cost of the service, there is cogency in the argument that the cost should not fall wholly on licensed listeners, in that it is a function of Government to raise cultural standards; that the commercial stations themselves benefit from the national system; and that the A.B.C., through its news service and pronouncements of various kinds, influences the public generally, because what is broadcast by the A.B.C. is taken up and repeated elsewhere. Furthermore, some of the services given by the A.B.C., such as the out-back programmes, are really a national job.

- (34) The deficit in the Post Office technical service account would be reduced if the debits in that account for interstate landlines were based on a lower rate and if they did not incorporate a contribution towards the profits made by the telephone branch.
- (35) If an increased grant were made to the A.B.C. without increasing the licence fee, consideration could be given to the point of view that the Post Office, being a revenue producing Department, might not be embarrassed in its operations, as it would mean that the revenue provided by the Post Office to the Government - about £6,000,000 this year - would be reduced by the amount of extra money given to the A.B.C. from the licence fee.
- (36) A supervisory body similar to the F.C.C. in the United States is necessary in Australia to watch the type of service given by commercial stations. In Canada a similar function is performed by the C.B.C. which supervises the commercial stations and indicates what period of sustaining matter, that is, public service matter, cultural and educational broadcasts, etc., should be included in the commercial programme. The commercial stations in Australia would probably welcome something in the nature of the F.C.C. as all stations would then be subject to the same supervision. The broadcasting position cannot be gauged casually. In the United States the F.C.C. is sitting almost continuously throughout the year, and even then it finds much difficulty to keep up with the position. Either the A.B.C. or a body similar to it would be required, that is, a body with the greatest possible degree of independence and representing as adequately as possible the various shades of public opinion throughout the country, without being influenced by any particular section, commercial, political or any other kind, preferably a body which is not administrative but which has a certain degree of supervisory authority.
- (37) In view of the experience of British countries, the personal opinion of the Chairman of the A.B.C. is that if Australia were starting de novo there should be only a national system. If there were no commercial stations in Australia the question of sponsored programmes, in some way attached to the national system, would become a worthwhile proposition from a purely revenue producing point of view, and even perhaps from a policy point of view, but under the present dual system the proposition seems to be hopeless.

20. In addition to supplying details of the additional costs involved in its operations, the Commission has also given us a lengthy description of its activities and progress. Of special interest is the fact that arrangements have been made for a national radio listoddfod; that 41 per cent of schools, public and private, in the Commonwealth are now provided with radio for the purpose of listening to school broadcasts, in which the A.B.C. has virtually a complete monopoly and now sells 250,000 copies of school booklets as against 50,000 four years ago; that this percentage of listening schools is higher even than that of the B.B.C.; that 72 per cent of all factories listen to the A.B.C. session "Music While You Work"; and that the Commission's rural sessions have been received with the utmost enthusiasm by the country listeners.

21. The Commission submits that the contribution which it is able to make to the culture, enjoyment and information of the Australian people, particularly in relation to the functioning of an informed democracy, is worthy of adequate financial support.

(Standing Committee's note: After evidence to the foregoing effect had been tendered, the A.B.C. forwarded an alternative proposal that all the listeners' licence revenue, at the present fee, be allotted to the Commission, the idea being that the A.B.C. would then (a) take over from the Post Office

the responsibility for studio technical services; (b) finance the cost of land lines, provided they were made available permanently at a reduced rate; and (c) devote surpluses to the accumulation of a building fund and to associated annual charges).

22. On behalf of the Treasury -

- (1) The Commission should be self-supporting, and the licence fee should suffice to cover the cost of the Commission plus the cost of the Post Office technical services.
- (2) On the face of it, the A.B.C. seems to have made out a good case for an increase. Consideration might be given to increasing the licence fee to 25s. on the basis of, say, 16/6d to the Commission and 8/6d to the Post Office, which probably would not meet all of the Department's expenses. It would be as well to examine the debits contributing to the deficits in the technical service account. In such a huge department as the Post Office there may be some arbitrary division of expenditure, particularly in respect of overhead costs.
- (3) The idea of partly financing the A.B.C. by a charge on the budget is not favoured, but if it be decided that the licence fee should not be increased, consideration could be given to recommending a grant equal to a 17s. rate of allocation as a permanent subsidy to the Commission.
- (4) An increase in the licence fee would be preferable to a tax on radio sets.
- (5) Consideration could be given to increasing the commercial stations' annual licence fee of £25, perhaps on a sliding scale. However, the question would arise whether the additional charge would be passed on by the stations as part of the cost of advertising, or whether it would be financed from the stations' profits, which are understood to aggregate about £400,000 per annum. Their income is about £2,300,000; four per cent of that would produce £100,000 additional revenue, but a graduated scale would, no doubt, have to be adopted.
- (6) The estimated deficit of £75,000 for 1946/47, if realised, should be met from the Consolidated Revenue rather than from the Commission's reserves.
- (7) From a brief examination of certain figures it would seem that the Commission's income has increased by £500,000 since pre-war and that the commercial stations' income has possibly increased by between £1,000,000 and £1,500,000. The Post Office will be able to supply the precise figures.
- (8) The Committee drew the attention of the Treasury to a published statement that according to Government figures the total advertising bill of the United States of America since the war has risen from \$1,780,000,000 to \$3,000,000,000; that the public funds of the United States were deprived of revenue because of the enormous sums put into advertising and allowed as deductions in income tax returns; and that this practice means that the United States Government has been indirectly subsidising commercial advertising. No investigation has been made by the Commonwealth Treasury to determine whether a similar situation has been experienced in Australia, where about £8,000,000 per annum is spent in advertising. Doubt has been expressed whether control of advertising expenditure by means of an Income Tax Assessment Act could be arranged within the limitations imposed under section 55 of the Constitution.
- (9) Generally speaking, in Australian income tax law, expenditure on advertising is allowable as a deduction. To the extent, however, that such expenditure is not necessarily incurred in

carrying on the business, or is of a capital nature, it is not so allowable. During the war there was an examination of cases in which there appeared to be excessive expenditure on advertising, but in no case was justification found for disallowance of any part of such expenditure as being of a capital nature. The income tax law does not permit reduction of the amount of the allowance to a sum calculated by reference to the taxpayer's turnover or by any other arbitrary method.

- (10) The object of advertising is to increase production, and thus reduce costs of production; and also, at the same time, to increase profits. In so far as the advertiser is successful he probably does not pass on all the advertising cost in the price charged to the public. It would seem impossible to determine how much advertising contributes to reducing costs and how much of it is waste.
- (11) It cannot be said that goodwill advertising leads to an increase of consumption; it therefore must increase costs. Rationed commodities such as petrol and tea are typical examples. However, it is recognised that business people are entitled to keep their names before the public, and for that reason goodwill advertising is regarded as permissible, although it represents a waste over the whole field of activity. (Standing Committee's note: The Prices Commissioner has advised that, in fixing prices, normal advertising expenditure is allowed to be charged as a normal cost, but increased expenditure is not so allowed).
- (12) Advertising is overdone at the present time and the waste involved is probably greater than before the war. The situation is abnormal to-day, due partly to high taxation and partly to a desire to retain or to establish goodwill for normal trading later. Advertising in the radio field has probably reached its peak.
- (13) If it were found legally practicable to limit the amount of tax deduction allowed for advertising, one method of control which could be considered is the fixing of a ceiling of perhaps 4 per cent of all sales. Another method would be a tax on all advertising. This was considered in 1930 but the idea was abandoned. It would probably be difficult to obtain practicable and equitable results.
- (14) The cost of advertising is reflected in the assessable income of other people; if not wholly, certainly in part. It is probable that the public revenue lost by the allowance of deductions in respect of advertising expenditure is substantially offset in the taxes paid by newspapers, broadcasting companies or advertising agencies.
- (15) On the question whether some action should be taken to deal with the situation in which the A.B.C., with public restriction on its financial resources, has to compete for artists with commercial stations whose resources are not similarly restricted, the opinion is held that the A.B.C. should have a reasonable budget to give a reasonable service, not a budget which would enable it to outbid competitors for the services of popular artists.
- (16) In the personal opinion of the Secretary to the Treasury, the national service should be restricted to cultural, educational and news programmes and should not introduce sponsored programmes.
- (17) It would not be advisable to have a representative of the Treasury as a member of the A.B.C.
- (18) Regarding the opinion of the Chairman of the A.B.C. that there should be some means by which the national and commercial stations could be co-ordinated, it would have to be recognised that co-ordination means some form of control. Control over

commercial stations would be difficult unless it were exercised by a body responsible for those stations. Control by an outside party would be difficult, and any such control should be limited to censorship. The national and commercial stations comprise two entirely different groups, each serving a distinct purpose. It would be difficult to co-ordinate such distinct services. Perhaps the only solution to the problem is nationalisation.

23.

On behalf of the Post Office -

(1)

The principal functions of the Post Office in relation to the national system are the provision and operation of the technical services associated with the transmission of programmes arranged by the A.B.C., also the collection of licence fees. (Standing Committee's note; For the sake of convenience these functions are referred to in this report broadly as the technical services of the national system).

(2)

At 30th June 1946, the number of licensed listeners was approximately 1,413,000 at the 20s. fee and 90,000 at the 10s. fee. By 1950, it is estimated that these numbers will have increased to 1,600,000 and 200,000 respectively, taking into account the additional payment for sets as new homes become available for occupation, an intensification of efforts to detect unlicensed listeners, and an accelerated issue of half-fee licences now that conditions for motorists are gradually returning to normal.

(3)

The increased revenue anticipated from the additional licences will be inadequate to cover the further expenditure which will have to be incurred in expanding the technical service and in developing programmes in the manner prescribed by the Broadcasting Act, due to almost the same factors as prompted the British Government to increase the fee from 10s. to 20s., as explained in the following extract from a document circulated by that Government in 1946:-

The average cost of each hour of programme, in turn, is expected to be almost double the pre-war level, on account of a number of factors such as the greater complexity and variety of programmes, higher fees to artists, greatly increased engineering costs arising from the larger number and much greater power of the transmitting stations; and the generally increased levels of salaries and wages.

(4)

Continuance of the present policy would mean that, notwithstanding deficits in the technical service account, Post Office expenditure on the technical service would be financed from consolidated revenue in the same manner as the Department's other activities. The A.B.C., on the other hand, is obliged by section 35 of the Broadcasting Act to "exercise the power and functions conferred and imposed upon it.... in such a manner that its operations will be financially self-supporting". Nevertheless, as the A.B.C. has pointed out, it is impossible for the Commission to undertake long-range planning unless it has some idea of the funds which will be available.

(5)

Assuming that anticipated increases in the number of licensed listeners be realised, the following additional revenue would be received in the next three years if the fee were increased by 5s. or 10s.:-

	<u>1947/48</u>	<u>1948/49</u>	<u>1949/50</u>
5s. increase	£401,250	£413,125	£425,000
10s. increase	£802,500	£826,250	£850,000



- (6) In regard to the comments of the Secretary to the Treasury concerning the debits in the technical service account, with particular reference to the apportionment of overhead costs, the Post Office view is that the basis of its operations is sound and very efficiently arranged. The debits are based on the standard practice applied to all users. The overhead charge against broadcasting is on an average man-hour basis. The percentage of engineering staff employed on radio investigatory work and on radio work generally is greater than it is in the rest of the Post Office undertaking. Hence, if a specific allocation were made of overhead costs, the portion allotted to radio work would be greater than it is now, when an average basis is used. With regard to depreciation, the charge is 10 per cent on the depreciating value of the plant. In reference to the departmental profit and loss account of the Wireless Branch, it should be noted that this includes expenditure and revenue relating to wireless services other than broadcasting. For example, in the account for 1945/46 (Appendix II), such expenditure and revenue amounted to approximately £29,000 and £4,000 respectively. However, insofar as this "other than broadcasting expenditure" relates to research work on radio frequency generation and transmission, broadcasting may benefit.
- (7) Charges against the accounts of the national system for landlines are computed on the basis applied to all users of the telephone service. It is considered that there should not be discrimination in these charges between the national service, the commercial service or any other organisations or individuals. The charges compare very favourably with those of other countries. If a reduction were made in favour of the national system, it would have little connection with the A.B.C.'s allocation of licence fee revenue. A lower charge would make the financial aspect of the national service look better, but it would be tantamount to subsidising the Commission from general revenue.
- (8) The debits in the technical service account for landlines used by the A.B.C. have corresponding credits in the profit and loss account of the Telephone Branch, which showed a profit of £3,291,000 in 1944/45. However, the Telephone Branch may no longer show a profit under the rehabilitation plans.
- (9) Since the inception of broadcasting the Post Office has employed wireless inspectors, who now number 24 throughout the various States. Since 1924 nearly 40,000 unlicensed listeners have been detected and fined £85,000. Last year 1,845 were fined £5,000. Prior to the war the staff was increased from time to time and special detection drives were instituted. Manpower difficulties subsequently necessitated suspension of these activities. Arrangements are now being made for their resumption more intensively. Legislation to provide for a minimum penalty is not favoured at present, as fines up to £20 have been imposed in some cases.
- (10) It is estimated that there are about four times as many listeners as licence holders. In perhaps more than 95% of cases the listeners would represent the family at the licensee's address.
- (11) The technical equipment used in the national service is the most modern available. The microphones are of the latest American design. Those used by the commercial stations are of similar type. The national service is adequately equipped and is as well, if not better, equipped than the commercial stations.
- (12) There has been no alteration of the factors which influenced the Gibson Committee in reaching the conclusion that it would not be wise or beneficial to transfer any of the technical responsibilities of the national service from the Post Office to the A.B.C.

- (13) The Post Office does not concern itself with the proportion of the licence fee allocated to the A.B.C. and the proportion which remains and which goes to Consolidated Revenue. The Post Office only concerns itself with the technical service it is expected to render and submits its estimates of expenditure to Parliament in accordance with what it considers to be its duty to the public, irrespective of the relation which such estimated expenditure bears to the balance of the licence fee revenue remaining after the A.B.C.'s allocation is made. In other words, the Post Office spends what it thinks should be spent on the technical side, subject, of course, to the necessary funds being voted by Parliament.
- (14) In addition to the annual licence fee of £25, and in addition to taxation, commercial stations which make a profit contribute to the Consolidated Revenue one half of one percent of their gross earnings. The aggregate amount so contributed has increased from approximately £5,600 in 1942/43 to £10,700 in 1945/46.
- (15) In reference to a report issued in 1946 by the F.C.C., concerning the programmes of the commercial stations in the United States, the Australian Post Office recognises that the principles enunciated in that report are very desirable features, but it is not conceded that the situation in Australia is on all fours with that in the United States. It is believed that the authorities already set up in Australia, including the State Advisory Committees and the Parliamentary Standing Committee, are the best safeguard that such features will be incorporated in the Australian system.
- (16) Judging from the popularity of commercial stations in Australia and the lack of complaints, so far as the Post Office is concerned, either from individuals or from the committees set up to keep a check on such matters, it would appear that there is really no excessive advertising in Australia. It is recognised, however, that this is a matter which should be kept under constant review.
- (17) In comparing the Australian services with those of Britain and the United States, the density of population per square mile should be taken into account, namely, 506.4 in Britain, 43 in the United States and 2.3 in Australia. The extent of the Australian territory and the uneven distribution of its population are the things which cause its main broadcasting problems, including that of finance.
- (18) Australian commercial stations have smaller audiences and smaller incomes than their American counterparts, the average income in Australian being £22,000 compared with an average of £100,000 in America. In the opinion of the Post Office the programmes of the commercial stations are of satisfactory quality, having regard to the resources available to them. Forty-five of the 100 Australian stations have an income of less than £10,000 and they could not afford to do much as regards "sustaining" programmes, that is, programmes completely free of advertising matter. Nevertheless, some stations (as illustrated in examples quoted) are performing a community service by broadcasting "local live programmes" which fulfil one or other of the features of the "sustaining" programmes mentioned in the F.C.C. report.
- (19) The Post Office agrees with the view of the A.B.C. that the possession of a licence confers the right to listen to the programmes of both national and commercial stations. Even if a licensee confined his listening to commercial stations he would still receive value from the national system for his fee. For example, the Post Office maintains observation posts to protect the listener and his family from the broadcasting of objectionable matter; it maintains a staff in each State to investigate complaints of interference and to explain to listeners how the

difficulty may be eliminated; and by inspections, checks, measurements, etc., it ensures that commercial stations operate in accordance with proper engineering requirements, so that they may give a reliable service to listeners.

- (20) The Post Office also agrees with the A.B.C. that the national - plus - commercial system in Australia is a public utility. From the department's standpoint the main reason for the existence of commercial stations is to provide a service for the public.

- (21) The fact that the Committee only received about 100 replies to its invitation to the public to express their views on the issues which have arisen in this enquiry, may be due to the diffidence of people to express themselves on public questions, or to the extent to which the community has been educated. It could imply that there is no general dissatisfaction with the Australian system. As to whether it may be due partly to the broadcasting authorities devoting too much time to light entertainment and not enough time at good listening hours to sessions calculated to awaken greater interest among the people of this democracy in national and international affairs - it would hardly be fair to blame broadcasting altogether, as the press and any other agency which has an obligation to improve the culture and uplift of the community would have to accept a share of the responsibility.

- (22) Commercial stations are showing an ever increasing interest in the public affairs of their districts, and the Post Office is confident that with the help of suggestions from the State Advisory Committees, and with the co-operation of the Federation of Commercial Stations, it can encourage the stations to do even better things in that direction without additional legislative power.

- (23) Up to the present it has not been found necessary to take formal action under section 60 of the Act as to requiring commercial stations to make their programmes satisfactory to the Minister, but it has been the practice to exert pressure on the stations to raise the standard of their programmes. This has achieved results at least as good as are likely to be experienced from more rigid use of the power in section 60. The stations have shown evidence of a desire to improve their standards, and any suggestion from the Minister to secure better results has met with a ready response. The Standing Committee's recommendation in its 11th Report concerning the application of the motion picture code, will receive attention when the reports of the six State Advisory Committees in regard to the current year's programmes are supplied after the close of the year on 30th June, 1947.

- (24) The aggregate gross income of the commercial stations for the last five years, as shown in their profit and loss accounts, was:-

1941/42	£1,329,877
1942/43	£1,298,297
1943/44	£1,871,852
1944/45	£2,181,687
1945/46	£2,279,719

- (25) The aggregate profit of the commercial stations during 1945/46 was £428,889, before providing for taxation (which was £188,000 in 1945/46).

- (26) The aggregate asset value of the commercial stations at 30th June, 1946, as shown in their balance sheets, including cash in hand and at bank, investments, sundry debtors, goodwill and fixed assets and plant at their book value after writing off depreciation for a number of years, was £1,644,970. This figure would not be a real indication of the value of the stations as going concerns, and would not be the figure at which the licensees would be prepared to sell the stations.

- (27) In the Broadcasting Act, Parliament has recognised that the existing commercial service is a distinct unit of the Australian system. Its programmes are popular and much appreciated by numerous listeners. If sponsored programmes were allowed in the national service, it is possible that the income of the commercial stations would be diminished to an extent which would lower the present standard of their service. The national stations, in view of their much higher power, would have a great advantage over the commercial stations if they were permitted to advertise.

- (28) It is perhaps desirable to avoid "cut-throat" competition for artists which ultimately will increase the cost of both services - commercial and national. It would be difficult to impose control that would be effective without taking over the stations. The commercial stations have passed through a time of extremely buoyant revenue which probably will not continue now that there is keener competition from newspapers for advertising, due to increased supplies of newsprint. Possibly the A.B.C., if it is financed on a sound basis, will be in a better position to secure the services it desires than the commercial stations will be.

- (29) The question of adopting the New Zealand system is a matter of high policy which would require a much more detailed investigation than has been practicable for the Post Office to conduct up to the present. Such a change would be justified only if it were demonstrated that it would result in benefit to the community in the way of better and more economic services. Co-ordinated control of programmes and expenditure in the national and commercial services may appear to be a very desirable idea, but in practice it would present many complexities which would require a very exhaustive examination for the purpose of determining whether such a course would be desirable in the public interest. The present Australian system in general works satisfactorily. The investigations by the Standing Committee and by the State Advisory Committee, and the powers conferred upon the Postmaster-General, give greater advantages to the Australian system than are experienced in broadcasting systems in other parts of the world.

24. On behalf of the Federation of Commercial Stations -

- (1) Advertising builds a mass market and thus reduces production costs on a unit basis. For example, certain manufacturers of tooth paste found that when they doubled their advertising appropriation they were able to sell their goods at 15 cents instead of 25 cents. The same argument applies to advertising as renting a shop in the busiest centre. The rent may be higher but the improved turnover means larger profits and lower selling prices. That is why the chain stores have been able to build such extensive businesses.

- (2) There is no justification for the suggestion that the cost of commercial broadcast programmes is a loaded charge on the community. That suggestion has no more validity than a suggestion that all the newspaper readers are paying for all the advertisements in a newspaper. The cost of manufacturing a single motor car would be colossal. It is only by acquiring a world market through advertising that the cost of cars is reduced. This also applies to licence fee revenue, as the establishment of country commercial stations meant more people interested in radio and bigger revenue for the Post Office. If some of those stations went out of existence there would be a corresponding loss of revenue. (Standing Committee's note: The evidence tendered to the Gibson Committee on behalf of the Post Office in 1942 shows that the foundations upon which Australian broadcasting was planned, following upon Cabinet decisions of July 1928, were that the national system was to be financed "by a direct charge on those who elect to become listeners to broadcasting", and that the commercial system was to be financed "by an indirect charge on all people by virtue of the broadcast advertising loading contained in the price paid for the goods they buy").

- (3) Costs have increased very materially in recent years, some of the contributing factors being rehabilitation of ex-servicemen, replacement of obsolete equipment, and the recent basic wage increase. Other potential increases are inherent in the 40-hour week proposal and other claims before the Arbitration Court from technicians, actors and journalists.
- (4) The amount of money available to broadcasting as an advertising medium is determined largely by the space available in other media. Newsprint rationing reached its peak in 1942, when newspapers were only permitted to use 27½% of their pre-war consumption. The result was a much heavier demand for broadcasting time. Newsprint rationing ceased on 1st January 1947. Hence, financial returns for the 1943-46 period do not give a true picture of the industry.
- (5) For the five years preceding July 1940 advertising space in the metropolitan daily newspapers ranged from 7½ million to 8 million inches. It dropped from 7,252,000 inches in 1939/40 to 5,994,000 in 1940/41. For 1943/44 it was only one-third of the pre-war figure, and during that period advertisers turned from newspapers to broadcasting. Current newspaper advertising represents an increase of 155% on the 1943 period.
- (6) Commercial broadcasting thus faces the problems of increased costs and vastly increased competition for advertising from the newspapers and the special colour supplements they now produce, in addition to the other forms of advertising coming back into the field.
- (7) Sponsored programmes should not be broadcast in the national service. They would destroy its structural basis, and there is no reason to believe that the venture would be profitable. The stations most likely to suffer from competition for the amount of radio advertising available would be the small country stations, whose listeners are entitled to as many alternative services as city dwellers.
- (8) Sponsored programmes on the A.B.C. would tend to lower the standard of all programmes generally, and especially those of the smaller country stations. The President of the National Association of Broadcasters in the United States said in November, 1946:-

"The competition for radio advertising is not going to become less, but greater. The increasing number of stations, the limited amount of available advertising and the trend of business on a downward swing will make competition more severe and the temptation to take poor quality advertising greater and greater".
- (9) Sponsored programmes on the national stations would have no greater justification in terms of equity than commercial stations seeking a share of the license revenue as compensation for what they have contributed towards securing such revenue.
- (10) During the war rates were greatly reduced voluntarily by commercial stations as a gesture of goodwill to the Government.
- (11) The Standing Committee's second report, made in June 1943, showed that at that time the two networks (Major and Macquarie) comprised 15 and 21 stations respectively, a total of 36 out of 99 stations. The Federation is not in a position to indicate the number of stations in networks at the present time. The network system results in a large number of small stations becoming economically dependent on the major stations or the major advertising groups to get commercial returns and so survive, thereby constituting a pyramid arrangement which, temporarily, during

important hours of broadcasting, gives a large measure of control to particular groups of advertisers. Nevertheless, it is not considered that this infringes the spirit of section 53 of the Broadcasting Act, which limits the number of stations that may be controlled by any one organisation. Stations link up with the big stations in a network because of the entertainment values and general benefit they derive from doing so.

- (12) It is not the fault of networks of stations in Australia that their programmes are broadcast at the best listening times. Advertisers naturally wish to get the best time. The tendency is for the networks to be used by a limited number of big organisations, as the latter are in a better position to give good programmes. Networks operate on three nights per week from 8 p.m. to 8.30 p.m. and one night from 8 p.m. to 9 p.m. In a place like Sydney there would be two stations on the network and five others broadcasting independent programmes.
- (13) A radio amusement tax would be discriminatory, sectional taxation. There would be no more reason for applying such a tax to broadcasting than to newspaper advertising. Advertisers would object to the principle of paying sectional taxation, and competitive media would use it as a means to outsell radio.
- (14) A tax on receivers would also be a discriminatory tax, which would result in people refusing to renew equipment, thereby depriving them of the advantages of modern receivers.
- (15) The Federation considers that the licence fee should be 25s. In 1932 the fee was 24s. The equivalent of that, based on the cost of living in the September quarter of 1946 is 33/1d. The equivalent of 20s. in 1940 was 23/11d at September 1946. (Standing Committee's note: The fee of 24s. in 1932 included 3s. for patent royalties to the Amalgamated Wireless Company, payment of which ceased in 1934, when the fee was reduced to 21s.)
- (16) The Federation has given a lot of thought to the control of programmes. It made its first step some years ago by the accreditation of advertising agents, who have to conform to certain rules.
- (17) Neither Canada nor the United States has a code of standards comparable to the Federation's. In Australia the principle of self-regulation of the industry has been implemented to a greater degree than in any other country.
- (18) The Federation has seen the March 1946 report of the F.C.C. concerning programme standards, advertising practices, and lack of adequate public service broadcasts at good listening times in the United States. The radio industry of that country evidently now realises the need to do something in the matter, as a report in the Sydney Morning Herald of 13th March 1947 states that representatives of American stations and advertisers are drafting a plan for an advisory council similar to that of the motion picture industry which will insist upon higher standards in both programmes and advertising.
- (19) The Federation does not think it worth while considering the establishment of a body similar to the F.C.C. in the United States to see that the standards of programmes are such that they are in the public interest. The Federation believes that there has been greater advance in the control of the industry in Australia than in the United States from the ethical point of view.
- (20) The Federation has a disciplinary organisation to ensure that recorded programmes conform with its standards, but this does not apply to "live" programmes, for which provision is contemplated in the Federation's rules of accreditation. Considering the large number of programmes, the number of infringements of standards to which objection could be taken, is small.

- (21) From 1st July 1947 the Federation intends to adopt a system of accreditation of producers of broadcast programmes, which are to be in accordance with standards circulated by the Federation in January 1946.
- (22) The Federation would be prepared to issue a report, for the information of the Standing Committee, once a year, on the result of its disciplinary methods, on the general lines adopted by the F.C.C.
- (23) If it were decided to eliminate anything that might be detrimental to children between certain hours, all stations would have to do so. Very few programmes of the "serial thriller" type are now on the air. But people who want to hear them, provided they are maintained at a certain standard, should not be denied their wish; other people, including children, can tune to other stations or switch off their sets. This choice is one of the virtues of the Australian dual system.
- (24) Although it has been said that the safeguard of turning off the set or tuning to another station does not really meet the case because children naturally listen with avidity to thrillers, the Federation contends that the programmes in question are not nearly so blatant as some of the books which are available to the same children to read. (Standing Committee's note: In the Committee's 11th Report, attention was drawn to the following evidence: "Radio is entertainment in the home and families have the right to demand of the State that it sees to it that the work of rearing and training a family is not undermined... The perusal of a book unsuitable for some members of a family can be controlled within the family itself and, to a certain extent, so can their seeing an unsuitable film, but the family has no control over what is broadcast, for unsuitable or offensive broadcast material is already heard before it can be switched off").
- (25) In regard to a complaint concerning the number of stations broadcasting race descriptions simultaneously, especially on Saturday afternoon, such a situation is not experienced to any marked degree in Melbourne or Sydney, where there are three stations that do not transmit such broadcasts, although admittedly they have smaller audiences.
- (26) The Federation has not compiled financial data since 1940 on the lines made available by the Federation to the Gibson Committee in respect of that year; it has undertaken to prepare it. The information is supplied to the Post Office annually by each station.
- (27) Regarding competition for artists, there are awards covering them in New South Wales and Victoria, but it is not possible to get the main men for the award rates. There has been no collaboration among the commercial stations to see that extravagant fees are not paid to any artist.
- (28) Much more money is being spent by advertisers on the production of programmes than the commercial stations spend in producing the programmes they sell to sponsors. More and more advertisers are handling their own productions, and their costs would have to be added to the stations' figures to arrive at true programme costs. (Standing Committee's note: In evidence to the Gibson Committee in January 1942, the Federation stated that these additional costs at that time were of the order of £130,000 per annum. We endeavoured to ascertain the extent to which this expenditure has increased since that figure was supplied by the Federation over five years ago, but the desired information has not yet been received).
- (29) The Federation is opposed to the idea of the A.B.C. or any other body of part-time administrators controlling the Australian dual system. It prefers the present system under which control of the commercial stations is administered by the Post Office.

- (30) The A.B.C. and the Federation have co-operated on many occasions during the war and have acted jointly in other matters, e.g., by submitting joint tenders for the broadcast rights in respect of sporting events and by agreeing to a joint move to bring performing and copyright charges into line with those of other countries.
- (31) Nationalisation of the system might solve the financial difficulties of the national service, but it would not solve listeners' problems. The Federation believes that the two services, national and commercial, should remain intact. The present set-up in Australia is giving listeners better broadcasting than is to be found anywhere else.

25. On behalf of Radio Manufacturers -

- (1) In the interests of the trade and to ensure full employment in the industry, low prices are necessary if radio products are to be readily available to the majority of the people, over 96 per cent of whom have a net income of less than £10 per week.
- (2) In addition to their outlay in purchasing receivers, listeners are already paying substantial sums through the medium of sales tax, excise on valves, licence fees and special grants. These sums are estimated to aggregate over £3,000,000, which is shared by 1½ million listeners, equivalent to £2 per listener. (Standing Committee's note: The special grants are made from Consolidated Revenue and are therefore shared by 2,200,000 taxpayers).
- (3) An additional tax on the retail price of receivers, as suggested by one of the Committee's correspondents, would be more expensive to collect than the simpler method of increasing the sales tax percentage. In any case such a tax is opposed by manufacturers in the interests of licence holders and the radio industry generally.
- (4) Excise duty and war loading on valves should be discontinued, as they now involve listeners in an aggregate payment of £731,000 per annum, of which only £234,000 goes to Consolidated Revenue, the balance (£497,000) being received by the trade through the medium of percentages added by the trade at different stages of the process of passing on excise and war loading to the public. It would be better for all concerned if the £234,000 were collected direct from listeners by means of an addition to the licence fee.
- (5) If these taxes were removed there would be £731,000 per annum less paid by 1,500,000 listeners, or a saving of 9/9d by each listener. Of this 9/9d, trade distribution channels receive about 6/7d and the Government 3/2d.
- (6) More receivers would be sold if the additional half-rate fee of 10s. for extra sets in the home were abolished.
- (7) The broadcasting service is operated for the benefit of the listener, and it follows that the listener should make adequate payments for any contribution made to that service by the artist, inventor, manufacturer or trader. Therefore, any additional funds required for the national service should be collected direct from listeners.
- (8) If the Treasury and Customs Department insist on the £234,000 unfairly obtained by excise and the £375,000 obtained from sales tax, then listeners ought to pay:-

Sales Tax	£ 375,000
Excise	234,375
Licence fee at £1	1,499,019
Licence fee at 10s. (half-rate for additional sets)	38,349
Grant (as recommended in the Committee's 13th Report)	223,000
Total	<u>£2,369,743</u>



(9) Payment of this sum by 1,500,000 listeners would be equivalent to £1/11/7d per listener, or 8/5d less than the £2 he is now actually paying. (Standing Committee's note: In reference to the £223,000 above listed, the grant to the A.B.C. so far authorised for 1946/47, in addition to the allocation of licence revenue at the 12s. rate, is £100,000, in respect of which a deficit of £70,000 is anticipated, involving a total of £170,000. This excludes the estimated technical service deficit of £289,000 for that year. The amount of £2 stated to be actually paid by each listener annually is an average sum, and in weighing its significance it is necessary to bear in mind that all listeners do not pay the same price for receivers and do not replace them at the same frequency. The varying application of these two factors would affect the incidence and equity of the £2 figure in individual cases, and would similarly affect the figure of £1/11/7d.)

(10) Negotiations between manufacturers and the patent-owning companies have resulted in an agreement that royalty will in future be calculated as a percentage on the sale price of the receiver, instead of on a valve basis.

(11) If excise duty were applied to the receiver instead of to the valve, there would not be a tendency on the part of manufacturers to reduce the number of valves in a receiver to save expense, which tendency prevents the public from having the benefit of modern inventions and detrimentally affects the general market for valves.

(12) If there were no war loading or excise on valves, the cost to the purchaser of an additional valve in a receiver would not only be reduced by 11/8d, but through consequentially increased factory output the cost of production per valve would also automatically decrease. The 11/8d comprises war loading and excise plus percentages added by the trade as follows:-

War loading	2. -
Excise	<u>1. 9</u>
	3. 9
Plus 25%	<u>11</u>
	4. 8
Plus 25%	<u>1. 2</u>
	5. 10
Plus 100%	<u>5. 10</u>
	<u>11. 8d</u>

This 11/8d does not of course include the cost of, and profits made in respect of, the valves themselves, and it does not include the percentage added thereto in the course of manufacture of, and trading in, receivers.

(13) The percentages added in the trade are explained by the necessity (a) to charge for factory test and overhead in fitting the valve in the receiver, (b) to prepare advertising literature and undertake general merchandising expense to effect sales to distributors and make a profit on the capital expended in the purchase of the valve, and (c) to calculate the retail price at a figure which will allow dealers in the country a discount and at the same time provide a profit for the distributor.

(14) In seeking repeal of excise tax in the United States, the Radio Manufacturers Association of America submitted the following arguments:-

(a) Radio, because of its universal public service and use, should, like the press, be free of any tax burden.

- (b) Radio is a greater medium of mass communication than the press, and the radio tax burdens this great public agency and service, which should be tax-exempt to develop its maximum usefulness.
  - (c) Radio is a universal necessity in modern life. What might have been deemed a semi-luxury years ago is the most universally used necessity, in peace or war, of nation-wide importance; for public communications, entertainment, culture, religion, civic, political and enlightened citizenship.
  - (d) Repeal of the radio tax should be given first consideration in excise tax revision, and prior to any luxuries.
  - (e) The radio tax is a special, selective, discriminating, nuisance tax. Its repeal would take a burden off radio service to the public, increase sales of dealers and distributors, as well as of manufacturers, increase broadcast listeners and provide an immediate, needed business stimulus.
- (15) The valve industry in the United States pays an excise tax of 5%. In Australia, pre-war, approximately 40% was paid; with war loading it is now as much as 200% on some valves.
- (16) Broadcasting cannot be considered as a luxury from the excise viewpoint, if motor cars, soft drinks, refrigerators and gramophone records are not.
- (17) Whatever may have been the justification in pre-war days of an excise tax being used to meet circumstances such as excess profits, there is no need to support this attitude now that price fixing is used to meet the existence or fear of such profits.
- (18) Radio manufacturers recommend:-
- (a) Removal of the sales tax on receivers.
  - (b) Removal of excise tax and war loading on valves.
  - (c) Abolition of a supplementary fee for additional household receivers.
  - (d) Collection by listener's licence fee of any sum which the Government wants to collect from listeners.
- (19) Production of improved equipment generally lags about 8 to 10 years behind inventions. It seems extraordinary that a big company making receivers should take so long to incorporate the latest inventions, but it is so, and that is the experience in every country.
- (20) Melbourne manufacturers have designed and made a frequency modulation receiver. The model is ready to go into production as soon as the market is available.
26. On behalf of listeners - The following opinions have been expressed in letters received in response to our invitation to the public to send us statements of their views:-
- (1) The functions of a national broadcasting institution should be to maintain high standards in the quality of musical, literary and dramatic material, with the object of fostering and encouraging a better level of public taste rather than of seeking

immediately a wide popular appeal. It should lead public taste rather than follow it. In addition to good entertainment, it should provide services which may be broadly called educational, ranging from schools' broadcasts to adult discussion group sessions and talks by recognised authorities on questions of public importance. The value of these will largely depend on their representing different points of view and being free from direct or indirect control by business or economic interests or by any one political party. These functions would be seriously endangered if advertising interests were allowed to influence the programmes, as would be the case if sponsored sessions were introduced.

- (2) To win away from the commercial stations a significant part of the programmes sponsored by the big and high-paying advertisers, the A.B.C. would have to surrender its best listening hours to them. Proof of this is afforded by the fact that in the United States of America certain sponsored sessions provide some notable programmes, artistically and educationally valuable, but these are usually broadcast in the poorest listening hours and are infinitesimal compared with the deluge of banal and worthless programmes poured out day and night. (Standing Committee's notes: Documents in our possession show that the National Association of Broadcasters of America protested against the measures proposed by the F.C.C. to secure recognition of the public service responsibility of broadcasting stations. The Association contended that the proposed measures reflected a philosophy of government control which would interfere with freedom of speech. Commenting on that protest, Judge Arnold, in an American broadcast, said:

"What the broadcasters ask is that they should be delegated the absolute power to decide the proportion of advertising and non-advertising programmes over the radio. Can anything be less American than to put the power to decide a public question in the hands of men who have a financial interest in the way the decision goes? The programmes which sell the most goods are those which seek the lowest common denominator of the radio audience. If these are permitted to dominate the forums of the air and destroy their function as educational and liberal forces, we will have taken a long step towards intellectual regimentation and stagnation. It is up to the intelligent radio listeners of America to see to it that private advertising interests do not get the power to take over the great town meeting house of the air").

- (3) With sponsored programmes, the A.B.C. would have to appoint a new type of expert staff of its own, which would mean an initial increase in its costs with only a doubtful hope of adequate return.

- (4) There is a parallel between the financing of national broadcasting and the financing of universities. No university in the world now pays for itself out of fees or private endowments, and no university will accept funds from private commercial sources unless the offer is free from any "strings" which would control its policy, damage its standards or divert it from its proper function of the free pursuit and propagation of knowledge. The Government has decided to devote very large sums of public money to the establishment and upkeep of a national university; it should be equally prepared to spend public funds, in addition to listeners' fees, to further the interests of popular education and culture through the medium of its national radio service.

- (5) Since the country's national prestige owes much to the standard of its national broadcasting system, the idea of partly financing the system by means of sponsored programmes should be rejected; and since national prestige is involved, the financial

responsibility should also be largely national, which means that the deficit should be met from Consolidated Revenue instead of by an increase in the listener's fee.

- (6) In thousands of cases broadcasting is the only entertainment of the people, and many are finding it difficult to make ends meet owing to wages being insufficient to meet rising costs. For that reason the listener's fee should not be increased; the surplus earnings of the Post Office should be used to cover the deficit.
- (7) If the A.B.C. is allowed to enter the advertising field, licence fees should be abolished.
- (8) Rather than allow sponsored programmes, the A.B.C. should receive the whole of the licence revenue and the technical services should be financed by the Post Office from its profits in other branches; alternatively, the fee should be increased to 25s.
- (9) Licence revenue should be supplemented by a radio amusement tax or a tax on radio receivers.
- (10) To increase the fee at the present stage of development of taste in the people would prove an anti-social and anti-cultural step.
- (11) An increase in the fee would be preferable to subsidies from general revenue, as it would enable the public to appreciate more readily what the service is costing.
- (12) In view of the surplus earnings of the Post Office, no part of the fee should go to the funds of that department. If the whole of the fee is not sufficient for the A.B.C., its resources might be supplemented by suitable advertising, excluding alcoholic liquor publicity.
- (13) Sponsored sessions would result in the A.B.C. programmes degenerating to the level of those of the commercial stations, whose main fault at present lies, not in the quality, but in the uniformity of their fare. In recent years there has been a tendency for the A.B.C. to cater too much for the lowest level of taste by broadcasting the cheap "popular" music emanating from overseas and from vaudeville shows derived or copied from the same source. There are too many cheap records of overseas origin featuring raucous bands and certain types of songs. Records of a more tuneful character should be selected.
- (14) Certain types of jazz music and songs should be banned, as they tend to have a bad influence on the rising generation. For the same reason plays in which murder is featured should be eliminated, or at least the number of plays of that kind should be substantially reduced.
- (15) The A.B.C. does not devote sufficient attention to the featuring of Australian attractions and activities in mining (o.g. a broadcast interview with a miner at the coal face), secondary industry, agriculture, wool, etc.
- (16) There would be interference with the Commission's policy and standards if sponsored sessions were permitted. Many sponsors have no compunction in choosing the lowest degree of entertainment so long as they can get the majority of people of no discernment to listen. It is rare to get even light entertainment of decent quality from commercial stations, because they are ruled by the taste which overseas money-makers have fostered. Commercial radio, with the help of certain cinema shows and some newspapers, has done much to dethrone our national intelligence. Much of the trouble in the world to-day could be traced to inability to think clearly and logically on matters of importance.

- (17) Any commercial radio man who is free to say what he thinks will affirm that sponsors interfere with programmes from their very inception to the time they are broadcast, always with the size of the audience in mind. They are not interested in whether the audience's taste is being improved or its knowledge and judgment sharpened.
- (18) It is irritating to listeners of discernment to have to suffer an incongruous barrage of lengthy and flamboyant exhortations to imitate the bathing habits of some actress or other who is said to use a particular brand of soap - between the acts of a play which they had hoped to enjoy uninterruptedly.
- (19) In relation to the extent to which commercial stations copy certain types of programmes broadcast in the United States, attention is drawn to the following commentary published in the Melbourne "Herald" of 22nd February, 1947:-
- "Dr. Lee de Forest, who made possible modern radio with his invention of the radio tube, does not like the use to which his discovery has been put. In a letter to the National Association of Broadcasters, de Forest, who is now 73, says: 'What have you done with my child? He was conceived as a potent instrument for culture and fine music, uplifting America's mass intelligence. You debased this child. You sent him out on the streets in the rags of ragtime and tatters of jive. You have made him the laughing stock of intelligence. You cut him into tiny cubelets, with impudent insistence to buy or try. This child of mine has been resolutely kept to the average intelligence of 13 years, as though you and your sponsors believe the majority of listeners have moron minds. The curse of commercials has grown consistently more cursed year by year'".
- (20) Everyone interested in the cultural development of Australia is jarred in every sensitive part of his being by the average show broadcast each night by the commercial stations and by the constant interruption, morning, afternoon and night, of irritating advertisements. Present commercial advertising is excessive and largely unnecessary; it inflates the cost of living. The position should not be worsened by allowing the A.B.C. to enter the field. The deficit should be financed from general revenue and corresponding savings in public funds should be effected in other directions.
- (21) The A.B.C. should economise by vacating the field of light entertainment. If this would be too drastic, it should receive an increased share of the fee, or the fee should be increased and the whole of it given to the A.B.C., or there should be a direct subsidy for special purposes, e.g., news, educational broadcasts to schools and discussion groups. These grants should be statutory and not dependent on year to year favour.
- (22) Sponsored programmes would be objectionable. National stations at present are an oasis in a shrieking sirocco of advertising.
- (23) The deficiency should be met by a tax on the earnings of the commercial stations, whose income enables them to get the best of the talent available.
- (24) An increase in the fee would mean an unfair burden on the holders of licences, as their sets are probably heard by four or five times as many other people who do not pay licence fees. It would be equitable that these people should contribute their share of the cost, and they would do so indirectly if the deficit were met from general revenue. Failing that, it would

be preferable to double the fee rather than have sponsored programmes, as radio advertising is a constant source of irritation.

- (25) Revenue received from radio sales tax should be ear-marked for the national system.
- (26) The cost of broadcasting Parliamentary proceedings should be met from general revenue instead of from the A.B.C.'s resources. There should be a referendum among listeners as to continuing these broadcasts.
- (27) Advertisements should be accepted if the programme is to be of high standard and if the advertising relates to a commodity of national interest which could be publicised in a dignified manner. This would exclude soap and would include such programmes as Soppelt's "Reflections in a Wine Glass", Foster's "Synchromatic Hour", Vacuum Oil's "Opera for the People" and Australian National Airways' "Life of Melba". Most of these are not advertised in a blatant manner.
- (28) The A.B.C. sessions in the sphere of education should be charged to public funds appropriated for education. State education departments should contribute reasonably to such sessions, which are doing part of their work for them.
- (29) Sponsored sessions should be accepted in the national service, as the best programmes are broadcast by commercial stations.
- (30) Although an increase in the fee would not be enthusiastically acclaimed, the use of consolidated revenue to finance deficits would tend to prevent reductions in taxation which would otherwise be possible.
- (31) As the majority of listeners prefer the commercial stations, the national service should be abolished, and it should be made compulsory for the commercials to broadcast certain services now given by the A.B.C., such as its educational features.
- (32) There is an appalling tendency to broadcast matter with a double meaning, which makes people think indecently of mischievously.
- (33) The fee should be increased by 5s. rather than have to endure the scourge of advertising.
- (34) Sponsored programmes would link the national service to commercial interests in a way that would give the latter power to dictate to the A.B.C. as to its programmes or policy.
- (35) It would be equitable to finance the technical service from the excess profits of the Post Office. Admittedly this would be an indirect tax, but its incidence would be less noticeable and in addition it would ensure indirect contributions from the many who listen or benefit without making any direct payment in fees, including the users of unlicensed sets, who are fairly numerous in spite of prosecutions. The weather and market reports, agricultural advice, etc., benefit every listener, whether he owns a receiver or not.
- (36) Advertising is painful enough for the ordinary listener who desires to hear something from a commercial station which might be particularly good, but the monotonous statements about a particular product being advertised are at times such as to develop a tendency towards a nervous breakdown.
- (37) The £25 licence fee paid by commercial stations should be one per cent of their gross earnings, or £200, whichever is the greater, in view of their colossal income and the high salaries they are able to pay.

- (38) Consideration should be given to discontinuing the A.B.C. Weekly or separating it from the scope of the Commission's charter, as licence fees should not be used to subsidise journalism.
- (39) The licence fee should be abolished. Broadcasting should be financed partly from general taxation and partly from advertising. The cost of collecting the fee would be saved.
- (40) Some of the better features of American radio should be emulated in Australia. For instance, the late Mr. Ford at one time sponsored an hour of symphonic music, live artist, in which there was no advertising other than the name of the sponsor at start and close.
- (41) It should be possible for the A.B.C. to compete successfully with commercial stations for suitable sponsored programmes, as the Commission would not have to make large profits.
- (42) There should be no objection to sponsored programmes as listeners are used to them. The commercial stations do a good job and give good entertainment.
- (43) The great value of the A.B.C. programmes is the absence of deliberately misleading advertisements about soap, etc. If sponsored programmes are to be allowed they should be confined to one network, limited as to quantity and quality, and censored by a competent authority.
- (44) The present extent of advertising in the commercial service would be unbearable without the vital refuge of the national stations.
- (45) Radio has ceased to be a luxury. It becomes indispensable according to our desire to influence others for good. An increase in the fee would be a penalty on advancement in education and culture. An increase now would have to be followed by further increases later as costs of broadcasting and living rise. Increased fees would be unfair to the thousands in the back-blocks who have not the same facilities as the cities. General revenue is the source from which increased costs should be financed.
- (46) The principal objection to sponsored programmes is the fact that commercial radio rarely rises above the pseudo-comic, the sloppy sentimental or the sensational, and tends to keep standards of entertainment down to a very low level.
- (47) Before an increased fee is authorised, consideration should be given to reducing administration costs and effecting economies. For instance, it seems grossly extravagant to have had five or more commentators touring the States during the cricket tests; two should have sufficed.
- (48) Most of the world's trouble is due to lack of education. Radio is one of the most effective media for the purpose, particularly as regards politics. It is therefore of national importance that radio should be available to all at a cost within their means. To raise the fee would put radio outside some people's means. To allow advertising would be to commit "national suicide". As there are few people who do not have access to a radio set, even if they do not possess one, the financing of deficits from general revenue is the most equitable procedure.
- (49) Sponsored programmes would be preferable to increasing the fee. An increase of, say, 2/6d would represent an addition of 12%, but that would be static until the Act was amended again; whereas sponsored programmes would provide a flexible method of augmenting revenue as required.

- (50) It would be a real and worthwhile contribution to national welfare if there were a prohibition on the numerous untruthful and misleading advertisements about patent medicines.
- (51) People who have retired on small pensions and are not eligible for old-age pensions are finding it a struggle to live and cannot afford any increase in the radio fee.
- (52) A fee of 25s. would not be excessive; less than 6d. per week is very little to pay for the continuous and varied fare provided, even for the country listener except where reception is very poor. There could be a fee of 25s. within a certain radius of a national station and 20s. beyond it.
- (53) Sponsored programmes should not be included in the sessions of the existing national networks, but there would be no objection to having them in a third network on the lines of the Class "C" stations referred to in the Standing Committee's 13th Report, provided they did not copy the present methods of the commercial stations but gave popular programmes of high quality with advertising only at the beginning of a session.
- (54) More recorded talks by Australians and by world-famous people outside Australia should be broadcast and should be repeated more than once.
- (55) More attention to youth education by radio is necessary, especially for remote districts.
- (56) With high taxation and the cost of living, this is the wrong time to increase the licence fee.
- (57) The A.B.C. appears to be wasting a lot of money on certain comedians whose services as entertainers are of little account and whose reputations in the vast majority of cases have been built up by artificial applause. It would be better from all points of view to broadcast recorded productions by comedians of quality and proved worth.
- (58) Too high a percentage of the programmes of the two national stations in each capital city is of such mediocre quality (a certain percentage is "sheer junk") that listeners should not be subjected to the worst possible exercise, advertising.
- (59) The fee is too high already for the fare provided. During the past six or seven years the programmes have deteriorated owing to the wide-spread use of swing, jazz and other items derived from certain negro tastes which have considerably undermined appreciation of worthwhile music, especially by young people.
- (60) Advertising would be a most retrograde step; it would bring the A.B.C. under the control of big business and its standards and nationally important functions would have to be sacrificed. The sponsors would demand the kind of programmes which attract the largest listening audience of the least thinking type.
- (61) The nation is looking to the youth of the country to make its future secure. Yet the most appalling programmes are broadcast, implanting wrong ideas in impressionable minds. The murders and horrors that are featured do not coincide with all the health talk designed to assist proper pro-natal influence; they do lots of harm.
- (62) Sponsored programmes or an increase in the fee would be avoided if the A.B.C. reduced its expenditure to conform with its limited field of listeners.



- (63) If big companies have so much to spend on advertising, the cost of which is often greater than that of production of the article, the money should flow into publicly-owned stations, three of which would be ample for any one city. No other remedy than nationalisation can meet the situation and give people all the best entertainment, the best information and the best cultural benefits.

- (64) All future commercial stations should be nationally owned and the revenues from advertising should be used to improve standards; better still, all commercial stations should be taken over, as in New Zealand. A merger of the national and commercial services would enable the deficiency to be met.

#### STANDING COMMITTEE'S COMMENTS AND CONCLUSIONS

27. Sponsored Programmes. It is inevitable that criticism of the commercial stations' programmes and advertising practices should be involved in examining the question of allowing sponsored programmes in the national service, and having considered both oral and documentary evidence on the subject, we have reached the conclusion that the idea of raising additional revenue for the A.B.C. by the inclusion of sponsored sessions in its programmes should be rejected for the following reasons:-

- (1) In countries where all broadcasting services are publicly owned (e.g., Eire and New Zealand) it is practicable to insist upon the maintenance of standards acceptable to the broadcasting authorities, and sponsors have no alternative but to adhere to them if they wish to advertise by radio. For example, in Eire the following rules apply:-
  - (a) Sponsored programmes are accepted only from manufacturing companies operating inside the national territory.
  - (b) Commodities excluded are patent medicines, cosmetics and alcohol.
  - (c) The percentage of advertising must not exceed one minute in a quarter-hour programme, 2 or 2½ minutes in a half-hour programme, and five minutes in an hour's programme.
  - (d) This limited amount of advertising time has to be broken up so that in a quarter-hour programme, for instance, there is a preliminary announcement and a final announcement.
  - (e) The advertising script, as well as all the details of each proposed programme, has to be submitted in advance, in good time for censorship or approval before any rehearsals or recordings take place.
  - (f) Sponsored programmes are not allowed at all from 1 p.m. until 2.30 p.m. and from 6 p.m. until 10 p.m.

Under the dual system in Australia, however, sponsors would have the alternative of transferring their business to the commercial stations if their proposals were rejected by the A.B.C. as being incompatible with its standards.

- (2) The amount of additional net revenue which might be expected to accrue from sponsored programmes in the national service would be comparatively small, unless the A.B.C. consented to lower its standards.
- (3) Certain types of "commercial plugs", the frequency of their intrusion, and the nature of many of the programmes said to be insisted upon by sponsors in the commercial service would lower the prestige of the national service. With comparatively few exceptions, commercial stations' programmes and advertisements are

designed generally to appeal to mass audiences, many members of which are evidently relied upon by the sponsors to be susceptible to effusive and often extravagant persuasions to buy.

- (4) The intrusion of the A.B.C. into the advertising field would probably reduce the resources of at least some of the commercial stations to some extent and might result in more inferior programmes from some of those stations.

- (5) In order to secure advertising contracts for the small number of sponsored programmes likely to conform with the standards which the A.B.C., as the trustee of a publicly owned utility, would be obliged to insist upon, the Commission would probably have to surrender its best listening hours in the evening, to the detriment of sessions at present devoted to broadcast talks and discussions for the benefit of all classes of the community, designed to promote and maintain well-informed public opinion in pursuit of the ideal of real democracy and higher cultural standards.

28. Incidentally, the need for stimulating wider interest in national and international affairs is demonstrated in the surprisingly small response to our invitation to the public to send us their opinions on the future financing of the national service. We told the public that the revenue from listeners' fees was no longer sufficient to cover the cost of the service, and we specifically mentioned in a widely advertised announcement that we were investigating the alternatives of increasing the listeners' fees, or of allowing sponsored programmes in the national service, or of bridging the financial gap by appropriations from the Consolidated Revenue of the Commonwealth. We invited organisations and persons interested to send us their views on those alternatives and on any other ideas they might have for meeting the deficit. We circulated the invitation through the press of every State and through every broadcasting station throughout the Commonwealth, national and commercial; but, although there are about 1,500,000 licensed listeners and some millions of other listeners in Australia, only 100 people were sufficiently interested to communicate their views to us.

29. This remarkable lack of interest in public affairs is no doubt due to the cumulative effect of a number of influences. Judging from the tenor of criticism from a large number of our correspondents (they include industrial and professional workers and mothers), not the least of such influences is the effect of excessive radio and other entertainment of a certain type, calculated almost continuously in the best listening hours to divert the mind from entertainment at a high level or from anything of a cultural nature.

30. In view of the widespread impression that the radio programmes and radio advertising practices of the United States of America are largely copied or adapted in Australian commercial programmes, and having regard to the criticism of many commercial programmes in Australia (see Standing Committee's 11th Report), it is significant that in a special report issued last year, entitled "Public Service Responsibility of Broadcast Licensees", the F.C.C. referred to "the general relaxing of advertising standards in recent years"; to stations' advertising excesses "which are incompatible with their public responsibilities and which threaten the good name of broadcasting itself"; and to the "crucial need" for stations to make adequate provision for discussion programmes at local, national and international levels; and gave notice of the Commission's intention to take certain measures to remedy the situation.

31. In reference to complaints of excessive advertising, it is of particular interest to observe from the F.C.C. report that some stations and some advertisers are becoming aware of the value of uninterrupted listening, even to the extent of announcing to listeners that the session would not be interrupted by commercial plugs. The report also shows that some time ago the National Association of Broadcasters of America (a voluntary organisation) banned, between the hours of 7 and 11 p.m., any commercial advertising beyond an announcement of the name of the advertiser and of his product. It is conceivable that Australian sponsors would find it worth while making an experiment

to test whether this consideration for the feelings of listeners would create a favourable impression which would be reflected in the sales of the products; or, if such a limitation would be too much to expect, sponsors might find it advantageous to heed the opinion of a critic who says: "Wordiness defeats the ends of advertising. A brief 'commercial', arresting and concise, is far more effective than a spate of words which lose the attention by their diffuseness."

32. A somewhat similar move to that contemplated in the United States has been proposed in Canada, where the publicly owned instrumentality (Canadian Broadcasting Corporation), which manages the national service, is consulted before licences are issued to privately owned commercial stations. In a report issued last year by a Parliamentary Committee of that Dominion, the following recommendation was made:-

"As a condition of the issuance or renewal of any licence a station should be required to submit to the Board of Governors of C.B.C. an undertaking that it would faithfully perform its duties as a trustee of a radio frequency, and would indicate the amount of time and what proportion of its revenue it is prepared to devote to local community events, the discussion of matters of local interest and the development of local talent and other public service broadcasts. By this means it would be emphasised to all that the right to occupy a frequency is a privilege granted to one who thus acquires a temporary monopoly in the use of an air channel which belongs to the people, and it would be a constant reminder also to the Corporation and the licensing authority of their duty to see that all such persons carry out their obligations to their respective communities."

33. The increased rate of expenditure which sponsors have been incurring on radio advertising in recent years is likely to prove more and more a contributing factor in the higher costs of running the A.B.C., as the additional resources at the commercial stations' disposal result in competition for the services of the limited number of prominent script writers, actors, actresses and comedians available. In view of the large number of stations in Australia broadcasting the same types of programmes more or less simultaneously, it is a matter for consideration whether there should not be some method of co-ordination to avoid the resultant economic waste, especially when there is such a shortage of manpower for productive needs; and at the same time ensure that a reasonable proportion of good listening hours shall be devoted regularly to broadcasts of discussions of public issues.

34. Listeners' Licence Fees. It has been suggested by the A.B.C. that the national system should be financed wholly from licence fees, on the ground that this is a straightforward method in its relation to the listening public and would be wholly equitable in its incidence. But that contention is debatable. The cost of many public facilities is only partly met by direct contribution, the balance being financed from public funds, as the facilities are of value not only to those who directly contribute to them but to the whole community as well, e.g. country railway services.

35. There are 2,200,000 taxpayers in Australia, but only about 1,500,000 licensed listeners. It is reasonable to assume that a large number of the remaining 700,000 listen to the programmes at various times, perhaps regularly, or at least that they derive some indirect benefit from the service without making a direct contribution to its cost. It is true that in recent years they have been making an indirect contribution through the medium of the grants to the A.B.C. from the Consolidated Revenue, to which they, as taxpayers, subscribe; but so also have the licensed listeners who are taxpayers too. Hence an increase in the licence fee would involve additional direct taxation of a section of taxpayers who are not the exclusive beneficiaries of the service.

36. The proposal that the listener's licence fee should be increased should be rejected, in our opinion, for the following reasons:-

- (1) It would be unfair to large numbers of the lower paid body of citizens and to elderly persons living on comparatively small pensions or annuities, all of whom largely depend upon their radio licences for their entertainment and enlightenment.

(2) It would not be equitable to country listeners who have not the same facilities as residents of densely populated areas.

(3) It would be unfair to licensed listeners generally, as many more people besides them hear the programmes or indirectly benefit from them without owning receiving sets and without making a direct contribution to the cost of the service. Furthermore, licensed listeners, in addition to paying their licence fees, and in addition to their direct contributions to the Consolidated Revenue as income taxpayers, are also making additional indirect contributions to the Consolidated Revenue, through the medium of sales tax and excise duty on valves, plus certain percentages of such duty, which it is customary for manufacturers and distributors to pass on to users.

(4) It would mean the imposition of additional direct taxation and would be inconsistent with the general feeling in the community that reductions in taxation are justified under present-day conditions.

(5) It is desirable to encourage listening to the radio service, as this is, or should be, in properly balanced programmes, one of the most influential means of educating public opinion and taste in directions that make for the common good, especially to counteract the influence of subversive propaganda subtly designed to rob the masses of their freedom and make them slaves to dictatorial State despotism.

37. Radio Advertising Tax. Among the suggestions we have received is one that a percentage tax should be levied on all expenditure on radio advertising over commercial stations, as a means to assist in the financing of deficits in the national service. The author considers that there should be no objection to this, on the principle that profitable enterprises at present indirectly contribute, through taxation, to the Consolidated Revenue, from which non-paying public enterprises are at least partly financed.

38. The question whether such a tax could legally be imposed is a matter upon which we are not competent to express an opinion, but, even if legally practicable, the idea does not appeal to us as being in the best interests of the community, in view of the probability that any such tax would be passed on to the public by the sponsors through the medium of a corresponding increase in the selling price of the advertised goods.

39. Radio Receiver Tax. There is an alternative suggestion from the same author, for the same purpose, that a tax of, say, 10 per cent should be imposed on radio receivers at the time of purchase. Taking the average price of a receiver at £20, this would mean an average payment of £2; and assuming the average life of a receiver to be 10 years, this would be equivalent to a tax of 4/- per annum per radio licence, payable by the licensed listener in addition to his ordinary licence fee. In other words, it would be equivalent to an increase of 4/- per annum in the licence fee. Our objections to an increase in the licence fee are therefore applicable to this suggestion, which, moreover, would be unfair in its incidence, as listeners purchasing new sets would be contributing, whereas listeners retaining their present sets would be free of the burden. In addition, it would be detrimental to the radio industry and to efficient reception, as it would tend to retard replacement of outmoded sets with more modern equipment of higher fidelity.

40. Stations' Licence Fees. In the 1942 report of the Joint Parliamentary Committee on Broadcasting, which recommended the constitution of the Standing Committee as a statutory body, it was suggested that the latter should watch the profits of the commercial stations as the industry developed. The terms of the report implied that it might become necessary to determine whether, in consideration of the measure of monopoly conferred by the issue of licences, the commercial stations should make a greater contribution to the Consolidated Revenue than their annual licence fee of £25, which has not been

varied since the inception of broadcasting over 20 years ago, except that since the 1942 Act ~~that~~ stations earning profits have contributed one half of one per cent of their gross earnings, the intention being that this would be their contribution to the cost of Post Office radio research, from which the commercial stations benefit.

41. It is of interest to note that in evidence tendered to our predecessors in 1945, one of the witnesses, representing a metropolitan newspaper, said his principals were prepared to pay a fee of £1,000 per annum for a licence, and suggested that the licences should be granted to the highest bidders after public offers had been invited.

42. We are doubtful whether an increase in the fee, even on a sliding scale, would be a good thing in the general interests of the community, because in all probability the stations would seek to recover their additional costs by higher advertising rates which, if authorised, would eventually be included in the selling price of the advertised commodities, resulting in an increase in indirect taxation of the public.

43. Grants from Consolidated Revenue. The way to deal with the situation which we regard as the most equitable to both direct and indirect contributors under the existing system, is to continue the method adopted in recent years of supplementing licence fee revenue by grants from the Consolidated Revenue, subject, we suggest, to the qualification that in view of the need to plan ahead in the broadcasting service, and to confer a reasonable degree of financial independence on the Commission, the grants should not be on an annual basis but should cover a term certain of three years, on the understanding that the Commission should be required to refrain from applying for additional funds during that period and to adjust its rate of expenditure from time to time to ensure that the amount agreed upon for each period of three years shall not be exceeded.

44. In computing the grants under the three-yearly periods suggested, substantial reductions could be effected if the Commission were to vacate the field of light entertainment because of the extent to which such entertainment is featured in the commercial service. But the Commission has cultural and educational obligations which it cannot fulfil adequately unless it attracts listeners by other acceptable means. It has been well said that "you can't educate people if they aren't listening," - a truth of special significance in the broadcasting services of Australia, where the commercial stations have claimed to hold 80 per cent of the listening public.

45. We support the Commission's policy of endeavouring to attract audiences gradually to its serious sessions by light entertainment of unexceptionable quality, and we are therefore opposed to the idea that the Commission should entirely vacate that field.

46. Co-ordination of Programmes. The A.B.C. would like to see a move made towards placing national broadcasting in Australia on a footing similar to that in Canada. The Commission considers that in a country where there is a double system, as in Australia, there should be some means by which it can be co-ordinated, and has pointed out that in the United States the F.C.C. looks over the whole broadcasting field and indicates what in its view any broadcasting authority, as a public utility, should be required to do. In Canada, where there is a dual system which, with some modifications, is like Australia's, the commercial stations are compelled to adopt certain standards and to do a certain amount of public interest broadcasting.

47. Apart from criticism of the general level of programme standards in the commercial service, it is undeniable that there is much economic waste in the multiplication of the same types of sessions by various stations serving the same listeners. For example, as one witness has pointed out, there are no fewer than five stations in one of the capital cities which devote practically the whole of Saturday afternoon to the broadcasting of the same sporting events, involving multiple costs of broadcasting personnel, land line facilities and other equipment for relays to other groups of stations, which might in other circumstances be diverted to productive purposes clamoring for much more deserving priority in moderate essential needs, without depriving listeners of non-duplicated sport broadcasts.

48. A somewhat similar situation, with some exceptions, is experienced in other types of programmes, especially at peak listening hours in the evening, when, if adequate public service, in its highest sense, were the aim of all stations, a reasonable portion of those hours would be universally devoted to sessions which vitally affect the well-being of the community and the future of this nation. As the C.B.C. has pointed out in its annual report for 1945/46, talks for serious purposes can be arranged in such a way that listeners welcome them, which is verified by the statement in that report that "many programmes (in Canada) in the field of public affairs have audience ratings on a par not only with such items as news, but with many commercially-sponsored programmes designed strictly for entertainment".

49. An acceptable scheme of co-ordination could ensure, for example:-

- (1) Concerted and effective resistance to "sponsor interference" with desirable programme and advertising standards.
- (2) Elimination of the economic waste involved in having so many stations broadcasting the same kind of programme simultaneously.
- (3) Universal allocation of good listening times for public service broadcasts on national and international issues.
- (4) Equality of opportunity for recognized political parties, provided they are pledged to attain their objectives by constitutional means, to secure broadcast times at hours acceptable to them.
- (5) Provision of time, free of charge, for religious broadcasts equitably allocated to all denominations; for sessions on behalf of Universities and other educational institutions; and for broadcasts desired by returned soldier organisations; - an arrangement which might prove more satisfactory to these bodies than having to run their own stations, as they would be relieved of the obligation to engage in commercial operations which, strictly speaking, are extraneous to their proper functions, but which, if they hold licences under the existing system, would probably be unavoidable in their efforts to obtain revenue to cover the cost of maintaining the stations.

50. A scheme of co-ordination on the lines suggested by the A.B.C., or any kind of co-ordination, as the Treasury has pointed out, means some form of control. The Treasury representative considers it would be difficult to co-ordinate the national and commercial services, adding that perhaps the only solution to the problem is nationalisation. The Post Office representative prefers the present dual system.

51. Critics of the idea of the dual system being publicly owned fear that the broadcasting services might become propaganda instruments for the use of the political party in power, the implication being that this is at present the case as regards the national service. It is true that under the 1932 Act there was ministerial power to instruct the A.B.C. in regard to political broadcasts, and there has been evidence that Ministers of successive governments of different political parties exercised that power. But, on the recommendation of the Joint Parliamentary Committee under the chairmanship of Senator Gibson, that power was withdrawn from the Minister by the Act of 1942; so that for the last five years the Commission has been completely independent in this matter.

52. The A.B.C.'s position was clearly explained in evidence tendered to the Standing Committee of the previous Parliament in January 1944 by the then Chairman (Mr. Cleary), who pointed out that, since the 1942 legislation, if the Minister instructed the Commission to broadcast a statement of a political nature, the request could be refused.

53. As an additional safeguard against political interference with the A.B.C.'s independence, provision was made in the 1942 Act, requiring the Commission to notify Parliament in its annual report if it received any such instructions. All of the Commission's annual reports tabled in Parliament since 1942 show that no such instructions have been given. That is a highly significant situation which, judging from the trend of criticisms which have

been brought to our notice, does not appear to have received adequate publicity; it certainly affords evidence that there would be no reasonable ground for a fear of effective ministerial interference with the Commission's independent power to deal with political broadcasts, if it were otherwise desirable to adopt a plan of co-ordination under the auspices of the A.B.C.

54. Needless to say, there are differences of opinion amongst us on the question of a move in that direction, as it would probably lead to, if not involve, nationalisation, which although in operation in the United Kingdom, Eire, South Africa and New Zealand, and advocated in principle by Professor Copland in a submission to the Australian Institute of Political Science, - nevertheless affects a fundamental principle of political philosophy. Realising that a question of very high policy is involved, we suggest that the matter be debated on the floor of the House, so that all points of view may be fully considered with the object of endeavouring to find a solution which will be desirable and equitable in the interests of all concerned.

55. The following recommendations are made in regard to the programme service deficits and the technical service deficits, if Parliament decides that the present system should continue.

56. Programme Service Deficits. In the first place, we agree with the opinion of our predecessors, expressed in the Standing Committee's 3rd Report, and now concurred in by the Treasury, that the Commission should not sell any of its war loan securities to finance its deficits.

57. With regard to the estimated deficit of £75,000 for the current year, documents supplied to us by the Commission, at our request, show that this figure was arrived at on a basis which took account of an estimate, computed in October 1946, as to the probable revenue that would be received for the year from listeners' licence fees at the statutory 11/- rate, plus a grant to bring that rate to 12/-, plus an additional grant of £100,000, making a total of £988,000 from those sources.

58. But Post Office estimates supplied to us, as at February 1947, show that the estimated allocations to the A.B.C. from those sources would be £1,019,000, that is, £31,000 more than the Commission expected to receive, which would mean that the Commission's estimated deficit of £75,000 could be reduced to £44,000.

59. The Commission has revised its figures, but differs from the Post Office opinion as to the probable receipts from licence fees for the year, and, furthermore, finds that certain additional expenditure will be involved in commitments since its estimated requirements for the year were previously narrated to us. The estimated deficiency for which provision is now proposed by the Commission is £70,000.

60. Giving the Commission, for the time being, the benefit of the doubt as to likely receipts from licence fees, and at the same time providing for the possibility that the Post Office estimate may be found to be more accurate when the accounts for the year have been closed, we recommend that so much of the estimated deficiency of £70,000 as is actually experienced by the end of the year (30th June, 1947) be financed from the Consolidated Revenue, making the total estimated allocations from public funds to the A.B.C. for the current year approximately £1,073,000, comprising:-

(a)	Share of licence fees as estimated by the Commission at the statutory 11/- rate	£ 830,000
(b)	Grant of additional 1/- per licence to make the rate 12/-, as recommended in the Standing Committee's 3rd Report	73,000
(c)	Additional grant as the result of consideration of the Standing Committee's 13th Report	100,000
(d)	Additional grant now recommended to meet the estimated deficit, not exceeding	70,000
		<u>£1,073,000</u>

61. With regard to future years, we recommend that the A.B.C. should estimate its requirements for three-yearly periods, commencing with 1947/48 to 1949/50, and that before a decision is reached on the amount to be provided from Consolidated Revenue to supplement the estimated receipts from the Commission's share of the licence fee, there should be an independent report by a senior official of the Treasury or the Auditor General's Department, so that Parliament may be satisfied that there is adequate provision in the Commission's accounting system for regular periodical review by the Commission of each section of its activities, to enable it to determine whether expenditure is being adversely incurred and whether the rate of its expenditure is such that the total authorised expenditure for the three-year period will not be exceeded; as it should be understood that once that total has been fixed there should be no further requests for additional funds during the three-year period, and that the Commission should so arrange its plans, by means of the regular periodical revisions, that necessary adjustments will be made to ensure that the expenditure will be kept within the limit which Parliament authorises.

62. We suggest that the requirements of the three-year periods should incorporate a contingency fund to meet unforeseen needs, such as variations in award rates, etc., but such fund should be specifically reserved for those needs only.

63. Our suggestion that this independent report on the A.B.C. accounting system should be obtained is not intended as a reflection on the attention which the Commission has hitherto paid to the checking of its expenditure. We are aware that the Commission has qualified accountants in its service, and it may well be that the methods already followed are adequate; nevertheless, in view of the substantial amounts of total expenditure involved, it would be to the advantage of the Commission, as well as satisfactory to the Parliament, to know that the adequacy of its methods has been confirmed by an independent expert.

64. Technical Service Deficits. The trend of Post Office evidence is to the effect that the deficits shown in the accounts of the technical services are "book losses" under the departmental accounting system and would not directly affect the amount which would be allocated in the annual estimates of expenditure on technical services for the national broadcasting system, this being due to the fact that under the Treasury accounting system the financial requirements for such services would be included in the budget submitted to Parliament for all services administered by the Post Office.

65. It should not be overlooked, however, that Parliament, in determining the funds to be made available for the national system, could be influenced by the amount of the technical service deficits shown in the Post Office profit and loss account; and it is conceivable that the Post Office might not receive from Parliament the whole of the funds it sought to meet the technical requirements. In that event expansion of the technical side of the national service would have to be retarded by the Post Office.

66. It is not unnatural that the A.B.C. should be concerned at the extent of the deficits on the technical side, as it feels that the greater those deficits the less the likelihood of additional funds being allocated for the programme side to the extent it desires.

67. In all good faith, therefore, the Commission has drawn attention to one of the items which contribute to the technical service deficits, namely, the amount debited in the Post Office technical service account for the A.B.C.'s use of interstate landlines. The charges so debited are at the same rate as is paid by ordinary subscribers for trunk line calls, and the Commission believes that the technical service deficits would be reduced by about £100,000 per annum if the charges were debited at the same rate as the Post Office charges newspapers for the permanent use of interstate lines.

68. The Post Office reply is to the effect that some newspapers lease telegraph channels, but these are of a different character from those required for broadcasting, in that they are unsuitable for the transmission of speech or music. Some newspapers use trunk lines for pre-arranged periods, but in these cases the rates charged are identical with those applied to all



other users without discrimination. Permanent channels could not be made available to the A.B.C. in all cases at present.

69. There is a doubt whether the Commission's interests would be better served if suitable interstatic channels were allocated for its use permanently, as the present procedure appears to provide for maximum flexibility in the relaying of programmes, since the Commission has a pool of trunk lines at its disposal. In any case, it is not practicable for the Post Office, without further study of the question, to form an estimate of the annual charges which would be debited to the technical side of the national service if permanent channels were allocated for the Commission's use in addition to the indispensable necessity to provide associated facilities for reversals of direction of service and network alterations. We suggest that a conference between representatives of the Post Office and the Commission on these aspects might prove mutually advantageous.

70. A further consideration which has arisen in relation to the debits for landline charges is the fact that the Post Office has been making substantial profits from the Telephone Branch, - £2,381,000 in 1942/'3, £3,033,000 in 1943/44 and £3,291,000 in 1944/45 (the last year for which published results are available).

71. It could be said that the national broadcasting service has contributed to those profits, by reason of the fact that the debits in the technical service account for landlines used in that service are credited to the Telephone Branch, and that if such debits were at cost only, the deficits in the technical operation of the national broadcasting system would be correspondingly reduced.

72. To pursue that aspect, however, would involve consideration of the whole field of Post Office charges, not only in respect of the national broadcasting service, but all Government Departments and other publicly owned instrumentalities, which pay postage, telephone and telegraph charges at the same rates as other users and in that way contribute to the profits shown in the Post Office accounts, even though they are all financed from public funds.

73. The Post Office has pointed out that the high profits shown in its accounts in recent years have been largely due to war conditions, because of normal expenditure which would have affected those profits was very considerably curtailed. With the heavy rehabilitation programme ahead, the financial aspect is likely to undergo a marked change in future years so far as the departmental profit and loss accounts are concerned.

74. Having regard to our conclusion that the programme side should be financed by grants from the Consolidated Revenue to supplement the Commission's share of the licence fees, to an extent to be determined on the three-yearly basis suggested; and bearing in mind that efficient maintenance and reasonable expansion of the technical side are essential to the proper development of the national service; we recommend that the additional amount to be allocated to the A.B.C. should not unfavourably influence Parliament in authorising sufficient funds to permit of expansion of the technical services at the rate of progress which the Commonwealth's responsible advisers deem justified.

75. Control of Technical Services. Notwithstanding the conclusion of the Joint Parliamentary Committee on Broadcasting in 1942, that it would be inadvisable to transfer the control of the technical services of the national system from the Post Office to the A.B.C., the Commission still strongly advocates the transfer, but the Post Office is just as strongly opposed to it. We feel that more minute investigation of this question is necessary than has been possible in connection with the present inquiry, and we suggest that the necessary terms of reference be issued to enable us to examine the matter thoroughly at a later date in joint collaboration with the two authorities.

76. News Services. We conclude with a reference to the financial aspect of the independent news service, which has been the most severely criticised item in the Commission's budget. The position is that under the draft agreements for services from the newspapers, as had been proposed by the Commission, the annual cost was estimated by the Commission at £83,000. The Commission's estimate of the annual cost of the independent service to be established in accordance with the amended Broadcasting Act, is £155,000 - a difference of £72,000, which is equivalent to an average additional contribution per taxpayer of about one half-penny per month for a service in respect of which, and in relation to evidence from the Australian Journalists' Association to the previous Committee, it could not be said that the Commission's employees are instructed or expected to report happenings in a manner favourable to one or other of the recognised political parties pledged to achieve their aims by constitutional means.

S. K. AMOUR, Chairman

D. O. WATKINS, Vice-Chairman

A. FINLAY

HERBERT HAYS (a)

T. P. BURKE

C. W. J. FALKINDER (a)

J. W. HADLEY

W. J. HUTCHINSON (a)

P. C. SPENDER (a)

(a) Subject to the appended reservation(s).

RESERVATION BY SENATOR HAYS

Paragraphs 61 to 63. Before the amount of the grant for the second three-year period (1950/51-1952/53) is decided upon, it would probably be advantageous to afford the Standing Committee an opportunity to re-examine the whole situation on behalf of Parliament in the light of conditions then prevailing. To that end I suggest that the matter be referred to the Committee at an appropriate time during 1949/50.

HERBERT HAYS

RESERVATIONS BY MR. SPENDER

Paragraphs 34, 35, 36, 39, 43 and 74. Whilst I agree that the present estimated annual deficit should be met from consolidated revenue, and with the proposal for three-yearly periods, I do not commit myself to the proposition that all future deficits should be so met. The amount which is involved in the present estimated annual deficit (£70,000) does not seem to be sufficient to warrant an increase in the licence fee at the moment, although that possibility must be envisaged as a means of finance if necessary demands of the A.B.C. in the future exceed the funds made available to it.

I desire to make it clear that I think that the principal basis for financing the A.B.C. should come from licence fees. Although other portions of the population, apart from the licencees, may and do receive benefits from the broadcasting system, nevertheless the chief benefits are received by those who possess listening sets.

I agree generally that a grant from the consolidated revenue is the best course to meet the present difficulties of the A.B.C. As above indicated, however, I am not prepared to commit myself to the proposition that all deficits in the future, no matter what proportion they may bear to the licence fee revenue, should be so financed. Other methods, apart from any increase in the licence fee, may need to be considered, such as, adjustment of the allocation of the fee between the A.B.C. and the Post Office, and the removal of excise and sales tax from valves and receivers compensated by an increase in the listener's fee along the lines of the evidence tendered on behalf of the radio manufacturers.

Paragraphs 50 to 54. Whilst I am of opinion that co-ordination of the commercial stations' programmes is desirable to achieve the objectives set out in paragraph 49, I am of the opinion that it is not necessary, certainly at this stage, to create any more governmental authority in the field of broadcasting than presently exist. Consequently, I believe an opportunity should be given to the commercial stations, having regard to the objectives which the Committee has in mind, to establish and police their own system of co-ordination. If such a voluntary scheme proved unsuccessful, then, and then only, would it be necessary, in my opinion, to consider the necessity for any other scheme of co-ordination. The efficacy of any such voluntary co-ordination could be reviewed periodically, say, from year to year.

Even assuming that some method of co-ordination other than voluntarily organised one within the broadcasting industry were considered necessary, I dissent from the view expressed by the Secretary to the Treasury that it would be difficult to co-ordinate the national and commercial stations and that perhaps the only solution of the problem is nationalisation. I think that the system in operation in the United States of America under the auspices of the F.C.C. directly contradicts that view. It is true that in the United States there is no national broadcasting system. But it is not a co-ordination of the A.B.C. with the commercial stations on which the emphasis should be laid;

it is rather upon the co-ordination within the ranks of the commercial broadcasting stations of their programmes to achieve the objectives set forth. This, it seems to me, may be achieved along lines similar to the scheme in operation in the United States. It is loose thinking to believe, as set out in paragraph 54, that any such move to co-ordinate would probably lead to, if not involve, nationalisation. I desire to make it quite plain that I am opposed to nationalisation in any event, and am convinced that the objectives which the Committee has in mind may be achieved along the lines I have indicated, with proper safeguards to the commercial stations, without any suggestion of nationalisation.

Any plan of co-ordination, other than a voluntary one within the industry, should not, in any event, be under the auspices of the C.B.C., but separate from it.

In further reference to paragraph 51 and the statement therein that nationalisation was advocated in principle by Professor Copland, I have read his observations in his paper "The Change-over to Peace", upon which this statement is based, and I do not think, upon proper construction of that, that Professor Copland was committing himself in any way to the principle of nationalisation of broadcasting.

With regard to the suggestion in paragraph 54 that the matter should be debated on the floor of the House, it is my opinion that the time is not opportune for that to be done, as data has not been sufficiently collected to permit of effective debate, and such a proposal, if proceeded with, would result in nothing more or less than a mere ideological discussion in the abstract without any relation to the question whether the public interest is, or is not, likely to be served.

Paragraphs 61 to 65. In my opinion the statutory form in which the Commission's statement of income and expenditure is prepared is of little or no value, because, lumped in one figure, it represents 70 per cent. of the total expenditure and so affords insufficient information to Parliament on the Commission's operations. It is my view that consideration should be given to an alteration of the form of annual accounts to be furnished under section 42 of the Act, so as to convey more detailed information upon the expenditure of the Commission. Furthermore, I believe it is necessary, not only to sectionalise the accounts of the Commission, but on a proper scientific basis to allocate administrative and overhead charges between the different sections, so that the operations of each section may be known, at least to the Commission, from time to time. At present sectionalised accounts are kept with overhead allocated, but I am left unconvinced either that those are kept in the most efficient way, or that the overhead and administrative charges have been apportioned in such a manner as to reflect truly the actual position of each section.

Paragraph 76. I think that the item news service merits more than the passing comment it receives in paragraph 76. Section 25 of the Broadcasting Act introduced by the amending Act of 1946 reads:

"25 (1) The Commission shall broadcast daily from all national broadcasting stations regular sessions of news and information relating to current events within the Commonwealth and in other parts of the world.

(2) The Commission shall employ an adequate staff, both in the Commonwealth and in overseas countries, for the purpose of collecting the news and information to be broadcast in pursuance of this section.

(3) The Commission may also procure news and information relating to current events in other parts of the world from such overseas news agencies and other overseas sources as it thinks fit."

The result of the Act is, it seems, that the Commission is obliged to employ an adequate staff, not only in the Commonwealth but in "overseas countries", for the purpose of collecting news and information which under sub-section (1) of section 25 the Commission is obliged to broadcast. The provisions of sub-section (3) would appear to condition sub-section (2) to the extent that in respect of Australian news an "independent news service" is contemplated, whilst in respect of overseas news, sub-section (3) waters down any such obligation.

Section 25 of the Act, it would seem, goes much further than was recommended by the majority of the Committee in its 14th Report. Although that report recommended that the Commission should procure its overseas news, it did not stipulate in its recommendation that such news should be procured direct from the sources of news, but direct, through its staff abroad, from such overseas agencies as the Commission deemed fit.

When section 25 was being debated in the House, a great deal of misapprehension appeared to exist as to the exact intention of the Government. It was commonly thought that the Commission was to establish an entirely independent news service, both domestic and overseas. In the result, this certainly has not been achieved. Overseas the news is collected from recognised news agencies used by newspapers, e.g. Reuters, British United Press, Exchange Telegraph and Associated Press of America. The only degree of independence that I can discern is that the Commission's staff in London (the only place where they have presently been established) select from the news agencies mentioned the items to be transmitted to Australia.

Inside Australia the Commission intends to employ twenty full time journalists in Sydney, sixteen in Melbourne and nine in each of the other States. Its country news will be covered by many of its officers to people mostly, if not entirely, employed on country newspapers, and through the medium of other people who will be paid upon a per item basis.

This so-called independent service established under the Act, has resulted in an expenditure of money much in excess of that originally contemplated and approximately equivalent to the total M.B.C. annual deficit which the Committee has been dealing with.

This news service, the obligation to create which was laid upon the Commission by section 25 above referred to, was, in my opinion, established as a matter of Government policy without any reasonably accurate knowledge on either the Government's or the Commission's part of the approximate expenditure which would be involved.

Although the Commission's estimate of the annual cost of the independent service to be established in accordance with the Act is £153,000 a year, I feel satisfied it will be found that this sum will prove inadequate. The way in which different estimates from time to time were prepared inside the Commission's organisation as to what the approximate cost would be, invites criticism of those responsible, and it leaves me quite unsatisfied that when the Commission has fully carried out its obligations under section 25 it will be able to keep within the present estimate which has been made.

It should be understood that these observations are not directed to the wisdom or otherwise of the decision of the Government to establish an M.B.C. news service; which is a matter upon which there is more to be said than has yet appeared.

Further in relation to paragraph 76, it seems to me that to seek to justify an increase in expenditure from £33,000 by nearly 100 per cent. to £153,000 by working out how much it averages per taxpayer per month is quite wrong in approach. Most items of public expenditure, if separated and dealt with in such a manner, could be similarly justified, if "justified" is the word. It is the total increased expenditure involved in a number of items which can have the most serious effect upon public accounts generally.

I understand that the reference in paragraph 76 to the Australian Journalists' Association involves the proposition that members of that Association are obliged, in their reporting, to supply news according to the policy of the newspapers employing them. If this is so, all that need be said is that if any policy of presenting political news is capable of discomfit in most of the newspapers with which I am acquainted, I have seen no evidence that any real limitation is placed on journalists employed by the newspapers in giving their own "slant" to news items.

P.O. SPENDER.

#### RESERVATIONS BY Mr. HUTCHINSON.

Paragraphs 34, 35, 36, 39, 43, 74 and 76. In respect of the programme side of the national service, the Commission has asked that its income for the next two or three years, commencing with 1947/48, should be increased (over and above its share of licence fee revenue at the 12/- rate) by £327,000 to meet minimum requirements, or by £377,000 to meet the developmental requirements it contemplates, which latter sum, under the Commission's estimate of receipts from fees, would involve the allocation of an extra 5/- per licence, making its total allocation 17/- per licence as compared with the present statutory rate of 11/-.

On the technical side, the Post Office accounts show that if the Commission continued to receive an allocation at the 1/- rate, the estimated deficit in the technical service account (which was £113,000 in 1945/46) will be £289,000 for 1946/47 (which allows for the special grant of £100,000 to the B.B.C. this year), £220,000 for 1947/48, £239,000 for 1948/49 and £312,000 for 1949/50.

Therefore, commencing with 1947/48, at the 12/- rate of allocation to the B.B.C., the combined deficits of the programme and technical services are estimated to involve, for that year, £593,000 (£373,000 plus £220,000), due partly to rising costs in industry generally, partly to contemplated expansion and development of the national system both on the programme and technical sides, and partly to the additional cost of the news services and other items.

In determining the justification, or otherwise, of these estimated deficits and the manner in which they should be financed, it is desirable in the first place to consider whether economies are practicable. In this regard, items which attract attention are the independent news service, the B.B.C. Weekly, and savings which might be possible by a change in control of studio operations, which, under the present system, appear to result in some duplication of personnel which the Committee hopes to have an opportunity of thoroughly investigating later.

In regard to the news service, the evidence of the General Manager of the B.B.C. shows that within the Commission's organisation various estimates had been made from time to time as to the additional cost involved in an independent service, ranging from £10,000 to £25,000 or in Australian service, but no proper estimate was given by the Commission either to the Committee or to Parliament, except that the Commission's Director of News and one of the Commissioners told the Committee they believed that the cost of an independent Australian and Overseas service would be approximately the same as the Commission's estimate of £25,000 under the present arrangements with the newspapers which were then under consideration. That estimate had been given by the Director of News on the assumption that existing arrangements as regards country news would be continued, but it transpired that this was not legally practicable under the amended Act, and the estimate now submitted by the Commission, covering both overseas and Australian news, is £155,000, including £5,000 for contingencies. In my opinion, however, a higher sum than that will eventually be involved.

In this so-called independent service the Commission intends to use overseas agencies (Reuters, Associated Press and others), whilst in Australia the country news is to be collected by the mainly of journalists attached to provincial papers. The overseas news will therefore come from much the same sources as those used by the newspapers, the only difference being that the selectors of the news will belong to the Commission's staff. Hence the news broadcast in the national system will depend upon the persons selecting it, and I can see little or no advantage in change under which journalists employed by the Commission will make the selection instead of journalists employed by Australian Associated Press. In actual fact, the proposed service does not seem to me to be independent at all, in the true meaning of the word.

So far as Australian news is concerned, the position is that, under the draft agreements with the newspapers, the Commission has to have its own selectors in the newspaper offices to choose the news from the newspapers' reports before they were edited for newspaper publication. The only advantage of the service to be established under the amended act is that it would remove ground for the complaint by the Australian Journalists' Association as to newspaper journalists selecting news and reporting their reports to conform with the policies of the newspapers, and the Commission would be able to take disciplinary action in respect of any of its journalists who might be found to be colouring or suppressing news according to their own personal political predilections. In my opinion, however, these advantages are not commensurate with the annual additional expenditure of £70,000 which will be involved in striving to secure them. That cost would have covered the estimated deficit of £70,000 on the programme side for the current year, and will probably be exceeded as the service develops.

The loss, or net cost, of the B.B.C. Weekly, now in its 8th year of publication, was originally at the rate of £30,000 per annum. In subsequent years the net cost was gradually reduced. It amounted to about £8,000 in 1943/44, £9,000 in 1944/45 and £18,700 in 1945/46. The accumulated net cost since publication began in December 1938 is £160,000.

In its First Report, made in February 1945, the Standing Committee expressed the view that it is misleading to refer to the cost of the journal as a "loss", and that it would be more appropriate to describe the expenditure involved as a cost of rendering a service, in the same way as the expenditure associated with entertainment in the form of a play or a symphony concert produced by the Commission is the cost of providing the entertainment. Whilst there is much to be said for that view, I think that better results could be experienced if the journal were more attractively produced, and if it were more comprehensive and national in scope in respect of programmes, national and commercial. Under an appropriately altered title it could be made the medium of complete information, not only on radio programmes and personalities, but also on radio activities generally. In this way there is a possibility, in my opinion, that the Commission could convert the net cost into a profit.

I am far from satisfied that the Post Office has been as active as it could have been in the past in the detection of unlicensed listeners, the number of whom I believe to be very substantial. With the intensive surveillance now proposed by the Department, the revenue from fees should be augmented by many thousands of pounds which should rightly accrue to public funds and so assist in reducing deficits in the national system.

I am firmly of the opinion that revenue for the B.B.C. should come from the licence fees charged listeners, and I believe that any alteration from this system will ultimately, if not now, be recognised by the public, the Commission and particularly the Government, to be unwise.

As was stated in the last policy statement on the B.B.C., "the licensing system has the merits of simplicity, firmness and ease in administration and the financial arrangement based upon it directly relates the expenditure on the broadcasting services to the amount collected from listeners." In other words, there is a direct financial relationship between the listening public and the national system.

I strongly agree with the Chairman of the B.C. when he said in the considered statement presented on behalf of the Commission "that it was not desirable for major policy reasons for a service which, above all things, was expected to be non-partisan in character politically as well as in other respects, to be subjected as to its finances to the annual budgetting of the Government of the day, on whose goodwill the adequacy or otherwise of the grant from consolidated revenue might easily depend."

It is true that the majority conclusion of the Committee is that any such grant from the Government should be on a three year basis, and that the Chairman of the B.C., in answer to a question, had no objection to this. But the principle of Government subvention remains.

Anything that would lead to suspicion on the part of any political party or any section of the public that pressure of any kind could be exerted on the national broadcasting system, because of reliance on the Government of the day for necessary funds, should be avoided, and the principle behind the B.C. and in fact accepted in most British countries, of complete separation of broadcasting revenue from consolidated funds should be accepted as vital.

It is true that more people besides licensed listeners listen to programmes, but it is more true to state that those people who own radio sets, and who have the right at all times to choose and listen to two A class programmes as well as a number of commercial stations, are the real recipients of the service. The generosity of hotel keepers and book-makers, who are amongst the most generous with their listening sets, is quite open to question.

It is again true that licensed listeners also make additional contributions to consolidated revenue through the radio set sales tax and excise duties. But if this argument is to hold, it could well be said that the motorist who is generous with his car and who gives an indirect benefit to others because of additional contributions to Government revenue through the medium of sales and other taxes, should have portion of his registration made good by the public.

I do not hold, either, with the contention that because a higher licence fee is charged such would be inconsistent with a general feeling in the community that reductions in taxation are justified, and therefore consolidated revenue should be used. It must be remembered that if additional monies are necessary they must come from the public in some form or other. If consolidated revenue is used, then the ability of the Government to make taxation concessions is reduced. The question is whether the necessary finance should be found in the direct way, and from those who particularly benefit, or whether the source of the money should be hidden from the public.

I agree that it is desirable to encourage listening to the radio service, but I believe that such encouragement will come more readily in a young growing community from a system that means an ever increasing service, provided by an ever increasing number of listeners, rather than by a reliance on any Government that has always the pressure of national and sectional aims to consider when preparing a budget, and where frequently the party aspect intrudes into the spending of Government revenues. The only exception I would make from this opinion is when it is felt that there is a necessity for a service, or improved service in a remote area, or where some Government intervention is necessary for some high cultural or educational motive. In such cases the Government should make a special grant for the particular purpose, such grant to be dealt with separately after opinion has been expressed by Parliament.

In my opinion, therefore, the licence fee should be increased by statute to cover both technical and programme costs, and the Commission and the Post Office should be required to finance their respective activities within the allocations of the fee apportioned to them, directly in one case and indirectly (through the consolidated revenue) in the other.



With savings on the news service which could be made by repealing the relative amendment of the Act passed last year, with additional enterprise in the production of the A.B.C. Weekly, and with the additional revenue likely to accrue from detection of unlicensed listeners, I think it is probable that the aggregate estimated deficit of £593,000 on the programme and technical services could be financed by increasing the fee, by 5/-, to 25/- (equivalent to an additional payment per listener of 5/- per month).

Paragraphs 50 to 53. I think there is a great deal of confusion on the question of co-ordination and a study of commercial stations' programmes would remove a good deal of this. The main complaint seems to lie in the fact that too many stations broadcast the same sporting fixtures on Saturday afternoons. It is true that many do so because of the fact that Saturday afternoons are mainly devoted to sport and there is a wide listening public for such events. Those listeners naturally express by their choice of station a preference for certain commentators.

While many stations do give full prominence to sporting fixtures, their form of presentation varies. However, other stations, because of the fact that sporting is so well catered for, seek to give the listening public alternative musical programmes.

Again, it could be said that there is duplication of sessions, such as the children's session, but in this regard, the time chosen is the most suitable time. Many of these sessions do, however, give a choice of programmes which, although of a similar nature, invite competition and go to make the Australian system the comprehensive system that it is.

It is true to state that the very nature of competition makes for much more co-ordination than is generally recognised. A study of programmes will show that, apart from certain forms of light entertainment which have a wide appeal and are broadcast over a large net-work, competitive stations seek to offer alternative programmes as a matter of policy.

Actually, it is this competitive spirit which continually seeks to provide something new and diversified and which makes the Australian dual system the finest broadcasting system in the world. If, however, it is thought that greater co-ordination is necessary, I agree with Mr. Spender when he states that he does not think it is necessary at this stage to create any more governmental authorities in the field of broadcasting than presently exist, and that an opportunity should be given to the commercial stations in the light of the objectives that the Committee has in mind to establish and police their own system of co-ordination to achieve the purpose indicated.

If other action is considered necessary, the power to introduce it already exists. Sections 60 (1) and 60 (2) of the Act literally confer wide power upon the Postmaster-General in regard to the commercial stations' programmes, thus:-

- 60 (1) The licensee of each commercial broadcasting station shall provide programmes and shall supervise the broadcasting of programmes from his station, in such manner as to ensure, as far as practicable, that the programmes broadcast are to the satisfaction of the Minister.
- 60 (2) If the programmes broadcast from a commercial station are not, in whole or in part, to the satisfaction of the Minister the licensee shall, if directed so to do by the Minister, vary the programmes with a view to making them satisfactory to the Minister.

The Minister, therefore, with the assistance and advice of the six State Advisory Committees appointed by him under Section 87 of the Broadcasting Act, has the necessary powers, which I understand closely approximate those of the Federal Communications Commission of the United States of America.

However, any action taken under these powers that would infringe the rights of management would need to be taken with great care and only after full consideration of all aspects of the case in question.

Paragraph 51. I concur in Mr. Spender's observations on the nationalisation question.

Paragraphs 51 to 53. I concur in Mr. Spender's observations.

Addendum. Regarding the evidence tendered on behalf of radio manufacturers, I suggest that the Government should arrange for the proper authorities (the Customs Department, the Prices Commission and the Treasury) to consider and advise whether remedial action is possible now and later, when price controls are withdrawn, in respect of the manner in which excise costs are multiplied in the process of passing them on to the public, with resultant hampering of radio development. This aspect was referred to in the Standing Committee's 12th Report (paragraphs 39 to 45).

V.J. HUTCHINSON.

RESERVATIONS BY MR. FALKINDER

I concur in Senator Hays' reservation, and in Mr. Hutchinson's comments on the news service. In other respects I am in agreement with Mr. Spender's reservations.

C.W.J. FALKINDER.

## AUSTRALIAN BROADCASTING COMMISSION

## APPENDIX I.

YEAR	I N C O M E		EXPENDITURE	DEFICIT or SURPLUS
	Licence Fees	Other Income		
	£	£	£	£
1941/42	656,469	44,170	700,639	121 (Deficit)
1942/43	743,544	48,158	791,702	42,250 (Surplus)
1943/44	770,946	79,029	849,975	10,082 (Surplus)
1944/45	781,973	168,684	950,657	3,884 (Surplus)
1945/46	794,316	210,569	1,004,885	14,952 (Deficit)
1946/47 (estimated)	815,000	229,500	1,044,500	75,000 (Deficit)

NOTE: The figures given under the heading "licence fees" represent the income based on the statutory allocation of 11/- per £1 licence and corresponding allocations in respect of concession rate licences; "other income" includes income from grants from Commonwealth consolidated revenue, public concerts, A.B.C. publications, and subsidies from the N.S.W. State Government and the Municipal Council of Sydney in respect of the Sydney Symphony Orchestra.

## POSTMASTER GENERAL'S DEPARTMENT

## APPENDIX II.

## WIRELESS BRANCH

ESTIMATED PROFIT AND LOSS -- YEARS 1945/46 to 1949/50.

## EXPENDITURE

	1945/46	1946/47	1947/48	1948/49	1949/50
	£	£	£	£	£
Upkeep and operation of Broadcasting Stations ..	163,266	185,000	205,000	230,000	250,000
Upkeep and operation of Broadcasting Studios ..	95,996	101,000	106,000	111,000	116,000
Branch Administration Costs: Issue and Check of Licences. Miscellaneous Expenses ..	147,942	154,000	162,000	170,000	179,000
Telephone Circuits used for Broadcasting ..	265,250	307,000	325,000	345,000	365,000
Proportion of General Administration Expenses ..	16,264	16,500	16,500	17,000	17,000
Depreciation .. .. .	55,002	52,000	61,000	70,000	80,000
Proportion of Superannuation ..					
Liability and Pensions .. .. .	11,421	11,500	11,500	12,000	12,000
Interest and Exchange Charges .. .. .	15,216	15,500	15,500	15,500	15,500
TOTALS	770,358	842,500	902,500	970,500	1,032,500

## REVENUE

	1945/46	1946/47	1947/48	1948/49	1949/50
	A B £	A B £	A B £	A B £	A B £
GROSS REVENUE	1,491,528	1,491,528	1,572,522	1,645,027	1,692,532
Less: Proportion to Australian Broadcasting Commission ..	865,146	1,081,432	919,513	963,016	1,020,022
Special payment to Commission ..	-	-	100,000	-	-
NET REVENUE: Licence Fees, Fines, etc.	626,382	410,096	553,009	423,131	672,510
LOSS .. .. .	143,976	360,262	289,491	419,369	467,491
TOTALS	770,358	770,358	842,500	902,500	1,032,500

"A" Based on payment to A.B.C. of 12/- per licence.  
 "B" " " " " " 15/-