

Community broadcasting sector sustainability review

Submission

29 August 2024

Introduction

It should be noted that the market is very difficult for media owners in the current environment. The major commercial television and radio station networks are experiencing substantial downturns in advertising revenue, resulting in staff reductions and program cancellations. Television networks including 7 and 9, have recently announced substantial staff redundancies.

Close to Home Media is a consolidated media company that works with, and supports, community radio stations (B Radio Network) and community sporting clubs through sponsorship (Business Plaza).

The company and its founder have been involved in developing recurring revenue for volunteer, not-for-profit community organisations for more than 20 years. As a result, we have developed a deep understanding of the dynamics of volunteer-not-for-profit community focused organisations, especially the issues they face.

For the first nearly twenty years, the company focused entirely on developing recurring revenue for community-based sporting clubs and developed a network of 8,000 sporting clubs with a total community of 7 million people. Covid 19 changed that business model substantially when all sport was cancelled and local businesses that support community sport suffered financially, so were no longer in a position to support local sport.

In late 2021 the founder of Close to Home Media became aware of community radio, and quickly realized that community radio stations were almost identical to the company's sporting clubs, in that:

- They are run by volunteers
- It is becoming harder to get volunteers, especially post Covid
- Some stations are good at developing revenue, most are not very good at all
- They all miss out on advertising (sponsorship) from large multi-location national companies and Government

In addition the majority of community radio stations are under financial pressure because they are not good at selling sponsorship.

The main challenge for community radio is that major multi-location national companies and Government-appointed media agencies can easily deal with commercial networks because there is a single point of contact to enquire, make bookings, receive invoices and reconciliations, pay and receive Proof of Broadcast. With community radio, prospective sponsors would have to contact hundreds of individual stations, most of which don't answer the phone because they don't have volunteers for that purpose.

I refer to 'Major multi-location national companies' because those companies need to have a presence in the broadcast area of each participating community radio station.

Our Approach

Close to Home Media's approach has been to create a virtual network of community radio stations, provide a single point of contact for advertisers (sponsors) and provide training, support and technology for member radio stations and encourage collaboration between stations for their mutual benefit.

The aim being that if we can present a unified group, simplifying the processes, then we will be able to secure major sponsors for stations, locally and nationally, helping to make them more sustainable long-term without reliance on Government grants. Our structure is similar to IGA, in that:

- Each IGA store is independently owned and operated
- The store owners decide on the product range they sell
- The store owners decide on the store layout
- The store owners decide on the staff they employ
- Each store remains focused on supporting their local community
- They benefit from the systems, marketing and buying power of IGA/Metcash nationally

Initially we approached the community radio industry body to discuss working together, but did not receive interest or support, so we decided to go it alone.

Services we provide to stations to help them run their business, most at no cost, include:

- Modern websites including e-commerce and payment gateways
- Soon – inventory management system to manage available sponsorship spots and provide up to date national information
- Smartphone app that dynamically publishes, is branded as the individual station, allows for streaming of the station, volunteer rostering, HTML e-newsletter production and sending plus the ability to communicate directly to individuals or groups in-app
- Radio station automation including playout systems

From 1 October we will be making available to stations a national News and Weather hourly service, from contracted state newsrooms. The standard is the highest in the industry, at least as good, or better, than commercial networks such as 9 Radio (2GB/3AW) used by some stations. Over the next year we will be adding local journalists to provide totally local news for local communities.

Our plan is to create the News as described, source and secure multi-location sponsors to sponsor the News, and either provide the News for free or at a heavily reduced cost for stations, helping to make them more sustainable. Reducing costs is the same as securing sponsors.

Most importantly, the foundation of our working with community radio stations is to provide them with recurring revenue at a higher than their normal rate card rate.

Current Position

We commenced creating the virtual network just over two years ago and currently have 141 community radio stations working together.

We have already delivered sponsorship revenue to more than 90 stations and this is planned to increase to 100% over the next six months.

While we are showing all the signs of successfully securing sponsorship revenue for stations, it is not by taking that revenue from commercial networks. Companies that advertise on commercial networks are unlikely to sponsor community radio, so our focus has been on shifting revenue from the social media platforms to community radio.

This year, we have secured three major campaigns where the revenue was diverted from the social media platforms and, going forward, we have agreement to substantially increase this for both our community radio stations and sporting clubs, keeping that revenue in Australia and helping support local communities.

Response to Priority area 1: CBP funding, structure and outcomes

The sector is reliant on grants to meet funding needs

It is my view that reliance on grants is not sustainable.

For community radio to be sustainable long term, community radio stations need to secure revenue from operations, although there are times and events that require grants such as upgrading facilities to meet the needs of people with disability, or emergency requirements such as damage to transmission towers from natural disaster.

The focus should be on developing recurring revenue from the market, being local businesses, national multi-location sponsors and Government advertising.

The sector reports funding needs are unmet

Without passing comment of the structural efficiency of the industry bodies Community Broadcasting Foundation (CBF) and Community Broadcasting Association of Australia, it is worthwhile looking at how the bulk of Government grants are distributed to community radio stations.

In the 2023 Financial Year, from the CBF Annual Report, of the Government provided grants:

- \$1,899,450 was administration fees to CBF
- Average cost per grant is \$8,367.62

From CBAA's Annual Report 2023:

CBAA 2023 FY	
Grants received	9,548,951
Receipts from Customers	2,771,668
Employee & Consultancy Expense	3,523,117
Operating surplus	1,106,209
Current assets - Cash & Cash Equivalent	6,667,832

From CBF's Annual Report on grants distributed in the 2024/5 Round 1:

Grants Distributed Round 1 2024/5	
Total Paid Out	17,758,382
Total Grants Paid	227
Grants Distributed	
CBAA	6,731,050
RPH	1,329,452
Radio Skid Row	322,362
Bay FM	187,500
3ZZZ	404,958
4EB	462,446
5EBI	219,219
2FBI	150,955
4ZZZ	127,532
4CIM	113,625
NEMBC	103,900
1ART Artsound	94,899
1CMS	70,950
Total	10,318,848

From the above information, 13 entities received 58.1 per cent of available grants, leaving 41.9 per cent to be shared across 214 community radio stations.

It is also worth considering the amount of funding that goes to Reading for the Print Handicapped (RPH), given technology advancements mean that reading websites, online articles and newspapers for people visually impaired is automated.

Response to Priority area 2: Legislative and regulatory issues

'Community broadcasters are prohibited from carrying any advertising, but are permitted to promote sponsors. The BSA currently limits sponsorship content to 5 minutes in any hour of radio broadcasting and 7 minutes in any hour of television broadcasting.'

For a major proposal to a national multi-location potential sponsor recently, we surveyed our radio stations to understand the availability of spots. Overall:

- Our stations are larger stations by audience numbers than the average

- They are spread across metro and regional areas
- The peak advertising period is 6.00am – 10.00pm
- At best, stations sell 40% of available space

This means that, at any point in time, 60% of available inventory goes unsold. I believe the priority should be on selling all available inventory before asking for more. 40% of 5 minutes per hour is only 20% of 10 minutes per hour.

This should be tempered with peak advertising periods - the premium time for sponsors is breakfast and drive. Perhaps consideration should be given to changing the way total available spots per day are measured to, say, between 6.00am and 10.00pm, rather than restricting it to 5 minutes per hour, measured from the top of the hour.

Community participation is a challenge - A volunteer workforce is not a sustainable workforce

People do not volunteer to work at community radio stations to act as receptionists, clean the studios, prepare the financial reports or sell sponsorship; they volunteer because they want to be presenters.

In my view, the only way to ensure that radio stations have those key functions covered is to pay people, and the only way to pay them is to secure recurring revenue. It cannot rely on Government grants, although Government grants will help with developing a sustainable team as part of the development process.

My recommendation is a plan to transition to a fully self-funded environment, removing the need for Government grants, but with the ability for Government to fund initiatives as they occur, such as engaging and supporting community radio stations across the Pacific.

Final Note

Calling advertising 'Sponsorship' and requiring stations to include that acknowledgement on messages, seems to be unnecessary.

From our meetings and presentations with prospective sponsors and Government, when presented with the term 'Sponsor' on the basis that listeners know that the message is paid for, the overwhelming response is along the lines of 'Of course it is paid for, it is advertising'.

This is not fundamental to the planning process, just a note to consider.

For Further Information

Gary Smith

CEO

Close to Home Media/B Radio Network

