

CHANGES IN MEDIA AND THE HERALD AND WEEKLY TIMES LIMITED

An Address by

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The total media scene in this country is changing and the HWT group is one that must adapt to meet the demands of those changes:

- Newspapers are faced with a more discerning and demanding readership audience. The press must update its marketing and production to meet the more sophisticated demands of advertisers.
- Radio has become a lopsided industry dominated in all capital cities by the attraction of FM broadcasting to the younger audience.
- Television revenues have softened, and costs have escalated, so no longer is a TV licence the formula for quick wealth. The government has promised a deregulatory move into television ownership and is striving to introduce programme equalisation to all Australian residents in the next couple of years.
- Electronic publishing is available to those offices and households who believe videotex or teletext is a simpler or more convenient method of receiving information.
- And affecting all forms of media is the availability of data transmission by satellite following the launch of Aussat's spacecraft late in 1985.

The subject addressed today is topical — there is some evidence that 1986 will prove to be a watershed in the direction of media performance.

Decisions by government, by bureaucracy, by advertisers, by unions, by consumers will all combine to determine the way media makes out.

The sophistication and requirements of advertisers and advertising agencies has been growing rapidly and is now making its mark on how the consumer gets the message.

It was only a couple of years ago that we were hearing from the United States about marriage mail, total market coverage, newspaper packages, etc., and now we have these demands from advertisers facing us in this country.

When market analysts or stock brokers ask for an opinion of press performance in 1986, the question is "which press?" — the fortunate groups dominating

the classified market or the less fortunate publications relying mainly on display volumes? There are literally two classes of newspaper operations in Australia today. In Melbourne in 1985 classified volumes increased by 18 per cent, display was up less than one per cent.

In the first 23 weeks of the HWT financial year this trend has accelerated — classified volumes in the Melbourne market are up 10 per cent on last year, display is down 13 per cent and traditionally, The Age dominates the Melbourne classified market while Flinders Street dailies kept most of the display volume.

In the current year the trend of retail advertisers to desert run of press advertising in newspapers for colour supplements or catalogues will accelerate. It could be fairly estimated that the major retail operators will transfer up to 20 million dollars' worth of advertising out of newspapers into letter boxes.

However, we believe that the letterbox as a retail advertising medium has peaked. Its very success is now a threat to its continued growth. Last weekend my home letterbox was stuffed with 15 different advertising messages ranging from a 24 page Myer catalogue on coated stock, to a donation request from Austcare. Even with no home delivered Sunday papers a householder would have trouble finding time to absorb that lot. So the proliferation of letterbox advertising matter is dissipating impact, and consequently sales results. There is a place for letterbox sales messages, but in conjunction with paid and free newspapers. More of that later.

The newspapers to suffer most from this current transition are the afternoon and Sundays, the traditional conveyors of the retail message.

Unfortunately there is an unfair and unjustified dismissal of afternoon newspapers by some advertising decision makers. The Melbourne Herald with little doubt seems to be the most favoured victim of retrospective judgement. Because The Herald sold 500,000 copies in 1974, and now has circulation of 260,000 its demise is imminent! No! On four days a week The Age in Melbourne sells less than 200,000 copies — its circulation standard is hardly challenged. The Melbourne Herald still sells more copies every day

(except Saturday) than The Age, The Sydney Morning Herald, the Courier-Mail, the Adelaide Advertiser and the West Australian — yet all those upmarket morning broadsheets retain a favoured and honoured position among critics, and advertisers.

Anyone who doesn't accept the fact that total readership of daily newspapers has declined in recent years is not facing reality. There are obvious and compelling reasons:

- The growth of alternative sources of information, especially the proliferation of television news and current affairs programmes. In Melbourne this week viewers have the availability of 66 hours of news and current affairs transmitted by the five TV channels and another 20 or 30 hours of Seven's CNN satellite coverage if you can't sleep
- The change in society habits — school leavers renting a house together, working wives, flexitime, longer holidays, lack of casual sellers, etc., all mitigate against the sale of afternoon newspapers.

These factors affect afternoon newspapers more than the morning editions, and their effect is heavier and more permanent on those popular and higher circulation papers. In every capital city in Australia there is a solid up-market broadsheet which by tradition holds the classified market despite a stolid and unspectacular circulation. Melbourne readers therefore are fortunate that, in addition to The Age, we at Flinders Street relieve their morning with The Sun, still selling in excess of 560,000 copies every morning Monday to Saturday.

Newspapers will continue to be the best source of information; but we must produce papers for people as they are, and not what we think they should be — or more succinctly give people the news or background or entertainment they want; not the news, etc., that we think they should have!

Publishers must learn how to position their newspapers in the market place like any other consumer product. For too long newspapers have overlooked this principle because of their traditional low cost, and universal need.

Newspapers today must adjust to an increasingly finite audience. This is necessary because of competition from other media, and competition for the public's time from an explosion in leisure opportunities and interests.

Newspapers must research readers and advertisers to find the necessary formula to refining editorial content, distribution and promotion so as to market the newspaper as a worthwhile investment of time by the reader.

Newspapers as well as getting closer to their readers, must also get closer and co-operate more with their advertisers. We are aiming for this at Flinders Street.

We acknowledge that today retailers want colour catalogues and a saturation of potential shopping

households only, rather than the total of a newspapers' circulation. By the end of 1986, most major Australian publishers will have installed mechanical inserting machinery to enable advertisers who continue a love affair with colour supplements to be provided with the opportunity to use the metropolitan daily as an envelope to carry their message. The cost of this automatic on-line insertion will be so much lower than by hand, and so will be competitive with the current suburban walkers' rates.

To offer total or preferred market coverage, a metropolitan daily must be backed up by suburban newspapers and letter box delivery. The HWT has these operations in Melbourne and Perth and its associate companies offer the same opportunities in Brisbane and Adelaide.

This rationale was behind our move into NSW. There were plenty of reasons to spend \$90 million:

- NSW and Sydney are the largest advertising markets in Australia.
- The opportunity to take HWT into this market was too good to miss.
- The group of Consolidated Press newspapers was probably the largest suburban regionals available for sale in Australia.

Above all, it was our belief in the future of suburban and regional newspapers that convinced us to negotiate with Consolidated Press.

Suburbans and regionals, especially free papers, offer the complete coverage that advertisers expect in a selling area. People everywhere are becoming more concerned at what is taking place in their neighbourhood. All newspapers must in future treat local news as a priority. More and more, television and radio will saturate us with all we want to know about overseas, interstate and Canberra, but newspapers will be the prime source of the knowledge we need about our own cities and suburbs.

The acquisition of the NSW newspaper package and our recent purchase of 50 per cent of the leading suburban group in Perth give the HWT and its associates the basis for a first publishing network in Australia. We aim to develop our marketing strategy so as to be able to offer an advertiser, placement in newspapers from Cairns to Perth. The suburban or regional free newspaper coverage in all states except the NT totals more than 2 million copies a week! Not a bad target for any advertiser, national or retail.

The purchase also emphasises our belief that newspapers must strive to be indigenous and create a localized image in tune with the local community.

I believe one of the great challenges facing journalists, and especially editors, today is the acceptance that traditional news values might have changed, and the realisation that the readers today and in the future will live with the availability of television and transistor radios as prime sources of immediate news.

Newspapers must consider special interest sections on everyday social subjects — money, education, entertainment, lifestyle, house and garden etc.

New challenges are also facing radio and television operations.

As we mentioned earlier the radio industry has been shaken up over recent years by the unprecedented success of FM broadcasting. The introduction of FM licences, and additional AM operations in metropolitan markets over the past decade has meant that listening audiences have become fragmented, and radio stations must target their programme to a specific demographic profile.

In Melbourne the top stations in the first rating period of 1986 were the two FM operations EON and FOX followed by 3AW and 3KZ. It is estimated that these four stations collect more than 70 per cent of the total radio revenue in Melbourne leaving less than 30 per cent for the other five stations. It is highly probable that those lagging five AM operators are unprofitable. It is not so long ago that there were less than five radio stations in Australia not making profits.

The HWT station 3DB is one of the poorer performers in the Melbourne radio market.

In 1983 the company entered into an agreement with the TAB to provide a coverage of racing, trotting and greyhound events. This agreement provided for the radio broadcast of almost every event covered by TAB betting. This has inhibited the station's ability to provide suitable programming for the non-racing listening audience. The current agreement expires on July 31, this year.

HWT are currently negotiating a renewal of this agreement hopefully on a restricted basis. Because of the dominance of music listening audience by the FM stations, alternative programming possibilities are limited, and so a restricted racing programme could allow a successful format for a specific demographic group.

The dominance of FM operators in all capital cities has prompted strong lobbying from FARB, the radio industry body, requesting the Minister for Communications to consider transferring all AM operators to the FM band. An interim report from a study into the future directions of commercial radio is expected to be ready for Minister Duffy by March 31.

The Herald group and its associates in Brisbane and Adelaide own or have a prescribed interest in seven radio stations:

3DB Melbourne	5AD Adelaide
3GL Geelong	5SE Mt Gambier
4BK Brisbane	5PI Port Pirie
4AK Toowoomba	

This offers an opportunity to establish a radio network in Australia using Aussat's domestic satellite system for transmission of signals. All radio stations of necessity do need to programme their stations with their local community service area in mind.

However the networking of some parts of news bulletins and other special programmes could offer interest, information, or entertainment on a national basis. We hope at Flinders Street to initiate a radio networking plan in the near future.

We expect to be able to sell programmes to independent stations which are in areas not covered by the HWT group. We also hope networking could lead to the development of national radio advertising packages in conjunction with independent stations outside the group service areas.

The HWT television interests include HSV-7 in Melbourne (100 per cent) and ADS-7 in Adelaide (59.3 per cent). The two stations operate independently. Neither has been a ratings or profit leader in the cities they serve.

Total television advertising revenue stabilised in 1985 to approximately 30 per cent of the media advertising market. This compares to 48 per cent for print and 8 per cent for radio.

The three television networks in the major capitals dominate television programming as they are the only operators able to afford significant international purchases of programmes, and to fund local drama production. The benefits of the networks' programme investments are received at a most favourable cost by the regional operators.

Profitability of metropolitan television stations took a serious downturn in 1985 and this trend has continued into the current year. This is the result of:

- Reduced advertising revenue due partly to a buyer resistance against continuing ad rate rises.
- Rapidly increasing cost of production of television commercials. Some 30 second or 60 second sophisticated productions can cost as much or more than the media charge of a production plan.
- Depreciation of the \$A has added to the cost of overseas programmes.
- The cost of Australian drama. Like all other labour intensive industry, film making in this country suffers from excessive trade union demands.

The Australian Broadcasting Tribunal currently requires metropolitan television stations to broadcast two hours of first run Australian drama per week in prime time.

This might not sound a lot, but when that commitment is added to the total local content and children's programming requirements, it becomes the fastest growing programme expense for stations.

Despite the depreciation in the \$A, a four-city Australian rights for a US drama series costs \$17,500.

Compare that to the cost of Australian drama: in 1976 Homicide cost the Seven Network \$35,000/hour in 1986 A Country Practice costs the Seven Network \$92,500/hour.

In 1978 the mini series "Against The Wind" cost \$85,000 an hour to produce. Today the equivalent cost is \$250,000/hour or more. A mini series from the US would set us back \$A50-75,000/hour, or 1/5th of the cost.

The ownership rules are currently under review by a federal cabinet committee and it was hoped that there would be some relaxation in the near future to allow ownership of stations which reach at least 33 per cent of the total potential audience. This would still have left the Nine and Ten Networks with their Sydney/Melbourne ownership well ahead with 43 per cent.

It is apparent that a compromise between Hawke, Keating and caucus is proving difficult to find. The decision had been expected weeks ago. Some of us, more cynical about politicians than others, are wondering whether there will be any deregulation at all.

The Prime Minister is keen to accelerate programme equalisation in Australia before 1990. This would necessitate fairly rapid aggregation of regional operations. To achieve this there must be few restrictions on ownership. Only the big players will be able to afford the early years of high capital costs and expected low returns.

The availability of satellite distribution programmes from capital city network stations to regional operations and perhaps eventually direct to households, suggests the possibility of additional networking in Australia.

The successful launching in 1985 of two satellites by Aussat has finally eliminated from this country the penalty that geographic size imposed on the communications industry.

Terrestrial links to date have prevented newspapers from facsimile printing in the majority of regional areas, have limited the distribution of television and radio programmes, and have resulted in expense costs in the transfer of data and news text.

Transponders on Aussat's space craft will now provide the means to shift information across Australia at an economical cost.

The receipt and distribution of news information will be so much quicker. Whole pages of news and advertising matter will be easily shifted around Australia. Gannett's "USA Today" is composed in Washington, and pages transmitted by satellite to 28 plants around the States for simultaneous printing. We're not ready for a national book selling in excess of 1 million copies but we should certainly be investigating the opportunity of printing common pages in group newspapers around the country.

So we can expect changes in all aspects of media and communications during 1986. No doubt growth of videotex systems and electronic communications will increase. People are continually being offered new methods of receiving information. All participants in the media and advertising industry are charged with the responsibility of acknowledging and utilising the expansion of technology.

1986 will be a tough year for the media industry and particularly for those players who do not dominate the classified market. At HWT we believe 1986 will be a year of consolidation and planning for the long term future.

We hope to be initiating marketing policies to gain the most benefit from a suburban/regional newspaper publishing network.

We hope to lay the foundations for a national radio programming network.

We aim to take advantage of the new dimension in data transmission by utilising the transponder, leased jointly with John Fairfax & Sons, on Aussat spacecraft K-1.

All these marketing, production and editorial developments will require adventurous changes and initiatives in existing selling and operating methods.

We can only hope that governments, trade unions and bureaucracy don't exert too much influence in hindering the application of new technology and marketing moves.

The obsession of political parties with media ownership continues. People in this country, and especially politicians and union officials, should realise that it is the size of the media groups in Australia which has ensured a visible and competitive press.

Readers in Australia have the widest choice and source of news from press, only because of the size of the players.

The only effective monopoly position in media is occupied by the trade unions. AJA and PKIU officials are the only people with the power to decide who works in newspapers, radio and television, and when those people work.

Those officials have a responsibility not to abuse that power they receive through compulsory unionism.

Words like accord and consensus so regularly trumpeted by the Prime Minister from Canberra, do not provide any stability in this country unless they apply to all and not just the government and the ACTU.

There is a real and growing danger in Australia of establishing two classes of citizens — the privileged class of members of the trade union movement who are to be protected to a large extent from tax reform and inflation; and the business community, rural sector, entrepreneurs and those workers who appreciate freedom of choice, who must fend for themselves.

Let's hope this movement is not perpetuated.

The attitude of the unions in the coming year will therefore be important in determining the effectiveness of changes in direction of media operations.

The 1986 year could well prove a watershed in media and advertising. It could be the year media companies consolidate their position in the market and finalise their long range planning of how to occupy that market. It will require responsibility and clear thinking from all people in the industry. However, media and advertising operations in this country have a great record, and there is no reason why 1986 won't provide a continuation of that performance.