



5UV—Radio Adelaide and the Future

A briefing inviting response from key stakeholders

Radio Adelaide post June 2015

Radio Adelaide 5UV needs to move its studios by next June, as the building in which it has operated has a new owner and a new purpose. This move offers a timely opportunity to consider the station's shape and funding—at present significantly dependent on the University of Adelaide. Given continual change in radio, what kind of community broadcaster is best for Adelaide's future? And given financial uncertainties around university funding, what changes would help secure it a viable future?

It is not universally known that Radio Adelaide is wholly-owned and significantly financed by the University of Adelaide. But like all Australian universities, Adelaide is subject to worsening financial pressures as Commonwealth support for the sector contracts. Universities who host or sponsor cultural and community activities are increasingly faced with difficult choices, in which they must put the survival of their core activities—of advanced teaching and research—ahead of long-cherished external programs.

Meanwhile, community broadcasting is also being challenged by increasingly scarce Commonwealth assistance. For Radio Adelaide to thrive in the changing environment, we must think through a viable future model, as well as finalising a plan for its change of premises.

These issues have been under consideration at the University for the past four months. The University commissioned expert community radio consultants Kath Letch (3RRR) and Ann Tonks (6UVS) to explore alternative operating and governance models, streamlined activities, and a reduced overall cost base in relation to contemporary broadcasting models elsewhere. They presented five options for the station's future, which were then analysed and costed by accounting firm Ernst & Young.

This Briefing Paper summarises the options and costs, and is being circulated to a group of key stakeholders so we can take stock of their views, and reflect on where it is desirable and realistic to be in the years ahead. The University has considered the Letch-Tonks findings and EY analysis, and its response appears in the tables that follow. Questions are then posed, inviting the input of Radio Adelaide's leading stakeholders about how we might respond.

Your response as a key stakeholder is now invited. Interviews and meetings with stakeholders will be held over the coming days, and stakeholders are also invited to respond by email to vice-chancellor@adelaide.edu.au. I would be glad to receive your comments **by Friday 11 December 2015**. The results of this process will inform the decisions the University needs to take, which I hope can be announced in the week commencing Monday 14 December.

Professor Warren Bebbington
Vice-Chancellor and President

A snapshot of community radio

Not-for-profit community radio offers the public access to a more diverse range of music, information, news and views than would otherwise be available from commercial or government-based stations. It also provides communities with locally-produced content that is immediately relevant to their daily lives.

It allows individuals and community groups to participate in producing their own programs and to maintain their local culture. It also fulfils an important role in providing basic media training for over 7,000 Australians annually¹.

There are 380 licensed community radio and television stations in Australia, with over 22,000 volunteers engaged in producing and presenting programs. Radio Adelaide (5UV) was established by the University of Adelaide as a distance education medium in 1972. It became the first community radio station in Australia, and now provides a highly diverse talks and music radio service to the Adelaide metropolitan community. It is also a media production and training entity (it is a registered RTO) and serves the practical placement needs of the University's Media program.

Of course, radio today differs greatly from when Radio Adelaide was established. The rise of social media, online networking and new technologies have allowed individuals to create and piece together their own content, sparking a revolution in broadcasting. It has resulted in non-professional individuals shaping content for broadcast media. Today Radio Adelaide has 14 staff (4 full-time) and some 400 volunteers; the station now broadcasts on FM, a digital radio channel, and delivers online audio and video content via the Radio Adelaide website, including podcasts, audio-on-demand, and social media.

Community broadcasting is not-for-profit. Nationally, the principal sources of income in community radio are chiefly sponsorship (on average 46% of income) and subscription (20%). The Federal Government through its Community Broadcasting Program provides just 8.5 per cent of average station income, and fundraising success has been limited. At Radio Adelaide, a larger income source is sales of air time and training (25% of income), while sponsorships and subscription are unusually low (each 3%). There is no Commonwealth Community Broadcasting grant and fundraising and donations are negligible (1%). The principal source of income is the University of Adelaide, which funds the station through a direct annual contribution, rent-free facilities, and other administrative support: the total value of its support exceeds 48% of the station's income.

¹ <http://www.australia.gov.au/about-australia/australian-story/community-radio>

The Options

Letch-Tonks identified 5 operational options for the future of Radio Adelaide. These are outlined below, together with the University’s list of pros’ and cons’ for each and the nominal cost of each as analysed by EY.

Letch-Tonks was clear that the direction would ultimately need to be determined by the University according to its assessment of value; but all options are presented here for comment. The final outcome needs to consider the future relationship with the University, including the level of funding support to be provided, the successful resolution of relocation issues, the station’s capacity to build further independent revenue, and to meet the strategic directions determined by the station.

OPTION 1 – Status Quo	
The University of Adelaide maintains its current level of financial support, fully supports relocation of Radio Adelaide in suitable premises, and maintains sole responsibility for the Radio Adelaide broadcast licence.	
NOMINAL NET COST (over next five years)	\$4.1M
<p>PROS AND CONS:</p> <ul style="list-style-type: none"> • Likely to be preferred by the Radio Adelaide Advisory Committee, staff and volunteers, as it would retain the benefits and value of the Radio Adelaide service to the Adelaide community • It implies ongoing development of the Radio Adelaide service and continuing strategic development by the station to ensure financial sustainability in a challenging market • Will allow for continued/uninterrupted access to training for Media students • Does not reflect the University’s requirements under its 5-Year Financial Plan to achieve margin improvements in all its operations. • Requires ongoing and expanding University investment in Radio Adelaide as a priority ahead of its core research and teaching programs, all currently required to meet strict expenditure objectives over the coming 3 years. 	

OPTION 2 – Transition to new entity over a 3- 5 year period	
A transitional approach over a 3 – 5 year period maintaining most elements of the current Radio Adelaide service and operation, and re-shaping incrementally to achieve a reduced level of annual operational support from the University of Adelaide and an increased level of independent revenue. The Radio Adelaide broadcast licence is transferred to a separate Not-for-Profit company structure with the ongoing involvement of the University of Adelaide and community partnerships.	
NOMINAL NET COST (over next five years)	\$3.2M
<p>PROS AND CONS:</p> <ul style="list-style-type: none"> • This is the option recommended by Letch-Tonks on the basis the University does not accept the value proposition for continued investment in Radio Adelaide • This approach preserves the Radio Adelaide service and its value and benefits and allows time for the station to review its operational framework, resources and strategies to generate further revenue. • Potentially it offers the opportunity for change and renewal in the context of a contemporary multi-platform media environment and to continue to build training and educational services to the University & other educational institutions and the broader community • It offers Radio Adelaide scope to establish fresh partnerships and relationships under a revised governance and legal structure with a transfer of licence to a Company Limited by Guarantee. • It provides the University with scope for reallocation of resources towards teaching and research priorities by 2020. 	

OPTION 3 – Transfer to a new owner in June 2016

The University of Adelaide withdraws from ownership but provides an initial level of financial support to enable the community to re-establish the Station under a community broadcasting licence in new premises.

NOMINAL NET COST (over next five years) \$1.4M

PROS AND CONS:

- This option provides the organisations and volunteers who broadcast on the Station the opportunity to keep the Station going albeit in a somewhat different form to the current Radio Adelaide operation.
- Likely there would be a level of disruption to the service under this option
- The transformation would require high levels of volunteer commitment governance and legal structure with a transfer of licence to a Company Limited by Guarantee.
- It provides the University with scope for reallocation of resources towards teaching and research priorities within 3 years.
- Would require ongoing access to training for Media students to be determined
- Its success is not guaranteed even with extensive volunteer engagement it may not be achievable to re-establish an independent community service.
- It offers some scope to establish fresh partnerships and relationships under a revised governance and legal structure with a transfer of licence to a Company Limited by Guarantee
- It provides the University with the scope for reallocation of resources towards teaching and research priorities within 3 years.

OPTION 4 – Reduce scale of Radio Adelaide

Radio Adelaide becomes a substantially reduced operation with a lower operating budget, less staff and smaller premises on the campus of the University. The broadcast licence and financial support is retained by the University of Adelaide.

NOMINAL NET COST (over next five years) \$1.4M

PROS AND CONS:

- This option is potentially a 'road to nowhere' outcome.
- The current diverse programming format would likely need to be substantially curtailed and resource intensive specialist talks programs, news and current affairs are unlikely to be able to be maintained other than at a minimal level.
- Training opportunities both broadly and to the Bachelor of Media program would be extremely difficult to maintain with limited studio facilities, other than perhaps some theoretical input to the Bachelor of Media courses.
- The station would become increasingly dependent of volunteer music programming to maintain a broadcast format and support for classical recordings and broadcast is likely to diminish.
- The service would lose its points of difference to other community broadcast services in the Adelaide market and would also lose most of the current elements that bring value to the University of Adelaide and the broader community.
- It reduces the capacity for Radio Adelaide to either maintain or build further independent revenue through community and business support.
- It risks the University will be left maintaining a small-scale operation, with potentially higher levels of financial support required than at present.

OPTION 5 – Close Radio Adelaide in June 2016

A complete withdrawal of University of Adelaide support and closure.

NOMINAL NET COST (over next five years)

\$0.9M

PROS AND CONS:

- This is the lowest cost option, allowing the University to redirect significant resources to teaching and research priorities
- It involves a loss of the Radio Adelaide service to the University and wider community
- On campus studios would need to be established and operated by the School, to meet media student training requirements.
- Would require ongoing access to training for Media students to be determined.

Questions

Not all the Options proposed by Letch-Tonks are equally realistic or desirable. Option 1, for example, does not meet the University's requirements under its 5-Year Financial Plan for margin improvement in all its operations, as noted above.

We are therefore particularly interested in stakeholder response to the following questions:

1. Would a gradual transition to a new entity over a period of up to 5 years (Option 2, as recommended by Letch-Tonks) enable Radio Adelaide to develop for the community audience in the future with a viable and robust financial operation?
2. Would transfer of the station to a new owner at 30 June 2016 (Option 3) better enable Radio Adelaide to develop for the community audience in the future with a viable and robust financial operation?
3. Are there possible alternative owners to the University of Adelaide in the community, with the capacity to underwrite costs of the scale required?
4. Are there other viable options not canvassed by Letch-Tonks?

APPENDIX

The Letch-Tonks Recommendations

Letch-Tonks engaged with a broad range of stakeholders across the University and the community. They found there were divergent views regarding the role and value of Radio Adelaide.

They made 17 recommendations to inform decisions relating to the future operating model for Radio Adelaide, many of which have been accepted by the University. These recommendations are outlined below, together with responses from the University.

	Recommendation	University Response
1.	Given the value of the Radio Adelaide service identified in the Review, the University of Adelaide should retain its association with Radio Adelaide and maintain a level of financial support	The value the radio station to the community is agreed. However, the value to the University is constricted by the University's obligation to put its core business of academic teaching and research first.
2.	If the University decides that it does not want to continue its current level of support to Radio Adelaide, the University should consider a five-year transitional plan (2016-2020) for Radio Adelaide to find new income sources and partnerships to replace a gradual reduction in income support by the University. This approach will enable the University to maintain some of the value of its investment in the service, community relationships and training provision to students	Letch-Tonks identified 5 options, of which this is Option 2, which they prefer. If adopted, the length of transition would need further discussion..
3.	Whether Radio Adelaide becomes a separate legal structure or remains a department of the University of Adelaide, a Board of Directors or Management Board structure should be implemented to improve governance.	Agreed
4.	Regardless of the governance structure adopted for Radio Adelaide, a standard accounting system and financial reporting model as used by other non-profit entities, including community radio stations, should be adopted	Agreed
5.	If Radio Adelaide is to become a separate legal structure, albeit with a continuing association with the University of Adelaide and with the capacity to develop further partnership arrangements, it should become a Company Limited by Guarantee.	Noted. Any future organisation structure will need to meet the ACMA broadcasting licence criteria
6.	The University of Adelaide should continue to use Radio Adelaide to deliver courses in the Bachelor of Media program.	Agreed
7.	A formal fixed term partnership agreement should be negotiated between the Department of Media and Radio Adelaide.	Agreed
8.	The University of Adelaide should encourage the Student Union to continue to provide media experience for students through a relationship with Radio Adelaide.	Agreed. The AUU would be encouraged to meet with the relocated entity to optimise future relationship opportunities.

	Recommendation	University Response
9.	The University of Adelaide should meet either the full or the majority of costs to relocate Radio Adelaide.	This depends on which Option is adopted.
10.	Given the dual role of Radio Adelaide as a community broadcasting station operating under an Education licence held by the University of Adelaide, its operation is best served by an independent CBD location in close proximity to the University. The University should work with Radio Adelaide to source such a site.	Available CBD sites are under review, however, fitout and ongoing lease costs will need to be factored into any business plans for the future organisational structure and include final contributions as determined by the University.
11.	If a long-term relocation solution can't be found by 30 June 2016, the University of Adelaide should work with Radio Adelaide to find a suitable interim arrangement that will support transition to a permanent location	To date suitable and affordable interim arrangements are yet to be identified. The cost of establishing studio space should only be incurred for a longer term solution and options.
12.	New premises for Radio Adelaide should be a minimum of 400m ² in scale to provide adequate scope to maintain the type of service currently operated by Radio Adelaide, training and education services, and further development of independent revenue.	Final design and scope will be determined by the new operating model and budget considerations.
13.	Subject to consideration of the Radio Adelaide review report, a MOU should be drawn up to clearly identify the relationship between the University and Radio Adelaide and any transitional arrangements.	Agreed.
14.	The Engagement Branch of the University of Adelaide should utilise the relationship with Radio Adelaide more effectively to communicate with the broader community.	Agreed. The Engagement Branch would be encouraged to optimise future relationship opportunities with a relocated entity.
15.	The Marketing and Communications Department should work with Radio Adelaide to identify and implement an effective University profile on the station.	Agreed. Marketing and Comms will be encouraged to optimise future relationship opportunities.
16.	The Marketing and Communications Department should work with Radio Adelaide to improve the station's profile on campus and build awareness of training, broadcasting and media services opportunities for staff and students.	Agreed. As above.
17.	The Radio Adelaide Advisory Committee should be provided with a copy of this Review report for comment.	Key stakeholders are being provided with the Letch-Tonks options and recommendations, plus results of the EY analysis of costs and management responses for comment.