



The ABA has released *Broadcasting Financial Results* for 1996-97, which show modest profit increases for both the commercial television and radio industries,

## Commercial TV and radio profits up

**B**roadcasting profits for the commercial television and commercial radio industries recorded modest increases in 1996-97, the ABA has announced.

Broadcasting profits for the 44 free-to-air commercial television licensees increased by 1.5 per cent in 1996-97 to \$445.9M. The profit was achieved on a 4 per cent increase in broadcasting revenue to \$2558.4M, balanced by a 4.8 per cent increase in expenses, to \$2117.1M. The number of profitable services dropped from 41 to 40 in 1996-97, but profits by these services increased by 2.9 per cent to \$454.6m.

The 15 mainland state capital city services increased broadcasting profit by 1.8 per cent to \$346.5m. Broadcasting revenue for these services increased by 4.2 per cent to \$2018.2m in 1996-97. This constituted 78.9 per cent of total industry revenue. Thirteen of the capital city services were profitable with the Perth services achieving an 11.4 per cent growth in revenue, Adelaide 7.3 per cent, Brisbane 4.3 per cent, Sydney 3.5 per cent and Melbourne 1.7 per cent. The six Sydney and Melbourne services accounted for 51.7 per cent of industry revenue.

The commercial television industry spent \$549.6m on

Australian programming in 1996-97, 9 per cent more than in 1995-96. Australian drama and children's programming accounted for 17 per cent (or \$91.8m) of local program expenditure, news and current affairs 28 per cent, sport 27 per cent, light entertainment 24 per cent, and documentaries 2 per cent.

### Radio

Broadcasting profit for the 181 free-to-air commercial radio licensees increased by 5.6 per cent to \$74.7m in 1996-97. Revenue increased by 0.3 per cent to \$556.2m while expenses decreased by 0.5 per cent to \$481.4m.

The 39 metropolitan services in the seven capital cities increased broadcasting profit by 18.3 per cent to \$50.4m, on a 2.2 per cent rise in broadcasting revenue to \$372.6m.

The 20 FM radio services in the capital city markets increased broadcasting profit by 19.6 per cent to \$54.1m. Revenue rose to \$243.1m (up 3.1 per cent) and expenditure decreased by 0.8 per cent to \$189.0M. Interest payments fell by 37.9 per cent to \$14.0m.

The 19 AM radio services reported a loss of \$3.6m (increasing the \$2.6m loss in the previous year), based on revenues of \$129.5m (up 0.6 per

cent) and expenses totalling \$133.2m.

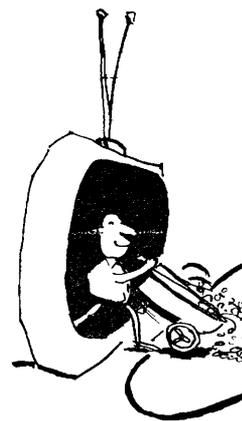
Sixteen of the 20 capital city FM services were profitable compared with six of the 19 capital city AM services.

Profits for the 142 services in regional markets (13 more than in 1995-96) decreased by 13.6 per cent to \$24.3m in 1996-97. Ninety-eight of the 142 services were in profit (99 in 1995-96). Revenue decreased by 3.5 per cent to \$183.5m. Expenditure also decreased, by 1.7 per cent to \$159.2M.

*Broadcasting Financial Results 1996-97* contains financial details for Australian commercial TV and radio, including figures for each state, multi-station regional television markets, television solus markets and the three metropolitan television networks and their regional affiliates. Results have been aggregated to maintain the confidentiality of individual stations.

### Broadcasting Financial Results

The ABA releases the annual *Broadcasting Financial*



*Results* to provide the public with information on the financial state of the commercial free-to-air broadcasting industry.

The results are based on annual financial returns submitted by licensees which were due by 31 December 1997 under transitional legislation associated with the Broadcasting Services Act.

These figures are not verified by the ABA and appear as reported by the licensees. While the ABA's directions on completion of the annual financial return define the composition of items, the ABA does not stipulate accounting standards to licensees. Therefore, there may be differences in accounting practices between licensees in any one year and differences in accounting practices by a licensee from year to year.

Copies of *Broadcasting Financial Results* are available on disk in DOS-HD file format WK1; RRP \$100, including postage. Disks may be ordered from the ABA, tel (02) 9334 7700.



### Commercial radio results Australia

|                                     | 1995-96<br>(\$m) | 1996-97<br>(\$m) | Annual<br>% growth<br>1996-97 |
|-------------------------------------|------------------|------------------|-------------------------------|
| <b>Revenue</b>                      |                  |                  |                               |
| Advertising revenue                 | 517.7            | 523.5            | 1.1                           |
| Total broadcasting                  | 554.6            | 556.2            | 0.3                           |
| <b>Expenditure</b>                  |                  |                  |                               |
| Salaries, wages & employee on costs | 176.5            | 182.7            | 3.5                           |
| Interest                            | 33.7             | 25.4             | (24.6)                        |
| Intra-group management fees         | 28.4             | 29.5             | 3.7                           |
| Other                               | 245.2            | 243.8            | (0.6)                         |
| Total expenditure                   | 483.8            | 481.4            | (0.5)                         |
| <b>Profitability</b>                |                  |                  |                               |
| Broadcasting PBIT                   | 104.5            | 100.1            | (4.2)                         |
| Broadcasting profit                 | 70.8             | 74.7             | 5.6                           |

Notes: PBIT – profit before interest and tax. Figures in brackets indicate decline.

At 30 June 1997, 181 commercial radio services were operating, 14 more than the previous year. The new services are: 2BXS Bathurst, 2GZF Orange, 2MVB Taree, 2ROK Parkes, 2SNO Goulburn, 2ZOO Dubbo, 3NNN Wangaratta, 3WWM Horsham, 4ZKZ Innisfail, 4SUN Remote Queensland, 6CST Mandurah, 6SAT Remote Western Australia, 8MIX Darwin and 8SAT Remote Tasmania/Northern Territory.

Broadcasting revenue, expenditure and profit refer to the broadcasting activities of commercial radio services. Non-broadcasting activities such as investments are not included in these figures.

Broadcasting PBIT is profit before interest and tax relating to radio operations. It neutralises the effects of differences in capital structures and methods of charging interest on intra-corporate loans by adding back interest

expenses to broadcasting profit and ignoring tax paid.

These figures are expressed in current dollars, are rounded to the nearest one hundred thousand dollars and percentages and percentage changes have been calculated using these rounded figures.



### Commercial television results Australia

|                                     | 1995-96<br>(\$m) | 1996-97<br>(\$m) | Annual<br>% growth<br>1996-97 |
|-------------------------------------|------------------|------------------|-------------------------------|
| <b>Revenue</b>                      |                  |                  |                               |
| Advertising revenue                 | 2225.0           | 2374.6           | 6.7                           |
| Total broadcasting                  | 2459.0           | 2558.4           | 4.0                           |
| <b>Expenditure</b>                  |                  |                  |                               |
| Australian programs broadcast       | 504.0            | 549.6            | 9.0                           |
| Foreign programs broadcast          | 196.5            | 214.9            | 9.4                           |
| Salaries, wages & employee on costs | 398.6            | 417.7            | 4.8                           |
| Interest                            | 91.7             | 107.8            | 17.5                          |
| Intra-group management fees         | 65.7             | 32.1             | (51.2)                        |
| Other                               | 763.0            | 795.0            | 4.2                           |
| Total expenditure                   | 2019.5           | 2117.1           | 4.8                           |
| <b>Profitability</b>                |                  |                  |                               |
| Broadcasting PBIT                   | 531.2            | 553.7            | 4.2                           |
| Broadcasting profit                 | 439.5            | 445.9            | 1.5                           |

Notes: PBIT – profit before interest and tax. Figures in brackets indicate decline.

### Commercial television program expenditure 1992-93 to 1996-97

|  | 1992-93<br>(\$m) | 1993-94<br>(\$m) | 1994-95<br>(\$m) | 1995-96<br>(\$m) | 1996-97<br>(\$m) |
|--|------------------|------------------|------------------|------------------|------------------|
| Australian drama and children's programs | 101.6            | 86.3             | 85.2             | 90.8             | 91.8             |
| Australian news and current affairs      | 154.7            | 156.5            | 145.0            | 139.7            | 155.1            |
| Other Australian programs                | 261.1            | 227.0            | 247.2            | 273.5            | 302.7            |
| Foreign programs                         | 183.2            | 184.1            | 200.6            | 196.5            | 214.9            |

Note: These figures do not include program salaries and wages, affiliation fees or program rights written off.



# Commercial television

## Profits rise by 1.5%

Broadcasting profits for the 44 free-to-air commercial television licensees increased by 1.5% in 1996-97 to \$445.9m.

The profit was achieved on a 4% increase in broadcasting revenue, to \$2558.4m balanced by a 4.8% increase in expenses to \$2117.1m. The number of profitable services dropped from 41 to 40 in 1996-97, but profits by these services increased by 2.9% to \$454.6m.

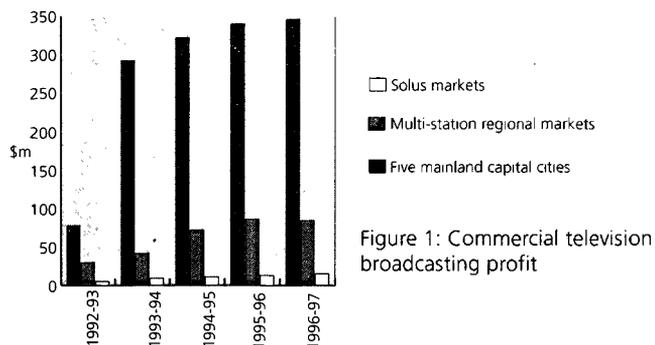


Figure 1: Commercial television broadcasting profit

The 15 mainland capital city services earned \$2018.2m (up 4.2%) in 1996-97, representing 78.9% of industry revenue. This revenue generated a broadcasting profit of \$346.5m. Services in Perth achieved an 11.4% growth in revenue, Adelaide 7.3%, Brisbane 4.3%, Sydney 3.5% and Melbourne 1.7%. Of the total \$2558.4m industry revenue, services in Sydney earned 28%, Melbourne 24%, Brisbane 12%, Perth 9% and Adelaide 7%.

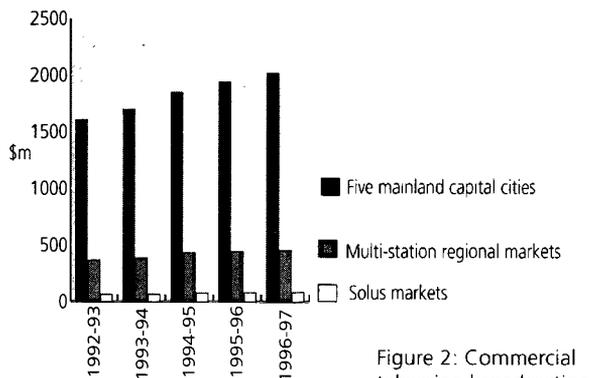


Figure 2: Commercial television broadcasting revenue

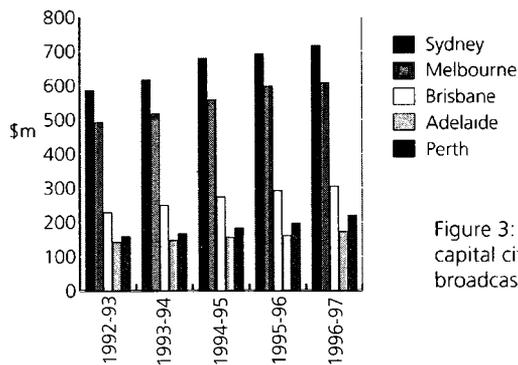


Figure 3: Five mainland capital cities' broadcasting revenue

Total expenditure for the 15 mainland capital city services was \$1671.8m in 1996-97, an increase of 4.7% on the previous year. Expenditure on programs and salaries and wages together represented 59% of the total expenditure of these 15 services. Expenditure on Australian programs increased by 8.8% during 1996-97 to \$533m while expenditure on foreign programming increased by 9.5% to \$211m. Salaries and wages, including the salary component of local programming, increased by 3.9% to \$242.7m.

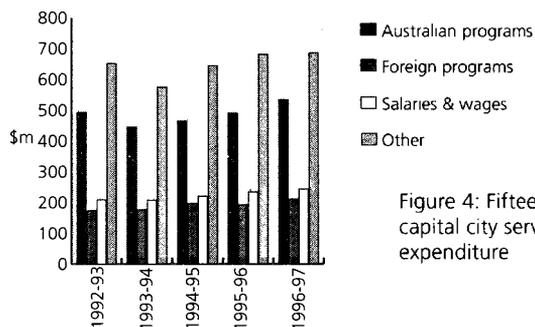


Figure 4: Fifteen mainland capital city services' expenditure

The broadcasting profit of commercial television services in Melbourne in 1996-97 was \$134.5m (down 5.8% compared with the previous year), Sydney \$112.7m (up 12%), Brisbane \$36.5m (down 42.8%), Perth \$47m (up 79%) and Adelaide \$15.7m (up 132.6%). Thirteen mainland capital city services reported broadcasting profits in 1996-97.

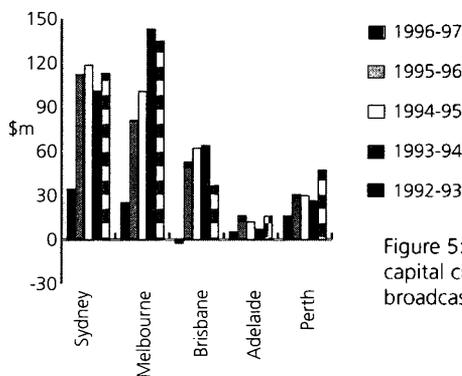


Figure 5: Fifteen mainland capital city services' broadcasting profit

The regional commercial television markets are reported in two groups — multi station regional and solus station regional. There are five multi station regional markets served by 15 licensees. The markets are Approved Market A (Regional Queensland), B (Northern NSW), C (Southern NSW) and D (Regional Victoria) and Tasmania. The remaining parts

of Australia are served by 14 solus commercial television services. Solus markets are those with a single service for the entire market.

Revenue for the 15 licensees in multi-station regional markets increased by 3.1% to \$456m or 17.8% of total industry revenue. Expenses increased by 4.4% to \$371.7m, including a 42.8% increase in licence fees and a 27.3% increase in Australian program expenditure. Affiliation fees paid to the Seven, Nine and Ten networks increased by 23.6% in 1996-97 to \$81.8m. Profits for these 15 multi station regional licensees decreased by 2.2% to \$84.3m in 1996-97.

The Seven, Nine and Ten network services in the capital cities and their affiliates in the multi station regional markets earned 97% of total commercial television revenue in 1996-97. Of the total revenue generated in capital cities and multi station markets, the Nine network and its affiliates earned 39% (down 3.8% to \$974.5m), the Seven network and its affiliates earned 35% (up 13.5% to \$872.5m) while the Ten network and its affiliates, without an affiliate in Tasmania, earned 25% (up 5% to \$627.2m).

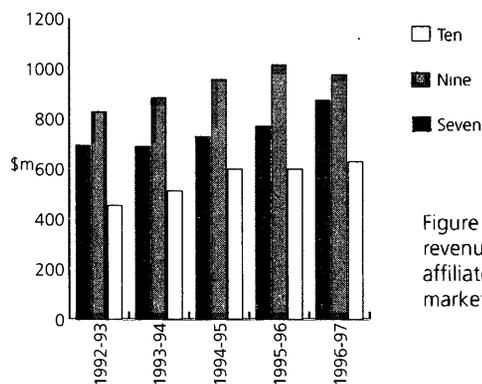


Figure 6: Broadcasting revenue of networks and affiliates in multi-station markets

Expenditure across the three networks was consistent with revenue earned. The Seven network and its affiliates spent a greater proportion of total expenditure on programming and salaries costs (60%) than the Nine network and its affiliates and the Ten network and affiliates (both 55%).

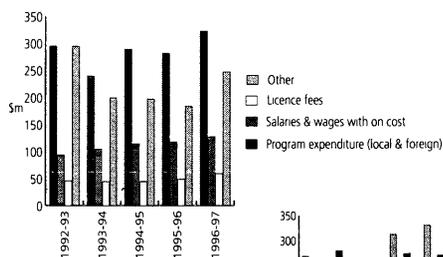


Figure 7A : Seven network and affiliates expenditure

Figure 7B : Nine network and affiliates expenditure

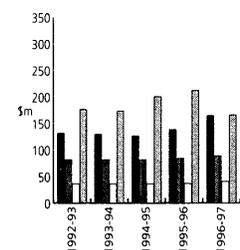
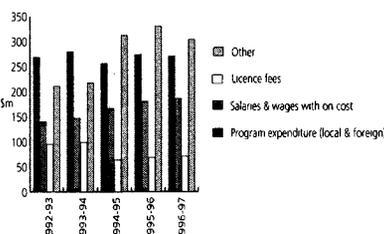


Figure 7C : Ten network and affiliates expenditure

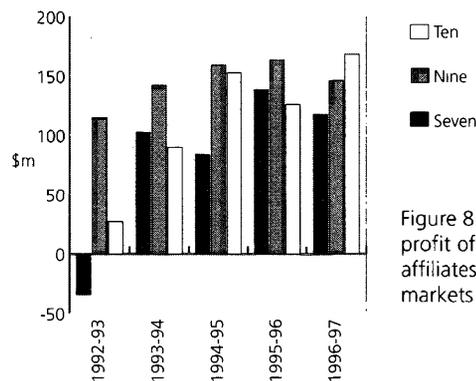


Figure 8: Broadcasting profit of networks and affiliates in multi-station markets

The remaining 14 solus television licensees serve Griffith and Broken Hill in NSW, Mildura in Victoria, Mt Isa and remote areas in Queensland, regional South Australia (three services), regional and remote Western Australia (four services), Darwin and remote Central Australia. The total broadcasting revenue for these 14 services was \$84.2m in 1996-97, an increase of 5.3% on the previous year. Expenditure increased by 10.1% to \$73.6m, with salaries and wages being the largest expense item (\$13.7m).

Twelve of the 14 services were profitable with total broadcasting profits of 16.1m, an increase of 3.5%. Two services incurred losses amounting to \$0.9m (down 61%).

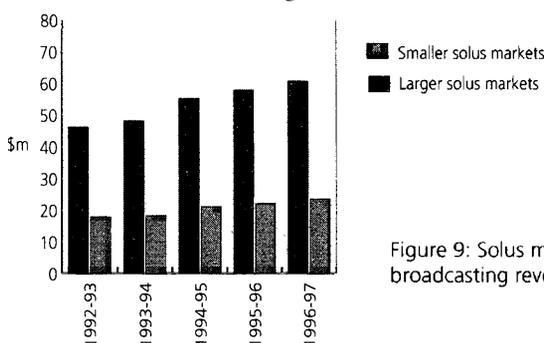


Figure 9: Solus markets broadcasting revenue

Expenditure by the commercial free-to-air television industry on Australian programming increased by 9% to \$549.6m, constituting 72% of all program expenditure. The remaining 28% was spent on overseas programs. News and current affairs represented 28% of local program expenditure, sport 27%, light entertainment 24%, Australian drama and children's programming 17% and documentaries 2%. These figures do not include program salaries and wages, affiliation fees or program rights written off.

Expenditure on overseas programming increased by 9.4% to \$214.9m, of which 92.9% was spent on overseas drama, including movies and series.

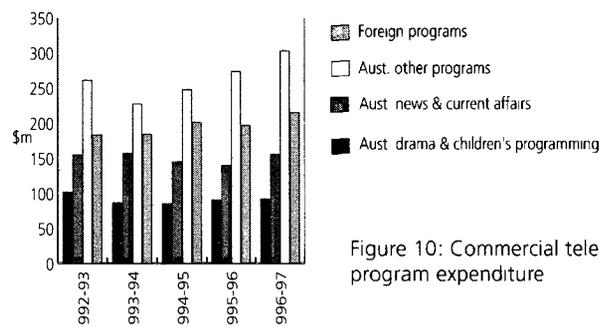


Figure 10: Commercial television program expenditure

# Commercial radio

## Profits rise more than 5%

The commercial radio industry increased broadcasting profits by 5.6% to \$74.7m in 1996-97, compared with the 25% increase in 1995-96. The 181 commercial radio licensees increased revenue by 0.3% to \$556.2m while expenses decreased by 0.5% to \$481.4m. Interest charges decreased by 24.6% to \$25.4m, and salaries and wages increased by \$4.3m.

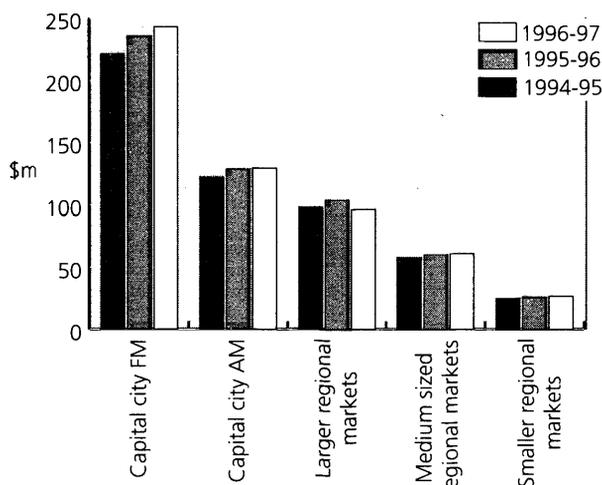


Figure 1: Commercial radio broadcasting revenue

The 39 metropolitan services in the seven capital cities earned 67% of industry revenue, amounting to \$372.6m (up 2.2%) in 1996-97. This revenue generated a broadcasting profit of \$50.4m (up 18.3% compared with the 27.8% increase in 1995-96) for the capital city services.

In the capital city markets, the 20 FM radio services reported revenues of \$243.1m (up 3.1%), while the 19 AM radio services reported revenues of \$129.5m (up 0.6%). The 20 FM radio services spent \$189m (down 0.8%) to earn a broadcasting profit of \$54.1m (up 19.6%), while the 19 AM radio services spent \$133.2m resulting in a loss of \$3.6m (compared with the \$2.6m loss in the previous year). Sixteen of the 20 FM services were profitable and earned \$56.9m in profits, while six of the 19 AM services were in profit, earning \$8.6m (down 14.1%). Capital city services were charged \$20.6m (down 28.6%) in interest and spent \$99.8m (up 5.5%) on salaries and wages in 1996-97.

The nine Sydney services reported revenues of \$145.6m (up 1.4%) to return a broadcasting profit of \$20.2m (up 52.5%). Four of the nine services were profitable and returned \$25.5m

in profits. Sydney services spent \$40.8m on salaries and wages during the year.

The nine Melbourne services reported revenues of \$100.2m (up 1%) to return a broadcasting profit of \$14.9m (down 4.6%). Five of the nine services were profitable and returned \$17.1m in profits. Melbourne services spent \$26.5m (up 7.8%) on salaries and wages during the year.

The six Brisbane services reported revenues of \$51.3m (up 3.2%) resulting in an overall profit of \$4.8m compared with the \$3.5m profit in the previous year. Two of the six services were profitable and returned \$9.4m in profits. The five Adelaide services reported revenues of \$33.7m (down 0.6%) and generated profits totalling \$1.8m (down 29.1%). The five Perth commercial services generated revenues of \$32.9m and broadcasting profits of \$8.2m (up 13.4%). The five services in Hobart and Darwin earned revenues of \$8.9m which resulted in a total profit of \$0.5m.

Of the \$556.2m commercial radio industry revenue, services in Sydney earned 26%, Melbourne 18%, Brisbane 9%, Adelaide 6%, Perth 6% and Hobart/Darwin 2%.

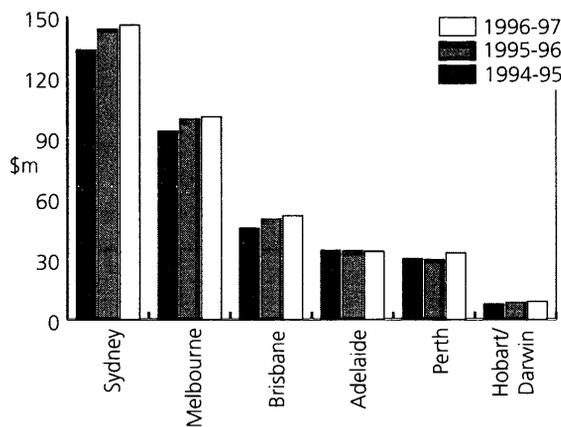


Figure 2: Commercial radio revenues - 7 capital cities

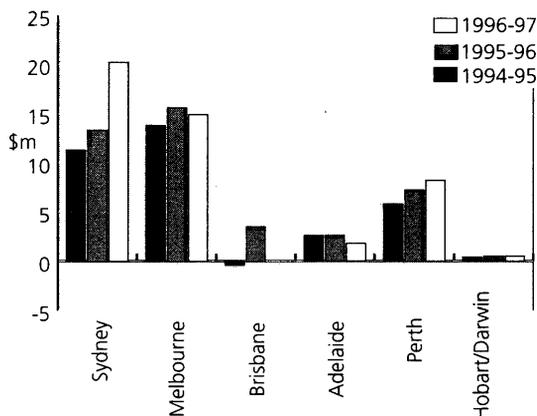


Figure 3: Commercial radio profits - 7 capital cities

In 1996-97 the 142 commercial radio services in regional markets decreased revenue by 3.5% to \$183.5m, representing 33% of total industry revenue. Expenses decreased by 1.7% to \$159.2m. The largest expense for regional radio is salaries and wages, which was down by 1.5% to \$53.9m. Profits for these 142 regional licensees declined by 13.6% to \$24.3m in 1996-97.

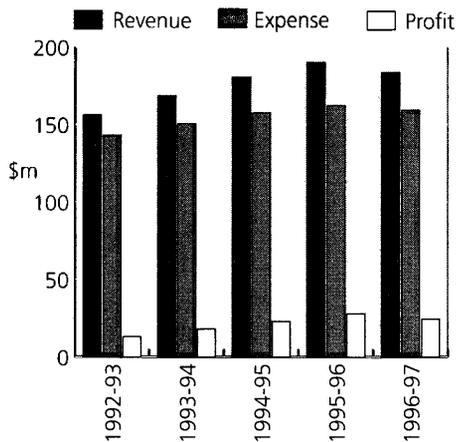


Figure 4: Regional commercial radio revenue, expense & profit

Regional radio services are categorised into three groups based on population of the market they serve. There are 44 licences serving the 25 larger regional markets of more than 100 000 population, 56 licences serving the 37 medium size regional markets of between 40 000 and 100 000 population, and 42 licences serving the 34 smaller regional markets of fewer than 40 000 population.

In the larger regional markets, which include Canberra, Newcastle, Gosford, Geelong, Toowoomba and the Gold Coast, the commercial radio services decreased total revenue by 7.5% to \$96.3m in 1996-97. Expenditure for these 44 services decreased by 5% to \$83.1m, resulting in a profit of \$13.2m, down from \$16.7m in the previous year. Thirty-three of the 44 services were in profit.

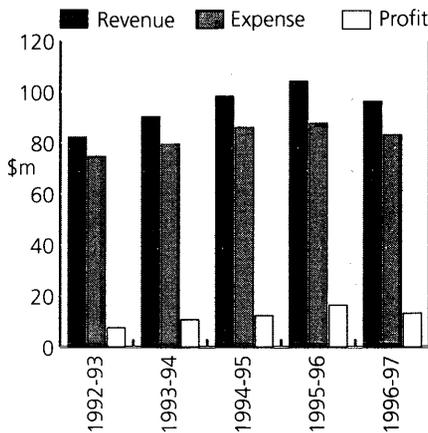


Figure 5: Larger regional radio markets - revenue, expense, profit

The medium size markets, which include markets such as Kempsey, Dubbo, Tamworth, Wangaratta, Mackay and Bunbury, increased revenue by 1.1% to \$60.7m. Expenses increased by 1.5% to \$51.9m, and these 56 services earned a broadcasting profit of \$8.8m (down 0.9%). Forty-one of the 56 services were in profit.

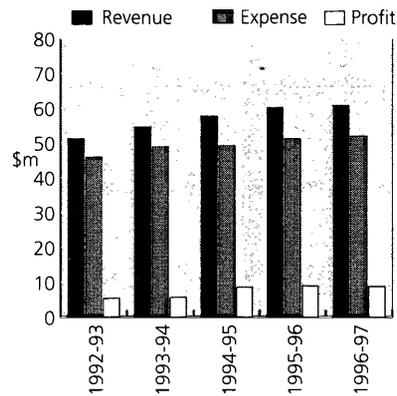


Figure 6: Medium size regional radio markets - revenue, expense, profit

Licensees in the smaller markets, which include markets such as Armidale, Cooma, Mount Isa, Renmark and Geraldton, increased revenue 2.4% to \$26.6m. Expenses increased by 3.9% to \$24.2m resulting in a profit for this group of \$2.3m (down 9.9%). Twenty-four of the 42 licensees in this group of markets reported a profit.

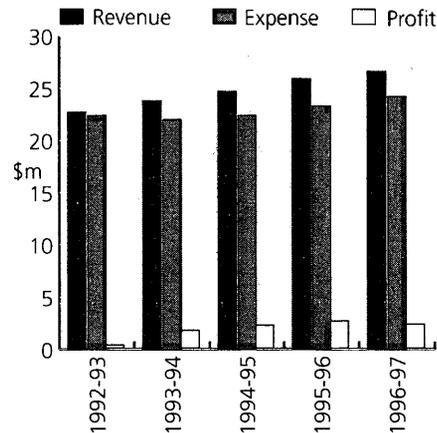


Figure 7: Smaller regional radio markets - revenue, expense, profit

Regional NSW, which includes 57 licences, decreased revenue by 3.2% to \$84.2m resulting in a broadcasting profit of \$9.6m. Regional Victoria (20 licences) decreased revenue by 2.5% to \$27.8m resulting in a broadcasting profit of \$3.8m (down 21.7%). Regional Queensland (32 licences) decreased revenue by 6.4% to \$47.1m resulting in a broadcasting profit of \$9.9m (down 9.3%). Regional South Australia (six licences) earned revenues of \$5.9m (up 0.1%) resulting in a broadcasting profit of \$0.3m. Regional Western Australia (18 licences) increased revenue by 3.3% to \$11.9m resulting in a broadcasting profit of \$0.8m (down 51%).

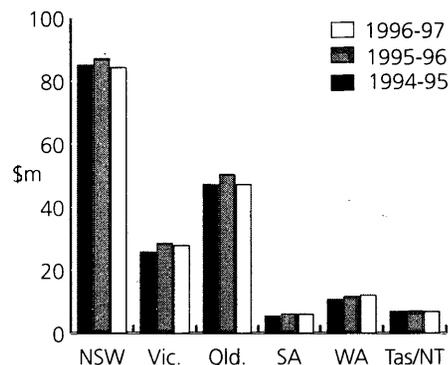


Figure 8: Regional commercial radio revenue by State