



A new ABA study, *The Commercial Radio Industry 1978–79 to 2001–02*, examines the profitability of the commercial radio industry, the performance of FM and AM services, compares the performance of commercial radio services in metropolitan markets with those in regional areas, and considers the relationship between the commercial radio and commercial television industries.

Financial trends in commercial radio

The radio industry has experienced a steady recovery in profits since the negative result in 1990–91 and its share of the total service revenue from radio and television combined has remained stable over the past decade. These are some of the findings of the ABA's report, *The Commercial Radio Industry 1978–79 to 2001–02*.

'The study provides a picture of the financial performance of commercial radio over a period when the competitive environment and regulatory regime changed substantially,' said Professor Flint. 'An examination of the financial data collected by the ABA and its predecessor over a 20-year period enables a better understanding of the interplay between industry structure and profitability and the regulatory environment. We hope that the study stimulates discussion of the issues raised in the report.'

In addition to examining the profitability of the commercial radio industry, the study also examines the performance of FM and AM services, compares the performance of commer-

cial radio services in metropolitan markets with those in regional areas, and considers the relationship between the commercial radio and commercial television industries.

Some major findings

- Since 1978–79, commercial radio service revenue has risen by an average of 8.05 per cent per annum, compared with an average of 9.48 per cent per annum for television. In the metropolitan markets, the revenue trends for both were similar to the total market; in regional markets, television revenue growth clearly exceeded that of regional radio.
- Over the past decade the radio industry's share of main media advertising has been a constant eight per cent. During this period total radio advertising grew in real terms by 25 per cent, or an average of 2.98 per cent per annum.

- The radio industry's share of the total broadcasting revenue (radio and television combined) has remained stable at around 18 per cent in the ten years to 2002.
- Since 1947 the Australian population has increased by an average of 1.8 per cent annually. Over the same period, the number of radio stations has increased by an average of 1.7 per cent annually. Most of the increase in the number of stations has been in the last decade.
- The number of FM stations

increased by 32.1 per cent between 1997–98 and 2001–02. The number of AM stations increased by only by 1.9 per cent over the same period.

- The radio industry has experienced a steady recovery in profits since the negative result in the 1990–91 year. Overall, the radio industry's financial performance from 1997–98 to 2001–02 is characterised by its consistent profitability. Over this five-year period, profit before interest and taxation (PBIT) and

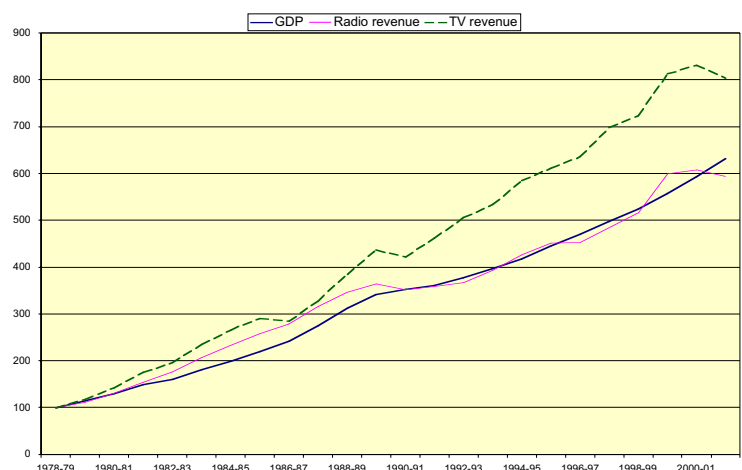


Figure 1: Index of radio and television service revenue and GDP, 1978–79 to 2001–02 (base 1978–79: 100)



profit before taxation (PBT) increased by 8.3 and 16.2 per cent respectively.

- Data from 1997–98 to 2001–02 shows that the commercial FM band clearly exceeded the profit performance of its AM competitor.
- The division of metropolitan advertising revenue across the FM/AM bands is around 70/30, with FM accounting for 73 per cent of advertising revenue in 2001–02.

The report

The Commercial Radio Industry 1978–79 to 2001–02 is the second edition of this ABA publication. Its purpose is to understand the general economic and financial trends that have influenced the radio industry from 1978–79 to 2001–02. The second edition updates the earlier analysis presented in *The Commercial Radio Industry: 1978–79 to 1997–98*, which the ABA released in November 2000.

The Commercial Radio Industry 1978–79 to 2001–02 incorporates the latest ABA data from *Broadcasting Financial Results 2001–02*.

Some care should be taken in interpreting the data, which is derived from the *Broadcasting Financial Results* collection dating back to 1978–79. While the ABA provides guidance to licensees on how to complete the forms, it does not verify the information reported by individual licensees, nor does it

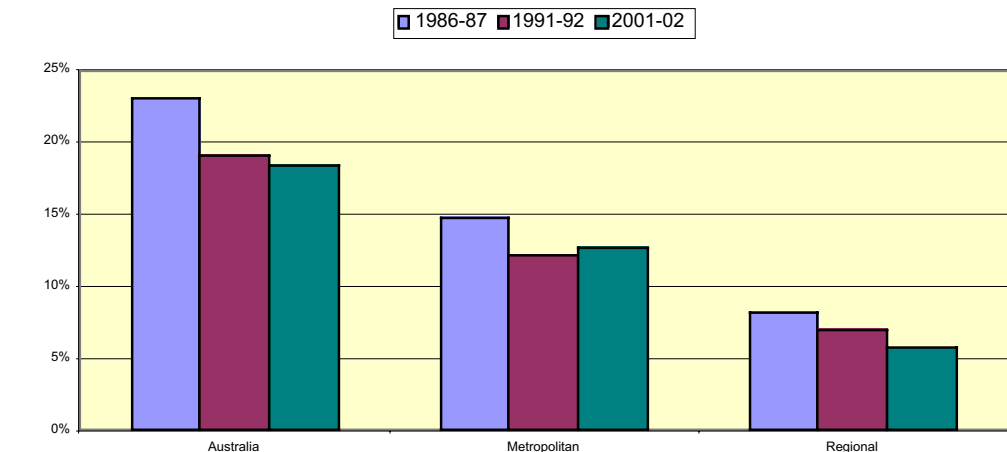


Figure 2: Radio share of combined service revenue (radio and television) in 1986–87, 1991–92 and 2001–02

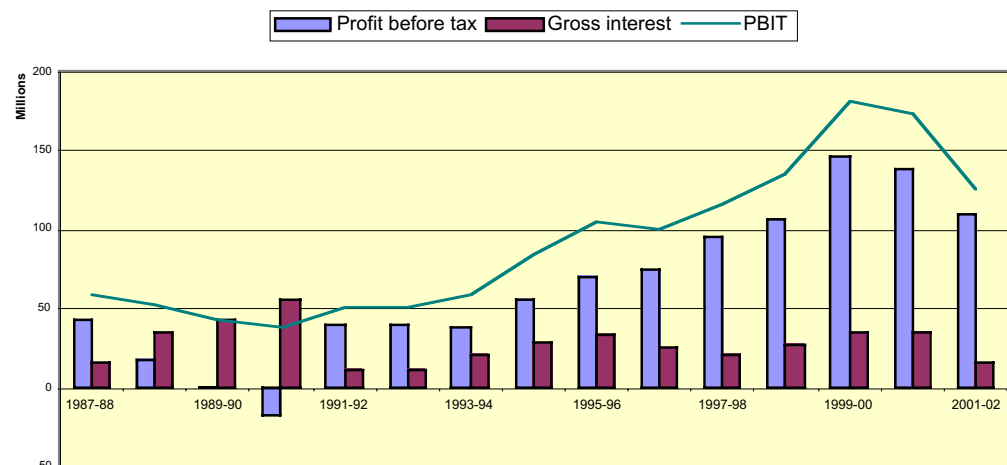


Figure 3: Profitability of commercial radio stations, 1987–88 to 2001–02

stipulate accounting standards to licensees. For these reasons, 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. Also, it is possible that different companies treat costs

and profits differently across their licensees.

Additional information has also been obtained from various other sources, including the Australian Bureau of Statistics, the Reserve Bank of Australia and the Commercial Economic Advisory Service of

Australia. In all cases when comparisons are made over time, they encompass the longest period for which comparable data are available. Such comparisons have not been arbitrarily selected to emphasise, or to obscure changes over time.

The report is available on the ABA's web site:
www.aba.gov.au/radio/research/projects/

