

Commercial television

TV profits up 18% on 10% revenue rise

Networks share 78% of industry revenue

The commercial television industry has reported an 18% increase in broadcasting profit to \$406m in 1994-95. The 44 commercial television licensees increased revenue by 10% to \$2355m while expenses increased by 8% to \$1949m.

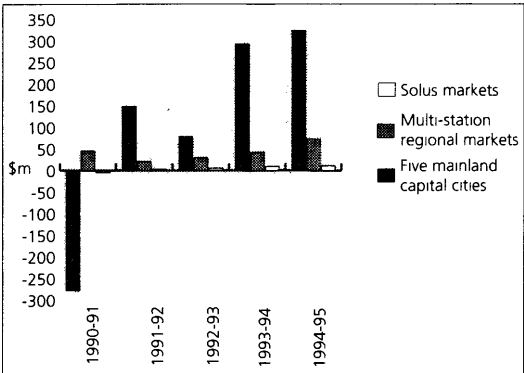


Figure 1: Commercial television broadcasting profit

The three network services in the five mainland capital cities earned \$1847m (up 9%) in 1994-95, representing 78% of industry revenue. This revenue generated a broadcasting profit of \$322m. Sydney, Brisbane and Perth each enjoyed a 10% growth in revenue, Melbourne 8% and Adelaide 6%. Of the \$2,355m industry revenue, Sydney earns 29%, Melbourne 23%, Brisbane 11%, Adelaide 7%, Perth 8%.

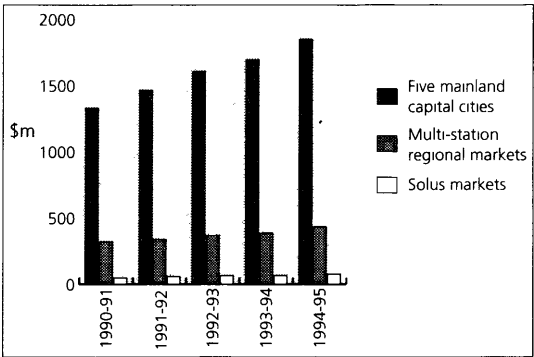


Figure 2: Commercial television broadcasting revenue

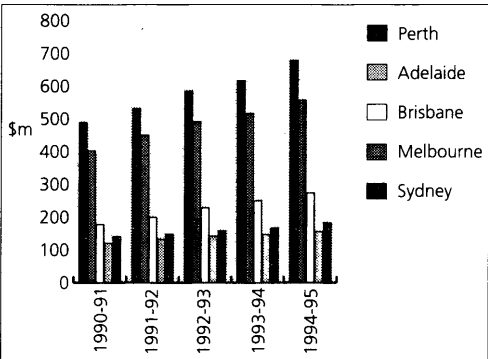


Figure 3: Five mainland capital cities' broadcasting revenue

Total expenditure for the 15 mainland capital city services was \$1524m in 1994-95, an increase of 9% on the previous

year. Expenditure on programs and salaries and wages collectively represent almost half of total expenditure of these 15 capital city services. Expenditure on Australian programs increased by 4.2% during 1994-95 to \$464m while expenditure on foreign programming increased by 11.3% to \$197m. Salaries and wages, which includes the salary component of local programming, increased by 6% to \$220m.

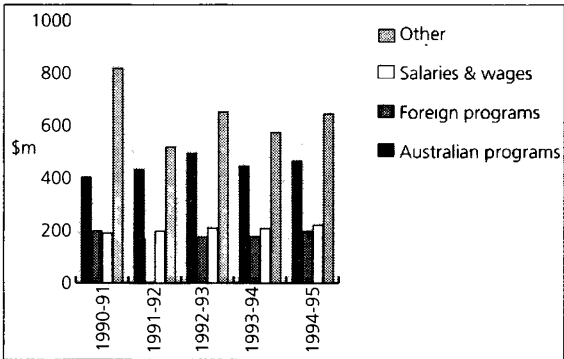


Figure 4: Fifteen mainland capital city services' expenditure

The distribution of profits across the five cities was in line with the distribution of revenue. The average broadcasting profit of a commercial television service in Sydney in 1994-95 was \$40m, Melbourne \$33m, Brisbane \$22m, Adelaide \$4m, Perth \$10m. An Adelaide service was the only mainland capital city service to incur a loss in 1994-95.

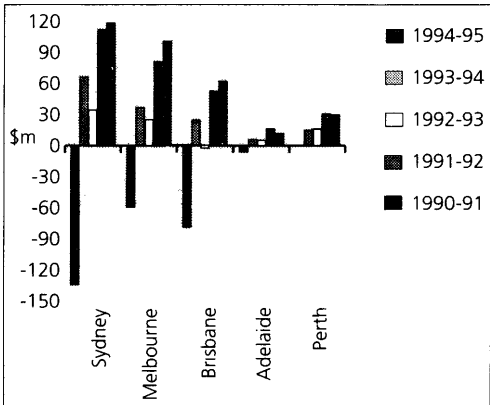


Figure 5: Fifteen mainland capital city services' broadcasting profit

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 in the Approved Markets 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.

# Broadcasting Financial Results 1994-95

The 15 licensees in multi station regional markets increased revenue by 12% to \$433m, representing 18% of total industry revenue. Expenses increased by 5% to \$360m. Affiliation fees paid to the Seven, Nine and Ten networks increased 37% in 1994-95 to \$59m, which is the second largest expense item after salaries and wages (up 4% to \$69m). Profits for these 15 multi station regional licensees jumped 73% to \$72.2m in 1994-95.

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 1994-95. One of the two Tasmanian services is unaffiliated and purchases programming from both the Seven and Ten networks. But for the purpose of this exercise this service has been grouped with the Seven affiliates. Of the total revenue generated in capital cities and multi station markets, the Nine network and its affiliates earned 42% (up 8% to \$955m), the Seven network and its affiliates earned 32% (up 6% to \$727m) while the Ten network and its affiliates, without an affiliate in Tasmania, earned 26% (up 17% to \$597m).

The expenditure across the three networks was consistent with the revenue earned. The Seven network and its affiliates spent a greater proportion of total expenditure on programming and salaries costs (66%) than the Nine network and affiliates (53%) and the Ten network and affiliates (50%).

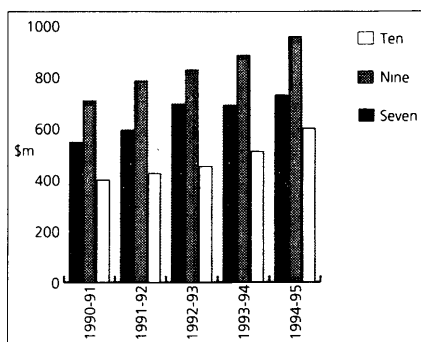


Figure 6: Networks and affiliates in multi-station markets' broadcasting revenue

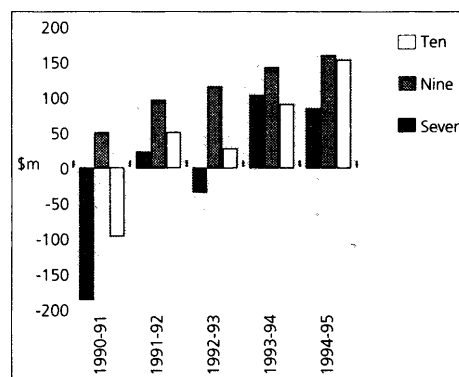
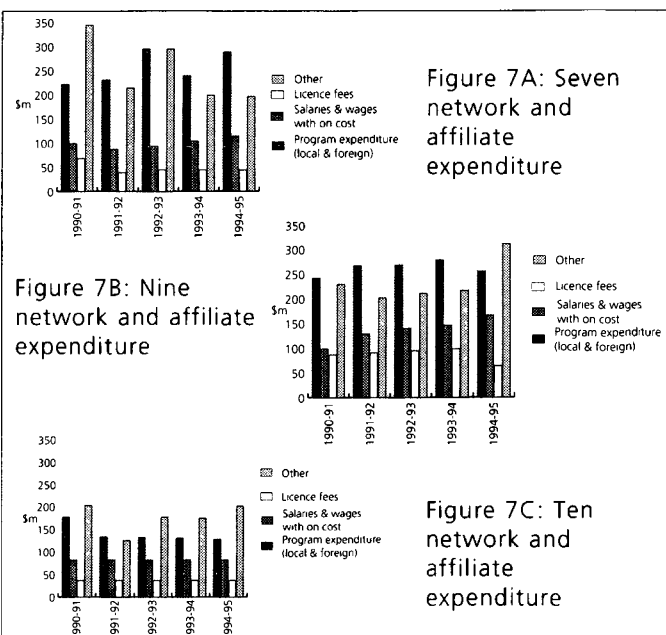


Figure 8: Networks and affiliates in multi-station markets' broadcasting profit

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, regional and remote Western Australia, Darwin and remote Central Australia. The total broadcasting revenue for these 14 services was \$76m in 1994-95, an increase of 12% on the previous year. Expenditure increased by 14% to \$65m, with salaries and wages being the largest expense item — increasing by 7% to \$13m. Eleven of the 14 services were profitable with total broadcasting profits of 15m, an increase of 15%. Three services incurred losses amounting to \$4m.

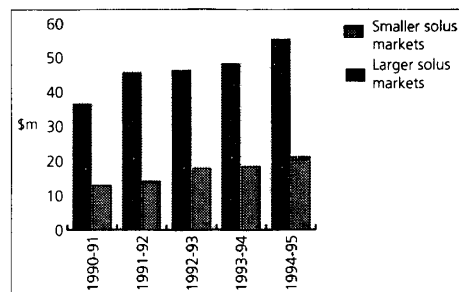


Figure 9: Solus markets broadcasting revenue

Expenditure by the television industry on Australian programming increased by 2% to \$477.4m. News and Current Affairs represents 30% of local program expenditure, Sport 25%, Australian Drama 15%, Light Entertainment 18%, Documentaries 5%, Australian children's programming 3%. These figures do not include program salaries and wages, affiliation fees or program rights written off. Expenditure in overseas programming increased by 9% to \$201m. Overseas drama, including movies and series, represented over 90% of this figure.

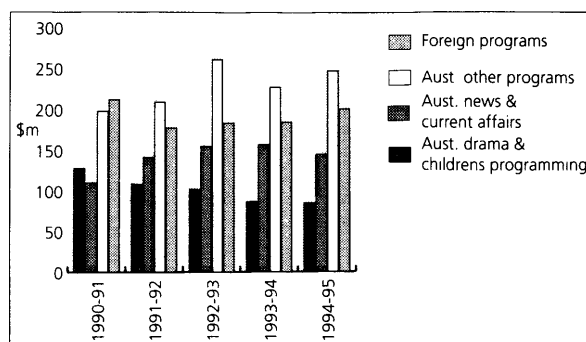


Figure 10: Commercial television program expenditure

# Broadcasting Financial Results 1994-95

## Commercial radio

### Radio profits jump 48%

The commercial radio industry has increased broadcasting profit by 48% to \$56m in 1994-95. The 164 commercial radio licensees increased revenue by 9% to \$524m while expenses increased by 5% to \$468m. Interest charges increased by 30% to \$28m.

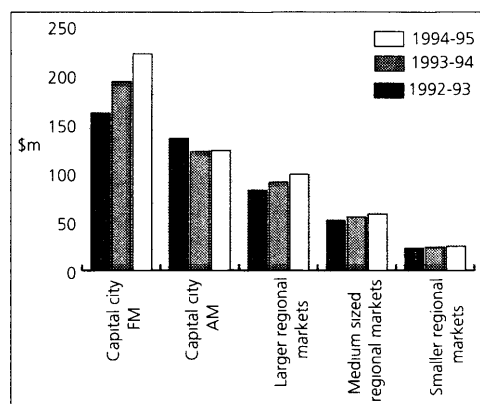


Figure 1: Commercial radio broadcasting revenue

The 38 metropolitan services in the seven capital cities earned 66% of industry revenue amounting to \$344m (up 9%) in 1994-95. This revenue generated a broadcasting profit of \$33m for the capital city services in 1994-95.

In the capital city markets, the 19 FM radio services reported revenues of \$221m (up 15%), while the 19 AM radio services reported revenues of \$123m (up 1%). The 19 FM radio services expended \$185m (up 10%) to earn a broadcasting profit of \$36m (up 49%), while the 19 AM radio services expended \$125m resulting in a loss of \$2m (down from a \$4m loss in the previous year). Fourteen of the 19 FM services were profitable, earning \$43m in profits, while nine of the 19 AM services were in profit, earning \$11m in profits. Capital city services were charged \$26m in interest in 1994-95.

The nine Sydney services reported revenues of \$133m (up 7%) to return a broadcasting profit of \$11m. The five of the nine services that were profitable returned \$17m in profits. Sydney services were charged \$13m interest during the year. The profit for one Sydney service for 1993-94 has been amended by \$9m due to change of accounting practice.

The nine Melbourne services reported revenues of \$93m (up 16%) to return a broadcasting profit of \$14m. The seven of the nine services that were profitable returned \$17m in profits. Melbourne services were charged \$3m interest during the year.

The six Brisbane services reported revenues of \$45m (up 10%) but resulted in an overall loss of \$400 000, with three services achieving a total profit of \$7m. The five Adelaide services reported revenues of \$34m resulting in profits totalling \$3m. The five Perth commercial services generated revenues of \$30m and broadcasting profits \$6m. The four services in Hobart and Darwin earned revenues of \$8m which resulted in a total profit of \$400 000.

Of the \$524m commercial radio industry revenue, Sydney earned 25%, Melbourne 18%, Brisbane 9%, Adelaide 7%, Perth 6%, Hobart/Darwin 1%.

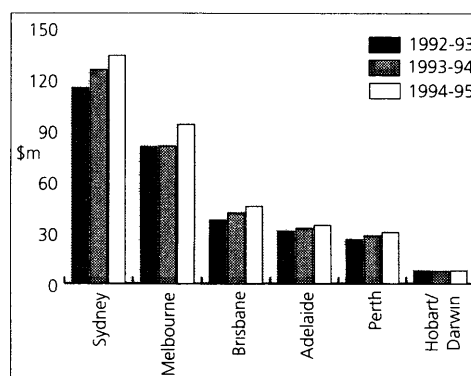


Figure 2: Commercial radio revenues - 7 capital cities

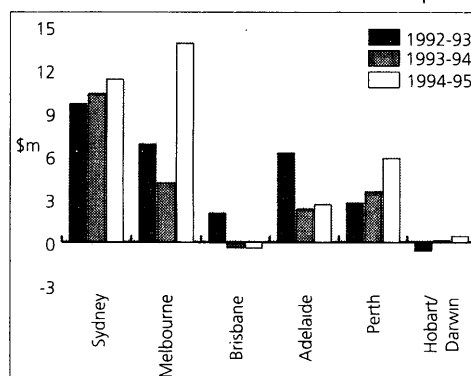


Figure 3: Commercial radio profits - 7 capital cities

In 1994-95 the 126 commercial radio services in regional markets increased revenue by 7% to \$181m, representing 34% of total industry revenue. Expenses increased by 5% to \$158m. The largest expense for regional radio is salaries and wages, which were up 2% to \$53.6m. Profits for these 126 regional licensees improved by 27% to \$23m in 1994-95.

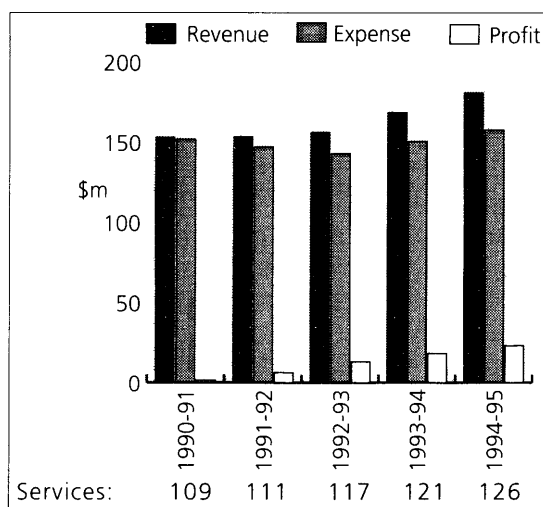


Figure 4: Regional commercial radio revenue, expense and profit

# Broadcasting Financial Results 1994-95

Regional radio services are categorised into three groups based on population of the market they are serving. There are 42 licences serving the 25 larger regional markets with over 100 000 population, 46 licences serving the 37 medium sized regional markets with between 40 000 and 100 000 population, and 38 licences serving the 34 smaller regional markets with under 40 000 population.

In the larger regional markets, which include Canberra, Newcastle, Gosford, Geelong, Toowoomba and the Gold Coast, the commercial radio services increased total revenue by 9% to \$98m in 1994-95. Expenditure for these 42 services increased by 8% to \$86m, resulting in a profit of \$12m, which is up from \$11m in the previous year. Thirty of the 42 services were in profit.

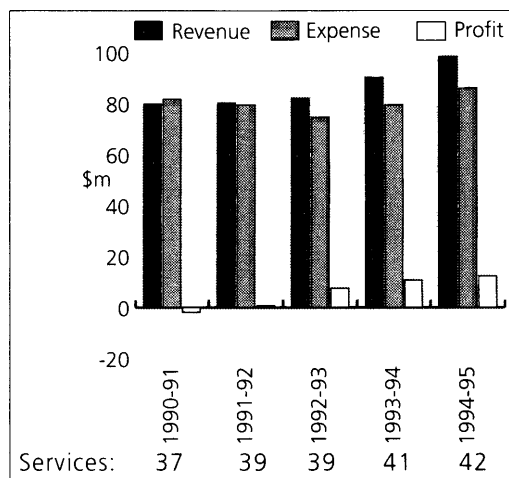


Figure 5: Larger regional radio markets revenue, expense, profit

The medium sized markets, which include markets such as Kempsey, Dubbo, Tamworth, Wangaratta, Mackay and Bunbury, increased revenue by 6% to \$58m. With only a 1% increase in expenses to \$49m, these 46 services earned a broadcasting profit of \$9m (up 50% on 1993-94). Thirty nine of the 46 services were in profit.

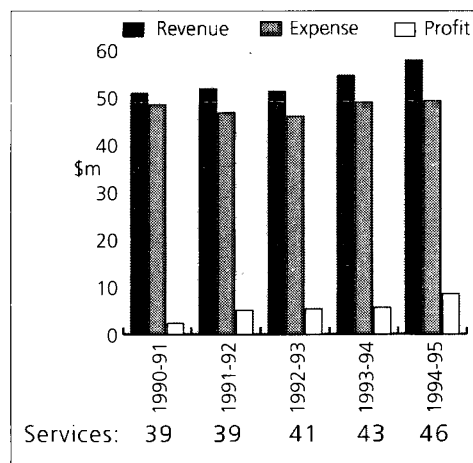


Figure 6: Medium sized regional radio markets revenue, expense, profit

The licensees in the 34 smaller markets, which include markets such as Armidale, Cooma, Mount Isa, Renmark and Geraldton, increased revenue by 4% to \$25m. Expenses increased by 2% to \$22 resulting in a profit for this group of \$2m. Twenty eight of the 38 licensees in this group of markets reported a profit.

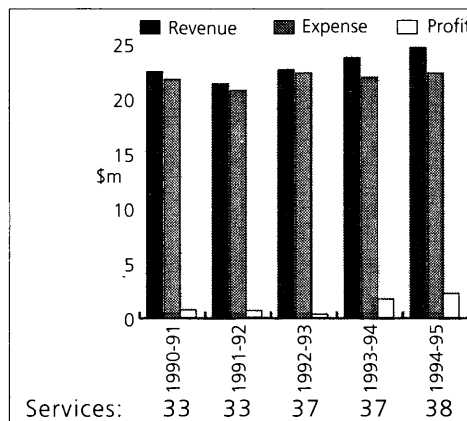


Figure 7: Smaller regional radio markets revenue, expense, profit

Regional NSW (which includes 51 licences) increased revenue by 7% to \$85m resulting in a broadcasting profit of \$7m. Regional Victoria (16 licences) increased revenue by 4% to \$26m resulting in a broadcasting profit of \$4m. Regional Queensland (29 licences) increased revenue by 12% to \$47m resulting in a broadcasting profit of \$10m. Regional South Australia (six licences) earned revenues of \$5m resulting in a broadcasting profit of \$200 000. Regional Western Australia (16 licences) increased revenue by 6% to \$11m resulting in a broadcasting profit of \$1m.

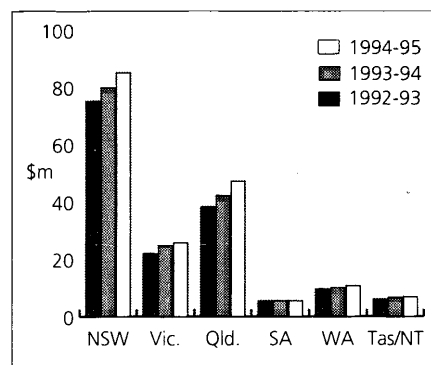


Figure 8 : Regional commercial radio revenue by State

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