AUSTRALIAN
RADIO
NETWORK

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Broadcasting Inquiry
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Attention Professor Richard Snape and Associate Commissioner Stuart Simson

This letter serves as a brief submission to the Productivity Commission's inquiry into Broadcasting Services and concentrates on one aspect of the Broadcasting Services Act, namely, 'Planning of the Broadcasting Services Band' and the relative disadvantage afforded radio in comparison to television through this process.

The Australian Radio Network (ARN) is a joint venture between APN News and Media and Clear Channel Communications. ARN owns radio stations in Sydney, Melbourne, Brisbane, Adelaide and Canberra.

Radio's share of total advertising, static for the last twenty years, has, for the first time in twenty years, fallen below 8%. As radio enters the twenty first century it risks being passed over even more comprehensively as new media gains a foothold in the marketplace and as television retains its market dominance relative to radio's increasingly fragmented audience share. The most profitable television network makes more than twice the profit of the entire radio industry and against this background, commercial radio faces new analogue competitors while television is protected from analogue and digital competition until at least 2006. In the case of Sydney, the Australian Broadcasting Authority is considering allocating additional commercial licences in a market already served by a diverse range of 9 commercial operators and some 20, national, community and narrowcast services. In comparison there are only 3 commercial television operators in Sydney a position that is protected until well into the next century. For advertisers this amounts to radio being harder to buy and less cost effective.

As demonstrated in the attached economic analysis (pp4-5), the introduction of new commercial services will not increase radio's share of the total advertising pie. In fact there is a very real risk that advertising revenues will shrink as in the case of Canberra and regional markets where new licences have been introduced. With revenue and profitability on the slide, incumbent commercial broadcasters will have no choice but to cut costs. This was evidenced in Canberra with FM radio contracting out news services to local television. Cost cutting will also include a greater reliance on networking and automated programming. The very factor that makes radio more satisfactory to audiences than any other medium (immediacy, quality and local content) will inevitably be the casualty of more commercial entrants.

The economics of broadcasting suggests that competition between advertiser-supported stations does not maximise diversity, leads to wasteful duplication of formats and least common denominator programming. In the major metropolitan markets, commercial broadcasters have targeted the major music formats of current (top ten), contemporary and classic rock, soft adult contemporary, pop/alternate, easy, gold, talk and sport. Clearly a new entrant would seek to maximise ratings by mimicking the scheduling and program format of the most successful stations. This is the same principle that would drive two ice-cream vendors on a hot day along a stretch of beach with sunbathers and swimmers uniformly dispersed along its length, to locate at the mid point along the stretch where each has the potential to gain 50% of the demand for ice cream. In the example of radio, the result for the audience is more of the same. The result for advertisers is a less efficient medium that can no longer command a share of audience worth the time and effort to buy.

More diversity in radio can only be achieved through the allocation of community and narrowcast services licenced to serve specific communities of interest. Such services may include youth, dance, jazz, foreign and childrens' radio. Only in this fashion can the objectives of the BSA be achieved and the economic and efficient use of the spectrum be guaranteed. To allocate new commercial broadcasting licences is to relegate more services to operate at a loss and to stifle local, quality and innovative programming as evidenced in the attached economic analysis.

Like television, radio faces the same relative costs to convert to digital and must convert to digital to remain relevant in the new era of convergence. L band digital radio is likely to cost the industry in excess of $100 million not taking into account studio conversion costs. However, unlike television, radio is not being assisted with its digital transition, in fact, it is being considerably hindered with the threat of new licences jeopardising the ability of radio to make the necessary investment in the technology of the future.

In short, the new licence allocation process places radio at a competitive disadvantage to television, relegates radio to a less than credible alternative to print and television and puts at risk radio's successful transition to digital.

I would be happy to discuss any of these matters further with the Commission.

Yours sincerely,

Fiona Cameron
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ECONOMIC IMPACT STUDY OF FM RADIO LICENCING IN AUSTRALIA

An Update

This study updates Case Associates 16 June, 1998 report taking into account 1997/98 ABA Broadcasting Financial Results and December, 1998 'Access' economic indicators

-The Australian Radio Network-

5 MAY, 1999

SUMMARY

- This study forecasts the likely impact that additional commercial FM stations will have on the profitability and viability of commercial metropolitan radio stations in Sydney, Melbourne, Brisbane and Adelaide over the period July 1, 1999 – June 30, 2003 and has been updated to take into account the Australian Broadcasting Authority's 1997/98 Broadcasting Financial Results.

- The economic analysis assumes new licences will operate from July 1, 2000 and that new licensees will progressively secure 7.5% of total radio revenue in Sydney, Melbourne and Adelaide and 10% in Brisbane over the forecast period.

- As evidenced in Canberra and other regional markets, an increase in the number of commercial radio stations will decrease advertising revenues and radio's share of total advertising revenues. Therefore the economic model's assumption that advertising revenue will remain static is conservative.

- The economic model of metropolitan radio shows that compared with industry profits in 2003, the licensing of an additional metropolitan FM station would:

  - decrease total radio industry profitability in Sydney by $12.1 million (34%), increasing the number of loss making stations by four;

  - decrease total profits in Melbourne by $10.2 million (36%), increasing the number of loss-making stations by two;

  - decrease total profits in Brisbane by $7.5 million (43%), pushing one otherwise profitable station into loss, and;

  - throw Adelaide's commercial radio sector from overall profit into a $4.1 million loss and increase the number of unprofitable stations by one.

- The introduction of one new commercial radio licence in metropolitan markets will have an adverse effect on quality, local radio. Incumbent broadcasters will not be able to invest in local, innovative programs and formats and the prevalence of networking will increase dramatically.

- Advertising agencies have stated that more commercial radio players will make the medium harder to buy and less cost effective. In the face of television's privileged position of no competition, advertisers suggest radio becomes less attractive again.

- There is no listener demand for more commercial radio services, where demand can be identified it is in niche broadcasting areas such as dance and alternative formats. New commercial services will not fill this void and will simply serve to slice the advertising pie more thinly and compromise existing radio quality.

NEW COMMERCIAL LICENCE PROJECTIONS – with and without new licences

Station Profitability

Table 1

CITY	Revenue 2003 $m	Profit 2003 No New Licences	Profit 2003 1 New Licence	Decline %
Sydney	194.7	35.7	23.6	34
Melbourne	141.2	28.1	17.9	36
Brisbane	68.8	17.4	9.9	43
Adelaide	48.2	2.1	(4.1)	295

Projections based on ABA 1997/98 Broadcasting Financial Results

Station Profitability

Table 2

City	No. of stations 2003	No. in profit 2003	Combined profit 2003 $m	No. in loss 2003	Combined loss 2003 $m
NO NEW LICENCES					
Sydney	9	7	38.7	2	(3)
Melbourne	9	6	30.9	3	(2.8)
Brisbane	6	4	18.4	2	(1)
Adelaide	5	3	4.7	2	(2.6)
1 NEW LICENCE					
Sydney	10	4	29	6	(5.4)
Melbourne	10	5	23.7	5	(5.8)
Brisbane	7	4	13.3	3	(3.4)
Adelaide	6	3	2.4	3	(6.5)

Projections based on ABA 1997/98 Broadcasting Financial Results

Table 1 and Table 2 summarise the effect of the introduction of one new commercial licence in major metropolitan markets as detailed in the attached projections.

The model predicts that without the introduction of new commercial licences revenue and total costs will continue to rise throughout the forecast period.

In the Sydney market the model forecasts that industry profits without new licences will reach $35.7 million in 2003, an increase from $26.6 million in 1998. If a single new licence is issued the costs to the industry increase without generating extra revenue, and therefore profit is immediately reduced. In 2003, with one new licence, it is forecast that total industry profits for Sydney will be $23.6 million, $12.1 million less than if no new licences were issued. Total profitability falls in Sydney by about 34% as a result of the new licence.

Issuing one licence in Melbourne reduces total profits by $10.2 million to $17.9 million in 2003. The number of loss making stations would increase from 3 to 5 and unprofitable stations will represent 50% of the market.

In Brisbane one new licence will reduce industry profits from $17.4 million to $9.9 million drastically affecting the ability of incumbent broadcasters to maintain program standards.

Projected profits for Adelaide are forecast to be low during the period even without the entry of additional FM stations. Issuing one new licence in Adelaide would cause total profits to fall below zero in 2001 and continue to fall to minus $ 4.1 million in the year 2003.

The licencing of additional FM stations will alter significantly the financial position of the radio industry as a whole and of individual stations. The industry will experience a significant decline in profitability with the position of loss-making stations worsening and becoming untenable.

In this process it will be inevitable that program standards will fall as incumbent stations ruthlessly pursue target demographics and cut costs. The financial circumstances of the industry will thus put pressure on the diversity of Australian programming and high-risk innovative programs and formats.

REGIONAL COMMERCIAL RADIO SERVICES – pre and post new licences

The Australian Broadcasting Authority has the benefit of being able to analyse commercial radio markets were new licences have been allocated including regional markets and the Canberra market. What is evidenced through such analysis is that new licensees have not been able to increase revenue and that profitability has drastically fallen away.

Radio advertising revenues (RAR) in the Canberra market had grown strongly in the six years prior to the introduction of the two new commercial FM radio services in February 1988.

Growth in Advertising Revenues

Table 3

MARKET	1981 – 1987 RAR Growth Pa. (%)	1987 – 1997 RAR Growth p.a. (%)
Canberra	16.2	1.8
All Other Regionals	10.8	4.3
All Metropolitans	14.4	4.9
All Markets (excluding Canberra)	13.1	4.7

Source – ABT and ABA annual returns

Table 3 shows that between 1981 and 1987 Canberra's RAR growth significantly out-paced the RAR growth in both the metropolitan and all other regional markets in aggregate. Unfortunately, shortly after the two new commercial FM services went to air in Canberra in February 1988, RAR growth declined or stagnated for more than five years between 1988 and 1994. Between 1987 and 1997, which covered the first decade of new commercial FM services in Canberra, RAR growth in Canberra substantially under-performed RAR growth in the metropolitan and all other regional markets, a reverse of the trend set before the introduction of more licences.

Rather than stimulating radio advertising revenue growth, the doubling of commercial radio services in Canberra severely fragmented the listening audience there and consequently diminished radio's appeal to advertisers relative to other media in that market to the extent that advertisers spent fewer rather than more dollar on the medium.

These statistics clearly dispel the myth, which is often cited by aspirant commercial broadcasters, that the introduction of more commercial radio services in any given market will automatically attract more advertising dollars to the medium.

Instead, the unfortunate experience of the existing commercial broadcasters in Canberra suggests that excessive increases in commercial competition are more likely to fragment the medium to such an extent that aggregate advertising revenues actually decline rather than grow.

All Regional Commercial Radio Services

Table 4

	Pre New Licences 95/96	Post New Licences 97/98	% Growth
Number of Stations	129	176	36
Revenue ($M)	190	189	- 0.5
Profit ($M)	31.7	28.3	-11
Loss ($M)	- 3.5	- 5.1	46
Number of Stations in Profit	99 (77%)	128 (73%)	
Number of Stations in Loss	30 (23%)	48 (27%)	

Source: Australian Broadcasting Authority

Table 4 shows that a 36% increase in the number of new commercial radio licences in regional Australia has resulted in declining revenues and profits.

The overall regional commercial radio figures disguise the real situation brought about by new entrants. Profitability is masked in Table 4 by the results in regional markets with a population greater than 100 000 where only one new licence has been allocated.

In the medium and smaller regional markets were all the station growth has occurred stations are experiencing an alarming growth in unprofitability.

Medium and Smaller Regional Stations (pop. up to 100 000) – profitability

Table 5

Medium and smaller regional stations	Pre New Licences 95/96	Post New Licences 97/98	% Growth
Number of stations	86	132	54
Number of profitable stations	69 (80%)	93 (70%)	
Profit of profitable stations	13.1	11.8	-10
Number of unprofitable stations	17 (20%)	39 (30%)	
Loss of unprofitable stations	-1.1	-2.8	155

Source – Australian Broadcasting Authority

As shown in Table 5 a total of 10% more stations are now unprofitable compared to pre competition days, that is, 30% of all radio stations in markets where competition has been introduced are now operating at a loss and the loss of unprofitable stations has increased by a massive 155%.

The scenario for capital city markets is potentially even more dire as evidenced in the attached projections of metropolitan radio markets.

SYDNEY PROJECTIONS 1994-2003

Without new stations

ATTACHMENT A

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All										
Agency	68.2	71.2	70.7	72.2	83.0	87.7	92.1	95.9	101.0	105.1
Non-agency	44.8	50.2	58.3	59.9	56.6	59.8	62.8	65.4	68.9	71.7
Contra	3.0	3.5	3.4	2.6	2.2	2.3	2.4	2.5	2.7	2.8
Other broadcasting	9.1	8.4	11.3	10.9	12.6	13.2	13.7	14.1	14.7	15.1
Total revenue	125.1	133.4	143.6	145.6	154.4	163.1	171.0	178.0	187.3	194.7
Salaries & wages	36.7	34.8	39.0	40.8	41.2	43.4	45.4	48.2	51.5	54.7
Employee on-costs	5.7	5.6	7.2	7.2	7.5	7.9	8.3	8.8	9.4	10.0
Agents' commission	7.1	7.4	7.2	7.5	8.5	9.0	9.4	9.8	10.3	10.8
Other selling commission	10.0	11.1	12.2	12.1	13.5	14.3	15.0	15.6	16.4	17.1
Copyright fees	2.0	2.4	2.7	2.6	3.2	3.4	3.5	3.7	3.9	4.0
Licence fees	3.1	3.4	3.9	4.0	4.2	4.4	4.7	4.8	5.1	5.3
Intra-group management fees	2.5	3.1	7.5	8.6	8.5	8.6	8.8	9.2	9.6	9.8
Depreciation & amortisation	2.9	3.4	4.0	3.3	3.2	3.2	3.3	3.5	3.6	3.7
Interest	8.3	13.2	13.9	7.1	5.2	5.3	5.4	5.6	5.8	6.0
Rent & occupancy costs	3.2	3.8	4.3	3.7	3.6	3.6	3.7	3.9	4.0	4.1
Other	33.2	34.3	28.6	28.6	29.3	29.7	30.2	31.8	32.9	33.7
Total costs	114.7	122.2	130.4	125.4	127.9	132.8	137.6	144.9	152.6	159.0
Profit	10.3	11.2	13.3	20.2	26.5	30.3	33.3	33.1	34.7	35.7

ATTACHMENT B

SYDNEY PROJECTIONS 1994-2003

1 New Station

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All stations										
Agency	68.2	71.2	70.7	72.2	83.0	87.7	92.1	95.9	101.0	105.1
Non-agency	44.8	50.2	58.3	59.9	56.6	59.8	62.8	65.4	68.9	71.7
Contra	3.0	3.5	3.4	2.6	2.2	2.3	2.4	2.5	2.7	2.8
Other broadcasting	9.1	8.4	11.3	10.9	12.6	13.2	13.7	14.1	14.7	15.1
Total revenue	125.1	133.4	143.6	145.6	154.4	163.1	171.0	178.0	187.3	194.7
Salaries & wages	36.7	34.8	39.0	40.8	41.2	43.4	45.4	49.3	54.4	59.3
Employee on-costs	5.7	5.6	7.2	7.2	7.5	7.9	8.3	9.0	9.9	10.8
Agents' commission	7.1	7.4	7.2	7.5	8.5	9.0	9.4	9.8	10.3	10.8
Other selling commission	10.0	11.1	12.2	12.1	13.5	14.3	15.0	15.6	16.4	17.1
Copyright fees	2.0	2.4	2.7	2.6	3.2	3.4	3.5	3.7	3.9	4.0
Licence fees	3.1	3.4	3.9	4.0	4.2	4.4	4.7	4.8	5.1	5.3
Intra-group management fees	2.5	3.1	7.5	8.6	8.5	8.6	8.8	9.2	9.6	9.8
Depreciation & amortisation	2.9	3.4	4.0	3.3	3.2	3.2	3.3	4.5	4.7	4.8
Interest	8.3	13.2	13.9	7.1	5.2	5.3	5.4	5.6	5.8	6.0
Rent & occupancy costs	3.2	3.8	4.3	3.7	3.6	3.6	3.7	4.5	4.7	4.8
Other	33.2	34.3	28.6	28.6	29.3	29.7	30.2	36.7	37.8	38.5
Total costs	114.7	122.2	130.4	125.4	127.9	132.8	137.6	152.8	162.6	171.1
Profit	10.3	11.2	13.3	20.2	26.5	30.3	33.3	25.1	24.7	23.6

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MELBOURNE PROJECTIONS 1994-2003

ATTACHMENT A

Without new stations

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All										
Agency	43.2	51.9	54.2	50.7	58.7	61.7	65.0	66.5	69.9	73.9
Non-agency	27.2	30.4	34.1	38.0	41.5	43.6	45.9	47.0	49.4	52.3
Contra	3.6	2.8	2.6	2.1	2.8	2.9	3.1	3.2	3.3	3.5
Other broadcasting	6.3	8.0	8.4	9.3	9.6	9.9	10.3	10.5	10.9	11.4
Total revenue	80.4	93.1	99.2	100.2	112.6	118.1	124.3	127.2	133.5	141.2
Salaries & wages	22.1	22.6	24.6	26.5	26.4	27.8	29.1	30.9	33.0	35.0
Employee on-costs	3.7	4.2	4.5	4.9	4.6	4.8	5.1	5.4	5.7	6.1
Agents' commission	4.5	5.3	5.5	5.3	6.3	6.6	7.0	7.1	7.5	7.9
Other selling commission	5.2	7.1	7.8	8.2	9.7	10.2	10.7	11.0	11.5	12.2
Copyright fees	1.5	1.7	2.1	1.9	2.5	2.6	2.8	2.8	3.0	3.1
Licence fees	2.2	2.5	2.6	2.6	2.9	3.0	3.2	3.3	3.4	3.6
Intra-group management fees	1.6	2.0	5.3	6.1	5.5	5.6	5.7	6.0	6.2	6.3
Depreciation & amortisation	2.4	2.6	2.6	2.2	2.5	2.5	2.6	2.7	2.8	2.9
Interest	3.6	2.8	7.6	7.2	8.1	8.2	8.3	8.8	9.1	9.2
Rent & occupancy costs	1.9	2.0	1.8	1.4	1.4	1.4	1.4	1.5	1.6	1.6
Other	27.6	26.5	19.2	18.8	21.9	22.1	22.6	23.7	24.6	25.0
Total costs	76.3	79.3	83.6	85.2	91.8	94.9	98.4	103.2	108.4	113.1
Profit	4.1	13.8	15.6	14.9	20.8	23.2	25.9	24.0	25.1	28.1

ATTACHMENT B

MELBOURNE PROJECTIONS 1994-2003

1 New Station

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All stations										
Agency	43.2	51.9	54.2	50.7	58.7	61.7	65.0	66.5	69.9	73.9
Non-agency	27.2	30.4	34.1	38.0	41.5	43.6	45.9	47.0	49.4	52.3
Contra	3.6	2.8	2.6	2.1	2.8	2.9	3.1	3.2	3.3	3.5
Other broadcasting	6.3	8.0	8.4	9.3	9.6	9.9	10.3	10.5	10.9	11.4
Total revenue	80.4	93.1	99.2	100.2	112.6	118.1	124.3	127.2	133.5	141.2
Salaries & wages	22.1	22.6	24.6	26.5	26.4	27.8	29.1	31.7	35.1	38.3
Employee on-costs	3.7	4.2	4.5	4.9	4.6	4.8	5.1	5.5	6.1	6.7
Agents' commission	4.5	5.3	5.5	5.3	6.3	6.6	7.0	7.1	7.5	7.9
Other selling commission	5.2	7.1	7.8	8.2	9.7	10.2	10.7	11.0	11.5	12.2
Copyright fees	1.5	1.7	2.1	1.9	2.5	2.6	2.8	2.8	3.0	3.1
Licence fees	2.2	2.5	2.6	2.6	2.9	3.0	3.2	3.3	3.4	3.6
Intra-group management fees	1.6	2.0	5.3	6.1	5.5	5.6	5.7	6.0	6.2	6.3
Depreciation & amortisation	2.4	2.6	2.6	2.2	2.5	2.5	2.6	3.5	3.7	3.7
Interest	3.6	2.8	7.6	7.2	8.1	8.2	8.3	8.8	9.1	9.2
Rent & occupancy costs	1.9	2.0	1.8	1.4	1.4	1.4	1.4	1.7	1.8	1.8
Other	27.6	26.5	19.2	18.8	21.9	22.1	22.6	28.7	29.5	30.3
Total costs	76.3	79.3	83.6	85.2	91.8	94.9	98.4	110.1	116.8	123.3
Profit	4.1	13.8	15.6	14.9	20.8	23.2	25.9	17.0	16.7	17.9

MELBOURNE PROJECTIONS 1994-2003

Impact on Station Profitability

ATTACHMENT C

1 New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	9	9	9	9	9	9	9	10	10	10
Total	25.0	19.0	15.6	14.9	20.8	23.2	25.9	17.0	16.7	17.9
Stations in profit	7	6	5	5	6	6	6	6	5	5
Combined profit	26.5	21.5	19.2	17.0	23.4	25.6	28.1	25.3	23.8	23.7
Stations in loss	2	3	4	4	3	3	3	4	5	5
Combined loss	(1.5)	(2.5)	(3.6)	(2.1)	(2.6)	(2.4)	(2.2)	(8.3)	(7.1)	(5.8)

No New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	9	9	9	9	9	9	9	9	9	9
Total	25.0	19.0	15.6	14.9	20.8	23.2	25.9	24.0	25.1	28.1
Stations in profit	7	6	5	5	6	6	6	6	6	6
Combined profit	26.5	21.5	19.2	17.0	23.4	25.6	28.1	26.8	28.2	30.9
Stations in loss	2	3	4	4	3	3	3	3	3	3
Combined loss	(1.5)	(2.5)	(3.6)	(2.1)	(2.6)	(2.4)	(2.2)	(2.8)	(3.1)	(2.8)

BRISBANE PROJECTIONS 1994-2003

ATTACHMENT A

Without new stations

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All										
Agency	20.7	23.9	25.1	25.8	28.2	29.8	31.0	32.1	34.0	36.5
Non-agency	16.1	16.5	20.6	21.6	21.6	22.8	23.8	24.6	26.1	28.0
Contra	1.8	1.8	1.4	1.4	1.0	1.1	1.1	1.1	1.2	1.3
Other broadcasting	2.7	3.1	2.7	2.5	2.5	2.6	2.7	2.8	2.9	3.1
Total revenue	41.3	45.3	49.7	51.3	53.3	56.3	58.6	60.5	64.2	68.8
Salaries & wages	12.3	11.5	12.3	11.7	11.3	11.9	12.4	13.1	14.1	14.9
Employee on-costs	1.6	2.0	2.1	2.4	2.2	2.3	2.4	2.6	2.7	2.9
Agents' commission	2.1	2.3	2.5	2.6	2.9	3.1	3.2	3.3	3.5	3.8
Other selling commission	3.0	3.9	4.6	5.0	5.2	5.5	5.7	5.9	6.3	6.7
Copyright fees	0.8	0.9	1.0	1.1	1.4	1.4	1.5	1.5	1.6	1.7
Licence fees	0.9	1.1	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.7
Intra-group management fees	0.7	0.9	3.1	3.4	3.0	3.0	3.1	3.3	3.4	3.4
Depreciation & amortisation	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Interest	5.4	8.7	7.0	6.0	2.3	2.3	2.3	2.5	2.5	2.6
Rent & occupancy costs	1.2	1.1	1.1	1.4	1.4	1.4	1.5	1.5	1.6	1.6
Other	12.5	12.3	10.3	10.7	9.5	9.7	9.9	10.4	10.7	10.9
Total costs	41.7	45.7	46.3	46.5	41.4	43.0	44.5	46.7	49.2	51.4
Profit	(0.4)	(0.4)	3.5	4.8	11.9	13.3	14.0	13.8	15.0	17.4

BRISBANE PROJECTIONS 1994-2003

ATTACHMENT B

1 New Station

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All stations										
Agency	20.7	23.9	25.1	25.8	28.2	29.8	31.0	32.1	34.0	36.5
Non-agency	16.1	16.5	20.6	21.6	21.6	22.8	23.8	24.6	26.1	28.0
Contra	1.8	1.8	1.4	1.4	1.0	1.1	1.1	1.1	1.2	1.3
Other broadcasting	2.7	3.1	2.7	2.5	2.5	2.6	2.7	2.8	2.9	3.1
Total revenue	41.3	45.3	49.7	51.3	53.3	56.3	58.6	60.5	64.2	68.8
Salaries & wages	12.3	11.5	12.3	11.7	11.3	11.9	12.4	14.0	15.4	16.9
Employee on-costs	1.6	2.0	2.1	2.4	2.2	2.3	2.4	2.7	3.0	3.3
Agents' commission	2.1	2.3	2.5	2.6	2.9	3.1	3.2	3.3	3.5	3.8
Other selling commission	3.0	3.9	4.6	5.0	5.2	5.5	5.7	5.9	6.3	6.7
Copyright fees	0.8	0.9	1.0	1.1	1.4	1.4	1.5	1.5	1.6	1.7
Licence fees	0.9	1.1	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.7
Intra-group management fees	0.7	0.9	3.1	3.4	3.0	3.0	3.1	3.3	3.4	3.4
Depreciation & amortisation	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.5	1.5	1.6
Interest	5.4	8.7	7.0	6.0	2.3	2.3	2.3	2.5	2.5	2.6
Rent & occupancy costs	1.2	1.1	1.1	1.4	1.4	1.4	1.5	1.8	1.9	1.9
Other	12.5	12.3	10.3	10.7	9.5	9.7	9.9	14.4	14.9	15.4
Total costs	41.7	45.7	46.3	46.5	41.4	43.0	44.5	52.4	55.6	58.9
Profit	(0.4)	(0.4)	3.5	4.8	11.9	13.3	14.0	8.1	8.6	9.9

BRISBANE PROJECTIONS 1994-2003

Impact on Station Profitability

ATTACHMENT C

1 New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	6	6	6	6	6	6	6	7	7	7
Total	8.4	10.7	13.8	4.8	11.9	13.3	14.0	8.1	8.6	9.9
Stations in profit	4	4	4	2	4	4	4	4	4	4
Combined profit	10.4	12.5	14.3	9.4	12.9	14.2	15.0	12.9	12.7	13.3
Stations in loss	2	2	2	4	2	2	2	3	3	3
Combined loss	(2.0)	(1.8)	(0.5)	(4.6)	(1.0)	(0.9)	(0.9)	(4.8)	(4.1)	(3.4)

No New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	6	6	6	6	6	6	6	6	6	6
Total	8.4	10.7	13.8	4.8	11.9	13.3	14.0	13.8	15.0	17.4
Stations in profit	4	4	4	2	4	4	4	4	4	4
Combined profit	10.4	12.5	14.3	9.4	12.9	14.2	15.0	14.8	16.1	18.4
Stations in loss	2	2	2	4	2	2	2	2	2	2
Combined loss	(2.0)	(1.8)	(0.5)	(4.6)	(1.0)	(0.9)	(0.9)	(1.1)	(1.1)	(1.0)

ADELAIDE PROJECTIONS 1994-2003

ATTACHMENT A

Without new stations

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All										
Agency	17.3	18.0	18.1	18.2	23.2	24.8	25.6	25.9	26.7	27.8
Non-agency	10.5	12.6	13.2	13.6	15.2	16.2	16.8	17.0	17.5	18.2
Contra	1.2	1.3	1.1	1.0	1.1	1.2	1.2	1.2	1.3	1.3
Other broadcasting	3.4	2.4	1.6	1.0	0.7	0.7	0.8	0.8	0.8	0.8
Total revenue	32.4	34.2	34.0	33.7	40.2	43.0	44.3	44.8	46.3	48.2
Salaries & wages	8.9	9.2	8.8	9.9	10.6	11.2	11.7	12.4	13.2	14.1
Employee on-costs	1.5	1.7	1.7	2.1	2.4	2.5	2.6	2.8	3.0	3.2
Agents' commission	1.8	1.9	1.8	1.8	2.4	2.6	2.6	2.7	2.8	2.9
Other selling commission	2.5	3.0	3.5	3.0	4.0	4.3	4.4	4.5	4.6	4.8
Copyright fees	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.0	1.0	1.1
Licence fees	0.8	0.8	0.8	0.7	1.0	1.1	1.1	1.1	1.2	1.2
Intra-group management fees	0.9	1.9	2.8	2.1	3.6	3.7	3.7	3.9	4.1	4.1
Depreciation & amortisation	0.9	0.9	1.1	1.2	1.2	1.2	1.2	1.3	1.4	1.4
Interest	0.8	0.7	0.3	0.2	0.6	0.6	0.6	0.7	0.7	0.7
Rent & occupancy costs	1.2	0.8	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Other	10.1	10.0	8.8	9.3	10.3	10.5	10.7	11.3	11.6	11.8
Total costs	30.1	31.6	31.4	31.9	37.8	39.4	40.6	42.5	44.5	46.1
Profit	2.3	2.6	2.6	1.8	2.4	3.6	3.6	2.3	1.8	2.1

ADELAIDE PROJECTIONS 1994-2003

ATTACHMENT B

1 New Station

	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
All stations										
Agency	17.3	18.0	18.1	18.2	23.2	24.8	25.6	25.9	26.7	27.8
Non-agency	10.5	12.6	13.2	13.6	15.2	16.2	16.8	17.0	17.5	18.2
Contra	1.2	1.3	1.1	1.0	1.1	1.2	1.2	1.2	1.3	1.3
Other broadcasting	3.4	2.4	1.6	1.0	0.7	0.7	0.8	0.8	0.8	0.8
Total revenue	32.4	34.2	34.0	33.7	40.2	43.0	44.3	44.8	46.3	48.2
Salaries & wages	8.9	9.2	8.8	9.9	10.6	11.2	11.7	12.7	13.9	15.1
Employee on-costs	1.5	1.7	1.7	2.1	2.4	2.5	2.6	2.9	3.2	3.4
Agents' commission	1.8	1.9	1.8	1.8	2.4	2.6	2.6	2.7	2.8	2.9
Other selling commission	2.5	3.0	3.5	3.0	4.0	4.3	4.4	4.5	4.6	4.8
Copyright fees	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.0	1.0	1.1
Licence fees	0.8	0.8	0.8	0.7	1.0	1.1	1.1	1.1	1.2	1.2
Intra-group management fees	0.9	1.9	2.8	2.1	3.6	3.7	3.7	3.9	4.1	4.1
Depreciation & amortisation	0.9	0.9	1.1	1.2	1.2	1.2	1.2	1.9	1.9	2.0
Interest	0.8	0.7	0.3	0.2	0.6	0.6	0.6	0.7	0.7	0.7
Rent & occupancy costs	1.2	0.8	0.9	0.8	0.8	0.8	0.8	1.1	1.1	1.1
Other	10.1	10.0	8.8	9.3	10.3	10.5	10.7	15.2	15.5	15.9
Total costs	30.1	31.6	31.4	31.9	37.8	39.4	40.6	47.6	50.0	52.3
Profit	2.3	2.6	2.6	1.8	2.4	3.6	3.6	(2.8)	(3.7)	(4.1)

ADELAIDE PROJECTIONS 1994-2003

Impact on Station Profitability

ATTACHMENT C

1 New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	5	5	5	5	5	5	5	6	6	6
Total	4.4	4.0	2.6	1.8	2.4	3.6	3.6	(2.8)	(3.7)	(4.1)
Stations in profit	3	2	3	3	3	3	3	3	3	3
Combined profit	5.3	6.0	4.8	3.4	4.4	5.5	5.6	4.2	3.0	2.4
Stations in loss	2	3	2	2	2	2	2	3	3	3
Combined loss	(0.9)	(2.0)	(2.2)	(1.6)	(2.0)	(1.9)	(2.0)	(6.9)	(6.7)	(6.5)

1 New Station	Actual 1994 $m	Actual 1995 $m	Actual 1996 $m	Actual 1997 $m	Actual 1998 $m	Forecast 1999 $m	Forecast 2000 $m	Forecast 2001 $m	Forecast 2002 $m	Forecast 2003 $m
Number of stations in the Market	5	5	5	5	5	5	5	5	5	5
Total	4.4	4.0	2.6	1.8	2.4	3.6	3.6	2.3	1.8	2.1
Stations in profit	3	2	3	3	3	3	3	3	3	3
Combined profit	5.3	6.0	4.8	3.4	4.4	5.5	5.6	4.6	4.4	4.7
Stations in loss	2	3	2	2	2	2	2	2	2	2
Combined loss	(0.9)	(2.0)	(2.2)	(1.6)	(2.0)	(1.9)	(2.0)	(2.3)	(2.6)	(2.6)