

The economic
contribution of the
outdoor media
industry – 2011
update

Outdoor Media Association

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Glossary

ABS	Australian Bureau of Statistics
FTE	Full time equivalent
GDP	Gross domestic product
GOS	Gross operating surplus
IO	Input Output tables
MOVE	Measurement of Outdoor Visibility and Exposure
OMA	Outdoor Media Association

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Executive Summary

The Outdoor Media Association (OMA) commissioned Deloitte Access Economics to provide an economic contribution of the outdoor media industry in Australia. The economic contribution study measures the direct contribution to economic activity of the outdoor media industry in the calendar year 2010, as shown below.

The outdoor media industry makes a noteworthy contribution to the Australian economy. In 2010 the direct contribution to GDP (value added) to Australia resulting from the industry is estimated to be \$244.3 million (in \$2011 to allow a real comparison between the years). Some \$74.2 million was paid in wages and \$125.4 million is returned to capital owners as gross operating profit. Total taxes, including net GST paid by the sector, were \$44.7 million. The direct employment contribution in 2010 was 755 full time equivalent employees.

Table i: Economic contribution and employment, 2010, \$m

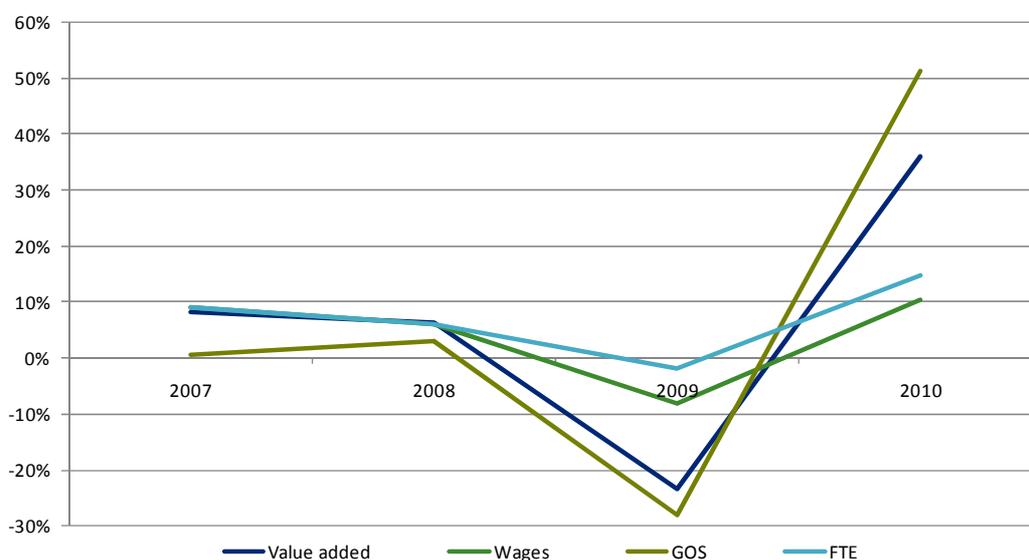
	Australia
Direct effects	
Value added	244.3
Labour income	74.2
Gross operating surplus	125.4
Taxes	44.7
Employment (FTE)	755.2

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

It should be noted that all estimates in this report are in 2011 dollar values to allow a real comparison between years. The media/non-media revenue breakdown may differ to other industry published figures for 2010 because the survey did not constrain members to report only on revenue from the four categories, Roadside Billboards, Roadside Other, Transport and Retail/Lifestyle, but also included additional media based revenue streams such as experiential events, maintenance contracts and infrastructure sales.

Chart i shows the change in the direct contribution of the outdoor media industry in the last half decade. Value added and employment increased between 2006 and 2007, before stabilising in 2008. The industry experienced a decline in value added and employment in 2009, but in 2010 economic activity improved and the industry reached its greatest value added and employment contribution to date.

Chart i: Direct economic contribution and employment, historical growth rates, % change from previous year



Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

State contributions

The economic analysis is broken down geographically to illustrate the industry’s contribution for each state. New South Wales and Victoria continue to dominate the outdoor media industry and have the greatest number of outdoor media sites.

The New South Wales outdoor media industry contributed \$127.5 million to GDP in 2010. Victoria contributed \$62.2 million and Queensland’s value added was \$35.3 million. The rest of the states contributed a combined total of \$19.3 million in value added.

Similarly to the GDP contribution, the New South Wales outdoor media industry also employed the greatest number of staff, with 431 full time equivalent employees (FTE).

Table ii: Direct economic contribution and employment, 2010, \$m

	NSW	VIC	QLD	All other jurisdictions	Total
Value added	127.5	62.2	35.3	19.3	244.3
Labour income	47.3	15.1	8.7	3.2	74.2
Gross operating surplus	59.1	34.8	19.6	11.8	125.4
Taxes	21.1	12.4	7.0	4.2	44.7
Employment (FTE)	431.0	158.9	126.4	39.0	755.2

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

The largest proportion of the economic contribution is derived from media revenue stemming from national campaigns in metropolitan areas paid for by private companies.

Table iii provides a summary of the outdoor media industry based on data collected in the 2011 OMA Industry Survey, and not already outlined above.

Table iii: Summary of the outdoor media industry in Australia, 2010

	NSW	VIC	QLD	All other jurisdictions	Total
Revenue by source (\$m)					
Media revenue	243.1	149.2	78.2	47.7	518.2
Non media revenue	43.3	19.1	16.8	9.6	88.8
Media revenue by campaign type (\$m)					
National	195.7	116.5	41.1	33.1	386.4
State	42.7	28.3	21.8	11.4	104.2
Local or regional	4.7	4.4	15.3	3.2	27.6
Total revenue (\$m)	286.4	168.3	95.0	57.3	607.0
Expenses by region (\$m)					
Metropolitan	231.0	141.5	58.4	32.8	463.7
Non-metropolitan	5.3	2.4	9.7	0.5	17.9
Expenses by source (\$m)					
Labour costs	47.3	15.1	8.1	3.2	73.7
Non-labour costs	189.0	128.7	60.1	30.1	408.0
Total expenses (\$m)	236.3	143.8	68.2	33.3	481.7
Number of outdoor media sites by category					
Roadside-billboards	3,109	931	4,629	1,130	9,799
Roadside-other	13,113	9,661	4,235	8,397	35,406
Transport	8,458	5,557	2,781	3,294	20,090
Retail/lifestyle	4,035	2,274	2,387	1,563	10,259
Total number of outdoor media sites	28,715	18,423	14,032	14,383	75,553
Number of public infrastructure items					
Bus shelters	2,737	3,974	950	1,564	9,225
Tram shelters	278	819	0	0	1,097
Bins provided	1,498	98	0	1	1,597
Park benches	1,091	0	0	57	1,148
Public toilets provided	110	1	0	1	112
Bicycles	0	0	801	0	801
Bicycle stations	28	0	81	0	109
Kiosks	62	1	0	0	63
Other	1,276	704	1,143	415	3,538
Total public infrastructure items	7,080	5,597	2,975	2,038	17,690

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates

1 Introduction

Access Economics was approached by the Outdoor Media Association (OMA) to provide an update to the report *National Economic Study of the Outdoor Media Industry*, which we completed in December 2007.

The update applies the same methodology utilised in the 2007 assessment, using updated data collected from the 2011 survey of OMA members. This will enable us to measure the economic contribution of the industry to the Australian economy, and with a state breakdown, for the 2010 calendar year. Survey respondents were also asked to provide financial data for the preceding half decade to allow comparison between the years.

OMA, established in 1939, is the Australian peak industry body representing 97% of Australia's outdoor media display companies and production facilities, as well as some media display asset owners. OMA aims to serve its members by promoting the industry through media relations, research and marketing; and developing positive relations with stakeholders including government bodies.

OMA currently has approximately 30 members, of which approximately 20 are outdoor media operators.

1.1 Framework for the analysis

Chapter 2 provides a description of the Australian outdoor media industry and includes information on the types of formats and the outdoor media market.

Chapter 3 discusses the 2011 outdoor media industry survey design and data caveats.

Chapter 4 provides a summary of the survey results which feed into the economic contribution.

Chapter 5 outlines the findings of the economic contribution, focussing on the direct contribution of the outdoor media industry in terms of value added and employment.

Chapter 6 discusses the community contributions made by the outdoor media industry.

1.2 Economic contribution studies

The direct economic contribution to GDP of the outdoor media industry is the value added created by labour and capital inputs employed directly by the industry, as well as the employment associated with the industry.

Further detail on the approach used to measure the economic contribution of the outdoor media industry is provided in Appendix A.

2 The outdoor media industry

The outdoor media industry in Australia is represented by OMA and covers a range of advertising panel formats.

The industry provides significant public benefits particularly in the form of community infrastructure such as bus shelters, park benches, phone booths and bicycle stations. In the absence of outdoor media, local governments may incur the significant costs of financing this infrastructure.

2.1 Outdoor media formats

Outdoor media display companies provide space for third-party advertisements in public areas. These companies use an assortment of sites and panel types which have varied reach and selectivity.

In 2009 the outdoor media industry changed from categorising revenue results by format (large posters, posters, transit and street furniture), to reporting results by audience environments.

The alteration was made so the categories align with the Measurement of Outdoor Visibility and Exposure (MOVE) tool and because over the past decade the shape of outdoor media has changed to encompass a wider range of outdoor formats. As such, results disaggregated by category cannot be compared before and after 2009.

The four categories of display advertising which OMA members were asked to report on are:

- **Roadside-billboards**
 - Posters and billboards on highways and arterial routes (these may be illuminated or backlit, and all sizes)
- **Roadside-other**
 - Bus/tram shelters
 - Kiosks, phone booths and bicycle stations
 - Bus/tram/taxi externals
 - Street signs and illuminated street poles
 - Mobile billboards and free standing panels
- **Transport**
 - Bus/tram/taxi internals
 - Bus terminal internals
 - Railway stations and concourse
 - Internal and external airport terminals and precincts
 - Bicycles
- **Retail/Lifestyle**

- Internal and external shopping centres
- Car parks and universities

More than 95% of revenue generated from outdoor advertising is covered by one of these formats. However OMA does not represent businesses that install 'on-premise' advertisements that advertise the business, services and products on the advertiser's property such as corporate sky signs (wall or roof mounted and usually illuminated), and hoardings around development sites (e.g advertising office space in the new construction) where there is no third party stakeholder (i.e. none of the advertisement boards relate to third party interests).

2.2 Users of outdoor media

Outdoor advertising is used by a range of clients from smaller growth businesses to established multi-national organisations. It is increasingly viewed as a compelling and effective method of advertising by clients.

Outdoor media advertising is used by every industry in Australia. According to Nielsen Media Research the top 10 advertisers in outdoor media in 2010 are: New South Wales Government (with expenditure of \$15.1 million), Coca Cola Amatil, Testra, Lion Nathan National Foods, McDonalds, Victorian Government, SingTel Group, Vodafone Hutchison, Nestle Australia/L'Oreal, and American Express.

The retail industry was the major spender in 2010, followed by finance, entertainment and leisure, communications, motor vehicles, travel/accommodation and government.

2.3 Target audience of outdoor media

Outdoor media targets a significant proportion of the population. People are increasingly spending less time at home exposed to more traditional media forms and more time in the car commuting. Outdoor media enables clients to reach a mass audience at a low cost for 24 hours-a-day 7 days-a-week coverage.

In February 2010, OMA launched its Australian audience measurement tool, referred to as Measurement of Outdoor Visibility and Exposure (MOVE). The tool is a web-based system which analyses the proportion of the audience that will in probability see an outdoor advertisement. A visibility index is applied to each outdoor media product using variables such as the size of the product, illumination and speed with which an audience is passing. Authorised media agencies and OMA members are able to view the system via a login on the internet.

The MOVE tool enables clients to make more informed decisions about outdoor media advertising, including analysis of the most cost-effective form of advertising, and which outdoor products and locations are best for them.

3 Survey design

Deloitte Access Economics worked with OMA to update the 'OMA industry survey' used to estimate the aggregate revenue stream and value added of the industry in 2007. The survey was then sent to OMA members and responses were collated and analysed by Deloitte Access Economics.

The data captured (on a state-by-state and regional/metropolitan area basis) in the survey includes:

- Current and projected full time equivalent (FTE) employment levels (including a head count split by full-time, part-time, casual and contract positions);
- Current and projected number of advertising panel sites broken down by category;
- Current and projected expenditure (eg. wages and salaries, other non-labour costs such as rent and materials, investments) revenue data (including a media/non-media split¹ and media revenue by client type and sector);
- State, Commonwealth and local council taxes paid;
- Public benefit expenditure in terms of sponsorships, in-kind charitable donations and other community involvement;
- Descriptions of organisational environmental programs and initiatives;
- Identification of any business risks to the individual organisations and the overall industry;
- Public infrastructure constructed and other public contributions, and the related capital and operating expenditure on the investments; and
- Historical trends of key statistics for the previous four financial years.

To capture the linkages of the outdoor media industry with upstream and downstream industries, members were also asked to provide expenditure data on supplier services (or intermediate inputs). That is, the outdoor media industry does not only directly employ a large number of workers but also generates a considerable amount of indirect employment. For example, outdoor media infrastructure such as display panels integrated into street furniture and billboards require content that is provided by advertising agencies, which employ copywriters and graphic designers etc.

Although the framework of the survey and the key data requirements described above remain the same, some key additional questions have been added to the survey, namely:

- questions regarding the location by outdoor media format , to enable regional analysis;
- Not for profit revenue has been disaggregated into health, education, sports and events, community and other;

¹ The media/non-media revenue breakdown may differ to other industry published figures for 2010 because the survey did not constrain members to report only on revenue from the four categories, Roadside Billboards, Roadside Other, Transport and Retail/Lifestyle, but also included additional media based revenue streams such as experiential events, maintenance contracts and infrastructure sales.

- The categories of 'sites' have been altered to roadside-billboard, roadside-other, transportation and retail/other to allow greater clarification for survey respondents;
- An additional question has been included to determine the regional distribution of the media, distinguished between metropolitan and non-metropolitan sites; and
- The list of types of public infrastructure provided has been expanded to include bicycles, bicycle stations and the number of kiosks.

The new survey results are an essential tool underpinning the economic contribution of the outdoor media association in 2011. The results presented in this report are an aggregated view of the 14 survey respondents, estimated to comprise over 99% of the revenue of outdoor media operators and a high proportion of the activity in the outdoor media industry in Australia.

Some 6 outdoor media operators did not respond to the survey, and these comprise the comparatively small outdoor media companies. However, as such the economic contribution and employment of the industry may be slightly underestimated due to the contribution of the companies which are not included in the analysis.

3.1 Data caveats

As is the nature of survey data, there were a handful of inconsistencies in the responses. Where possible the nominated contact person for each organisation was contacted to discuss any such data discrepancies. However, primarily due to confidentiality reasons, it was not possible to obtain a complete data set from every member organisation.

To ensure a full account of the activity in the sector some imputations were made on the data supplied by respondents. Where data was not supplied sector wide averages (from the fully completed surveys) were used to impute the missing data. For example where only revenue information was supplied the industry averages for employees, wages, profits and tax etc were applied to impute the missing data.

4 Survey results

This section summarises the key data in terms of cash flows, market activity and jurisdictional presence of the outdoor media industry in Australia. The data below is derived from the 2011 OMA Industry survey. All data is presented in \$2011 to enable a real comparison between years. This is so that the year to year movement in the data is explained by changes in economic activity in the sector instead of by changes in prices or inflation. More information on the conversion to \$2011 can be found in Appendix B.

4.1 Financial performance overview

In 2010 the outdoor media industry recorded net sales operating revenue of \$607.0 million and operating expenses of \$481.7 million. The outdoor media industry reported a net profit of \$43.8 million, significantly higher than the net profit of the previous financial year. Total taxes paid were \$44.5 million, this includes all direct taxes and the net GST paid by the sector. Table 4.1 provides an overview of the financial performance of the outdoor media industry in Australia in 2010.

Table 4.1: Financial performance, \$m

	2010
Total operating revenue (total sales ex. GST)	607.0
Staff costs (wages, salaries and labour on-costs) *	74.2
Other costs (all non-labour overheads eg rent) *	407.5
Total expenses (ex. GST)	481.7
Gross profit (GOS)	125.4
Direct taxes paid (Commonwealth, state, local)	25.5
Net GST paid by the sector	19.0
Government subsidies received (grants etc)	0.0
Interest, depreciation, amortisation	37.1
Net profit	43.8

*Excludes taxes (eg payroll tax, stamp duty and rates) however these are included in GOS and taxes paid.
Source: OMA industry survey 2011 and Deloitte Access Economics.

Table 4.2 shows the outdoor media industry's growth rates over the past four years. Net profit experienced a 11% decline in 2007, before rebounding in 2008. The global financial crisis affected the industry in 2009 with a fall in net profit of 32%, however the industry rebounded with a 80% increase in net profit in 2010.

Table 4.2: Historical growth rates of income, % change from previous year

	2007	2008	2009	2010
Total operating revenue (total sales ex. GST)	14	8	-8	20
Staff costs (wages, salaries and labour on-costs) *	12	10	-6	13
Other costs (all non-labour overheads eg rent) *	18	8	-3	14
Total expenses	17	8	-4	14
Gross profit (GOS)	4	7	-26	55
Government subsidies received (grants etc)				
Interest, depreciation, amortisation	3	-6	4	12
Net profit	-11	6	-32	80

*Excludes taxes, (eg payroll tax, stamp duty and rates), however these taxes are included in GOS and taxes paid.

Source: OMA industry survey 2011 and Deloitte Access Economics.

4.2 Detailed revenue analysis

The net media figures contained within this report may differ to other industry published figures for 2010 due to the addition of other media related revenue streams that are not ordinarily reported for published media revenue figures. Traditional media revenue figures reported by the industry are based on figures limited to four categories of essentially permanent signage types: Roadside Billboards, Roadside Other, Transport and Retail/Lifestyle. The survey for this report was not constrained to those 4 categories and subsequently each company has had the potential to include additional media based revenue streams such as experiential events, maintenance contracts and infrastructure sales.

Table 4.3 shows the breakdown of total operating revenue in the outdoor media industry in 2010. Media revenue contributes to approximately 85% of total revenue, with \$518.2 million generated in media revenue across Australia in 2010. Non-media revenue contributed to \$88.8 million of total revenue in 2010. New South Wales generates the highest revenue for the industry. Total revenue derived by the outdoor media industry in 2010 is \$607.0 million.

Table 4.3: Breakdown of revenue by media and non-media, 2010, \$m

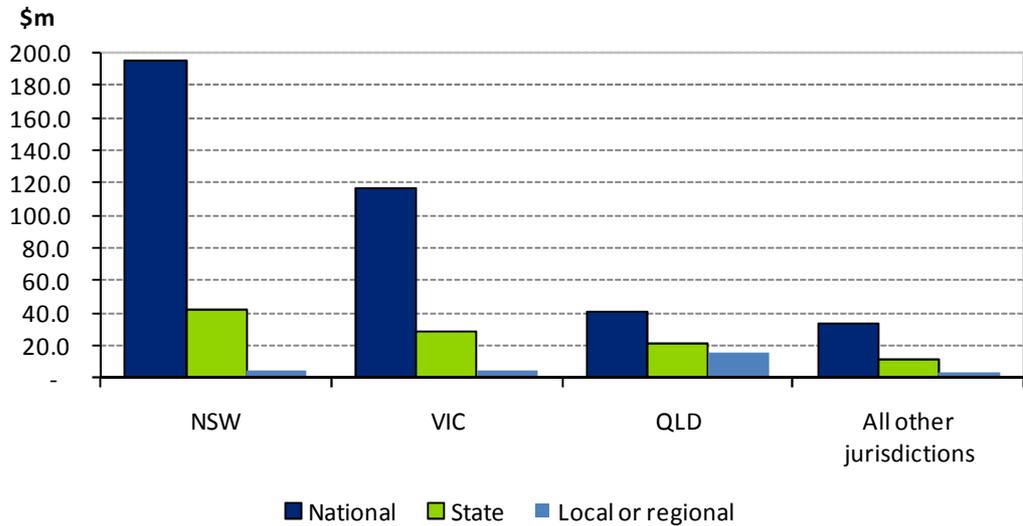
State	Media revenue	Non-media revenue	Total
NSW	243.1	43.3	286.4
VIC	149.2	19.1	168.3
SA	19.5	3.9	23.4
QLD	78.2	16.8	95.0
WA	25.4	5.5	30.9
TAS	1.3	0.0	1.3
ACT	1.3	0.1	1.4
NT	0.2	0.0	0.2
Total	518.2	88.8	607.0

Source: OMA Industry Survey, 2011.

Chart 4.1 shows the breakdown of media revenue by type of campaign in 2010. The majority of outdoor media campaigns are run at a national level, with very few campaigns

run at local or regional level. This data is also presented on Table iii in the Executive Summary.

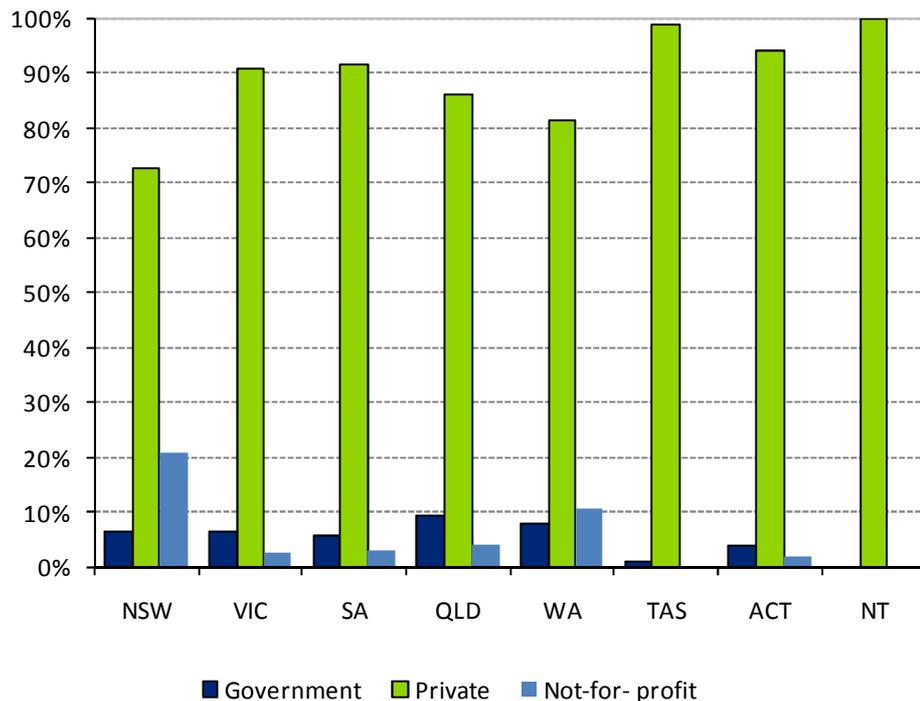
Chart 4.1: Breakdown of media revenue by campaign type, 2010, \$m



Source: OMA Industry Survey, 2011.

Chart 4.2 shows that the largest proportion of campaigns are run by private companies, although Government use of outdoor media is seen across all states except the Northern Territory. In New South Wales not-for-profit campaigns comprise a proportionately larger share of media revenue in comparison to other states.

Chart 4.2: Breakdown of media revenue by sector, 2010



Source: OMA Industry Survey, 2011.

4.3 Detailed expenses analysis

Survey respondents were also asked to provide total expenses data disaggregated by state. Table 4.4 shows that similarly to revenue, New South Wales and Victoria have the highest expenses of the states, with costs of \$236.3 and \$143.8 respectively. Total expenses incurred by the outdoor media industry in 2010 are \$481.7 million.

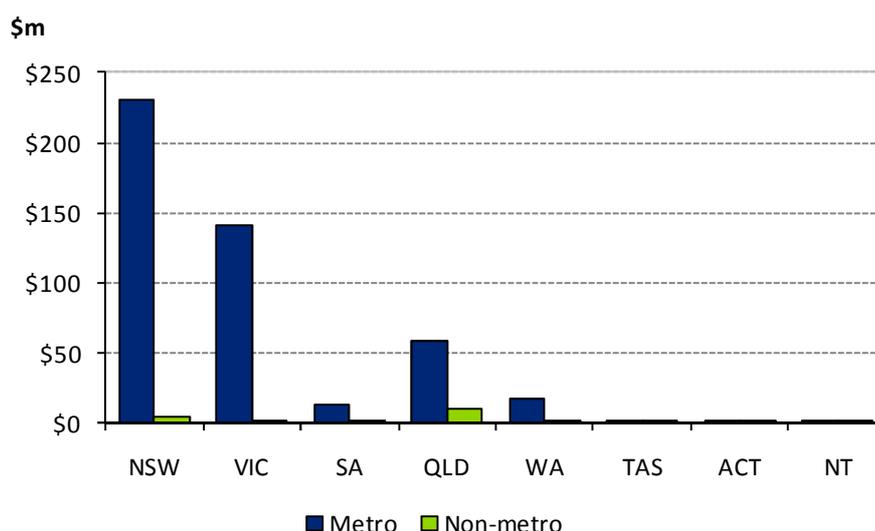
Table 4.4: Total expenses by state, 2010, \$m

State	Total
NSW	236.3
VIC	143.8
SA	13.7
QLD	68.2
WA	17.7
TAS	0.8
ACT	1.0
NT	0.2
Total	481.7

Source: OMA Industry Survey, 2011.

Chart 4.3 shows the breakdown of expenses by metropolitan and non-metropolitan areas. In New South Wales, Victoria, Queensland, Western Australia and South Australia metropolitan areas had by far the greatest expenses. This data is also provided on Table iii in the Executive Summary.

Chart 4.3: Expenses breakdown by metropolitan and non-metropolitan regions, 2010, \$m



Source: OMA Industry Survey, 2011.

Table 4.5 shows the breakdown of labour to non-labour costs between states. It shows that labour costs account for approximately \$73.7 million, or 15% of total expenditure of the industry, and non-labour costs account for \$408.0 million in 2010.

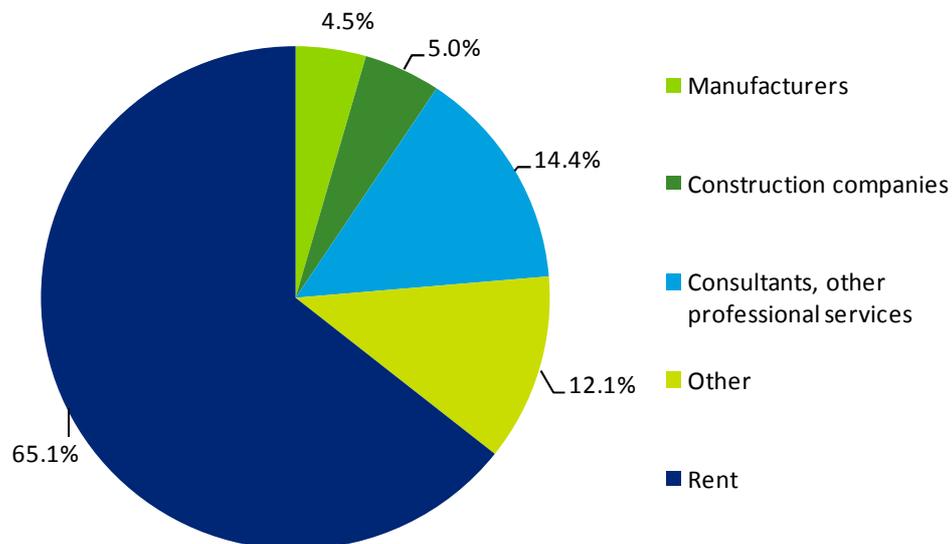
Table 4.5: The breakdown of labour and non-labour costs, 2010, \$m

State	Labour costs	Non-labour costs
NSW	47.3	189.0
VIC	15.1	128.7
SA	1.5	12.2
QLD	8.1	60.1
WA	1.5	16.1
TAS	0.1	0.7
ACT	0.0	1.0
NT	0.0	0.2
Total	73.7	408.0

Source: OMA Industry Survey, 2011.

Chart 4.4 shows the breakdown of non-labour expenditure in the outdoor media industry in 2010. Rent contributed to 65.1% of total non-labour expenditure, followed by consultants and other professional services with 14.4% of expenses.

Chart 4.4: Breakdown of non-labour expenditure, 2010



Source: OMA Industry Survey, 2011.

4.4 Jurisdictional and regional data

There are over 75,500 outdoor media sites across Australia in 2010, as shown on Table 4.6. Some 28,715 of these sites were in New South Wales and 18,423 sites were in Victoria. The Northern Territory and ACT had the smallest number of outdoor media sites. In the ACT outdoor media was banned entirely until 2006.

Roadside-other was the largest outdoor media category, with more than 35,400 sites across Australia. There were 9,799 roadside billboards situated across Australia in 2011 and 20,090 advertisements in the transport category.

Table 4.6: Number of outdoor media sites by category, 2010

State	Roadside - Billboards (no.)	Roadside - Other (no.)	Transport (no.)	Retail/ Lifestyle (no.)	Total (no.)
NSW	3,109	13,113	8,458	4,035	28,715
VIC	931	9,661	5,557	2,274	18,423
SA	413	4,705	1,355	720	7,193
QLD	4,629	4,235	2,781	2,387	14,032
WA	527	3,659	1,818	663	6,667
TAS	190	33	85	34	342
ACT	0	0	0	146	146
NT	0	0	35	0	35
Total	9,799	35,406	20,090	10,259	75,553

Source: OMA Industry Survey, 2011.

Table 4.7 shows that some 70,148 of the 75,553 sites (93%) were situated in metropolitan regions across Australia. This can be attributed to the relative sizes of economies.

Table 4.7: Regional distribution of sites, 2010

Location	Number
Metropolitan	70,148
Non-metropolitan	5,405
Total	75,553

Source: OMA Industry Survey, 2011.

All formats of outdoor advertising experienced an increase in net revenue between 2009 and 2010. Roadside billboards and roadside-other contributed 72% of the total net revenue generated by outdoor media in 2010, with approximately 35% from roadside-billboards and 37% from roadside-other respectively. Transport contributed approximately 14% and the retail/lifestyle sector also contributed approximately 14% of the outdoor media industry's net revenue in 2010.

4.5 Regulations and industry risks

Business risks and industry influences identified in survey responses, in order of most frequently mentioned, include:

- The downturn in advertising spend resulting from global economic conditions and a decrease in business expenditure on advertising,
- Potential new entrants to the market competing for contract tenders,
- Increased regulation and planning constraints as a result of the public backlash against inappropriate content on billboards and the location of billboards,
- Natural disasters destroying some outdoor media infrastructure; and
- Suggestive or offensive billboards degrading the reputation of the industry.

Opportunities that were identified in survey responses, in order of most frequently cited, include:

- Improved acceptance by media buyers of MOVE data leading to the growing acceptance of outdoor media as an effective advertising medium,
- Improved planning environment to allow more digital content, allowing for more advertising faces,
- Acquisition opportunities resulting from desire of some media businesses seeing outdoor as being non-core; and
- The industry is growing significantly against other traditional media and is attracting new advertisers.

5 The economic contribution

This chapter discusses the direct economic contribution of the outdoor media industry to the Australian economy in the calendar year to December 2010. The contribution is also broken down geographically to represent the industry's contribution to state economies.

Due to the relatively concentrated nature of the industry, the 14 responses represent more than 99% of the total revenue of the outdoor media companies and a high proportion of the activity in the outdoor media industry.

OMA members provided information on employment, income and expenditure through the OMA industry survey. More information on the economic model and framework for analysis can be found in Appendix A of this report.

All data is presented in \$2011 to enable a real comparison between years.

5.1 Direct economic contribution

The direct contribution of the outdoor media industry captures the value-added created by labour and capital inputs. Value-added (output after deducting the value of intermediate inputs) is the most appropriate measure of an industry's economic contribution to gross domestic product (GDP). Industry value added can be calculated directly by summing the returns to the primary factors of production, labour (wages and salaries) and capital (Gross operating surplus), as well as production taxes less subsidies. The value added of each industry in the value chain can be added without the risk of double counting across industries.

Gross operating surplus (GOS) is a measure used in the national accounting framework to assess the returns to capital (a primary factor of production). It essentially represents the operational profits of the industry. Financial aspects are not included in measuring GOS.

The direct economic and employment contribution of the outdoor media industry is estimated for the 2010 calendar year in \$2011 to allow for a real comparison between the years, as shown in Table 5.1. The contribution to GDP (value added) is estimated to be \$244.3 million across Australia in 2010, with \$74.2 million being paid in wages and \$125.4 million being returned to capital owners as gross operating surplus. Total taxes paid were \$44.7 million. Direct employment in 2010 is estimated to be 755 full time equivalent employees across Australia.

This contribution is also broken down geographically, to illustrate the outdoor media industry's contribution across the states. The New South Wales outdoor media industry is the largest in Australia, contributing \$127.5 million to GDP in 2010. Victoria contributed \$62.2 million and Queensland's value added was \$35.3 million. The rest of the states contributed \$19.3 million in direct value added.

Similarly to the contribution to GDP, New South Wales outdoor media industry also directly employed the greatest number of staff, with 431 full time equivalent (FTE) workers.

Table 5.1: Direct economic contribution and employment, 2010, \$m

	NSW	VIC	QLD	All other jurisdictions	Total
Value added	127.5	62.2	35.3	19.3	244.3
Labour income	47.3	15.1	8.7	3.2	74.2
Gross operating surplus	59.1	34.8	19.6	11.8	125.4
Taxes	21.1	12.4	7.0	4.2	44.7
Employment (FTE)	431.0	158.9	126.4	39.0	755.2

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

The direct employment described in Table 5.1 is derived from responses to OMA's Industry Survey where respondents were asked to report their employment in FTEs.

Respondents were also asked to report their employment numbers in terms of the headcount of those individuals employed on a full-time, part-time, casual and contract basis. These results are shown on Table 5.2.

The FTE employment reported in Table 5.1 is different to the headcount employment reported in Table 5.2 because respondents have indicated that part time employees, casual workers and contract staff have lower FTE coefficients.

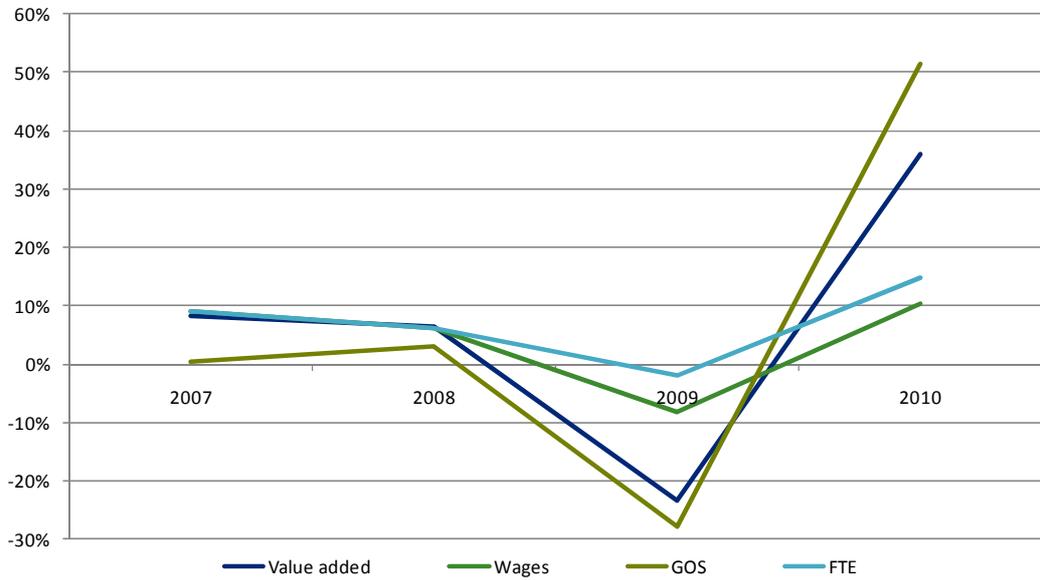
Table 5.2: Direct employment by state

States	Full-time	Part-time	Casual	Contract
NSW	411	12	15	97
VIC	152	4	0	68
SA	19	0	0	22
QLD	116	6	1	62
WA	18	0	0	10
Other states	1	0	0	10
Total	717	22	16	269

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

Chart 5.1 shows the % change in the outdoor media industry's direct contribution to GDP and employment over the past half decade. Value added and employment increased in 2007, and remained fairly stable to 2008. Due to the financial crisis in 2009 the economic and employment contribution experienced a decline before rebounding in 2010 to the highest historical level of value added and employment experienced by the industry.

Chart 5.1: Direct economic contribution and employment, historical growth rates, % change from previous year



Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

6 Public benefits

The outdoor media industry generates a number of public benefits which cannot be easily quantified in the economic contribution analysis and are discussed below.

Public community benefits provided by outdoor media companies include the donation of free advertising space, monetary donations and sponsorships and funding community infrastructure allowing government funds to be spent on other public goods and services.

6.1 Sponsorships

The 2011 OMA Industry Survey asked participants to list their charitable activities for 2010. The outdoor media industry contributed a total of \$13.25 million across Australia in charitable activities in 2010 (in \$2011). Of this \$12.73 million is provided in free advertising space. The charitable activities are disaggregated by state where possible, however, in many cases donations and advertising space are provided to national organisations and it is difficult to determine which state directly benefits from such charity.

Table 6.1: Charitable activities, 2010, \$m

Expenditure during 2010	National	NSW	VIC	QLD	All other jurisdictions	Total
Donations	0.30	0.02	0.05	0.02	0.00	0.40
Free advertising space	1.56	5.26	3.85	1.29	0.78	12.73
In-kind services (eg staff volunteering)	0.06	0.02	0.01	0.01	0.00	0.10
Other	0.00	0.00	0.00	0.02	0.00	0.02
Total charitable activities	1.92	5.31	3.91	1.34	0.78	13.25

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

6.2 Funding infrastructure

Table 6.2 shows the public infrastructure items provided by the outdoor media industry as of December 30 2010. The industry provided 9,503 bus shelters and 819 tram shelters. Some 1,597 bins and 1,239 park benches were also provided.

In total 17,690 items were provided by outdoor media industry members as of December 2010, and of these some 7,080 were in New South Wales, with 5,597 items in Victoria.

Table 6.2: Public infrastructure items provided by the outdoor media industry, at December 2010

Number of items	NSW	VIC	QLD	All other jurisdictions	Total
Bus shelters	3,015	3,974	950	1,564	9,503
Tram shelters	0	819	0	0	819
Bins provided	1,498	98	0	1	1,597
Park benches	1,182	0	0	57	1,239
Public toilets provided	19	1	0	1	21
Bicycles	0	0	801	0	801
Bicycle stations	28	0	81	0	109
Kiosks	62	1	0	0	63
Other (eg idenlites, telephone bollards and booths)	1,276	704	1,143	415	3,538
Total public infrastructure items	7,080	5,597	2,975	2,038	17,690

Source: OMA Industry Survey, 2011

Table 6.3 shows that the total replacement value of site infrastructure in 2010 across Australia is \$274 million. Victoria's replacement value of the infrastructure is the highest of the states, at \$103 million.

Table 6.3: Total replacement value of site infrastructure, 2010, \$m

	NSW	VIC	QLD	All other jurisdictions	Total
Replacement value	89.45	103.18	45.33	36.20	274.15

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

Table 6.4 shows the expenditure on public infrastructure by the industry. Survey participants reported operating expenditure of \$88.36 million in 2010, with capital expenditure of \$14.59 million. Outdoor advertising sites generate revenue for public transport authorities, local councils and government road corporations. New South Wales and Victoria, with the largest outdoor media industries, dominate the public infrastructure expenditure of the industry.

Table 6.4: Public infrastructure expenditure, 2010, \$m

Expenditure during 2010	NSW	VIC	QLD	All other jurisdictions	Total
Operating expenditure					
Bus/tram shelter maintenance	1.92	1.32	0.59	0.95	4.78
Other public infrastructure maintenance	0.48	0.08	0.22	0.09	0.87
Local councils	10.39	5.39	5.17	0.75	21.70
Private road owners/corporations excl. application fees	1.10	4.23	0.00	0.00	5.33
Transport authorities	42.18	6.23	1.62	5.64	55.68
Total operating expenditure	56.08	17.26	7.60	7.43	88.36
Capital expenditure					
Bus/tram shelter design and installation	2.42	0.97	1.43	1.06	5.88
Other public infrastructure design and installation	0.00	0.01	8.71	0.00	8.72
Total capital expenditure	2.42	0.98	10.14	1.06	14.59

Source: OMA Industry Survey, 2011 and Deloitte Access Economics estimates.

6.3 Environmental programs

The outdoor media industry actively participates in environmental projects to help improve environmental conditions in Australia.

The survey requested respondents to identify any environmental programs of initiatives that their organisation has in place. Some 9 of the 14 participants responded to this section of the survey, saying that they had environmental targets and initiatives in place. The main programs in place are:

- To reduce energy consumption through sustainable strategies, by using recycled materials for manufacturing, recycling old posters, using environmentally friendly cleaning and maintenance products,
- To reduce water consumption in the cleaning process,
- To reduce landfill waste through recycling of posters, billboards and frames,
- Conversion to more energy efficient LED lighting on back and front-lit advertising panels and posters to reduce energy consumption; and
- Offsetting paper consumption by funding revegetation programs, and trying to reduce paper waste.

These programs were cited by individual companies:

- Solar powered shelters to reduce energy consumption,
- The use of rain water for cleaning of the sites,
- Use of government accredited green power,
- Anti-vandalism campaign, partnering with the community to establish anti-vandalism incentives; and
- Switching to LPG powered vehicles.

References

Australian Bureau of Statistics, *Australian National Accounts: Input-Output Tables 2006-07*, 5409.0.55.001, April 2011

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Outdoor Media Association, *Facts and Figures*, 2011. Accessed through www.OMA.org.au

Outdoor Media Association *Industry Survey 2011*

Appendix A Economic contribution studies

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry.

Value added

Value added is the most appropriate measure of an industry's/company's economic contribution to gross domestic product (GDP) at the national level, or gross state product (GSP) at the state level.

The value added of each industry in the value chain can be added without the risk of double counting across industries caused by including the value added by other industries earlier in the production chain.

Other measures, such as total revenue or total exports, may be easier to estimate than value added but they 'double count'. That is, they overstate the contribution of a company to economic activity because they include, for example, the value added by external firms supplying inputs or the value added by other industries.

Measuring the economic contribution

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution:

- **Value added** measures the value of output (ie goods and services) generated by the entity's factors of production (ie labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.

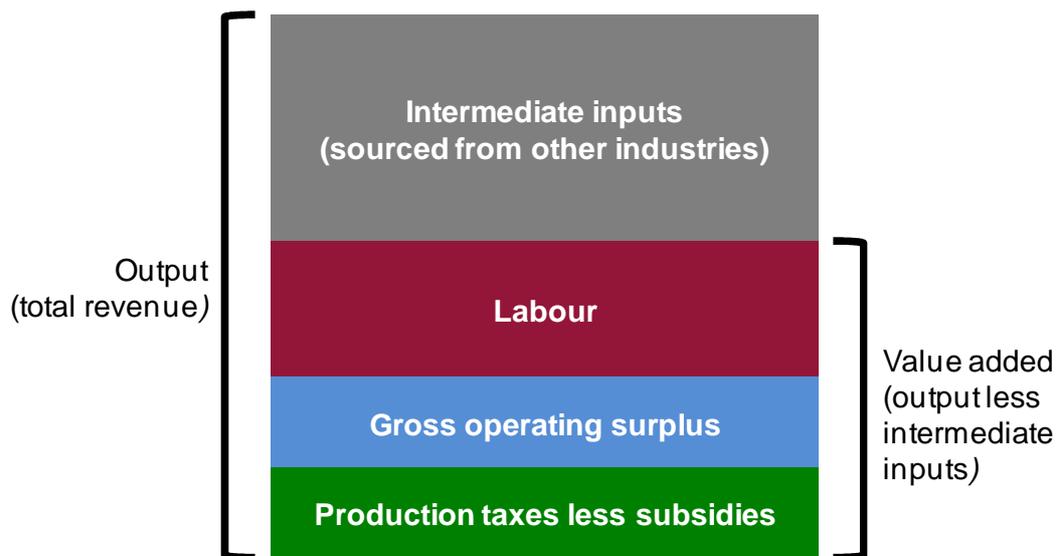
Value added is the sum of:

- Gross operating surplus (GOS). GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA).
- Tax on production less subsidy provided for production. This generally includes company taxes and taxes on employment. Note: given the returns to capital before tax (EBITDA) are calculated, company tax is not included or this would double count that tax.
- Labour income is a subcomponent of value added. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.

- **Gross output** measures the total value of the goods and services supplied by the entity. This is a broader measure than value added because it is an addition to the value added generated by the entity. It also includes the value of intermediate inputs used by the entity that flow from value added generated by other entities.
- **Employment** is a fundamentally different measure of activity to those above. It measures the number of workers that are employed by the entity, rather than the value of the workers' output.

Figure A.1 shows the accounting framework used to evaluate economic activity, along with the components that make up gross output. Gross output is the sum of value added and the value of intermediate inputs. Value added can be calculated directly by summing the payments to the primary factors of production, labour (ie salaries) and capital (ie gross operating surplus, 'GOS', or profit), as well as production taxes less subsidies. The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factor inputs.

Figure A.1: Economic activity accounting framework



Source: Deloitte Access Economics.

Direct and indirect contributions

The **direct** economic contribution is a representation of the flow from labour and capital in the industry.

The **indirect** contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by the outdoor media industry. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Australian Bureau of Statistics input-output tables which report the inputs and outputs of specific sectors of the economy (ABS 2008).

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

Unless there is significant unused capacity in the economy (such as unemployed labour) there is only a weak relationship between a firm's economic contribution as measured by value added (or other static aggregates) and the welfare or living standard of the community. Indeed, the use of labour and capital by demand created from the industry comes at an opportunity cost as it may reduce the amount of resources available to spend on other economic activities.

This is not to say that the economic contribution, including employment, is not important. As stated by the Productivity Commission in the context of Australia's gambling industries:²

Value added, trade and job creation arguments need to be considered in the context of the economy as a whole ... income from trade uses real resources, which could have been employed to generate benefits elsewhere. These arguments do not mean that jobs, trade and activity are unimportant in an economy. To the contrary they are critical to people's well-being. However, any particular industry's contribution to these benefits is much smaller than might at first be thought, because substitute industries could produce similar, though not equal gains.

In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if', or counterfactual inferences – such as 'what would happen to living standards if the firm disappeared?' – should be drawn from them.

The analysis – as discussed in the report – relies on a national input-output table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector is produced by factors of production that are located completely within the state or region defined and that income flows do not leak to other states.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

Similarly the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment like the CGE model.

² Productivity Commission (1999), *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, (page 4.19).

Input-output analysis

Input-output tables are required to account for the intermediate flows between sectors. These tables measure the direct economic activity of every sector in the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by source. These detailed intermediate flows can be used to derive the total change in economic activity associated with a given direct change in activity for a given sector.

Appendix B: Conversion to \$2011

All dollar amounts in this report are recorded in \$2011 Australian dollars. This is so that a real change between the years is shown, rather than any of the change being explained by a nominal increase in price due to inflation.

The rate used is the change in the prices between June 2011 and the calendar years detailed below.

Table B.1: Conversion to June \$2011

	2006	2007	2008	2009	2010
Jun-11	0.8826	0.9087	0.9422	0.9621	0.9876

Source: ABS 6401.0 Consumer Price Index and Deloitte Access Economics estimates.

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