

# The International Communications Market 2007

## **3 Television**

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## 3.1 Television market developments

This section highlights a selection of key market developments across the countries considered in this report.

The US television industry is the largest among these countries, generating £70bn in 2006. Its revenue also grew fastest over 2006, fuelled both by buoyant advertiser income and by increased subscription revenue.

Consumers' preferred television platform is influenced by several factors, including each industry's historic development and the strength of any pay-TV proposition relative to the free-to-view alternative. Cable television is the most popular means of receiving television in Germany, the US and Canada, while satellite is taken by more homes in the UK and Japan than any other platform. Analogue terrestrial is the most common choice in Italy and France.

Patterns of television viewing were most dispersed in the US, where the three most popular television channels accounted for just 24% of all viewer hours in 2006. This contrasts sharply with the more concentrated viewing habits in France, where the top three channels attracted 66% of all viewer hours.

**Figure 3.1 Key television market indicators, 2006**

	UK	FRA	GER	ITA	USA	CAN	JPN
Ads, subscriptions and public funds	£10.0bn	£6.7bn	£9.0bn	£6.0bn	£70.1bn	£2.7bn	£18.5bn
Revs per head	£166	£106	£109	£104	£236	£82	£146
<i>from advertising</i>	£58	£37	£34	£55	£122	£47	£74
<i>from subscription</i>	£67	£50	£37	£30	£113	£23	£45
<i>from public funding</i>	£41	£20	£39	£19	£1	£12	£26
Annual licence fee per head	£136	£80	£140	£71	n/a	n/a	£127 <sup>1</sup>
Largest TV platform	DSat <sup>2</sup>	ATT	ACab	ATT	A/DCab	ACab	DSat
Proportion of homes (%)	35%	35%	55%	48%	29% each	44%	35%
ATT channels	5	7	13	9	6	7	7
Viewing per head (mins/day)	216	204	212	239	271	231	268
Share of largest channel (%)	23%	32%	14%	23%	8%	n/a	19%
Share of three largest channels (%)	53%	66%	41%	55%	24%	n/a	53%
DTV penetration	76%	53%	24%	46%	61%	43%	60%
DSO date	2012	2011	2009	2012	2009	2011	2011

Source: IDATE / Eurodata/ CTCR/Ofcom

1. The Japanese licence fee comes in two parts. This higher fee is payable for those homes where broadcast satellite services are taken.

2. DTT overtook DSat as the largest single television platform in 2007.

### 3.1.2 The High Definition (HD) market is primed for growth

#### The base of HD sets grows while the range and availability of services expands

The installed base of HD-ready sets world-wide grew sharply in 2006, reaching 48.2 million by the year-end. The number of HD-ready homes (i.e. those with an HD set) continued to

exceed those that have an HD decoder; only around a third (16.4 million) of homes with a set were able to view HD services.

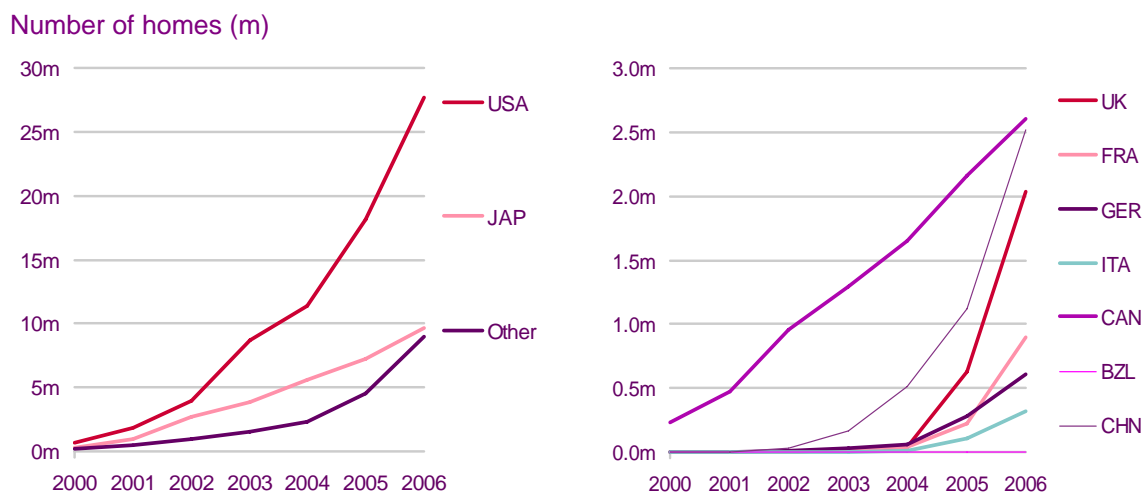
The US was the first country to launch digital HD services in 2000 and in 2006 it led the world in HD set take-up, at 27.7 million homes (one in four homes), up 52% on 2005. This growth was driven partly by service availability and channel choice, but also, according to Informa, by a 50% reduction in the average price of sets between Q405 and Q406.

Despite its role as a pioneer of HDTV services (Japan was the first to launch its analogue HD service, *Hi Vision*, on terrestrial in 1985 – which closed down in 2007), Japan lags behind the US in take-up of HD sets, with 20% (or 9.6 million) of homes HD-ready at the end of 2006.

Launches of HD in mainland Europe came later. As a result, the number of HD-ready homes tends to be lower, with fewer than a million each in France, Germany, Italy and Russia. But there are now HD service providers in all of these territories; the 2006 World Cup provided the spur in Germany (November 2005), France (February 2006), Italy (May 2006) and the UK (May 2006). Russian viewers were first able to access HD in April 2007.

The UK is leading its European neighbours in HD readiness with an installed base of 2 million sets by the end of 2006 (8% of all homes). This may be explained by a combination of the near-simultaneous launch of HD services on both cable and satellite, alongside the growing popularity of flat-screen TVs, which are often HD-ready (Figure 3.2).

**Figure 3.2 Number of households with HD-ready sets**



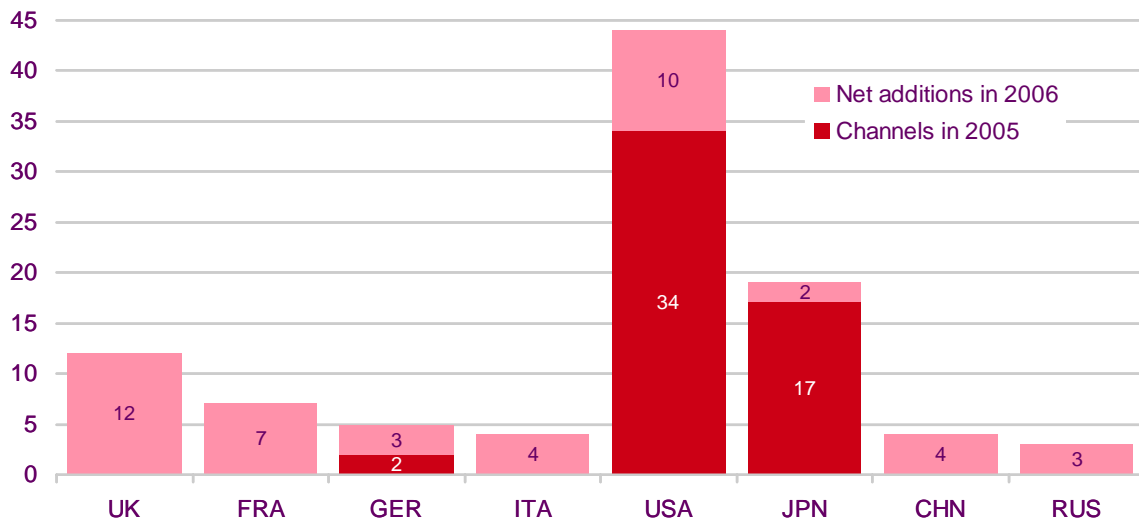
Source: Informa, 2007

### HD channels growing in range and in number

Not only is the installed base of HD sets highest in the US, the US also leads in the number of HD channels, with 44 available in 2006, up by 10, or 29%, on 2005. Recent launches have included Animal Planet HD (January 2007), The Science Channel (September 2007) and TLC HD (September 2007). Japan, however, leads the US in the level of HD-content available on the terrestrial networks. Japanese networks currently film, and broadcast, an estimated 80% of their output in HD, and this is set to rise to 100% by 2011. Ten HD channels have been launched in the UK since the arrival of HD on satellite in 2006 (two additional pay-per-view services are also available) while seven channels were available in France, five in Germany, four in each Italy and China, and three in Russia (Figure 3.3).

**Figure 3.3 HD channels available, by country**

Number of channels



Source: Screen Digest, Kagan Global Research 2007 and Ofcom

Note: Some HD channels offer a mix of HD and non-HD content, as there is often not enough HD content available to fill a schedule.

It is no coincidence that factual channels play a significant role in HD service launches. Factual programme providers are in a strong position to roll out HD channels worldwide; archive footage is often shot on film (and can therefore readily be converted to HD) and the material is well suited to audiences outside the country of origination. Discovery and National Geographic have therefore embarked on international expansion of their HD channels:

- Discovery HD was rolled out in South Korea, Japan and Canada in 2005, and the UK, Ireland, Germany, Austria and Poland in 2006. Discovery has also recently signed carriage agreements across Scandinavia and in the Netherlands.
- National Geographic HD first launched in the US in January 2006. Within the year it was also rolled out in the UK, Canada, Ireland, Italy, France and the Netherlands, and in January 2007 it broadcast for the first time in Asia.

### Free-to-view operators are joining in

Figure 3.4 offers a snapshot of HD developments in various countries. There are signs of HD services emerging in the UK, France, Germany, Italy and Spain, as trials are under way and broadcasters are looking to expand their content portfolios.

To date, HD services have generally been launched by subscription platform operators and positioned as premium-tier services, typically attracting an additional monthly charge on top of basic-tier channel subscriptions. In a sign that the market may be reaching maturity, however, there are moves in several countries to distribute free-to-view HD channels over platforms that do not attract subscription charges.

France may emerge as the first European country to offer HD channels on its digital terrestrial television (DTT) platform, with plans to introduce one channel from France Télévisions and two commercial HD channels to the platform before the end of 2007. China, which first launched its HD service on pay-TV at the beginning of 2006, also plans to launch a free DTT service before the Beijing Olympic Games in 2008.

**Figure 3.4 Summary of HD international developments**

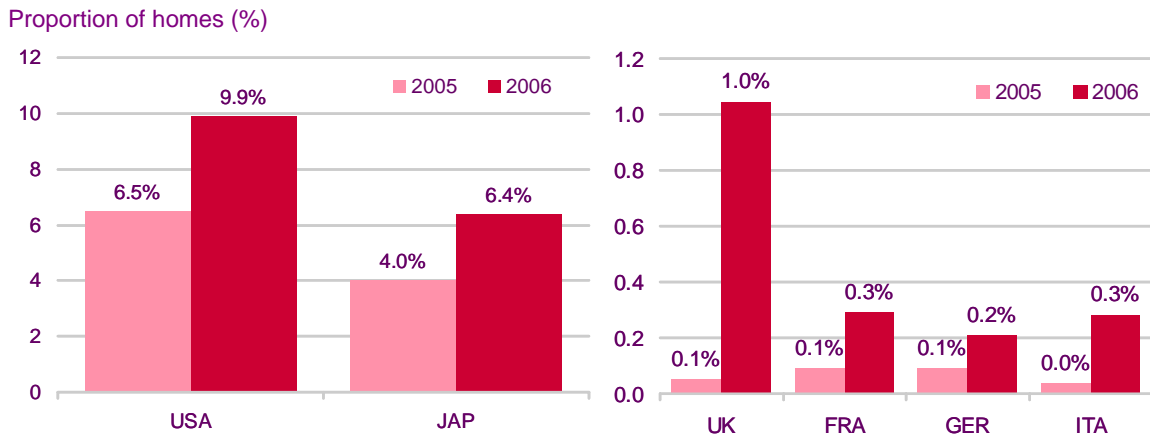
	<b>Broadcaster</b>	<b>Status</b>
<b>UK</b>	BSkyB	HDTV launched in 2006 and by September 2007 358,000 reported subscribers.
	Virgin Media	By Q3 07 Virgin reported 190,200 subscribers had access to its HD service.
	Four terrestrial operators	PSBs conducted a 450 home DTT trial in London in summer 2006 .
<b>FRA</b>	Canal+Groupe	Looking for new HD channels to drive subscriber numbers following 2006 launch.
	Fr. Télévisions & Arte	Jointly launched an HD trial in mid-2006 in Paris, Lyon and Marseille.
<b>GER</b>	Premiere	Over 40,000 HD subscribers; aiming for a half million by 2008.
<b>ITA</b>	Mediaset	DTT trials began in Sardinia and Val d'Aosta regions in summer 2006.
	Sky Italia	An HD service was launched on the satellite platform in early 2007.
<b>ESP</b>	Telefonica	HD trials underway. Anticipated commercial launch in late 2006 was postponed to 2007.
<b>USA</b>	DirectTV and EchoStar	DirectTV and EchoStar launched services in 1999. DirectTV had 106 million HD subscribers by November 2006.
<b>JAP</b>	J-Com	Looking to upgrade several standard-definition channels to HD during 2007.
	SkyPerfectTV	Satellite-based service launched in 2003.
	Five terrestrial operators	All output in HD by 2011 and looking into 'ultra' high-definition services.
<b>CHI</b>	CCTV	China's state broadcaster is weighing up plans for more HD channels, possibly free-to-air, after the successful implementation of CCTV-HD.
<b>RUS</b>	NTV	The satellite provider launched Russia's first service in April 2007.

Source: Informa, 2007 and Ofcom

### Take-up of HD services is highest in the US

The take-up of HD tends to be driven by a combination of the length of time that HD platforms have been available, the installed base of HD sets and the range of HD channels on offer. These factors have combined to put the US well ahead of other countries in the proportion of HD subscriber homes, at 10%, followed by Japan at 6%. The UK follows, with 1% of homes, while less than 1% have subscribed to HD in the remaining countries (Figure 3.5).

**Figure 3.5 Proportion of homes capable of viewing HD content**



Source: Informa, 2007 and Ofcom analysis

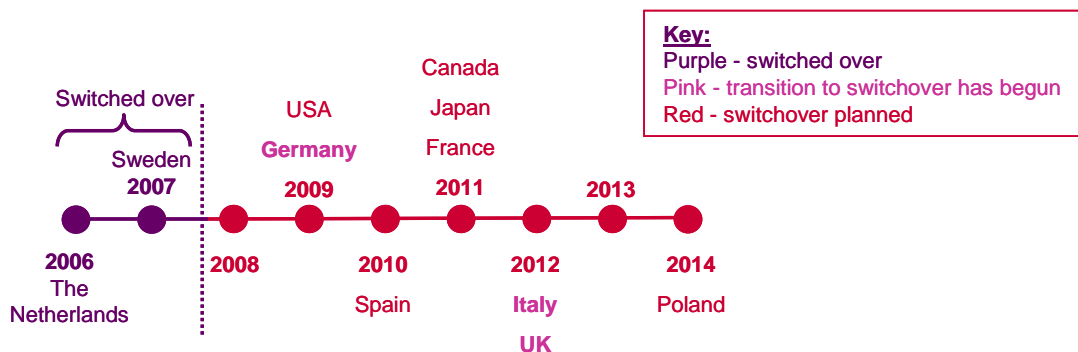
Note: Includes homes that have HD-ready sets, the necessary set-top box (or integrated HDTV set) and free/subscription access to HD content

**3.1.3 Digital switchover begins**

The 2006 *International Communications Market* report set out the digital switchover timeline for the countries covered by this study, which is illustrated below. Since then, the Netherlands has switched off its analogue terrestrial television service, as has Sweden, while transmissions in Germany have ceased in the Länder of Berlin-Brandenburg, Bavaria and North Rhine-Westphalia and Sardinia has begun the process of switchover.

Analogue terrestrial television is not a popular choice for the main set in the home among these countries. This reduces the scale of the risks of terrestrial switchover because only a small proportion of main sets are affected by digital switchover. By contrast, roughly one-fifth of homes still rely on analogue terrestrial television services in the UK. Its switchover programme was initiated in Whitehaven, Cumbria in October 2007, and will roll out region by region until its completion in 2012 (Figure 3.6).

**Figure 3.6 Digital television switchover dates**



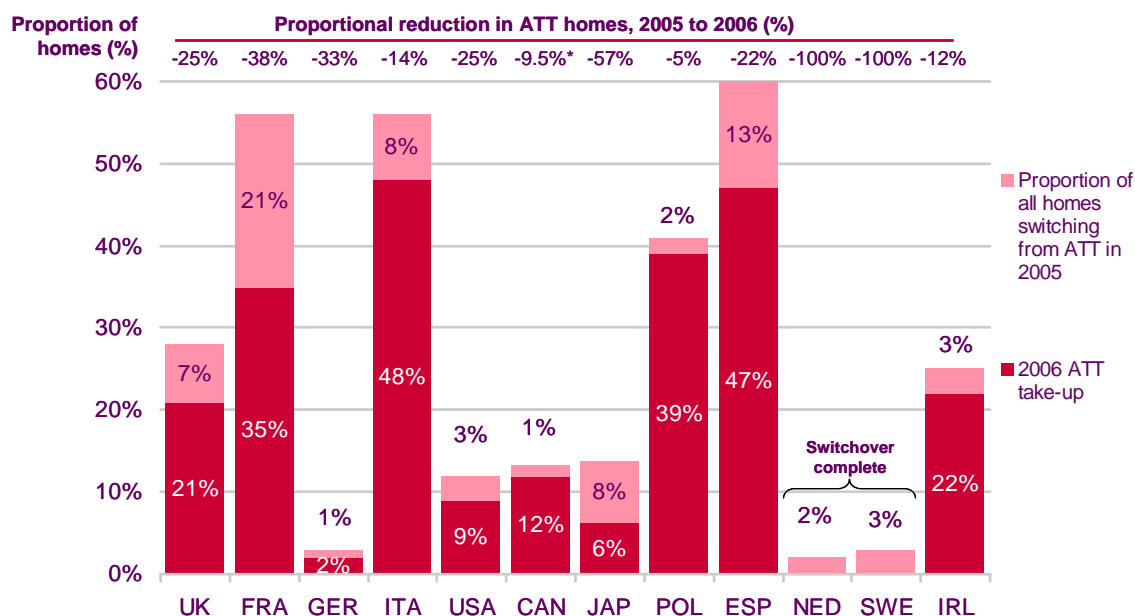
Source: Ofcom

Consumers in those countries that have not yet switched appear to be making preparations to receive digital television services (Figure 3.7).

With a 2011 switchover date, Japanese consumers, proportionally speaking, made the most rapid switch away from analogue terrestrial television (ATT) in 2006, with 57% of the ATT base migrating to another television platform. They were followed by the French (also with a 2011 switchover date), where 38% of ATT homes made the switch in 2006. In the UK (full

switchover in 2012) and the US (2009) nearly a quarter of ATT homes moved platforms; the equivalent figure in Spain (2010) was 22%. ATT migration was lowest in Poland where just 5% of ATT subscribers moved to another platform – this is perhaps connected to the fact that their DTT platform is still in its trial phase.

**Figure 3.7 Analogue terrestrial TV homes, 2005 and 2006**



Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis

Note: The Canadian figure represents the reduction in total terrestrial homes (analogue and digital)

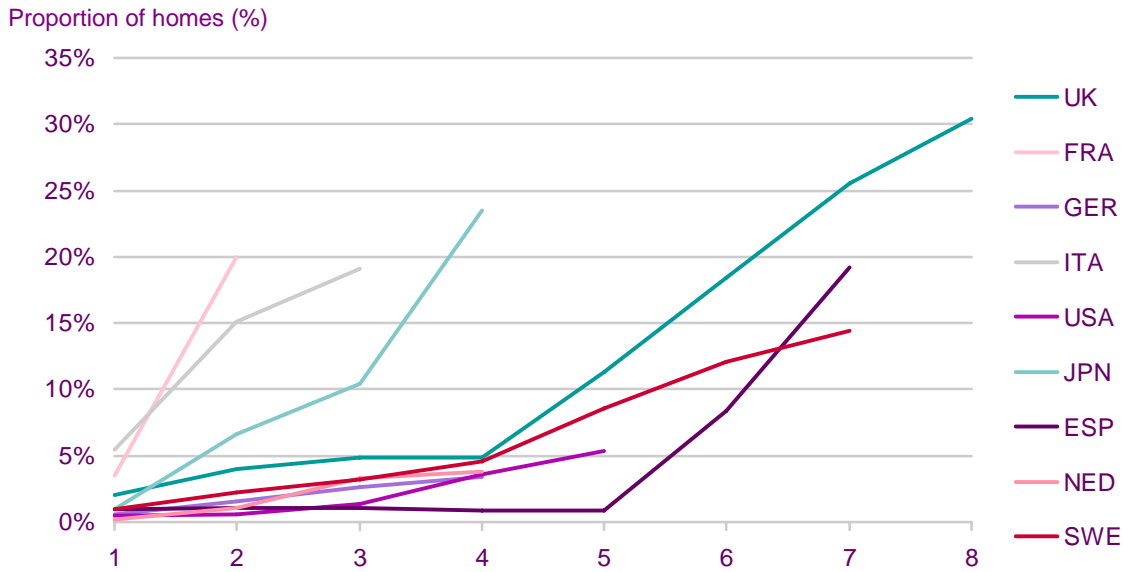
In the UK, Italy and France, DTT platforms have been launched or redeveloped to provide a quick and subscription-free way of switching to digital. There have been two distinct patterns of development:

- those that initially launched as pay-TV services, but failed to attract a critical mass of paying consumers and subsequently relaunched as ‘free’ propositions (e.g. UK and Spain); and
- those that launched in the last three to four years, mainly as ‘free’ platforms with some element of pay (e.g. France and Italy).

Since 2005, DTT has continued to grow in popularity, as highlighted in Figure 3.8. This has been particularly marked among countries that launched the platform more recently. Take-up in France (where the platform is just two years old) has been boosted as coverage has widened to a large proportion of the French population. The channel line-up has also been strengthened to include local services on top of the 18 free-to-view national channels. TNT Sat, a satellite-based equivalent, has also launched to ‘fill in’ those areas where the DTT service is not available.

As a result, take-up for the French DTT platform, along with the Italian equivalent (which is three years old), overtook longer-established platforms in Sweden (seven years old) and in Spain (also seven years old). But the UK’s digital platform, which is nine years old and has been largely free-to-view for five years, attracted the highest proportion of homes of any country in this study, with over three in ten households.

**Figure 3.8 DTT take-up across countries, mapped against years since launch**

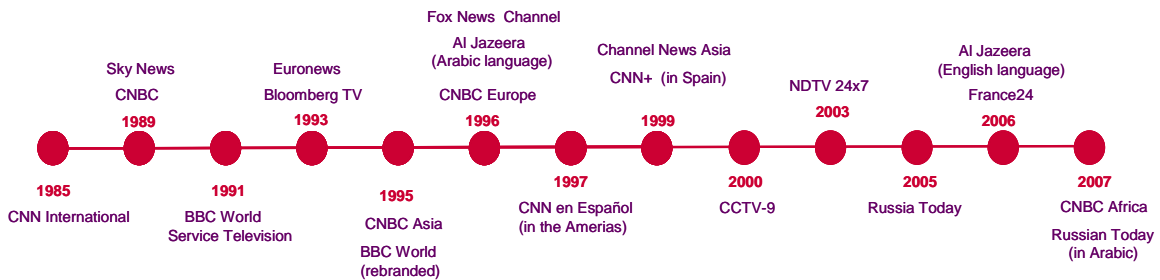


Source: World Television Markets 2007, IDATE and Ofcom analysis  
 Note: Figures are based on homes which have their main set connected to a DTT receiver

**3.1.4 Localisation drives growth of international rolling news services**

CNN launched in the US in 1980 as the world’s first 24-hour news channel. CNN International was introduced five years later and now broadcasts to more than 220 million households and hotel rooms in over 200 countries. The channel introduced the globalisation of news channels which has now grown to include an array of broadcasters from around the world (Figure 3.9). The late 1980s and early 1990s saw the development of a more targeted market in business news, with CNBC launching in 1989 and Bloomberg following in 1993.

**Figure 3.9 International news channel launches**



Source: Ofcom

Regionalisation/localisation of established channels followed from the mid-1990s. CNN was again the pioneer of this approach, introducing regionalised versions of its channels in 1997; it now broadcasts five separate schedules worldwide. CNBC has taken a similar path, launching CNBC Asia in 1995, CNBC Europe in 1996 and, most recently, CNBC Africa in 2007.

International services began to be localised to accommodate alternative languages in the mid to late 1990s. Euronews launched in 1993 and broadcasts in seven languages. Its journalists report on international events while drawing parallels with individual countries.

CNN followed with the launch of a Spanish service in 1997, while Al Jazeera began broadcasting its English language service in 2006.

Most recently, localisation of a different type has driven the emergence of more international news channels – a desire to reflect world events from a particular country's or region's perspective. Channels falling into this category include CCTV9 from China, France 24 (in English, French and Arabic), Russia Today (in English and Arabic) and Al Jazeera (in English).

### **3.1.5 Consolidation increases in Europe and the US**

Consolidation among media market operators was widespread in 2006, pushing up the value of media deals by 75% in Europe to £29.3bn, and by 40% in the US to £62.3bn (PWC, 2006). The broadcasting sector accounted for roughly one third of total revenues in each country (Figure 3.10).

Platform consolidation occurred in several of the countries examined in this report, driven by a desire to rationalise costs and to extend service coverage:

- in France, Vivendi's CanalSat, France's largest satellite pay-TV platform, merged with its smaller rival, TPS, in early 2007, to create the largest single pay-TV provider in the French market, CanalSatellite;
- Ypso, a holding company supported by private-equity firm Cinven, gained control of France's four leading cable companies - UPC, Noos, Numericable and France Telecom Cable – and unified them under the Numericable brand;
- the US's largest cable operator, Comcast, and media conglomerate, Time Warner, acquired Adelphia's remaining assets for £9.6bn, allowing each to extend their cable footprint and taking Time Warner Cable's subscriber base ahead of that of satellite operators DirecTV and Echostar; and
- the NTL/Telewest consolidation was finally completed with the platform rebranding as Virgin Media and becoming the first operator in the UK equipped to offer a 'quad-play' of TV, broadband, and fixed and mobile telephony.

Intensifying competition for audiences and a desire to leverage the cross-border potential of programme output may have driven SBS, (a European channel operator controlled by private equity firms Permira and KKR), to take a controlling stake in Germany's largest commercial TV corporation, ProSiebenSat.1, for roughly £2.1bn in December 2006. In July 2007 Permira and KKR merged their assets to create a pan-European broadcasting group under the ProSiebenSat.1 name, with a presence in 13 European countries operating 12 free-to-view channels and 12 pay-TV services.

But not all of the television industry was focused on consolidation. In January Viacom split into two companies, Viacom and CBS. The former was reorganised to concentrate on growth, retaining multi-channel services, including MTV networks, Nickelodeon, Nick@Nite, Comedy Central, and Paramount Pictures. CBS retained its long-established free-to-view broadcast network along with CBS radio, Viacom Outdoors, and its publishing and theme park interests.

**Figure 3.10 Key broadcasting mergers and acquisitions in 2006**

Date	Target	Company type	Target Country	Acquirer	Company type	Acquirer Country	Value (£m)
Jan 06	Viacom/CBS	Media conglomerate	USA	Shareholders	Media conglomerate	USA	£17,445
July 06	Adelphia Communications	Cable operator	USA	Time Warner Inc.	Media Conglomerate	USA	£9,573
Jun 06	VNU	Media and marketing	Netherlands	Valcon Acquisition	Controlled by a private equity group	USA	£5,220
Jul 06	Bertelsmann (25% stake)	Media conglomerate	Germany	Bertelsmann	Media conglomerate	USA	£3,069
Dec 06	ProSiebenSat.1 Media (51%)	Broadcaster	Germany	PKS Media	Controlled by private equity firms Permira/KKR	UK/USA	£2,056
May 06	Cox Communications	Cable operator	USA	Cebridge Connections	Cable operator	USA	£1,386
Nov 06	ITV (17.9% stake)	Broadcaster	UK	BSkyB	Satellite operator	UK	£940
Oct 06	Television Par Satellite	Satellite operator	France	Vivendi Universal	Media conglomerate	France	£771
Mar 06	Sogecable (20% stake)	Cable operator	Spain	Grupo Prisa	Media conglomerate	Spain	£674
Oct 06	Orkla Media	Media conglomerate	Norway	Mecom	Media conglomerate	UK	£597
Nov 06	E! Entertainment Television Inc.	Broadcaster	USA	Comcast Corp	Cable operator and media conglomerate	USA	£668

Source: PWC M&A Insights, Media Sector, 2007, PWC, 2007 'Transaction Services – Insights – Entertainment & Media, Analysis and trends in the US M&A activity' and Ofcom. Interpretation of data is Ofcom's sole responsibility.

### 3.1.6 Sports coverage is growing on the IPTV and mobile platforms

Newer digital technologies are prompting the convergence of historically separate distribution platforms. Mobile networks and the internet both offer new programme distribution channels which make it possible for consumers to access content on demand. This can have the effect of broadening the range of rights that rights holders can attempt to monetise.

The mobile operators have probably made the greatest efforts to utilise sport, particularly football, in an effort to drive subscriptions and generate greater revenue per user. In Europe most of the major national football leagues and the main UEFA tournaments have secured deals that involve the distribution of either live matches or highlights over mobile platforms. Unlike many pay-TV markets, these agreements tend not to be exclusive so that rights are more widely distributed among competing players.

Some operators have chosen to acquire and package sports rights themselves. In France, for example, Orange bought the mobile rights for a range of sporting events, including the French Open tennis and Tour de France cycling, and now airs them on its Orange Sports TV channel, which is available to subscribers to its 3G network. Other operators have preferred to carry existing channels and try to leverage the brands they have established on television:

- BSkyB, in conjunction with Vodafone, introduced Sky Mobile TV in November 2005. The service now offers a dedicated sports package, which includes Sky Sports 1, 2 and 3, and, as of August 2007, also offers live coverage of 92 Premier League matches. BSkyB went on to sign carriage agreements with Orange in November 2006 and T-Mobile in August 2007; and
- in Italy, 3 Italia and Telecom Italia launched broadcast mobile TV services in June 2006 in time for the World Cup. They signed agreements with Mediaset, RAI and Sky Italia to offer their sports content. For instance, 3 Italia offers Mediaset's Media Premium pay per view channel, which gives coverage of Serie A and Champions League matches.

However, sports rights owners are also increasingly looking to the internet for distribution, whether through dedicated Internet Protocol TV services offered by local loop unbundlers or through generally-available websites. The following includes several services launched worldwide during 2006/07:

- in July 2007 BT launched *BT Vision Sport* on its IPTV service, offering on-demand coverage of over 200 near-live games a season, including Premier League Football and up to 125 Carling Cup games and Coca Cola matches. Users pay £1.99 per match or £4 a month for a subscription;
- Premiere in Germany attempted to recover from its loss to Deutsche Telekom of the rights to televise Bundesliga football by launching an IPTV service which offers live match coverage for the 2006/07 to 2008/09 seasons;
- in January 2007 Telecom Italia struck a deal with Sky Italia to carry a range of its sports channels on its IPTV service, Alice Home;
- Setanta is now offering its sports channel online for £7.99 a month through Setanta.tv. It has also signed agreements with Virgin Media to show highlights on Virgin's online sports portal, launched in July 2007, and to supply BT with content for its IPTV service; and
- in September 2007 Eurosport launched Eurosport and Eurosportnews on the IPTV platform, owned and operated by the New Media Group. The company also owns eight websites which include four co-branded sites with Yahoo! in the UK, Spain, Germany, and Italy, as well [www.eurosport.com](http://www.eurosport.com) local language sites in China, Russia, France and Sweden.

## 3.2 The television industry

### 3.2.1 Global television industry revenues

#### TV industry revenue worldwide rose by £11bn in 2006 to exceed £165bn

In 2006 global television industry revenues exceeded £165bn. Comprising television subscriber payments, advertising revenue and public funding, this total grew by 33% (or £41bn) over the four years to 2006, equating to an annualised average increase of 7.4% (Figure 3.11).

This figure does not include revenue from services made possible by the widening availability of digital technologies – pay-per-view movies, video on demand (VOD), mobile TV, game-playing and betting; nor does it include ‘ancillary’ revenues from services such as telephony. Revenue from these services is likely to have been significantly smaller than those from more traditional sources of funding – but they are growing fast.

**Figure 3.11 Global television sector revenue**



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2007-2011, Ofcom and IDATE for US public funding and subscriber revenue.

Note: Ofcom has used an exchange rate of \$1.84 to the pound. Interpretation of data is solely Ofcom's responsibility.

#### Subscriptions took 40% of global revenue in 2006

As the original and principal source of revenue for commercial television networks since services first launched in the 1930s, advertising revenue has long accounted for the largest proportion of total television industry revenue. Its share is, however, in decline as a result of a shift of advertising to other media (e.g. the internet) and the worldwide growth of multi-channel subscription services on satellite and cable.

In 2002 advertising revenue made up 53% of total market revenue, with subscriptions accounting for a further 37%. Four years later, advertising share had fallen by two percentage points to 51% of the total (£83bn), while subscriptions had risen by three percentage points to 40% (£66bn).

Amid these changes, funding from public sources lost out proportionally, as its contribution to total revenue fell by two percentage points to 8% of the total in 2006. This reflects the increasing scrutiny applied to the public service broadcasters, and widespread demands for greater transparency and responsibility over how they are funded; this has often led to

income agreements that are pegged to inflation, which in recent times has lagged significantly behind the growth rate of commercial sources of income (Figure 3.12).

**Figure 3.12 Global television sector revenue, 2002 and 2006**

Proportion of total revenue (%)



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2007-2011, Ofcom and IDATE for US public funding and subscriber revenue.

Notes: Interpretation of data is solely Ofcom's responsibility.

### 3.2.2 Total television industry revenue, by country

#### TV industries in Brazil, Russia, India and China expanded fastest since 2002

Of the countries considered in this study, the BRIC nations (Brazil, Russia, India and China) saw their television industry revenues grow fastest over the five-year period, expanding by a collective average 17% per annum to reach £13bn by 2006. This was nearly three times greater than growth in the US, while Canadian/European and Japanese revenues grew even more slowly (5.0% and 2.4% respectively).

Between 2005 and 2006, BRIC revenue rose by nearly 11.2%. As a result of advertising and subscription growth, the US market grew by 7.5% over the same period, with similar rates in Canada and across Europe. The Japanese market experienced greater turbulence in 2006, ending the year with revenue down by 2.6%, due mainly to a depressed advertising market (Figure 3.13).

**Figure 3.13 Comparative analysis of television industry revenue**



Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis  
 Note: EUR includes the European countries in this analysis – UK, France, Germany, Italy, Poland, Spain, the Netherlands, Sweden and the Republic of Ireland

**TV revenue in Spain, Poland and Ireland: big growth in 2006**

Figure 3.14 shows the annual revenue of individual television markets within the European countries covered by this report and Canada. (The two largest markets, the US and Japan, have been omitted for ease of comparability.)

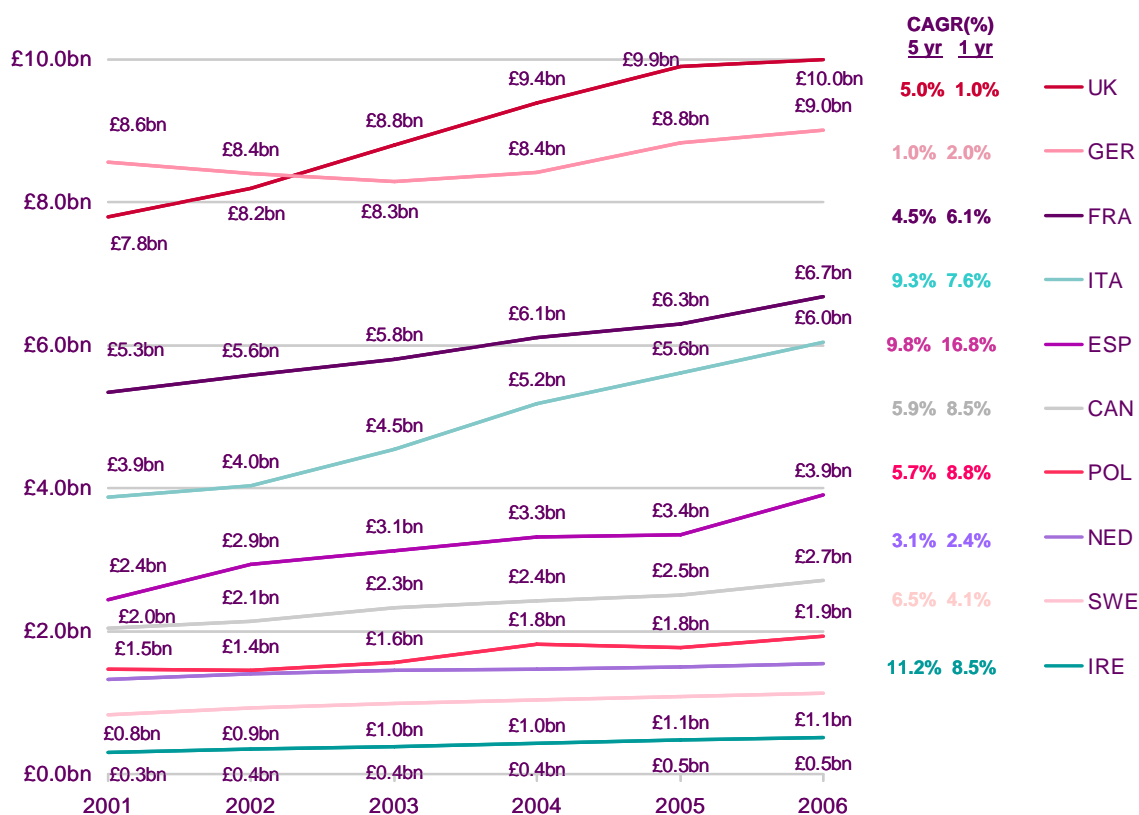
Of the ten countries included, Spain experienced the strongest growth between 2005 and 2006. Benefiting from an influx of additional government funding, its TV market grew by 16.8% over the year and has grown by an average of 9.8% since 2001. But the increase in 2006 was a one-off, resulting from a reorganisation of public service broadcasting in Spain. RTVE was reconstituted as a public corporation with limitations on its future operating deficits. The Spanish government wrote off its accumulated debts, and this injection of funding is reflected in the 2006 figure.

Poland’s 8.8% increase looked more sustainable, stemming from an increase in advertising revenue that reflected general economic growth, while Italy’s 7.6% growth was largely attributed to a rise in the number of SkyItalia subscribers. Bolstered both by a buoyant advertising market and by a rise in subscription revenue, Ireland’s market also experienced strong growth, expanding by 8.5% over the year to reach £516m (2001 – 2006 CAGR: 11.2%).

Ireland, Spain and Italy each achieved substantial revenue growth over the five-year period. In each case, their industries benefited from both substantial increases in advertiser revenue and in the income their operators earned from pay-TV.

**Figure 3.14 Revenue analysis of smaller countries**

Revenue (£bn)



Source: World Television Markets 2007, IDATE and CRTC

### 3.2.3 Television industry revenues by source

#### Advertising remains the dominant revenue component in many countries

Advertising revenue, subscriptions and public funding make up the majority of television industries' revenues in all of the countries studied in this report.

But their relative importance within the industry funding mix varies significantly. The European tradition of well-funded public service broadcasters results in public funds accounting for a material proportion of total industry revenue in Germany, Sweden and the UK. But even in Germany, where public service broadcasting is most well funded, it only accounts for 35% of total revenue per head.

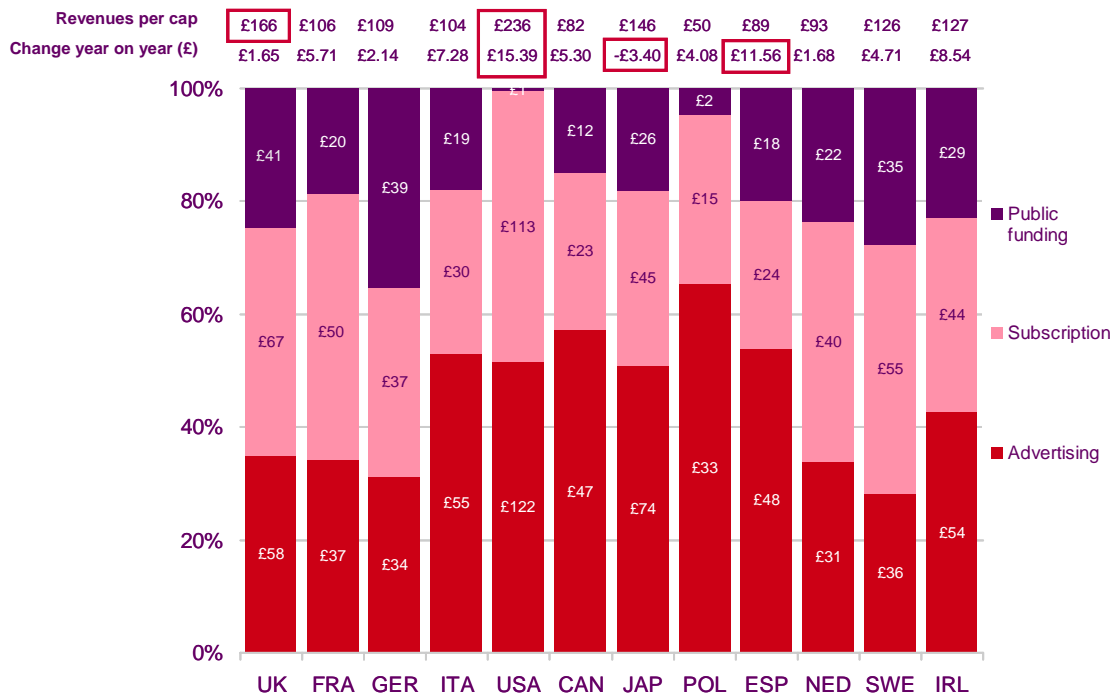
The public funding component often comes in the form of licence fees, which are levied in France, Germany, the UK, Italy and Japan. The exceptions are Spain (which receives public funding from its government), the US and Canada (where a similar funding model exists), and the Netherlands (which used to levy a licence fee, but replaced it with direct government funding). The Spanish PSB and those in Italy and France, do not rely solely on public funding; they carry advertising which represents an important second revenue source.

Revenue in countries with less developed PSB structures relies to a greater extent on advertising and subscriptions; these account for over 99% of all revenue in the US for example. In Poland, the television industry also relies very little on public funding (with 95% coming from commercial sources), but of the two commercial revenue sources, advertising

makes up the larger share of the total, reflecting Poland's less developed multichannel market.

The US industry attracted the most funding on a per-capita basis, at £236 per head. The UK was not far behind with £166 per head of population, followed by Japan with £146. Canada, Spain, the Netherlands and Poland all generated per-capita revenue below £100 (Figure 3.15).

**Figure 3.15 Revenue per head by source, 2006**



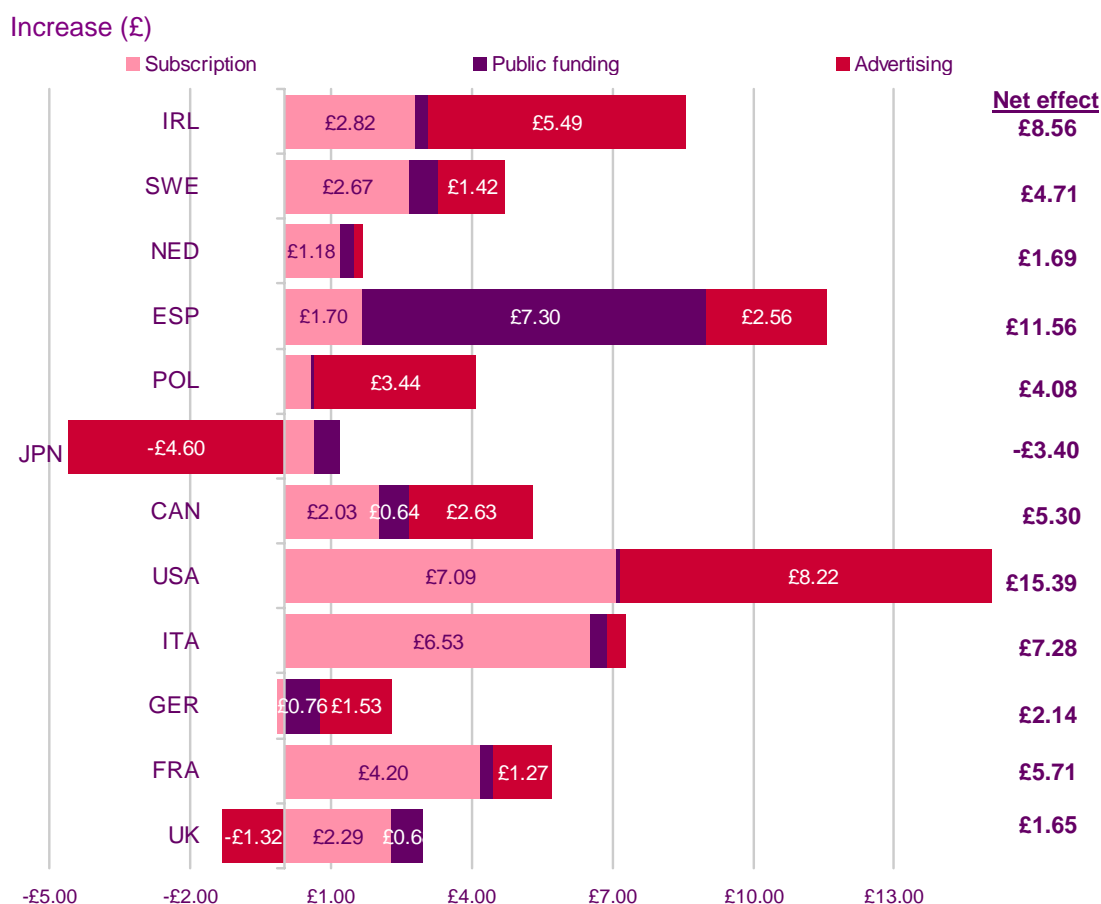
Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis  
 Note: Figures inside the bars represent industry revenue per head. Red boxes highlight figures that are substantially above (or in Japan's case, below) the average. Population estimates can be found in the country profiles.

**Subscriber revenue drives overall increases in revenue in the US and Italy**

Multichannel television is playing an increasingly important role in the development of TV industries world-wide, with pay-TV operators attracting increasing numbers of subscribers. This, coupled with real-term increases in tariffs across a number of countries, resulted in subscriptions driving revenue growth in the US, Italy, France, Sweden and the UK.

Buoyant advertising markets, partly fuelled by economic growth, helped drive up revenue per head in the US, Poland, Ireland and Canada. In contrast, advertising revenue per head in Japan and the UK contracted (owing to depressed advertising markets), although this was offset to some extent by per-capita revenue growth in subscriptions and public funding (Figure 3.16).

**Figure 3.16 Components of revenue growth per head, 2005 to 2006**



Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis

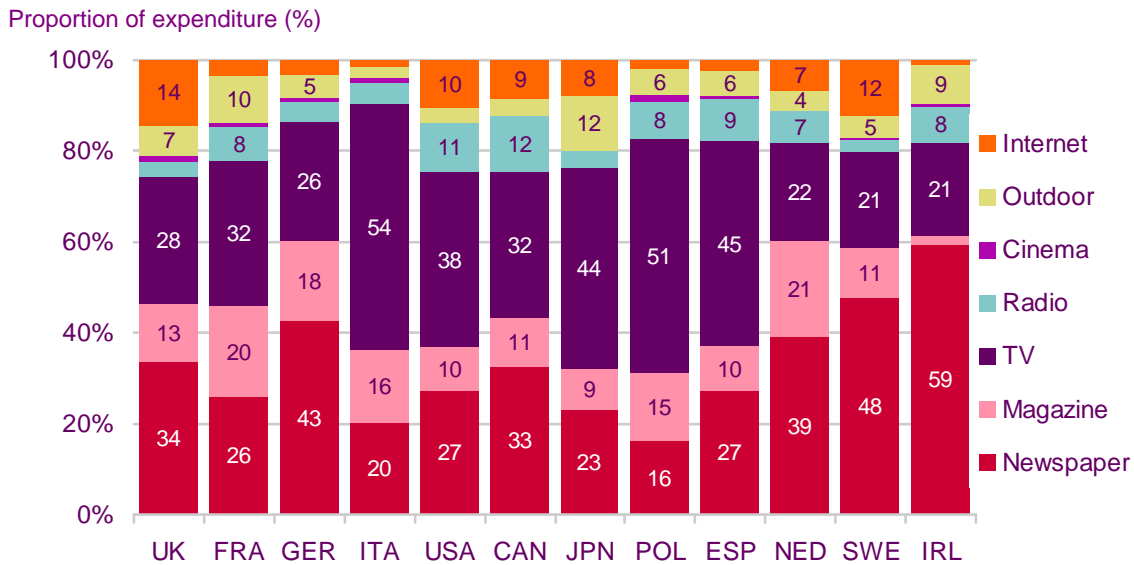
**Internet advertising grew rapidly in the UK, the US and Sweden during 2006**

Television broadcasters in all countries under review continued to attract a significant proportion of overall advertiser spend in 2006, and television was the single biggest advertising medium in countries such as Italy and Poland.

Where television attracted a smaller share of total advertising expenditure in 2006, the newspaper market tended to be stronger. This was true in the Republic of Ireland, Sweden and Germany where newspapers took 40% or more of total spend, while television advertising took shares of 21%, 21% and 26% respectively.

Internet advertising in the UK, Sweden and the US continued to attract a substantial share of advertiser expenditure in 2006 – amounting to 14%, 12% and 10% of the total respectively (Figure 3.17).

**Figure 3.17 Distribution of advertiser expenditure, 2006**

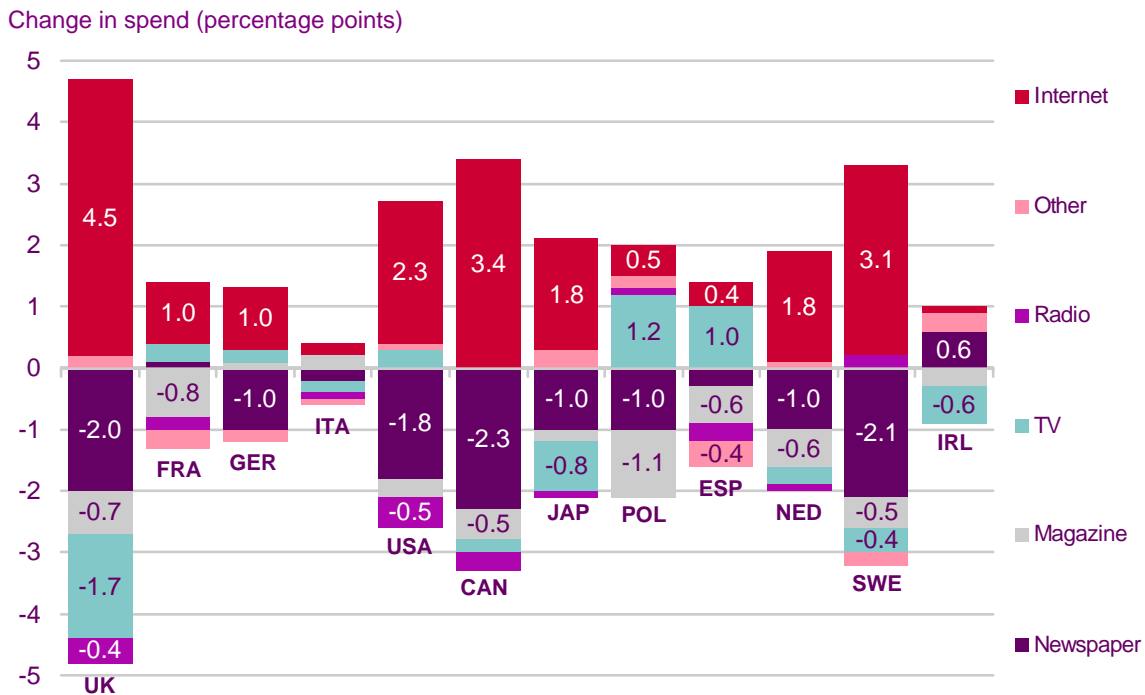


Source: World Advertising Trends 2007, World Advertising Research Centre

The UK, Sweden, Canada and the US all experienced substantial growth in internet advertising during 2006. From a smaller base of internet spend, Japan and the Netherlands also experienced strong growth.

Television advertising growth tended not to suffer as a result. The UK, where television advertising share fell by nearly two percentage points in 2006, was the exception. Newspaper advertising bore the brunt of the share losses in most countries, decreasing by 2.3 percentage points in Canada and by 2.1 percentage points in Sweden (Figure 3.18).

**Figure 3.18 Changes in patterns of advertiser spend, 2005 to 2006**



Source: World Advertising Research Centre, 2007

### 3.2.4 Television broadcaster revenues

#### Domestic television broadcasters diversifying revenue

Figure 3.19 illustrates the revenues of a selection of television broadcasters across the world. It can be difficult to separate television revenues from those generated by radio or other sources, so comparisons should be made with caution (US broadcasters have been excluded from the analysis for this reason).

In general, the channels that relied more heavily on public funding in 2006 benefited from more stable incomes over the year; these are often pegged to inflation by policy-makers. Those whose business models rely more on advertising experienced greater revenue volatility, as they were exposed to the cyclical fluctuations in the advertising market.

For example, revenue at France Télévisions (FT), which is partly publicly-funded, rose by 2.2% over the year to £1.9bn, while its advertiser-funded competitor, TF1, reported revenue down 7.7% year-on-year. Similarly, the BBC enjoyed above-inflation increases in the licence fee until the beginning of 2007, while ITV Plc reported year-on-year reductions in advertising revenue.

Responding to the proliferation of new digital platforms and audience fragmentation, broadcasters continued to diversify revenue streams within their home territory. For example:

- ITV, Channel 4 and Five launched a series of 'spin-off' and 'time-shifted' channels to supplement the revenues of their parent channels. Most recently, Channel 4+1 was launched in August 2007, and Five Life+1 and Five US+1 were launched in the autumn.
- TF1 in France purchased a 33.5% stake in AB Groupe, a thematic-channel outfit and independent producer.
- Germany-based ProSiebenSat.1 struck a deal with Sony Pictures, Paramount, Constantin Film and Kinowelt to supply content for their video-on-demand (VOD) portals. RTL also launched its news VOD service, RTL Now!, early in 2007.

In an effort to diversify revenue outside their home territories, many channel operators and media conglomerates have sought to expand internationally:

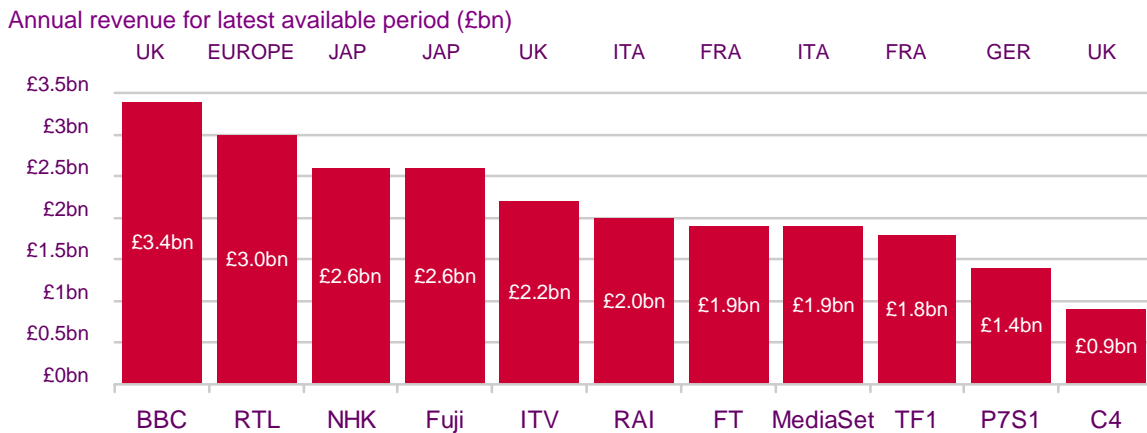
- BBC Worldwide is in the process of rolling out six channels in Poland via satellite (BBC Entertainment, BBC Knowledge, BBC Lifestyle, CBeebies, BBC World and BBC HD Worldwide), and is planning similar deals in Spain, Italy and Scandinavia.
- As part of its push into Central and Eastern Europe, NewsCorp has purchased a 25% minority stake in Polish terrestrial channel TV Puls. The channel, with a typical viewing share of 0.4%, and an obligation to screen 70% religious content, could offer a sizeable opportunity should NewsCorp succeed in removing programming constraints and increasing its shareholding. NewsCorp has also been busy securing licences, and buying into free-to-view stations, in Serbia, Georgia, Turkey and Bulgaria.

Publicly-funded broadcasters came under further scrutiny in 2006:

- In the German market, a long-running European Commission state aid investigation into the financing of German PSBs has come to an end. The German government has made formal commitments to provide clear separation between commercial and publicly-funded activities and thereby avoid any cross-subsidisation from one to the other.

- In the UK, the BBC was awarded a 3% year-on-year rise in the licence fee as part of its financial settlement – lower than the above-inflation rise it had asked for.
- In Japan, NHK has suffered from year-on-year revenue reductions since 2004 amid increasing levels of non-payment of Japan's voluntary licence fee. The operator is looking into the possibility of reducing the licence fee in return for the abolition of its costly door-to-door licence fee collections.

**Figure 3.19 Latest reported revenues from major free-to-view TV operators**



Source: Ofcom

Note: Every effort has been made to report channel related revenue. But it is possible that there are differences in financial reporting between operators. As a result, comparisons between operators should be regarded as indicative only.

### 3.2.5 Television platform operator revenues

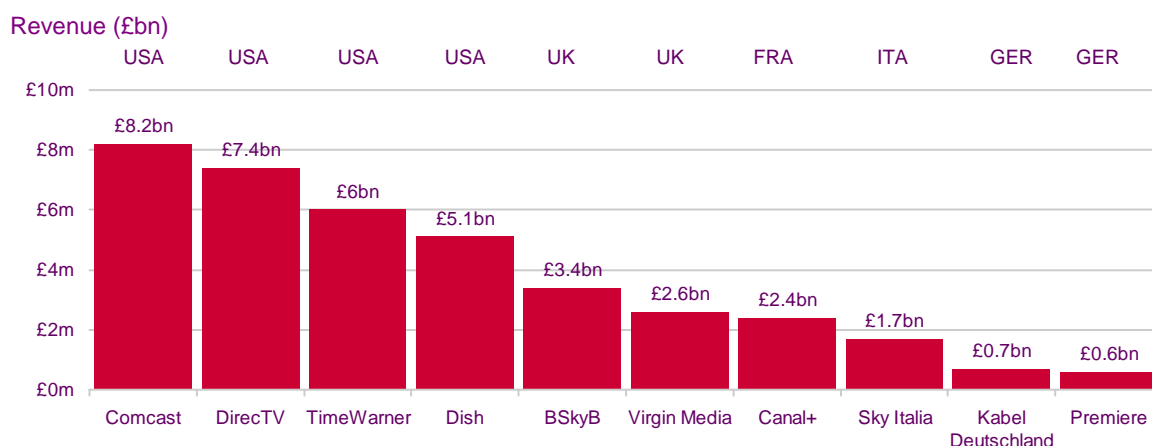
Platform operators also spent 2006 diversifying and expanding total revenue by exploiting new distribution options for content and integrating downstream into channels.

After a successful trial, Comcast, alongside major Hollywood film studios, brought forward the release date of VOD movies to coincide with their release on DVD. This strategy had previously met with resistance from the studios for fear of cannibalising DVD sales, but the trial suggested that a time-limited VOD release would actually act as a complementary product, as well as increasing the attractiveness of VOD significantly.

Pay-TV operators are also increasingly looking beyond their national boundaries, and as well as buying or creating similar pay-TV enterprises overseas, are now moving into local content production:

- The Time Warner company, Turner Latin America, has purchased seven TV networks from Argentinean pay-TV programmer Claxson. It is also planning to expand the reach of these networks by rolling them out across Latin America, which will in turn decrease Turner Latin America's reliance on international imports.
- NewsCorp-owned Sky Italia has begun to invest heavily in domestic content to continue to drive subscriber growth. Historically, the platform had relied on international programmes to attract new subscribers (Figure 3.20).

**Figure 3.20 Latest reported subscription revenues for a range of pay-TV operators**

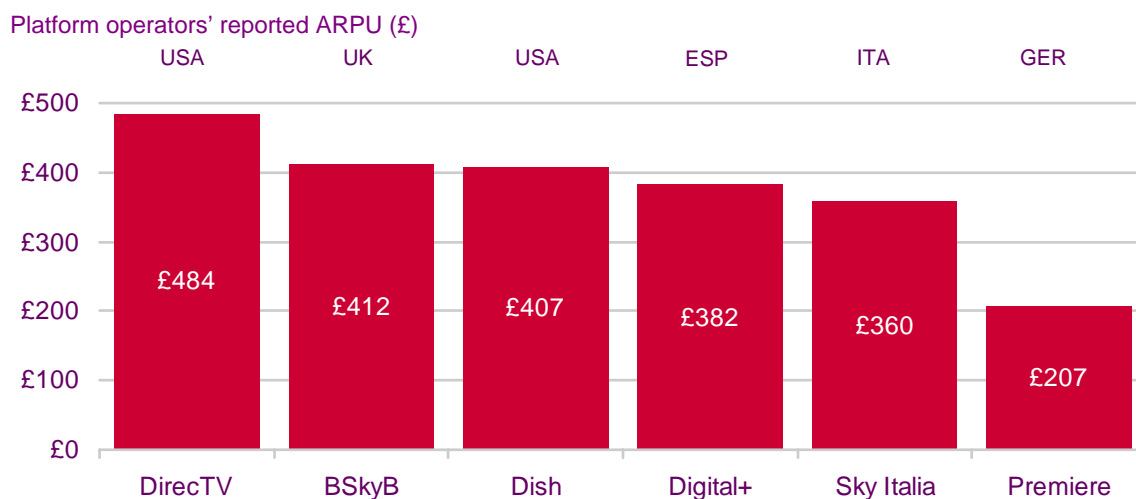


Source: Latest available annual reports

Notes: Note every effort has been made to separate out subscriber revenue from other sources. But differences in accounting conventions between operators do not always make this possible – for example Virgin Media revenue includes telephony. Comparisons between operators should therefore be regarded as indicative only.

DirecTV, the pay-satellite operator, continued to attract the highest average revenue per user (ARPU) among key Satellite-based Pay-TV operators, at £484. US-based Echostar (Dish) and UK-based BSkyB each earned around £400 per user, with Spanish operator DigitalPlus and Sky Italia earning £382 and £360 respectively. Owing to the large number of free-to-view channels available in Germany, ARPU there was significantly lower at £207 per subscriber (Figure 3.21).

**Figure 3.21 Latest average revenue per user for some key pay-TV operators**



Source: Annual reports from DirecTV, BSkyB, Echostar, News Corporation, Sogecable and Premiere

Note: Comparisons are for indicative purposes only as definitions of ARPU may differ.

### 3.2.6 Television output from public service broadcasters

European PSBs provide output-based data to the European Broadcasting Union (EBU), an association of 75 broadcasters (many publicly-funded) from 56 countries. The output data use a set of standard definitions to assign programmes to genres, which allows for relatively consistent analysis of broadcast output across member states. This section focuses on these figures, as comparable information from North America and Asia is not available.

Figure 3.22 illustrates the composition of programme output on European PSB channels in 2006 by programme genre. It should be noted that the figures in the chart are based on *networked* output, so they do not provide a picture of the regionalised output that viewers in some countries have available to them.

PSB channels in the Netherlands stood out as those which transmitted the highest proportion of factual and news programmes, together accounting for 60% of their total output in 2006. Most other countries surveyed reported far lower figures, ranging from 20% to 30% of total output, with slightly higher proportions in the UK and Sweden (both at 37%).

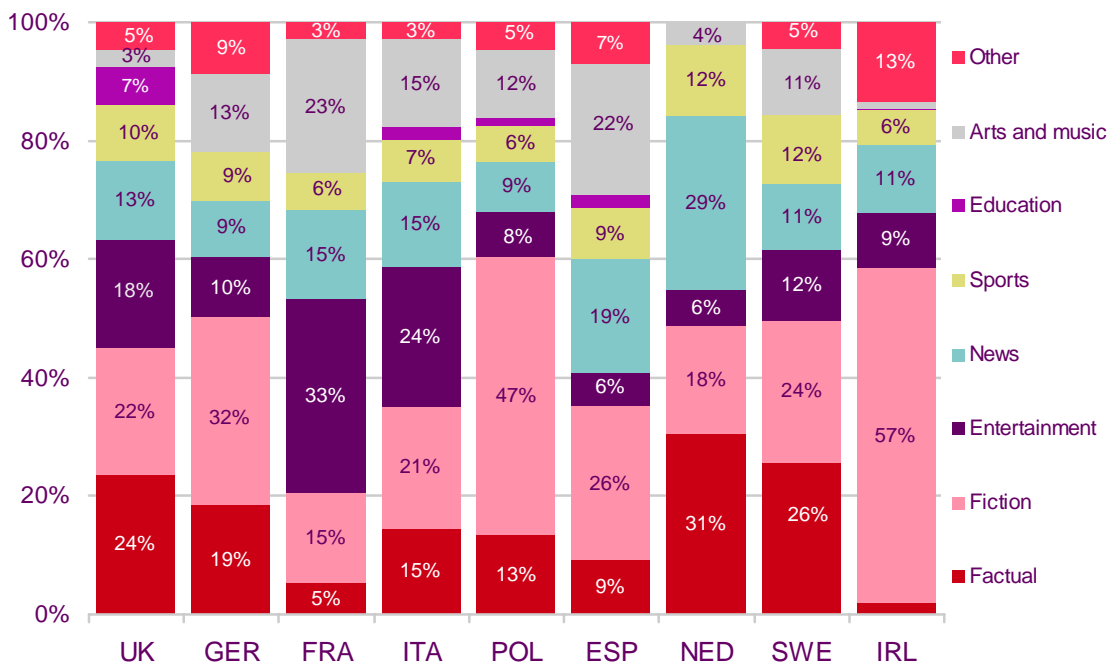
In the Netherlands, this came at the expense of fiction, which represented only 18% of output. Fiction also accounted for just 15% of PSB output in France but featured more strongly in Ireland (57%) and Poland (47%). This category includes all types of home-grown drama, from soaps, drama series and serials, to single dramas; as well as acquired drama, feature films and TV movies. RTÉ, the public service broadcaster in Ireland, has increased investment in indigenous programmes, especially drama, as part of its response to competition from multichannels.

Entertainment programmes featured most prominently in the schedules of French PSB channels, where they accounted for 33% of all hours, followed by Italy (24%), the UK (18%), Sweden (12%) and Germany (10%). In all the other countries surveyed, entertainment made up less than 10% of output.

Sports coverage represented between 6% and 12% of output in all countries but there was wide divergence in the proportion of arts and music programmes, ranging from 23% in France to just 3% in the UK.

**Figure 3.22 PSB network output by genre, 2006**

Proportion of total hours (%)



Source: EBU

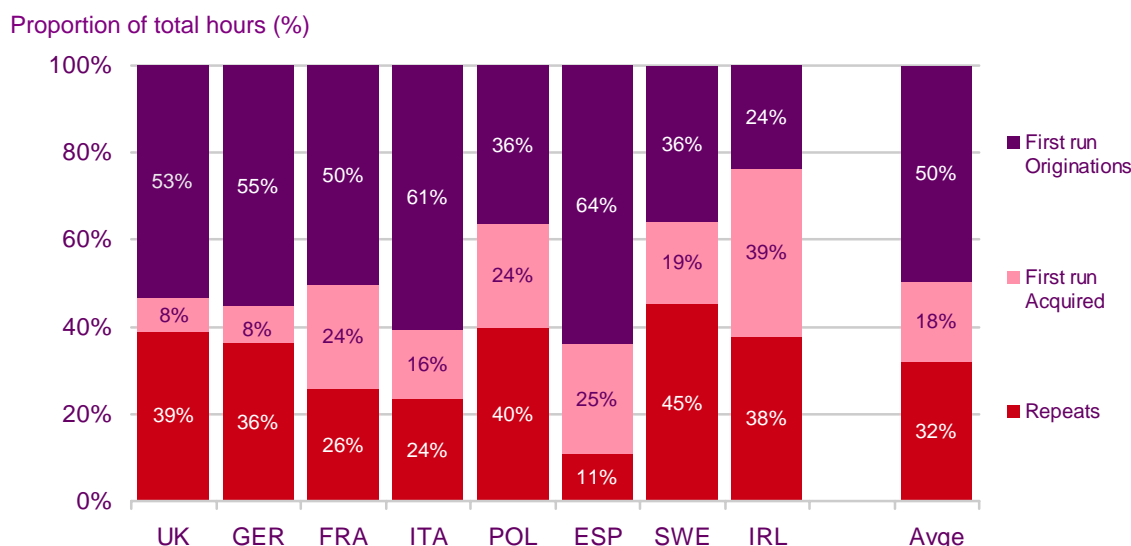
Figure 3.23 highlights the effect of different programme policies regarding first-run originations (programmes made in-house by the broadcasters themselves or commissioned

from independent production companies), acquisitions and repeats across the European countries surveyed.

In most cases, first-run originated programmes formed over half of the schedules, with the exception of smaller markets, such as Sweden, Poland and Ireland, where cheaper acquired programmes and repeats predominated. Broadly speaking, originated programmes are the most expensive to provide. Quotas exist in all European countries in order to safeguard European and independent production industries. In Spain and Italy the proportion of first-run originations formed nearly two-thirds (64% and 61% respectively) of total output.

Across the eight countries examined, an average of 18% of programming was acquired (ready-made programmes, bought from other broadcasters/productions, often from overseas), although there was wide variation between countries, ranging from a high of 39% in Ireland; through 24-25% in Spain, France and Poland; down to 8% in Germany and the UK. Repeats of programmes already shown averaged 32% across all the countries in this report – ranging from 11% in Spain to 45% in Sweden.

**Figure 3.23 First-run originations, acquisitions and repeats, 2006**



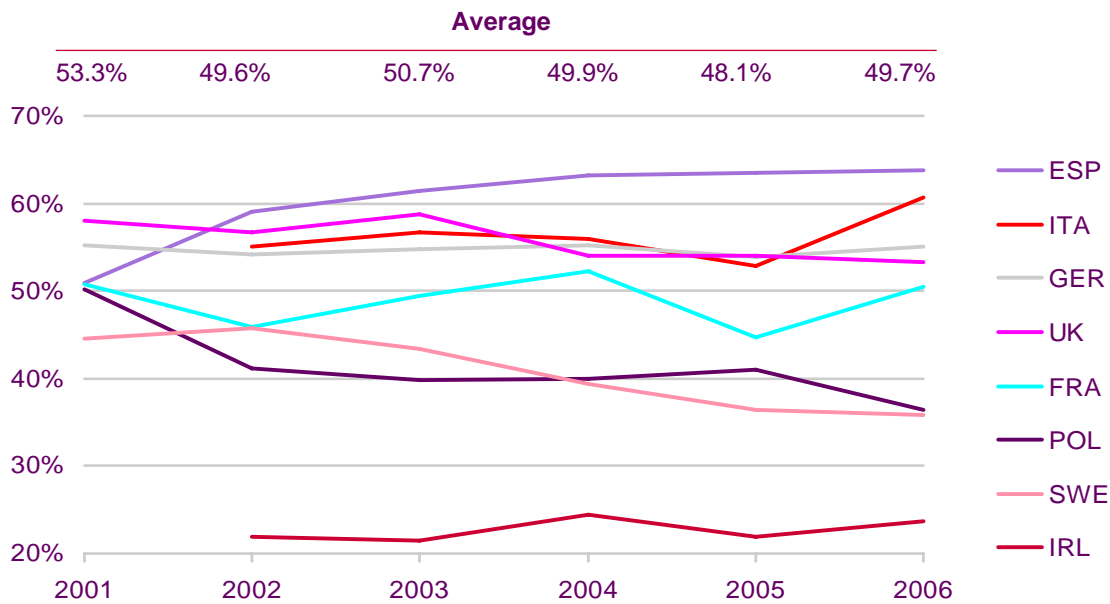
Source: EBU

Note: The 'Avge' figures represent a weighted average of the data illustrated in the chart.

Figures 3.24 to 3.26 illustrate how the balance between original productions, acquired output and repeats has changed over the last five years. On average, first-run original productions across all eight countries have fallen from 53% of total output in 2001 to 50% in 2006 (Figure 3.24). The UK, Sweden and Poland reflect this downward trend, losing 5, 8 and 14 percentage points respectively over the period. Conversely, in Spain and Italy the proportions of first-run originations have risen from 51% and 55% to over 60% in 2006, while in Germany the proportions have been relatively stable.

**Figure 3.24 First-run originations: trends**

Proportion of total hours (%)



Source: EBU

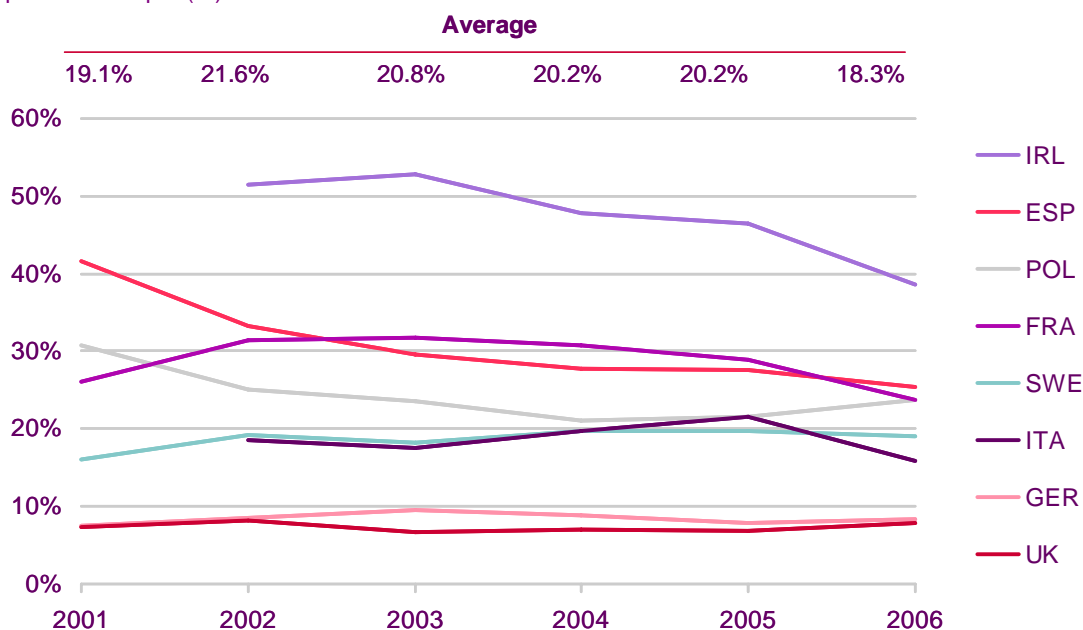
Historically, acquired output has been a prominent feature of UK and European television schedules, appearing regularly on mainstream networks in peak time. As public service broadcasters have benefited from higher levels of funding, and as demands for more home-grown output have increased, acquisitions have begun to reduce as a proportion of total scheduled output.

Figure 3.25 illustrates this trend, showing that Spain, Poland and the Republic of Ireland have reduced the proportions of acquired output in their schedules significantly. The rate of reduction has been particularly marked in Ireland, with a cut of 12 percentage points since 2002, reflecting RTE's decision to increase its volume of indigenous programming.

The UK and Germany have a track record of showing the fewest bought-in programmes – between 7% and 10% of output – with levels remaining stable over the last five years. Only in Sweden have acquisitions risen as a proportion of total output, from 16% in 2001 to 19% in 2006.

**Figure 3.25 Acquisitions: trends**

Proportion of output (%)



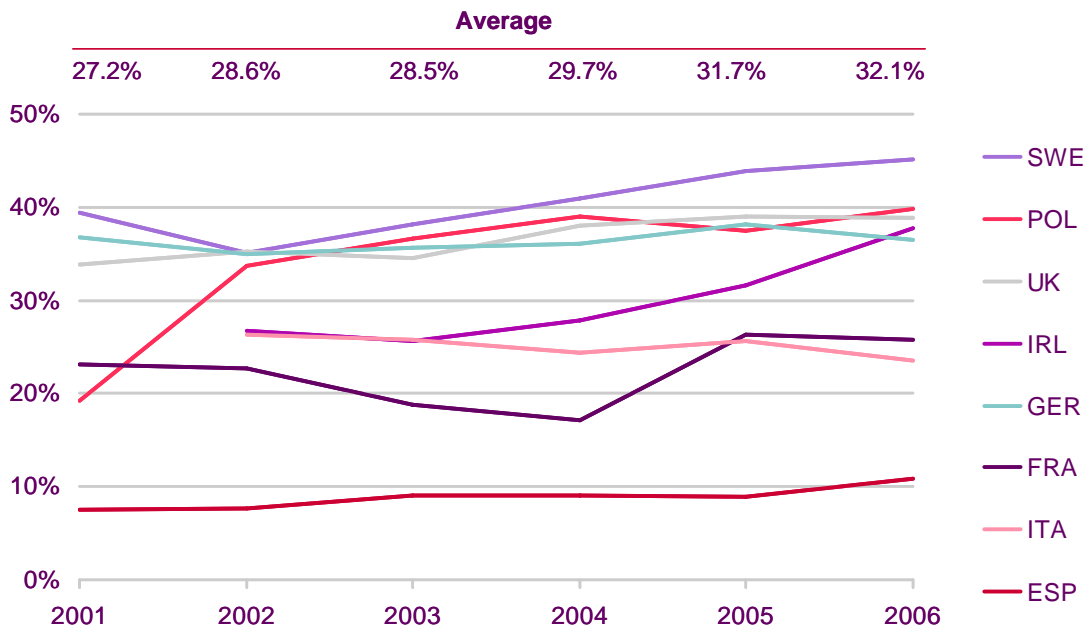
Source: EBU

With reduced hours of acquired output, and broadcasters' limited capacity to increase levels of first-run originated output, programme repeats have sometimes taken up the strain. Repeats have been on the increase across many of the countries in this study – up from an average of 27% in 2001 to 32% in 2006 (Figure 3.26). This has been particularly apparent in Sweden, Poland, the UK and Ireland, while levels have been relatively stable in Germany and Italy. In France the proportion of repeats reduced in 2003 and 2004 but this was followed by increases in 2005 and 2006.

Spain appears to have followed a different editorial policy from PSBs in other countries. Over the last five years, RTVE has significantly increased the levels of first-run own productions and commissions, at the expense of acquired material which has been cut back considerably. At the same time, the broadcaster has managed to hold down the proportion of repeats in the programme mix which – at around 11% in 2006 – were at a lower level than in any other country.

**Figure 3.26 Repeats: trends**

Proportion of output (%)



Source: EBU

The Television Without Frontiers (TVWF) Directive places a limit on the amount of programming that can be shown from countries outside Europe, which means that, broadly speaking, more than 50% of programmes must be European. Comparative figures for 2005 and 2006 have not yet been published by the European Commission.

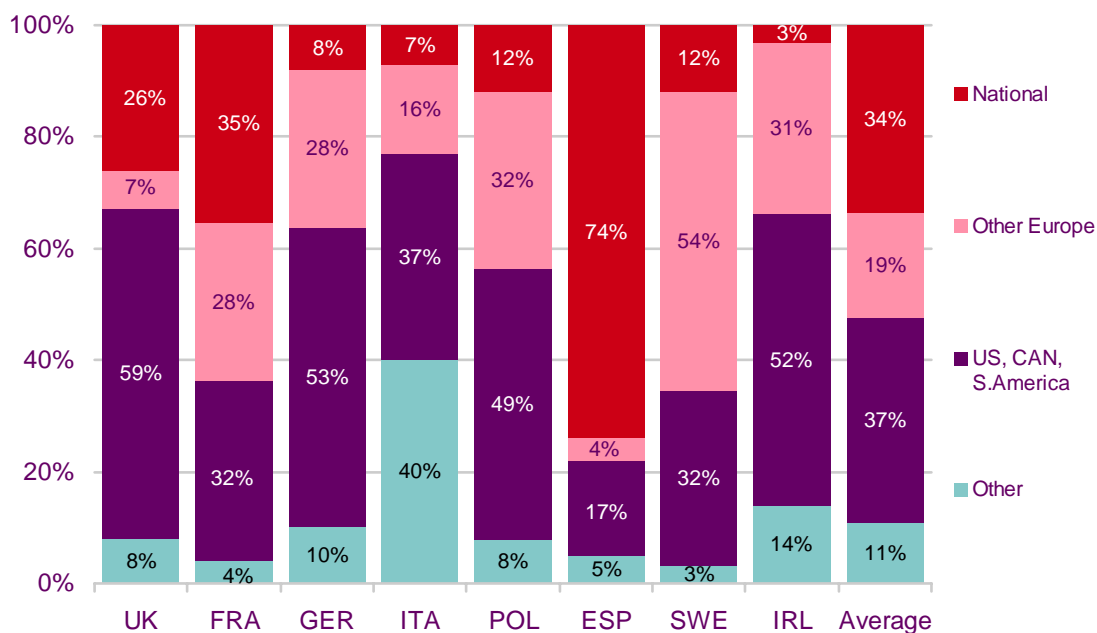
Figure 3.27 compares the origins of first-run acquired programmes. This is a somewhat different analysis to the TVWF quota figures which take account of originations as well as repeats (and have some specific exclusions). It should be noted, therefore, that the 50+% TWF quota is not relevant in this context.

On average, just over 50% of purchased programmes originated in Europe in 2006 – acquired either from national sources (i.e. a producer or competing broadcaster within the home country) or from other European countries. In Spain, TVE broadcast the highest proportion of nationally acquired programmes (74%), followed by France (35%) and the UK (26%). At the other end of the scale, most acquisitions in Italy were from outside Europe (77%), followed by the UK (67%) and Ireland (66%).

Apart from in Italy, most non-European acquisitions come from the Americas. The UK showed the highest proportion of bought-in programmes and films from North and South America and Canada, at 59%, followed by Germany with 53% and Ireland at 52%, compared with the average of 37%.

**Figure 3.27 Origin of acquired output, 2006**

Proportion of output (%)



Source: EBU

## 3.3 The television viewer

### 3.3.1 Platform availability

Figure 3.28 illustrates the availability of television platforms for six of the countries analysed in this report.

The majority of viewers across these countries have access to pay satellite services, thanks to their extensive coverage. Free satellite services are also widely available in the UK, the US and Germany, and in parts of France and Italy. They are often positioned as ‘fill-in’ services for those parts of the country that are unable to receive cable or terrestrial services for geographic or topographical reasons.

Analogue terrestrial services still cover most viewers in most countries – particularly in the UK, Italy, Spain and France, where broadcasters have historically used terrestrial technologies; in Germany and the US too, analogue terrestrial is available to most of the population. Germany’s DTT coverage is now more extensive than analogue terrestrial, as digital switchover has started in some German Länder.

Digital terrestrial services are now available to at least some viewers in all six countries, but the underlying business models differ. A mix of free and paid-for services are available in the UK, France and Italy. But the platform supports an entirely free-to-view line-up in Spain (where the original pay service, Querio, folded) and in Germany (where terrestrial television plays a minor role in the market).

IPTV is still a niche service in many countries, but is available to a proportion of the total population in France, Italy and Spain.

**Figure 3.28 Platform availability by country, 2006**

	UK	USA	Germany	France	Italy	Spain
ATT	●	◐	◐	●	●	●
Free DTT	◐	◐	◐	●	◐	●
Pay DTT	◐	○	○	●	◐	○
Free satellite	●	●	●	◐	◐	○
Pay satellite	●	●	●	●	●	●
Cable	◐	●	◐	◐	○	◐
IPTV	◐	◐	◐	◐	◐	◐
<b>Largest TV platform</b>	DSat <sup>1</sup>	D/ACab	ACab	ATT	ATT	ATT
<b>Proportion of homes (%)</b>	34%	29% each	55%	35%	48%	47%

Source: Spectrum Value Partners and Ofcom research  
1. DTT overtook DSat as the largest platform in 2007.

### 3.3.2 Take-up of television platforms

#### Analogue cable the popular choice in the Netherlands and Germany

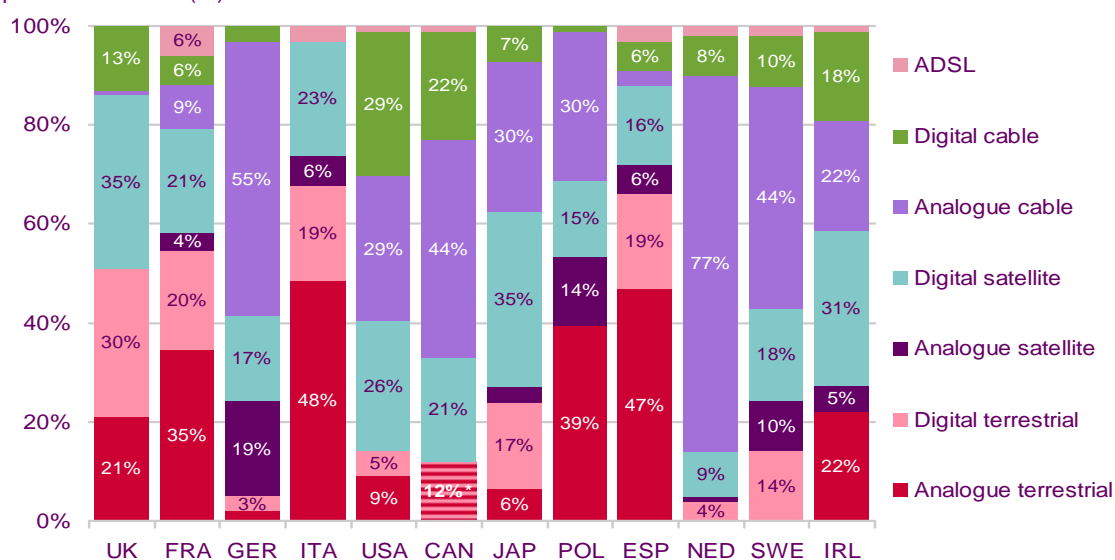
Among the countries studied in this report, two patterns of television platform take-up emerge.

- **One platform takes a substantial share of all homes.** Analogue cable is the most popular platform choice for homes in the Netherlands, with digital satellite and digital cable accounting for a further 17% of homes. In Germany too, analogue cable is popular, accounting for 55% of homes in 2006; satellite (analogue or digital) made up a further 36% of homes.
- **Three platforms account for a substantial share of all homes.** Three television platforms typically accounted for a large proportion of all television homes among the remaining countries in 2006. In Italy, the UK, Spain and France, analogue terrestrial television, digital terrestrial and digital satellite combined accounted for 90%, 86%, 82% and 76% of homes respectively. In the US, 84% of homes took cable (analogue or digital) or digital satellite. In Poland, 74% of homes received television through either analogue cable, analogue terrestrial or digital satellite. In Sweden, 76% of homes took digital terrestrial, digital satellite or analogue cable.

The Republic of Ireland was the only country that did not fit this pattern. There, four television platforms each took a sizeable proportion of the total market in 2006 – analogue terrestrial, digital satellite, analogue cable and digital cable take-up stood at 22%, 31%, 22% and 18% respectively (Figure 3.29).

**Figure 3.29 Reception devices connected to the main set in the home, 2006**

Proportion of homes (%)



Source: World Television Markets 2007, IDATE and CRTC

Note: The Canadian terrestrial figure combines analogue/digital

#### Reductions in analogue terrestrial television take-up in France and Spain

In a number of countries in this study there has been a progressive migration of homes away from analogue terrestrial tuners connected to the main set in the home. The greatest reductions in analogue connectivity were in France and Spain, at 21 and 13 percentage points respectively.

Much of the reduction in analogue terrestrial households in France and Spain was captured by the DTT platforms (TNT in France and TDT in Spain). Italian analogue terrestrial television (ATT) homes also reduced significantly – by 8.5 percentage points over the year – but DTT take-up rose by only 3.9 percentage points as Italians preferred to migrate to either cable or satellite services.

There were sizeable falls in the number of analogue cable households in Japan, Canada and the US during 2006, as the cable infrastructure was progressively upgraded to digital. In Japan and Canada the reduction was more than offset by increases in digital cable take-up, but the US saw a net reduction in cable subscribers of around 0.8 percentage points, much of which was taken up by the country's pay satellite operators, including DirecTV and Echostar.

Finally, IPTV operators in France and in Italy (such as Free and FastWeb) continued to benefit from strong growth in 2006. The platform attracted a further 3.8% of French homes and 2.5% of Italian homes (Figure 3.30).

**Figure 3.30 Changes in platform take-up, 2005 – 2006, percentage points**

Platform		UK	FRA	GER	ITA	US	CAN	JPN	POL	ESP	NED	SWE	IRL
<b>Terrestrial</b>	Analogue	-6.7	-21.3	-1.0	-8.5	-2.5	-1.3*	-7.5	-2.1	-13.4	-2.2	-2.8	-2.6
	Digital	4.7	16.5	0.8	3.9	1.7	-	6.9	0.0	10.7	0.5	2.2	0.0
<b>Satellite</b>	Analogue	0.0	-0.2	-0.8	-0.6	0.0	0.0	-0.8	-1.3	-0.3	-0.1	-1.9	-0.9
	Digital	1.9	1.1	1.0	2.6	1.4	0.3	1.1	2.3	1.2	0.4	1.9	1.6
<b>Cable</b>	Analogue	-1.0	-1.2	-1.9	0.0	-4.1	-3.4	-7.2	0.2	-0.5	-2.2	-2.5	-1.0
	Digital	1.1	1.3	1.7	0.0	3.3	4.5	7.4	0.4	1.1	2.3	1.7	2.0
<b>IPTV</b>		0.0	3.8	0.1	2.5	0.2	0.0	0.2	0.4	1.3	1.3	1.4	0.9

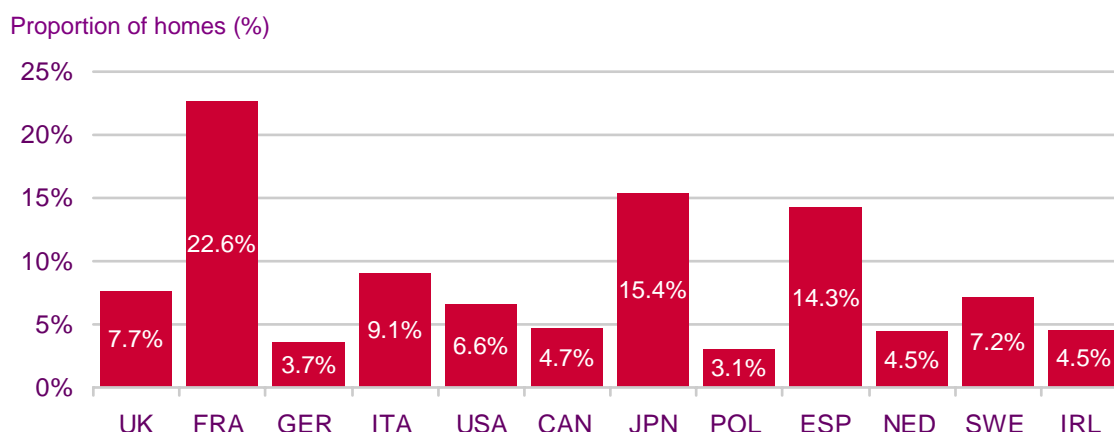
Source: World Television Markets 2007 (IDATE), CRTC and Ofcom analysis

Note: \*The terrestrial figure for Canada combines analogue and digital. It therefore represents a reduction in total terrestrial television homes.

Migration to digital platforms has been driven both by platform operators keen to offer a wider range of channels and interactive services, and by policy makers seeking more efficient use of the spectrum currently dedicated to analogue television broadcasts (Figure 3.31).

With access to a well-developed DTT platform offering an easy migration path to digital, consumers in France, Japan and Spain switched to digital in greater numbers than in any other country covered by this report, with 23%, 22% and 14% of homes respectively substituting digital for analogue during the year.

**Figure 3.31 Migration to digital television platforms, 2005 – 2006**



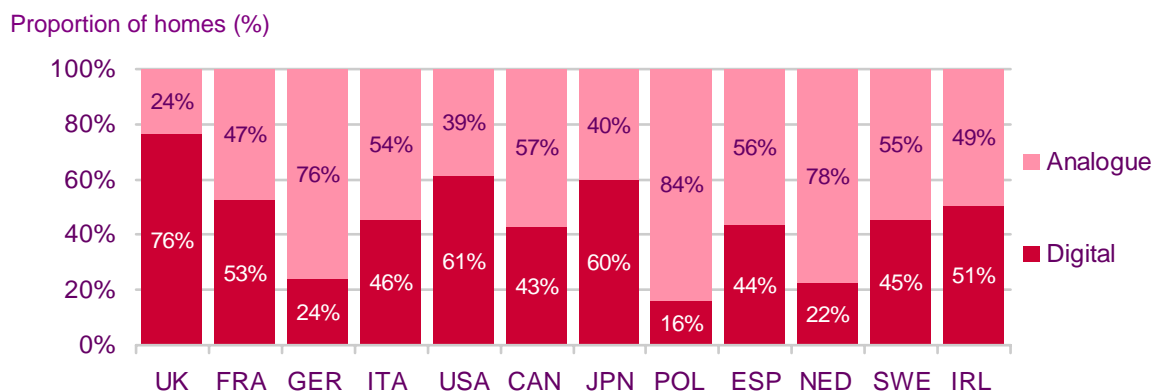
Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis

Note: The Canadian figure does not take account of DTT additions.

As in 2005, UK consumers in 2006 were more likely than those in any the other comparator countries to have a digital device (DTT, DSat or DCable) connected to the main sets in their homes; 76% migrated to digital during 2006 and most of the growth in digital homes since 2005 can be explained by conversions to Freeview. Sixty-one per cent of US homes were in a similar position in 2006, followed by France (53%) and the Republic of Ireland (51%).

Old cable infrastructure, which is expensive and time-consuming to upgrade, continued to dominate in Germany and the Netherlands, where only 24% and 22% of homes respectively had connected a digital decoder to their main television set. Polish consumers were also heavily reliant on analogue technologies, and had either cable or terrestrial in their homes (Figure 3.32).

**Figure 3.32 Analogue and digital television homes, 2006**



Source: World Television Markets 2007 (IDATE) and CRTC

Note: The Canadian figure does not take account of DTT additions.

### Pay television grows in Italy, France, Sweden and Ireland

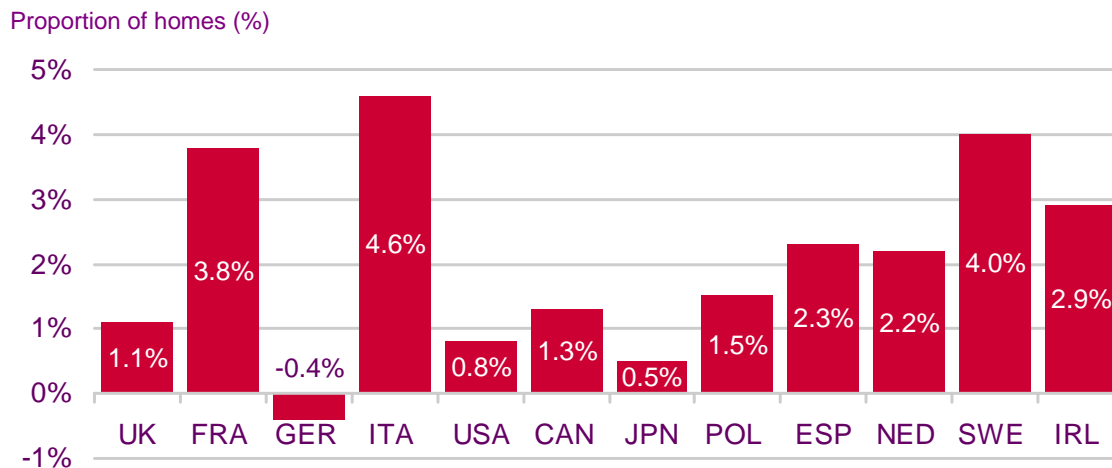
Conversion from analogue terrestrial to a digital platform often marks the point when a household makes a decision about whether or not to pay for additional television channels.

More consumers in Italy made the switch to pay-TV in 2006 than in any other country, with 5% of homes taking a subscription service for the first time; SkyItalia benefited from much of that migration. In France 4% made the switch, as consumers were presented with an

invigorated 'new' CanalSatellite (following its merger with TPS) while much of the country's cable infrastructure rebranded as Numericable.

The US, with a relatively mature market for pay-TV, recorded subscriber growth in 2006 of just 1%. German homes were less likely in 2006 to move to a pay platform, but here the underlying cause is probably the large number of free-to-view channels, rendering consumers resistant to paying for still more choice (Figure 3.33).

**Figure 3.33 Migration to pay-TV, 2005 - 2006**

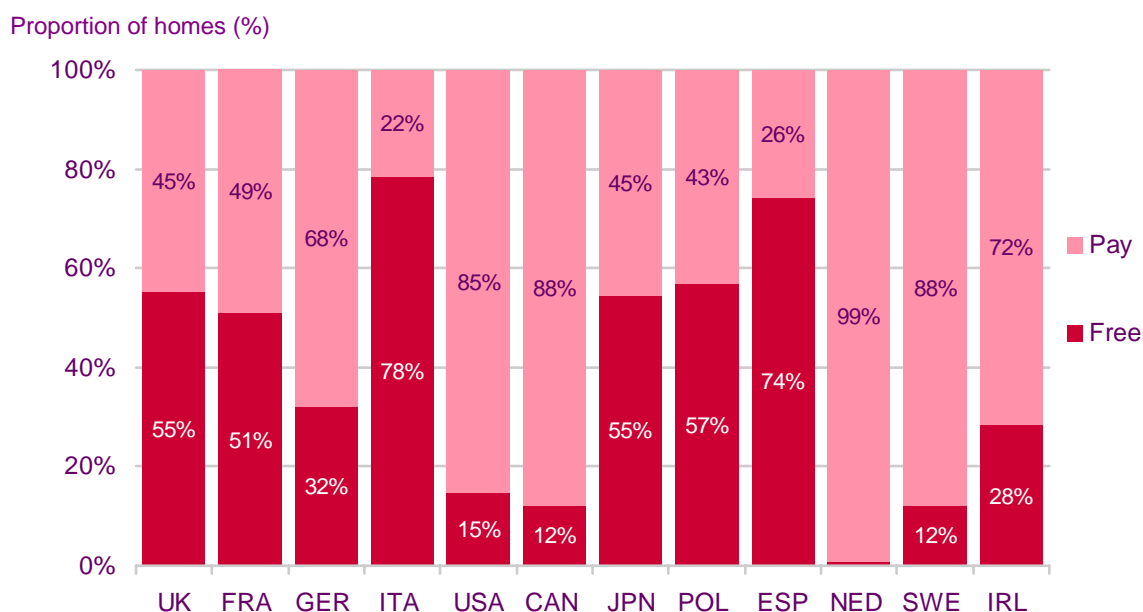


Source: *World Television Markets 2007*, IDATE and CRTC

Figure 3.34 illustrates the wide variation in the proportion of pay and free TV households across our comparator countries.

Apart from Germany and the Netherlands (where pay-TV figures include homes that pay a small 'cable relay' payment in return for access to free-to-view channels), households in the US, Sweden and the Republic of Ireland were the most likely to pay for television in 2006, with 85%, 88% and 72% respectively subscribing to additional channels. The UK featured in a 'second tier' of countries including France, Japan and Poland, where subscription TV penetration was between 45% and 49%.

**Figure 3.34 Pay versus free-to-view television, 2006**

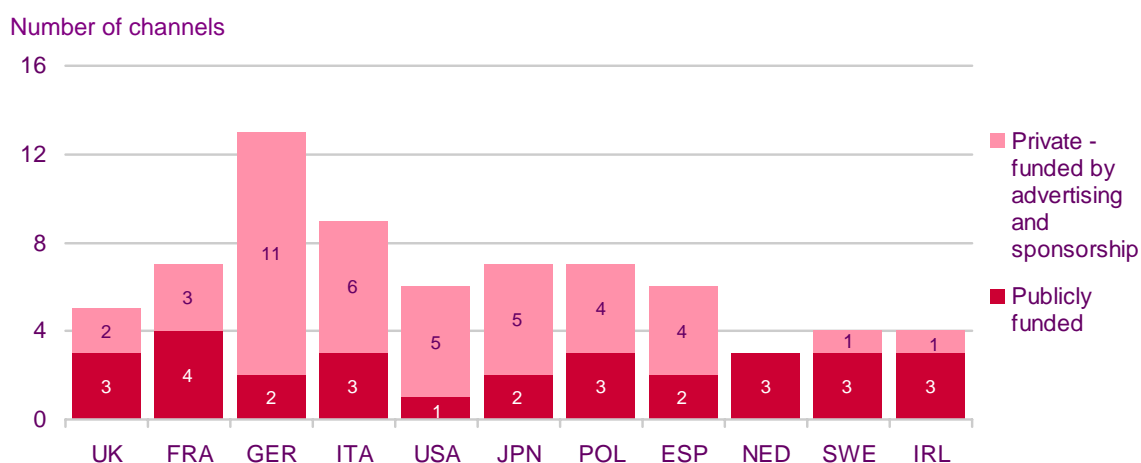


Source: World Television Markets 2007 (IDATE) and CRTC

### 3.3.3 Free-to-view television services: availability and funding

The number of free-to-view (FTV) analogue terrestrial channels has remained stable year-on-year across most of the countries in this study. German viewers still have access to the largest number of services (though access to these is made possible through a small monthly ‘cable relay’ payment), while viewers in the Netherlands have access to the fewest channels. Uniquely, the Dutch analogue channels are all public service broadcasters (Figure 3.35).

**Figure 3.35 Funding sources of Free-to-view analogue terrestrial channels 2006**



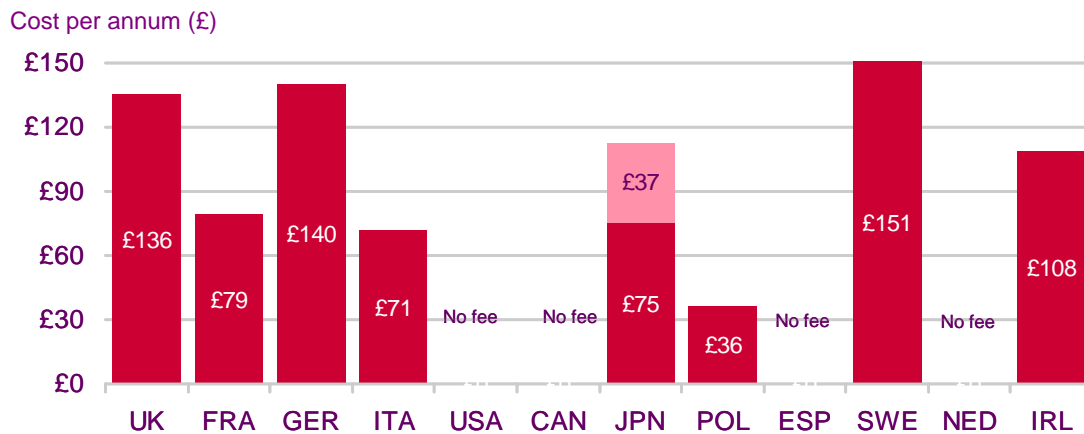
Source: IDATE / European Audiovisual Observatory

The cost of a television licence is partly a function of whether it is funded by other sources, and partly reflective of the scope of activities undertaken by the public service broadcasters (whether television-only, or including radio and online, for example). Most European countries fund public service broadcasting through a combination of licence fees and advertising, ensuring a diverse and partly-guaranteed income stream. The main exceptions

are the UK and Sweden, where funding is drawn almost entirely from the licence fee, which is consequently higher than in most other countries.

A few countries studied in this report charge no licence fee – the Spanish PSB is funded by government grants and advertising while in the Netherlands the licence fee was abolished in 2000 and public service broadcasting is now funded through government subsidy, paid for by an increase in income tax. There is also no licence fee in Canada, where the Canadian Broadcasting Corporation is funded from tax revenues and through advertising, while PBS in the US is funded through donations and federal grants (Figure 3.36).

**Figure 3.36 Cost of a licence fee, 2006**



Source: Ofcom

Note: The Japanese licence fee costs £74 for terrestrial homes or £127 for satellite reception.

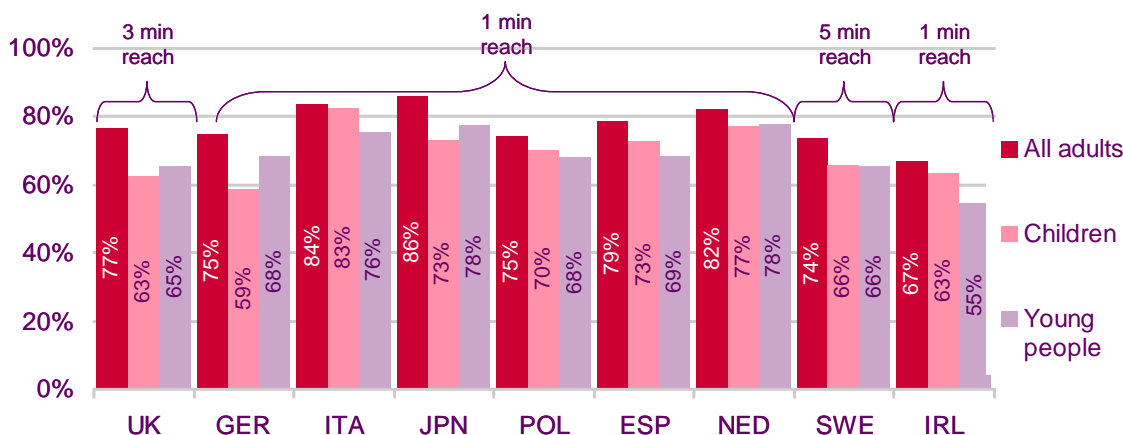
### 3.3.4 Consumption

The daily reach of all television channels is shown in Figure 3.37. Definitions of 'reach' vary, according to the national audience measurement systems employed, so comparable data across all countries are difficult to acquire. In most cases 'daily reach' is defined as the proportion of viewers watching for at least one minute per day. Exceptions to this are the UK, where the figures relate to three minutes and Sweden, where the figures relate to five minutes.

In most countries the daily reach for children and young people is consistently lower than the figure for adults. In Germany only 59% of children watch television for one minute or more on a daily basis, compared with three-quarters of adults. Japan had the highest reach of 86%. The lowest reach figures for adult audiences were in Poland and Germany (both at 75%).

**Figure 3.37 Daily reach of all television services, 2006**

All TV reach by age (%)



Source: IDATE, based on national audience measurement systems

Notes: UK figure represents 3 minute daily reach; Sweden figure represents 5 minute daily reach; all remaining figures are 1 minute reach.

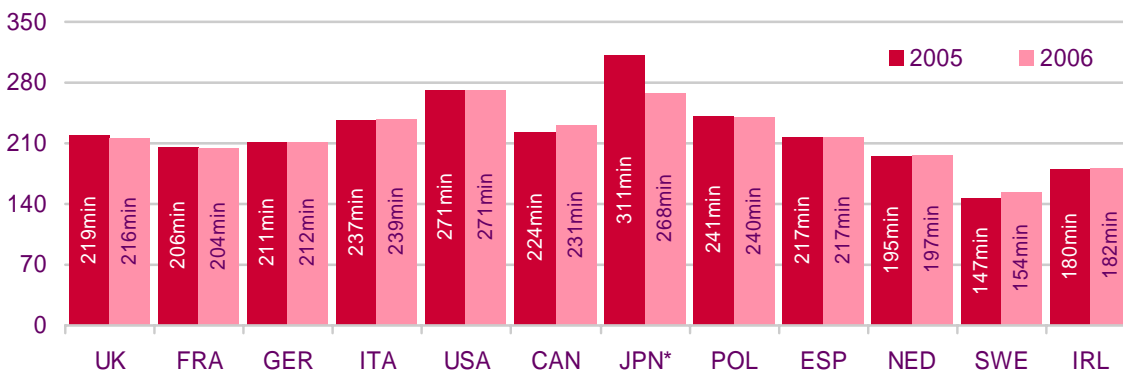
National audience measurement systems vary in how they define age categories

The average number of minutes spent watching television services remained relatively stable across the countries covered in this report between 2005 and 2006 (Figure 3.38).

Japanese and US viewers watch more television than Europeans, consuming around 4.5 hours per day in 2006, although the Japanese figure dropped significantly over the year - the huge success of the Nintendo Wii has been cited as a possible reason by some commentators. The heaviest consumers in Europe, in Italy and Poland, watched four hours a day on average. The lightest viewers were in Sweden, watching for an average of just 154 minutes a day (2.6 hours), although Swedish channels benefited from the highest proportionate increase of consumption, up by 4.5% on 2005's viewing.

**Figure 3.38 Minutes of viewing per head**

Minutes per day



Source: One Television Year in the World 2007 Eurodata/Mediаметrie, based on national audience measurement systems and IDATE for Japan data

Note: \*2006 Japan methodology changed to allow for skew by the housewives audience group

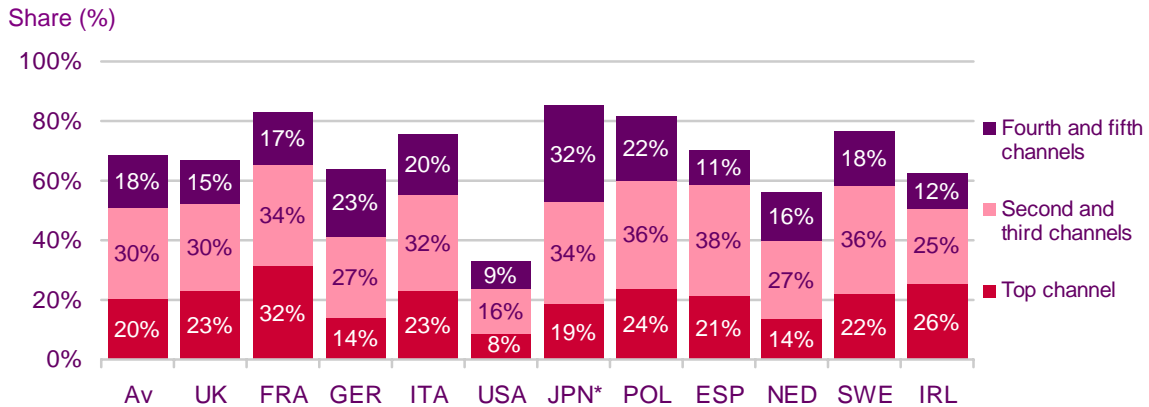
The collective audience share achieved by the top five channels in each country has also remained relatively stable year-on-year.

US viewers continued to show the most diluted pattern of viewing, owing to the high proportion of homes that pay for more choice. Germany also showed slightly lower patterns

of viewing concentration than most of its European neighbours; this is probably due to the high number of free-to-view channels.

The top seven channels in Europe with the highest share in their countries were TF1 in France, RTE 1 in Ireland, TVP1 in Poland, BBC1 in the UK, RAI 1 in Italy, TV4 in Sweden and Tele5 in Spain (Figure 3.39).

**Figure 3.39 Collective audience share of top one, three and five channels, 2006**

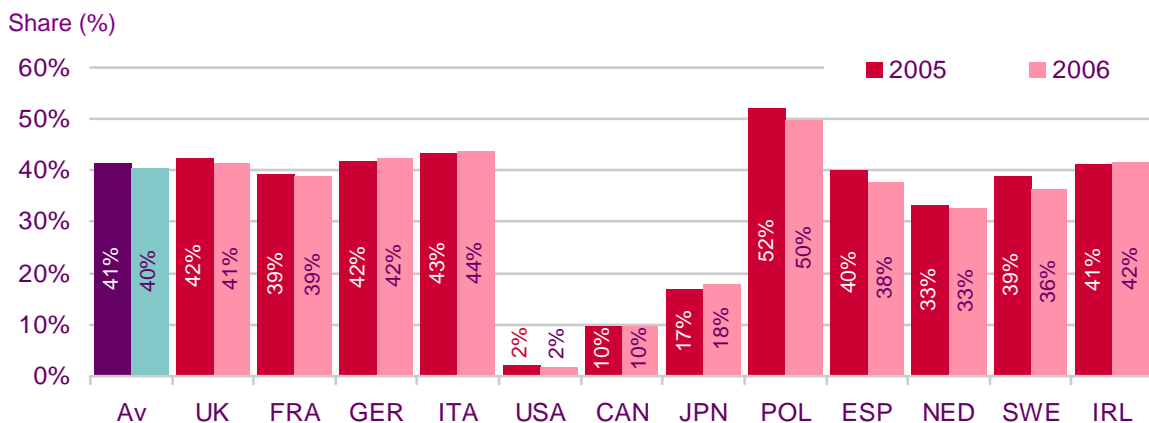


Source: One Television Year in the World 2007 Eurodata/Mediаметrie, based on national audience measurement systems and IDATE for Japan data

Note: The pink increment represents the additional share added from the second and third most popular channels. The purple increment represents the additional share added by the fourth and fifth channels  
\*Estimated

In Europe, the average audience share of PSB channels fell by one percentage point between 2005 and 2006, to 40%. However, there was some variation between countries, with increases in Germany, Italy and Ireland being offset by falls elsewhere. PSB audiences in Sweden fell most, down by three percentage points (or 8.7%) to 36% in 2006 as people moved to pay services. In Japan, Canada and the US, viewers watch considerably less programming on PSB channels; in the US this is largely because few PSB channels are available (Figure 3.40).

**Figure 3.40 PSB share of viewing**



Source: One Television Year in the World 2007 Eurodata/Mediаметrie, based on national audience measurement systems and IDATE for Japan data

Notes: UK figures include BBC One, BBC Two and Channel 4/S4C

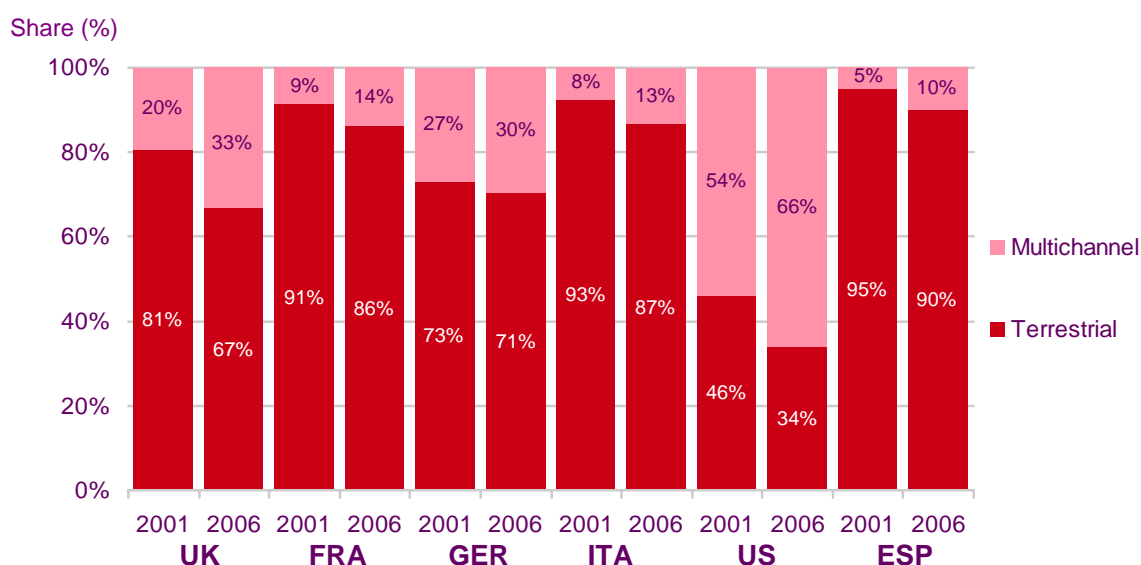
The impact of reduced terrestrial channel viewing and the commensurate growth in the share of multichannel viewing over the last five years is shown in Figure 3.41.

Growth was fastest in the UK, with viewing of multichannels expanding by 65%, from 20% of all viewer hours in 2001 to 33% in 2006.

Although multichannel viewing share in Germany and the UK was at a similar level in 2006, the rate of growth has been far slower in Germany, perhaps because of the availability of 13 free-to-view analogue channels compared to five in the UK. Multichannel penetration in France, Italy and Spain is growing, but is still lower than in other countries, at between 10 and 14%.

The picture in the US was very different over the same period, with multichannel channels attracting the *majority* of viewer hours both in 2001 (54%) and in 2006 (66%) amid substantial reductions in the collective share of ABC, CBS, Fox, NBC and PBS.

**Figure 3.41 Terrestrial channels versus multichannel viewing shares**



Source: Zenith, One Television Year in the World 2007 Eurodata/Mediаметrie, Spectrum Strategy Consultants and Ofcom based on national audience measurement systems