The International Communications Market 2010

3 Television and audio-visual

Contents

3.1 Key market developments in the TV and audio-visual markets 111

3.1.1 Industry metrics and summary 111
3.1.2 Global TV revenues fell in 2009 as growing income from pay-TV services failed to offset reductions in advertising 112
3.1.3 Digital TV take-up continues to rise as digital switchover gathers momentum 114
3.1.4 New digital platforms begin to offer more choice to consumers 117
3.1.5 Broadcasters look to technology to drive growth 120
3.1.6 Patterns of viewing concentration influenced by digital TV take-up 123
3.1.7 The value of TV airtime to advertisers was similar across many comparator countries in 2009 125

3.2 The TV and audio-visual industries 127

3.2.1 Summary 127
3.2.2 Television revenues among comparator countries 127
3.2.3 TV revenue per head among comparator countries 131
3.2.4 TV licence fees still important in Europe 133
3.2.5 Advertiser-funded income stream under pressure in 2009 134
3.2.6 Pay-TV revenues resilient in the downturn 135
3.2.7 HDTV development 139
3.2.8 Digital video recorders (DVR) 143
3.2.9 Video on demand 144
3.2.10 Hybrid devices and online video 147
3.2.11 Television output from European public service broadcasters (PSBs) 151

3.3 The TV and audio-visual consumer 156

3.3.1 Summary 156
3.3.2 Take-up of television distribution technologies on main television sets 156
3.3.3 Take-up of pay-TV on main television sets 160
3.3.4 Consumption of broadcast television 163
3.3.5 Television remains the most common primary source for international and national news for internet users 166

3.4 Local and regional television 169

3.4.1 Local and regional television 169
3.4.2 Definitions and availability of local/regional television 169
3.4.3 Features of local TV markets 175

3.1 Key market developments in the TV and audio-visual markets

3.1.1 Industry metrics and summary

The TV and audio-visual chapter focuses on four areas: key market developments in the sectors, analysis of industry revenue and trends, the TV and audio-visual consumer and local TV. It includes a global overview and country-level analysis of the 17 comparator countries.

- **Key market developments** details some of major TV and audio-visual industry trends during the last year, covering analysis of revenue, device take-up, technology developments and viewing.
- **The TV and audio-visual industries** section focuses on the TV and audio-visual industries, looking at key revenue trends and financial results for TV broadcasters; analysis of key TV technologies and programming trends among European public service broadcasters.
- **The TV and audiovisual consumer section** looks at developments in TV device take-up across our comparator countries, TV viewing trends and attitudes towards and consumption of news.

Figure 3.1 TV industry metrics 2009

	UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRL	POL	BRA	RUS	IND	CHN
TV revenue (£bn)	10.5	10.0	11.2	7.9	81.5	3.5	24.9	3.6	4.0	2.3	1.4	0.9	2.1	8.0	2.8	4.0	8.7
Revs change (%, YOY)	0.2	2.4	-0.4	-2.9	-1.0	-0.2	-4.6	0.1	-9.4	-0.8	-3.0	-2.1	5.7	12.0	-12.2	14.1	7.6
Revenue per cap (£)	169	160	137	135	265	104	196	168	86	136	150	190	53	40	20	3	7
from advertising	*51*	*41*	*40*	*67*	*105*	*52*	*92*	*81*	*45*	*41*	*40*	*58*	*19*	*24*	*16*	*1*	*4*
from subscription	*74*	*84*	*45*	*44*	*159*	*36*	*69*	*63*	*27*	*56*	*77*	*93*	*33*	*16*	*4*	*2*	*3*
From public funds	*44*	*35*	*51*	*25*	*1*	*16*	*35*	*24*	*14*	*39*	*33*	*39*	*2*	*1*	*0*	*0*	*0*
TV licence fee[1]	143	105	192	95	n/a	n/a	102	n/a	n/a	n/a	173	142	38	n/a	n/a	n/a	n/a
Largest TV platform (% of homes)	DTT 41%	DTT 32%	ACab 40%	DTT 36%	DCab 38%	DCab 38%	ACab 27%	ATT 39%	DTT 62%	ACab 43%	ACab 45%	DSat 46%	DSat 49%	ATT 55%	ATT 44%	ACab 61%	ATT 40%
TV viewing (mins/day)[2]	225	205	212	238	280	217	n/a	183	226	184	165	185	240	227	228	138	158
No.1 channel share (%)	21	26	13	21	7	11	n/a	22	16	20	21	24	21	43	18	14	9
DTV take-up (%)	91	81	48	71	83	69	69	61	91	57	55	66	57	38	26	23	25
Pay TV take-up (%)	51	56	65	25	90	92	58	31	28	99	97	76	84	14	49	78	47
DSO date	2012	2011	2008	2012	2009	2011	2011	2013	2010	2006	2007	2012	2013	2016	2015	2013	2015

Source: IDATE / industry data / Ofcom / Mediametrie, Eurodata TV Worldwide. Figures have been converted to GBP using IMF 2009 average exchange rates. Note: Prices as of end 2009. [1]The Japanese licence fee costs £102 in terrestrial households or £175 to receive a larger number of channels via satellite.[2]Refers to average TV viewing per head, per day.

The TV and audiovisual sectors are among the most rapidly developing of the communications markets. However, their characteristics and levels of development vary greatly among the countries covered in our analysis. This section focuses on some of the key market developments seen during the last year. For example:

- **Global TV revenues declined in 2009, by 1.0% year on year to £208bn**. Growing income from pay-TV providers – up by 5.8% to £102bn – failed to offset declining TV advertising revenue in 2009. Net TV advertising revenue fell by 8.9% year on year from £95bn to £86bn (page 112).

- **With digital switchover already completed in five comparator countries and imminent in several others, digital TV penetration rose across all countries included in our analysis during 2009**. In the UK and Spain 91% of homes took digital TV, followed by the US (83%) and France (81%) (page 114).

- **Although cable, satellite and free-to-air terrestrial account for the vast majority of TV households across the comparator countries, other platforms are emerging to offer more variety to consumers**. The UK was among the first countries to launch pay DTT and IPTV services (page 117).

- **Consumers are taking advantage of a broad range of technologies to capitalise on increasing convenience and quality, and to take control of their viewing**. Our consumer research found that HD-ready TV sets were most widely adopted in the UK (59% of households), slightly ahead of the US (57%). The UK was the second biggest market for DVRs (32%) behind the US (39%) (page 120).

- **Patterns of viewing were most concentrated in Brazil**, where Globo commanded a 43% share of viewing in 2009. TF1 in France (with a 26% share) and RTE1 in the Republic of Ireland (24%) followed. BBC One attracted the highest viewer share in the UK in 2009, at 21% (page 123).

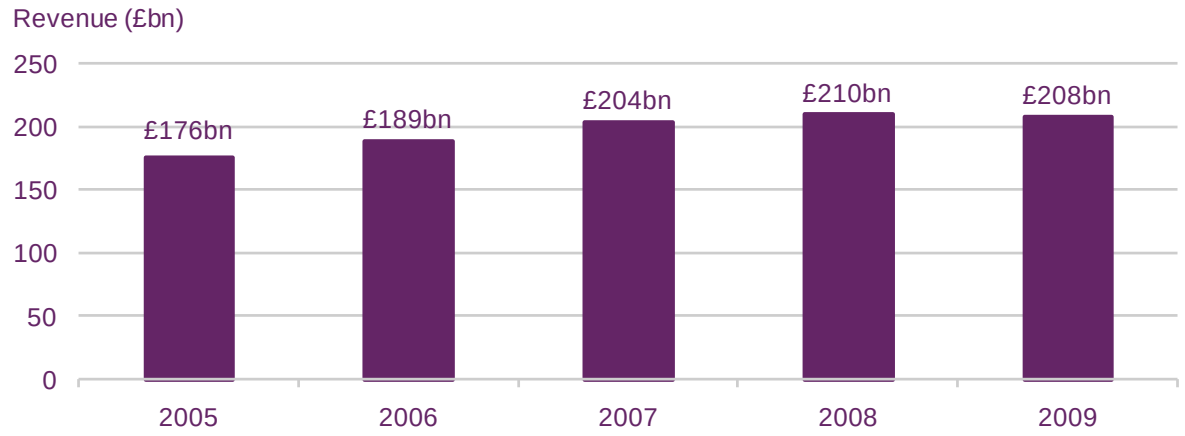
- **An hour of TV viewing in the US and Australian markets generated 6.2 pence per viewer hour (ppvh) and 7.3ppvh respectively.** In India, Poland, Russia and Brazil the comparable figure ranged 0.1 ppvh pence to 1.7 ppvh in 2009. Among remaining countries the figure ranged from 3.1 ppvh in Germany to 5.2 ppvh in the Republic of Ireland; the UK was situated at the lower end of this range, at 3.7 ppvh (page 125).

3.1.2 Global TV revenues fell in 2009 as growing income from pay-TV services failed to offset reductions in advertising

Ofcom estimates that global TV revenues declined in 2009, by 1.0% year on year to £208bn. The trend may well be explained by the economic downturn seen in many major economies. While TV revenues fell slightly in 2009, they were still up by nearly a fifth (18.2%) compared to 2005.

Our analysis of *global* revenue (presented in this section) incorporates three main components – net advertising revenue, TV licence fees and subscriptions. It also incorporates revenues from pay per view (PPV) and video on demand (VoD) since these products now form an intrinsic part of many pay-TV offers. This methodology differs from our *country-level* analysis (see Section 3.2.2), where we focus only on net advertising revenues, public funds/TV licence fee and subscriptions.

Figure 3.2 Global TV revenues



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2010-2014 @ www.pwc.com/outlook. IDATE / industry data / Ofcom for US and UK revenues. Notes: Net TV advertising revenues for Russia have been calculated by discounting 15% of TV advertising spending to remove agency fees and production costs. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009.

Growing revenues from pay-TV providers failed to offset declining TV advertising revenue in 2009. Net TV advertising income fell by 8.9% year on year from £95bn to £86bn and was the only revenue category analysed that contracted in 2009, probably driven largely by the economic downturn.

Despite the overall reduction, pay-TV revenues grew by 5.8% in 2009 to reach £102bn – the first time they have passed the £100bn mark. Unlike many advertiser-supported channels, pay-TV operators have generally reported resilient performance throughout the economic downturn as consumers value TV in such times (see section 3.2.6).

Growth in pay-TV adoption (see section 3.3.3) has contributed to this increased revenue, as has the launch of new products and services. Enhancements such as digital video recorders (DVRs), video on demand (VoD), high-definition television (HDTV) and three-dimensional TV (3DTV) can help pay-TV broadcasters increase average revenue per user (ARPU). We look at these products in greater detail in sections 3.2.7 to 3.2.10. Public funding, usually sourced from TV licence fees or government grants, increased by 3.6% year on year to reach £19bn.

On a compound annual basis, subscription revenue increased by 9.1% p.a. between 2005 and 2009, while public funding grew by 2.3% p.a. over the same period. NAR was static, returning to the £86bn earned in 2005 and down from £95bn in 2007 and 2008. In 2009, subscriptions accounted for nearly half (49%) of total TV revenue for the first time, up by eight percentage points on the 41% share recorded in 2004, and up by four percentage points year on year. Net advertising revenue commanded a share of 42% in 2009, seven percentage points lower than that in 2005. Public funding's share was relatively stable between 2005 and 2009, down by one percentage point to 9%.

Figure 3.3 TV industry revenues, by source

Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2010-2014 @ www.pwc.com/outlook. IDATE / industry data / Ofcom for US and UK revenues. Notes: Net TV advertising revenues for Russia have been calculated by discounting 15% of TV advertising spending to remove agency fees and production costs. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009.

3.1.3 Digital TV take-up continues to rise as digital switchover gathers momentum

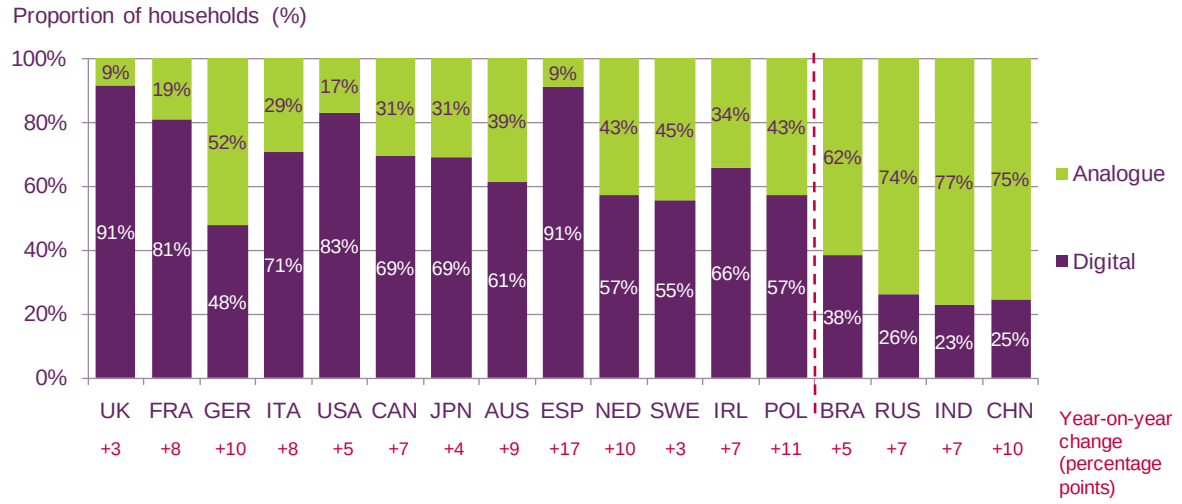
With digital switchover (DSO) already completed in five comparator countries and imminent in several others, digital TV penetration increased across all the countries in our analysis in 2009. DSO usually refers to the cessation of analogue terrestrial broadcasting, replaced by a digital equivalent (DTT).

Homes in the UK had one of the highest levels of digital TV take-up (91%) at the end of 2009, up by three percentage points year on year, driven partly by digital switchover. In Spain, where DSO was completed in April 2010, 91% of homes had also adopted digital TV after a rapid increase in digital conversion compared to 2008 (17 percentage points)[30]. Although digital TV penetration grew by ten percentage points in Germany year on year, it remained the only European comparator country not to have a majority of digital households (48%). This was driven by the continuing popularity of basic analogue cable offerings and by some homes taking analogue satellite.

Figure 3.4 depicts the contrast between European markets (where a majority of homes in every comparator country apart from Germany have their television sets connected to digital), and the BRIC countries (where this figure is closer to a quarter). Brazil is the most mature digital TV market among the BRIC countries due to its relatively early adoption of DTT (December 2007), with 38% of main sets connected to digital. This compares to around a quarter (23-26%) of homes in Russia, India and China.

[30] Note that this figure relates to the end of 2009, before DSO had been completed, and includes a small element of analogue satellite and analogue cable.

Figure 3.4 Analogue and digital TV households, 2009



Source: IDATE / industry data / Ofcom

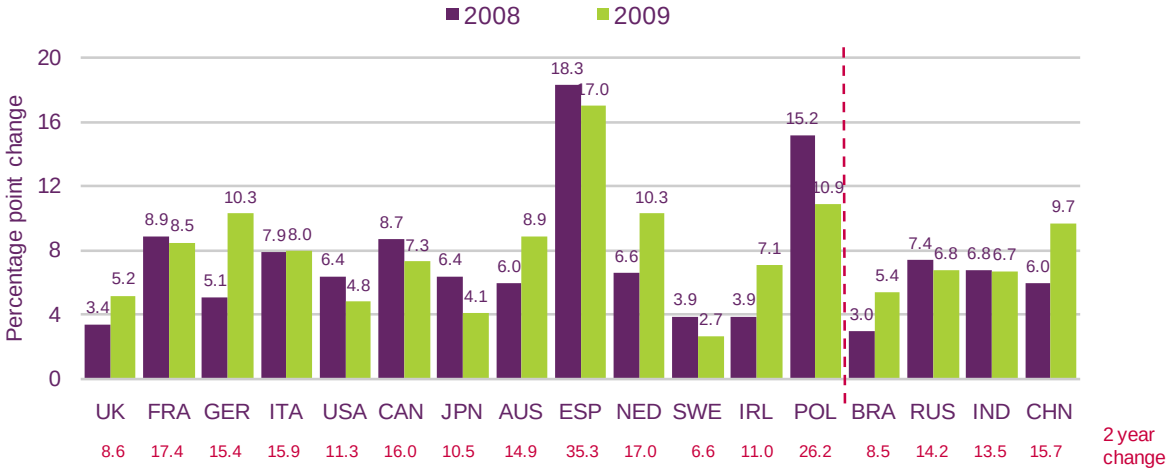
Homes in Spain adopted digital TV most rapidly during 2009 (up by 17.0pp) in the run up to switchover

At the end of 2009 there were over 400 million digital TV households across all comparator countries, an increase of nearly a quarter (24.5%) compared to 2008. As Figure 3.5 illustrates, digital TV take-up is experiencing steady growth in the majority of comparator countries. Homes in Spain (where digital take-up rose by 17pp) and Poland (up by 10.9pp) adopted digital at the fastest rates in 2009, compared to relatively low migration levels in more mature markets like Sweden (up by 2.7pp).

Figure 3.5 also shows that the rate of digital migration actually slowed down in some of the countries where the full transition to digital terrestrial services is imminent, or has already been made (further migration to digital in these cases is driven by upgrades to cable infrastructure and/or by analogue satellite homes moving over to digital).

The most notable cases were the US (where the rate of growth fell by -1.6 year on year), Canada (-1.4pp), Japan (-2.3pp) and Sweden (-1.2pp). Digital migration accelerated year on year in Ireland (where the rate of migration rose by 3.2pp in 2009) and in China (up by 3.7pp), where DSO is scheduled to be completed in 2015.

Figure 3.5 Percentage point change in the proportion of DTV homes, 2008 and 2009



Source: IDATE / industry data / Ofcom
Note: Figures represent additional DTV homes

Switchover strategies

Digital switchover is now well advanced in Western Europe, where many countries have employed a phased transition from analogue to digital terrestrial (DTT), progressing region-by-region until analogue signals are switched off across the whole country. Digital switchover can also include other TV distribution technologies, such as cable and satellite. DSO continues in the UK and is due to be completed in 2012. Wales became the UK's first digital nation in March 2010 and analogue switch-off is now under way in Scotland[31]. As DSO progresses in other countries, a range of strategies have emerged to manage the transition from analogue to digital:

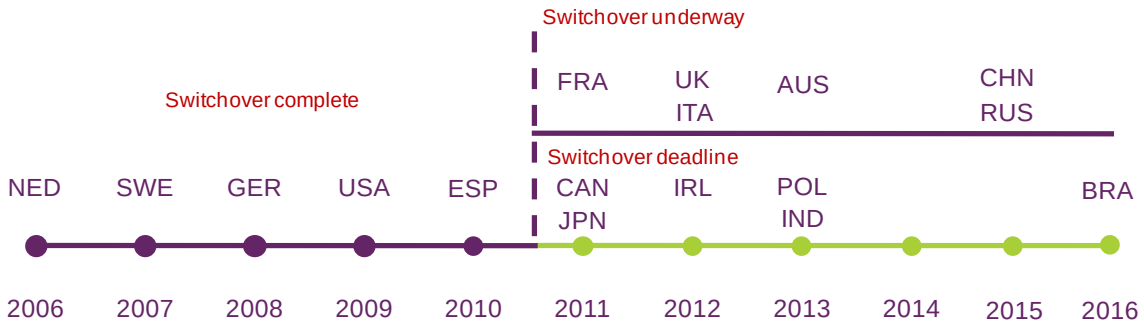
Europe: On 2 April 2010, Spain officially completed the transition to DTT by switching off all remaining analogue transmissions in the regions of Asturias, Castilla and Leon, Galicia and Islas Canarias. Italy is also due to switchover in 2012, but according to the Italian communications regulator (AgCom), this deadline could be brought forward to 2011, as there are six 'all digital' regions already, and the digitisation of Northern Italy may be completed this year[32]. In contrast, the transition to digital broadcasting has proceeded at a slower pace in Poland, where DTT launched in September 2010, when the DTT multiplex licensed to TP Emitel became operational in four regions of the country[33].

North America: Contrary to the phased approach adopted in some Western European countries, US television stations shut down analogue broadcasts on a single day in a nationwide switch to digital programming on 12th June 2009 (although this represented a four-month delay on the original timetable)[34]. The strategy also included a 'coupon programme' which provided consumers access to two $40 discounts to use towards the purchase of two DTT set-top boxes. In Canada, public broadcaster CBC has said it will be unable to convert all its TV transmitters by the scheduled DSO deadline of August 2011[35].

BRICs: Plans for digital switchover are at an earlier stage of development in the BRIC countries, but are gathering pace. In India, where analogue cable accounts for the majority of television households, the Telecom Regulatory Authority of India (TRAI) has recommended a fast-track approach for cable analogue switch-off. In August 2010 it announced a plan to digitise the network, starting with the four largest cities in March 2011 and the entire country by the end of 2013. In contrast, digital switchover in Brazil is not scheduled until 2016, when all broadcasters are required to adopt the ISDB-T standard. China plans to have complete DTT coverage by 2012 and complete analogue switch off in 2015, using its own DTT standard; DTMB[36]. Russia has a four-stage plan to switch to all-digital broadcasting by 2015, with DTT set to launch in the Khabarovsk region by the end of 2010[37].

[31] http://www.digitaluk.co.uk/__data/assets/pdf_file/0016/47302/Wales_becomes_UKs_first_digital_nation.pdf
[32] http://www.agcom.it/Default.aspx?message=viewrelazioneannuale&idRelazione=19##
[33] http://www.screendigest.com/news/Poland-gets-second-DTT-multiplex/view.html
[34] http://www.fcc.gov/dtv/
[35] http://cbc.radio-canada.ca/newsreleases/20100806.shtml
[36] http://www.dvb.org/about_dvb/dvb_worldwide/china/index.xml
[37] http://www.screendigest.com/news/russia-starts-dtt-roll-out/view.html

Figure 3.6 Timeline for DSO



Source: IDATE / industry data / Ofcom

3.1.4 New digital platforms begin to offer more choice to consumers

Cable, satellite and free-to-air terrestrial account for a large majority of TV households across the comparator countries (see Figure 3.46). But new digital platforms are emerging that offer more variety and choice for consumers. For example, some European providers of pay-DTT services are offering consumers increased flexibility in how they choose to structure and pay for TV packages.

DTT launched as a pay-TV platform in the UK (as OnDigital) and Sweden (Boxer) at the end of the 1990s, and in Spain (Quiero) in 2000. Both the UK and Spanish platforms closed after lower than expected take-up and eventually re-launched as free-to-air services. But pay-DTT is now re-establishing a presence in some markets, with operators positioning themselves as a low cost or 'pay-lite' option compared to traditional pay-TV offerings via cable and satellite. Figure 3.7 illustrates that a number of different business models have emerged to provide consumers with increasing degrees of flexibility in how they access pay-TV:

- Italian broadcaster Mediaset offers a pre-pay DTT system, where consumers can 'top up' pre-pay viewing cards to pay for the TV they watch. It offers premium sports and movies via two core packages, 'Calcio' and 'Gallery'.

- Top Up TV launched as a pay-DTT service in the UK in 2004. The service offers movies and TV programmes via 'push' VoD, with content being downloaded to the hard drives of its Top Up TV DVRs.

- TNtop, formerly owned by Top Up TV, launched in France in May 2008, replicating Top Up TV's early UK business model. Recently acquired by rival pay-DTT service TV Numeric, its offering now consists of a bouquet of six pay-TV channels provided at a low monthly cost, alongside retailing Canal+ premium channels.

- Launched in 1999, Swedish pay-DTT service Boxer is a full pay-TV subscription offering, typical of cable or satellite in breadth. Free channels are included within package combinations, but they are not actively promoted. Boxer has expanded to other markets including Denmark and was the winning bidder for three DTT multiplex contracts in Ireland, before withdrawing its application in April 2009[38].

[38] http://www.bci.ie/news_information/press216.html

Figure 3.7 Selected pay-DTT services

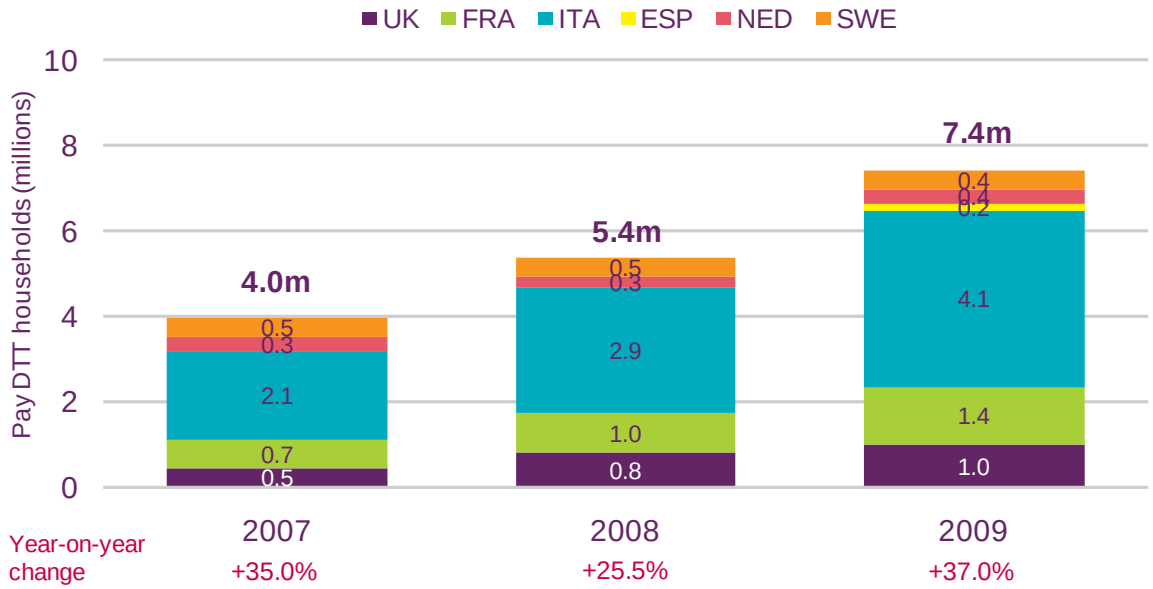
Country	Total pay DTT households	Selected providers	Launch date	Content	Price
UK	1.0m	Top Up TV	2004	40+ free channels. Premium sports channels and SVOD movie service.	Subscription (from £11.99 p/m)
		BT Vision	2006	Premium sports channels via DTT and PPV films.	Subscription (from £17 p/m
France	1.4m	Canal+	2005	Limited bouquet of Canal+ premium channels available via DTT.	Subscription (from €20 p/m)
		TNtop	2008	3rd party reseller providing a six channel pay TV bouquet.	Subscription (from €6.90 p/m)
Spain	0.2m	Gol TV	2009	Premium sports channel (football only) with PPV option.	Subscription (€14.90 p/m)
Italy	4.1m	Mediaset Premium	2006	Two main packages of premium football and movies. Plus add-on entertainment packages.	Pre-pay (from €14 p/m)
		Dahlia TV	2009	Pre-pay service premium sports channels including Serie A coverage.	Pre-pay (from €99 p/a)
Netherlands	0.4m	Digitenne	2003	23 channels (multichannel only available via pay DTT).	Subscription (from €8.50 p/m)
Sweden	0.4m	Boxer	1999	Five tiered packages of free and pay channels, including premium sports.	Subscription (from 99kr p/m)

Source: IDATE / industry data / Ofcom

Figure 3.8 shows that there has been consistent year-on-year growth in pay-DTT across Western Europe, with the total number of pay-DTT households increasing by 37% in 2009 to reach 7.4 million. At the end of 2009, the UK accounted for around one million of these through subscribers to Top Up TV and hybrid service BT Vision, which provides linear channels via DTT and video-on-demand (VoD) over IP.

Across pay-DTT services, take-up has been most rapid among Italian consumers, with the number of pay-DTT homes reaching 4.1 million in 2009, helping to drive pay-TV penetration. However, the majority of this growth is accounted for by casual users of the pre-pay Mediaset Premium and Dahlia TV services (i.e. the number of active pre-pay cards), rather than those taking a fixed-term subscription. Canal+ has experienced strong take-up in France, accounting for the majority (1 million) of total pay-DTT homes, while Scandinavian operator Boxer has firmly established itself in Scandinavian countries such as Sweden (400,000). Overall, pay-DTT take-up remains relatively low in most comparator countries compared to free DTT services and established cable and satellite platforms. As a result, we do not distinguish between pay and free DTT in our subsequent analyses.

Figure 3.8 Pay-DTT households, 2007-2009



Source: IDATE / industry data / Ofcom

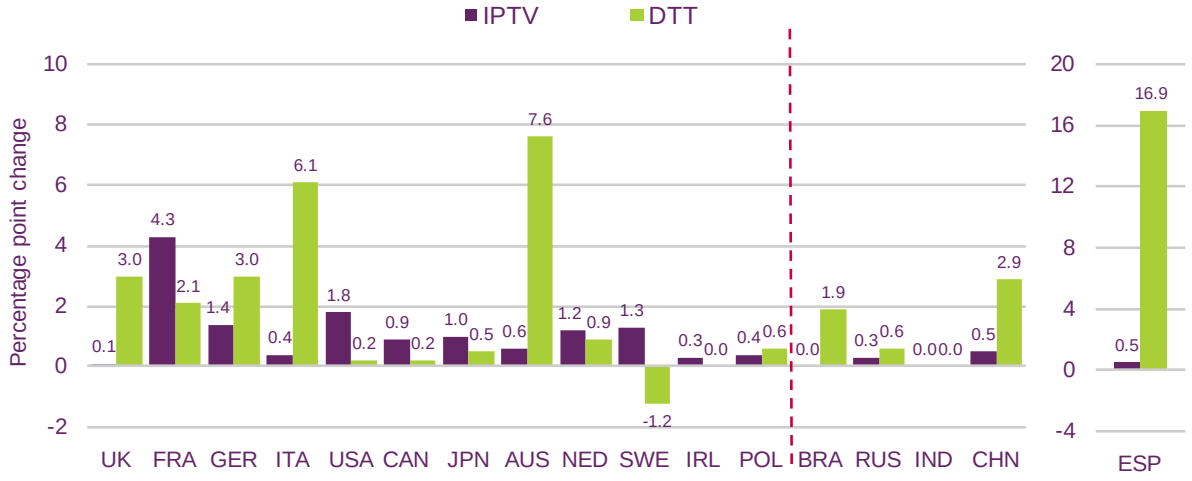
Although DTT (both pay and free) has been the main beneficiary of digital switchover, IPTV is also establishing itself as an alternative to the traditional sources of pay-TV. In the US, telecoms providers such as AT&T and Verizon have taken advantage of the roll-out of optical fibre networks to deliver a wide range of television services over the internet. In France, telecoms providers have bundled 'free IPTV' services such as Freebox TV and Neuf TV with broadband access and fixed-line subscriptions at no additional cost, leading to increased take-up.

Figure 3.9 shows that migration to IPTV during 2009 has been faster than that of DTT (pay and free) in a number of comparator countries, often those where DSO is well advanced or completed. These include France (+4.3pp), Sweden (+1.3pp) and Japan (+1.0pp). This is also the case in the US (+1.8pp), where DSO was completed in 2009 and where services such as U-Verse TV and FiOS TV have experienced consistent growth in subscriber numbers.

Despite this, IPTV still accounts for only a small part of the overall TV distribution technology share in most comparator countries. There has been limited additional adoption during 2009 in the UK (+0.1pp), Spain (+0.5pp) and Italy (+0.4pp), where free-to-air terrestrial television has been historically predominant. It also appears that IPTV is yet to gain popularity in the BRIC countries, as adoption among households during 2009 remained relatively low in Russia (+0.3pp) and China (+0.5pp). It has also been slow to develop in Brazil, where telecoms providers had previously been restricted from providing linear channels via IPTV[39].

[39] Digital TV Yearbook 2009, p.128.

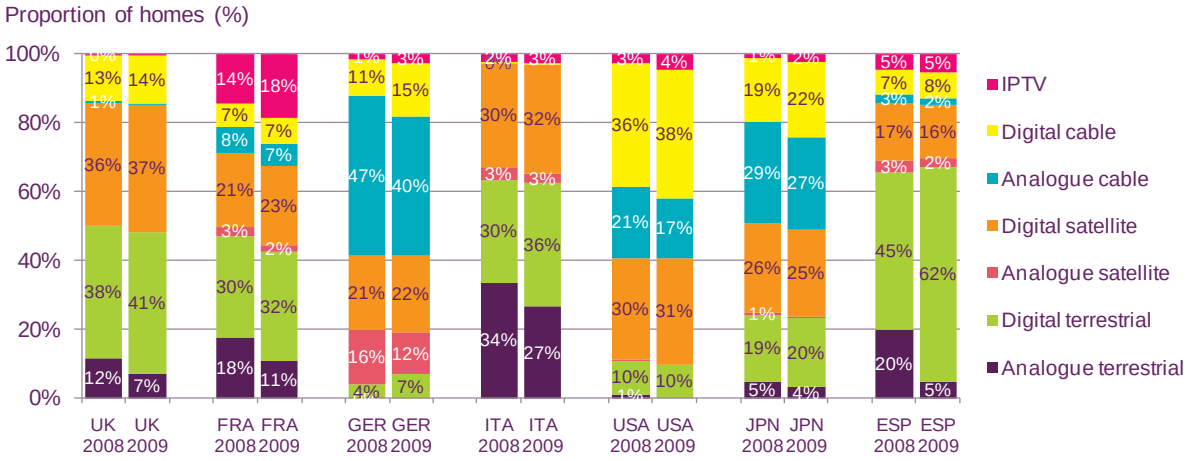
Figure 3.9 Percentage point change in the proportion of DTT (free and pay) and IPTV homes, 2008-2009



Source: IDATE / industry data / Ofcom
Note: Figures represent additional IPTV and DTT homes

Figure 3.10 puts IPTV and DTT in context with other TV distribution technologies where, in the majority of comparator countries, cable, satellite and free-to-air terrestrial account for a large proportion of the overall share of television platforms. However, growth in cable and satellite homes (digital and analogue combined) is slowing, especially in Western Europe and North America (see Figure 3.45). In Germany, IPTV's share of television households rose by 1.4pp year on year and DTT take-up rose by 3pp; by contrast, there was a reduction in satellite's overall share (it fell by 3pp during 2009) and a similar decrease for cable (-3pp).

Figure 3.10 TV reception devices connected to the main set in the home, 2008 - 2009



Source: IDATE / industry data / Ofcom

3.1.5 Broadcasters look to technology to drive growth

The TV industry globally is taking advantage of a broad range of technologies to offer consumers increasing convenience, quality and control over their viewing.

Pay-TV providers continue to introduce new products and services to attract new customers, retain existing ones and generate more revenue. Among some of the latest developments are 3DTV and hybrid devices that marry broadcast and broadband-delivered content. HDTV

and digital video recorders (DVRs) are establishing themselves as the default for many consumers, largely in mature TV markets.

But while devices and viewing innovations have traditionally been the domain of pay-TV providers, free-to-air broadcasters are also attempting to offer what would typically be platform-led innovations. This has been motivated by the twin pressures of growing adoption of pay-TV and a declining advertising market. The last decade has been defined by the emergence of DVRs, while the past five years have seen growing adoption of VoD and HDTV.

Figure 3.11 details some of the products and service innovations that are emerging among both pay and free television operators and broadcasters. We look at each of these in section 3.2.

Figure 3.11 Technology developments in pay and free-to-air TV

Device/ Feature	Function	Services	Free TV	Pay TV
Digital video recorder (DVR)	• Record TV digitally • Live pause function • In some cases learn viewer preferences	• Sky+ (pay, UK) • Tivo (retail and pay) • MySky (pay, Italy)	• Horizontal – retail rather than operator led – DVR markets developed in many countries, mostly on DTT and satellite	• Widespread across many platforms, high capacity devices available, some with 'virtual' VoD
Video on demand (VoD)	• Offer programming 'on demand' • Provides alternative to linear TV	• Comcast on Demand (pay, US) • Ono's VideoClub (pay, Spain)	• Limited roll-out by FTA platforms due to complexity • Most use open ('over the top') internet	• Large libraries of VoD available (17,000 items on Comcast) • Many content genres, available for free, subscription or PPV
HDTV	• TV channels five times picture quality of standard definition digital TV	• DirecTV HD (pay, US) • Sky PerfecTV! HD (pay, Japan) • TNT HD (free, France)	• Many FTA channels are launching HD not always available on FTA platforms but within pay packages	• HDTV is now a key product for pay to differentiate from FTA. • Platforms use HD as a marketing tool (DirecTV has 160 channels).
3DTV	• TV with effect of three-dimensional perspective • Requires new TV set.	• Free (pay, France) • Sky 3D (pay, UK) • J:Com (pay, Japan) • Canal + 3D (pay, Spain	• Most 3DTV channels are available in pay bouquets • Given the infancy of 3DTV, few FTA broadcasters have launched services	• 3D is one of the next technical developments in TV viewing • Pay providers are launching HD channels, focusing on sports, movies and factual shows
Online TV and video	• Deliver on-demand content to PCs and other devices • Ad-funded models but some premium	• Hulu (free/pay, USA) • BBC iPlayer (free, UK) • Foxtel Download (pay, Australia) • SVTPlay (free, Sweden)	• Online catch-up TV allows FTA channels to broaden reach, attract new viewers • Also can generate additional revenue and mitigate piracy	• Could be seen as a threat to pay TV (cancelled subscriptions) • Some operators using online TV as a 'value-add', offering portability of content
OTT / Hybrid services	• Deliver VoD and other applications over open internet ('over the top') to TV • OTT video also on games consoles	• Viasat+ HD (pay, Scandinavia) • HbbTV devices (free, Germany, others) • Canal+ Le Cube, (pay, France)	• FTA is playing a major role in development of OTT services to PCs and retail devices such as STBs and TVs (YouView and HbbTV) to offer VoD	• Pay operators have been slower to launch OTT (as IPTV and cable have VoD) • Some satellite platforms see OTT as way of offering VoD

Source: Ofcom research, companies. Note: Services are examples, not an exhaustive list.

Figure 3.12 compares take-up and use of key audio-visual services drawn from our consumer research, which was carried out in six of the major comparator countries among internet users aged between 18 and 64.

Among the four devices and services we explored with consumers, HD-ready TV sets were the most widely adopted in all six countries, with the UK leading (59% of respondents), slightly ahead of the US (57%). Virtually all sets available and sold in the UK are now HD-ready; over 24 million sets had been sold by the end of 2009[40].

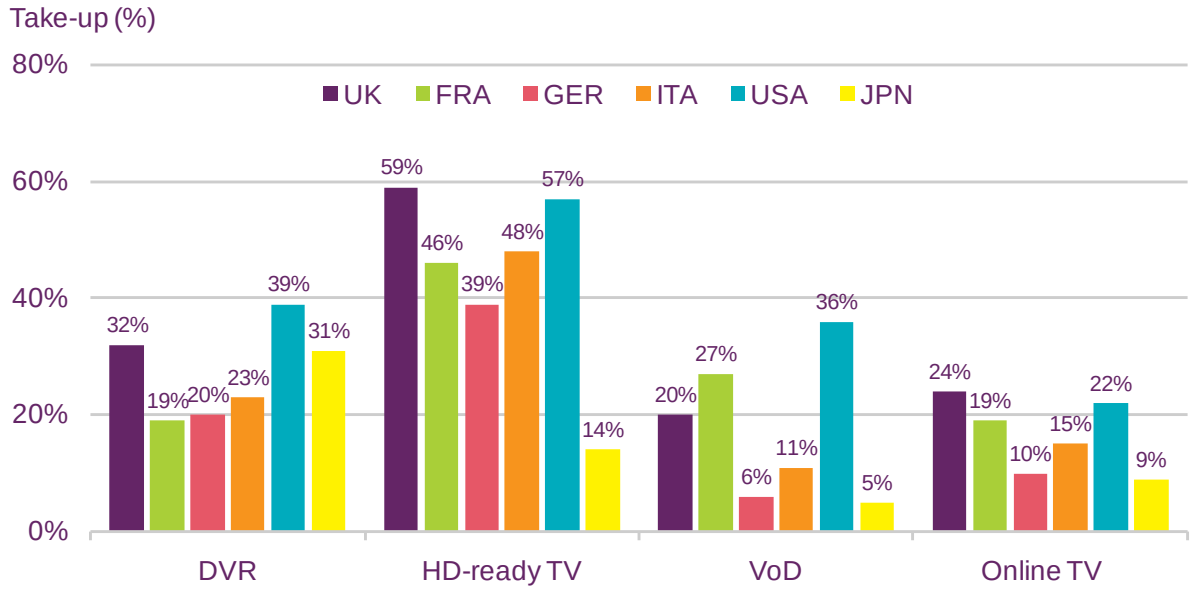
Homes in France and Italy had similar levels of HD-ready set adoption, at 46% and 48% respectively. Those in Japan were markedly lower, although this is likely to be as a result of

[40] http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/CMR_2010_FINAL.pdf

definitional differences for HDTV. The second most widely-adopted product among the six markets was the digital video recorder (DVR). The UK was the second biggest market for DVR penetration (32%) behind the US (39%). In all six markets, the research found that at least one in five respondents reported to have a DVR in their home.

The UK also leads on use of online TV, with nearly a quarter of respondents (24%) claiming to watch TV on the internet via a PC at least once a week, narrowly ahead of the US (22%) and France (19%). Meanwhile, a fifth of UK respondents claimed to have access to VoD through their television, behind the US (36%) and France (27%).

Figure 3.12 Adoption and use of key audio-visual services



Source: Ofcom consumer research, October 2010, for all adults 18 – 64. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001.

Pay-TV operators have driven much of the development of TV technology in recent years. Many of the mature pay-TV markets that have led in this innovation have also experienced higher average revenue per user (ARPU).

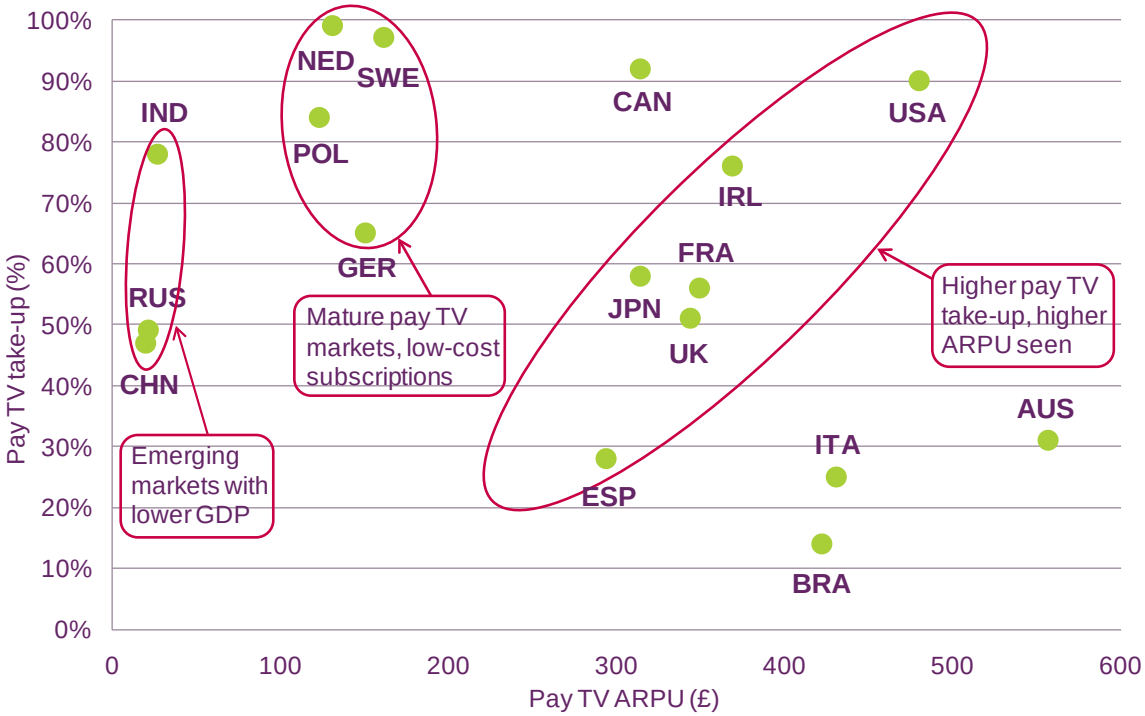
Figure 3.13 illustrates that the US is among the markets with both higher pay-TV penetration (90%) and higher ARPU (£480). The cluster of countries that includes the US shows an apparent concurrency between levels of pay-TV take-up and the levels of ARPU generated. Take-up of advanced TV products and services (that can drive ARPU) is generally higher in these markets.

The cluster of countries including the Netherlands, Sweden, Poland and Germany share the characteristic of high analogue cable penetration. In most cases (the Netherlands, Sweden and Germany), cable is bought by consumers as a low-cost utility service. The number of digital satellite television providers competing in Poland has led to significant competition, which could affect ARPU levels when operators compete on price.

Given the relatively low amounts consumers spend on pay TV in these markets, convincing them to upgrade to advanced TV products and services appears to have been challenging, especially when consumers generally pay for devices themselves. Few markets follow the UK model, in which set-top boxes tend to be heavily subsidised.

A third cluster of countries in Figure 3.13 includes three BRIC countries – Russia, India and China – which have moderate to high pay-TV take-up but very low ARPU. This may well reflect the relative lower disposable income available to consumers to spend on TV, and the lower GDP in those countries.

Figure 3.13 Pay-TV take-up versus pay-TV ARPU, 2009



Source: IDATE / industry data / Ofcom

3.1.6 Patterns of viewing concentration influenced by digital TV take-up

The relationship between patterns of television viewing, platform take-up and content spending are complex, which makes it harder to draw firm conclusions. But there appears to be a connection between analogue terrestrial television platform take-up and the degree to which viewing is concentrated among a small number of TV channels. This is perhaps to be expected, given that analogue terrestrial offers little in the way of channel capacity when compared to the capabilities of digital terrestrial and cable or satellite platforms.

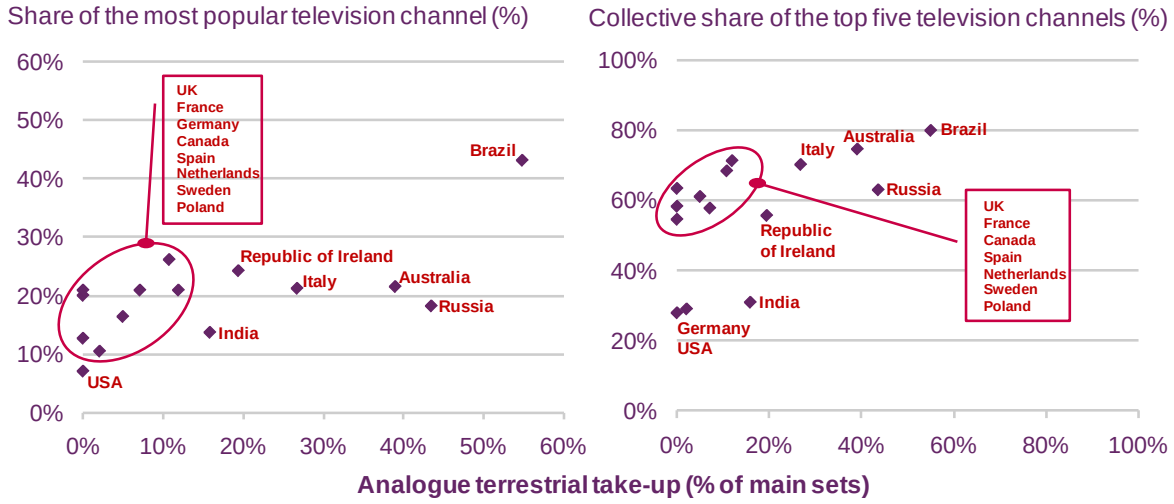
Figure 3.14 sets out the proportion of main television sets in each country that remain connected to analogue terrestrial television. This is mapped against the audience share of the single most popular channel (on the left hand side), and the share of that country's five most popular television channels (on the right).

In the case of five-channel share, the US, Germany and Indian markets share the characteristics of low take-up of analogue terrestrial television and low audience share for the five most popular channels.

The remaining countries fall into a second category, where there appears to be a broad positive association between analogue terrestrial television take-up on the one hand, and five-channel share on the other. In Brazil, the top five channels accounted for over 80% of all viewer hours in 2009 (driven in particular by the popularity of Globo TV), and analogue terrestrial was available on 60% of main television sets.

This association is less apparent when the analysis is confined to the single most popular channel. Figure 3.14 (left hand side) maps the share of the most popular channel in each country against analogue terrestrial take-up. It shows that with the exception of Brazil, audience share typically hovers between 10% and 30%, while analogue terrestrial take-up varies from anything between 0% and 45% of main television sets.

Figure 3.14 Viewing concentration – share of top, and top five, channels, 2009



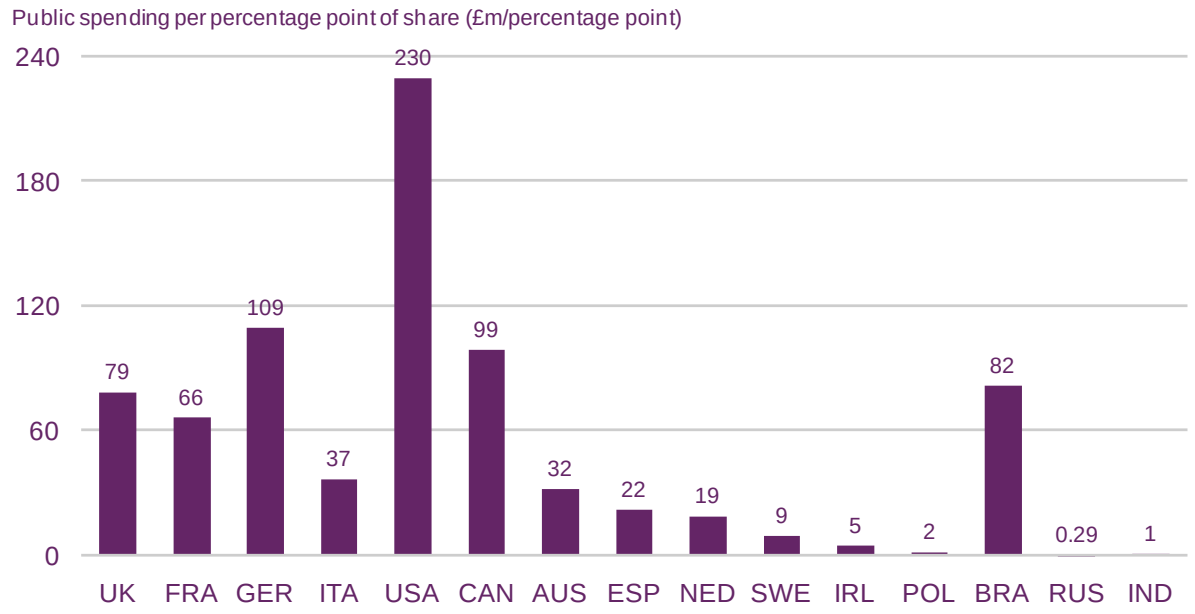
Source: IDATE, industry data, Médiamétrie, Eurodata TV Worldwide and Ofcom calculations. Notes: The audience share data used for Canada relates to the viewing in non-Quebec households. The data for Australian audience share is the five metro cities. Interpretation and manipulation of data is solely Ofcom's responsibility.

Platform take-up is one factor that may influence a consumer's propensity to watch one or more television services; funding may be another. Figure 3.15 depicts the association between public funding and audience share for selected publicly funded channels across our comparator countries.

Some of these channels rely both on public funds and commercial income, so this analysis should be treated with caution. In the cases where there is a mixed funding model, the analysis below may have a tendency to overstate the impact of public funding on share.

In the US, the figure stood at £230m per percentage point (pp), explained mainly by the low audience share that PBS attracts in the US relative to other publicly-funded television channels. In the UK, France, Germany, Canada and Brazil the comparable figures were between £60m/pp and £110m/pp. The equivalent channels in Italy, Australia, Spain and the Netherlands fell into a third category, in which public funding per percentage point of audience share was between £19m and £27m in 2009. In Poland, Russia and India the comparable channels were connected with lower levels of public funding, due to the lower levels of public funding available in these countries.

Figure 3.15 Public spending on channels per percentage point of audience share generated, 2009



Source: IDATE, industry data, Médiamétrie, Eurodata TV Worldwide and Ofcom calculations. Notes: The audience share data used for Canada relates to the viewing in non-Quebec households. The figure for Australia audience share represents the five metro cities. Interpretation and manipulation of data is solely Ofcom's responsibility. Some services are funded from both public and commercial sources. This effect is not captured in the analysis above; it may have a tendency to exaggerate the impact of public funding on viewer share.

3.1.7 The value of TV airtime to advertisers was similar across many comparator countries in 2009

The commercial value of a minute of television viewing is influenced by the interplay of a wide range of factors. These include:

- the propensity of viewers in a country to watch television, which in turn may be influenced by the range and number of channels available to viewers;
- the availability of advertising minutage;
- the share of viewing captured by fully or partly publicly-funded channels;
- the attractiveness of television advertising relative to competing advertising platforms (such as newspapers and radio); and
- the impact of the economic cycle on organisations' appetite to invest in advertising.

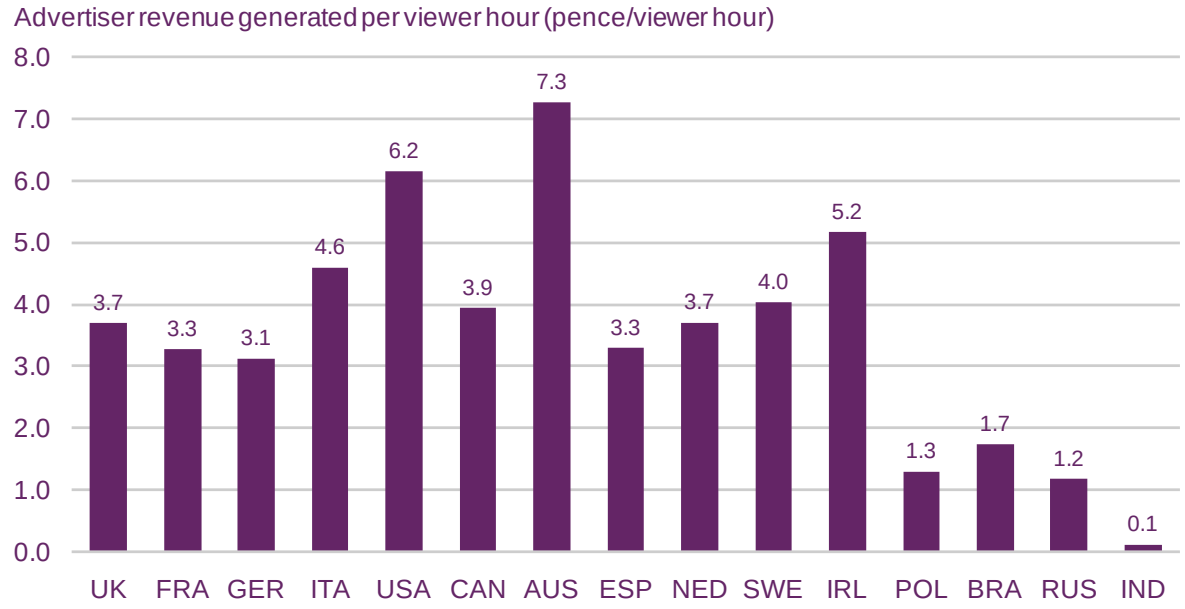
Figure 3.16 shows that in 2009, an hour of television viewing[41] in the US and Australia generated the highest level of advertising revenue, at 6.2 pence per viewer hour (ppvh) and 7.3ppvh respectively. In the US, this may be connected to the strength of TV as an advertising medium; in Australia it may have more to do with the fact that people on average watch less television than in other developed countries, so an hour of television viewing may be a more valuable commodity.

[41] Calculated as the ratio of total advertiser income to all viewer minutes

The television markets of India, Poland, Russia and Brazil fall into a second category, where the value of a viewer hour ranged from 0.1 ppvh to 1.7 ppvh in 2009 – possibly reflecting lower levels of GDP per capita and/or the strength of TV versus alternative advertising media in those territories.

Among the remaining countries, there was a degree of consistency in the value of viewer hours. It ranged from 3.1 ppvh in Germany to 5.2 ppvh in the Republic of Ireland, with the UK situated at the lower end of this range, at 3.7 ppvh.

Figure 3.16 Advertiser revenue generated for an hour of television viewing, 2009



Source: IDATE, industry data, Médiamétrie, Eurodata TV Worldwide and Ofcom calculations. Notes: The audience share data used for Canada relates to the viewing in non-Quebec households. The Australian audience share figure is for metro cities. Interpretation and manipulation of data is solely Ofcom's responsibility.

3.2 The TV and audio-visual industries

3.2.1 Summary

This section focuses on the TV and audio-visual industries, looking at key revenue trends among our comparator countries; financial results for major pay-TV and free-to-air broadcasters; analysis of key TV technologies and services, and trends in first-run originated programming among European public service broadcasters.

- **Revenue among the 17 countries analysed by Ofcom declined by 0.4% in 2009 to £187bn, with falls in all the major developed markets**. Collective revenue among the BRIC countries – Brazil, Russia, India and China – increased by 7.2% in 2009, up by £2bn to £24bn (page 127).

- **Among Canada and the nine European markets included in our analysis, the majority saw reduced revenues in 2009**. Spain experienced the sharpest fall proportionally, down by 9.4% to £4.0bn. Only three European markets saw revenues grow in 2009 – the UK by 0.2% (to £10.5bn), France by 2.4% (to £10.0bn) and Poland by 5.7% (to £2.1bn) (page 129).

- **Many free-to-air broadcasters felt the effects of the economic downturn in 2009, given their exposure to cyclical advertising markets and pressure on public finances**. Nine of the 13 broadcasters included in our analysis experienced declining revenue in 2009 (page 134).

- **Pay-TV companies reported more positive revenue performance than their free-to-air counterparts during 2009**. Revenue from all but one country included in our analysis increased year on year – Sogecable of Spain being the one exception. Sky reported growth of 9.8% in 2009 to £4.7bn for the UK and Republic of Ireland (page 135).

- **The UK was the second biggest market for pay-DVR homes at the end of 2009 with 7.8 million devices**, up by 40% on 2008. The US had the highest number, 34.7 million DVR subscription homes at the end of 2009, up by 26% year on year. The UK also has a sizeable free-to-air DVR market, led by Freeview and Freesat (around four million such devices had been sold by the end of 2009) (page 137).

- **Among European PSBs, the highest proportion of Entertainment programmes was broadcast in France (23%) with the lowest proportion in the Netherlands (8%)**. In most countries, hours of News accounted for between 10% and 20% of output with the exception of Spain at 22%, and, at the other end of the scale, Poland at 6% (page 151).

3.2.2 Television revenues among comparator countries

In 2009 only BRIC countries among the major country groups experienced growth

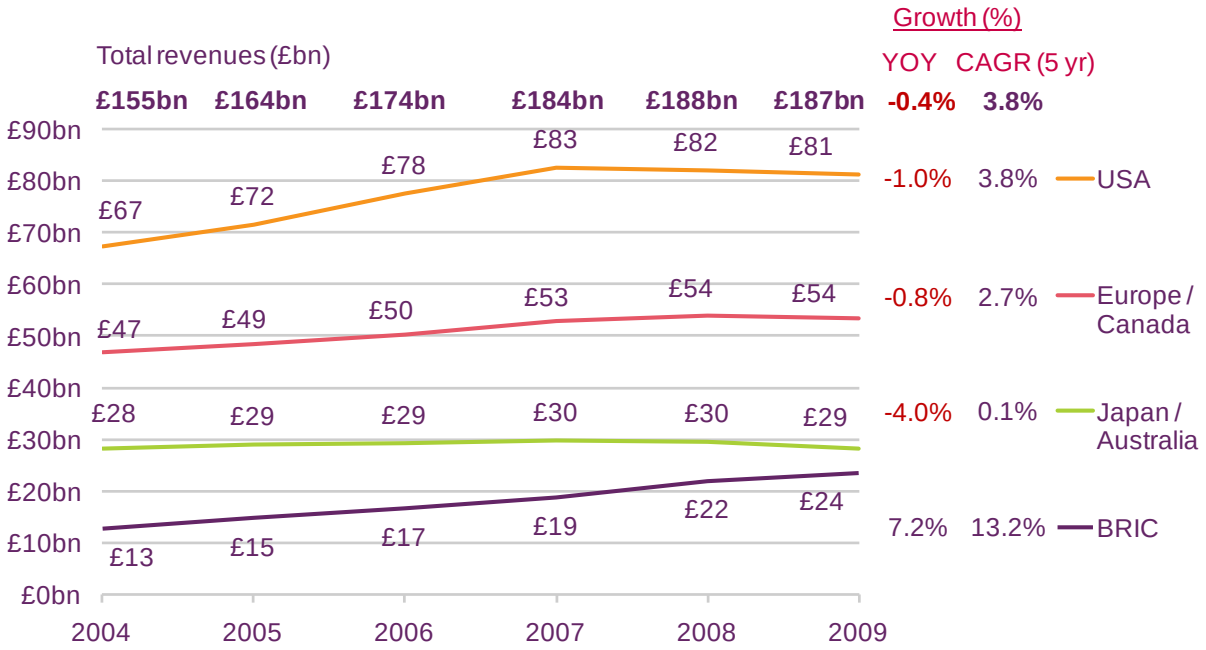
Revenue among the 17 countries analysed by Ofcom declined by 0.4% in 2009 to £187bn as the major developed regions all saw falls. The BRIC countries – Brazil, Russia, India and China – jointly saw TV revenue increase by 7.2% in 2009, up by £2bn to £24bn. Growth was largely driven by increases in advertising apart from in Russia, where NAR fell by 22% between 2008 and 2009.

While growth among BRIC countries is strong, the four markets together account for just a third of the revenue generated by the US. As the largest television market globally, the US generated revenue of £81bn in 2009, a slight decline (1%) on the £82bn earned in 2008 due to declining NAR.

Europe and Canada account for the second-largest region in our analysis, at £54bn in 2009, down by 0.8% compared to 2008. Canada is included separately here, rather than with the US, given its similar size to many European markets. Japan and Australia collectively saw revenues fall by 4.0% to £29bn.

Our analysis includes revenue generated from pay-TV subscriptions (excluding pay-per-view and video on demand), public funding and licence-fee revenues, and net television advertising revenues. This differs from our analysis of global television revenues (see section 1.1), which includes pay per view and VoD.

Figure 3.17 TV industry revenues among comparator countries



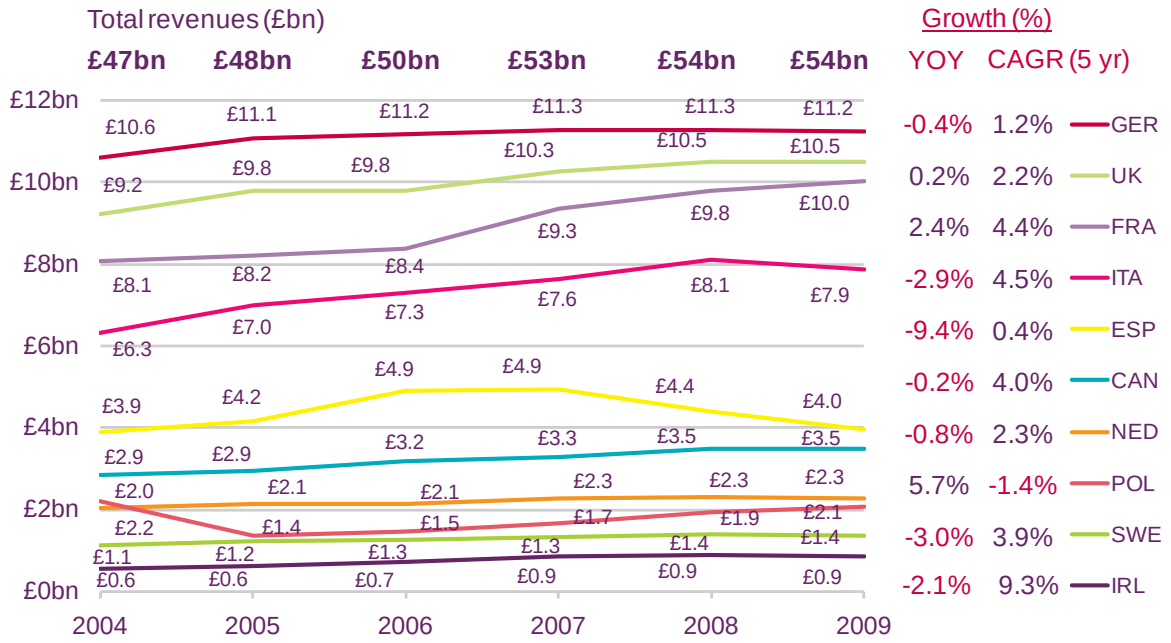
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only. Europe includes the European countries in this analysis – UK, France, Germany, Italy, Spain, Netherlands, Sweden, Republic of Ireland and Poland. BRIC is Brazil, Russia, India and China.

Among Canada and the nine European markets included in our analysis, the majority saw revenues fall in 2009. Spain experienced the sharpest proportional reduction, down by 9.4% to £4.0bn. Only three European markets grew in 2009. Poland saw the strongest growth in percentage terms between 2008 and 2009, up by 5.7% to £2.1bn, while the UK and France increased by 0.4% and 2.4% respectively to £10.5bn and £10bn.

Note that the UK TV revenue total differs from our 2010 *UK Communications Market Report*, which included 'other' TV revenues (of £0.7bn)[42]. For reasons of consistency, these revenues have been excluded in our international analysis.

[42] http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/UK-tv.pdf

Figure 3.18 TV industry revenue among European countries and Canada



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only. Europe includes the European countries in this analysis – UK, France, Germany, Italy, Spain, Netherlands, Sweden, Republic of Ireland and Poland.

Among the BRIC countries, 2009 held mixed fortunes. India saw the highest growth in revenue in the year proportionally, up by 14.1% to £4.0bn. Brazil, the second biggest market, experienced growth of 12.0% to £8.0bn, while China, the largest of the BRICs, saw a 7.6% increase to revenues to £8.7bn.

Only in Russia did revenue fall in 2009, by 12.2% to £2.8bn. This was due to declining NAR, which contracted by £0.5bn to £2.3bn, largely as a result of the economic downturn. Over a five-year average, Russia's revenue grew by 20.0%, a higher compound annual growth than the other BRICs.

Figure 3.19 Total TV industry revenues among BRIC countries

Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only. BRIC is Brazil, Russia, India and China.

Most countries saw TV revenues rise between 2004 and 2009

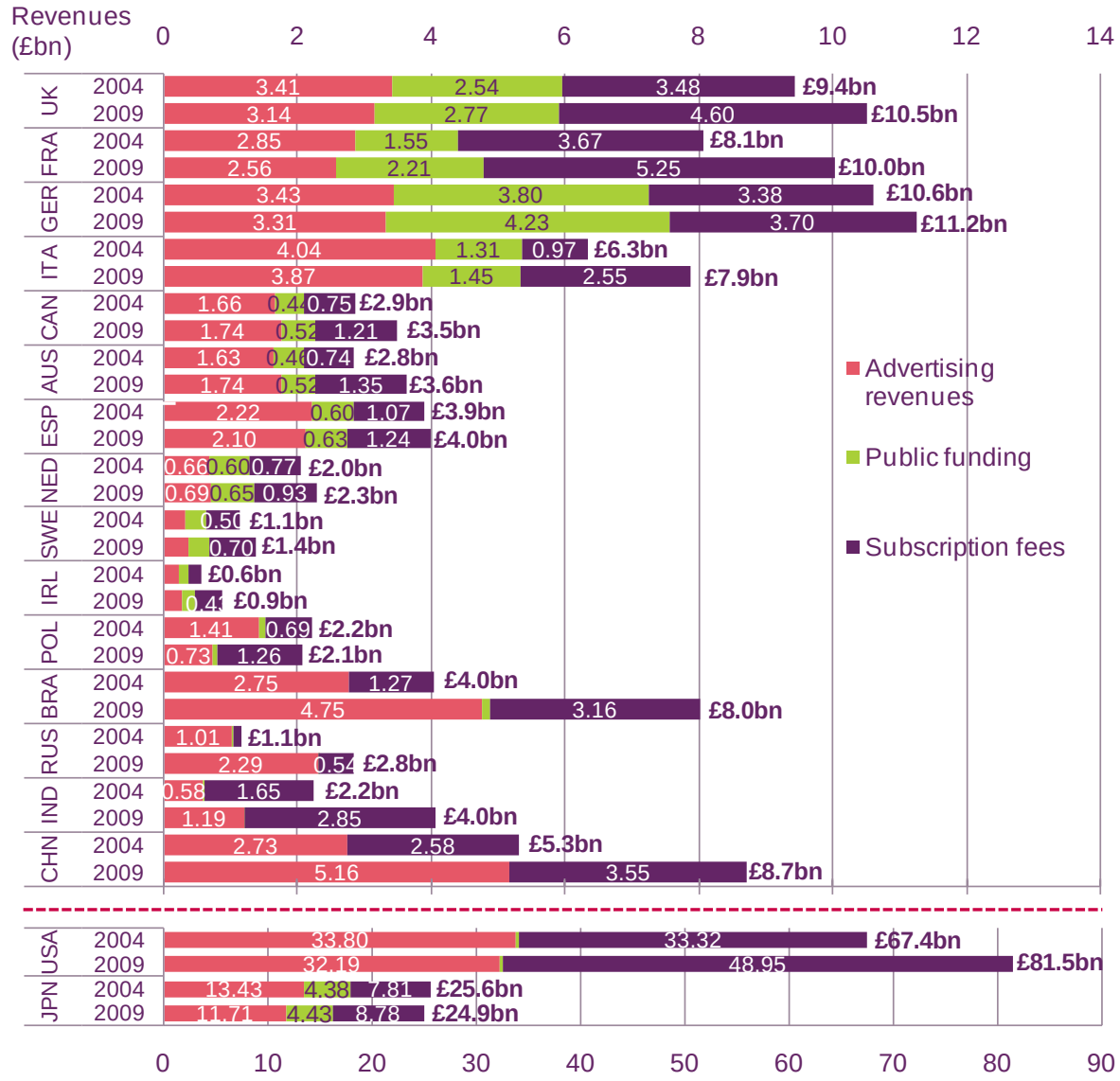
Figure 3.20 illustrates the changing composition of TV industry revenues by country between 2004 and 2009. In the majority of the 17 comparator countries, TV revenues rose over the five-year period – only in Japan and Poland did income contract, down by 4.6% and 1.4% respectively to £24.9bn and £2.1bn.

Revenue among the major European television markets of Germany, the UK, France and Italy all grew and generated a relatively consistent revenue mix between subscriptions, public funding and net advertising. In all cases, pay-TV was the fastest-growing source of revenue over the five-year period between 2004 and 2009.

The US and Japan, the two largest countries by revenue, are included at the bottom of the chart to accommodate the higher scale. Both countries experienced declining net TV advertising revenues over the five-year period.

The television markets of the BRIC countries are notable for a lack of public funding. Only Brazil saw any public funds attributed to TV in 2009 – around £0.1bn. In Brazil, Russia, India and China, NAR and subscription revenue rose over the five-year period to 2009.

Figure 3.20 TV revenues among comparator countries by source, 2004 and 2009



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only. Different scale used for USA and Japan due to larger size.

3.2.3 TV revenue per head among comparator countries

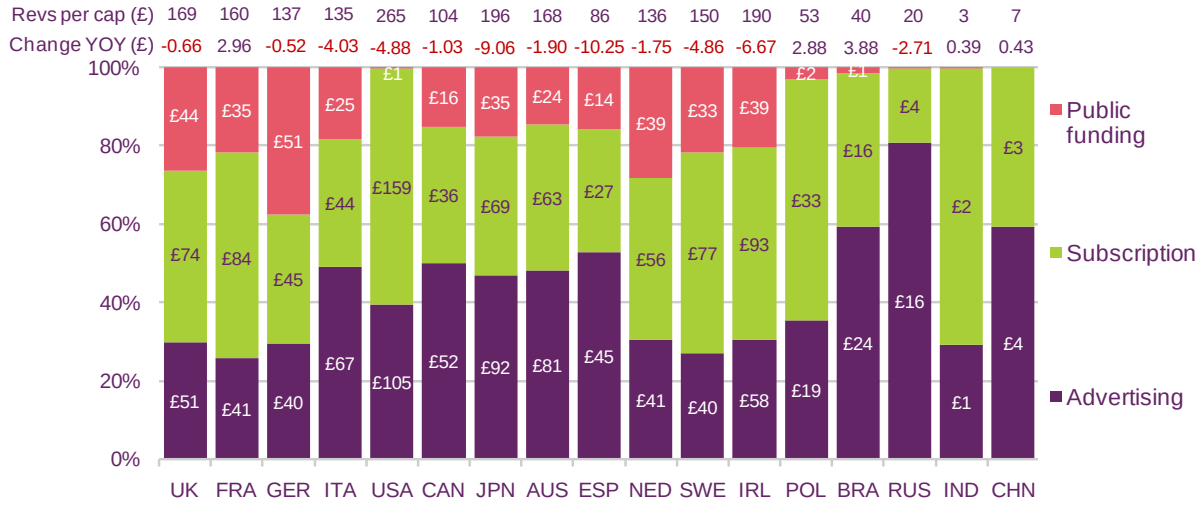
The US, Japan and Ireland generate most TV revenue per head

Per head, revenue in the US continued to lead the 17 comparator countries, generating £265 per capita in 2009 (Figure 3.21). This is some way ahead of the second-highest, Japan (£196) and the third-highest, Ireland (£190). These three markets were also among those that saw decreases in per-head revenue year on year, with the US down by 1.8% (or £4.88), Japan down 4.4% (or £9.66) and Ireland down 3.4% (or £6.67). The UK also experienced declining revenue per head, down by £0.66 to £169.

Russia had the largest proportional decline, down by 11.8% to £20 per head in 2009, followed by Spain, down by £10.25 to £86, a 10.7% fall. Given their large populations and lower TV revenues, the BRIC countries generated the smallest per-head revenues of all the comparator countries but still demonstrated a capacity for growth (apart from Russia). Of all

17 countries, three of the five recorded markets that grew in 2009 were BRIC countries: France, Poland, Brazil, India and China.

Figure 3.21 TV revenue per head, by source, 2009



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only; figures inside the bars represent industry revenue per head by source.

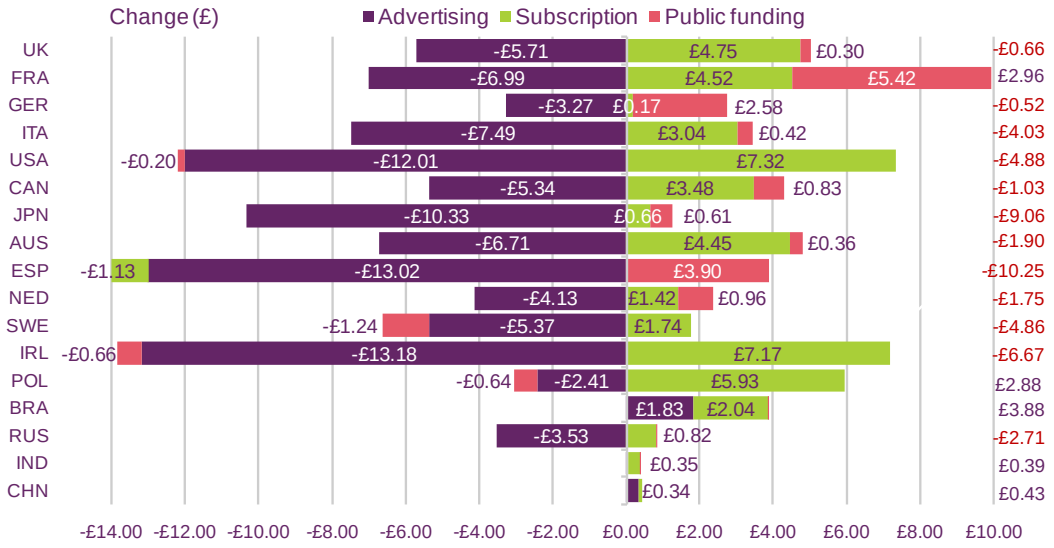
Advertising accounts for the bulk of declining revenues per head

Figure 3.22 details the changes by country in revenue per head, split by the three component parts. In almost all countries, advertising fell on a per-capita basis as the industry felt the impact of the advertising downturn. Ireland saw the sharpest per-head decrease for TV advertising, down by £13.18, marginally higher than in Spain, where there was a £13.02 reduction.

Subscription revenues per head increased in all markets except Spain during 2009 – the highest being the US, up by £7.32. Despite this, growth in per-head subscription revenue in the US failed to offset the declines in advertising.

In the larger European markets public funding in television rose between 2008 and 2009. France saw the largest increase, up by £5.42, followed by Spain (£3.90), Germany (£2.58), Italy (£0.42) and the UK (£0.30). The Netherlands also saw increased public money dedicated to TV, up by £0.96 per head. The US, Sweden, Ireland and Poland experienced per-head decreases year on year.

Figure 3.22 Changes in components of TV revenues per head, 2008 to 2009



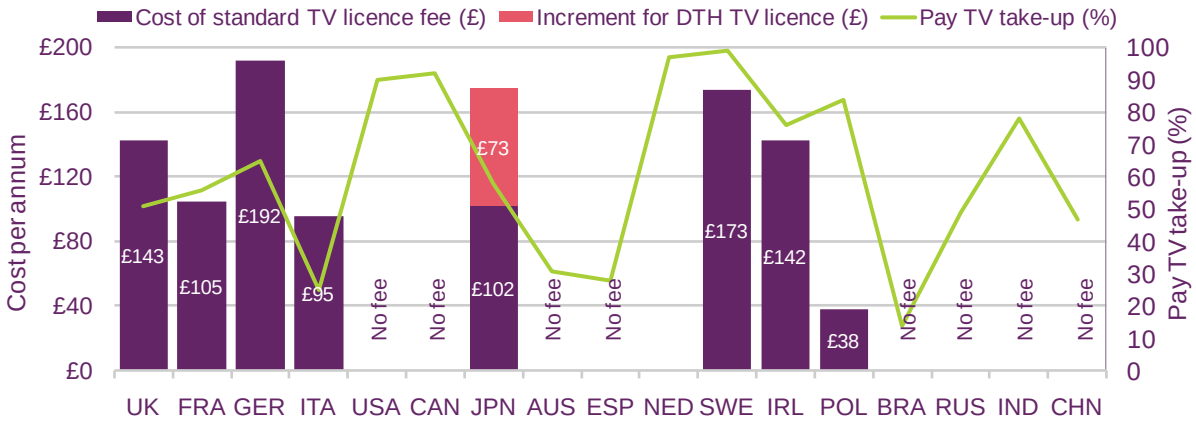
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. Revenues include advertising, subscriptions and sources of public funding only; the bars represent changes in industry revenue per head, by source.

3.2.4 TV licence fees still important in Europe

Public funding, in the form of TV licence fees paid for by viewers, remains an important element of TV finance in most of the major European markets included in this analysis. Figure 3.23 illustrates the cost of TV licence fees and the markets in which they operate. It also shows pay-TV penetration for comparison.

The UK's licence fee was the fourth most expensive at £143, behind Germany (£192), Japan (£175 for a satellite TV licence) and Sweden (£173). There does not appear to be any correlation between viewers' propensity to pay a TV subscription and whether or not they are already paying a TV licence fee. While homes in the US and Canada are among those with the highest take-up of pay-TV, and do not have a TV licence fee, Sweden and Ireland also have substantial pay-TV take-up (97% and 76% respectively) but also have TV licence fees.

Figure 3.23 Cost of a TV licence fee



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; Prices as of end 2009. Note: The Japanese licence fee costs £102 in terrestrial households or £175 (rounded) to receive a larger number of channels via satellite. The pink bar represents the difference in cost between a terrestrial licence and a satellite (DTH) one in Japan.

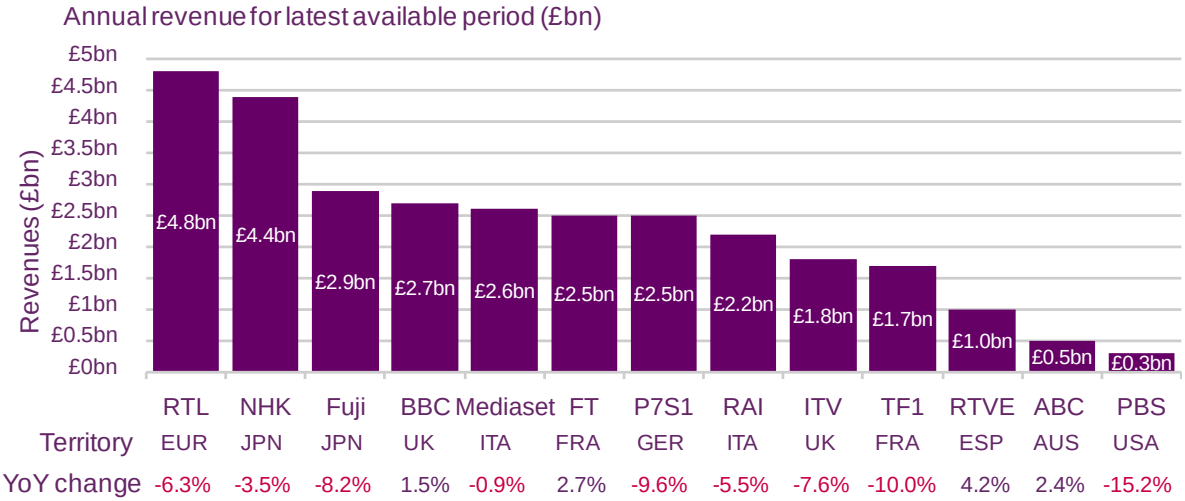
3.2.5 Advertiser-funded income stream under pressure in 2009

Many free-to-air broadcasters felt the effects of the economic downturn in 2009 due to exposure to cyclical advertising markets and pressure on public finances. This, coupled with structural changes facing their businesses, contributed towards nine of the 13 broadcasters included in our analysis experiencing declining revenues in 2009. The US national public broadcaster, PBS, saw its funding fall by 15.2% in 2009.

Worst hit of all the commercial channels – which rely heavily on advertising – were TF1, the French commercial broadcaster, which saw revenues fall by 10% to £1.7bn, and ProSieben.Sat1 in Germany, which reported revenues down by 9.6% year on year at £2.5bn.

Of the broadcasters featured in Figure 3.24 that reported higher revenue in 2009, all receive the bulk of their revenue from public sources – either a TV licence fee or government grants. RTVE in Spain saw the largest increase proportionally, up by 4.2% to £1.0bn. France Televisions' revenue rose by 2.7% to £2.5bn.

Figure 3.24 Latest reported revenues from selected free-to-view TV operators, 2009



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; Comparisons should be regarded as indicative only due to the possibility of differences in financial reporting between broadcasters. From 2009, RTL figure includes its key European markets; Mediaset includes Italian business and from 2005 FTA and pay TV (year ending Dec 31) BBC represents its income allocated to TV; RAI figures include licence fee (split between radio and TV unknown), TV advertising and sponsorship; ProSieben, group revenues (years ended Dec 31); France Televisions is licence fee and advertising; TF1 includes French channels (years ended Dec 31); PBS and the ABC are total revenue to year ending June 30; Fuji TV is broadcasting and production, year ending March 31; RTVE is advertising and public funding (as of year ending Dec 31) .

France and Spain overhaul public TV funding

The French and Spanish governments have recently changed the funding structures of their main public broadcasters, to strengthen the public purposes of France Televisions and RTVE. Despite initial clearance by the European Commission following state-aid investigations, elements of the system are now disputed by Brussels[43].

In France, the government prohibited the public broadcasters (except France Ô) from broadcasting commercials after 8.00pm – this came into effect from January, 2009. To compensate for the loss of income – estimated at about €450m per year – the government created two taxes. First, a 0.9% tax on the turnover of telecommunications operators and internet service providers, and second, a 3% tax on commercial broadcasters' advertising revenues.

In its initial plan, the French government intended to ban all advertising from the public channels from December 2011. However, the deadline has been postponed to 2013 or 2014. France Televisions expected to generate around €200m in advertising and sponsorship revenues in 2009, the first year of the law coming into force, but actually recorded €405m[44]. The move was cleared by the European Commission in July 2010[45].

Spain introduced legislation in September 2009 that prohibited TV advertising and other means of generating direct revenue for public broadcaster RTVE. To compensate for this loss, a tax system was introduced. Free-to-air commercial broadcasters and pay-TV operators have to pay 3% and 1.5% of their respective revenues to fund RTVE, while operators of electronic communications have to pay 0.9%. Meanwhile, 80% of the existing levy on radio spectrum used is also granted to RTVE, up to a maximum of €330m.

The new funding structure was cleared by the European Commission in July 2010[46]. However, in September 2010, the Commission called on France and Spain to cease the so-called 'telecoms tax' element of their systems, declaring them incompatible with EU telecoms law. In France, the telecoms tax was expected to generate €400m a year and €230m in Spain. The Commission gave the countries two months to inform the Commission of measures taken to comply with EU rules[47].

3.2.6 Pay-TV revenues resilient in the downturn

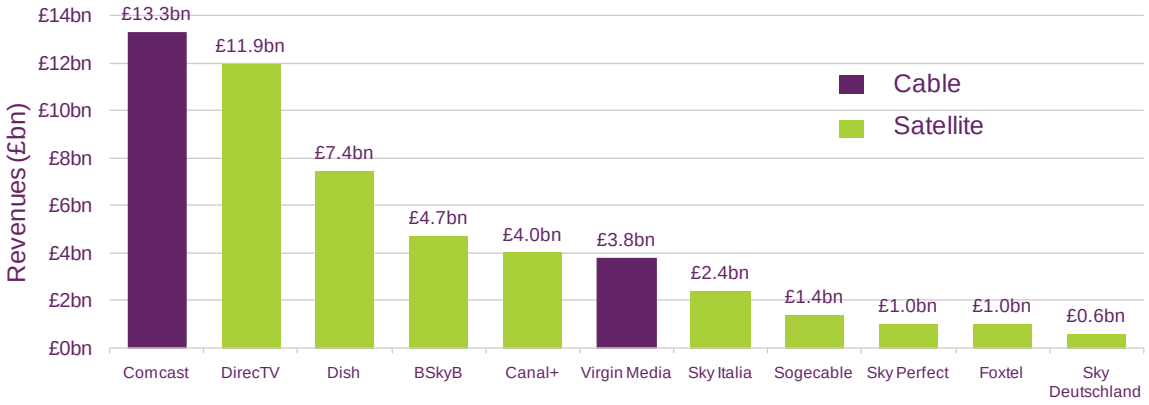
Pay-TV companies reported more positive performance than their free-to-air counterparts during 2009. All but one included in our analysis saw revenues rise year on year – only Sogecable (which owns the Digital Plus satellite broadcaster in Spain) experienced a drop in earnings, down by nearly a fifth (18.6%) to £1.4bn. Competition in Spain has intensified in recent years as IPTV operators have entered the market and pay-DTT has begun offering a low-cost means of accessing some premium programming.

The operator which experienced the most significant jump in earnings, proportionally, was Sky Perfect of Japan, up by nearly a fifth (19.8%) to £1.0bn. Sky in the UK reported growth of 9.8% in 2009 to £4.7bn (this also includes revenue from its telecommunications services).

[43] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1211&format=HTML&aged=0&language=EN&guiLanguage=en
[44] http://adage.com/globalnews/article?article_id=146328
[45] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/979&format=HTML&aged=0&language=EN&guiLanguage=en
[46] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/978&format=HTML&aged=0&language=EN&guiLanguage=en
[47] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1211&format=HTML&aged=0&language=EN&guiLanguage=en

The majority of the pay-TV operators that generate the highest revenue in our comparator countries are primarily satellite-based platforms (even though many offer channels on other distribution technologies).

Figure 3.25 Latest reported revenues from selected pay-TV operators, 2009



Territory	USA	USA	USA	UK	FRA	UK	ITA	ESP	JPN	AUS	GER
YoY change	2.2%	7.9%	0.2%	9.8%	0.0%	0.7%	0.3%	-18.6%	19.8%	6.5%	3.6%

Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; where possible we have reported revenues related to the TV services only (including advertising). Comcast includes video and advertising revenues; Time Warner Cable includes video and advertising revenues; BSkyB include retail, wholesale and advertising revenues; KDG includes cable access and TV/radio revenues; Virgin Media includes consumer and content revenues; Sky Italia revenue based on IDATE's estimate from News Corporation's annual report; Canal+ represents Canal Plus Group pay-TV revenues; Sogecable's platform is Digital Plus.

Australia generated the most pay-TV ARPU in 2009

Average revenue per user (ARPU) can provide insights into the relative performance of different pay-TV operators (Figure 3.26 focuses on annual ARPU). The Australian television market delivered the highest ARPU level in 2009 at £557, up by 24.9% since 2004.

Around a third of Australian homes subscribe to pay-TV and there are several competing distribution technologies including two satellite TV providers, as well as cable and IPTV. Figures from Foxtel (Australia's largest pay-TV platform with around 1.5 million customers at the end of 2009), offer an insight into why ARPU is high (at £557 in 2009). It reported that at the end of 2009, 13% of its subscribers were taking Foxtel's high-definition TV services; 31% opted for the multiroom service while more than half (55%) took Foxtel's DVR[48].

The Australian market was some way ahead of the second-highest-ranking ARPU figure, in the US, which stood at £480, representing a 30.1% increase over five years.

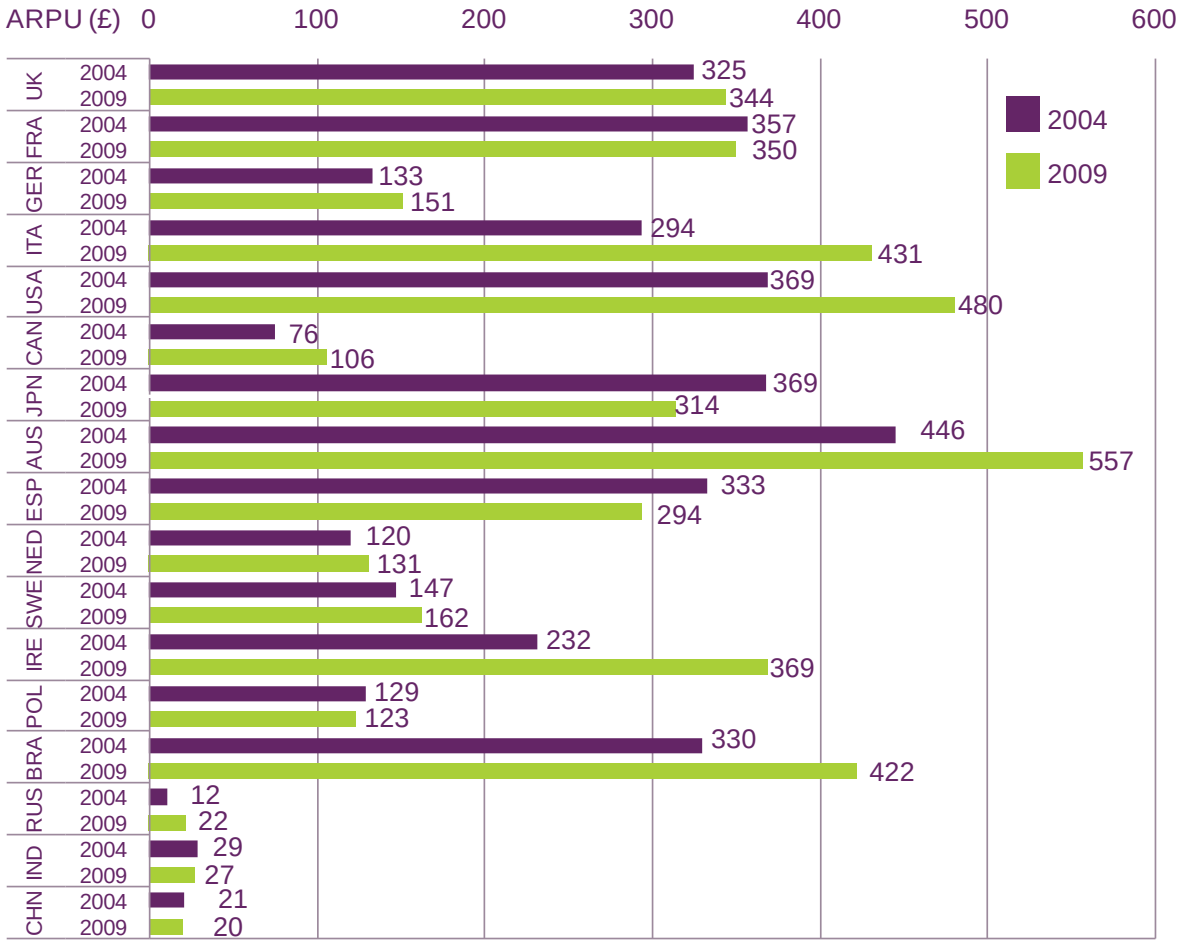
The third-highest market by ARPU was Brazil, which has relatively low pay-TV adoption at 14% of homes. ARPU stood at £442 in 2009, up by 27.9% since 2004. DirecTV Latin America, the satellite broadcaster that holds a majority stake in Sky Brazil, has cited growing demand for its pre-paid, DVR and HDTV services in 2009, which may help to lift ARPU. The company also pointed to a 'relatively stable macro-economic environment' in Latin America[49]. The highest growth market was Russia, where average pay-TV revenue per

[48] http://www.foxtel.com.au/about-foxtel/communications/foxtel-delivers-solid-earnings-growth-supported-by-strong-se-57205.htm
[49] http://investor.directv.com/releasedetail.cfm?ReleaseID=445565

subscriber increased by 83% from 2004 to (a still relatively low) £22 per year. The UK was among the countries with higher ARPU- at £344 at the end of 2009, up by 6%.

Pay-TV homes in Ireland generated ARPU of £369 in 2009, up by 56% since 2004. Italy also saw substantial growth, of 47% to £431 over the five-year period, largely driven by growing spend on Sky Italia and pay-DTT services.

Figure 3.26 Pay-TV ARPU by country, 2004 – 2009



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009. ARPU is average revenue per user, representing the average revenue generated per pay-TV subscriber.

US operators generate the highest ARPU

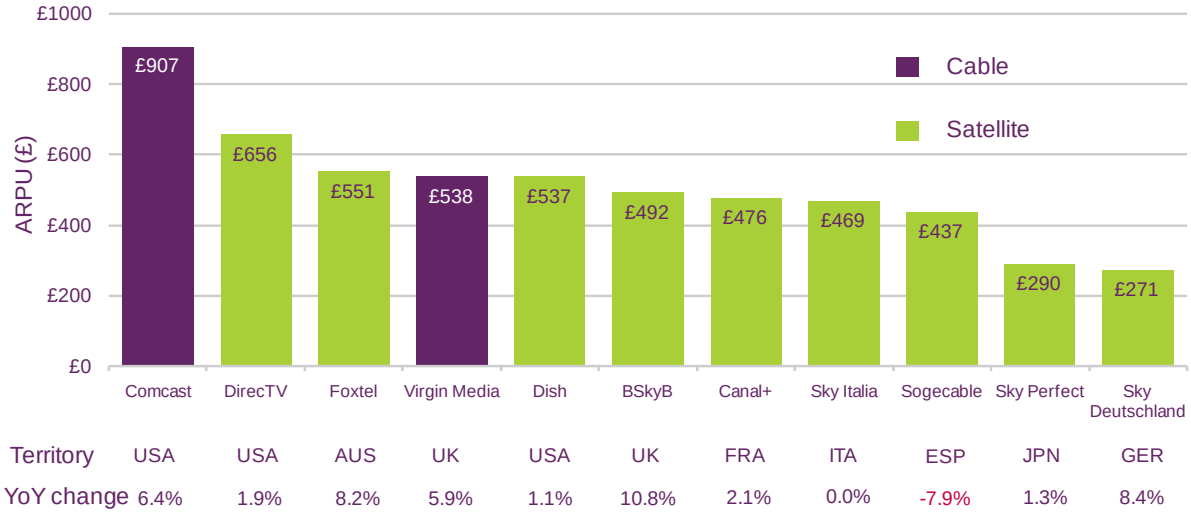
Pay-TV operators tend to report an annualised ARPU figure on a quarterly basis or a monthly ARPU figure, which is the average over the preceding quarter. Figure 3.27 analyses annual ARPU reported at the end of 2009 and shows that Comcast generated a substantially higher ARPU than other operators in our analysis – although this includes revenues earned from pay television and telecommunications products such as telephone and broadband.

Comcast reported ARPU of £907 in 2009, up by 6.4% year on year – £251 higher than the next operator, US satellite platform DirecTV (£656, up 1.9%). US platforms benefit from a long history of pay-TV, with consumers paying for access to advertiser-funded channels (networks) such as Fox and ABC within a basic tier. On top of this, they offer other basic pay channels and premium packages from the likes of Showtime, HBO and Starz. US operators

also commonly charge a monthly subscription for access to DVR services, HDTV and multiroom subscriptions.

Virgin Media earned average revenue of £538 per customer, up by 5.9%. It is the only UK operator to offer a 'quad-play' product bundle of TV, telephone, broadband and mobile. Reflecting the trend among pay-TV operators' total revenue, only Spanish operator Sogecable reported a fall in ARPU over the past five years, down by 7.9% to £437.

Figure 3.27 Latest reported ARPU for selected pay-TV operators, end 2009



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; latest available company reports; ARPU is average revenue per user; figures are indicative only as definitions of ARPU may differ and some operators include telecommunications revenue in annual ARPU. Platform represents main distribution method.

Markets with higher pay-TV take-up tend to have greater DVR adoption

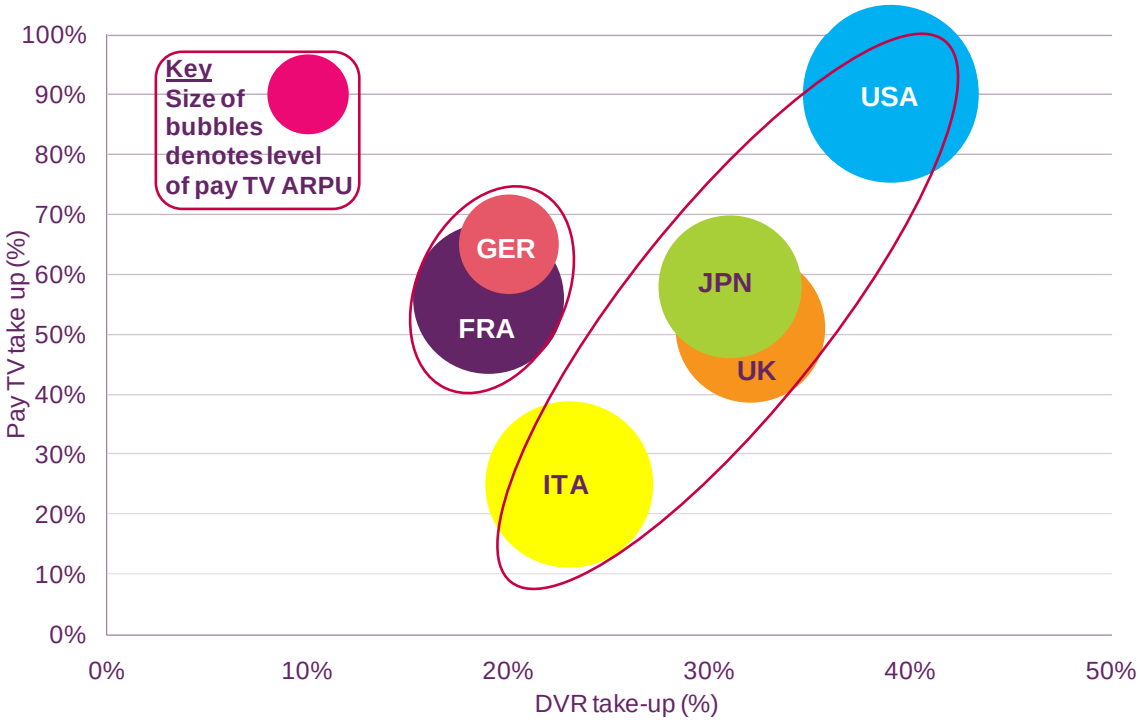
Figure 3.28 plots take-up of pay-TV (Y axis) against take-up of DVRs (X axis). The average revenue per user (ARPU) generated in each of the six major countries – based on pay-TV homes and subscriber revenue – is depicted by the relative size of the bubbles. DVR take-up figures are based on Ofcom consumer research conducted among internet users aged between 18 and 64.

The data show that for most countries included here, the higher the levels of pay-TV adoption, the more homes have DVRs. The US is the most advanced market across all three variables, with pay-TV take-up at 90%, DVR adoption of 39% and pay-TV ARPU of £480. The UK and Japan show similarities on all three measures, though the Japanese market is roughly double the size of the UK in terms of overall TV revenues, population and households.

France and Germany share different characteristics – higher pay-TV take-up than the UK and Japan but lower DVR adoption. In Germany, TV is dominated by cable, for which consumers usually pay a monthly access fee. This provides around 30 channels and is included the price of monthly rent, much like a utility. France, meanwhile, was an early mover into pay services, with the Canal Plus premium channel on terrestrial TV in 1984. The

channel's analogue terrestrial feed was switched off in November 2010[50]. More than 40% of French homes relied on analogue or digital terrestrial TV at the end of 2009.

Figure 3.28 Pay-TV take-up versus DVR take-up showing ARPU levels



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; ARPU and pay-TV take-up from Ofcom / IDATE analysis as of end 2009. ARPU represents average subscriber revenues by country and has been converted to GBP using 2009 IMF average exchange rates. DVR take-up from Ofcom consumer research, October 2010, for all adults 18 – 64. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001.

3.2.7 HDTV development

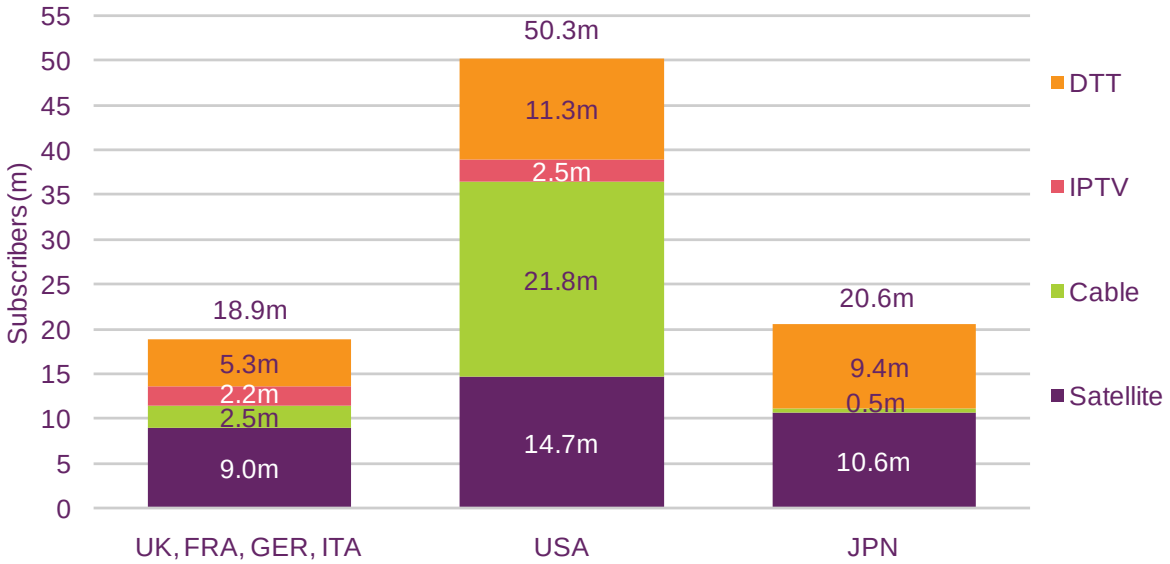
HDTV enters the mainstream in several markets

High-definition television provides viewers with sharper picture quality, using up to five times the resolution of standard definition digital TV. It first emerged in Japan in the 1970s, and at the end of 2009 20.6 million homes were watching HDTV (Figure 3.29). The propensity to watch HDTV is likely to be driven by a number of factors, including availability and breadth of HD content and the price of HD reception equipment (TV sets and set-top boxes).

The US, where HD launched in the early 2000s, is now the largest HD market with nearly half of all TV homes (50.3 million) able to access HD channels across all platforms. Europe was slower to adopt HDTV, with services launching from around 2005. The four major European markets of the UK, France, Germany and Italy, had 18.9 million homes receiving HD at the end of 2009.

[50] http://www.digitaltveurope.net/news_articles/nov_10/23_nov_10/canal_plus_shuts_down_analog,_looks_to_new_services

Figure 3.29 Number of HDTV homes, by platform and country, end 2009



Source: IDATE / industry data / Ofcom. Notes: Paying and FTA HD homes; no data available for IPTV in Japan.

Figure 3.30 illustrates the distribution of HDTV homes by platform among the six major markets included in our analysis. In most – the UK, Germany, Italy and Japan – satellite television accounts for majority of HD homes.

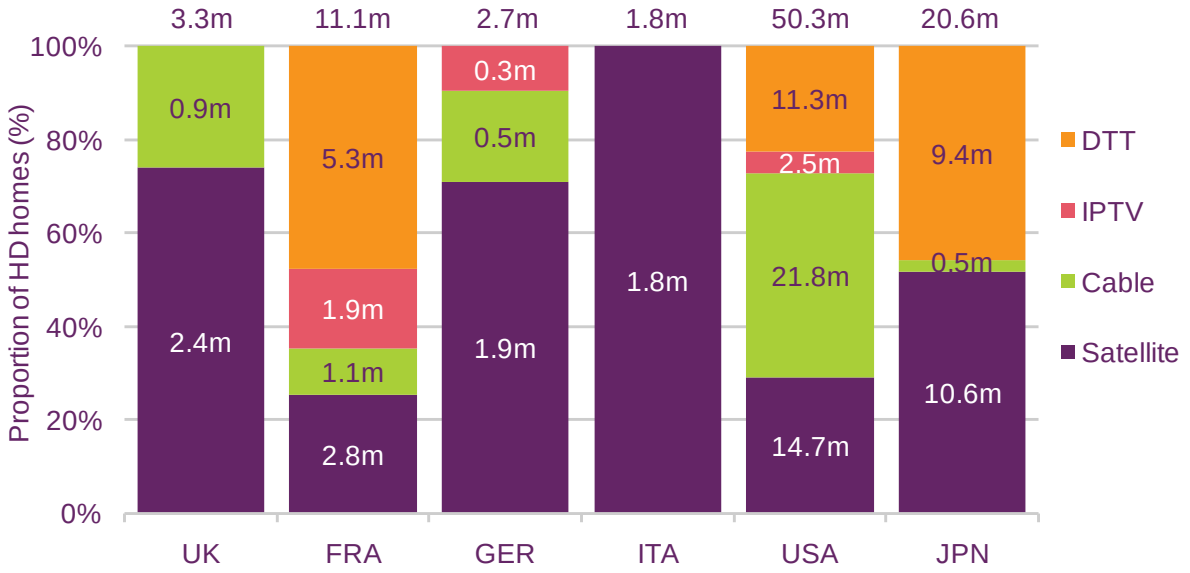
In the US, the distribution of HD homes is more evenly balanced between platforms. There are two digital satellite broadcasters, a large number of cable operators, IPTV platforms from large telecommunications players and a DTT platform. France, the most advanced HD market in Europe, also has a mixed ecology, with DTT, the main HD distribution technology, using the advanced compression technology MPEG-4 for some channels on the TNT platform.

The UK had no HD homes on DTT at the end of 2009 (although technical trials were ongoing) but by October 2010, around 420,000 Freeview HD-enabled devices, including both set-top boxes and integrated digital TV sets (IDTVs), had been sold[51].

The introduction of MPEG-4 and the DVB-T2 advanced transmission mode enabled the UK platform to use spectrum more efficiently to support the launch of high-bandwidth HD channels from the BBC, ITV/STV, and Channel 4/S4C[52]. Sweden also introduced HD on DTT using MPEG-4 and DVB-T2 in November 2010[53]. Italy's HD base was exclusively satellite at the end of 2009, in part because the country does not have a cable TV network.

[51] http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/media/8046925/Viewers-tune-in-to-Freeview-HD.html
[52] http://www.digitag.org/WebLetters/2010/External-Nov2010.html
[53] http://www.dvb.org/about_dvb/dvb_worldwide/sweden/index.xml

Figure 3.30 Number of HDTV homes, by platform and country, end 2009



Source: IDATE / industry data / Ofcom. Notes: Paying and FTA HD homes; no data available for IPTV in Japan.

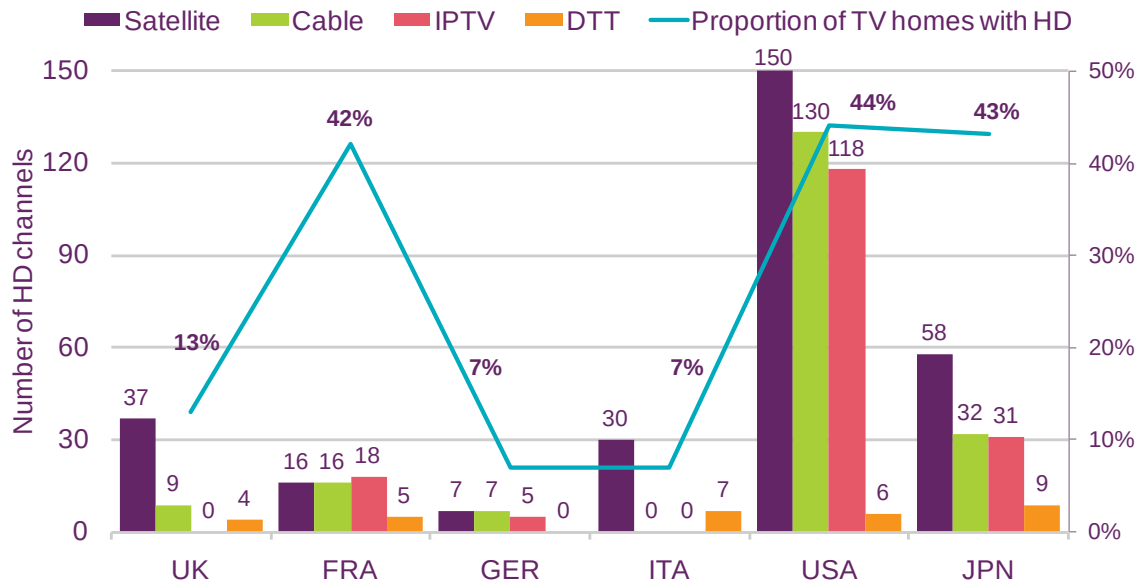
Satellite generally offers access to more HD channels than other platforms

When analysing HD channel availability, there appears to be a connection between the take-up of HD services and the number of HD channels on offer. In the US in particular, HDTV has been a key battleground in attracting pay-TV subscribers, with the digital satellite platforms (DirecTV and Dish) and cable operators (such as Comcast and Time Warner Cable) using the breadth of the HD offer as a point of differentiation.

In terms of HDTV penetration rates, illustrated in Figure 3.31, this does not take into account whether homes have a TV set capable of accessing HD or whether homes have multiple HDTV services from different platforms. At the end of 2009, 44% of homes in the US had access to HDTV channels; just ahead of Japan (43%) and France (42%), which both had strong take-up of HD on DTT.

Digital satellite platforms offer the most HD channels in the majority of countries covered, as shown in Figure 3.31. Given the high-capacity demands on HD, the technology is well suited to high-bandwidth platforms such as satellite and cable. HD channel availability is more limited on platforms where capacity tends to be comparatively scarce, such as DTT.

Figure 3.31 Number of HDTV channels and HD penetration, end 2009*



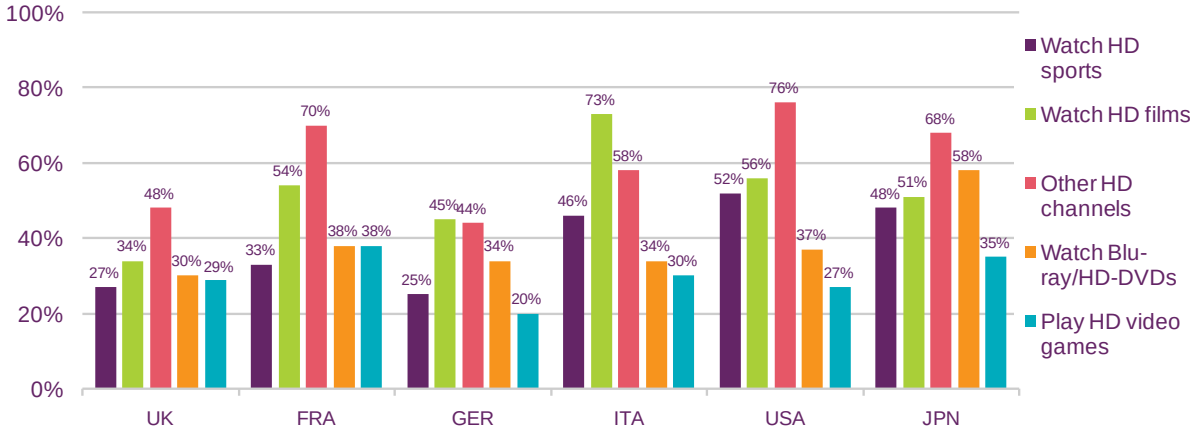
*Source: IDATE / industry data / Ofcom. Notes: Penetration rates based on HD take-up among all TV households. Paying and FTA HD homes; DTT in Japan offers maximum of 9 channels but some regions receive 6. *indicates that not all data for end 2009: UK DTT as of July 2010; Satellite in Italy as of August 2010; DTT in Italy as of August 2010, including Calcio HD which is PPV; cable in Germany as of August 2010.*

Consumers most likely to claim they watch HD channels for genres other than sports and film

Our consumer analysis carried out among internet users looked at use of HDTV sets. In all countries except Italy, respondents most commonly said that they used their HD sets to watch HD channels in neither film nor sports categories. In the US, this figure reached 70% of those respondents with a HDTV set, followed by France (70%) and Japan (68%) and Italy (58%). The UK (48%) was ahead of only Germany (44%).

In all countries, more consumers watched films than sports in HD, which could be a result of using recorded media. There were varied response rates to whether consumers used their HDTV set to watch Blu-ray or HD-DVD discs. In Japan, 58% of respondents said that they watched HD discs, nearly double that of the UK (30%).

Figure 3.32 Uses of HD TV sets



Source: Ofcom consumer research, October 2010. Base sizes: UK=597, France=467, Germany=399, Italy=480, USA=581, Japan=139

3.2.8 Digital video recorders (DVR)

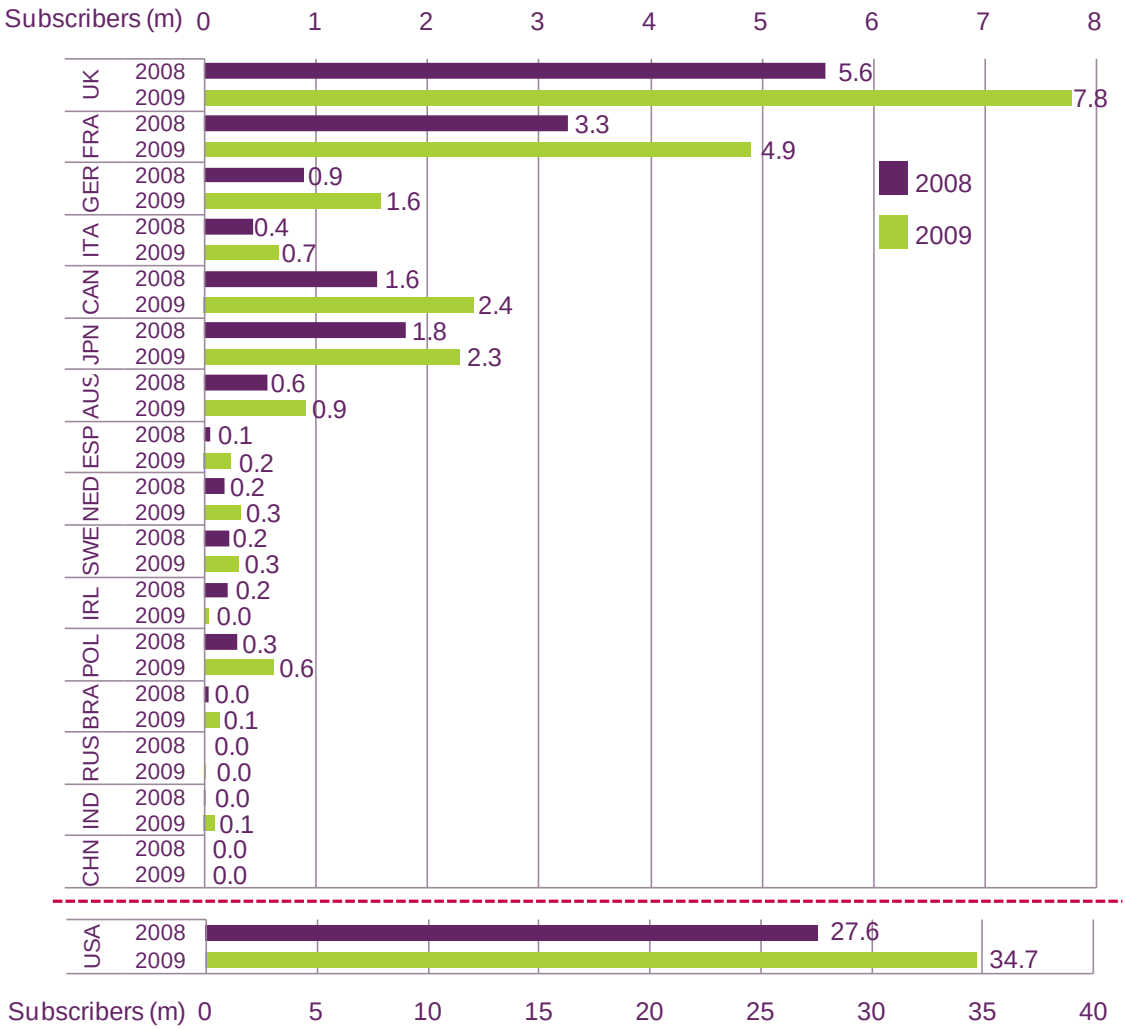
DVRs becoming widespread in mature TV markets

Digital video recorders (DVRs), sometimes known as personal video recorders (PVRs) or digital television recorders (DTRs), are the natural replacement technology for analogue video cassette recorders. They enable users to record TV digitally via a hard disc without the need for physical tapes. Such devices are becoming integral parts of the viewing experience for many consumers. They offer not just digital recording functions but also the opportunity to pause live TV, record more than one channel at the same time and in some cases more personalised functions like recommendations and automatic recording.

The US is the most developed market for pay-TV DVRs, where devices first launched at the end of the 1990s with TiVo and Replay TV. There were 34.7 million DVR subscription homes there at the end of 2009, up by more than a quarter (26%) year on year, according to data from Screen Digest. Generally, US pay-TV customers who sign up to higher-value packages are given free DVRs.

The UK, which saw TiVo launch in 2000 and Sky+ a year later, was the second biggest market for pay-TV DVR homes at the end of 2009, with 7.8 million devices, up by 40% on 2008. UK consumers have benefited from subsidised DVRs when they sign up to pay-TV. The UK also has a sizeable free-to-air DVR market, with four million such devices sold by the end of 2009. The BRIC territories are among the least advanced markets for DVRs.

Figure 3.33 Pay-TV DVR subscribers, 2008 – 2009



Source: Screen Digest

3.2.9 Video on demand

VoD remains nascent in many markets

Video on demand is emerging as a key product for pay-TV operators, helping to generate revenue and retain customers, but it remains nascent. It has also caught the attention of free-to-air broadcasters who want to increase the reach of their programming and capture advertising and subscription revenues from non-linear distribution.

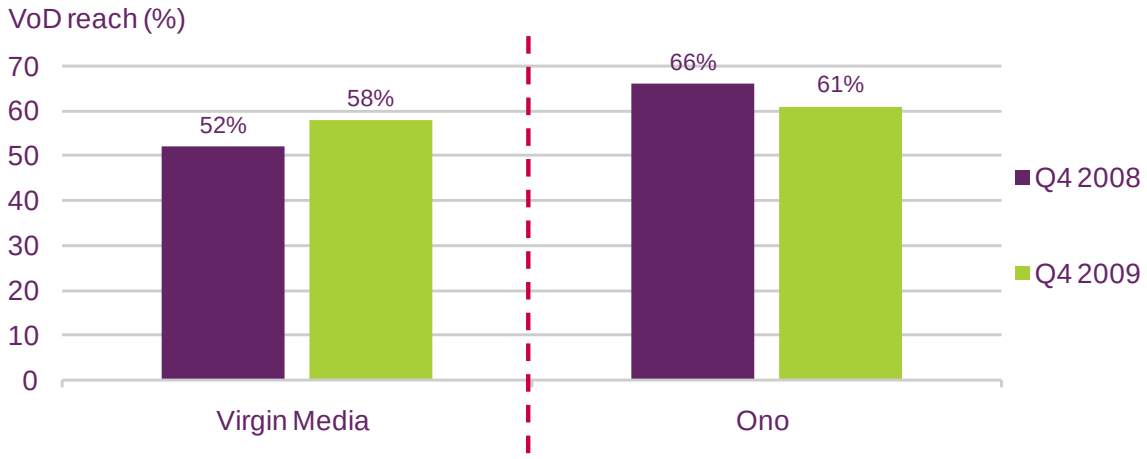
On-demand technology allows providers to offer large libraries of programming available to watch at the viewer's convenience rather than being fed to them through a TV schedule. For many operators, VoD is replacing the linear pay-per-view services where broadcast content is offered at staggered start times.

Various business models have emerged for VoD, ranging from free content, to transactional access and subscription (SVoD). Comcast in the US offers more than 25,000 pieces of on-demand content[54], the majority of which are free to subscribers. By the end of 2009, it had received 15 billion views of VoD content[55].

[54] http://www.comcast.com/About/PressRelease/PressReleaseDetail.ashx?PRID=990
[55] http://www.comcast.com/nbcutransaction/pdfs/Public%20Interest%20Statement%20-%20FINAL.pdf

Virgin Media, the UK cable operator, reported that 58% of its VoD-enabled customers accessed the service in the final quarter of 2009, up by six percentage points year on year. Ono, the Spanish cable operator, reported that 61% of subscribers used free VoD (VideoClub) at the end of 2009[56], down from 66% at the end of 2008[57].

Figure 3.34 Video on-demand use in Virgin Media and Ono homes



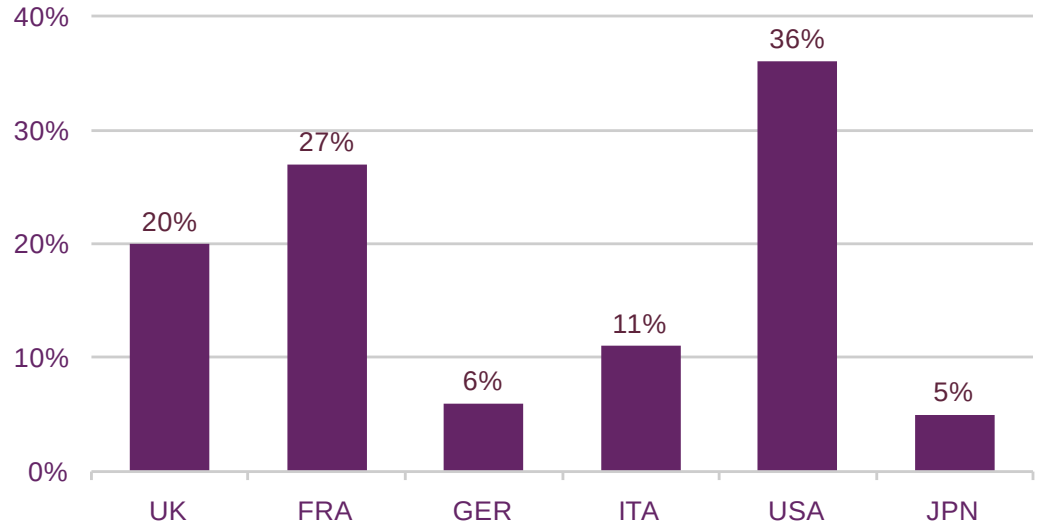
Source: Virgin Media and Ono company results

Our research conducted among internet users suggests that consumer access to VoD on the TV varied significantly across the countries analysed. More than a third of US respondents reported that they had access to a VoD service on their TV, the majority of whom are likely to be cable subscribers.

People in France reported the second-highest adoption levels, likely to be driven by consumer take-up of IPTV. A fifth of UK respondents claimed to have VoD, which could be attributed to the 'pull' VoD services in the UK provided by Virgin Media, BT Vision and TalkTalkTV. It could also represent consumers with access to 'push' VOD – where content is stored locally on the set-top box and accessed 'virtually' on demand. Such UK services include the Sky Anytime TV service and Top Up TV. However, these systems are limited by the available capacity on the hard disc of the DVR.

[56] http://sobreono.ono.es/inversores/pdfs/ONO%20MEMORIA%2009%20MKT%20ENG%20AF.pdf
[57] http://sobreono.ono.es/inversores/pdfs/annual-report-2008-english.pdf

Figure 3.35 Take-up of video on demand on the TV, by country

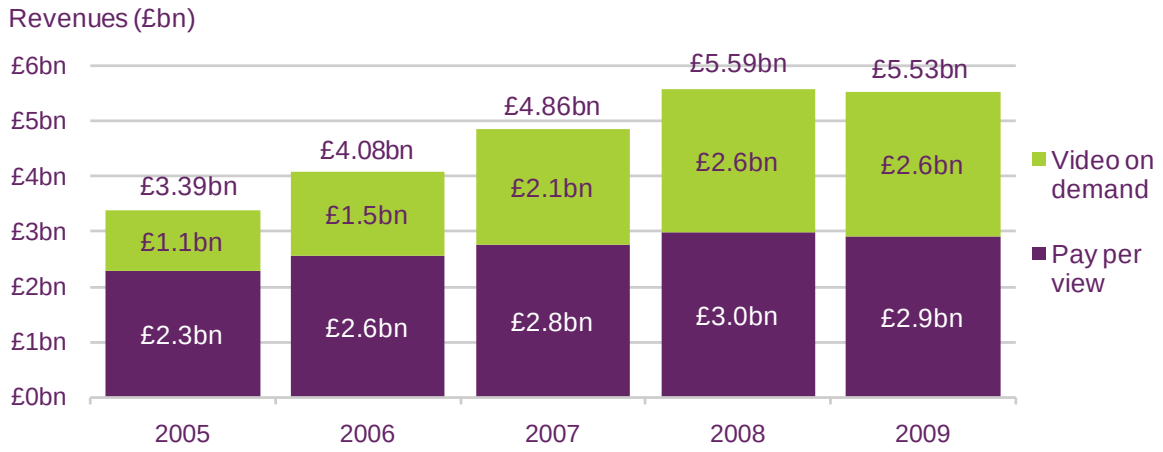


Source: Ofcom consumer research, October 2010, for all adults 18 – 64. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001.

Together, VoD and PPV generated global revenues of £5.5bn in 2009, down by 1% year on year. VoD represents a growing component of global TV industry revenue, up by 0.6% between 2008 and 2009 and up by an annual average growth rate of 23.9% since 2004. Pay-per-view revenue declined in 2009, down 2.6% year on year but was still up by 13.0% per annum on a compound average annual basis since 2004.

Digital cable and IPTV operators have traditionally been well placed to offer VoD, given the two-way connectivity of their networks. Satellite and digital terrestrial television have historically been disadvantaged in VoD because of their one-way networks.

Figure 3.36 Global pay-per-view and video-on-demand revenues



Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2010-2014 @ www.pwc.com/outlook. Notes: Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.5643 to the £GBP, representing the IMF average for 2009.

3.2.10 Hybrid devices and online video

'Hybrid' devices offer the prospect of significant enhancements for satellite and DTT

The emergence of the internet as a viable way of delivering video content is opening up opportunities to deliver programmes on demand over a wider range of platforms. While VoD has traditionally been the domain of cable and IPTV operators, a number of pay-TV operators are looking to combine one-way infrastructure such as satellite and terrestrial with broadband connectivity to offer on-demand content and web-like applications on the TV.

In October 2010, BSkyB began rolling out a VoD service to its Sky+ HD customers using 'progressive download' technology. This, and similar services, downloads content over the open internet to the hard disc of the DVR. The video is available to play back when enough content is stored to ensure an uninterrupted service[58]. Viasat in Scandinavia and DirecTV in the US already offer such services.

It is not only satellite and terrestrial operators that are looking to bring internet connectivity to their set-top boxes and merge TV and web experiences. Other satellite, cable and IPTV providers, and some free-to-air broadcasters, are making similar moves:

- Liberty Media, the pan-European cable operator, plans to launch a new device that will allow customers to watch pay-TV, access internet content through their television and stream content downloaded on the DVR throughout the house[59].

- Spanish cable operator Ono has announced plans to roll out new set-top boxes based on the TiVo DVR technology to its cable subscribers. The box will also allow Ono to launch a hybrid DTT/internet service to those outside its cable network[60].

- Virgin Media, the UK cable operator, has announced plans to launch a 'converged TV and broadband interactive platform' based on TiVo technology in Q4 2010. The company said that the device will have a dedicated internal modem to offer internet services and applications directly to the TV[61].

- Digital satellite broadcaster Canal Digital announced in November 2010 plans to launch set-top boxes including the TiVo technology in Norway, Sweden, Denmark and Finland. The devices will offer standard DVR/HDTV functionality as well as universal search, home networking and integration with mobile devices[62].

- Mobile operator Vodafone is reportedly looking to launch hybrid TV devices in Spain (DTT and broadband) and Germany (digital satellite and analogue cable)[63].

- Foxtel in Australia has announced that from October 2010 it would start downloading software to its iQ2 set-top boxes to enable them to connect to the internet and offer

[58] http://corporate.sky.com/media/press_releases/2010/sky_introduces_anytimeplus.htm
[59] http://www.broadbandtvnews.com/2010/10/15/first-pictures-of-upc-horizon-gateway/
[60] http://pr.tivo.com/easyir/customrel.do?easyirid=CA934452BA6418EF&version=live&prid=624198&releasejsp=custom_150
[61] http://pressoffice.virginmedia.com/phoenix.zhtml?c=205406&p=irol-newsArticle&ID=1490920&highlight=
[62] http://pr.tivo.com/easyir/customrel.do?easyirid=CA934452BA6418EF&version=live&prid=688354&releasejsp=custom_150
[63] http://www.screendigest.com/news/vodafone-hybrid-set-top-box-strategy/view.html

access to on-demand content. Foxtel On Demand expects to include more than 5,000 films and TV episodes by 2011[64].

The increased use of broadband to deliver audio-visual content to consumers is also presenting opportunities to free-to-air broadcasters. A number of initiatives have been kick-started by such broadcasters aimed at bringing on-demand content and the web to the TV:

- The HbbTV (Hybrid Broadcast Broadband TV) standard has been developed to deliver internet services to connected TVs and set-top boxes[65]. The European consortium includes broadcasters, such as TF1 and France Televisions, and manufacturers including Samsung and Philips. HbbTV services have already launched in Germany[66].

- YouView (formerly Project Canvas) devices are set to launch in 2011. They will provide access to on-demand content and web-like applications delivered over broadband to the TV alongside the Freeview broadcast channels. YouView, which is backed by the UK's PSBs, Arqiva and internet service providers, also plans to offer access to paid-for content[67].

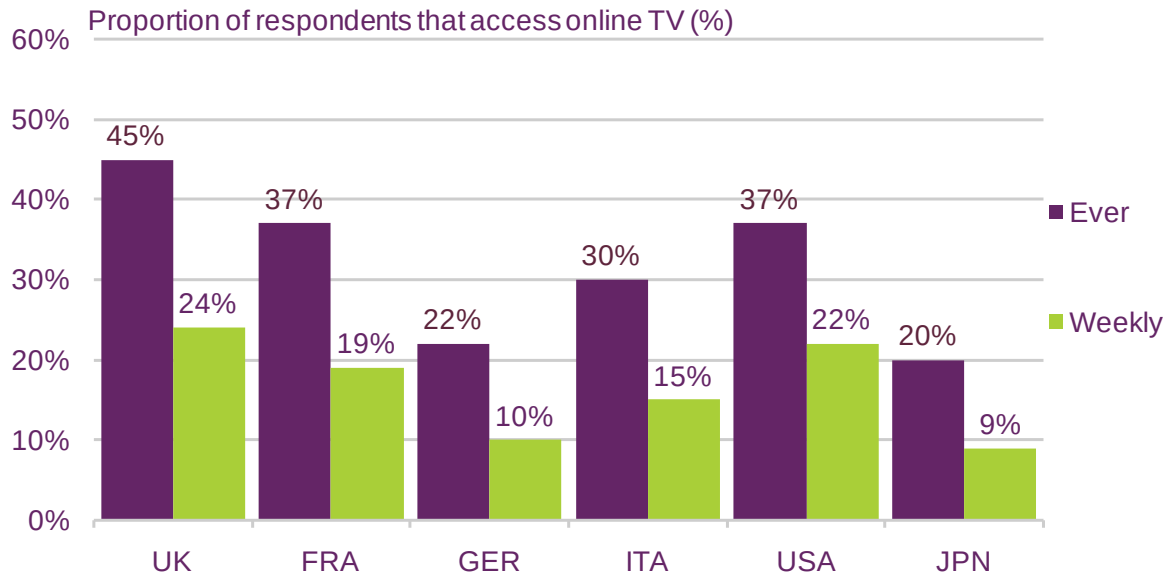
UK consumers use online TV most but the US generates the most revenue per head

Online TV and video content is emerging as the driver of a new source of audio-visual revenue, both for traditional broadcasters and for new players in the value chain. Our consumer research found that the UK led the way among our comparator countries in terms of accessing TV content over the internet. Just under a quarter of UK respondents (24%) claimed to do this every week (rising to 45% when asked whether they had *ever* accessed TV content over the web).

People in the US were the second most likely to access online content, with a fifth (22%) using the internet to access TV content on a weekly basis. This compared to 37% of respondents on the US claiming to have ever accessed online TV, in line with France.

[64] http://www.foxtel.com.au/about-foxtel/communications/foxtel-launches-internet-tv-service-foxtel-on-demand-96779.htm
[65] http://www.hbbtv.org/pages/news_events/pdf/HBBTV_PR_Final_20090827.pdf
[66] http://www.broadbandtvnews.com/2010/10/13/hbbtv-launches-on-terrestrial-in-germany/
[67] http://www.youview.com/2010/09/16/%e2%80%98youview%e2%80%99-unveiled-as-the-future-of-television/

Figure 3.37 Accessing TV content over the internet



Source: Ofcom consumer research, October 2010, for all adults 18 – 64. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001.

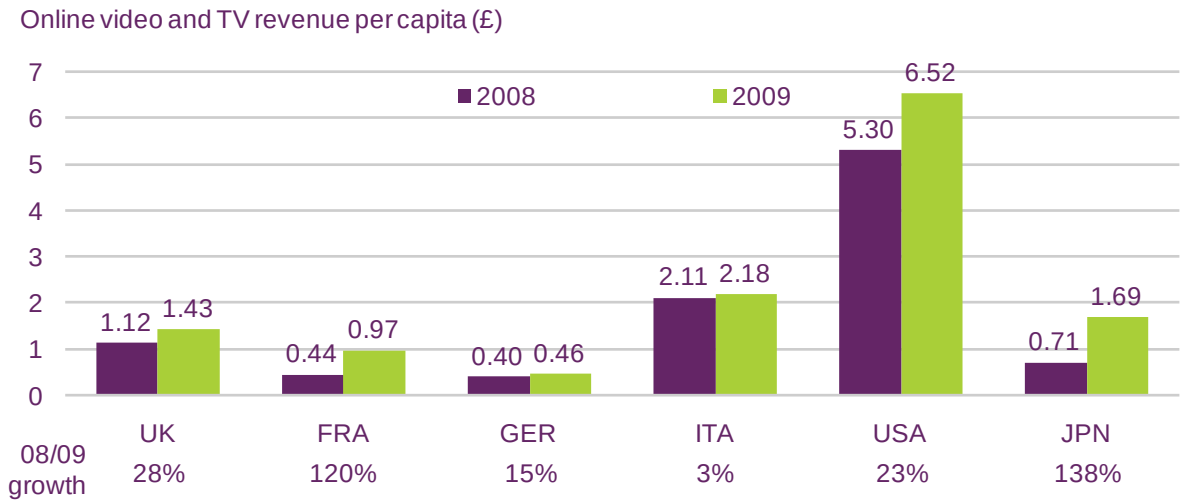
Figure 3.38 illustrates the relative size of the per-capita revenues raised from TV/video online (excluding those from pan-regional services such as iTunes and YouTube) in each of our main comparator countries.

In 2009, this stood at £6.52 per person in the US, substantially higher than any other country for which data are available and nearly three times higher than Italy, the next highest figure (£2.18 per capita). In the UK the figure stood at £1.43 per head, behind Japan (£1.69), but ahead of France (£0.97) and Germany (£0.46). The pattern of per-capita revenues for online TV and video closely reflect countries' performances for pay-TV average revenue per user (see Figure 3.13).

The high figure for the US may reflect the comparative success of services such as Hulu and broadcasters' own audio-visual online services. And online TV revenue tells only part of the story of online video. Publicly-funded services, such as the BBC iPlayer in the UK, can be very popular but do not contribute to overall online commercial revenue figures.

Rates of growth in online TV and video revenues during 2009 varied substantially. Japan (138%) and France (120%) both experienced growth of more than 100% compared to 2008, albeit from relatively low bases. By contrast, growth in Italy was just 3% for the same period. Despite being the most advanced market, the US continued to see double digit year-on-year growth (23%) along with the UK (28%) and Germany (15%).

Figure 3.38 Online TV and video revenue per head



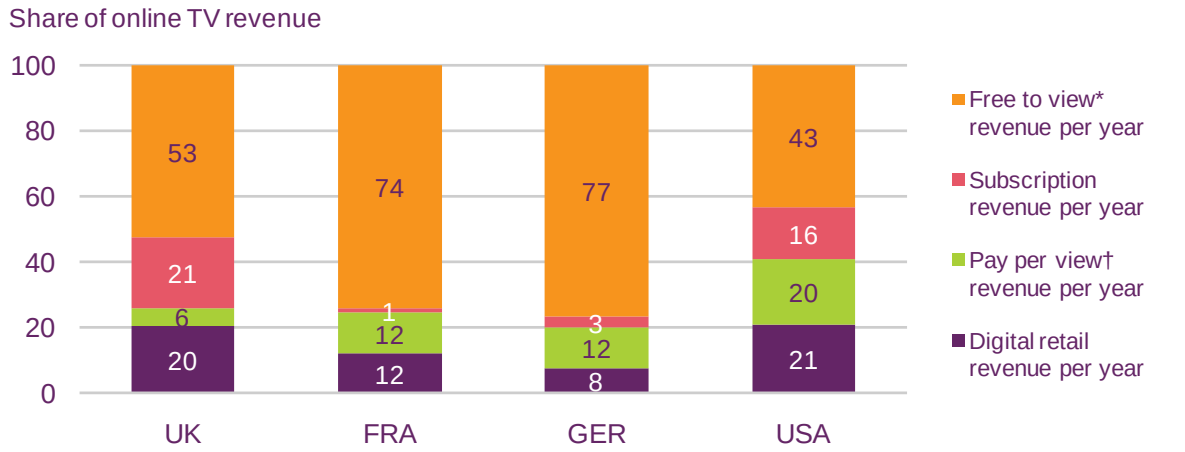
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of $1.5643 to the GBP, representing the IMF average for 2009; revenue figures exclude revenue from pan-regional services (e.g. iTunes, YouTube etc).

Free-to-view content dominates audio-visual online revenue in France and Germany

Separate data from Screen Digest show the distribution of online TV revenues by component (Figure 3.39). In each of the four countries for which data are available, free-to-view revenue accounted for the biggest proportion of revenues in 2009 (74% in France and 77% in Germany). In the UK the figure was 53%.

The US (43%) was the only country we looked at where free-to-view accounted for less than 50% of total revenue, although it still comprised the largest single component. Both subscription and digital retail revenue (which incorporates 'download to own' services such as iTunes) make up a larger proportion of online TV revenue in the UK and the US than they do in France and Germany.

Figure 3.39 Online TV revenue by segment, 2009



*Source: Screen Digest. Note: these data are not directly comparable with those in Figure 3.38 as they derive from a different data source. *Free to view revenue are generated from display and in-stream ads which the user sees when they view a video. †Pay per view includes all content consumed on an on-demand basis, including traditional PPV (as per live sports) and VoD.*

Cutting the cord – US pay-TV operators face the online video challenge

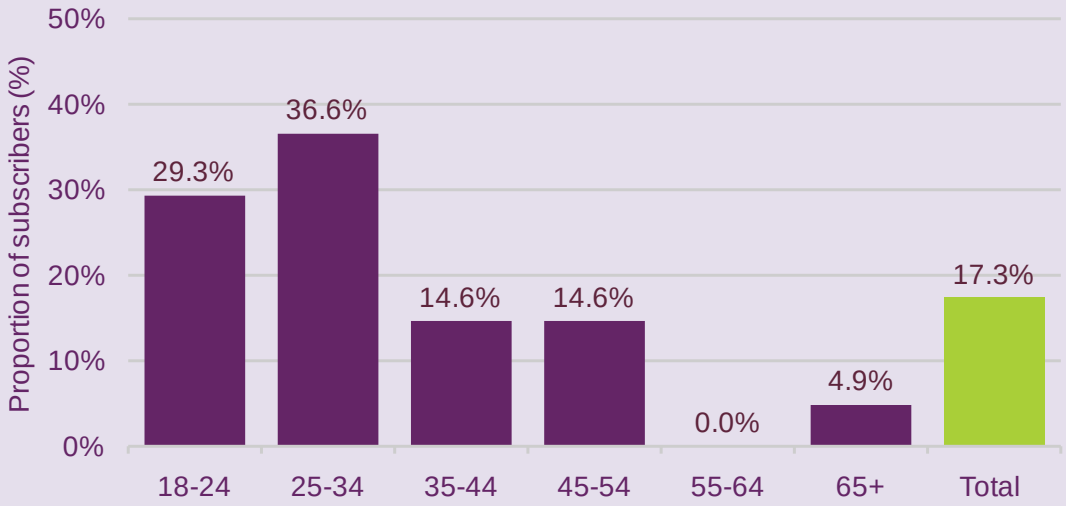
An emerging theme in the US in recent months has been the purported challenge that online video services pose to pay-TV operators. Research published in the US by investment bank Credit Suisse in September 2010 suggested that some consumers were using online video services as a substitute for pay-TV – so-called 'cord cutting'.

The research focused on customers of Netflix, the subscription DVD, online TV and video service in the US. Since early 2009, Netflix has allowed its subscribers to stream content over the internet as well as request physical DVDs. Of the 1,000 Netflix customers polled, 17.3% said that they used their Netflix online streaming service as a substitute for pay-TV. This trend was particularly prevalent among younger people. The chart below shows that 29% were aged between 18 and 24, while 37% were aged between 25 and 34 and in moderate-to-low-income homes (nearly a quarter were from households that earned less than $25,000).

Content can be viewed on a home computer and/or on other devices, such as broadband-enabled set-top boxes like Roku and Tivo, games consoles and connected TVs. Netflix had around 15 million customers at the end of Q2 2010, of whom around 8.8 million (61%) had streamed content for at least fifteen minutes during the quarter.

Pay-TV operators in the US are attempting to head off subscriber defections. US cable operator Comcast is launching its Xfinity online TV project, which allows its customers to access much of the pay-TV content online. The cable company has reportedly said that 'cord cutting' is rare[68]. A recent study (called *Life is a Stream*) commissioned by US cable marketing body CTAM found that 3% of US pay-TV respondents who watched at least some TV and films from the internet on their TV set planned to cancel their subscription[69].

Netflix customers who use the service as a substitute for pay-TV, by age



Source: Credit Suisse equity research report: An uncertain time for big media, Sept 2010

3.2.11 Television output from European public service broadcasters (PSBs)

The information contained in this section is taken from data collected by the European Broadcasting Union (EBU) which is the largest association of national broadcasters in the

[68] http://www.zdnet.com/blog/btl/comcast-tv-everywhere-out-of-beta-next-month-cord-cutting-a-myth/39519
[69] http://www.hollywoodreporter.com/news/online-viewers-watch-tv-polls-45280

world, representing 75 members from 56 countries. Member broadcasters, both television and radio, reach an average audience of 650 million each week.

The TV channels included in the analysis below are:

- **Germany**: ARD1 (Das Erste); ZDF
- **UK**: BBC One, BBC Two; ITV1; Channel 4; Channel 5; S4C Digital
- **France**: France 2; France 3
- **Italy**: RAI1; RAI2; RAI3
- **Spain**: RTVE LA 1; RTVE La2
- **Netherlands**: Nederland 1; Nederland 2; Nederland 3/Z@ppelin
- **Republic of Ireland**: RTE ONE; RTE TWO
- **Sweden**: SVT1; SVT2
- **Poland**: TVP 1; TVP 2

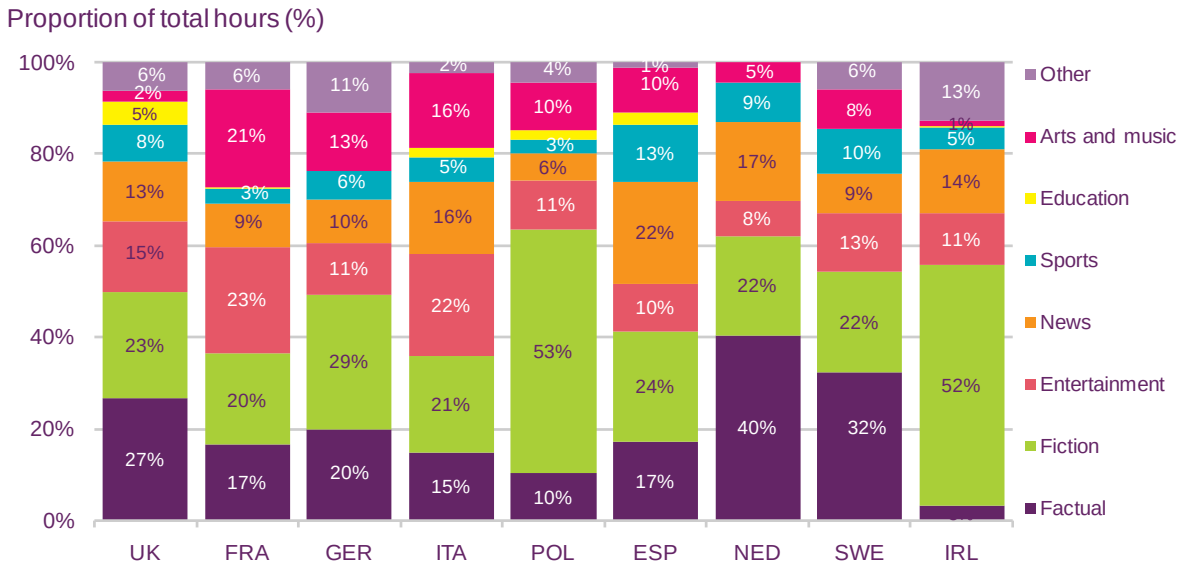
One of the essential characteristics of public service broadcasting remains the availability of a wide range of different types of programmes appealing to a broad audience base. This continues to be the case across European PSB output, as shown in Figure 3.40, which illustrates the proportion of different types of programme genres broadcast by country in 2009. All output is included – whether in-house, commissioned from independent producers; bought-in acquisitions or repeats.

Broadcasters follow a standard EBU programme classification system which means that the information shown here should be compatible and comparisons across countries are valid. However, the exception is the Netherlands where a number of genres (education, arts, culture, science and religion) are all incorporated within the information genre. Consequently, the proportion shown below for ‘Factual’ at 40% is over-stated when compared with the output for other countries. Sweden’s SVT broadcast the highest proportion (32%) of Factual programmes in 2009, followed by the UK at 27% and Germany with 20%.

Fiction, which covers all types of drama programmes, including soaps and feature films, featured heavily in Poland and ROI where it accounted for 53% and 52% of output respectively. In all other countries the proportion varied between 20% (France) and 29% (Germany).

The highest proportion of Entertainment programmes was broadcast in France (23%) with the lowest proportion in the Netherlands (8%). In most countries News accounted for between 10% and 20% of programmes with the exception of Spain at 22% and at the other end of the scale, Poland at 6%. In most countries sport made up less than 10% of output , apart from in Spain where it stood at 13%. There was a wide spread in the Arts and Music genre, from 1% of output in ROI; 2% in the UK; up to 21% in France.

Figure 3.40 PSB network output by genre, 2009



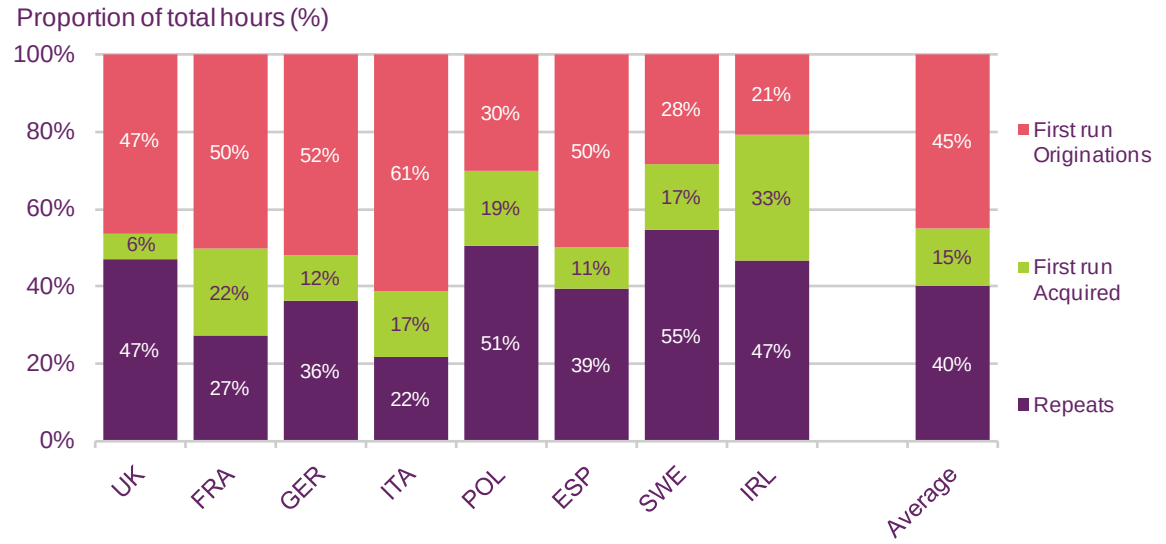
Source: Ofcom/EBU Members. Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4, Channel Five and S4C digital

Figure 3.41 shows PSB output according to the origin of programmes – split by first run originations (both in-house and independent commissions); first run acquisitions; and repeats. In general, public service broadcasters tend to produce or commission a higher proportion of original programming than non-PSBs.

Within any genre, this is usually the most expensive element of the broadcast schedule, is often the most popular with audiences and is important for the economy of TV production industries across Europe. This is reflected in the fact that on average, across the countries reported, originations accounted for the highest proportion of output at 45% of all programmes broadcast. PSB schedules in Italy, Germany, France, Spain, and the UK broadcast above average proportions of originated output, ranging from 61% to 47% while Poland, Sweden and Ireland were significantly lower (30% to 21%).

First run acquired programmes averaged 15% with Ireland topping the list at 33%, while UK PSBs showed the lowest at 6%. The other main component of the schedules, repeats, accounted for 40% of broadcasts. Italy and France showed far fewer repeats than other countries (22% and 27% respectively) while Sweden and Poland showed the highest proportions (55% and 51%).

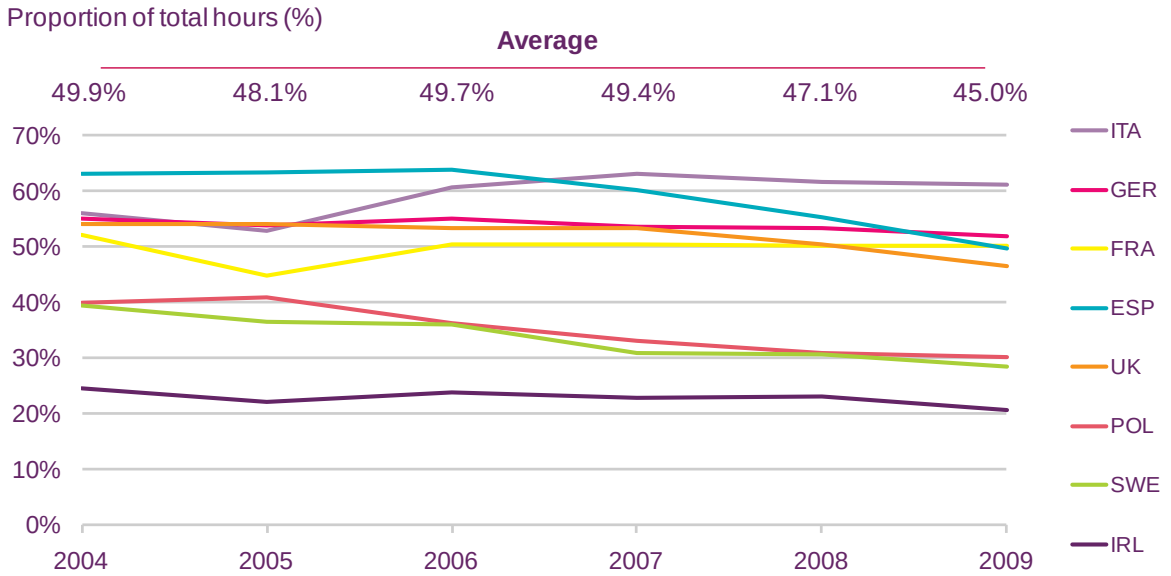
Figure 3.41 First run originations, acquisition and repeats, 2009



Source: EBU members/Ofcom. Note: The 'average' figures represent a weighted average of the data illustrated in the chart

Drilling down into each of these elements in more detail, Figure 3.42 shows that almost without exception, the proportion of programme originations have fallen on PSB channels over the past five years. The percentage dropped from an average of 50% in 2004 to 45% in 2009. This downward trend is evident in all markets, apart from Italy where originations increased from 56% of total output in 2004 to 61% in 2009.

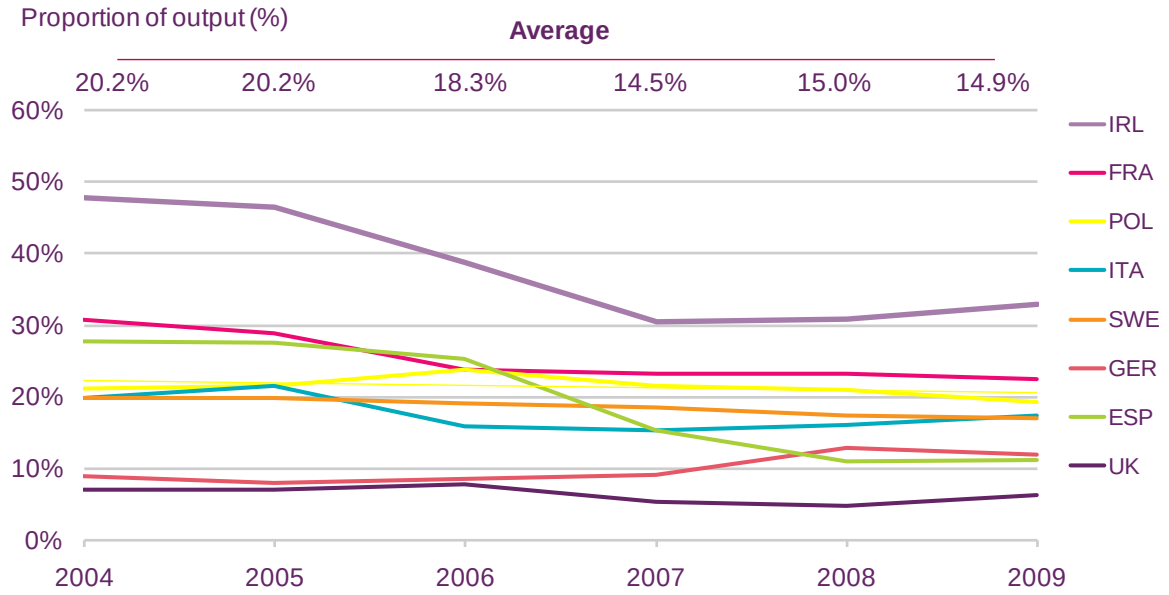
Figure 3.42 First-run originations trends



Source: Ofcom/EBU members. Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4, Channel Five and S4C digital.

Alongside cut backs in originated programming, the proportion of acquired material has also dropped by an average of five points, from 20% in 2004 to 15% in 2009. Again, the fall occurred in almost all countries considered, apart from Germany which bucked the trend – with the proportion of bought-in programming rising from 9% to 12% over the period. The level of purchased programmes in the UK was lower than in other countries at 6% of output while in the Ireland at 33%, acquisitions were higher than elsewhere.

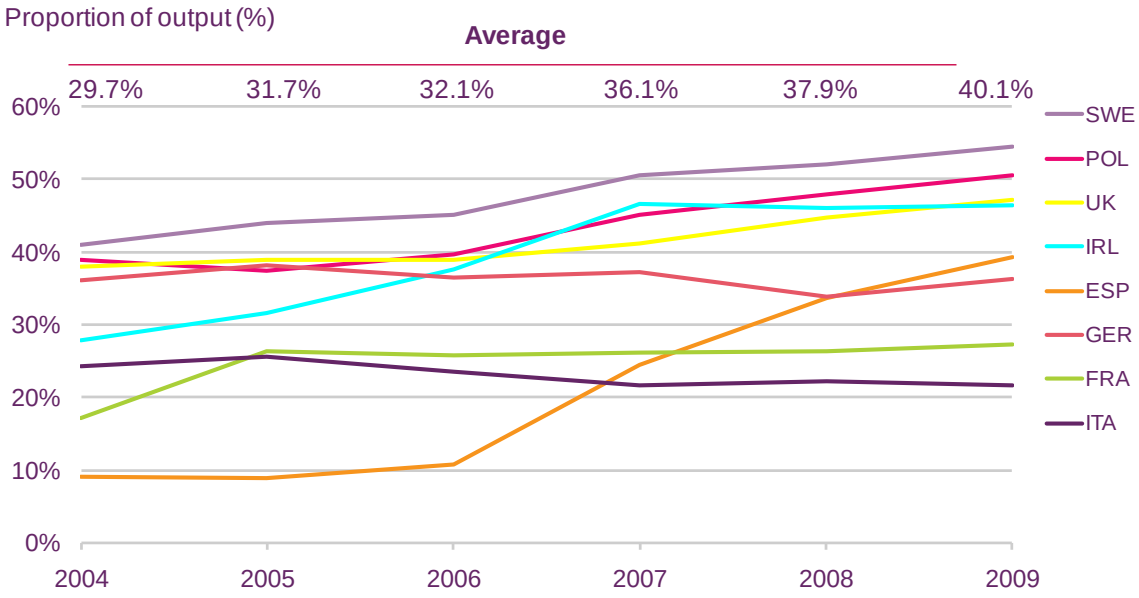
Figure 3.43 Acquisition trends



Source: Ofcom/EBU members. Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4, Channel 5 and S4C digital.

With increasing pressure on programme budgets, broadcasters across Europe appear to have addressed the issue by raising the level of repeats, as can be seen in Figure 3.44. It shows a significant rise from an average of 30% of the schedules in 2004 to 40% in 2009. The increases were particularly marked from 2006 onwards. The pattern is consistent across all countries, to a greater or lesser extent, apart from in Italy where repeats fell over the period from 24% to 22% and in Germany where the levels were relatively stable, at around 36 - 38%.

Figure 3.44 Repeats trends



Source: Ofcom/EBU members. Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4, Channel 5 and S4C digital.

3.3 The TV and audio-visual consumer

3.3.1 Summary

This final part of the TV and audio-visual section sets out consumer trends among television viewers during 2009. It examines TV platform and pay-TV take-up, patterns of broadcast television consumption and use of online TV. The main points in this section include:

- **Analogue TV take-up continued to fall in 2009 as switchover drove digital migration.** Digital terrestrial ('DTT') has been the major beneficiary of digital migration, with notable increases in DTT penetration among homes in Italy (+6.1 percentage points), Australia (+7.6pp) and Spain (+16.9pp) (page 156).

- **Pay-TV now accounts for 61% of TV households across all comparator countries, a rise of two percentage points on 2008.** For the first time, the majority of households in the UK took a pay-TV package (51% versus 49%). Migration to pay-TV continued to make rapid progress in Poland, growing by eight percentage points year on year, with India (up by five percentage points) and Russia (four percentage points higher) ranked second and third respectively (page 160).

- **An average viewer among the 17 comparator countries consumed 207 minutes of TV each day in 2009.** US viewers watched more TV than those in any other country (280 minutes per person per day, up by 1.1% year on year). They were followed Polish viewers at 240 minutes (up 3.4% year on year) and those in Italy (238 minutes, up by 1.7%). People in the UK watched an average of 225 minutes, a figure that remained unchanged year on year (page 163).

- **Channels financed (at least in part) from public sources of funding continued to attract substantial audiences during the year, although typically, their share of viewing fell over the year**. The POL portfolio in Poland accounted for 41% of viewer hours in 2009 (down by three percentage points (pp); RAI in Italy secured a 39% share of viewing (down by 3 pp); ZDF/ARD/ARD3's collective share was the same in Germany (down by 2pp). The BBC attracted a 35% viewing share, down by 2 pp year on year (page 165).

- **The degree to which the well-established channels have maintained share in the face of multi-channel competition varies across countries**. Multichannel viewing accounted for nearly three-quarters (72%) of viewer hours in the US. In Europe, the degree of attrition has been less severe – multichannel share stood at 42% in the UK, 32% in Germany, 27% in France and just 19% in Italy (page 166).

3.3.2 Take-up of television distribution technologies on main television sets

Analogue TV take-up continued to fall in 2009 as switchover drove digital migration

In almost all comparator countries, digital take-up rose across the four TV distribution technologies shown in Figure 3.45, as analogue penetration continued to fall in 2009. DTT has been the major beneficiary of digital migration, with notable increases in DTT penetration among homes in Italy (+6.1 percentage points), Australia (+7.6pp) and Spain (+16.9pp), where DSO was completed in April 2010.

Cable take-up continued to fall in some Western European markets, including Germany (-6.3pp) and the Netherlands (-10.3pp), where the loss of analogue subscribers is not being offset by increases to digital.

Digital satellite is enjoying strong growth in the BRIC countries where free-to-air offerings are more limited, with India (take-up rose by 5.8pp in 2009) in particular benefiting from competition between operators such as Sun TV and Tata Sky. In contrast, its progress appears to be slowing in Western Europe amid platform competition, with no increases over two percentage points apart from Poland (+8.4pp) and Ireland (+4.1pp).

IPTV take-up rose (or at least remained stable) in all comparator countries, with the fastest growth in France (+4.3pp), where 'free IPTV' offers bundled with broadband subscriptions are driving take-up. There were also modest increases in take-up in the US (+1.8pp), Sweden (+1.3pp) and Germany (+1.4pp).

Figure 3.45 Changes in television distribution technology take-up, 2008-2009

	Terrestrial		Satellite		Cable		IPTV
	Analogue	*Digital*	*Analogue*	*Digital*	*Analogue*	*Digital*	
UK	-4.7	3.0	0	1.4	-0.4	0.7	0.1
FRA	-6.8	2.1	-0.7	1.7	-1.0	0.4	4.3
GER	0	3.0	-4.0	1.2	-6.3	4.8	1.4
ITA	-7.0	6.1	-1.0	1.5	0	0	0
USA	-1.3	0.2	-0.1	1.1	-3.5	1.8	1.8
CAN	-1.6	0.2	-1.2	0.7	-4.5	5.5	0.9
JPN	-1.5	0.5	-0.2	-0.6	-2.4	3.2	1.0
AUS	-8.4	7.6	-0.4	0.3	0	0.3	0.6
ESP	-15.1	16.9	-1.1	-1.0	-0.9	0.6	0.5
NED	0	0.9	0	0	-10.3	8.1	1.2
SWE	0	-1.2	-0.8	-0.3	-1.9	3.0	1.3
IRL	-0.9	0	-0.9	4.1	-5.3	2.7	0.3
POL	-10.0	0.6	0	8.4	-1.0	1.5	0.4
BRA	-5.7	1.9	-0.1	3.1	0.3	0.5	0
RUS	-6.2	0.6	-0.2	3.8	-0.4	2.2	0.3
IND	-5.4	0	0	5.8	-1.3	0.8	0
CHN	-7.5	2.9	-0.2	1.1	-2.1	5.2	0.5

Source: IDATE / industry data / Ofcom

DTT continues to be popular in UK households

Figure 3.46 shows that for most comparator countries, two or three TV distribution technologies account for the majority of TV households. In the UK, DTT has increased its lead as the most widely-used technology (connected to 41% of main sets). Digital satellite has continued to maintain its second place (37%) as BSkyB added a substantial number of subscribers in 2009 (before exceeding the ten million subscriber mark in November 2010)[70]. This broadly mirrors the majority of Western European countries, where the progression of digital switchover has tended to drive take-up of DTT, which is now also the principal TV distribution technology in Spain (62%), Italy (36%) and France (32%).

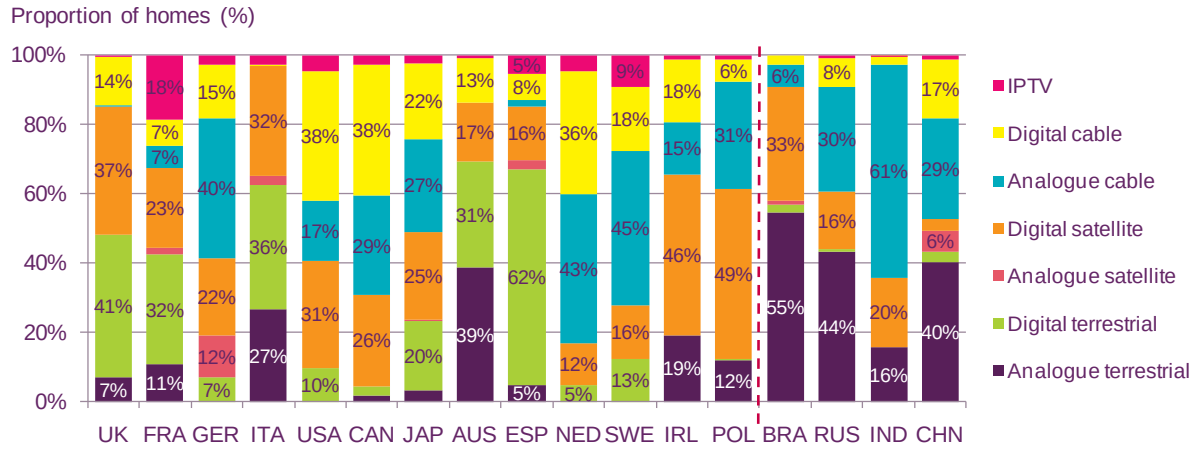
Analogue television continues to command a large share of the market in the BRIC countries, where analogue cable and terrestrial account for the majority of devices

[70] http://corporate.sky.com/media/press_releases/2010/10_million.htm

connected to the main set in the home. In Russia, where DSO is not scheduled to be completed until 2015, the analogue terrestrial (44%) and analogue cable (30%) distribution technologies combined comprise nearly three-quarters (73%) of the total platform share.

Cable continues to be the primary method of accessing TV in North America, where cable access is relatively cheap and digital migration has increased the share of digital cable to 38% in both the US and Canada. Among other comparator countries, France continued to lead in terms of IPTV penetration (18.4%), with growth driven by the TV packages offered by fixed telecoms providers such as France Telecom and Free.

Figure 3.46 TV reception devices connected to the main set in the home, 2009



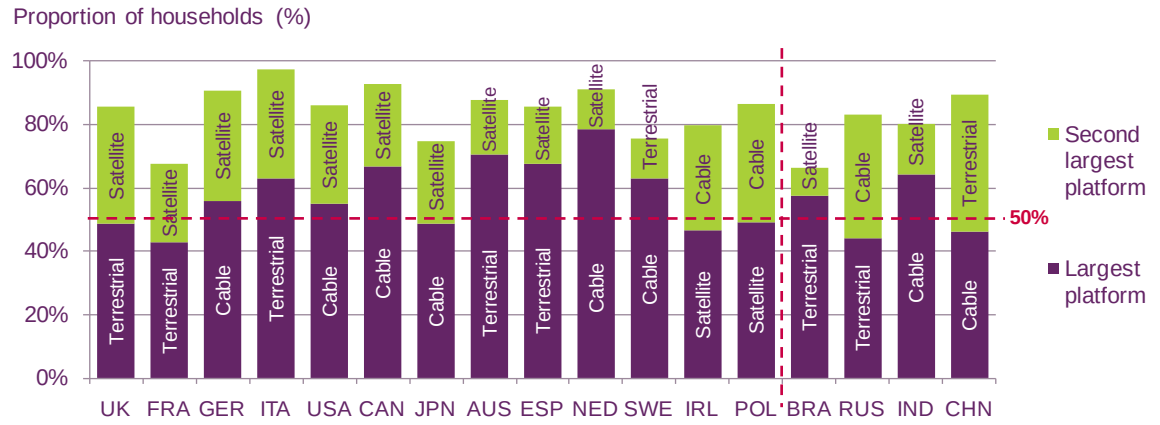
Source: IDATE / industry data / Ofcom

Figure 3.47 illustrates that when analogue and digital are combined, the majority of comparator countries have one principal TV distribution technology (terrestrial, cable or satellite) accounting for the majority of connections to the main TV set.

In Spain and Australia, the majority of connections are to terrestrial platforms (67% and 69%), while the principal TV distribution technology in the Netherlands and Canada is cable (78% and 66%). However, in some comparator countries share is more evenly distributed and the principal distribution technology accounts for under half of all connections. This includes France (terrestrial – 43%), Ireland (satellite - 46%) and Russia (terrestrial – 44%).

Satellite is the second-largest TV distribution technology in the majority of comparator countries (12 out of 17), where cable coverage is extensive. However, it is the principal distribution technology in Poland (49%) and Ireland (46%), where a combination of strong satellite take-up and limited cable coverage has seen it pull ahead of cable's share of the market (see Figure 3.46).

Figure 3.47 Proportion of main sets connected to the most popular TV reception devices, 2009



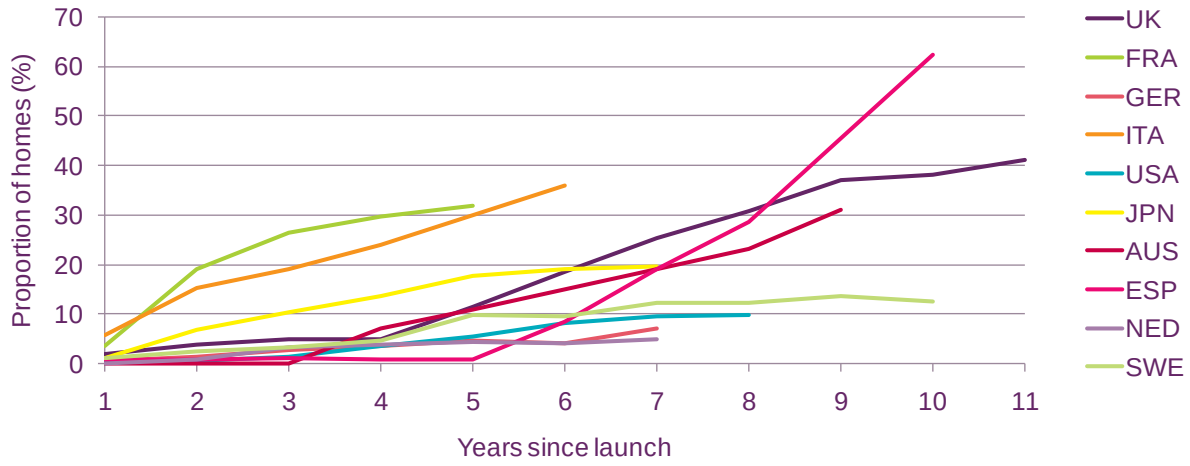
Source: IDATE / industry data / Ofcom

Among our comparator countries, DTT is most popular among Spanish homes

Figure 3.48 reveals that DTT in Spain experienced rapid growth in the lead up to switchover in April 2010, with DTT devices reaching the highest proportion of homes across all comparator countries (62%) in 2009. Italy and Australia, both countries with a strong history of terrestrial television, have also seen rapid take-up. DTT in Italy has reached 36% of main sets in six years, while in Australia, where DSO started in 2010, it reached 19% in seven years[71].

However, DTT take-up appears to be slowing in more mature digital TV markets such as Sweden (10 years since launch), where the proportion of DTT homes actually decreased year on year. Similarly, take-up in the US and Japan has remained broadly flat in recent years, perhaps due to the twin constraints of a large cable platform share and the emergence of IPTV in these countries. Although the rate of DTT take-up in the UK has accelerated compared to 2008 (+1.2pp in 2008 versus +3.0pp in 2009), overall growth appears to be slowing in comparison to earlier years.

Figure 3.48 Proportion of main sets connected to DTT devices since platform launch



Source: IDATE / industry data / Ofcom

[71] http://www.digitalready.gov.au/

3.3.3 Take-up of pay-TV on main television sets

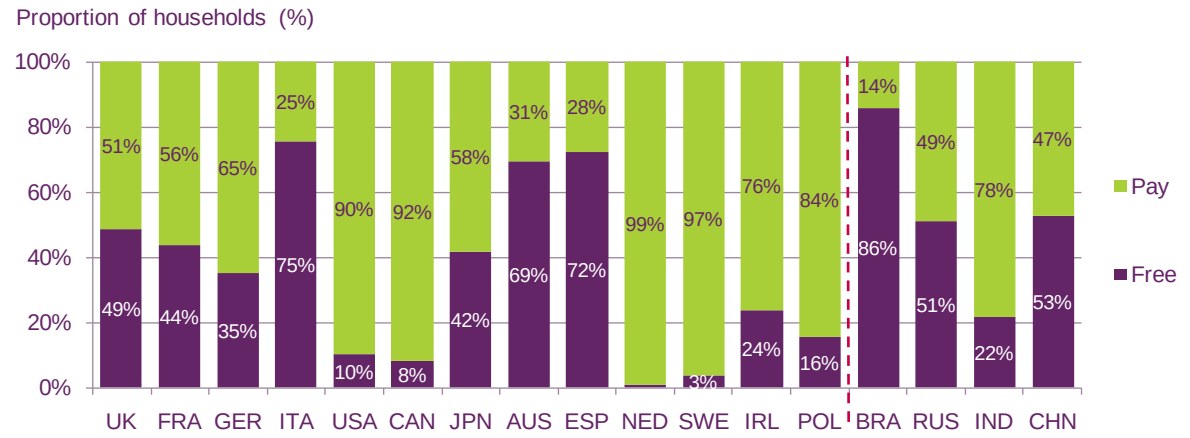
On average, pay-TV accounts for the majority of TV households (61%) across all comparator countries

On average, pay-TV accounted for 61% of television households across all comparator countries in 2009, a rise of two percentage points year on year. Nearly all European comparator countries now have a majority of pay-TV households, with the exceptions of Spain (28%) and Italy (25%) where free-to-air terrestrial platforms have been historically popular (see Figure 3.46).

In the Netherlands and Sweden, pay-TV penetration is near-universal, reaching 99% and 97% respectively in 2009. Due to the pervasive cable network in these countries, pay-TV is viewed more as a utility, with most subscribers paying a low-cost fee for a basic package of channels. Overall, North America remains the region where pay-TV experiences its highest penetration rate, with 92% of households in Canada taking pay-TV, an increase of 2.6 percentage points compared with 2008.

Among the BRIC countries, India has the highest proportion of pay-TV households, at just over three-quarters (78%), due to a combination of strong cable TV penetration and increasing competition among satellite providers. This contrasts with Brazil, where terrestrial platforms account for over half of all TV households, resulting in a relatively low level of pay-TV penetration (14%).

Figure 3.49 Take-up of pay and free-to-air television, 2009



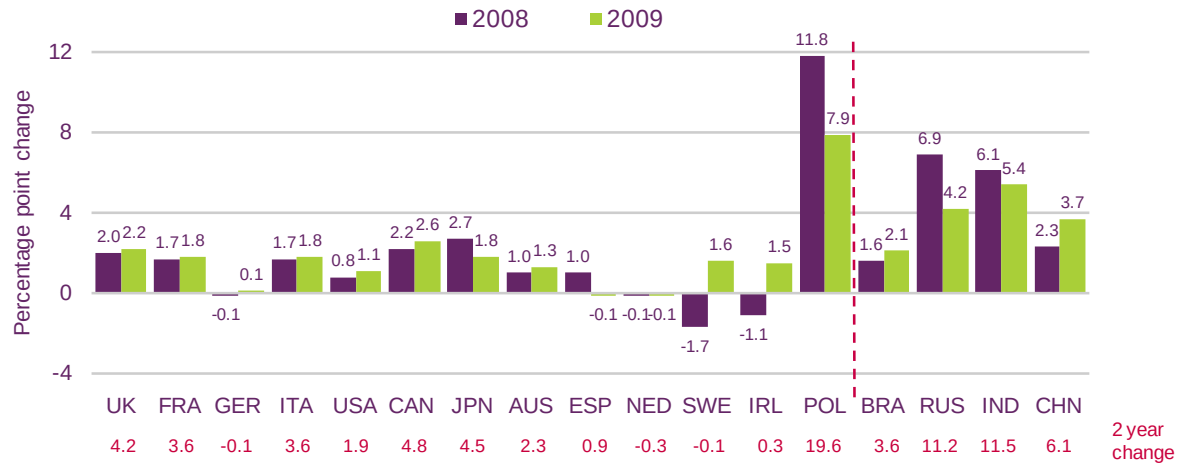
Source: IDATE / industry data / Ofcom

Homes in Poland, India and Russia adopted pay-TV at the fastest rates during 2009

Pay-TV penetration has continued to grow steadily in Western Europe and North America, with homes in the UK (+4.2pp), Canada (+4.8pp) and Japan (+4.5pp) showing the fastest rate of migration over the past two years. In the Netherlands and Sweden, growth has slowed and take-up has even fallen slightly over the last two years as the pay-TV markets in these countries reach saturation point (see Figure 3.49).

Despite a slowdown year on year, migration to pay-TV is still rising rapidly in Poland (+7.9pp). This is perhaps driven by competition between the increasing number of satellite broadcasters in what continues to be a fragmented market, including Cyfrowy Polsat, Cyfra+, 'n', Orange, TNK and new entrant TVP. Apart from Poland, people in India and Russia are embracing pay-TV at the fastest rates, with the proportion of pay-TV homes growing by 11 percentage points in both countries over the past two years.

Figure 3.50 Percentage point change in the proportion of pay-TV homes, 2008 and 2009



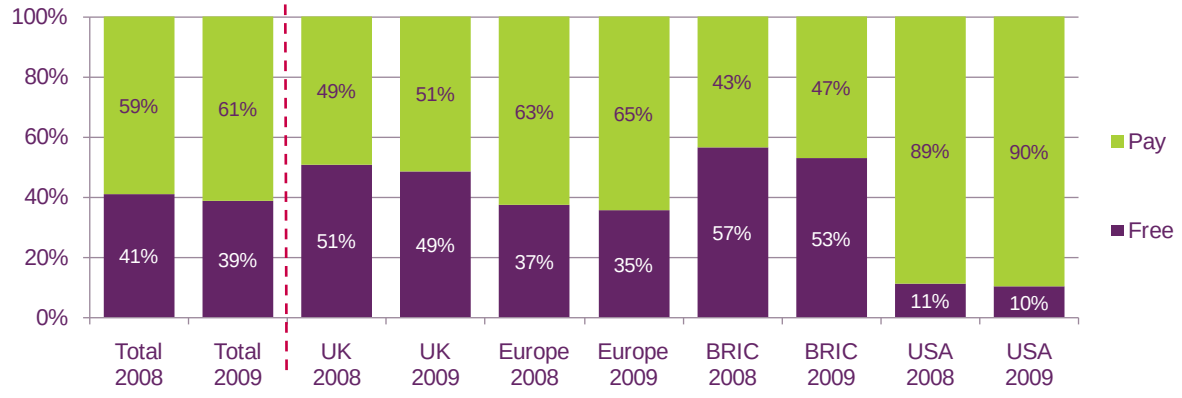
Source: IDATE / industry data / Ofcom
Note: Figures represent additional pay-TV homes

The majority of households in the UK took a pay-TV package in 2009

Figure 3.51 shows that, for the first time in 2009, the proportion of pay-TV households in the UK has overtaken that of free-to-air households (51% versus 49%). This may be driven by UK consumers taking advantage of pay-TV offers as part of triple-play bundles including fixed-line and broadband services. However, the level of pay-TV penetration in the UK is still below the European average of nearly two-thirds (65%), a rise from 63% the previous year. Despite UK homes being less likely than average to take a pay television package, they still generate the second highest level of TV revenues across all comparator countries (see Section 3.2.2).

Pay-TV continues to be the principal method of viewing in the US, with nine in every ten households (90%) taking a pay-TV subscription in 2009. Although free-to-air retains a large share of the market in BRIC countries, pay-TV is growing fast. Across the BRIC countries as a whole, pay-TV penetration increased by four percentage points in a year, to reach nearly half of all television households (47%) in 2009.

Figure 3.51 Take-up of pay and free-to-air television across territories, 2008 and 2009



Source: IDATE / industry data / Ofcom.
Note: 'Europe' excludes Russia.

India and the US pass 100 million pay-TV households

The analysis so far has focused on television platform penetration as proportion of the total market in each comparator country. Turning to the total numbers of pay-TV homes over a longer time period, Germany is the only comparator country to have seen a decrease in pay-TV homes since 2004 (-0.7%). This has been driven by the abundance and diversity of free-to-air channels, which include early domestic football highlights. Another factor was the downward revision of subscriber numbers by Premiere (now Sky Deutschland) in 2008. It reported a fall of 1.1 million subscribers to 2.4 million in Q3 2008 as the result of a change in accounting methods[72]. Within Europe, the strongest annual growth rate in the total number of pay-TV homes has been in Italy (12.4%), France (7.9%) and Poland (13.4%), with Poland seeing the number of pay-TV households double since 2004.

But by far the largest pay-TV markets among the comparator countries are China, the US and India. Pay television homes in the US and India passed the landmark of 100 million pay households in 2009, with the majority of these attributed to Comcast, DirecTV and Dish TV in the US, and Sun Direct TV, Dish TV and Tata Sky in India. Although China continues to be the world's largest pay-TV market, with 179 million pay-TV households, the ARPU generated from these is limited due to the utility nature (low access fees) of cable.

Figure 3.52 Pay TV homes, 2004-2009

Source: IDATE / industry data / Ofcom

[72] http://info.sky.de/inhalt/static/download/aktie/2008/q3_2008/english/premiere_ag_q3_2008_pressrelease_e.pdf; http://info.sky.de/inhalt/eng/medienzentrum_news_uk_07082008.jsp

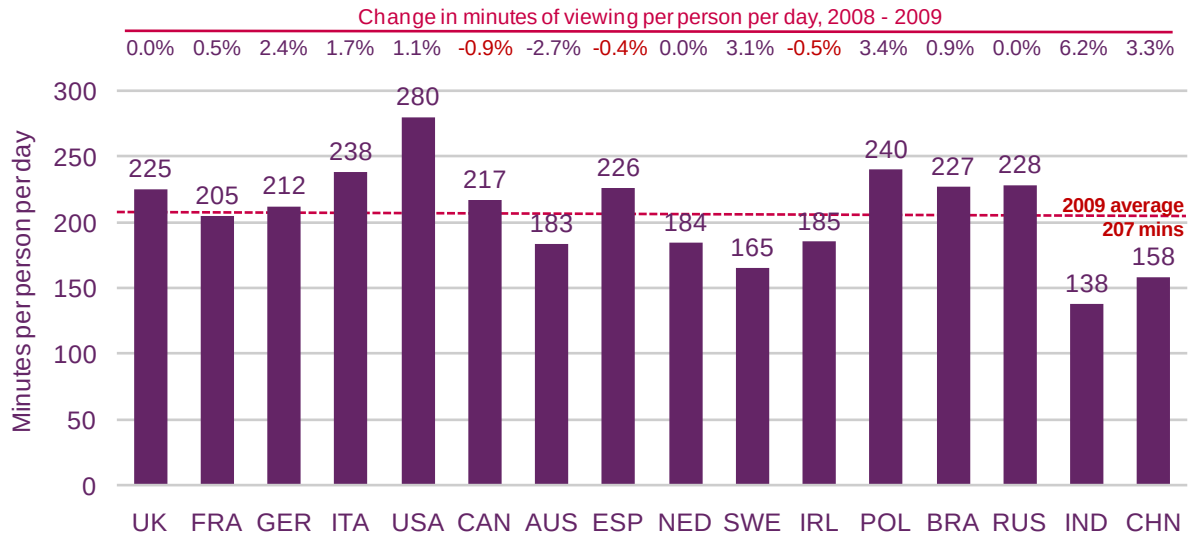
3.3.4 Consumption of broadcast television

Patterns of broadcast television viewing vary substantially across the world. A number of factors could influence how much television people watch, including the choice and range of television services available, the demographic mix of different countries and the quantity of home-grown content available. Viewers in the US consumed the most TV in 2009. Watching an average of 280 minutes every day, this was around one-third (35%) higher than the average volume of daily viewing across the sixteen countries depicted in Figure 3.53.

People in India, China and Sweden were the lightest consumers of TV, watching 138 minutes/head, 158 minutes/head and 160 minutes/head respectively. These figures were a third, a quarter and a fifth lower than the average during 2009. TV viewing in the UK was more popular than the average (by a margin of 9%) with the typical viewer consuming 225 minutes of TV each day.

TV consumption rose most substantially among viewers in India and Poland; up by 6.2% and 3.4% respectively during 2009. Viewing in Australia fell the furthest over the year, down by 2.7%. These figures compare to an average increase of 1.1% across the sixteen countries analysed; in the UK, TV consumption per head remained stable year on year.

Figure 3.53 Television consumption per head per day, 2008 – 2009



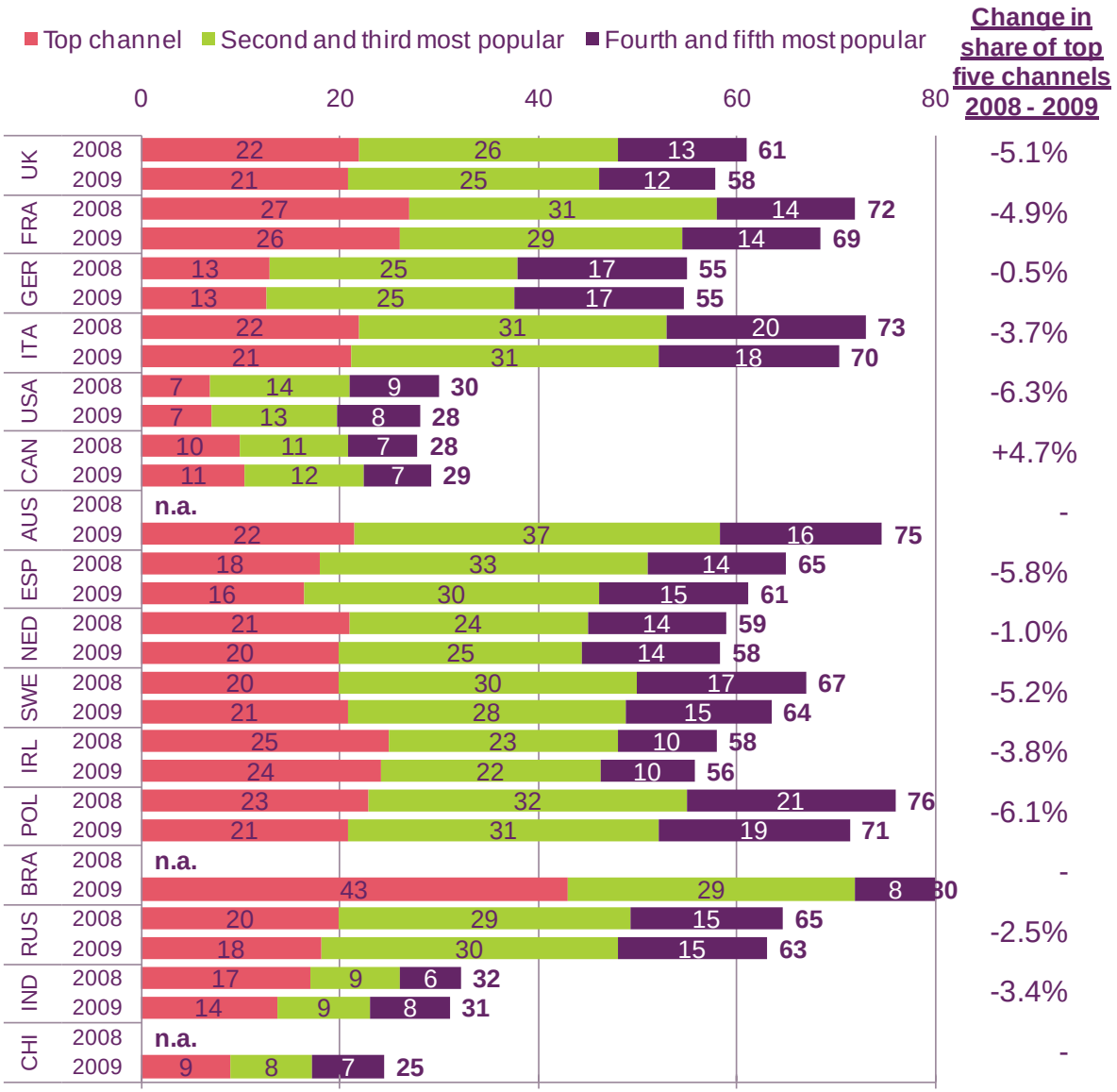
Source: Médiamétrie, Eurodata TV Worldwide. Notes: The figure for Canada relates to the viewing in non-Quebec households.

The degree to which television viewing is concentrated among one or a small number of channels differs between the countries set out in Figure 3.54. During 2009, viewing was most concentrated in Brazil, where TV Globo attracted a 43% share of viewing in 2009. Viewing was least concentrated in the US, Canada and China. CTV, the single most popular channel in Canada, attracted an 11% viewing share; CBS in the US attracted a 7% share; CCTV1 in China drew a 9% share of audience viewing in 2009.

The share commanded by a single channel fell furthest during 2009 in India, with DD1 National's share of hours contracting by 3.4 percentage points, or one fifth, to 14%. Zee TV and Colours were two channels whose audience share rose substantially over the same period. The share of a single channel rose most substantially in English-speaking Canada, where CTV's proportion of all viewing increased by a third to 11% of all viewing during 2009.

The collective share of the five most popular TV channels was highest in Brazil (driven by Globo's substantial market share), where it reached 80% in 2009. It was lowest in the US, Canada and India at 28%, 29% and 31% respectively.

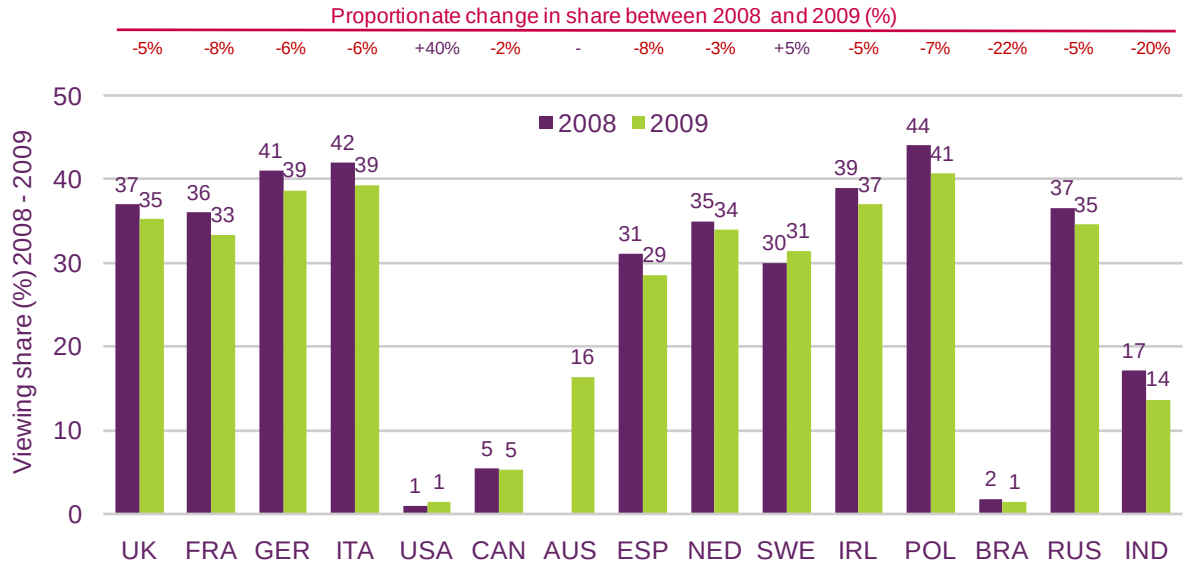
Figure 3.54 Patterns of viewing among the five most popular TV channels, 2008 – 2009



Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households; the data for Australia represents the five metro cities.

Figure 3.55 illustrates that publicly-funded channels attracted the lowest audience shares in the US (PBS), Brazil and Canada (CBC) during 2009 (1%, 1% and 5% respectively). Shares were highest for this category of channels in Poland (POL), Germany (ZDF/ARD) and Italy (RAI) at 41%, 39% and 39%. Apart from the channels commanding very small shares (where modest fluctuations can translate into proportionally large changes), there was a broad year-on-year trend of falling audience share among public channels; this ranged from a reduction of 5% in the UK and the Republic of Ireland to 20% in India. The single exception to this trend was Sweden, where SVT's collective share of viewing rose by 5% over the same period.

Figure 3.55 The share commanded by channels receiving public funding, 2008 – 2009



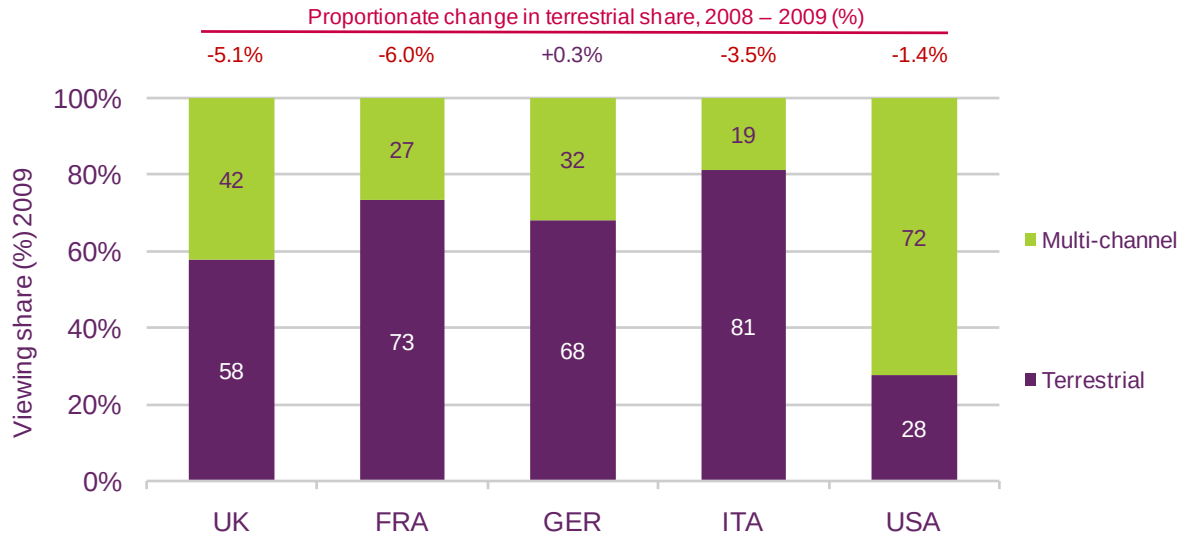
Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households. The Australian data represents the five metro cities. 2008 figures for Australian Metro areas not available.

The channel groups that are the first to market often continue to attract substantial audience shares. In Figure 3.56, the RAI/Mediaset channels in Italy accounted for over eight in ten viewer hours in 2009; the equivalent channels in Germany and France accounted for seven in ten hours; in the UK, BBC One and Two, ITV1, Channel 4 and Five attracted six in every ten viewer hours in the same year.

The US market is different. Multichannel television is well established and the publicly-funded service (PBS) has always attracted a comparatively small viewer share. As a result, PBS, along with ABC, CBS, NBC and Fox attracted just under 30% of viewer hours, but their collective share was comparatively stable, falling by just over 1% year on year, while in Germany, ARD, ZDF, Pro7, Sat1 and RTL's joint share rose a little (+0.3%) on the year.

By contrast, the established channels in the UK and France continued to incur substantial year-on-year reductions in share (5.1% and 6% respectively), fuelled in part by the impact of the digital switchover process, which is well under way in both countries. There is, typically, a one-off reduction in share to 'analogue' channels when a home switches to digital. At the same time, average shares may have been depressed further still by the continuing erosion of market share in homes that already have multichannel television.

Figure 3.56 The share of terrestrial / well-established TV channels, 2008 - 2009



Source: Médiamétrie, Eurodata TV Worldwide.

3.3.5 Television remains the most common primary source for international and national news for internet users

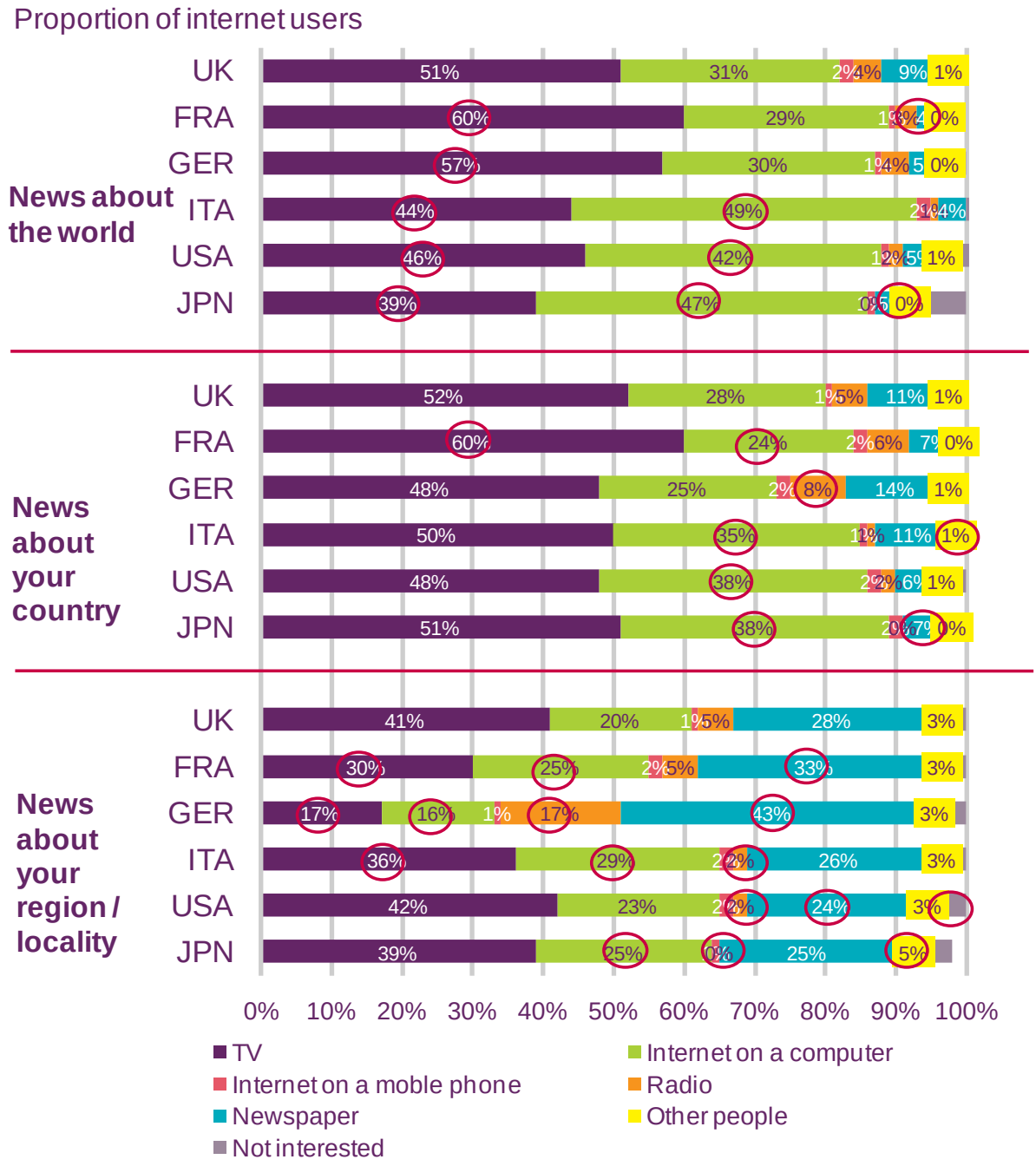
To gain a better understanding of how individuals use media, we asked internet users what their main source was for finding out about certain types of news (Figure 3.57).

Television is the main source of world news for 60% of internet users in France and 57% in Germany - higher than in the UK (51%). In contrast, in Italy and Japan, more internet users said that they used the internet than television as their main source of world news.

In all countries surveyed, television was the most common main source of national news. This was most marked in France which had the greatest proportion of internet users stating that television was their main source of national news (60% compared to 52% for the UK, and the smallest proportion claiming that the internet was their main source (29% compared to 31% in the UK, although this is not regarded as a significant difference). As with international news, the internet was either first or second among most important sources of news in all countries, for national news, though a higher proportion of internet users in Italy, the US and Japan ranked it as their most importance source of news than UK internet users (52%).

Internet users in the UK, the US and Japan were more likely to use the TV as their main source of local/regional news than those in Italy, Germany or France, and in all countries newspapers were cited by more as a main source of local news than as a main source for national or international news. For a comparison of local/regional TV services, please see section 3.4 in this report for more details.

Figure 3.57 Main source of news



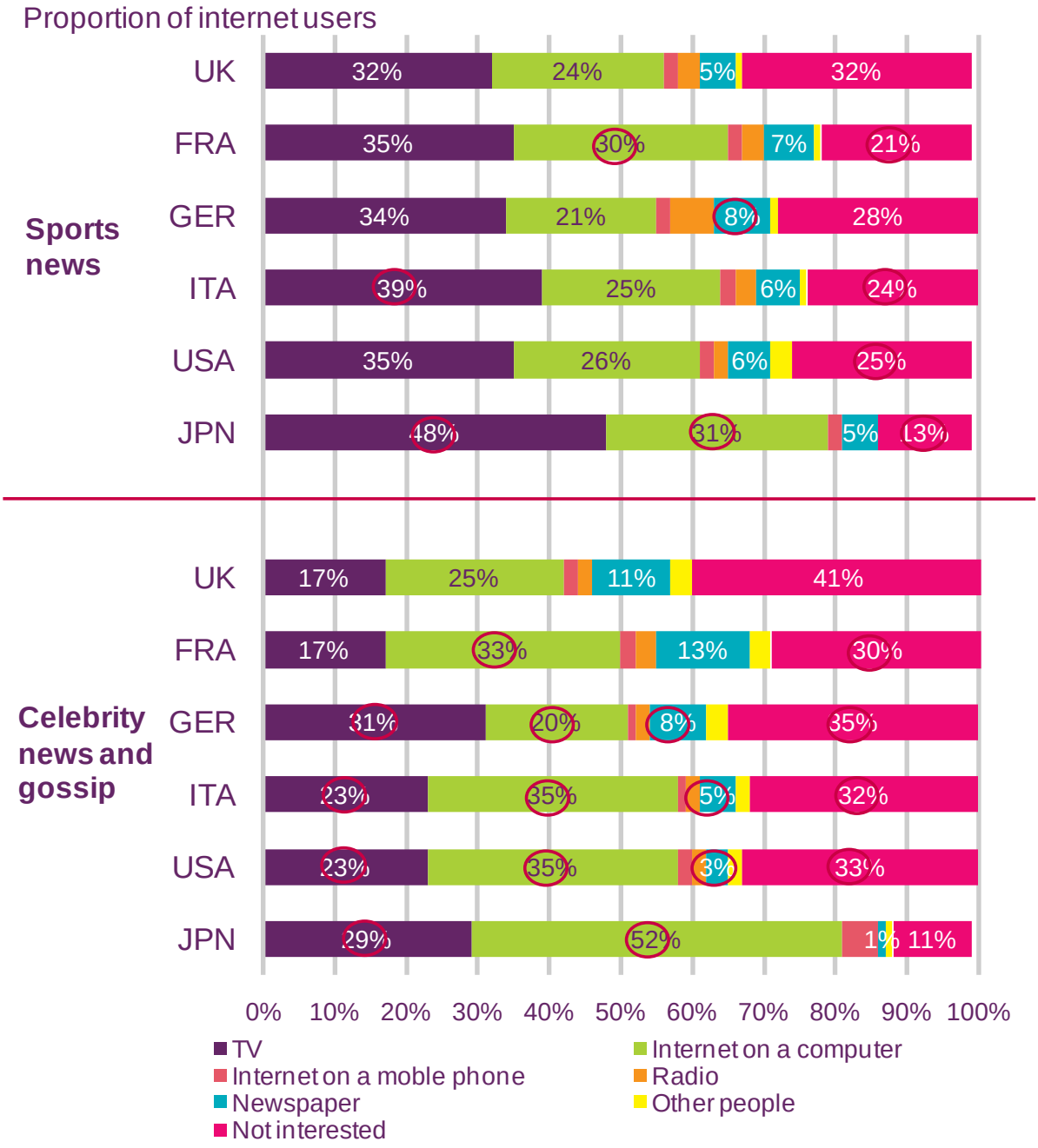
Source: Ofcom consumer research, October 2010. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001: Q: Which, if any, is your main source for the following information? Note: Circled data points indicate statistically significant differences to the UK.

We also asked internet users in all six countries what their main source was for sports news and celebrity news and gossip (Figure 3.58). Internet users in all countries were most likely to use TV as their primary source for sports news, with this being highest in Italy and Japan. The internet was the second most cited primary source in all countries, with the numbers of users in France (30%) and Japan (31%) being significantly higher than those in the UK (24%).

With the exception of Germany, the internet was the most common main source of celebrity news and gossip for internet users in all the survey countries, though the numbers of UK

internet users reporting it as their main source of celebrity information (25%) was significantly lower than those in France, Italy, US and Japan. Japan had a much lower proportion of internet users who said they were not interested in celebrity news and gossip (11%). The UK had the highest proportion of internet users who claimed to not be interested in entertainment news and gossip (41%), and, along with Germany, the highest proportion who claimed to not be interested in sports news (32%).

Figure 3.58 Main source of other information



Source: Ofcom consumer research, October 2010. Base sizes: UK=1016, France=1017, Germany=1014, Italy=1002, USA=1017, Japan=1001 Q: Which, if any, is your main source for the following information? Note: Circled data points indicate statistically significant differences to the UK.

3.4 Local and regional television

3.4.1 Local and regional television

Introduction

In this section we examine broadcast audio-visual services targeted at the sub-national level, which in the UK primarily comprise regional content delivered by the national BBC and the commercial Channel 3 services, rather than by separate local TV channels.

The current UK Government has stated that it sees the development of local television services throughout the UK as a policy priority, linked to its objective of devolving power away from central government.

In this section we cover:

- Definitions of local and regional television.
- Cross-country comparison of the availability of local and regional television.
- Case study: Local TV in the US.
- Features of local and regional TV markets.
- Ownership and funding models.

Key findings

- Definitions and availability of 'local' and 'regional' TV services vary between, and within, countries. In the majority of European countries, local/regional content is provided in windows or 'opt-outs' on national channels. Local and regional content can also be provided by dedicated local/regional channels. Within Europe, the countries with the largest number of local/regional TV channels are Italy (631) and Spain (430); these are predominantly free-to air terrestrial channels. This contrasts with the UK, where there are five local TV channels, and four nations' indigenous language channels in Scotland and Wales. Outside Europe, some countries use a 'network-affiliate' model to deliver local/regional TV content within a national service.
- Factors such as: (1) decentralised political structures; (2) high levels of cable penetration; (3) strong local/regional advertising markets; (4) regulation; and (5) the existence of networked/syndicated content and advertising play roles in promoting local/regional TV services.
- There is a range of funding and ownership models, including fully-commercial channels, but the public sector plays a significant role in many cases.

3.4.2 Definitions and availability of local/regional television

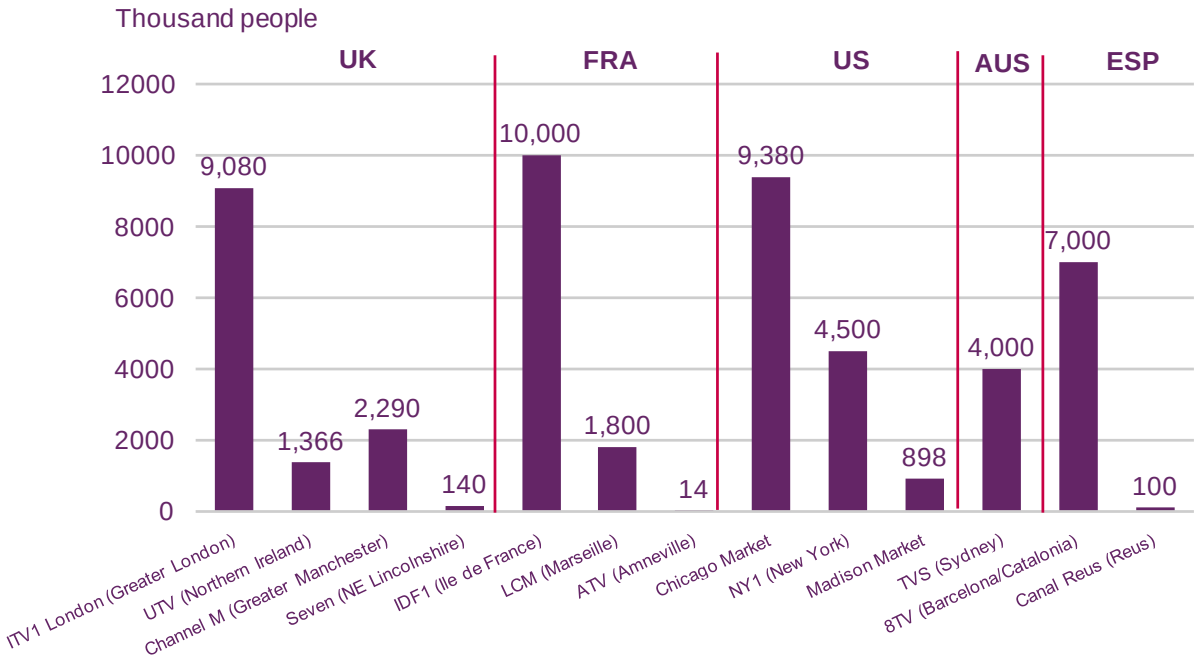
Definitions of 'regional' and 'local; vary between countries

Previous work carried out by Ofcom, among others, has found that even within the UK, understanding of 'locality' and 'region' varies to some degree between individuals, although the term 'local' tends to refer to a smaller area than 'regional'. Given that the 17 countries in this report differ from each other in terms of culture, geography, economics and political

structures, it is difficult to adopt a standardised definition as to what constitutes local or regional television.

Some of the countries in this report have defined ‘regions’ or ‘states’ or ‘provinces’ which act as a tier of government and have an identity distinct from that at the national or ‘local’/'municipal’ level, e.g. Germany, Spain and the US. In other countries, the differences between ‘regional’ and ‘local’, while continuing to be important, may be more blurred, and the coverage areas of services may not be exactly aligned with political and economic boundaries (for example, in the UK, the location of TV transmitters means that some counties may be split between different regional terrestrial services). Local TV services which cover high-density metropolitan areas such as New York‘s NY1 cable news channel or the Greater Paris area (Île de France)’s IDF1 have potential audiences measured in the millions. Some cable channels in Europe also described as ‘local’, such as Amnéville’s ATV (France), may be received by fewer than 10,000 households. Furthermore, in rural areas, a relatively small audience may be spread over a relatively wide geographic area.

Figure 3.59 Potential coverage of selected local/regional TV services



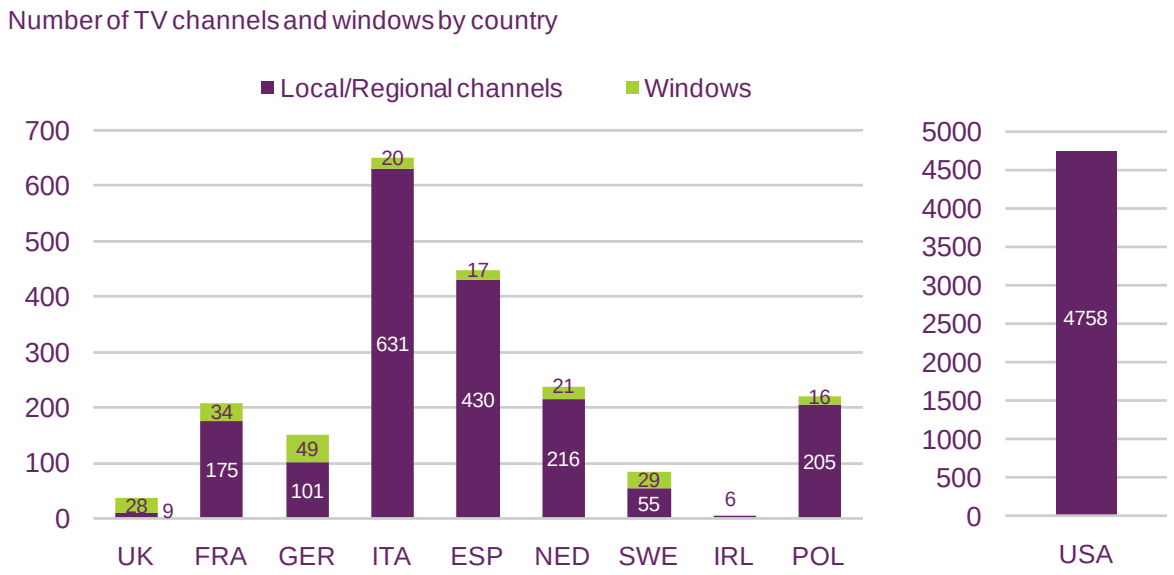
Source: Channel websites, CSA, TVB, Ofcom. Ofcom calculations & estimates.
Note: Figure relates to availability in target market area. Out of area reception may be possible for some services. 1) ITV1 London and UTV figures relate to adults. 2) Channel M estimated coverage based on maximum theoretical transmitter coverage of 974k households on DTT at maximum permitted power post 2011 - a transmitter power restriction until Q3 2011 means that the current maximum permissible coverage area is 834k households, though the broadcaster is not required to broadcast at its maximum permissible power. 3) ATV estimate based on 6,000 subscriptions. 4) US figure relates to TV market size (DMA).

Within this report, we have adopted a broad definition of local/regional TV services to enable us to make cross-country comparisons. Our definition covers a wide range of services targeted at a specific sub-national area with very different content, revenues and audience reach. Some local/regional TV services may be viewed outside their area, either through traditional broadcast platforms, or increasingly online, as many channels stream live content and/or make content available on demand via the web.

The availability of local/regional television

The availability of local and regional TV services varies between countries, in part reflecting differences in the structure of broadcasting markets. With the exception of Ireland, in all of the other European countries in this report at least one national channel has regional opt-outs, sometimes known as 'windows', which are blocks of time in the national schedule in which local/regional content is inserted, most often for news programming. Some larger local/regional channels also have windows within their services, providing a greater degree of localness for part of the schedule.

Figure 3.60 Local and regional television services in selected European countries and the US



Source: Ofcom (UK data), MAVISE database at the European Audiovisual Observatory (non-UK Europe), FCC (US), calculations and analysis Ofcom.
Notes: European local channels includes channels in country of establishment with 'regional/local' genre in MAVISE database at November 2010; UK windows figure includes 12 BBC England regions and three Nations services, and 13 Channel 3 regional news areas; France figure includes DOM/TOM services; US figure includes commercial and non-commercial 'Full power', Class A and Low Power TV broadcast stations at 30 June 2010

In addition to differences in numbers of local/regional television services between countries, the type of services available in each country differs, reflecting differences in platform and ownership of broadcasters. Figure 3.61 below summarises some of the key features of local/regional TV across many of our comparator countries.

Figure 3.61 Summary of local and regional TV services in selected comparator countries in 2010

	Summary of local/regional TV services	Key platforms
UK	• 12 BBC English Regions & 3 Nations services and 13 Channel 3 nations/regions news areas. Additional sub regional services in some areas. •5 indigenous language channels (BBC Alba, teleG, S4C1+2) •5 local TV channels	ATT, DTT, satellite, cable
FRA	•8 super-regions and 25 regional/local windows on public France 3 channel •175 local TV services include DOM/TOM, metropolitan area, city, departmental and town focussed local TV services	ATT DTT, cable//IPTV
GER	•Regional 'windows' on national ARD service and two largest national commercial channels RTL and Sat1) •Total of 101 local/regional channels including 10 regional public 'Third channels'. •Some local TV services serving metropolitan areas available on DTT in addition to cable – smaller local TV services typically cable only	DTT, Cable
ITA	•20 regional windows on national public broadcaster (RAI) •631 regional/local channels - classified as either 1) commercial, 2)news, 3) community, 4) social thematic, or 5) teleshopping services	ATT/DTT
USA	•1393 'Full power' commercial terrestrial TV stations (majority affiliated to a national network) at 30 June 2010 •3356 educational and low power/'Class A' stations providing more localised terrestrial TV service at 30 June 2010 •Public, Educational and Government channels on cable networks	ATT, DTT, satellite, cable
CAN	*As at 2009* •26 owned and operated terrestrial CBC stations •96 Private OTA (terrestrial) TV stations (including network affiliates) •119 community channels	DTT Cable (community channels)
JPN	•Network-affiliate model for broadcast stations •Some independent stations	DTT, Satellite, Cable
AUS	•Network affiliate model used – majority of areas have access to local ABC station (PSB) and affiliate station of each of the three major commercial networks (Seven, Nine, Ten) •Community TV channels available on DTT in large metropolitan areas •TV services in remote areas provided by community licensees	ATT, DTT, satellite
ESP	•17 Regional windows on national public broadcaster TVE •Total of 430 local/regional channels including regional / city and town based stations •13 regional public broadcasters (autonómicos)	DTT. Some services available on cable & satellite
NED	•12 Provincial windows on national commercial channel SBS6 •Total 216 local/regional TV channels •Regional TV services provided by public regional broadcasters	Cable
SWE	•Regional windows on national PSB SVT and commercial channel TV4 for news •6 Regional DTT channels active at November 2010 •Community and local channels on cable TV	DTT, cable
IRL	•City TV operates commercial local cable TV service for Dublin, Galway and South •3 community cable TV channels	Cable
POL	•6 regional windows on national public broadcaster TVP •205 local/regional channels – predominantly cable channels	Cable

Source: Broadcaster websites, ACMA, CRTC, CSA, Analysis Mason, FCC, MAVISE database at the European Audiovisual Observatory, Ofcom. Ofcom analysis

UK

The UK has regional TV services provided by the BBC (12 main English regions and three nations services), and 13 Channel 3 news areas[73]. In some BBC and Channel 3 regions, additional localised, sub-regional opt-outs are provided in some areas for more localised content. Welsh language services are provided by S4C / S4C2 in Wales, and Gaelic services in Scotland by BBC Alba and TeleG.

The UK is distinct from many of its comparator countries in that it has few separate local TV channels. About two dozen restricted service licences (RSLs) have been issued for local terrestrial TV services in the UK since 1996, but only four linear stations are currently delivering local services via terrestrial transmission - Channel M in Manchester (on DTT); NvTv in Belfast; MATV in Leicester and York TV (broadcasting in analogue). In addition, there is Seven, a local not-for-profit cable channel for north-east Lincolnshire.

The comparative lack of dedicated local TV services across the UK led the Government in 2010 to identify the development of the sector as a policy priority, aligned with its aim to devolve power in some areas from central government to local councils, as part of its wider 'Big Society' programme.

Italy

Among the European comparator countries, Italy has the largest number of local/regional TV channel, at 631; these are free-to-air commercial terrestrial channels. Italian local TV channels are classified into one of five types (commercial, news, community, social thematic and teleshopping). National PSB RAI provides regional services to each of Italy's 20 regions via regional windows.

France

Of the 175 local TV channels in France, approximately 45 are free–to-air local terrestrial TV channels. They serve several of France's largest cities and towns, including Paris/Île de France, Marseille, Lyon and Lille. Some more rural areas also have a terrestrial local TV service. These services are complemented by regional services carried in windows on France Télévisions' France 3, whose service is run from eight main centres, with additional regional and sub-regional opt-outs. In France, digital switchover will enable a greater number of local terrestrial services to be launched, building on existing analogue local TV channels in a number of cities, and on local cable channels, whose history dates back to the 1980s and 1990s. The French broadcast regulator, the Conseil Supérieur de l'Audiovisuel (CSA), runs the tender process for the selection of local TV channels on DTT. In each area the successful bidder will use reserved capacity on the French DTT platform (TNT) to provide a local TV service that includes obligations to provide a proportion of local content. Some areas also have local cable channels, which typically provide more localised coverage than the terrestrial local TV services.

Germany

Local/regional television is at the heart of the German TV ecosystem. The national PSB service ARD is formed by a consortium of regional PSBs, some of which have also developed their own regional channels ('third channels'). Commercial broadcasters RTL and Sat1 broadcast regional content in windows on their national channels. Additional local/regional content is provided by a range of local channels. The largest of these are typically available on DTT in addition to local cable networks.

[73] Figure includes Channel Islands

Spain

With 430 channels, the Spanish local and regional TV sector is distinctive and predominantly carried on terrestrial television. In addition to regional windows on the national PSB service TVE, the majority of Spain's autonomous regions have their own public broadcasters (the 13 organisations are collectively known as 'autonómicos'). Regional commercial channels also operate in some areas. In addition, there are hundreds of more localised TV services provided by local authorities and commercial groups, providing coverage at the provincial or municipal level.

Outside the EU

The US, Canada, Australia and Brazil have a network and affiliate system on terrestrial television in which national networks provide a network programme service to local broadcast stations in primetime, in return for running adverts during the network content. Outside the network time these broadcast stations run local programming and collect advertising revenues from adverts associated with the content. While a local broadcast station may be owned and operated by the same group as the network it is affiliated with, this is not always the case.

In Russia, India and China regional TV services complement national services. In China, for example, city and provincial broadcasters provide regional and local content, complementing the national services provided by the national broadcaster CCTV. The Indian PSB Doordarshan provides regional windows in its national service in addition to dedicated regional channels.

Case study: local TV in the US

The structure of terrestrial television markets around broadcast stations in the US means that in one sense, all terrestrial television in the US can be regarded as being 'local'. There are several types of US broadcast stations, all of which may carry some form of local programming (in particular, news and current affairs programming).

US-wide network content is provided by one of the networks, the largest of which are ABC, CBS, Fox, and NBC. Smaller networks include WB, ION and the Spanish language Univision and Telemundo. The Public Broadcasting System (PBS) provides public service content to its affiliate non-commercial (i.e. educational) stations.

TV stations agree affiliation deals with individual TV broadcast stations under which the network supplies the service in the evening primetime slot in return for selling a proportion of the advertising slots around the content. Outside the network time, stations are able to show locally-produced programming (in particular news and current affairs) or acquired content from the syndicated market. A small minority of stations are 'independent' and are not affiliated to any network.

The main commercial local terrestrial stations (known as 'full power TV VHF/UHF stations') are licensed on a geographic basis by the FCC. As at 30 June 2010, there were 1,393 commercial and 391 educational full power stations. Licensees are required to fulfil certain conditions relating to children's and public interest programming (including local content), in return for regulation which promotes their cross-platform availability. Stations are able to obtain carriage on cable networks – either by triggering 'must-carry' provisions (in which the local cable operator is forced to carry the service, but without paying a fee to the station), or alternatively, the TV station can arrange a commercial agreement called 'retransmission consent'. Satellite platforms are not required to carry local channels, but if they do, 'must

carry' applies to all local channels in the local market. Stations may carry additional 'digital sub-channel' services for HD simulcasts or additional programme content.

Local news forms the core of locally-produced programming, and despite declines in audiences as viewers are increasingly able to access local news content online, a 2008 survey by the Radio-Television Digital News Association reported that over half of the stations surveyed said that news was profitable, on average generating 44% of the station's revenue. BIA/Kelsey Group estimated in December 2009 that total US local TV revenues fell by 22% from 2008 levels to $16.1bn (£10.3bn) in 2009, in part reflecting structural shifts in media consumption (although 2008 revenues would have been boosted by election and Olympics advertising). Despite overall declines in news budgets and the size of newsrooms, average news output in 2008 was estimated to have increased by half an hour to 4.6 hours a day.

An additional 3,000 TV stations provide a more localised service to the main stations. These are called 'class A' and 'low power TV' stations. They are operated by a wide range of organisations, often including community and religious groups, and typically offer a range of local and community programming.

Education, government and community content for local neighbourhoods is provided in many areas through public, educational and government (PEG) channels, carried (and possibly funded) by local cable TV operators, if mandated to by the relevant local/state cable franchise authority.

Sources: FCC.gov, Pew - The State of the News Media 2010 report. Available at: http://www.stateofthemedia.org/2010/index.php

3.4.3 Features of local TV markets

Features of the market play a role in determining the availability and type of local television content in a given country, as indicated in Figure 3.62.

Figure 3.62 Features of local/regional television markets

Feature of market	UK	France	Germany	Italy	Spain	United States
Decentralised political system	✓✓	✓	✓✓✓	✓	✓✓✓	✓✓✓
High levels of cable penetration	✓✓	✓✓	✓✓✓	No Cable	✓	✓✓✓
Strong local or regional TV advertising markets	✓	✓✓	✓✓	✓✓	✓✓	✓✓✓
Strong PSB culture in local/regional TV	✓✓✓	✓✓✓	✓✓	✓✓	✓✓	✓
Other regulatory interventions (eg quotas, must carry)	✓	✓✓✓	✓✓	✓✓	✓✓	✓✓
Availability of public funding/subsidy	✓	✓✓✓	✓✓	✓✓	✓✓✓	✓
Use of affiliate or opt-out arrangements with networks	✓	✓✓	✓	✓✓	✓✓	✓✓✓

Source: Ofcom analysis. Analysis should be regarded as indicative and features of markets may differ within countries.

The following factors all contribute to variations in the characteristics of local/regional TV markets.

Sub-national political entities

In countries with a decentralised political system, key decisions surrounding public services are taken by sub-national authorities, strengthening the importance and interest of local and regional content for viewers. A strong sense of local identity or distinct culture (including language) is also likely to lead to high levels of interest in local/regional content. In countries where there are multiple tiers of sub-national government with differing responsibilities, such as Spain and France, viewers may have access to multiple local/regional services providing content at different levels of 'regional/localness'. For example, viewers in Essonne in the greater Paris area may receive both IDF1 (a channel available on DTT and other platforms across the Île de France) and also Télessonne, (a local cable channel for Essonne).

Access to cable networks

Local cable networks have played a key role in the development of local/regional TV in some countries, enabling relatively low-cost distribution to a defined geographic area without requiring potentially scarce terrestrial broadcast spectrum/capacity. The UK's size and density of spectrum use has resulted in limited spectrum being available for analogue local terrestrial services TV services, compared with other countries such as Spain and Italy. In countries including France, Sweden, Canada and the US, local cable operators may also play a role in funding local/regional community channels as part of the franchise agreement with licensing authorities.

Advertising

The structure of advertising markets has an impact on local television. In countries where sub-national brands and advertisers are important, local/regional TV services have a key strength: their ability to build strong relationships with sub-national advertisers and offer geographically targeted advertising to advertisers. In the US, where local TV advertising is carried on local broadcast TV and local advertising slots on national cable channels, revenues accounted for 31% of TV net advertising revenues in 2009. In countries such as the UK, much of the retail sector consists of national brands, retailing across the entire country.

Content

The content offered by local/regional TV services varies greatly between countries and stations. While many have some form of news programming (particularly during the evening), the amount of locally/regionally-produced programming varies between services. Some of the smallest cable-only stations may produce only about an hour of content a week, such as a magazine show and information screens, while other channels may produce several hours of content a day, including drama. Many publicly-owned (and some commercially-owned) channels include a range of locally-produced non-news local public service output, including local documentaries, sports and coverage of local/regional authority meetings. Some commercial stations have adopted a different approach, using acquired content such as drama, films, and teleshopping slots to fill parts of the schedule and generate revenue.

Content regulation of local television services affects the type of service that can be delivered. In France the national regulator CSA sets output quotas for local originated content on local terrestrial channels across the French territory. In contrast, in Germany and Spain, regional regulators play a key role in the regulation and promotion of local and regional TV services. In the US, local cable franchise authorities can compel cable networks to carry public, educational and government (PEG) channels.

Regulatory interventions

Other regulatory interventions play a key part in determining the characteristics of local TV services. Access to regulatory interventions such as must-carry rules (applicable for qualifying local/regional services in countries such as the US, Canada, Germany, France and Sweden), industry levies (in Canada, satellite and cable network operators pay a proportion of their revenues to support non-metropolitan local terrestrial TV stations)and regulatory assets such as gifted spectrum/ DTT capacity, EPG prominence, or may play a role in ensuring visibility and viability.

Availability of public funding/subsidy

Direct and indirect subsidies are important sources of funding for many local/regional television channels and are critical to the financial viability of some services. We discuss funding of local and regional TV in more detail below.

Access to a network or syndicated content

The availability of network or syndicated content enables individual local/regional TV services to benefit from economies of scale in content creation, and liberates services from having to fill an entire schedule with local programming. This is central to the local TV ecosystem in the US (as discussed above). Similarly, in Germany, the regional public broadcasters co-operate through the ARD organisation, and in Spain there is a range of

local TV network/syndication organisations such as the Catalan Xarxa de Televisions Locals, which provides content to member stations in Catalonia. French and Italian local TV stations have also formed associations for programme production and acquisition and to offer advertisers the flexibility to place adverts across multiple local channels, increasing the attractiveness of local TV to regional and national advertisers. Networks and syndicates can also be used to deliver national advertising via local television services.

Funding and ownership of local/regional TV services

The funding and ownership of local TV services varies between and within the countries covered by our report, although, in almost all of the European countries that we have looked at, the national state-owned broadcaster provides local/regional content on national channels. Figure 3.63 summarises the range of ownership and funding models across some of our comparator countries.

Many local and regional TV services (including those classed as commercial) receive some public funding or subsidy. This can take one of several forms:

- Regulatory assets: These include access to spectrum or multiplex capacity (such as access to the video stream reserved for local TV on national French multiplex R1) and the right to prominence on electronic programme guides (for example Italy's DTT EPG numbering plan assigns numbers 10-19 for local services)_.

- National funding. This can either be sector-specific, such as Canada's Local Programming Improvement Fund (paid for via an industry levy), or general, such as Italian economic development funds.

- Local/ regional funding. In Europe, many local and regional authorities fund local TV services within their areas. Funding policy may vary between areas.

- Indirect support from the public sector, which may include advertising/sponsorship and supply and sale of content.

Commercial sources of income for local TV channels include advertising, programme sponsorship, premium-rate services and teleshopping, and some publicly-owned channels seek commercial revenues in addition to public funding. Some services generate advertising revenue from online advertising. In the US local TV website revenue was expected to be $1.3bn (£830m) in 2009, up $0.2bn (£130m) from the previous year.

While there are examples of local/regional TV channels in Europe being operated on a purely commercial basis or with very little subsidy (such as Catalonia's 8TV), public support forms an important source of finance for private channels in many countries – accounting for more than 50% of revenues for some small channels in some countries. Some companies have exited from the local/regional TV market amid concerns about the profitability of the sector and the economic downturn. For example, in Spain PRISA closed its local TV network Localia at the end of 2008.

Many of the countries have community channels operated by not-for-profit groups. Volunteers, public donations, support by platform operators and grants from philanthropic organisations may form key parts of the community channel funding mix. In Australia, the major metropolitan areas have a not-for-profit DTT community channel, including Melbourne's Channel 31 and Sydney's TVS. Many comparator countries have cable community channels, including Brazil.

Figure 3.63 Summary of local/regional TV service ownership and funding in selected countries

	Examples of local/regional TV operators/ shareholders	Key funding sources
UK	•BBC •Channel 3 licensees • S4C / TeleG •Community groups and education establishments •Independent local TV firms	•BBC funded via licence fee. Channel 3 advertising funded commercial service •Total £256m expenditure on English/ & some Irish nations & regions services by PSBs in 2009 •S4C 2009 income £105m (of which 97% public funds), BBC Alba £17m originated programme spend in 2009 •Local TV channels mixture of advertising/sponsorship. Local community channels in receipt of National Lottery grants, Screen Councils funding, and support from local authorities and educational establishments
FRA	•National public broadcaster (France Télévisions) •Local/regional press groups •Local/regional banks •Local authorities (as shareholders and operators of local TV channels on municipal cable TV nets)	•Public & licence fee funding to France Televisions •Commercial local TV channels funded by advertising and grants and programme donations from local/regional authorities. •30% total of £50m local TV sector revenues from commercial sources (excludes largest local/regional channels)
GER	•National commercial broadcasters (RTL/Pro7Sat1) •Regional public broadcasters •Local/regional press groups •Community groups	•Total local and regional TV revenues c.£1.4bn •Regional services funded by advertising , and public funding (licence fee) •Private local channels able to sell content to regional broadcasters
ITA	•National PSB (RAI) •.Approximately 400 commercial local TV firms •Community groups	•RAI income from licence fee and advertising •Majority of local station revenues (c. £530m) from commercial sources adverts, SMS, teleshopping •Public funding for local content and news content available to eligible channels
US	•Terrestrial TV broadcast firms (may be owned by national networks or newspaper groups) •Community / religious groups •Education establishments and local/state governments	•Majority of local TV fully commercial recital– estimated revenue of $10.3bn includes advertising, sponsorship/product placement / retransmission fee revenue) •Public funding and sponsorship and donations fund public broadcasting stations •Cable franchise authorities able to require cable networks to support PEG channels
CAN	•National PSB (CBC) •Commercial media firms e.g. CityTV (Rogers, CanWest) •Community groups	•Total public and private local TV revenues estimated at c.£340m - 50% of which is from advertising •CBC funded via adverts and public funding •Advertising funded commercial stations able to access Canadian Media Fund and Local TV improvement Fund •Cable community channels funded by industry
ESP	•National public broadcaster (TVE) •Autonómicos regional public broadcasters •Local/regional press & radio groups •Local authorities (in certain regions)	•TVE funded by Spanish government •Local/regional TV revenues in Spain estimated at £1.4bn •Regional public broadcasters funded by regional governments and advertising •Local authority subsidies some account for significant proportion of revenues for some commercial channels. Subsidies estimated to account for 26% overall local TV revenues in Catalonia in 2005

Source: Broadcaster websites, Ofcom, CSA, CAC, FCC, Analysys Mason, CTRC, Ofcom analysis