

The International Communications Market 2006

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Introduction

The section below provides a brief overview of each of the key comparator countries used in this report. The profile of each country includes basic demographic and economic data and market data for the telecoms and broadcasting industries, as well as a synopsis of the relevant political structure, regulatory environment and recent communications market developments.

This is not intended to constitute an exhaustive study of the countries concerned, and the summarising nature of the text means that certain important organisations or events may have been omitted. Furthermore, differences in the political, legislative and market structures, as well as technical definitions, make inter-country comparability very difficult. Nevertheless the section should still provide a context for analysing the trends described in this publication, as well as a flavour of the communications market in each of the key comparator countries.

The telecoms major operator data lists the top three fixed operators by lines, mobile operators by subscriptions, and broadband operators by connections. The broadcasting data lists the top three channels by audience share.

Sources used for these country profiles include: Analysys, Datamonitor, Global Insight, Global Competition Review, IDATE, national audience measurement systems, PricewaterhouseCoopers, Reuters, Screen Digest. Other figures come from the operators directly.

5.1 UK

5.1.1 Basic country data (2005 figures)

Size (Sq Km)	224,820
Population (m)	60.4
Households (m)	25.5
GDP (£bn)	1,225
GDP per capita (£)	20,343



5.1.2 Political structure

The United Kingdom of Great Britain and Northern Ireland consists of four constituent parts: England, Scotland, Wales, and Northern Ireland. It is a parliamentary monarchy, with a bicameral legislative structure. Members of the House of Commons (lower house) are directly elected on a first-past-the-post basis. The House of Lords (upper house) consists wholly of appointed members, known as peers, and has, by convention, a revising role. It was reformed in late 1999, following which most hereditary peers lost their seats.

Executive power is exercised on behalf of the monarch by the Prime Minister, who heads the Cabinet. The Prime Minister is appointed by the monarch on the basis of ability to form a government with the support of the House of Commons. At the time of writing the Labour Party was in power under Prime Minister Tony Blair.

In 1999, following pre-legislative referenda in both countries, devolved legislatures were established in Scotland and Wales. The Scottish Parliament has responsibility for most aspects of domestic, economic and social policy, whereas the Welsh Assembly does not have the power to make primary legislation, but may make secondary legislation and fast-track primary legislation via Westminster. In Northern Ireland a devolved legislature was established in 1998 but is currently suspended due to a failure of the local political parties to agree to share executive power, as required by the Good Friday Agreement.

5.1.3 Communications legislation and regulatory environment

The communications market in the UK is regulated by Ofcom, a statutory corporation established by act of Parliament and independent of government. As regulatory authority for the UK communications industries Ofcom's responsibilities cover television, radio, telecoms and wireless communications services, including competition powers. Regulation of the market is governed by the Communications Act of 2003. Ofcom's principal duty under the Communications Act is to further the interests of (i) citizens in relation to communications matters and (ii) consumers in relevant markets, where appropriate by promoting competition.

The Department of Trade and Industry (DTI) and the Department for Culture, Media and Sport (DCMS) formulate government policy to implement the EU directives.

In the telecoms market, the incumbent, British Telecommunications Group Plc, is fully privatised.

There are restrictions in the broadcasting sector on the ownership and control of broadcasters. For example political bodies and advertising agencies may not hold

broadcasting licences. There are also cross-ownership restrictions designed to ensure a plurality of voices across different media in each region.

Competition in the communications market is concurrently regulated by the Office of Fair Trading (OFT), the primary competition regulator in the UK, and Ofcom. Ofcom and the OFT consult one another, although Ofcom takes the lead in competition investigations in the communications market. The Competition Appeals Tribunal (CAT) hears appeals against some of Ofcom's decisions. Appeals are referred to the Competition Commission if they concern price control.

5.1.4 Telecoms

Figure 5.1: Telecoms Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	10,260	9,644	9,165	8,892
Mobile	10,944	12,312	13,817	15,116
Internet	4,036	4,651	5,062	5,472
Total	25,239	26,607	28,044	29,480
Take-up (m)				
Fixed-line connections	35.0	34.6	33.7	32.9
Mobile subscriptions	50.9	54.5	61.0	66.2
Broadband connections	1.4	3.1	6.2	9.7
Penetration (%)				
Fixed-line (individuals)	58%	58%	56%	54%
Mobile (individuals)	85%	91%	101%	110%
Broadband (households)	6%	12%	25%	38%

Figure 5.2: Major operators (Q4 2005)

Fixed-line	BT NTL Telewest	25.9m lines 2.5m lines 1.9m lines
Mobile	O2 T-Mobile* Orange	16.0m subscriptions 15.3m subscriptions 14.9m subscriptions
Broadband	BT NTL** AOL	2.4m connections 1.7m connections 1.3m connections

* Includes Virgin Mobile

** Excludes Telewest

5.1.5 Broadcasting

Figure 5.3: Market data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	3,215	3,283	3,352	3,488
Public funding	2,804	2,941	2,941	3,010
Advertising	4,036	3,762	4,036	4,104
Total	10,055	9,986	10,328	10,602
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	570	580	610	640
Advertising	563	601	638	630
Total	1,133	1,181	1,248	1,270
TV take-up (m)				
TV homes (m)	24.4	24.6	24.9	25.1
Multichannel homes (m)	11.6	13.3	15.9	18.7
Digital TV homes (m)	9.9	12.1	15.2	18.2
Penetration in TV homes (%)				
Multichannel homes (m)	47%	54%	64%	75%
Digital TV homes (m)	41%	49%	61%	73%

Figure 5.4: Major channels'/stations' audience share (Q4 2005)

TV	BBC1	23.3%
	ITV1	21.5%
	Channel 4 & S4C	9.7%
Radio	BBC Radio 2	15.5%
	BBC Radio 4	11.8%
	BBC Radio 1	9.8%

5.1.6 Recent market activity

There has been growth in the take-up of broadband, mobile and digital TV services. However, because of falling prices, UK household spend on communications has fallen slightly in the last year. The reach of communications services has been extended through the increased availability of 3G, broadband and unbundled local exchanges.

More and more companies are offering bundled services resulting in a range of triple and quadruple play offers, and this is being driven by broadband take-up. Bundled broadband offers are the subject of fierce price competition following the introduction of several offers where the broadband component of an offer has been marketed as free.

In the television market spin-offs of the mainstream networks continued to do well, and their success has by degrees reduced the impact in the loss of audience share experienced by the mainstream channels. Many new services have been launched recently including TV over broadband, on-demand content, and TV to mobile. Take-up of personal video recorders (PVRs) and High Definition TV (HDTV) has been particularly strong.

In the radio market, the BBC has sustained the increase in share it has gained over commercial radio over the past couple of years. Within commercial radio, local commercial radio's share has continued to decrease throughout 2006.

5.2 France

5.2.1 Basic country data (2005 figures)

Size (Sq Km)	545,630
Population (m)	60.7
Households (m)	25.2
GDP (£bn)	1,168
GDP per capita (£)	19,189



5.2.2 Political structure

The French Republic's parliamentary structure is bicameral. Members of the National Assembly (lower house) are directly elected from individual constituencies, and are led by the President. The President has certain executive powers, but greater powers are held by the Prime Minister he appoints.

Members of the Senate (upper house) are indirectly elected by local councils for a period of nine years. The Senate's legislative powers are limited; in the event of a disagreement between the two houses, the National Assembly has the final say.

At the time of writing the ruling party was the conservative Union pour un Mouvement Populaire (UMP).

5.2.3 Communications legislation and regulatory environment

The telecoms market is regulated by the Autorité de Régulation des Communications Electroniques et des Postes (ARCEP). ARCEP is an independent regulator, which until May 2005 was called the Autorité de Regulation des Telecommunications (ART). The renaming in 2005 was in recognition of the regulator's additional responsibilities for the postal industry.

The telecoms market in France has been liberalised since the 1996 Telecoms Law came into force. Since then France has opened up different segments of the telecoms market to competition. Incumbent operator France Telecom has been partially privatised. Currently, the French state is still the largest shareholder (32.5% share) but there are opportunities for further privatisation.

The retail telecoms market has recently been deregulated. In September 2006 ARCEP withdrew most of the obligations imposed on France Telecom in the national and international calls markets and there are further plans to deregulate the business call market.

The broadcasting regulator is le Conseil Supérieur de l'Audiovisuel (CSA). Its functions include nominating state-owned radio and television stations, issuing of DTT, FM and AM broadcasting licences, as well as overseeing programme quality. TV and radio activities are defined and regulated by the 1986 Radio and TV Law on Freedom to Communicate.

There are restrictions in the sector on the (cross-)ownership and control of broadcasters. These restrictions aim to preserve competition and media pluralism by limiting the share that one entity may hold in different broadcasters.

Cable, satellite and ADSL distribution networks must broadcast the state-owned TV channels, the Parliament TV channels and TV5 free of charge. Cable and ADSL networks must broadcast local TV channels free of charge.

Other agencies involved in the regulation of the media and telecoms sectors are the French Frequencies Regulator (Agence Nationale des Fréquences - ANFR), the French National Broadcasting Authority and the Competition Council.

5.2.4 Telecoms

Figure 5.5: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	9,234	8,823	8,208	8,071
Mobile	9,918	10,944	11,901	12,654
Internet	2,668	3,078	3,352	3,762
Total	21,819	22,845	23,461	24,487
Take-up (m)				
Fixed-line connections	34.0	33.8	33.9	33.8
Mobile subscriptions	37.3	40.4	42.5	45.8
Broadband connections	1.7	3.7	6.8	9.8
Penetration (%)				
Fixed-line (individuals)	57%	56%	56%	56%
Mobile (individuals)	62%	67%	70%	76%
Broadband (households)	7%	15%	27%	39%

Figure 5.6: Major operators (Q4 2005)

Fixed-line	France Telecom Neuf Cegetel Iliad	33.7m customers 3.1m customers 1.6m customers
Mobile	Orange SFR Bouygues	22.4m subscriptions 17.2m subscriptions 7.5m subscriptions
Broadband	Orange Free (Iliad) Neuf Cegetel	4.5m connections 1.6m connections 1.2m connections

5.2.5 Broadcasting

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	2,531	2,668	2,736	2,804
Public funding	1,710	1,710	1,778	1,778
Advertising	1,984	2,052	2,189	2,257
Total	6,224	6,430	6,703	6,840
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	566	572	579	585
Advertising	414	431	455	475
Total	980	1,003	1,033	1,060
TV take-up (m)				
TV homes (m)	23.2	23.5	23.7	24.0
Multichannel homes (m)	5.9	6.7	8.0	8.8
Digital TV homes (m)	4.5	4.9	6.1	7.2
Penetration in TV homes (%)				
Multichannel homes (m)	25%	29%	34%	37%
Digital TV homes (m)	19%	21%	26%	30%

Figure 5.7: Major channels'/stations' audience share (Q4 2005)

TV	TF1	32.3%
	France 2	19.8%
	France3	14.7%
Radio	RTL	11.6%
	France Inter	7.9%
	Europe 1	7.9%

5.2.6 Recent market activity

French consumers are moving away from fixed-line telephones to VoIP. France is at the forefront of VoIP usage in Europe. At the end of 2005, France Telecom had 830,000 VoIP subscribers. In June 2006, France Telecom relaunched itself under the Orange brand. The rebranding was supported by converged products such as Unik, a phone which can be used as both a fixed line and a mobile.

Iliad, the company behind France's Free broadband ISP, has announced an investment of one billion Euros in a fibre-to-the-home (FTTH) access network in Paris and a number of other dense metropolitan areas. Iliad plans to deploy to 4 million households. Once areas are upgraded to FTTH, it is intended that 100% of existing customers will be migrated onto Iliad's FTTH service, away from its LLU service.

In mobile telecoms, several more MVNOs entered the market in 2006 including Coriolis Telecom and Tele2. Despite this, the share of MVNOs at the end of June 2006 was only 1.46%.

In broadcasting, the next stage of DTT roll-out in France was announced in June 2006. Coverage stood at 50% in June and was expected to reach 66% by October and 70% by March 2007. Cable companies are now obliged to provide all cable homes with the country's free-to-view DTT channels, even if the households are not subscribers.

2006 saw consolidation within the pay TV industry, with the merger of Canal Plus Groupe and TPS. Vivendi is the major shareholder in the unified group. The merger was approved on the condition that the combined group must make channels more widely available and not bundle them together.

5.3 Germany

5.3.1 Basic country data (2005 figures)

Size (Sq Km)	349,520
Population (m)	82.4
Households (m)	38.8
GDP (£bn)	1,534
GDP per capita (£)	18,612



5.3.2 Political structure

Germany is a parliamentary federal republic. It consists of 16 states, all of which have an elected legislature. State governments and parliaments have considerable responsibilities, including education and policing. Federal legislative power is vested in both the government and two chambers of parliament. Parties must win at least 5% of the national vote, or three constituency seats, to gain representation in the Bundestag (lower house). Members of the Bundesrat (upper house) are nominated by the state governments.

The Federal government is led by the Chancellor, elected by the Bundestag on the nomination of the federal president. In October 2006 the Government was composed of a coalition of the Christian Democratic Union (CDU), the Christian Social Union (CSU) and the Social Democratic Party (SDP), and led by the CDU leader, Angela Merkel.

5.3.3 Communications legislation and regulatory environment

The telecoms market is regulated federally according to the conditions of the 2004 Telecoms Act. In July 2005 the independent regulator was renamed the Federal Network Agency for Electricity, Gas, Telecommunication, Post and Railway (Bundesnetzagentur). Until that time it was called the Regulatory Authority for Telecommunications and Post (RegTP). RegTP was established in 1998.

Germany's telecoms market was fully liberalised in January 1998. The German regulator has particularly promoted competition in the long-distance market and in carrier pre-selection. The German state owns 14.62% of the incumbent telecoms operator Deutsche Telekom.

According to constitutional law, only technical provisions for broadcasting are covered at the federal level. The State media agencies are responsible for granting broadcasting licences, supervising commercial broadcasters and allocating transmission capacities.

There are no restrictions on the ownership and control of broadcasters. A company is entitled to operate an unlimited number of nationwide television channels unless it is able to exercise a controlling influence on public opinion. Distribution networks in all states have an obligation to carry certain programmes. The programmes of the public broadcasting institutions for the relevant German state are usually classified as must-carry programmes. The specific nature of the obligations varies according to whether the platforms concerned are terrestrial radio, analogue or digital cable.

Other organisations involved in the regulation of the communications sector include the Federal Ministry for Economics and Labour, which prepares draft amendments to the Telecoms Act, and the Federal Cartel Office, which is responsible for merger control.

5.3.4 Telecoms

Figure 5.8: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	13,543	13,133	12,585	11,628
Mobile	15,869	17,031	17,510	17,715
Internet	4,309	4,378	4,720	5,130
Total	33,721	34,542	34,815	34,473
Take-up (m)				
Fixed-line connections	39.8	39.7	39.2	38.9
Mobile subscriptions	59.2	64.8	71.3	75.0
Broadband connections	3.4	4.6	6.9	9.0
Penetration (%)				
Fixed-line (individuals)	48%	48%	48%	47%
Mobile (individuals)	72%	79%	87%	91%
Broadband (households)	9%	12%	18%	23%

Figure 5.9: Major operators (Q4 2005)

Fixed-line	Deutsche Telekom Freenet* Arcor	35.2m telephone lines 4.9m customers 1.4m connections
Mobile	T-Mobile Vodafone D2 GmbH E-plus	29.5m subscriptions 29.2m subscriptions 10.7m subscriptions
Broadband	T-Online (Deutsche Telekom) United Internet Arcor DSL	4.4m connections 1.8m connections 1.1m connections

5.3.5 Broadcasting

Figure 5.10: Market data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	2,189	2,394	2,326	2,394
Public funding	2,873	2,941	3,010	3,078
Advertising	3,010	2,873	2,941	3,010
Total	8,071	8,208	8,276	8,482
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	1,685	1,701	1,711	1,764
Advertising	407	396	423	437
Total	2,092	2,097	2,134	2,201
TV take-up (m)				
TV homes (m)	37.9	38.1	38.3	38.5
Multichannel homes (m)	3.6	37.0	37.4	37.9
Digital TV homes (m)	2.7	3.2	3.7	5.2
Penetration in TV homes (%)				
Multichannel homes (m)	97%	97%	98%	98%
Digital TV homes (m)	7%	8%	10%	13%

Figure 5.11: Major channels'/stations' audience share (Q4 2005)

TV	ARD III	13.6%
	ZDF	13.5%
	ARD	13.5%
Radio	WDR	15.2%
	SWR	13.8%
	NDR	12.2%

5.3.6 Recent market activity

In the fixed telecoms market the incumbent, Deutsche Telekom, is facing increasing competition. Carrier pre-selection was introduced for long-distance calls in 1998, and for local calls in July 2003. Between 2002 and 2004, Deutsche Telekom competitors' lines tripled from 0.65 to 1.95 million.

In March 2006, Deutsche Telekom announced that it would be partnering with Microsoft to launch an IPTV service, which will be delivered by its new VDSL broadband network.

Germany is one of Europe's more advanced MVNO markets; MVNOs had 21% of the mobile market at the end of 2005 and there have been further market entrants in 2006, for example MangoMobile. A number of established mobile players such as T-Mobile and E-Plus have also launched low-cost pre-paid brands, with a view to increasing penetration and targeting lower income niche groups. In May 2006, Germany's four mobile network operators launched trials of DVB-H mobile TV services.

The television market has been dominated by the two largest television companies, ProSieben Sat1 and RTL. In 2005, Axel Springer, Germany's largest newspaper publishing house, launched a takeover bid for ProSieben Sat1. This was dropped in February 2006 after numerous objections by the regulator. Subsequently the antitrust authority launched an

investigation into possible market domination by ProSieben Sat1 and RTL. In July 2006, the two companies introduced basic encryption of their channels to protect their content from piracy. This was criticised by German PSBs as being tantamount to them becoming pay TV channels.

5.4 Italy

5.4.1 Basic country data (2005 figures)

Size (Sq Km)	301,230
Population (m)	58.1
Households (m)	22.1
GDP (£bn)	969
GDP per capita (£)	16,471



5.4.2 Political structure

The Italian Republic has a bicameral national legislature, consisting of a Senate (upper house) and a Chamber of Deputies (lower house). The President is elected by representatives of the Senate, the Chamber of Deputies and the Regions. The President has no executive powers, but appoints the Prime Minister on the basis of ability to form a government with parliamentary support.

Legislative power is vested in both the government and the two chambers of parliament. The Judiciary is independent of the executive and the legislature. The government at the time of writing was the left of centre *Unione*, formed by Romano Prodi in May 2006.

5.4.3 Communications legislation and regulatory environment

The communications market is regulated by the *Autorità per le Garanzie nelle Comunicazioni* (AGCOM), the independent communications regulator established in 1997. AGCOM spans the broad responsibilities of supervising and enforcing compliance with legislation in the telecommunications, media and press-publishing sectors. AGCOM was established by and is accountable to Parliament. Its statutes are also defined by, and its members appointed by, Parliament.

The Ministry of Communications reviews filings of declarations for general authorisations for electronic communications, grants public broadcasting licences, and approves the national spectrum allocation plan.

The Italian telecoms market has been fully liberalised since January 1998, in accordance with EU directives. The incumbent operator, *Telecom Italia*, has been fully privatised.

Until April 2006, the major shareholder in the largest commercial television company in Italy, *Mediaset*, was the Prime Minister *Silvio Berlusconi*, who lost the general election to *Romano Prodi* this year. The new Government has not announced any plans to reduce the number of *Mediaset*'s networks or advertising revenue. The antitrust authority has ruled that state subsidies used since 2004 to encourage take-up of DTT are legal.

There is proposed legislation to compel both *Mediaset* and *RAI* to move one of each of their three network channels on to DTT by the end of 2008. This is currently awaiting parliamentary review.

5.4.4 Telecoms

Figure 5.12: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	6,703	6,703	6,566	6,224
Mobile	11,012	11,970	12,927	14,159
Internet	1,710	2,120	2,736	3,215
Total	19,425	20,793	22,230	23,598
Take-up (m)				
Fixed-line connections	27.2	27.5	27.1	26.6
Mobile subscriptions	54.3	56.6	59.8	66.6
Broadband connections	1.1	2.5	4.8	6.6
Penetration (%)				
Fixed-line (individuals)	47%	47%	47%	46%
Mobile (individuals)	94%	98%	103%	115%
Broadband (households)	5%	11%	22%	30%

Figure 5.13: Major operators (Q4 2005)

Fixed-line	Telecom Italia Tele 2 Italia Wind	32.1m lines in service 2.5m customers* 2.3m customers
Mobile	TIM Vodafone Italia Wind	28.6m subscriptions 18.5m subscriptions 13.7m subscriptions
Broadband	Alice (Telecom Italia) Libero (Wind) FastWeb	4.8m connections 1.0m connections 0.7m connections

* June 2005 report

5.4.5 Broadcasting

Figure 5.14: Market Data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	684	821	1,026	1,231
Public funding	1,026	1,026	1,026	1,026
Advertising	2,668	2,804	3,146	3,215
Total	4,378	4,651	5,198	5,472
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	431	437	444	449
Advertising	260	294	355	352
Total	691	730	800	801
TV take-up (m)				
TV homes (m)	21.2	21.2	21.3	21.4
Multichannel homes (m)	3.3	3.8	5.6	7.5
Digital TV homes (m)	2.6	2.7	4.5	6.4
Penetration in TV homes (%)				
Multichannel homes (m)	15%	18%	26%	35%
Digital TV homes (m)	12%	13%	21%	30%

Figure 5.15: Major channels'/stations' audience share (Q4 2005)

TV	RAI 1	22.9%
	Canale 5	21.8%
	Italia 1	11.5%
Radio	RAI	18.0%
	Elemedia	11.0%
	Gruppo Finelco	8.0%

5.4.6 Recent market activity

Competition is intense in the broadband market, as alternative players compete with Telecom Italia. Operators are increasingly competing on speed, in addition to price, as a strategy to win customers. Although the incumbent currently dominates the Italian broadband market, largely as a result of the success of its consumer proposition, it is losing market share to other big players such as FastWeb and Wind.

In mobile telecoms there has been strong growth in 3G adoption and a corresponding increase in revenues from data services. In April 2006, TIM and H3G released plans to deploy mobile TV using DVB-H technology - making Italy the first European country to launch commercial mobile TV services based on the technology.

In September 2006, Telecom Italia unveiled plans to separate its mobile subsidiary from its fixed network. Conflict with the government over these plans led to the resignation of the Telecom Italia chairman. There followed speculation that Telecom Italia would try to sell its mobile arm, but in October 2006 the company sought to dispel such rumours.

There is also strong competition in the television market. Telecom Italia's focus has shifted towards content and TV, and it plans to bundle telecoms and TV services. In January 2006,

Mediaset, the largest TV company, announced the expansion of its pay-per-view offering with Italian drama and top American series, and in July 2006 launched its own music download portal. Sky Italia was profitable for the first time in 2005. In its 2006 annual report News Corporation announced that it was the company's fastest growing asset and that it regarded the channel as a prime vehicle for growth given the relatively low levels of pay-TV penetration in the Italian market. Sky Italia also launched PVRs and HDTV in 2006.

5.5 US

5.5.1 Basic country data (2005 figures)

Size (Sq Km)	9,158,960
Population (m)	295.7
Households (m)	111.5
GDP (£bn)	6,850
GDP per capita (£)	23,071



5.5.2 Political structure

The United States is a federal republic. The Congress consists of two chambers - the House of Representatives (lower house) and the Senate (upper house) – and members of both are directly elected on a first-past-the-post basis. The hundred members of the Senate are elected for a six-year term, with one-third of its seats up for election every two years. The Senate has the power to confirm or reject presidential appointments, including the cabinet, and to ratify treaties.

The House of Representatives' 435 members are elected for a two-year term. This House has the sole right to initiate revenue bills, although they may be amended or rejected by the Senate. Mid-term elections were held in November 2006, in which the Democrats gained control of the House of Representatives. At the time of writing, the control of the Senate was not clear.

The Executive President is elected by popular vote via an electoral college of 538 members representing the states, for a maximum of two four-year terms. The administration of the national government is appointed by, and responsible to, the President; its senior officials are subject to the confirmation of the Senate. At the time of writing George W Bush is President; he was re-elected for a second term in November 2004.

5.5.3 Communications legislation and regulatory environment

The communications market is regulated by the Federal Communications Commission (FCC), an independent US government agency, reporting directly to Congress. The FCC was established by the Communications Act of 1934 and is charged with regulating interstate and international telecoms and information services.

The FCC only operates on a federal level. There are Public Utility Commissions (PUCs) in each state, and these regulate all intrastate telecoms services, and implement FCC regulations on a state level. PUCs also regulate other utility services such as water and electricity. Below the PUCs there are local governments, and it is these that are responsible for implementing cable policies. Spectrum is regulated at a federal level only.

Within the FCC there is a Consumer and Governmental Affairs Bureau, which is responsible for consumer education and policy, and for responding to complaints and enquiries. The Department of Justice (DOJ) and the Federal Trade Commission (FTC) handle complaints of anti-competitive or deceptive behaviour, and oversee merger regulation.

Other agencies involved in the regulation of the communications sector include the National Telecommunications and Information Administration which allocates radio frequency

spectrum, private companies which facilitate the distribution of spectrum, and the federal and state courts which review regulatory decisions.

US law limits the number of broadcasting stations that a single entity can own in a given area. The DOJ and FTC also ensure that companies owning several stations are not in breach of antitrust laws. There are restrictions on the cross-ownership of multiple broadcasting outlets. Must-carry obligations apply to operators of cable television systems, which are required to carry local commercial television stations.

5.5.4 Telecoms

Figure 5.16: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	74,145	68,604	62,927	58,550
Mobile	42,134	46,990	52,599	60,533
Internet	32,763	35,362	36,662	38,577
Total	149,042	150,957	152,188	157,660
Take-up (m)				
Fixed-line connections	189.4	183.0	176.5	168.5
Mobile subscriptions	138.8	155.3	175.5	197
Broadband connections	18.3	26.4	36	47
Penetration (%)				
Fixed-line (individuals)	66%	63%	60%	57%
Mobile (individuals)	48%	54%	60%	67%
Broadband (households)	16%	23%	31%	40%

Figure 5.17: Major operators (Q4 2005)

Fixed-line	AT&T Verizon Bell South	49.4m network access lines in service 30.0 households 20.0m lines
Mobile	Cingular Verizon Sprint Nextel	54.1m subscriptions 51.3m subscriptions 39.7m subscriptions
Broadband	Comcast SBC Communications Verizon	8.5m connections 6.9m connections 5.0m connections

5.5.1 Broadcasting

Figure 5.18: Market data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	24,761	26,128	27,975	28,522
Public funding	274	274	274	274
Advertising	31,053	32,695	36,525	39,535
Total	56,087	59,097	64,774	68,331
Radio revenues (£m)				
Subscription	13	71	217	568
Public funding	0	0	0	0
Advertising	10,382	10,505	10,770	10,972
Total	10,396	10,576	10,986	11,540
TV take-up (m)				
TV homes (m)	106.7	108.2	109.6	110.2
Multichannel homes (m)	94.1	96.5	98.9	101.2
Digital TV homes (m)	39.1	44.6	50.4	59.1
Penetration in TV homes (%)				
Multichannel homes (m)	88%	89%	90%	91%
Digital TV homes (m)	37%	41%	46%	53%

Figure 5.19: Major channels'/stations' audience share (Q4 2005)

TV	CBS	8.7%
	NBC	8.1%
	ABC	8.0%
Radio	Clear Channel Communications	13.5%
	Viacom	10.8%
	Cox Radio	4.0%

5.5.5 Recent market activity

Convergence is in evidence across the US's communications market. For example, in June 2006 AT&T, the country's largest telephony service provider, started the commercial launch of a digital TV and video on-demand service in San Antonio. In September 2006, Comcast, the largest cable provider, announced that it had become the first broadband provider to cross the 10 million high-speed internet customer threshold. In June 2006, Netflix, the largest DVD delivery service, announced that it planned to enable digital downloads of DVDs.

MVNOs continued to enter the mobile market in 2006, and several targeted particular audiences. For example, Helio targets young people and Disney Mobile targets families. Further mobile telecoms market entries may follow a joint-venture partnership announced in 2005 between Sprint Nextel and a consortium of cable companies including Comcast Corp, Time Warner Cable, Cox Communications, and Advance/Newhouse Communications. Under the agreement co-branded wireless services will be launched which will allow the cable operators to provide quadruple play services. However at the time of writing phones had not yet been launched under the partnership. There have also been some MVNO exits from the mobile telecoms market. For example ESPN announced that it would no longer provide wireless services after the end of 2006.

5.6 Japan

5.6.1 Basic country data (2005 figures)

Size (Sq Km)	374,744
Population (m)	127.4
Households (m)	47.2
GDP (£bn)	2,510
GDP per capita (£)	19,651



5.6.2 Political structure

Japan is a representative democracy. The national legislature is the National Diet (Kokkai), which consists of two chambers. Members of both the House of Representatives (lower house) and the House of Councillors (upper house) are elected by proportional representation.

The Prime Minister is the head of the Government of Japan, and is appointed by the Emperor of Japan after being designated by the Diet from among its members. The Prime Minister must have the confidence of the House of Representatives to remain in office.

In October 2006, the government consisted of a coalition of two parties: the Liberal Democratic Party and New Komeito.

5.6.3 Communications legislation and regulatory environment

The telecoms and broadcasting markets are regulated by various divisions within the Ministry of Internal Affairs and Communications (MIC). The Ministry of Finance and the Ministry of Economy, Trade and Industry also have some jurisdiction over telecoms operators.

The former state-owned incumbent telecoms operator, NTT, was privatised in 1985, and is the current holding company of several telecoms companies that were formerly part of its business. Post privatisation, the Japanese government has enacted an NTT Law, which states that at least one-third of the total equity of NTT shall be owned by the Japanese government, and that foreign ownership in NTT may not exceed 33.3%.

In the broadcasting sector, there are foreign ownership restrictions on terrestrial and satellite platform operators, although there are no such restrictions on cable television broadcasters. Cross-ownership of media companies is limited with the intention of preventing concentration of media control and securing diversity of speech and expression.

5.6.4 Telecoms

Figure 5.20: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	34,952	34,884	34,063	32,968
Mobile	38,372	39,740	38,988	38,782
Internet	6,156	6,908	7,661	8,276
Total	79,480	81,532	80,711	80,027
Take-up (m)				
Fixed-line connections	61.3	60.8	59.6	58.7
Mobile subscriptions	75.7	81.5	87	92.2
Broadband connections	9.4	14.9	20.2	24.6
Penetration (%)				
Fixed-line (individuals)	48%	48%	47%	46%
Mobile (individuals)	60%	64%	68%	72%
Broadband (households)	18%	29%	40%	48%

Figure 5.21: Major operators (Q4 2005)

Fixed-line	NTT Japan Telecom KDDI	46.9m lines* 10.0m lines** 1.8m lines (metal plus service)*
Mobile	NTT DoCoMo KDDI Vodafone KK	48.8m subscriptions 23.1m subscriptions 14.6m subscriptions
Broadband	Yahoo BB NTT East NTT West	4.7m connections 3.0m connections 2.7m connections

* March 2006

** September 2005 report

5.6.5 Broadcasting

Figure 5.22: Market data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	2,941	3,420	3,762	3,899
Public funding	3,352	3,488	3,488	3,557
Advertising	9,849	10,123	10,191	10,602
Total	16,142	17,031	17,442	18,057
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	966	982	998	1,014
Advertising	917	903	896	887
Total	1,884	1,885	1,894	1,900
TV take-up (m)				
TV homes (m)	47.5	47.9	48.0	48.2
Multichannel homes (m)	33.1	35.6	38.6	40.2
Digital TV homes (m)	8.4	13.0	16.2	19.5
Penetration in TV homes (%)				
Multichannel homes	70%	74%	80%	83%
Digital TV homes	18%	27%	34%	40%

Figure 5.23: Major channels' audience share (Q4 2005)

TV	Fuji TV	19.5%
	NTV	18.4%
	TV Asahi	16.3%

5.6.6 Recent market activity

Fixed-line penetration has steadily declined since 2001 as mobile, and more recently VoIP, have increased in popularity. Recent price cuts have fuelled DSL subscription growth and made it one of the most competitive components of the telecoms sector. Although DSL remains the dominant broadband technology, the fibre to the home (FTTH) subscriber base has grown significantly since the third quarter of 2004 to reach 4.64m subscribers by the end of 2005. This is due to increasing demand for multimedia and entertainment services.

There is fierce competition in the mobile market, with continuing price competition and new handset designs. Mobile number portability (MNP) was introduced in October 2006, and is likely to stimulate switching.

Digital mobile TV was launched in Japan at the beginning of April. The service uses ISDB-T, a home-grown Japanese technology. In September 2006, the country's biggest telecoms operator, NTT DoCoMo, completed a deal with Disney and Japanese broadcaster NTV to offer their content as 3G video-clip downloads.

Sky Perfect Communications, Japan's biggest pay TV operator, made its service available to third-party cable and IPTV companies in mid 2005, and in June 2006 announced plans to roll out its own IPTV service nationwide. This may be in response to a decrease in its subscriber growth.

In March 2006, J-Com, Japan's largest cable TV provider, announced the launch of its High Definition Recorder (HDR) Service, which can record high-definition programming and record two programmes simultaneously.

5.7 China

5.7.1 Basic country data (2005 figures)

Size (Sq Km)	9,326,410
Population (m)	1,306.3
Households (m)	357.2
GDP (£bn)	1,224
GDP per capita (£)	936



5.7.2 Political structure

The People's Republic of China is governed by the Chinese Communist Party (CCP) under one party rule. The standing committee of the CCP sets policy and controls administrative, legal and executive appointments. In October 2006 Hu Jintao was the General Secretary.

There is one legislative chamber – the National People's Congress (NPC), whose delegates are selected by provinces, municipalities, autonomous regions and the armed forces. The NPC approves the President and members of the State Council, as well as the members of the standing committee of the NPC, which meets when the NPC is not in session.

5.7.3 Communications legislation and regulatory environment

The State Council is the government body in charge of all legislative issues in China, including those regarding communications. Within the State Council the Ministry of Industry Information (MII) is the governing authority for the information and communications industries, regulating telecoms, electronics, internet and related technologies and services.

The MII has committed to the WTO Basic Telecommunications Agreement, which includes preventing anti-competitive cross-subsidisation, distributing important service provision information to operators and relaxing foreign ownership restrictions.

The State Administration for Radio, Film and Television (SARFT) is responsible for broadcasting regulation. It is a separate organ within the State Council but accountable to and supervised by the MII, which has regulatory and management responsibility for cable television network construction. SARFT directly controls state-owned enterprises at the national level, such as [China Central Television](#), [China National Radio](#), and other film and television studios and not-for-profit organisations.

The broadcasting sector in China is state-owned and regulated by the Department of Publicity (DOP) and SARFT. The DOP formulates the high-level policies that govern the sector, together with other CCP departments and the State Council. SARFT translates these policies into detailed regulations, and ensures they are adhered to.

SARFT is also required to ensure that all television programmes in China meet certain content requirements. Television programmes may not contain content that promotes certain forms of anti-social behaviour or that is detrimental to national unity, sovereignty or security.

The broadcasting sector is closed to foreign ownership though commercial investment in production is permitted.

5.7.4 Telecoms

Figure 5.24: Market data

	2002	2003	2004	2005
Revenues (£m)				
Fixed-line	12,927	13,269	14,159	14,706
Mobile	11,970	17,100	19,289	21,819
Internet	1,847	2,462	2,736	3,215
Total	26,744	32,832	36,183	39,740
Take-up (m)				
Fixed-line connections	214.2	262.7	315.3	375.0
Mobile subscriptions	207.5	268.6	317.6	365.2
Broadband connections	2.8	11.8	26.2	42.0
Penetration (%)				
Fixed-line (individuals)	17%	20%	24%	29%
Mobile (individuals)	16%	21%	25%	28%
Broadband (households)	1%	3%	7%	12%

Figure 5.25: Major operators (Q4 2005)

Fixed-line	China Telecom* China Netcom China Tietong	152.1m subscriber base 88.0m subscriber base 11.9m subscriber base
Mobile	China Mobile China Unicom Little Smart	246.6m subscriptions 127.8m subscriptions 85.3m subscriptions
Broadband**	China Telecom China Netcom China Tietong	16.1m connections 8.6m connections 1.0m connections (2004 figure)

* Adjusted for Little Smart figure

**ISP figures not available. These are network operator figures.

5.7.5 Television

Figure 5.26: Market data

	2002	2003	2004	2005
TV revenues (£m)				
Subscription	1,436	1,710	1,915	2,052
Public funding	0	0	0	0
Advertising	1,573	1,847	2,257	2,462
Total	3,010	3,557	4,172	4,514
Radio revenues (£m)				
Subscription	0	0	0	0
Public funding	0	0	0	0
Advertising	103	120	150	172
Total	103	120	150	172
TV take-up (m)				
TV homes (m)	320.0	330.1	338.0	341.0
Multichannel homes (m)	95.1	110.1	120.1	123.7
Digital TV homes (m)	0.3	0.4	0.6	3.2
Penetration in TV homes (%)				
Multichannel homes (m)	30%	33%	35%	34%
Digital TV homes (m)	0%	0%	0%	1%

Figure 5.27: Major channels' audience share (Q4 2005)

TV	CCTV 1	10.3%
	CCTV 8	4.7%
	Hunan Sat	4.5%

5.7.6 Recent market activity

Growth has slowed recently in the fixed telecoms market, which continues to lag behind the mobile market. However, the mobile market has itself slowed after a growth spurt in the 1990s. The market is expected to develop further once 3G licences are awarded.

In 2005, broadband overtook dial-up as the most popular form of internet access. The rapid growth of broadband has presented fixed operators with the opportunity to provide IPTV, VoIP and other value-added services. IPTV trials have been conducted in 43 cities across China by China Telecom and Netcom.

In September 2006, the Standardisation Administration of China announced that it planned to adopt a new digital TV technology standard in August 2007 and to launch HDTV via DTT in 2008. The technology specification is expected to reduce the barriers to entry into the TV market for consumer electronics companies.