OFFICE OF COMMUNICATIONS

The International Communications Market 2008

6 Radio

Contents

6.1 Radio market developments

This section describes developments in the radio markets of the UK, France, Germany, Italy, the US, Japan and Canada: First, we report the results of Ofcom consumer research into the impact of digital platforms on patterns of radio listening. This is followed by a review of developments in digital radio standards, by country.

Figure 6.1 Key radio market indicators: 2007

	UK	France	Germany	Italy	USA	Canada	Japan
Total industry revenue	£1.3bn	£1.1bn	£2.3bn	£0.9bn	£10.6bn	£0.8bn	£1.7bn
Revenues per capita	£21	£17	£28	£15	£35	£26	£13
% public funding	56%	57%	79%	54%	0.7%	19%	58%
Number of licensed stations	510	886	278	202	14,124	1,252	368
Number of digital stations	172	48	107	73	2,100	313	29
Listening per head per day	177 mins	171 mins	186 mins	180 mins	159 mins	157 mins	128 mins
Public radio listening share	55%	26%	49%	24%	n/a	12%	15%

Source: Ofcom, IDATE
Note: Digital stations also includes trial stations in countries where a full service has yet to be launched.

- **Radio listening over the internet is highest in France** with over a third (37%) using the web for this purpose. In Italy, the UK, and Germany around a third of internet users have listened online, compared to a quarter of internet users in the US and Canada. In Japan this is lower with only 17% of internet users claiming to have listened to live radio online.

- **Over a third of listeners in Canada, the US, Italy, and in the UK claim to download audio (e.g. music tracks and podcasts).** But downloads are less popular with people in Germany, with just one in five making the same claim.

- Of the seven large comparator countries surveyed, on average almost one in four people (23%) said they were listening to less radio, and around 13% said they were listening to more radio, since getting access to the internet at home. Within the nations, a third of people in Japan and France said they listened to less radio, while one in five in Italy claimed to listen to more.

- DAB digital radio is already established in the UK and Germany, but improvements in compression technologies have brought a range of new digital radio standards into development, some of which are at a pilot stage. Trials of DMB and DAB+ are under way in a number of countries including Germany, France and Italy.

- **In North America, satellite radio continues to grow in popularity,** with approaching 20 million subscribers across the US and Canada. The two main subscription satellite radio providers in the US, XM and Sirius, were given the FCC go-ahead to merge in July 2008. Radio listeners in Italy may also have access to subscription-based satellite services by 2009 with a new service being planned by WorldSpace, with other European countries to follow later.

6.1.1 The popularity of radio varies substantially by country

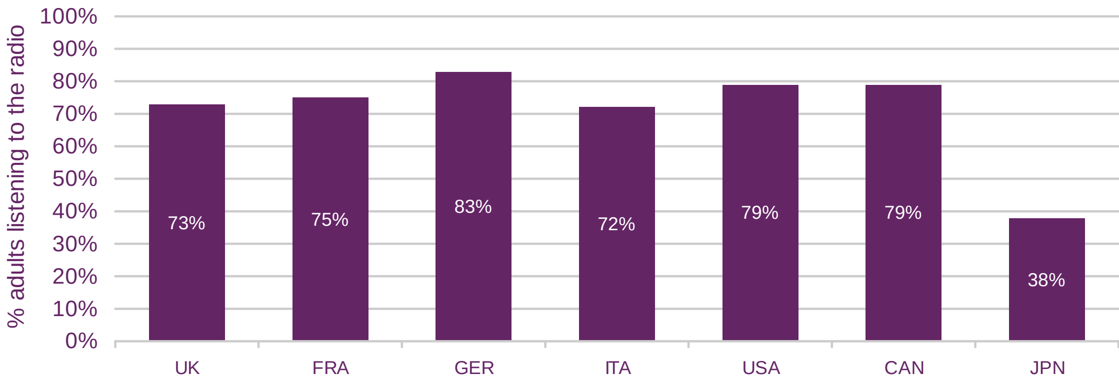
Ofcom commissioned an international quantitative online survey of consumers in the seven larger comparator countries (the UK, France, Germany, Italy, the US, Japan and Canada) to examine the adoption of new media and its effect on media consumption habits.

6.1.1.1 People in Japan least likely to listen to radio

Levels of radio listening are traditionally lower in Japan - for example, while radio listening often peaks at breakfast time in many countries, in Japan TV holds a large proportion of the early morning audience. Our survey showed that just 38% of adults in Japan claimed to listen to the radio at least once a week, compared to 83% in Germany. Almost 80% of adults in the US and Canada also claimed to be regular radio listeners, and approximately three-quarters of people in the UK, France and Italy.

Figure 6.2 Adults regularly listening to the radio

Which of the following do you regularly do (at least once a week) – listen to the radio?

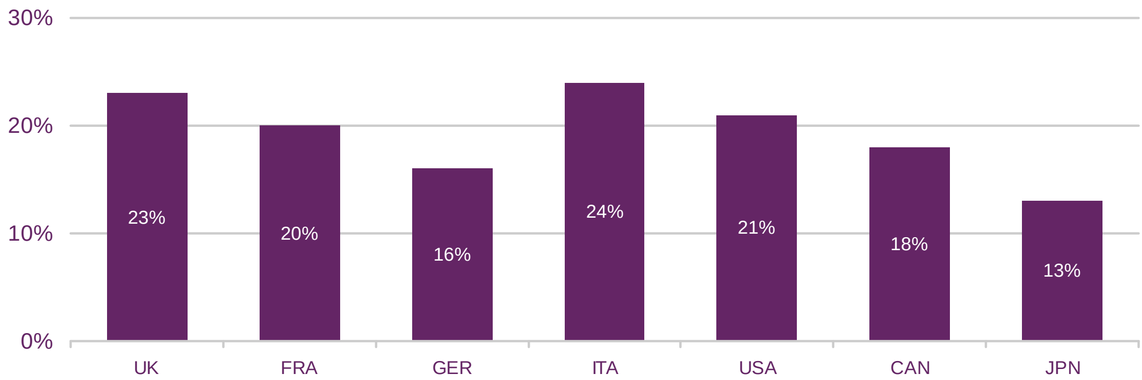


Source: Ofcom Understanding International Communications Behaviour research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

The expanding range of distribution platforms available to consumers has begun to have an impact on the allocation of media time between a range of competing activities; one approach adopted by some consumers has been the concurrent use of two or more media. Many households now access multimedia services such as TV, radio and the internet at the same time. Almost one in four respondents in Italy and the UK claimed to have listened to the radio while also having a television set on in the home, and around one in five people in the US, France and Canada had tried this. The proportions were slightly lower in Germany (16%) and Japan (13%) Figure 6.3.

Figure 6.3 Do you ever watch TV and listen to a radio station?

% adults listening to the radio & watching TV, at least sometimes



Source: Ofcom Understanding International Communications Behaviour research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

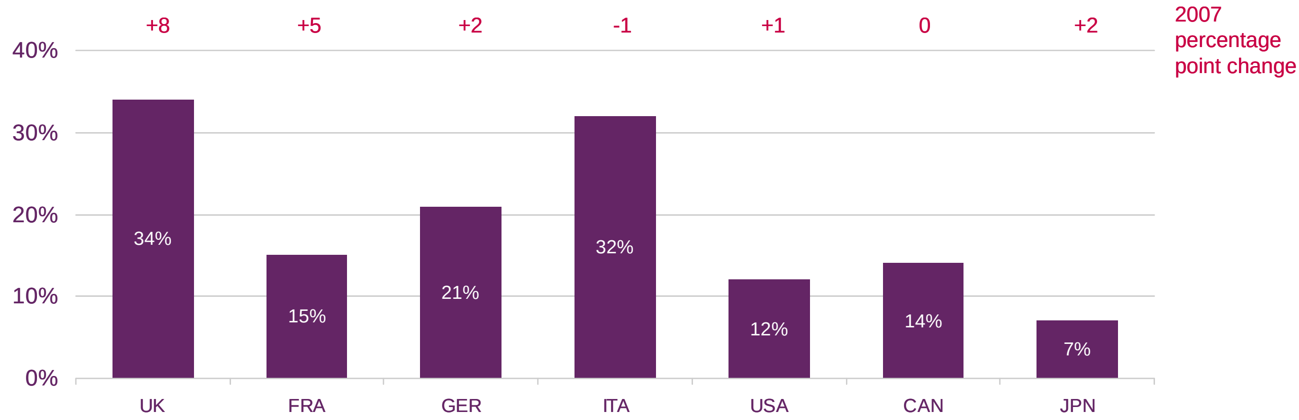
6.1.2 Radio listening over the web is most popular in the UK, France, Germany and Italy

Advances in digital distribution technologies are reshaping the way in which consumers access and listen to services that were traditionally delivered using analogue transmission formats. These include digital broadcast radio and distribution of audio over the internet.

In the UK, with one of the most established broadcast digital radio markets, 34% of respondents claimed they “owned and personally used” a digital radio, up by 8 percentage points year-on-year. In North America, growing take-up of satellite radio and the more recent development of the terrestrial digital radio standard, HD Radio, have increased access to digital radio services. DAB radio is also available in major cities in Canada where 14% of listeners claimed to own some form of digital radio device, compared to 12% in the US. In Japan digital radio set ownership was lowest (7%) which may be explained by the fact that there are proportionally fewer digital radio stations available (Figure 6.4).

Figure 6.4 Devices owned and personally used: digital radio set

Devices owned and personally used; A digital radio set that gives you access to a wider range of stations than a traditional radio set



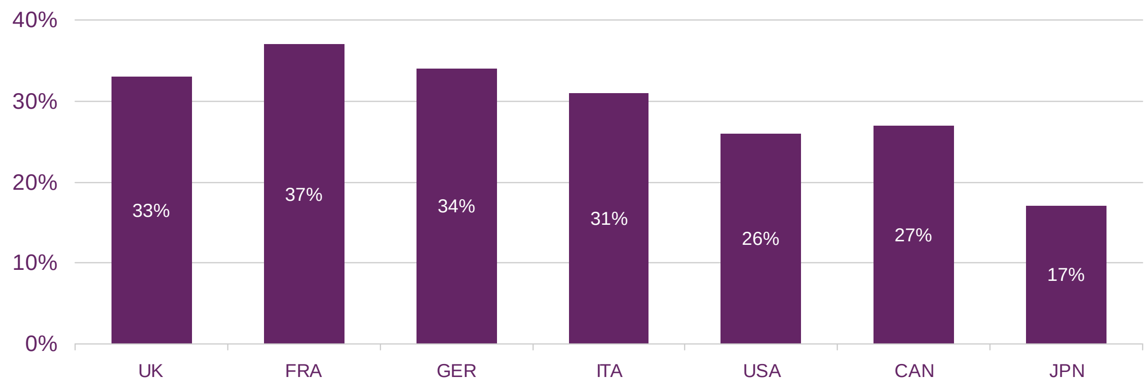
Source: Ofcom *Understanding International Communications Behaviour* research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)
Note: It is possible that respondents in countries where digital radio is yet to be fully launched may have interpreted the term 'digital radio' to mean any radio with a digital display.

Use of the web to access radio and audio content is becoming increasingly widespread, aided by the increasing levels of broadband take-up and the growing range of online audio sites and services being offered to users.

Listening online was most popular in France, where 37% of adults said they used their internet connection at home for this purpose. Around a third of internet users in Germany, Italy and the UK were listening online, with around one in four adults in the US and Canada. However in Japan less than one in five claimed to use the internet for this purpose, reflecting the traditionally lower levels of radio listening in Japan (Figure 6.5).

Figure 6.5 Use of home internet for radio listening

For which of the following do you use your home internet connection for; listening to the radio?

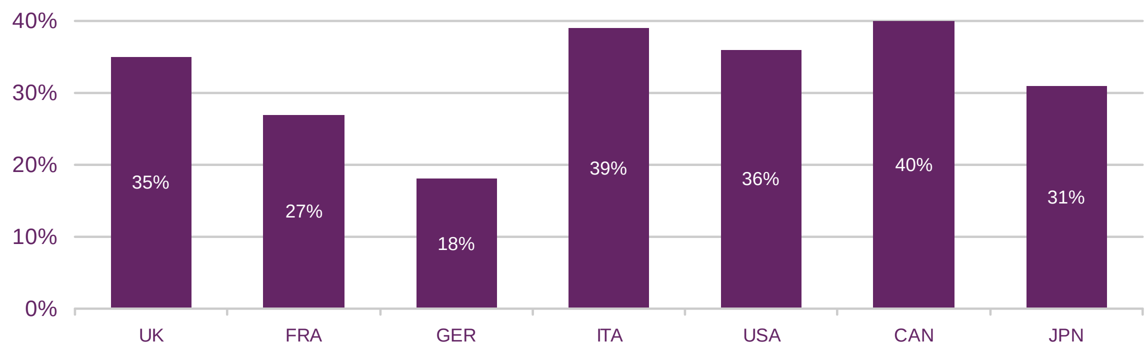


Source: Ofcom *Understanding International Communications Behaviour* research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

New and more convenient ways of accessing audio content, such as on-demand audio delivered through downloads and podcasts, are already popular with many consumers, helped in part by the growing take-up of broadband. People in Canada and Italy were the most likely to claim that they accessed podcasts or downloaded audio (around 40% of our respondents). In the US and the UK over a third of adults had tried it (36% and 35% respectively), with a slightly lower propensity among people in Japan and France (31% and 27%). People in Germany were the least likely to access audio on demand through a download/podcast – with less than one in five having tried this. (Figure 6.6).

Figure 6.6 Home internet use for downloading audio content

For which of the following do you use your home internet connection for; listening to or downloading audio content, such as music tracks or podcasts?



Source: Ofcom Understanding International Communications Behaviour research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

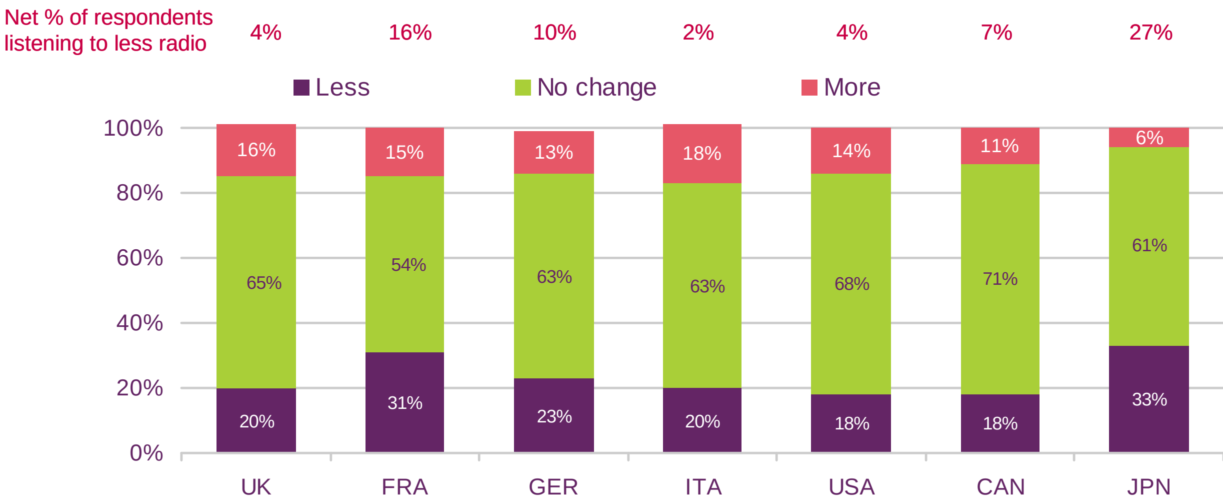
6.1.2.1 The impact of the internet on traditional broadcast radio listening

Access to the internet has for many people resulted in less time spent listening to traditional broadcast radio. However, in all countries a significant number of respondents claimed to spend *more* time listening to radio since acquiring internet access. Of the seven large comparator countries surveyed, on average almost one in four people (23%) said they were listening to less radio, while about 13% claimed to be listening to more.

Within the nations, listening in Japan and France appears to have been most affected by internet access; around a third of people claimed they were listening to less radio since acquiring the internet, while in the UK, Germany, Italy, the US and Canada, the proportion was about one in five. But other respondents claimed that access to the internet at home has had a positive impact on their radio listening – partly because audio lends itself to concurrent activities such as surfing the web. Almost one in five Italian people (18%) said their radio listening had risen since getting the internet, with slightly fewer people in the UK, France, Germany and the US making the same claim (Figure 6.7).

Figure 6.7 Change in off-line radio listening since first using internet

Since you started using the internet, which, if any, of the following activities do you believe you undertake more or less often OFFLINE? Listening to radio (%)



Source: Ofcom Understanding International Communications Behaviour research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

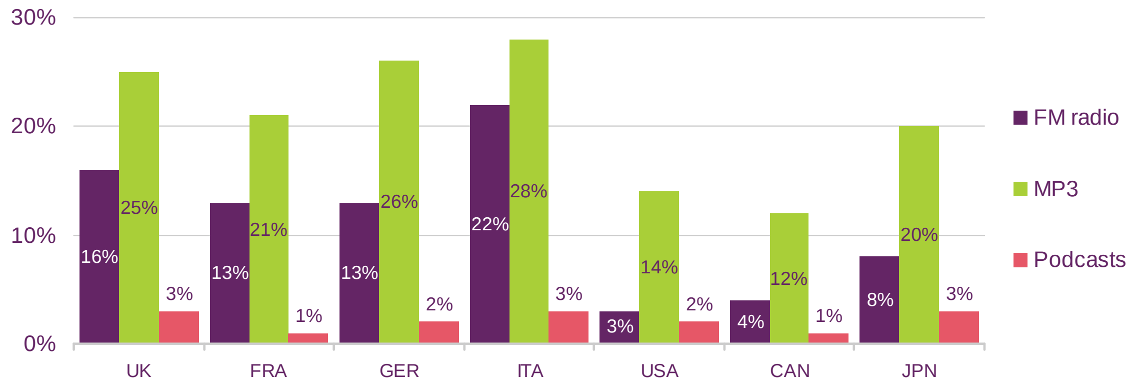
Mobile phone handsets often incorporate audio technologies such as analogue radio tuners and MP3 players. Listening to MP3 tracks using a mobile phone had been tried by around one in four mobile users in the larger Western European countries in our survey. One in five Japanese mobile users had done the same. But people in the US and Canada were less likely to have listened to MP3 tracks on a mobile handset (14% and 12% respectively). Listening to podcasts via a mobile phone remains a relatively niche activity; with a maximum of just 3% of mobile users claimed to have done this across the nations surveyed.

One in five Italian mobile users had listened to the radio using their mobile handset. In the UK 16% had used this feature, followed by 13% in both France and Germany. Radio listening via a mobile platform was less popular in Japan (8%), and lower still in Canada (4%) and the US (3%) (Figure 6.8).

Figure 6.8 Mobile audio service use

Which of the following activities do you use your mobile for: FM radio, MP3, podcasts?

Proportion of mobile users (%)



Source: Ofcom Understanding International Communications Behaviour research, October 2008
Base: all adults aged 18+ who use the internet (UK 1001, France 1000, Germany 1002, Italy 1003, USA 1010, Canada 1000, Japan, 1003)

6.1.3 Subscription-based satellite radio take-up approaching 20 million in the US and Canada - and is scheduled to launch in Italy by late 2009

The merger of the two US satellite operators XM and Sirius, first proposed in 2007, was approved by the FCC in July 2008, creating a business valued at around £1.9bn and with approaching 19 million subscribers across the US. As part of the agreement with the FCC, subscribers will be able to select smaller, cheaper packages of stations in the future. Whilst 8% of broadcast capacity (equivalent to 24 channels) will be allocated for non-commercial and minority programming.

The popularity of satellite radio in the US has been boosted by increasing take-up among commercial premises such as retail outlets, hotels and restaurants as well as among motorists, particularly commercial drivers, who value the ability to receive the same stations nationwide. A growing number of car manufacturers are now offering satellite radio as an option.

Sirius/XM differentiates its offer from free-to-listen radio by offering services that do not carry advertisements, as well as by covering major sporting events and by signing up exclusive shows hosted by high-profile presenters (such as Howard Stern and Oprah Winfrey). Sirius/XM plans to develop a larger in-home presence with the development of a range of portable satellite receivers, as well as equipment which can enable hifi equipment and PCs to receive satellite radio.

Both operators launched in Canada in 2005, following approval by the Canadian Radio-Television and Telecommunications Commission (CRTC). By November 2008 they had a combined subscriber base of over 1.2 million. The satellite operators in Canada are separate entities from their US counterparts, with majority ownership by Canadian companies, and also broadcast Canadian-produced content alongside the US service line-up.

Outside North America, *WorldSpace* satellite radio covers Asia and Africa, with two satellites that cover an estimated two-thirds of the world's population. By Q2 2007 WorldSpace had nearly 200,000 subscribers, the majority of whom were in India. A third satellite will launch in 2008 that will extend the service's coverage into Western Europe. The company plans to launch a service in Italy offering 40-50 channels by late 2009, with other European and

Middle East countries to follow including Germany, Switzerland, Bahrain and the United Arab Emirates.

6.1.4 Digital radio – following trials launch plans are developing

6.1.4.1 A growing number of digital radio standards are in development

In Europe digital radio service development has been based principally around the DAB (Digital Audio Broadcasting) Eureka 147 standard. This was first developed in Germany and transmissions began there in 1988; the first national DAB radio service was launched in the UK in 1995. More recently, the DAB+ and DMB standards have been trialled in a number of countries including Germany, Italy and France.

Work on improving the Eureka 147 standard has focused on exploiting improvements in compression techniques, to accommodate more data and a wider range of services such as video. The result is that DAB has been joined by DAB+ (using higher-quality 'MPEG Audio Layer 4' technology) and DMB (Digital Multimedia Broadcasting) which accommodates video services. These variants are coordinated by the World DMB (Digital Multimedia Broadcasting) Forum. Countries which have not yet rolled out Eureka 147 services may launch using one of these new variants rather than the original version of DAB. In autumn 2008 WorldDMB in conjunction with the European Broadcast Union announced a new receiver profile, with the aim to encourage the production of standard receivers which will work with all Eureka 147 variants. The new multiple receivers should become available from manufacturers during 2009.

Looking ahead, a number of countries are trialling new digital radio standards:

- In **Germany** the coming year will see further digital radio developments, with two new digital radio national multiplexes launching using DAB. A coordinated promotional programme, led by PSBs and commercial radio broadcasters, is also planned. T-DMB was launched in June 2006 in time for the FIFA world cup, offering five TV channels and one visual radio channel. T-DMB mobile handsets also incorporate a DAB receiver which currently provides access to around 50 DAB stations. DVB-H is also to be launched in 2008 across various German cities by broadcaster MFD and partners.

- The Groupement Radio Numerique (Digital Radio Group) in **France** has been lobbying for digital radio using T-DMB to be licensed in 2008. The development of DVB-T networks is also being considered, with DVB-H networks proposed for the future. There are plans to licence multiplexes using DMB during 2009, with services expected on air by the end of that year. Trials of DAB+ and T-DMB are currently under way in Paris and Nantes.

- The **Italian** broadcasters are also considering a similar model; using both DAB+ and T-DMB concurrently. The Italian public broadcaster, RAI, plans to launch DAB+ to provide a service which will include visual radio channels, while T-DMB services will provide audio channels as well as TV and data services. DVB-H was launched in Italy in 2006, but take-up has so far been relatively slow.

- DAB sales in the **UK** were over 7.5 million by November 2008, with home ownership at almost 30%. Around 90% of the UK population now live in areas covered by both the public BBC and commercial Digital One multiplexes, following the addition of further transmitters over the past year.

- **Ireland** is said to be likely to launch DAB services in the next year, following trials by RTE. By summer 2008 around 44% of the country was covered by the DAB trials, with around 23 stations available, 11 of which were digital-only stations. **The Netherlands** is planning to auction two national DAB licences by the end of 2008, with a further two DAB multiplexes to follow in 2009. There is currently around 70% outdoor coverage of the country. T-DMB and DVB-H are also being considered for mobile TV services, while a target for analogue switch-off for radio may be proposed for 2015.

- In **Japan**, the ISDB-T (Integrated Services Digital Broadcasting-Terrestrial) standard was launched in December 2003 by public broadcaster NHK alongside the commercial TV and radio operators. The ISDB-T standard is similar to DVB-T but is designed to carry services for both handheld and portable devices, as well as TV sets. Coverage in Japan is around 84%; over 7 million receivers had been sold by 2007. The expansion of digital radio services in Japan may, however, depend on digital television switchover, which is set to be completed by 2011. A standard based on ISDB-T is also now in use in **Brazil** and is also being trialled in a number of other South American countries.

- In the **US** satellite-based digital radio arrived in the late 1990s, followed by the terrestrial HD (Hybrid Digital) radio standard in 2002. HD radio technology can be used by AM and FM radio stations to digitally transmit audio and data in conjunction with their analogue signals. Around 1,800 stations, covering approximately 84% of the US, were broadcasting with HD by October 2008. HD receivers are now available for around $100; initially, manufacturers focused on developing models for vehicles and in-home hi fi, but are now also developing portable models. The Corporation for Public Broadcasting (CPB) allocated almost £24m in 2007 for the digital upgrading of over 600 public content radio stations, with over 300 public stations currently broadcasting via an HD signal in the US.

- In **Canada**, apart from satellite radio, other digital radio standards in use include DAB and HD radio. DAB coverage is currently around 35% of the population, covering Montreal, Ottawa, Toronto and Vancouver. T-DMB trials have also taken place in Canada this year in the Montreal area.

- Another standard Digital Radio Mondiale (DRM) was designed to use the AM spectrum and is therefore capable of providing digital services to a wider coverage area. DRM was first trialled in Geneva, **Switzerland** in 2003. DRM has also been trialled in a number of countries including **Russia** and **China** where it could offer a solution in providing services to larger and more dispersed populations.

6.2 The radio industry

6.2.1 Introduction

This section examines the revenues generated by the commercial radio sectors in each nation along with the levels of public funding that are available. Our main findings are that:

- Total world radio revenues reached £23.6bn in 2007, up by £0.3bn on last year. The seven countries considered in this chapter (the UK, France, Germany, Italy, the US, Canada and Japan) accounted for around £19bn, or 79% of the total.
- The US radio market generated around £10.6bn, equivalent to a 45% share of the global radio market; the UK industry generated £1.3bn, equivalent to approximately 5% of the world total, and up by £30m on 2006.
- Canada and Italy have the two fastest-growing markets of the seven countries profiled, although starting from lower revenue bases. Canada has seen revenue growth of 24% over the past four years, averaging 6.0% per year. The Italian market expanded by 21% over the same period (5.2% per year).
- Some radio markets experienced a fall in advertising revenues during 2007 as economic uncertainties impacted on advertising budgets. In the US, radio advertising revenue fell by 5.1%; in France it declined by 2.1% and by 3.8% in Japan.

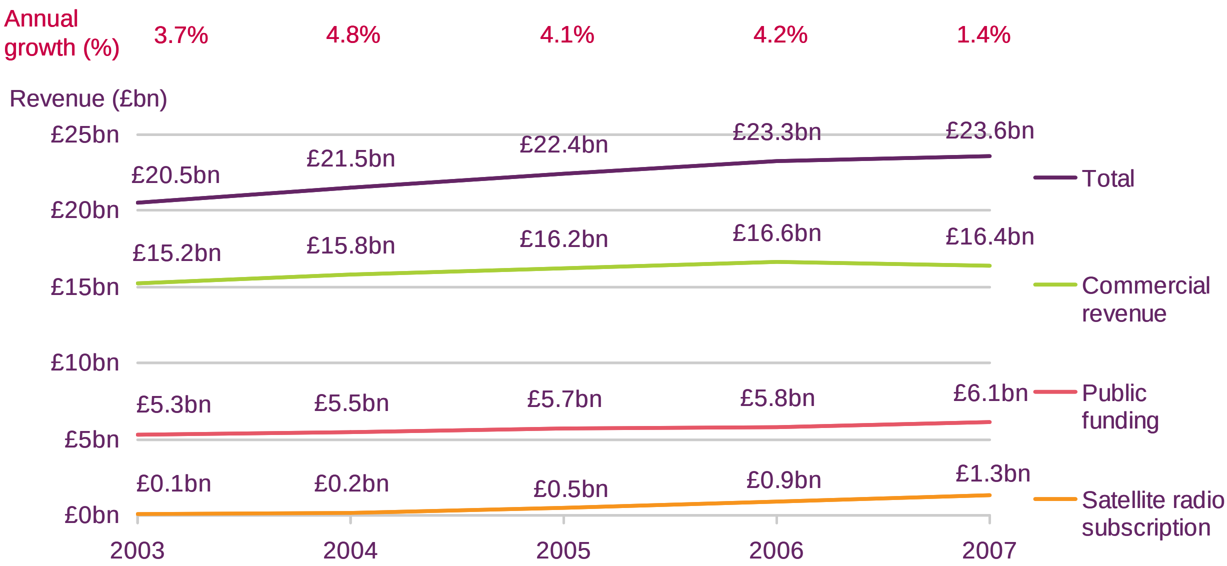
6.2.2 Global radio revenue

6.2.2.1 Radio revenue worldwide rose in 2007, with reductions in advertiser revenue in some countries offset by rapid growth in developing nations, alongside new subscription revenue streams and an increase in public funding

Global radio industry revenue rose by 1.4% or £0.3bn to £23.6bn in 2007, this was however lower than the growth rate over the previous three years when annualised growth averaged 4.2% (Figure 6.9). Commercial revenue (principally advertising and sponsorship but also some subscriber revenue) accounted for around 74% (£17.7) of the total, up by 1.1% or £0.2bn year-on-year. This was partly fuelled by revenue growth in developing radio markets and by the growing popularity of subscription-based satellite radio services in the US and Canada; subscription radio revenues rose by around 40% in the year from £0.9bn in 2006 to almost £1.3bn in 2007. The BRIC nations saw revenues increase by 19% in the year, up by £0.1bn. This growth helped to offset a fall in advertising revenues in a number of the more established radio markets such as those of the US, France and Japan.

Public funding accounted for the remaining 26% (£6.1bn) of all radio funding in 2007 and rose by £0.1bn or 2.3% year-on-year. This was lower than the average annualised growth of 2.9% over the past four years.

Figure 6.9 Global radio industry revenues, 2003 - 2007



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Interpretation of data is solely Ofcom's responsibility

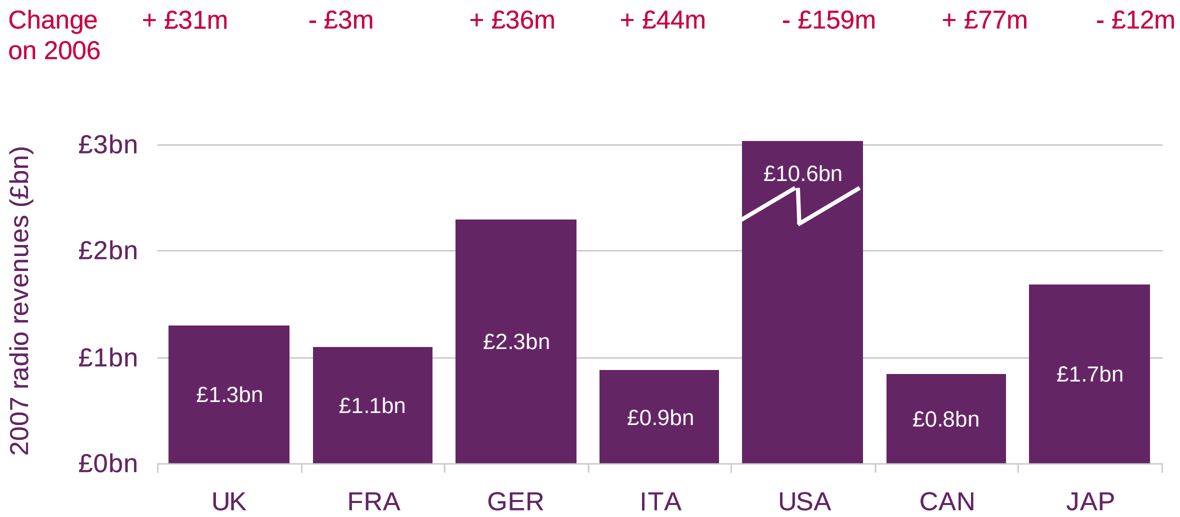
6.2.3 Revenues by nation

6.2.3.1 Advertiser spend on radio fell in some larger radio markets in 2007

The US radio market is the largest in the world, with 2007 revenues totalling £10.6bn, accounting for almost 45% of the worldwide total. Radio advertising spend in the US alone accounted for 57% of the global total (£9.3bn). However, this was down £0.2bn year-on-year, with advertising revenues 5% lower in 2007. The German market, the second largest, grew by £36m in 2007 to £2.3bn, driven by an increase in advertising revenues, up 6.7%.

Among the remaining nations, the Canadian sector was up by around £77m in 2007, aided by growth in both advertising and subscription revenues. Italy was the fastest growing European market, up by £44m, following an increase in both advertising revenues and public funding. The UK market expanded by £31m to reach £1.3bn in 2007, due to a rise in public funding from the licence fee. The Japanese and French markets both contracted slightly year-on-year, down by £12m and £3m, to £1.7bn and £1.1bn respectively (Figure 6.10).

Figure 6.10 Radio industry revenue, 2007



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Interpretation of data is solely Ofcom's responsibility

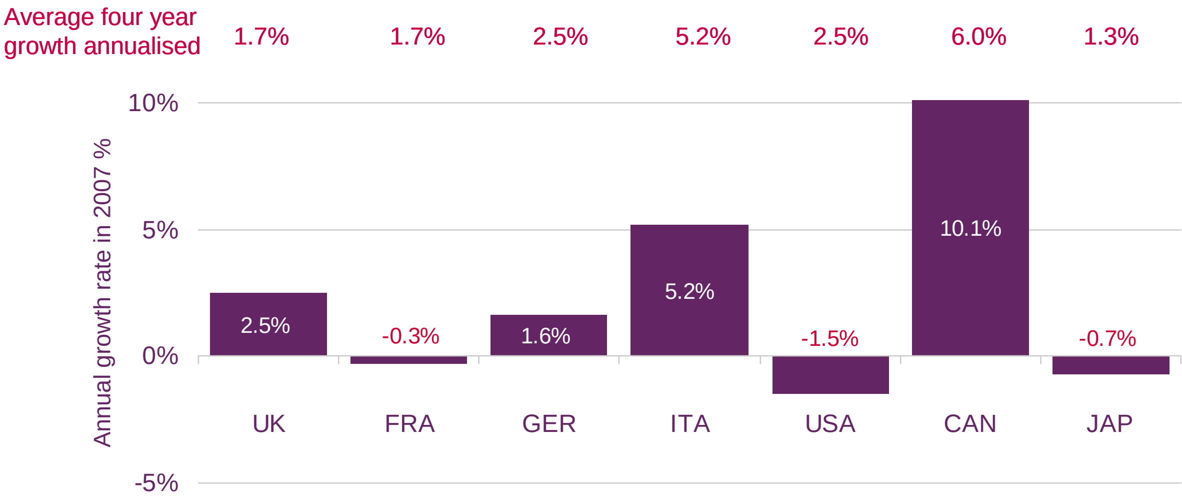
6.2.3.2 The Canadian and Italian radio markets were the fastest growing in 2007

The Canadian market has expanded rapidly since 2003, with revenue rising by almost 6.0% per year on average - revenues in 2007 were up by 10.1% on the previous year. Growth in Canadian radio has previously been driven by rising advertising revenue, but in the past year growing take-up of subscription-based satellite radio has also played a major part.

Historically, levels of radio listening in Italy have been lower than in the other countries. Despite this, spend on radio advertising in Italy grew fastest among the larger comparator European countries over the last four years, with average growth of 5.2% per year.

The US market has grown by 10.0% from four years previously in 2003, but contracted year-on-year by 1.5% amid reduced advertiser revenue. The German market has also expanded, up by 10.1% over the past four years, and was up by 1.6% in 2007. The markets in the UK (6.7%), France (6.9%), and Japan (5.3%) have all shown growth since 2003, but in the last 12 months, their fortunes were more mixed - France and Japan saw a fall of -0.3% and -0.7% respectively in 2007, while overall funding in the UK market grew by 2.5% (Figure 6.11).

Figure 6.11 Radio industry revenue growth, 2006 - 2007



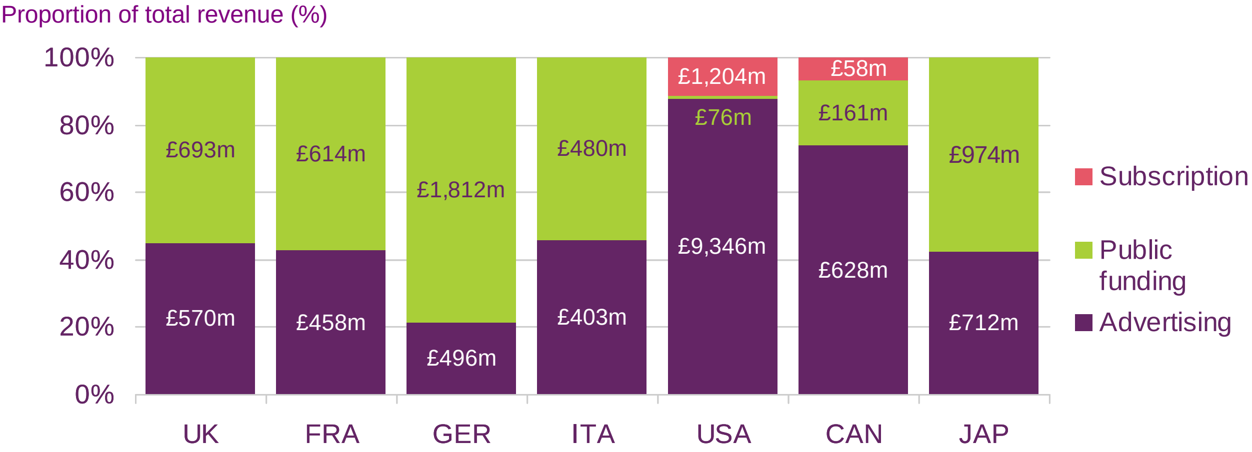
Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Interpretation of data is solely Ofcom's responsibility

6.2.3.3 Germany has the highest level of public funding, North American markets the lowest

Of the seven markets reviewed in this report, the majority of revenue in five countries – the UK, France, Germany, Italy and Japan - comes from a public funding source. The German market benefits from the highest proportion of public funding, with £1.8bn or 79% of the total coming from the German license fee (to fund ARD's public service broadcasting stations for the country's 16 regions). In Japan, 58% of industry revenue comes from a licence fee which is used to fund NHK's radio networks; in France the equivalent figure is 57% (to support Radio France). In the UK, 55% of radio industry revenue comes from the licence fee (to fund the BBC's network of radio stations) while in Italy, RAI's radio networks are also funded from the licence fee and in total account for a similar 54% of industry revenue.

Public funding plays a much smaller role in the US. In 2007 around £50m of federal funding was allocated by the Corporation of Public Broadcasting (CPB) for public radio services, while the National Public Radio (NPR) organisation spent around £76m on public programming and distribution. This equates to around 0.7% of all US radio revenue; the vast majority (almost £9.3bn or around 88% of the total) coming from advertiser spend, with satellite subscriptions accounting for the remaining 11% (£1.2bn – up by 36% year-on-year). In Canada, public funding accounted for around 19% of industry revenue, with CBC Radio Canada spending around £161m on radio services. Advertising revenue reached £628m in 2007 (74%), while subscription revenue from satellite radio increased to £58m (7% of total revenues in 2007), up from £12m in 2006 (Figure 6.12).

Figure 6.12 Proportion of radio industry revenue, by source

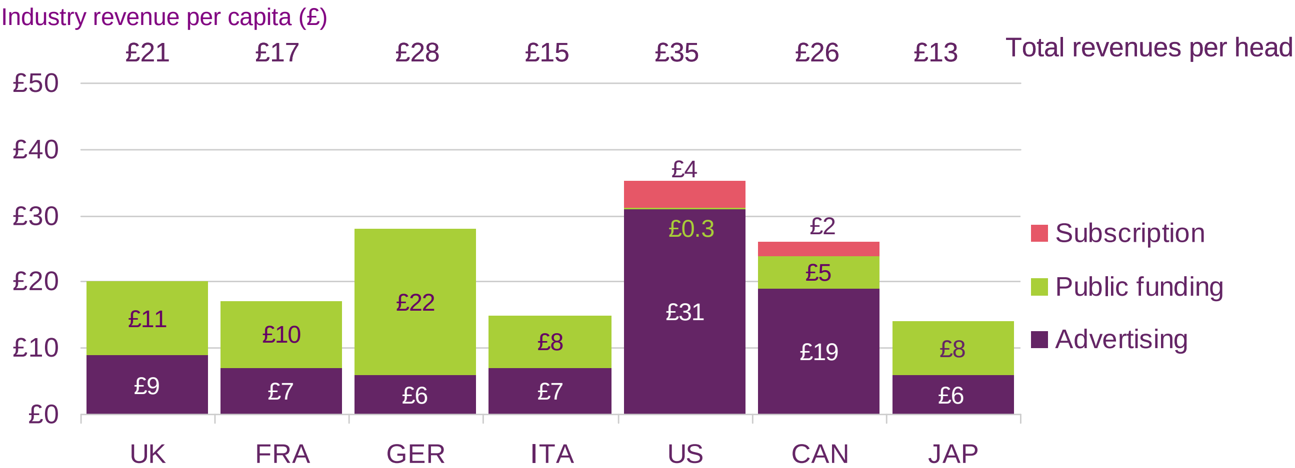


Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Interpretation of data is solely Ofcom's responsibility

6.2.3.4 US and German radio markets generate the highest revenues per capita

The US and German markets are the largest in terms of total revenues generated and are also the largest in terms of revenue per head of population. The US radio market generated around £35 per person in 2007, followed by £28 per person in Germany. The Canadian market generated the third highest revenues per head, at £26. The UK ranked fourth, with revenue of £21 per head, followed by France (£17) and Italy (£15). The Japanese market generated a slightly lower figure (£13).

Figure 6.13 Radio industry revenues, per head



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Population figures used in this calculation can be found in the country profiles. Interpretation of data is solely Ofcom's responsibility. Figures in chart are rounded.

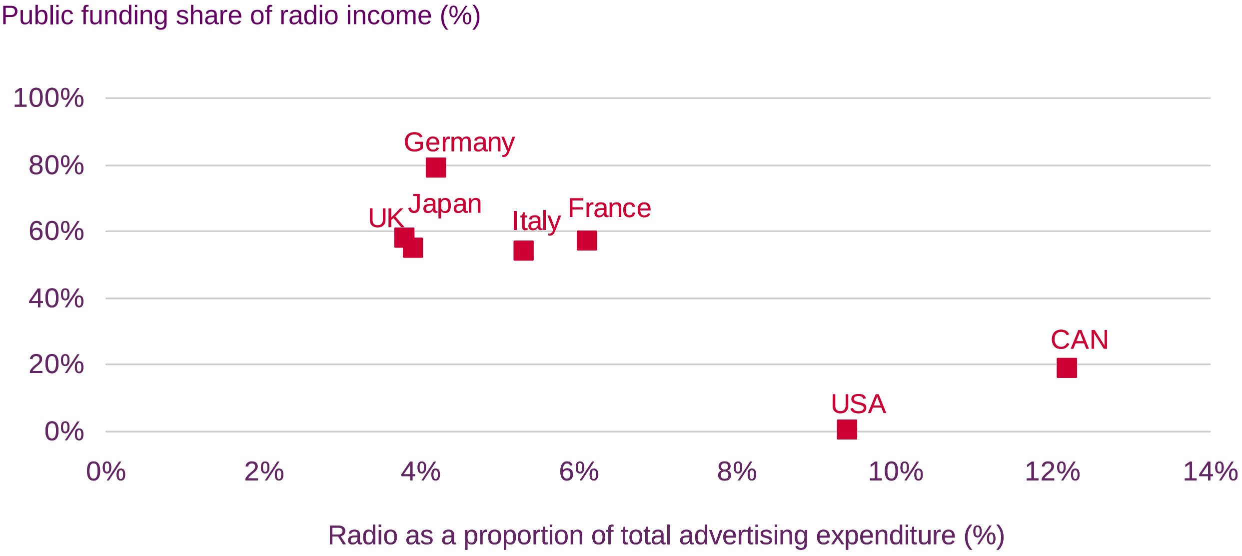
6.2.4 Radio's share of total advertising spend

6.2.4.1 Radio has larger role in advertising in North America

The radio share of all advertising spend can vary significantly by country. In Canada advertisers allocated the greatest proportion of display advertising to radio. Spend on radio accounted for 12.2% of total ad spend in 2007, also similar to share in 2006. The US market has the second highest share, with radio accounting for 9.4% of all advertising; this was, however, down from 9.9% in 2006. The North American radio markets have a lower level of public funding however when compared to the European countries. Public funding accounted for less than 1% of radio income in the US and around 19% of radio revenue in Canada.

The German radio market attracts the highest level of public investment, at around 79%, while radio has a 4.2% share of all advertising. The radio market in France had a higher than average share of advertising (6.1%), but a similar ratio of public funding to other European countries (57%). The UK is similar to Japan both in its public funding level (55% and 58% respectively) and overall ad spend (3.9% and 3.8% respectively).

Figure 6.14 Radio advertising as a proportion of total advertising spend and levels of public funding in 2007



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2008-2012, with additional public radio data from CRTC and CPB
Note: Ofcom has used an exchange rate of $2.001 to the pound. Interpretation of data is solely Ofcom's responsibility

6.3 The radio listener

This section examines patterns of radio listening across the comparator countries including; the numbers of stations available, time spent listening to radio, and the listening share of the public and commercial operators. The main findings are that:

- Listeners in the US and Canada benefit from the highest number of stations per head, with an average of 47 stations per million people in the US and almost 38 stations per million in Canada. This compares to around three stations per million people in Italy, Germany and Japan. In the UK there are around eight stations per million.

- Radio listening is highest in Poland and Ireland with individuals spending 4.8 and 4.2 hours per day respectively listening to the radio. Listening in Spain and Japan was lowest among our comparator countries, at 1.8 and 2.1 hours per day respectively; while UK listening ranked fifth with 2.9 hours per person per day.

- Public service radio stations' share of listening varies across our comparator countries. It is highest in Sweden, where Swedish Radio (SR) commands a 62% share of all listening. In the UK, the BBC attracted a 55% share in 2007 while ARD's radio network in Germany enjoyed a 49% share. By comparison, Spain's national public network, RNE (Radio Nacional de Espana) accounted for 7% of all listener hours in 2007. In Canada public radio share is around 12%, while public programming is estimated to account for less than an estimated 5% of listening in the US.

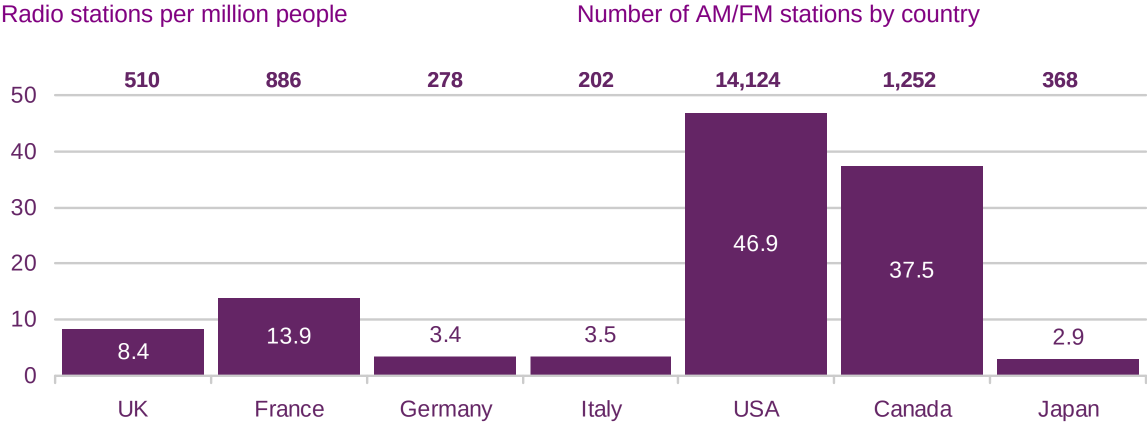
6.3.1 Station availability

6.3.1.1 US and Canadian listeners have access to the highest number of stations per head

Radio markets in North America are well developed in the sense that they attract higher levels of revenue per capita; they also offer the highest number of stations per head of population. In the US there are an estimated 14,000 licensed operators, equating to around 47 stations per million of population; in Canada there are around 1,250 stations, equating to almost 38 stations per million people. In France there were 13.9 stations per million and 8.4 per million in the UK. Listeners in Germany and Italy have access to around 3.5 stations per million people. In Japan there were 368 stations on air – almost 3 stations per million people (Figure 6.15).

It is worth noting that the number of stations in a country does not always equate to station choice; the figures below do not indicate station coverage in terms of population reached. In the US, for example, there are no nationally available terrestrial radio networks (although satellite services cover the whole country).

Figure 6.15 Number of broadcast-based local and national radio stations, per head

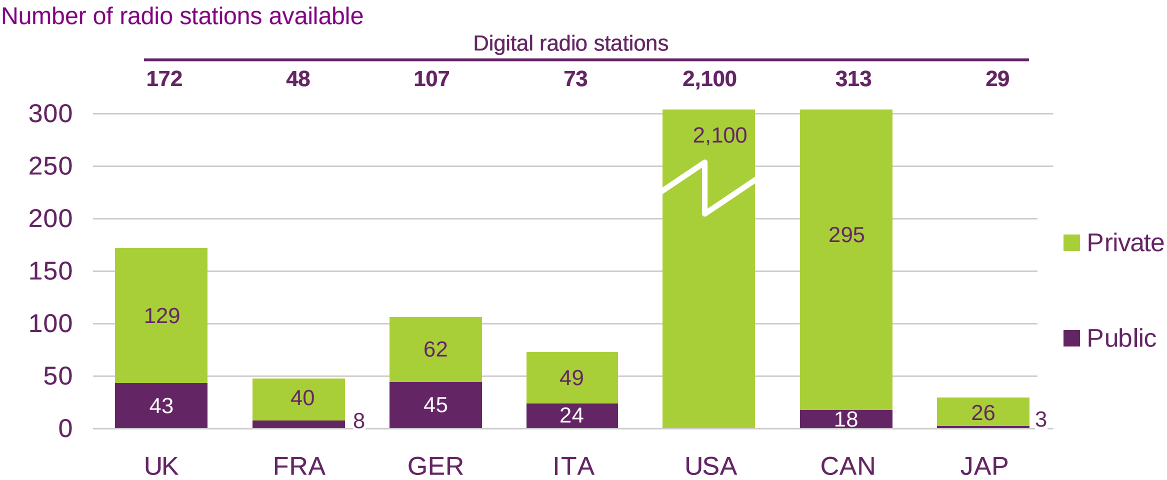


Source: IDATE, Ofcom

The number of digital stations broadcasting in Europe has risen in the past year across a variety of digital formats, with a number of trial stations currently being aired using DMB / DAB standards. The UK currently has the highest number of digital stations available of the main European countries with over 170, followed by Germany with over a 100, whilst digital stations are also being trialled in Italy and France during 2008.

Sirius and XM in the US offer access to around 300 stations, there are also 1800 stations now broadcasting via HD radio in the US, with a further 3000 aiming to do so in the future. Canadian listeners have access to around 200 satellite radio channels through Sirius and XM, alongside 76 stations broadcasting using DAB. DAB coverage is currently mainly available to people living in Canada's southern cities.

Figure 6.16 Radio stations available over digital radio platforms



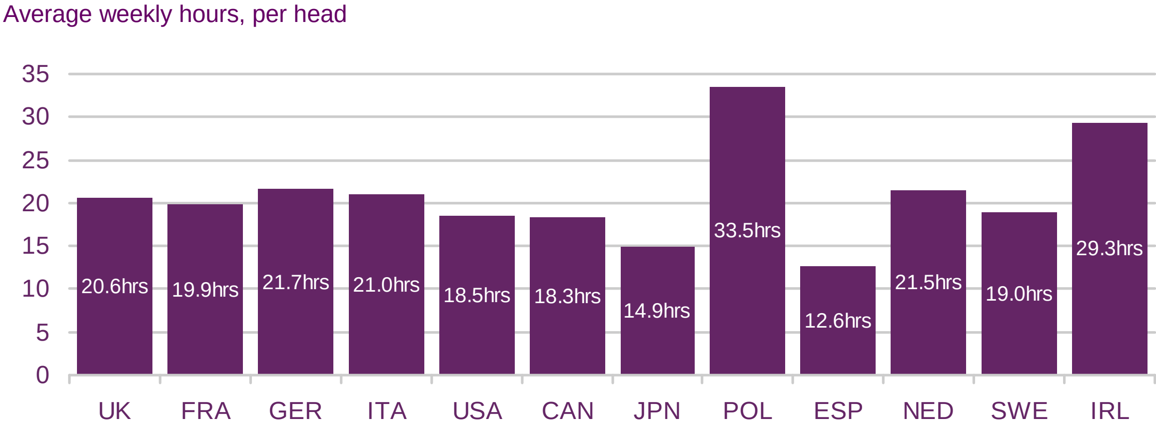
Source: IDATE, Ofcom
Note: Excludes internet-only stations

6.3.2 Radio listening

6.3.2.1 Time spent listening to radio varies by nation

Patterns of radio listening vary significantly from country to country. Listening is highest in Poland (33.5 hours per week) and the Republic of Ireland (29.3 hours). It is less popular in Spain and Japan (12.6 hours and 14.9 hours respectively). In the remaining comparator countries, listening typically averages around 20 hours per week (Figure 6.17).

Figure 6.17 Weekly listening hours: 2007



Source: IDATE, Ofcom
Note: Age ranges covered vary across countries

6.3.3 PSB radio's share of hours highest in Sweden, the UK, and Germany

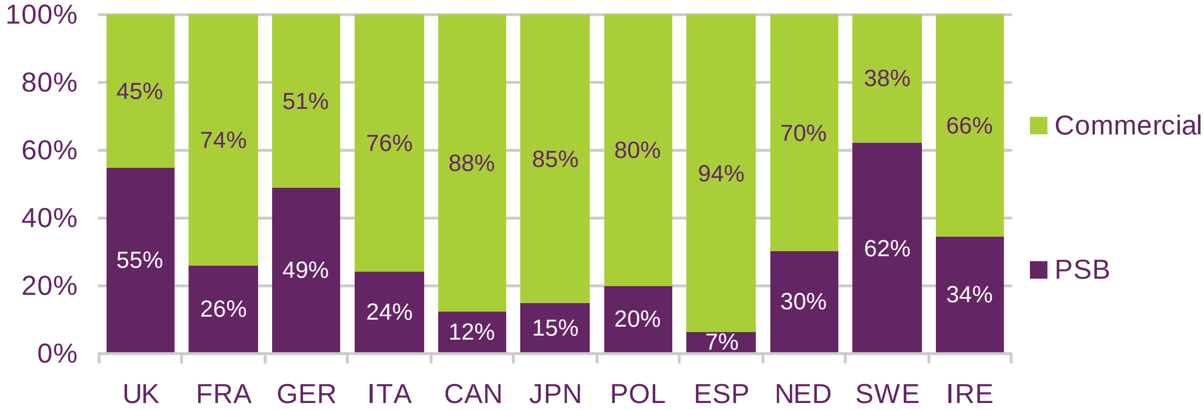
The share of public radio listening is highest in Sweden, where Swedish Radio (SR) has an established radio presence; with commercial radio arriving in 1993. SR's total share in 2007 stood at 62%, ahead of the BBC stations' share in the UK at 55%' and ARD's radio network in Germany, at 49%. By comparison, Spain's national public network, RNE (Radio Nacional de Espana), commands just 7% of listener hours. In Canada, CBC's stations attracted a share of around 12% of all listener hours, while French stations from Radio-Canada (SRC) had a share of around 17% in French speaking areas.

In the US there are a substantial number of non-profit stations as well as commercial stations which carry public radio programming. According to media research from Arbitron, public radio programming reaches around 11% of the US population aged over 12 on a weekly basis. These consumers listen to around 8 hours per week of public programming. This would therefore approximately equate to around a 5% share of all radio listening hours in the US.

The National Public Radio (NPR) organisation provides public radio programme content for around 860 independent stations in the US, reaching an estimated audience of 26 million per week. Overall there are an estimated 1,700 public radio stations operating in the US, equivalent to around 12% of US stations. Of these around 700 are funded by the Corporation for Public Broadcasting (CPB) (Figure 6.18).

Figure 6.18 Share of PSB listening, 2007

Audience share



Source: IDATE, Ofcom