



# The International Communications Market 2008

## 4 Television

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## 4.1 Television market developments

### 4.1.1 Television industry key metrics, 2007

	UK	FRA	GER	ITA	USA	CAN	JPN
Ads, subscriptions and public funds	£10.4bn	£7.0bn	£9.3bn	£6.3bn	£66.6bn	£4.4bn	£17.7bn
Revs per head	£172	£109	£113	£109	£221	£135	£139
<i>from advertising</i>	£58	£38	£36	£55	£110	£34	£67
<i>from subscription</i>	£71	£52	£37	£35	£111	£86	£48
<i>from public funding</i>	£43	£20	£39	£19	£1	£14	£25
Annual licence fee	£140	£79	£140	£73	n/a	n/a	£108*
Largest TV platform	DTT	DTT	ACab	ATT	DCab	ACab	DSat
Proportion of homes (%)	37%	29%	50%	40%	33%	35%	36%
ATT channels	5	7	13	9	5	7	7
Viewing per head (mins/day)	218	207	208	230	272	223	n/a
Share of largest channel (%)	22%	31%	13%	22%	8%	9%	19%
Share of three largest channels (%)	50%	63%	38%	54%	22%	18%	53%
DTV penetration	86%	66%	32%	56%	70%	53%	65%
DSO date	2012	2011	2009	2012	2009	2011	2011

Source: IDATE/Eurodata/Ofcom

\*The Japanese licence fee comes in two parts. This higher fee shown is payable for those households where broadcast satellite services are taken.

This section highlights several TV sector developments from our comparator countries:

- **Eighty-six per cent of UK main sets were connected to digital in 2007** (up from 77% in 2006), followed by the US (70%, up 9 pp), France (66%, up 13 pp) and Japan (65%, up 8 pp). In the Netherlands and Sweden analogue terrestrial TV has already been switched off.
- **More households chose to pay for additional television channels in 2007** in every comparator country, with the result that the majority of households in each country apart from the UK, Italy, Japan and Spain took a pay package; the majority (59%) of Polish households took pay TV for the first time in 2007. In the UK, pay television households remained in the minority – 47%, up by 2 percentage points on the year.
- Across ten of our comparator countries in 2007 there were an **estimated 28million pay-TV households with a digital video recorder (DVR)**, up by 52% since last year. Three countries accounted for 96% of the total: the US (73%), the UK (13%) and France (10%).
- **Around 9million subscribers paid for HD services in 2007 across the UK, France, Germany, Italy, the US and Canada.** Subscribers in the US and Canada accounted for 87%, or 7.9 million of the total, with the UK responsible for over half of the remaining 1.2 million.

- **Global TV industry revenue reached an estimated £166bn in 2007** (£10.4bn was from the UK), up by 6% on the year. Advertising was the largest component, at £81bn, although for the first time it didn't account for the majority of the total.

#### **4.1.2 The analogue terrestrial platform begins to disappear on main sets in Europe**

Homeowners in each of the countries in this study continued to replace analogue TV technology with a digital counterpart during 2007. Digital switchover (DSO), which took place in the Netherlands during 2006, was completed in Sweden during 2007. However, main sets in each of these countries did not rely heavily on terrestrial television, thereby reducing the challenge of converting them to digital in the approach to DSO.

Even in countries where terrestrial TV is more popular on main sets (such as the UK, France and Italy) the switchover process has either begun or is about to:

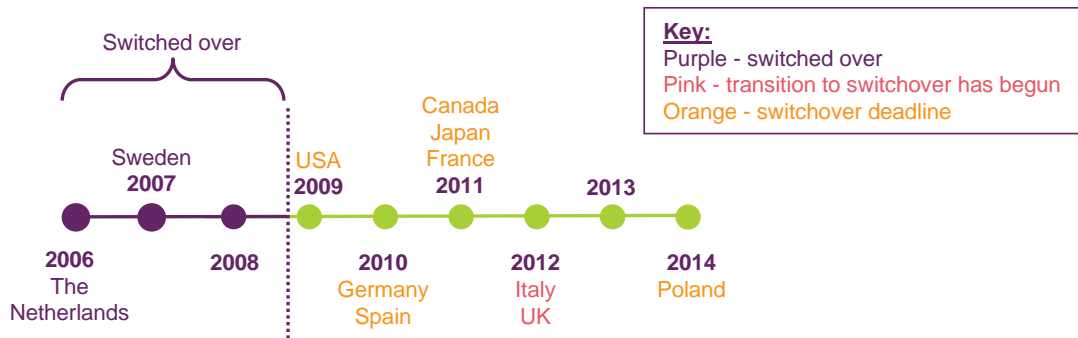
- In Italy, switchover began in Sardinia during 2007 and will be completed in late 2008. The process has also begun in Val d'Aoste and will soon commence in Turin/Cuneo, Trentino and Alto Adige.
- In the UK, switchover in Copeland took place in November 2007, and Selkirk was the second part of the Borders region to switch to digital in November 2008.
- In France, Coulommiers will be the first pilot switchover area, while the country's media regulator (the CSA) has recommended that switchover should start in those regions of France where DTV take-up is highest.

With the digital switchover date approaching in several of our comparator countries, policy makers/regulatory authorities are arranging for DTT roll-out to an increasing proportion of the population:

- it currently covers 98% of Sweden (for four out of five available multiplexes);
- 73% of the UK population is currently covered by all six multiplexes;
- by the end of 2008, 89% of French viewers and 90% of German viewers will be covered; and
- at its 2009 launch, about 70% of viewers in the Republic of Ireland will be able to get DTT.

France has also joined the US in mandating the inclusion of digital tuning technology in all new television sets produced and sold, while US consumers are able to apply for discount vouchers that contribute towards the cost of DTT receivers.

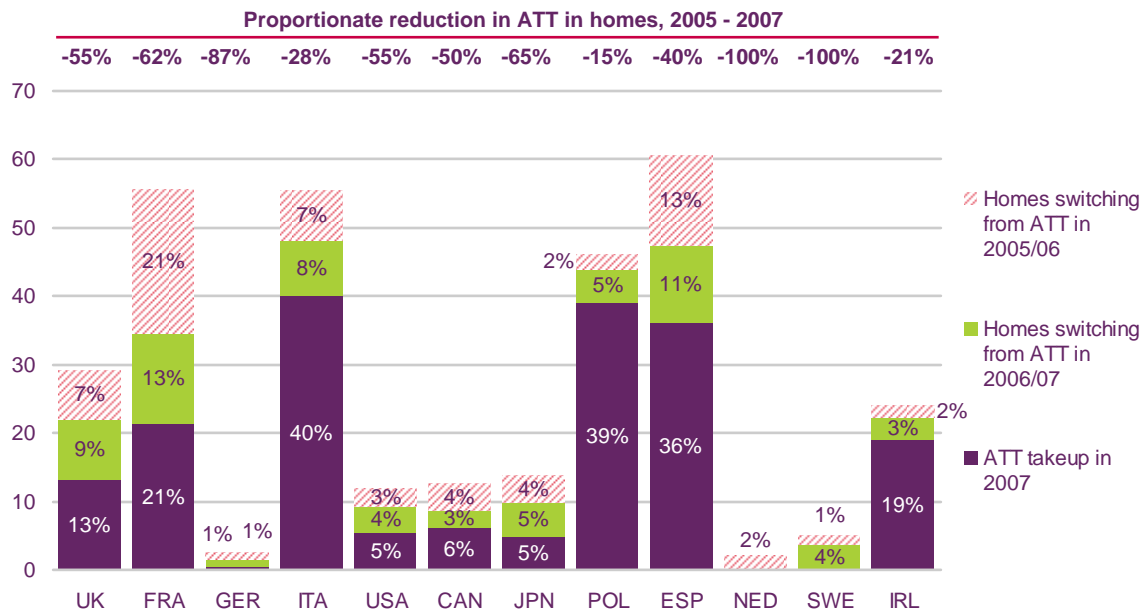
**Figure 4.1 Timeline for DSO**



Source: Ofcom research

To put the rate of analogue terrestrial migration into context, just two years ago the majority of households in France, Italy and Spain still had analogue terrestrial television (ATT) on their main set. Digital conversions have reduced that total substantially in every case – to just one in five French households and to about two in five households in Italy and Spain (Figure 4.2).

**Figure 4.2 Analogue terrestrial television take-up: 2005 - 2007**



Source: IDATE

But migrations to digital are also being driven by platform operators' network upgrades. Digital cable and satellite networks can carry a wider range of channels, while digital cable technology can support television on-demand services and network operators have been proactively marketing digital services to their analogue customers. As a result, analogue cable take-up fell by 17 percentage points in the Netherlands, by 5pp in the US and Sweden and by 4pp in Canada. In Poland, analogue satellite's share of main sets dropped by 5pp during 2007, possibly reflecting the competition for subscribers among the three competing pay-satellite providers.

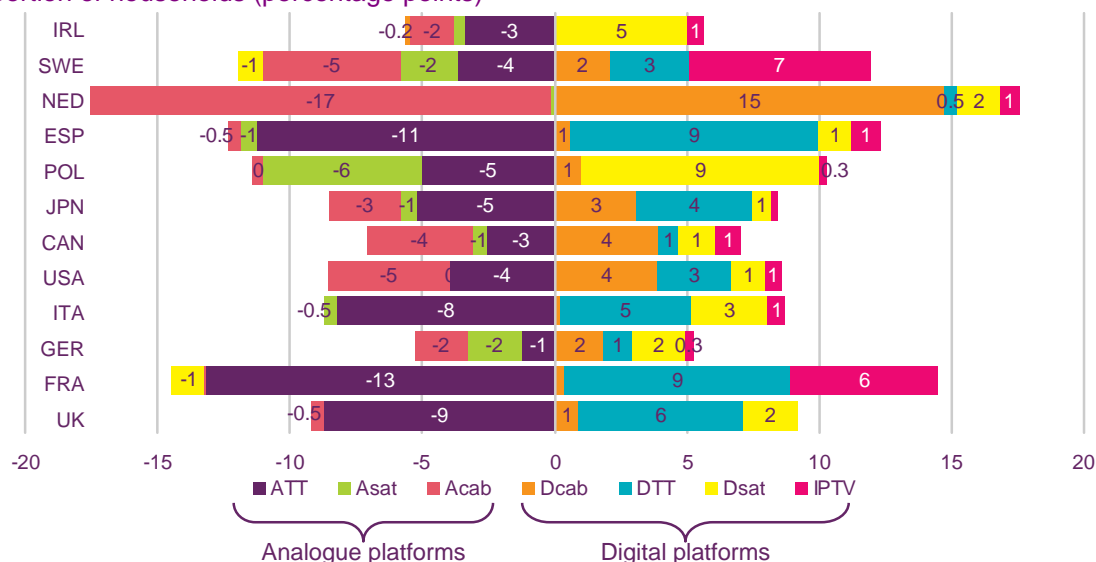
By country, different platforms benefited from analogue platform migration during 2007:

- digital satellite was the main choice in Poland and the Republic of Ireland;
- digital terrestrial was popular in Spain, France, the UK and Italy;

- IPTV take-up grew rapidly in France and Sweden; and
- digital cable was the most popular choice in the Netherlands and Canada (Figure 4.3).

**Figure 4.3 The changing television platform mix during 2007**

Proportion of households (percentage points)



Source: IDATE

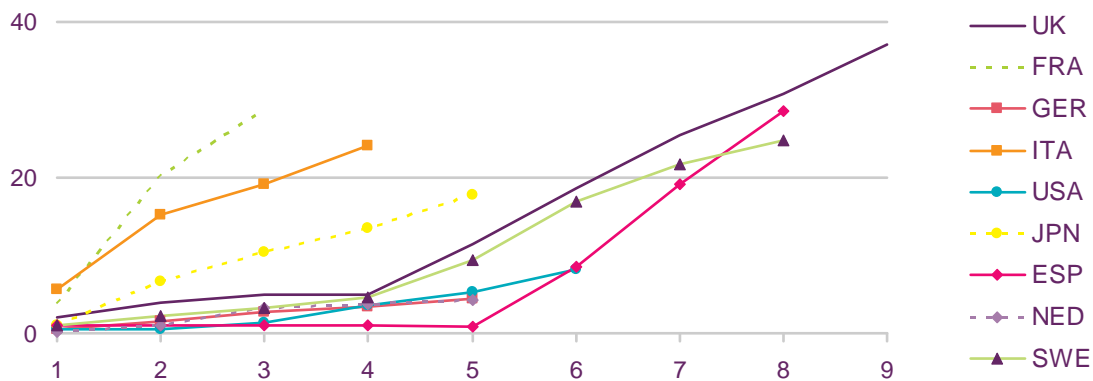
DTT first launched as a pay-TV platform in the UK and Sweden ten years ago, followed by Spain a year later, in 1999. While the pay-TV proposition survived in Sweden, the UK and Spanish platforms relaunched largely as free-to-view platforms (although a pay service - Top Up TV - continued to play a role in the UK). Later launches (e.g. in France and Germany) followed a similar model. The availability of a subscription-free DTT proposition has, in each case, had the effect of stimulating take-up in DTT, as illustrated below in Figure 4.4.

But pay-DTT has retained a presence in several of the countries in this study, including France, Italy and the UK. And there are signs that the pay-DTT pioneers are now exploiting their expertise in newer DTT markets:

- Top-up TV, which has operated a pay-DTT service in the UK for five years, launched its *TNTop* channel bundle in France in May 2008, offering up to eight live pay-TV channels.
- Boxer, the Swedish pay DTT platform operator, is part of a consortium that won the right to manage three DTT multiplexes in the Republic of Ireland, which will launch in 2009 with 30 TV channels (Figure 4.4).

**Figure 4.4 DTT take-up since launch**

Number of years since DTT platform launched



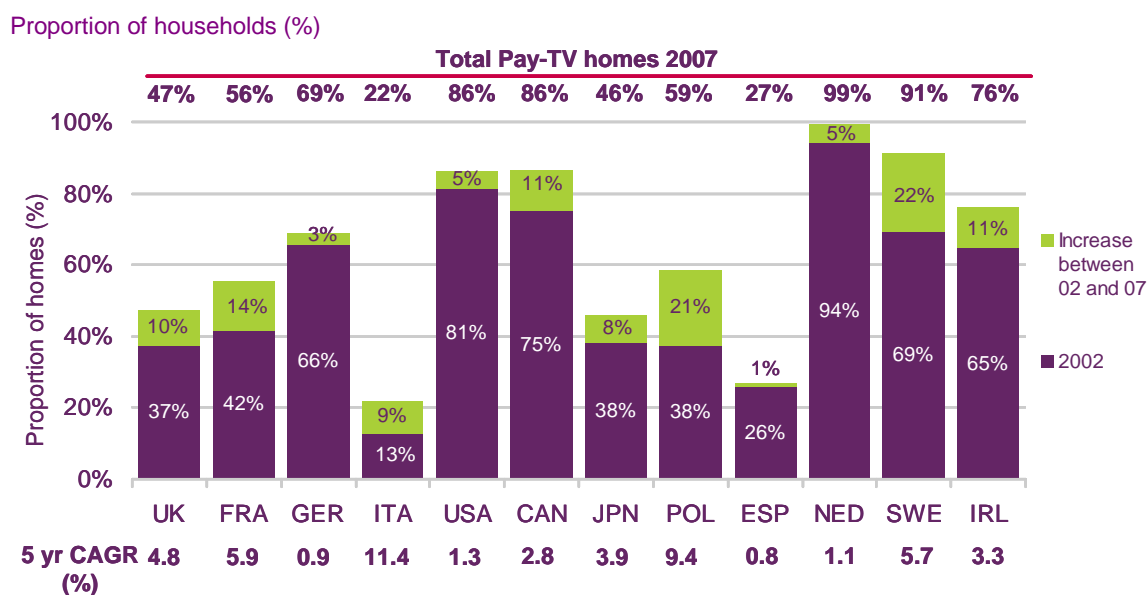
Source: IDATE

### 4.1.3 In the face of growing platform competition, pay-TV maintains its market share

Consumers in all the countries in this study are able to choose between two or more digital television services, at least one of which normally offers a subscription television service. When homeowners make the switch to digital television, paying for more channels becomes an option, and with DSO imminent in a number of countries in this study, pay-TV operators have continued to build up their subscriber bases.

Between 2002 and 2007 pay-TV take-up rose across all the countries in this study, and for the first time in 2007, the majority of households in Poland (59%) paid for additional channels (a threshold reached by France in 2006), following an increase of 21 percentage points over the period (Figure 4.5). At the opposite extreme, pay-TV operators in Spain and Germany experienced only modest subscriber growth of 1 and 3 percentage points respectively. But it was in Italy that the largest *proportion* of households migrated to pay television over the five years to 2007 (69%), albeit from a low base, with the result that just over one in five Italian households now pay for additional television services, up from just over one in ten five years ago.

**Figure 4.5 Pay-TV take-up: 2002 to 2007**



Source: World Television Markets 2008, IDATE/Ofcom

Note: The data for Germany and the Netherlands should be treated with caution as pay-TV figures include households that pay a small 'cable relay' payment in return for access to free-to-view channels

Pay-TV players in each market have faced and responded to a range of recent industry trends, technological innovations and consumer challenges. These include:

### 1. The launch of free 'multichannel' TV

Several newer, sometimes cheaper alternatives to pay-TV have emerged which have tested the competitive position of established pay-TV operators. For example, pay-TV operators CanalSatellite in France, Digital+ in Spain and BSkyB in the UK have each been joined recently by a (mostly free) DTT service, which has in each case experienced rapid consumer adoption.

Pay-TV operators have sought to take advantage of the free platform's growth, either by launching a pay proposition over the platform (e.g. France's Canal+ channels are available on DTT for a monthly fee) or by using the growing popularity of DTT to 'shop window' pay television services (e.g. BSkyB is a shareholder in the UK's Freeview and offers access to some of its free-to-air channels).

There has also been a move by some satellite-based pay-TV operators to draw consumers onto the satellite platform using a free satellite service; for example, CanalSatellite in France launched its free-to-air service *TNTSAT* in June 2007. BSkyB has offered a free satellite service for some time, which recently re-branded as *Freesat from Sky*; this came as new entrant *Freesat*, the free-to-air service from the BBC and ITV, launched in May 2008.

### 2. IPTV launches

IPTV services have also expanded the range of pay-TV services on offer to consumers, resulting in increased consumer choice. Italy's IPTV market leader, *Fastweb*, was a pioneer of IPTV in 2003. In France and Sweden, IPTV already accounts for 12% and 8% of households respectively. In Japan, satellite pay-TV market leader Sky PerfecTV has also ventured into this market through its part-owned subsidiary Opicast with its Hikari service, although it is still in its infancy.

### 3. Retaining key content rights

Sports and film rights have traditionally been drivers of pay-TV subscriber growth, and platform operators periodically compete to secure exclusive distribution rights. In Germany, for example, the pay-satellite operator Premiere lost subscribers in 2006, when it lost live Bundesliga soccer to Unitymedia-owned Arena. A subsequent sub-licensing agreement allowed Premiere to carry the Bundesliga packages once again on its platform and on other cable and IPTV operators' platforms within Unitymedia's cable footprint. In Italy, where football rights are currently sold club-by-club, Sky Italia shows all live league soccer matches on a subscription basis, but since 2005 Mediaset and Telecom Italia both offered matches on a pay-per-view basis. But from 2010, the top Italian soccer clubs will sell rights collectively; this change could have a significant impact on Italy's pay-TV market.

In the last quarter of 2006 France's two satellite operators, CanalSat and TPS, merged to create Canal Plus France, which controls the satellite platform CanalSat. One of the 59 government conditions for this merger was that, in the absence of pay-TV competition, Canal Plus' output deals with Hollywood studios must not run for more than three years.

### 4. Launching enhancements to the core pay-TV service

Pay-TV operators have responded to market challenges, such as increasing platform choice, by seeking to differentiate their offer, by diversifying away from premium content and by identifying new revenue streams to bolster ARPU (average revenue per user). Introducing new services such as HD, VOD and DVRs have been popular solutions.

Figure 4.6 offers a snapshot of the recent developments by the pay-TV leaders in the various countries. For example, in the UK, Sky+ DVR subscriptions reached 4.1 million by the end of September 2008, equivalent to 46% of Sky DTH households. BSkyB launched HDTV in May 2006, and reported 591,000 HD subscribers by end-September 2008.

**Figure 4.6 Summary of developments from leading pay-TV operators**

Broadcaster	Developments
<b>UK</b>	BSkyB <ul style="list-style-type: none"> <li>Launched Sky+ HD in May 2006 and currently offers 26 HD channels (as at October 2008)</li> <li>591,000 HD subscribers at end-September 2008</li> <li>Sky+ DVR subscribers reached 4.1 million at the end-September 2008</li> <li>Launched VOD service Sky Anytime to Sky+ customers in March 2007</li> </ul>
<b>FRA</b>	CanalSat <ul style="list-style-type: none"> <li>HD launched in 2006 and there are currently 9 HD channels</li> <li>Launched Canal+ on demand in March 2008 to existing customers</li> </ul>
<b>GER</b>	Premiere <ul style="list-style-type: none"> <li>Launched HDTV in December 2005 and currently has two HD channels</li> <li>In June 2005 launched VOD service Premiere Direkt+</li> <li>In April 2008 signed deal with Warner Bros to show films on VOD simultaneously with DVD release</li> </ul>
<b>ITA</b>	Sky Italia <ul style="list-style-type: none"> <li>Introduced DVR decoder MySKY in November 2005</li> <li>Introduced HD in April 2006 with four channels which have increased to six (October 2008)</li> </ul>
<b>USA</b>	Comcast <ul style="list-style-type: none"> <li>Comcast claims over 1,000 hours of HD programming at any one time available on broadcast channels and on demand (October 2008)</li> <li>Offers over 10,000 on demand titles each month</li> </ul> DirecTV <ul style="list-style-type: none"> <li>Currently offers over 100 HD channels (October 2008), with plans for 120 by the end of the year</li> <li>Launched DirecTV on Demand service nationwide in June 2008 to DVR subscribers</li> </ul>
<b>CAN</b>	Rogers cable <ul style="list-style-type: none"> <li>Last figures reported were 2006 HD subscriber numbers of 200,000 (8.8% of its basic subscribers)</li> <li>However 2007 annual report claims "strong demand for HD and PVR digital set top box equipment. "</li> </ul>
<b>JAP</b>	SkyPerfectTV <ul style="list-style-type: none"> <li>Currently with 15 HD channels (October 2008), "SKY PerfectTV! HD" plans to expand to more than 70 channels in October 2009, and ultimately providing over 100 HD channels to subscribers</li> <li>In October 2006, Sky began offering a DVR service</li> </ul>

Source: Industry data/Ofcom

#### 4.1.4 Consumers beginning to embrace pay-TV service enhancements

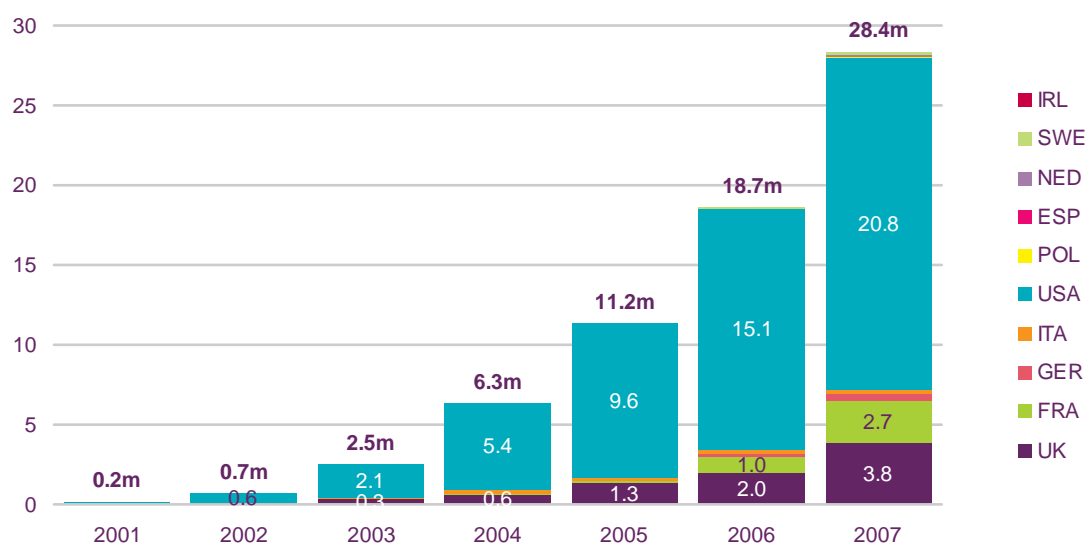
Consumer demand for pay-TV service enhancements, like digital video recorders and high-definition television, has risen steadily.

##### 4.1.4.1 Homes in the US, the UK and France most likely to have a digital video recorder

Among nine of our comparator countries<sup>1</sup> an estimated 28 million pay-TV households<sup>14</sup> had a digital video recorder (DVR) in 2007, up by 52% on the year<sup>15</sup>; over the last five years, take-up has roughly doubled every year. Among the ten countries, three accounted for 96% of the total: the US (73% or 20.8 million), the UK (13% or 3.8 million) and France (10% or 2.7 million). While the US continued to drive DVR market growth in 2007, the UK and French markets have also begun to make growing contributions, driving down the US share of DVR devices by 8 percentage points during 2007 (Figure 4.7).

**Figure 4.7 Pay-DVR take-up**

Volumes of digital video recorders by country (millions)



Source: Ofcom calculations based on data supplied by Screen Digest

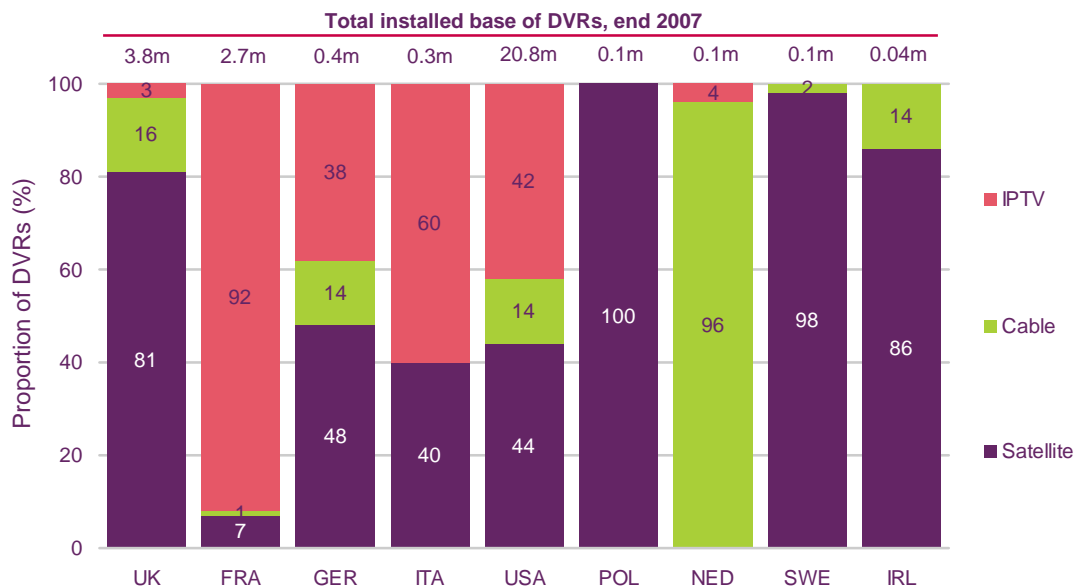
The platform driving DVR take-up differs by country, which may partly reflect:

- consumers' historic allegiances to one platform (e.g. cable in the Netherlands); and
- the recent popularity of a newer digital platform (such as IPTV in France).

Across the nine comparator countries, satellite was the preferred platform for DVRs among pay-TV subscribers in 46% of households, followed by IPTV with 41%; cable households accounted for the remaining 13%. Satellite was the main supplier of DVRs to pay-TV subscribers in Spain, Poland, Ireland, the UK and Sweden. In the US, Italy and Germany, DVR services supplied by satellite and IPTV providers tended to be popular (Figure 4.8).

<sup>14</sup> Note that this does not take account of 'free' homes with DVRs – e.g. those with free DTT or free satellite services.

<sup>15</sup> This includes the UK, France, Germany, Italy, the US, Poland, The Netherlands, Sweden and the Republic of Ireland.

**Figure 4.8 DVR take-up by country and platform**

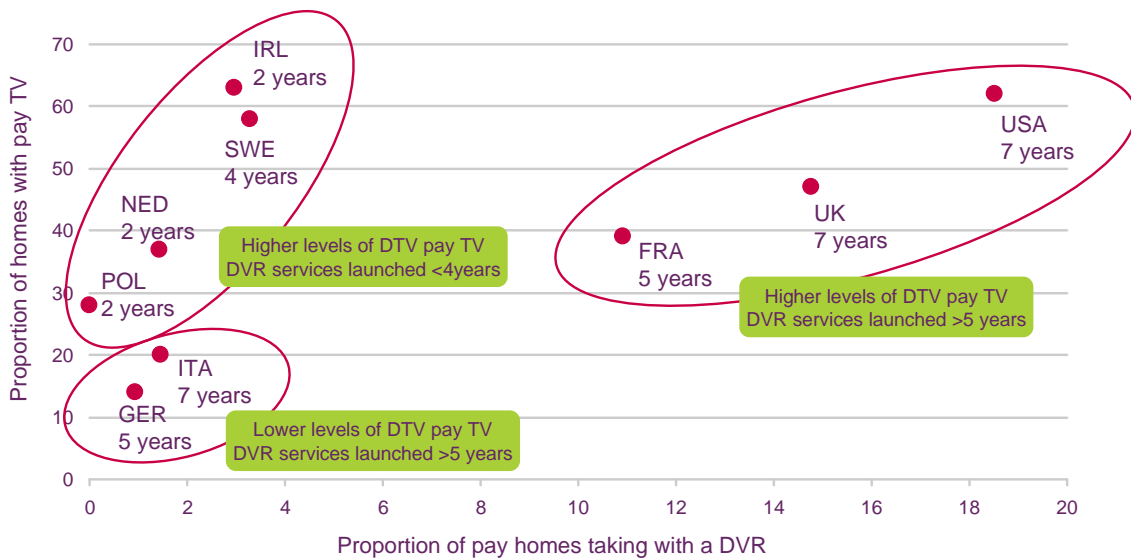
Source: Ofcom calculations based on data supplied by Screen Digest

At least two factors appear to drive the proportion of pay-TV households converting to DVRs:

- first, the tendency of people in a country to pay for digital subscription TV; and
- second, the length of time DVR services have been available.

Pay-TV platform operators in the US and the UK were the first to launch DVRs, introducing services in 2001; with relatively high levels of digital pay-TV penetration; these countries lead in overall DVR take-up. By contrast, take-up in Germany and Italy is lower, despite services having been available for some time – because low levels of pay-TV take-up limit the size of the addressable market. A third category of countries where DVR adoption is high includes the Republic of Ireland, Sweden, the Netherlands and Poland; although DVR services launched there only recently, pay-TV take-up is relatively high, which has enabled rapid consumer adoption (Figure 4.9).

**Figure 4.9 DVR take-up versus digital pay-TV take-up**



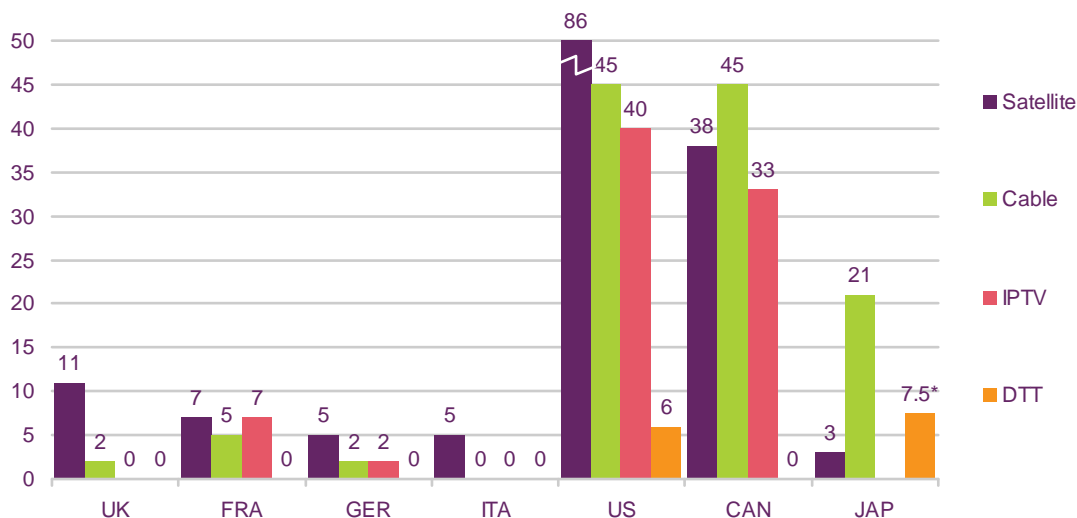
Source: Ofcom calculations based on data supplied by Screen Digest

**4.1.4.2 Subscribers in the US and Canada have access to the largest number of HD channels**

Viewers in Japan were the first to benefit from high-definition (HD) television, using an analogue terrestrial standard, during the 1980s. High-definition services using digital transmissions were launched first in the US in 2000 to coincide with that year’s Superbowl. Since then, platform operators in many other countries that form part of this study have rolled out similar services, although platform operators in the US and Canada continue to offer more channels than elsewhere (Figure 4.10).

**Figure 4.10 Number of HD channels on offer, by platform and country**

Number of channels



Source: IDATE

Notes: \*Japanese DTT figure represents an average of HD channel availability across different regions

#### 4.1.4.3 The UK has the largest proportion of HD subscribers among larger European countries

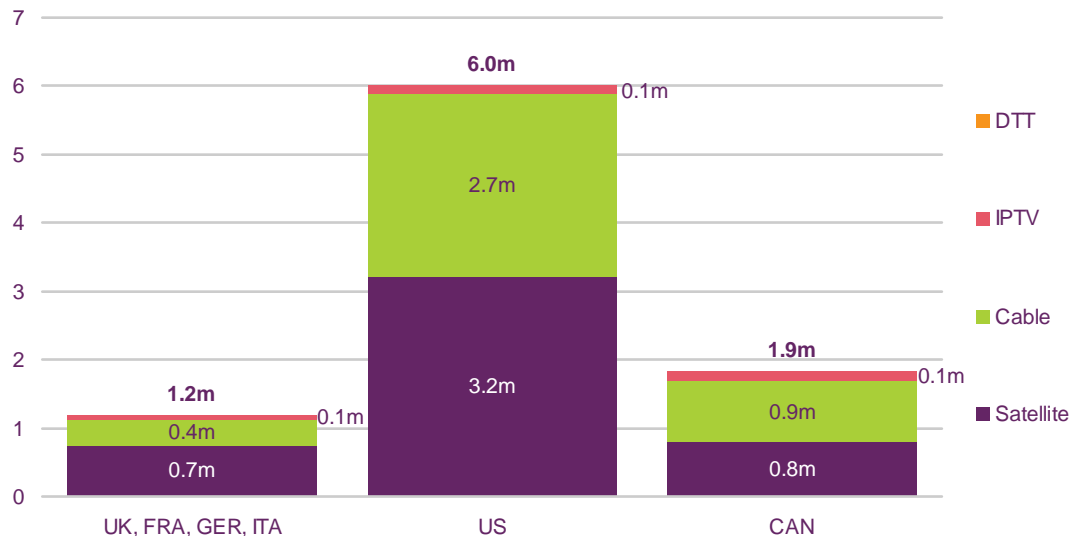
High-definition has often been introduced as a value-added service, attracting an additional monthly fee (the exception is Japan, where free-to-view channels have been available in HD since the launch of the analogue standard). Over time, however, prices in some countries have been restructured to attract a wider range of subscribers (for example, Premiere in Germany reduced its HD tariffs in 2007, BSkyB halved the cost of its HD set-top box in 2008). High-definition services may soon begin to enter the mainstream:

- HD services on terrestrial television are already available in Japan and the US, although not all programmes are available in HD;
- Ofcom in the UK and CSA in France have both begun to take steps towards launching HD services on Freeview and TNT respectively; and
- free-to-view satellite services, such as Freesat in the UK, offer consumers access to HD services for a one-off equipment/installation fee.

There are an estimated 9 million subscribers paying for HD services among six of our large comparator countries (the UK, France, Germany, Italy, the US and Canada). Subscribers in the US and Canada account for 87% or 7.9 million of the total; the UK, France, Germany and Italy combined account for the remaining 13% or 1.2 million, of which the UK accounted for 0.7 million subscribers at the end of 2007 (Figure 4.11).

**Figure 4.11 Number of HD subscribers, by platform and country: end 2007**

Number of subscribers



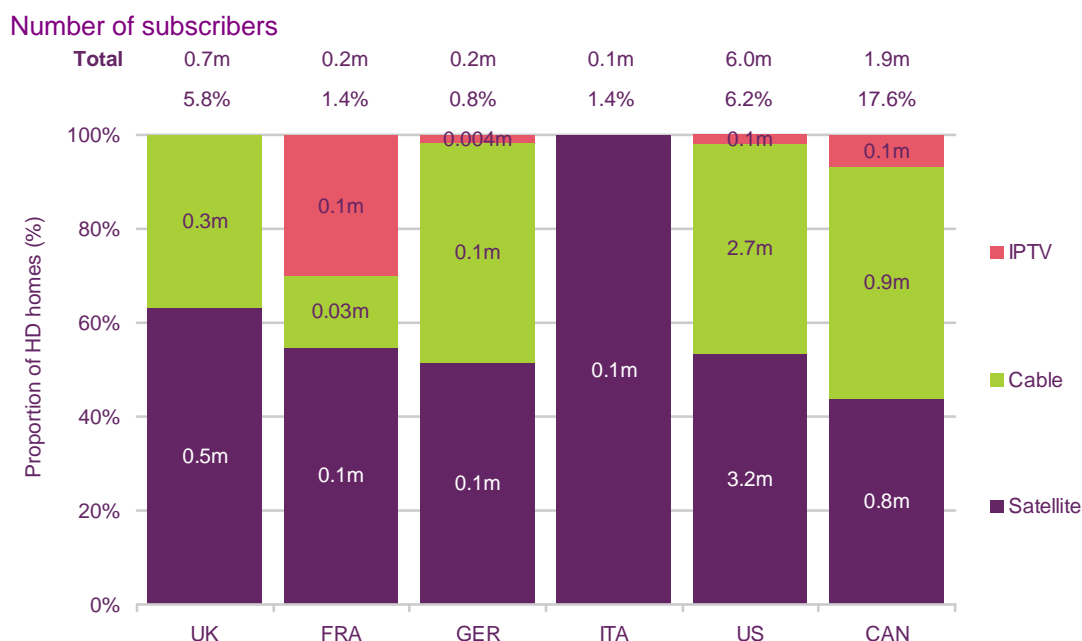
Source: IDATE

Note: This does not include households in the US and Japan that receive HD without a charge over the DTT platform

By country, different platforms have been responsible for driving HD subscriptions. Satellite accounted for the largest proportion of HD households in the UK, France, the US and Italy. In Canada, cable households commanded the larger proportion, while IPTV was a significant provider of HD subscriptions both in France (through *Free*) and, to a lesser extent, in Canada. As a proportion of all subscription television households in Canada, HD was the most popular platform, with nearly one in five paying subscribers taking it; the US ranked

second with 6% of its subscriber base paying for additional HD channels, while the UK ranked third, with nearly 3% (Figure 4.12).

**Figure 4.12 Number of households paying for HD , by platform and country**



Source: IDATE

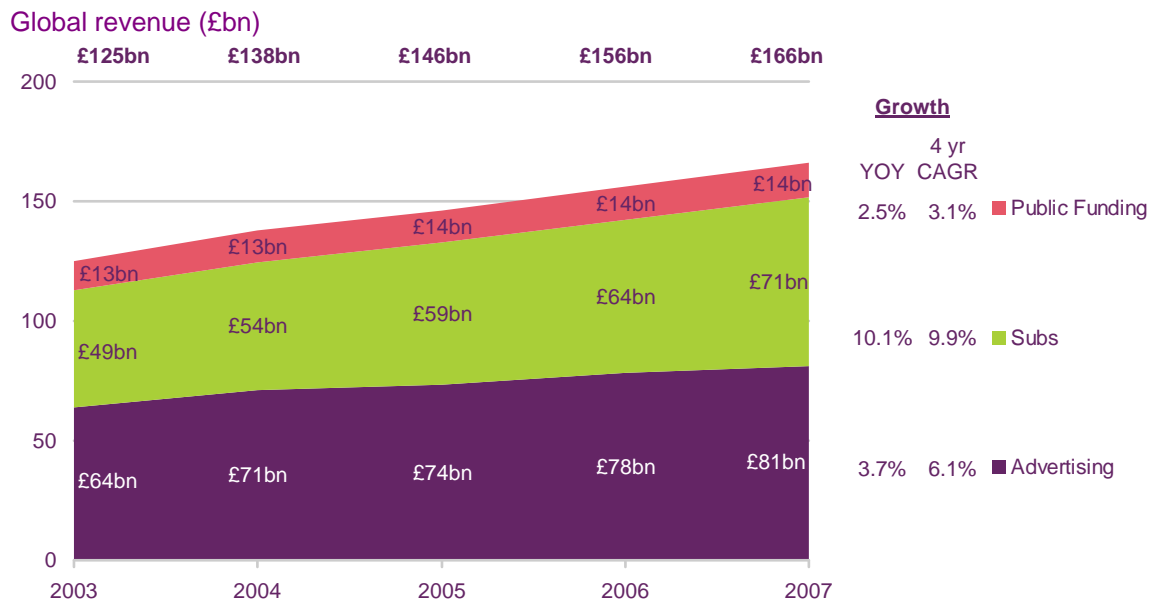
Note: This does not include households in the US and Japan that receive HD without a charge over the DTT platform.

#### 4.1.5 Advertising's share of global TV revenue fell below 50% for the first time in '07

The growing popularity of pay-TV services has recently lifted revenues worldwide, not just through additional pay television subscribers, but also by the revenue-enhancing impact of new value-added services that attract additional subscription fees, such as DVRs and HD services. Taken together, these factors have had the effect of driving up subscription revenue's share of total market revenue, further strengthened by modest growth in TV advertising revenue.

Figure 4.13 illustrates the distribution of industry revenue over time among the three principal sources – advertising, subscriptions and public funding. Ofcom estimates that global television industry revenue reached £166bn in 2007, up by 6% since the previous year and by nearly one-third since 2003. Advertising was the largest component of the total, at £81bn, while subscriber income made up a further £71bn; the remaining £14bn was drawn from public funding sources. Subscriber revenue grew by just under 10% during 2007– ahead of the four-year trend rate of 9.9% p.a. Its pace of growth far outstripped advertising (which grew at 3.7% in the last 12 months and by nearly 6.1% p.a. on average over the last four years) and public funding, whose growth of 2.5% in 2007 was below the five-year average of 3.1% p.a. (Figure 4.13).

**Figure 4.13 Global television sector revenue, 2002 and 2007**



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

Notes: Data analysis and Interpretation is solely Ofcom's responsibility.

Figure 4.14 illustrates the growth in average subscriber revenue raised per pay-TV household (ARPU) among our comparator countries. In 2007 ARPU rose ahead of the five-year trend in Canada, Japan and the US, (by 6.3%, 13.5% and 6.8% respectively). It also grew among pay-TV operators in Italy, the UK, Poland and Sweden, although at a rate somewhat below the five-year trend (3.6%, 1.2%, 1.3%, 1.6%).

A number of factors might explain how pay-TV operators continued to build average revenue per user over this period:

- by offering a growing number of channels for the same price, or a modestly higher price;
- by introducing platform enhancements and charging a premium for them; or
- through real-terms increases in subscription tariffs.

**Figure 4.14 Average subscription revenue per subscriber, by country**

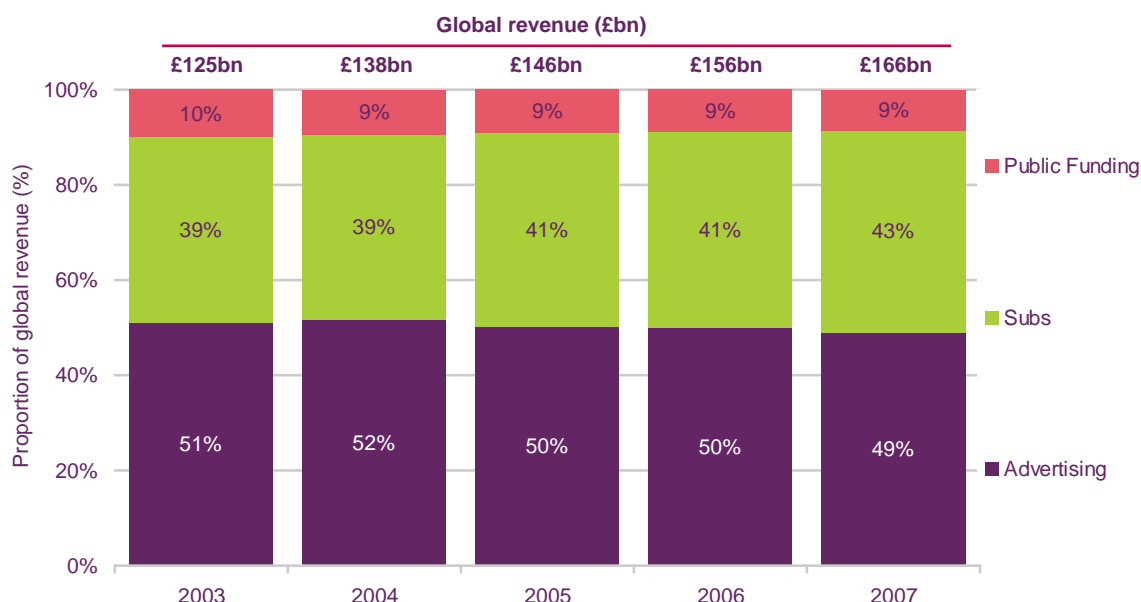
Average subscriber revenue per subscriber per annum (£)



Source: Ofcom calculations based on IDATE data

The comparatively rapid expansion of subscriber revenue has increased its share of global industry revenue from 39% in 2003 (£49bn) to 43% (£71bn) in four years. During this period advertising's share experienced a two percentage point reduction, now representing 49% of total revenue (£81bn) – the first occasion, according to Ofcom calculations, when advertiser revenue has not accounted for the majority of total global TV revenue. Public funding, which is present in only a relatively small number of television markets worldwide, took a 9% share, down by one percentage point since 2003 (Figure 4.15).

**Figure 4.15 Proportion of industry revenue by source**



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

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

## 4.2 The television industry

### 4.2.1 Summary

In this section we consider the revenue dynamics of international TV markets, including:

- global industry revenue trends and the split of revenues between its three principal components (subscriptions, advertising and public funding);
- the growth in television market revenues, by country and by component; and
- individual platform and broadcasters' financial results.

We also examine trends in first-run originated programmes among the European PSBs in our comparator countries.

The key points in this section include:

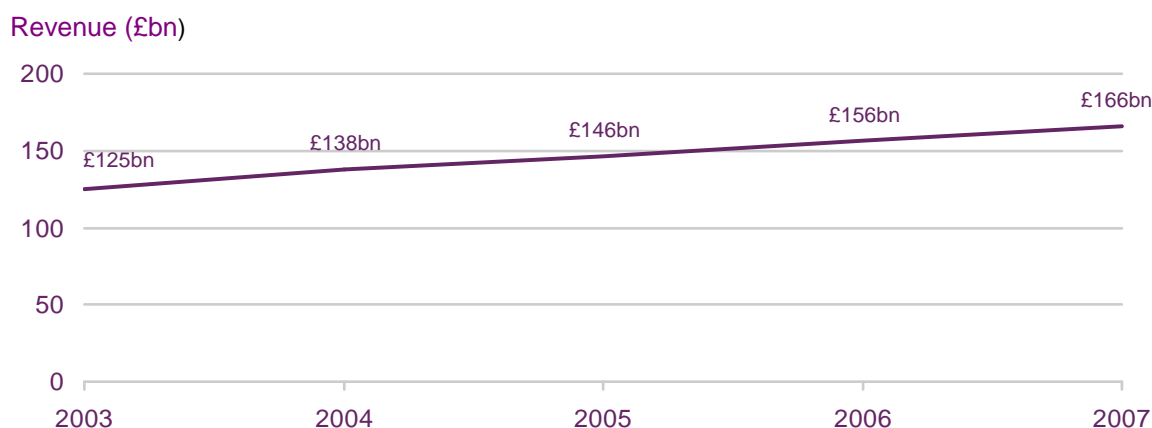
- **Global television industry revenue reached an estimated £166bn in 2007**, up by 6% year-on-year. Advertising formed the largest component, at £81bn; subscriber income made up £71bn; and the remaining £14bn was drawn from public funding sources.
- **The US TV industry is the world's largest, and expanded by 4.5% in 2007 to £67bn.** The Canadian and European sectors covered by this study together raised a further £47bn over the same period (up by 4.5%), with the UK contributing 22% or £10bn of this total. Japan accounted for a further £18bn, up 4.2% year-on-year.
- **Growing volumes of subscriptions drove revenue growth in many countries; for the first time it overtook advertising revenue (just) in the US to become the largest single source of industry funding.** In the UK subscriptions accounted for 41% of revenue per head, against 34% from advertising and 25% from public funding.
- **Television's share of total advertising spend stood at 27% in the UK, compared to 52% in Italy, 48% in Poland and 41% in Japan. Spend on TV advertising fell in most of our comparator countries during 2007.** It fell furthest in Canada, by 1.1 percentage points, followed by the UK and Italy, where its share fell by 0.9 percentage points.
- **Overall, first-run originated output accounted for 49% of all hours broadcast by the European PSBs** that form part of this report, compared to 53% in the UK. First-run acquired programmes accounted for an average of 15%, and repeats for the remaining 36%.

### 4.2.2 Global television industry revenues

#### 4.2.2.1 Global TV industry revenue exceeded £165bn in 2007

In 2007 Ofcom estimated that worldwide television industry revenues reached £166bn, up by 6.2% (£9.8bn) in twelve months and by 33% (£41bn) in four years (Figure 4.16). Note that this figure does not include revenue generated from additional digital-based services, such as video on demand, pay-per-view, mobile TV, betting and gaming; nor does it include ancillary revenues from services such as telephony. Revenue from these services is significantly smaller than that from traditional funding sources, but is growing rapidly.

**Figure 4.16 Global television sector revenue**



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

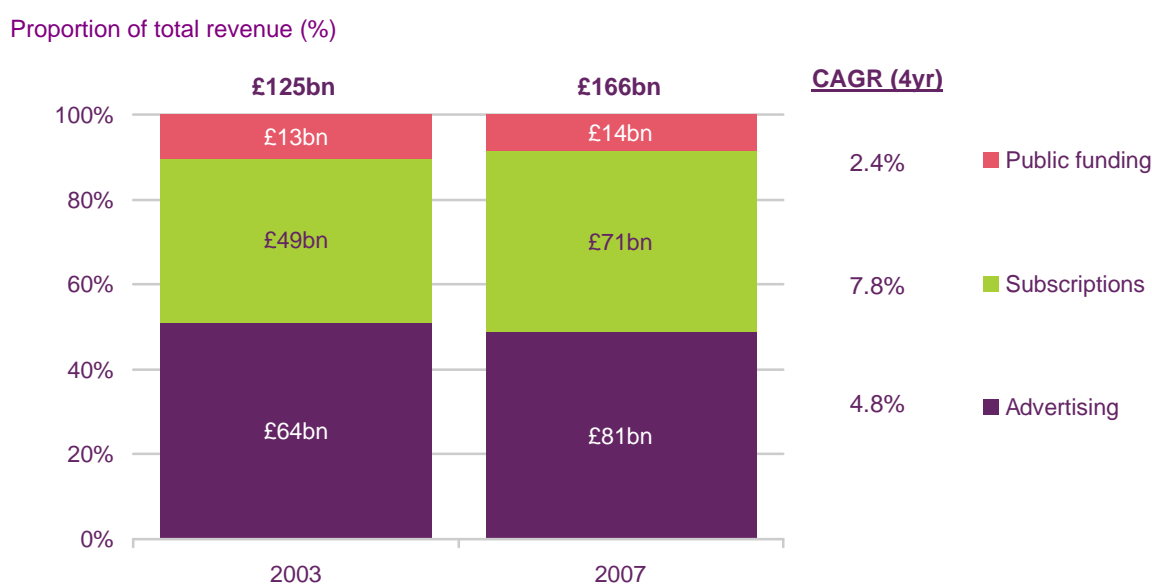
Note: Ofcom has used an exchange rate of \$2.001 to the pound. Data analysis and interpretation is solely Ofcom's responsibility.

**4.2.2.2 Revenue from subscription TV commands a rising proportion of the industry total**

The majority of commercial television markets were founded on the back of free-to-view advertiser-funded television channels; as a result, advertising revenue has long been the largest component of total TV industry revenue. Over time, its share has declined as the numbers of people paying additional fees for more channels have risen. In the last four years, advertising's share of total revenue fell 2 percentage points to 49% (£81bn) in 2007, while subscriptions' market share rose by 4 percentage points to 43% (£71bn). This shift reflects not only the success that pay-TV operators have had in attracting additional subscribers, but also the recent pressures on growth in television advertising spend.

Public funding represents a diminishing share of total revenue, and its share fell by one percentage point in four years, to 9% or £14bn of the total (Figure 4.17).

**Figure 4.17 Global television sector revenue: 2002 and 2007**



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

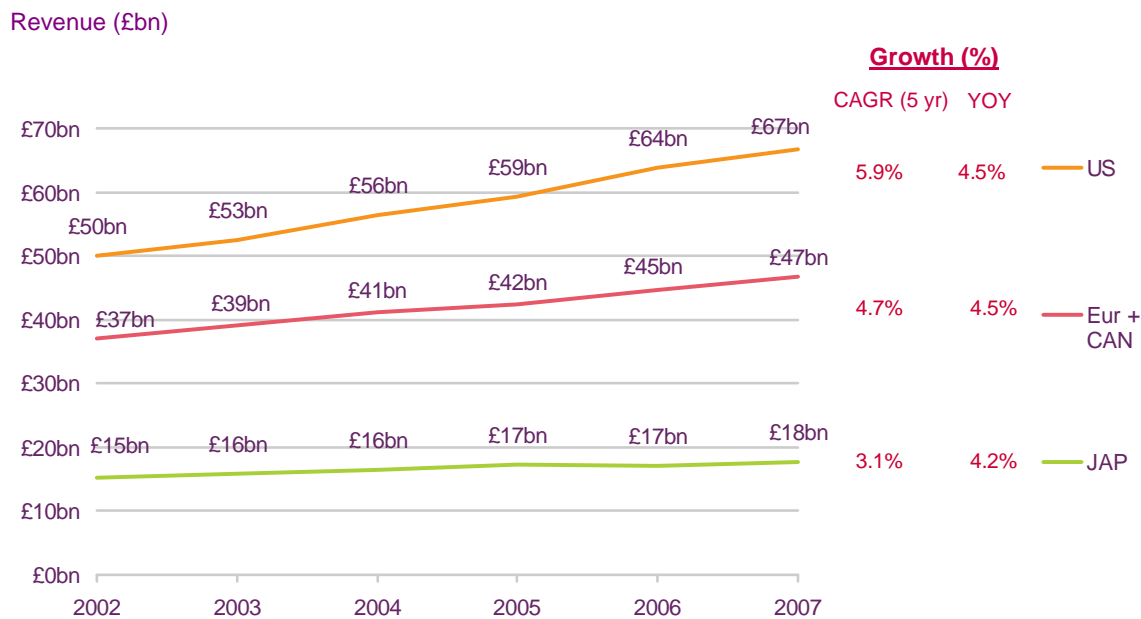
Notes: Data analysis and its interpretation of data is solely Ofcom's responsibility.

### 4.2.3 Total television industry revenue, by country

#### 4.2.3.1 The US TV market was the largest in the world in 2007, generating £67bn in revenue

The US television industry, the largest in the world at £67bn, expanded by 4.5% in 2007, below the five-year annualised trend of 5.9% p.a. The European and Canadian television sectors covered by this study raised a combined £47bn over the same period, also up by 4.5% on the year and approximately on trend with the five-year annualised average. The Japanese market expanded ahead of its five-year average growth rate in 2007, growing by 4.2% year-on-year to total £18bn (Figure 4.18).

**Figure 4.18 Comparative analysis of television industry revenue**



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

Note: EUR includes the European countries in this analysis – UK, France, Germany, Italy, Poland, Spain, the Netherlands, Sweden and the Republic of Ireland

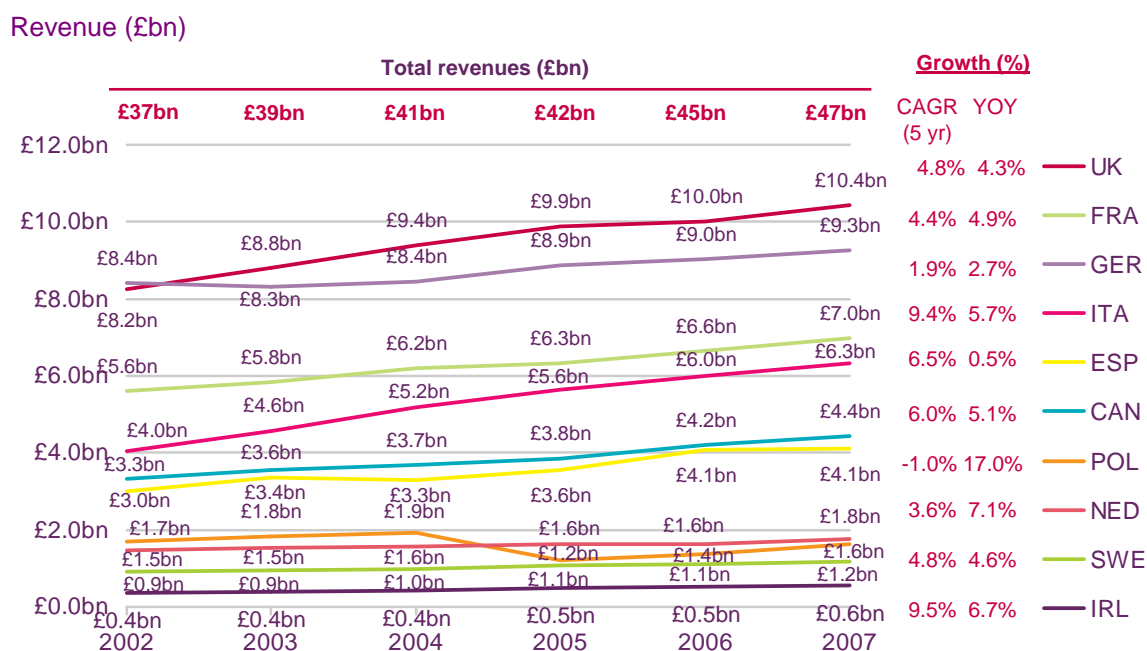
#### 4.2.3.2 Italian and Republic of Ireland markets expand fastest in Europe

Figure 4.19 illustrates the annual revenues of the nine European countries we have examined alongside Canada (the US and Japan, with the two largest TV markets, have been omitted for ease of comparability).

The UK television market generated the largest proportion of total revenue among these countries in 2007, accounting for 22% or £10.4bn of the total; it grew by 4.3% in the year, just behind the five-year annualised average of 4.8%. The UK's share of total revenue has remained relatively stable at around 22% - 23% for the last five years. Germany's television revenue ranked second, at £9.3bn or 20% of the total in 2007, having risen by 2.7% since last year – ahead of the five-year trend of 1.9% p.a.

A number of other markets grew rapidly over the past twelve months. The Polish, Dutch and Irish markets developed most rapidly, expanding by 17.0% (to £1.6bn), 7.0% (£1.8bn) and 6.7% (to £0.6bn) respectively during 2007 ().

**Figure 4.19 Revenue analysis among European countries and Canada**



Source: World Television Markets 2007, IDATE

## 4.2.4 Sources of television industry revenue

### 4.2.4.1 Subscriber revenue became the dominant funding source in the US during 2007

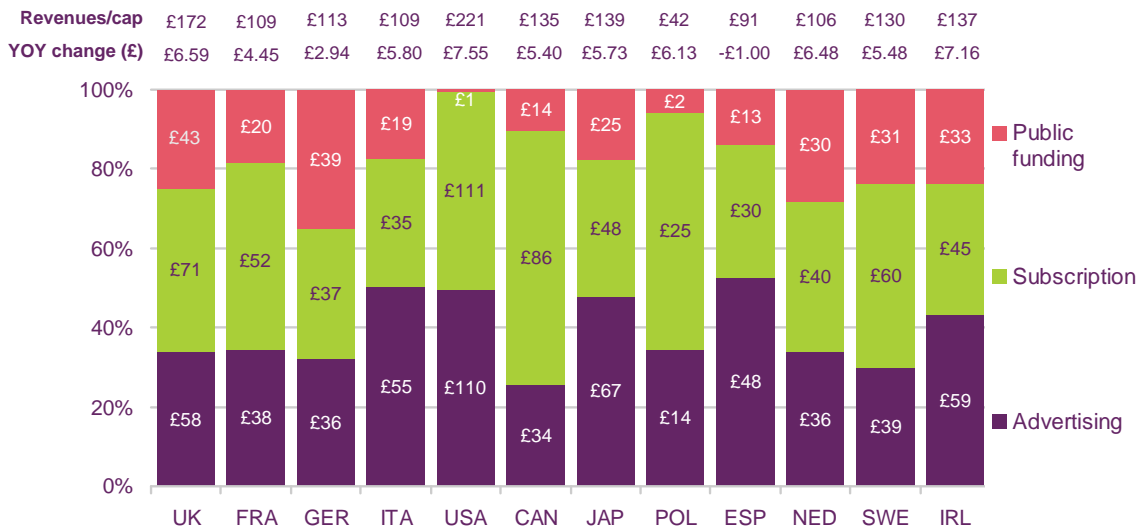
While television industry revenue is typically drawn from a combination of advertising, subscriptions and public funding, its composition varies between countries. This reflects different industry origins (for example, public funding has traditionally played a significant role in European television but not in the US); varying rates of pay-TV take-up; and television advertising attracting a different proportion of total spend.

The US market generated the highest industry revenue per head at £221, up by £7.55 or 3.5% on the year. The UK ranked second at £172, with revenue rising by £6.59 or 4.0% on the year. The Japanese television sector generated £139 per head (up by £5.63 or 4.3%) while the ROI market ranked fourth with £137 (£7.16 or 5.5%). The Polish market, while comparatively small, generating £42 per head in 2007, grew rapidly, gaining nearly one-fifth of its value (£6.13 or 17%) in the last twelve months.

Reflecting the growing penetration of pay-TV in many countries, subscriptions represented the largest component of revenue per head in seven of the 12 countries in 2007. It already made up the majority of income in the Canadian and Polish industries, but for the first time in 2007, that threshold was also crossed – just – in the US, with subscriber revenue per head standing at £110.5 while advertiser revenue came in at £109.8. Since public funding forms such a small component of the US television market, subscriber revenue also came close to representing the majority of US TV revenue. Subscriber revenue per head in Canada was second to the US in 2007 at £86, followed by the UK with £71. Advertiser revenue continued to make the larger contribution to revenue per head in Italy (£55), Japan (£67), Spain (£48) and the Republic of Ireland (£59), and in Spain and Italy it accounted for the majority of all TV revenue, reflecting relatively low levels of pay-TV penetration. Public funding continued to make a substantial contribution in the UK, Germany, France, Japan, the Netherlands,

Sweden and the Republic of Ireland, in each case exceeding £20 per head in 2007 (Figure 4.20).

**Figure 4.20 Revenue per head, by source: 2007**



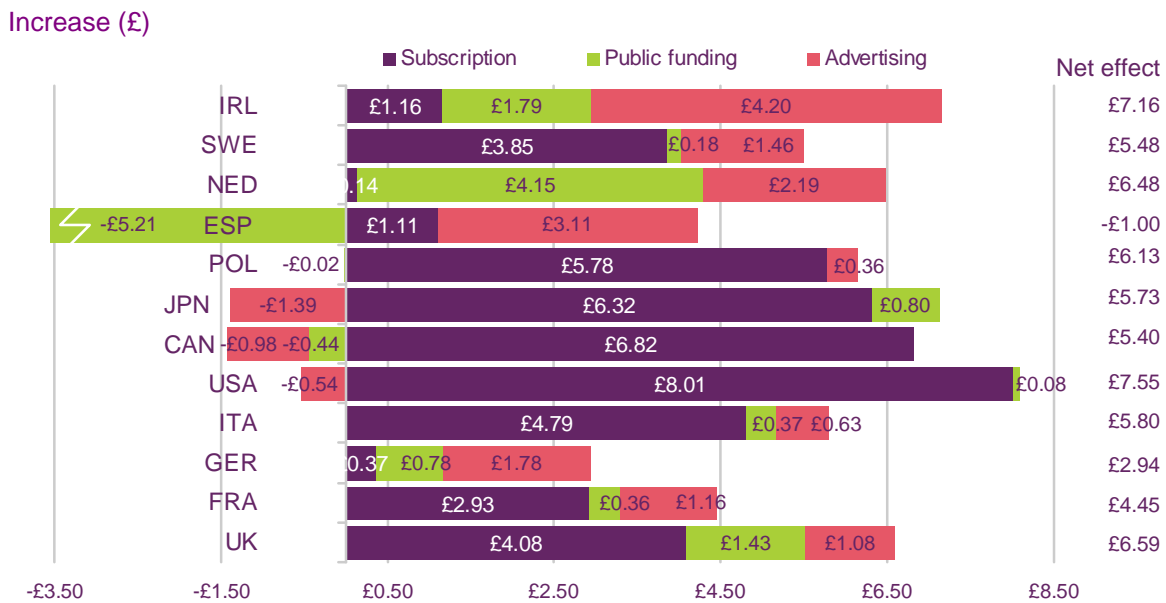
Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis  
 Note: Figures inside the bars represent industry revenue per head. Red boxes highlight figures that are substantially above (or in Japan's case, below) the average. Population estimates can be found in the country profiles.

**4.2.4.2 Subscriptions drove revenue increases in Canada, Japan, Italy and the US**

In 2007, revenue growth in most comparator countries was driven by subscriptions. It accounted for almost all the growth in Canada, Japan, Italy and the US, and for much of it in the UK and Sweden.

Advertising revenue did help to drive up revenue per head in the ROI and Spain (by £4.20 and £3.11 respectively), reflecting comparatively low levels of pay-TV penetration in Spain (leaving much of the per-capita growth to movements in advertiser revenue) and continuing buoyancy in advertising revenues in the Republic of Ireland. Public funding was a substantial driver of rising revenue per head in the UK, the Republic of Ireland and the Netherlands. (Figure 4.21)

**Figure 4.21 Components of revenue growth, per head: 2006 to 2007**



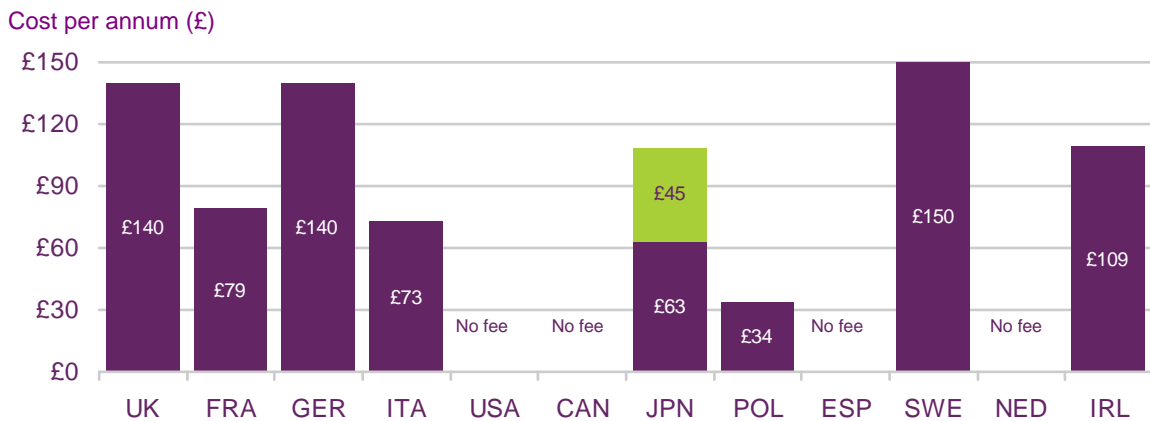
Source: World Television Markets 2007, IDATE, CRTC and Ofcom analysis

**4.2.4.3 Public funding – licence fees charged across Europe and in Japan**

In many European countries and in Japan, public service broadcasting is funded from a combination of income from the licence fee and revenue from advertising; it often also benefits from ‘regulatory assets’ such as free spectrum and/or EPG prominence.

There is no licence fee in the US, Canada, Spain or the Netherlands. Dutch PSBs have been funded directly by the government since 2000. In Spain the PSBs are funded by government grants and advertising, while in Canada they are supported by tax revenues and advertising; PBS in the US is funded through donations and federal grants (Figure 4.22).

**Figure 4.22 Cost of a licence fee: 2007**



Source: Ofcom research

Note: The Japanese licence fee costs £63 in terrestrial households or £108 for to receive a larger number of channels via satellite.

### ***Proposals to introduce an industry levy to finance PSB in France***

The future of public service broadcasting and its financing has been under discussion in many countries this past year.

France is no exception; in January, President Sarkozy announced his intention to review the organisational framework and funding system for France Télévisions – France's public service broadcaster. In addition to extensive consultation, an expert advisory committee was commissioned to report, with recommendations, to the President.

In June the Government outlined its preference to remove advertising from public television. To replace advertising revenue (which currently amounts to over 50% of France Télévisions' income) it was proposed that an industry levy (or tax) be introduced. The proposals involve:

- 3% tax on the advertising income of private channels (if over €11m)
- 0.9% tax on the revenue of fixed and mobile operators, as well as ISP coming from subscription fees and other payments from end users.

Some specific changes were proposed regarding the Board appointments process at France Télévisions; President Sarkozy proposes that the chairman of France Télévisions will in future be appointed by the government.

This is now in the form of draft law and is expected to be examined by Parliament during autumn 2008.

#### **4.2.4.4 Broadcast-based advertising**

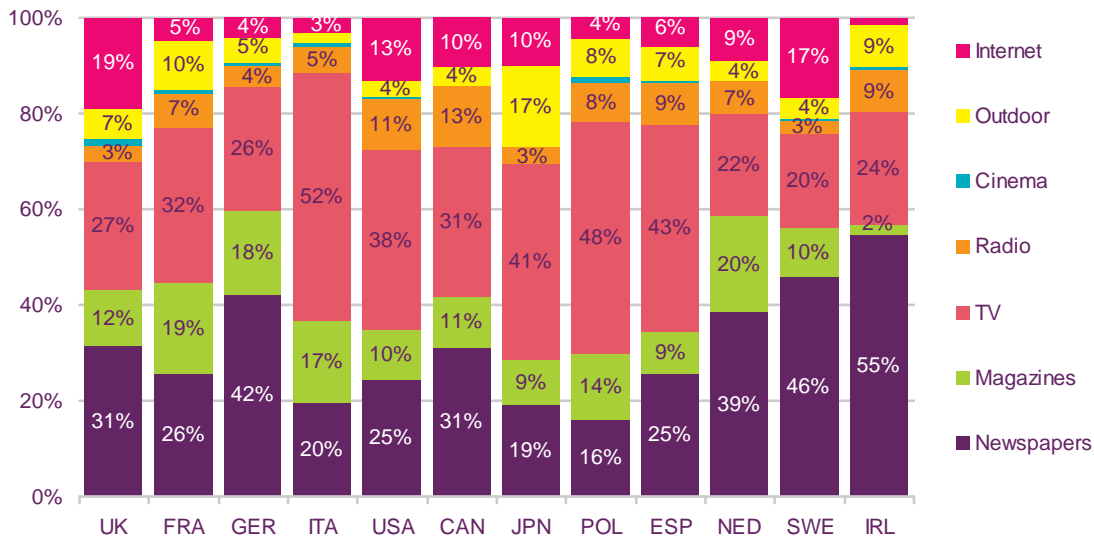
Television broadcasters attracted a large proportion of overall advertising spend in 2007. TV was the most popular medium among advertising budget holders in France, Italy, the US, Japan, Poland and Spain, and second to newspaper advertising in the remaining comparator countries.

In Italy TV advertising accounted for the majority of all spend, at 52%, followed by Poland, Spain and Japan, where it took 48%, 43% and 41% respectively.

Internet advertising in the UK attracted a larger share of expenditure than in the other countries in this study at 19%; higher than spend on outdoor, cinema and radio combined. (Figure 4.23)

**Figure 4.23 Distribution of advertiser expenditure, 2007**

Proportion of expenditure (%)

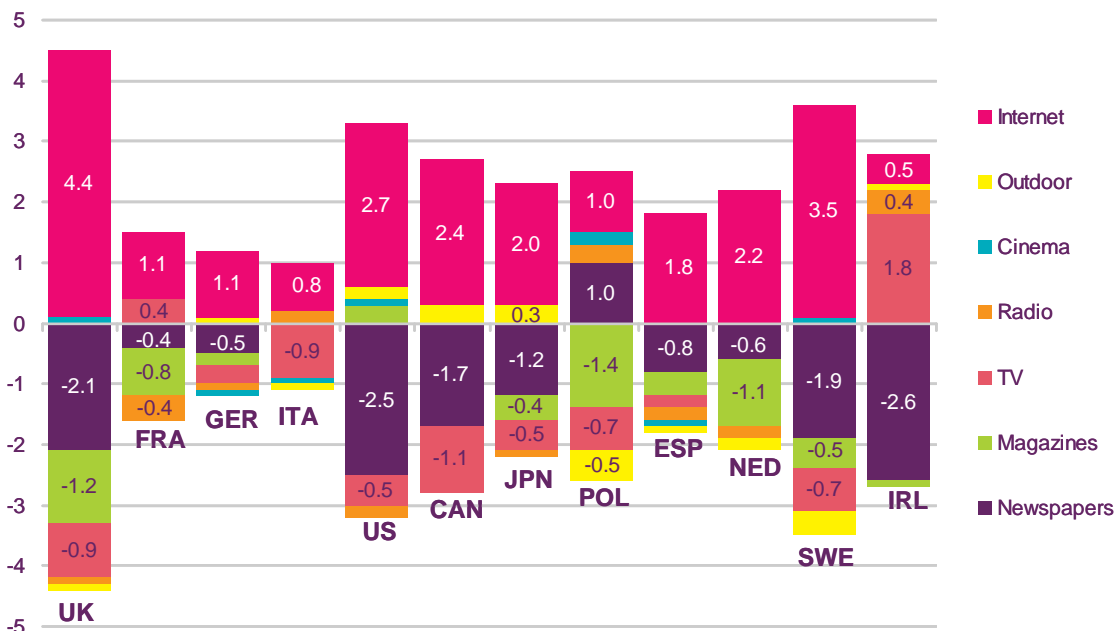


Source: World Advertising Trends 2008, published by World Advertising Research Center.

Television's share of advertising spend fell in most countries between 2006 and 2007, except in Ireland, where it increased substantially from a small base, and in France where its share rose modestly. The Polish and Spanish TV markets experienced the greatest losses in advertising spend share (3 percentage points each), while outdoor and internet advertising's shares of total spend increased. The internet's share of advertising spend rose by 4 percentage points both in the UK and in Sweden (Figure 4.24).

**Figure 4.24 Changes in patterns of advertiser spend: 2006 to 2007**

Change in spend (percentage points)



Source: World Advertising Trends 2008, published by World Advertising Research Center

### 4.2.5 Television broadcaster revenues

Figure 4.25 (page 162) shows the revenues of a selection of broadcasters. It can be difficult to separate the revenues generated by the channel from those generated from other

sources, such as radio, therefore caution is required when comparing these figures (US broadcasters have been excluded from the analysis for this reason).

In the UK, the largely publicly-funded BBC reported £2.6bn in revenue (for TV), while ITV Plc's revenue has fallen since last year by around £0.1bn (or 4.5%) to £2.1bn, as a result of reductions in its advertising income and declining revenues from premium-rate services.

In Japan, NHK reported yearly earnings of £2.8bn, up 1.9% from 2006, while Fuji TV's revenue declined 1.6% to 1.2bn. Meanwhile, partially publicly-funded France Télévisions' (FT) revenue fell by 3.6% over the year to £1.8bn, while commercial broadcaster TF1's income rose by 4.1% to £1.9bn.

Major broadcasters' share of total advertising spend (especially on flagship analogue channels and on linear TV) is decreasing, driven by audience fragmentation (which may accelerate as digital switchover is completed) and by proliferation in the range of media services. In response, some broadcasters have adopted diversification strategies designed to reduce their dependence on television advertising from a single channel:

- Advertising revenue is increasingly drawn from a family of digital channels, to counteract the impact of audience fragmentation— in the UK, ITV Plc now generates 19.4% of its advertising revenues from its digital channels.
- Broadcasters are investing in more content through in-house production or independent production companies, thereby increasing revenue from content rights and international distribution. In 2007, Italian firm Mediaset bought Endemol and two additional Italian production companies, contributing to its 9.1% revenue rise on 2006 figures.
- Some have also moved into broadcasting capacity management. Mediaset's revenue from DTT multiplex management rose by 24% to E187m, reported in its latest annual accounts.
- Broadcasters with a core free-to-air offering are expanding pay-TV operations. German-based ProSiebenSat.1 (P7S1) has expanded its video-on-demand service *Maxdome*, while Mediaset launched its pay-TV service *Premium Gallery* in January 2008; its revenue doubled year-on-year to €226m.

Broadcasters have also invested in Eastern European television markets. :

- In July 2007, ProSiebenSat1 acquired the emerging markets specialist SBS Broadcasting Group, which came with TV networks in Hungary, Bulgaria and Romania. This, along with strong growth in its international business, contributed to its 29% rise in revenue over 2007.
- In July 2008 Scandinavian operator Modern Times Group acquired Bulgarian broadcaster Nova TV Bulgaria for £500m.

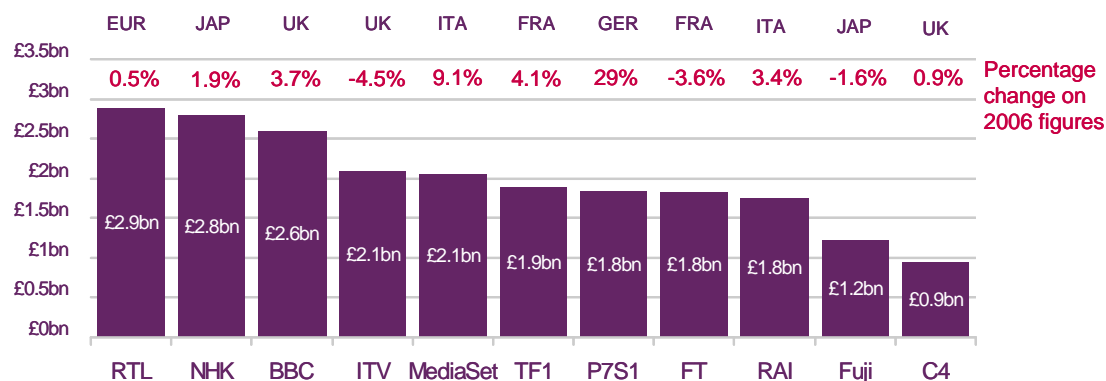
In addition, public service broadcasting policy and future funding has been the subject of scrutiny among European countries over the past year.

- In the UK, Ofcom is currently in the midst of its second review of public service broadcasting. It has highlighted the financial challenges faced by ITV1, Channel Four and Five, and has published a second consultation document on options to maintain plurality in public service broadcasting provision.

- The French government launched a review of the organisational framework and funding system for the public service broadcaster France Télévisions. In June 2008 it outlined its recommendation to remove advertising from public television (which currently provides over 50% of France Télévisions revenue), proposing that this should be replaced by an industry levy.

**Figure 4.25 Latest reported revenues from major free-to-view TV operators**

Annual revenue for latest available period (£bn)



Source: IDATE and latest available Annual Reports

Notes: Comparisons between operators should be regarded as indicative only due to the possibility of differences in financial reporting between operators. RTL figures include revenues from broadcasting related activities in countries part of this study (Germany, France UK and Netherlands). RAI figures includes licence fee which combines TV and Radio.

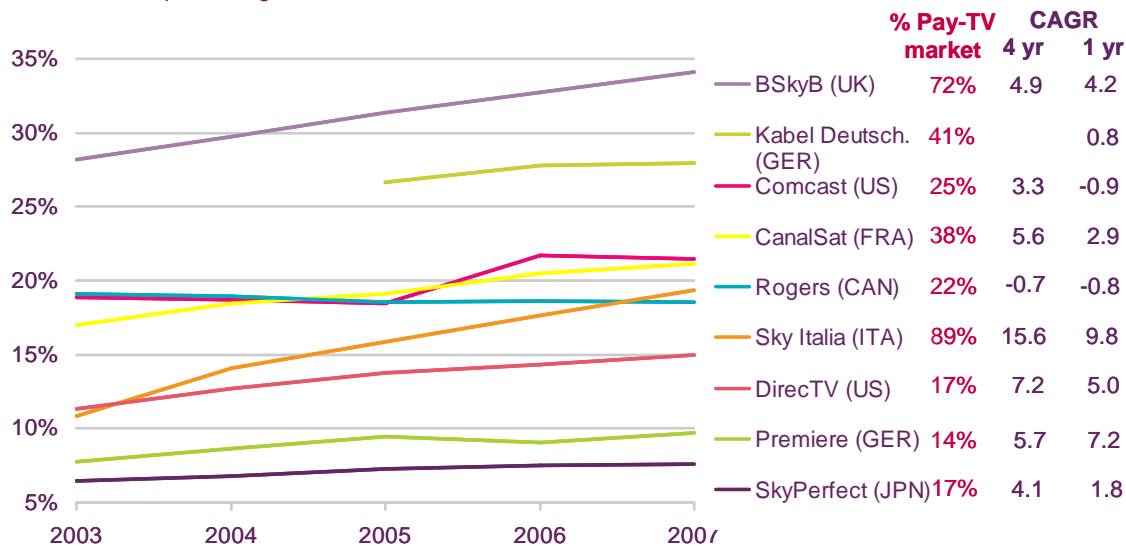
## 4.2.6 Television platform operator revenues

### 4.2.6.1 US platform operators increase revenue

Figure 4.26 shows a number of the pay-TV market leaders' subscriber numbers as a percentage of the total TV households in the country in which they operate. In spite of the emergence of other, sometimes cheaper, DTV services, pay-TV operators such as Sky Italia, DirecTV, Premiere and BSkyB have all seen subscriber numbers continue to grow (at average annualised rates of 16%, 7%, 6% and 5% p.a. respectively since 2003). But most pay-TV operators' subscriber increases in 2007 were lower than the four-year annualised average.

**Figure 4.26 Subscriber numbers as a percentage of TV households, for a range of leading pay-TV operators**

Subscribers as a percentage of Total TV households



Source: Ofcom/Industry data/IDATE

Note: Before 2006 the CanalSat figure takes CanalSat and TPS subscribers combined.

In the US, the revenues of each of the platforms operators, shown in Figure 4.26, rose by at least 10% since the last annual reporting period. Most significantly, following Time Warner's and Comcast's July 2006 joint acquisition of cable operator Adelphia, Time Warner reported a cable revenue increase of 35.6% to £8.0bn, while Comcast reported a 17.4% rise in revenue to £8.8bn. The acquisition of Adelphia gave Time Warner an additional 3.3 million subscribers, taking its total customer base to 14.4 million, while Comcast gained an additional 1.7 million subscribers, taking its total to 23.3 million. During this time, Time Warner also went public and began trading on the New York Stock exchange in March 2007..

Sky Italia's revenue rose by 21.9% over the year to £1.9bn, reflecting a surge of subscriber additions – a net increase of approximately 366,000 – following its increased investment in domestic content, the launch of new channels and the November 2005 release of *My Sky*, a digital receiver with PVR and surround-sound capabilities.

In France, Canal Plus Group's revenue climbed 24.9% to £2.6bn, following CanalSat's merger with TPS at the beginning of 2007 and its addition of a range of new channels, including the HD channel Canal+ High Tech.

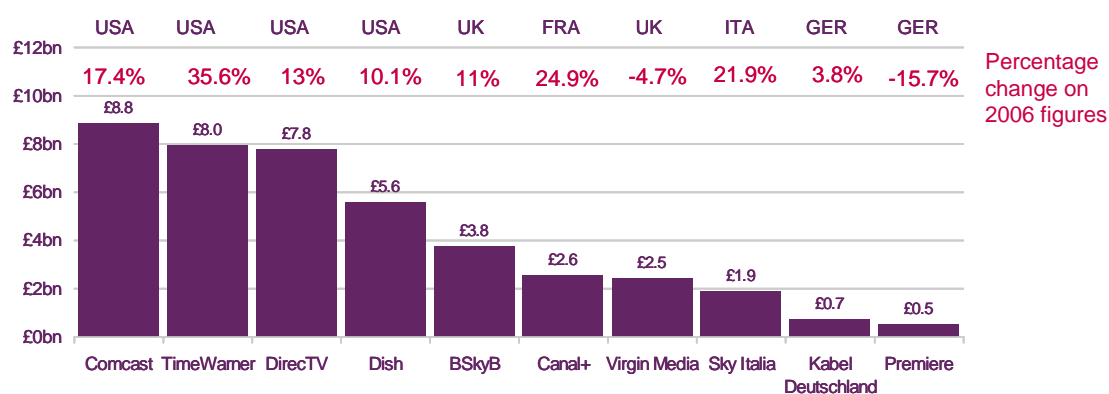
In the UK, however satellite provider BSkyB saw a 2007 revenue increase of 11% to £3.8bn, while cable provider Virgin Media experienced a 4.7% decline to £2.5bn.

German-based pay-TV operator Premiere experienced 15.7% losses this year, partly due to its loss of the Bundesliga football rights. In May 2008, NewsCorp increased its stake in the company to 25.01%, and is providing strategic support while the operator works on diversifying its content offering, beyond a focus on premium sports. To increase subscriber numbers, Premier is re-branding itself as a key provider of family entertainment, and as part of this, in August 2008, Premiere signed a deal with Fox to carry its international channels.

Pay-TV operators are also looking to expand on and consolidate their presence in Central and Eastern Europe, with low pay-TV take-up and rising GDP providing opportunities for growth. With lower levels of cable network availability in this region, there has been a proliferation of new satellite platforms, with EU accession for some states also providing favourable investment conditions:

- Viasat Ukraine – a joint venture between Modern Times Group and Strong Media Group – launched the first of several DTH satellite platforms in the Ukraine in April 2008, followed by the domestic provider Poverkhnost Plus.
- France Telecom, which already has an IPTV presence in Eastern Europe, launched a satellite platform in Poland under its TPSA subsidiary in October 2008, to expand its consumer reach beyond its DSL footprint. Deutsche Telekom is launching a DTH satellite platform in Hungary, which has an increasingly competitive pay-TV market.
- Chellomedia, the content subsidiary of US-based cable operator Liberty Global, bought Spektrum in September 2008, a pay-TV documentary channel in Eastern Europe. This is the company's fifth acquisition in the region in less than 18 months, after its consolidation of Minimax and the acquisitions of thematic channels Filmmuseum, TV Paprika and TV Deko.

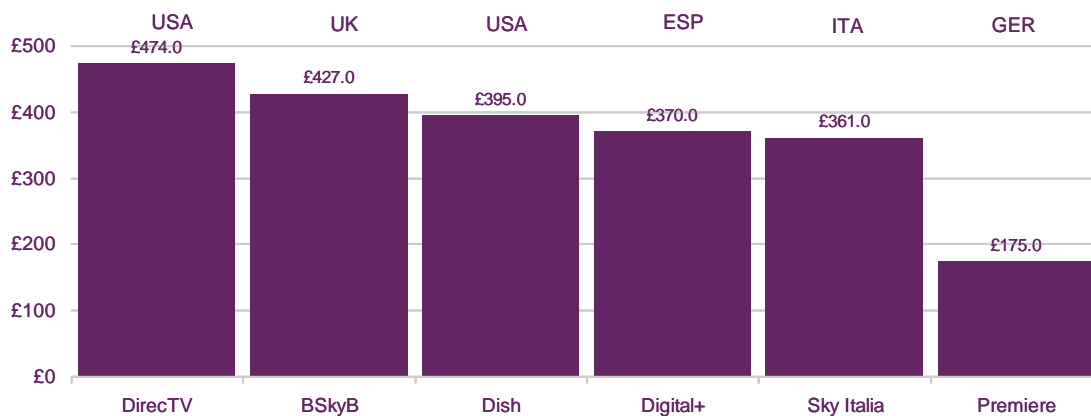
**Figure 4.27 Latest reported subscription revenues for a range of pay-TV operators**



Source: Latest available annual reports

Notes: Every effort has been made to separate subscriber revenue from other sources, but differences in accounting conventions between operators mean that comparisons should be regarded as indicative only e.g. Virgin Media revenue includes telephony. Percentage change has been calculated on figures that may have differed from last year's report due to restatements.

The average revenues per user (ARPU) of the main satellite-based pay-TV operators have remained relatively stable (Figure 4.28). The US-based operator DirecTV generated the highest ARPU at £474 (a 7.2% increase on 2006), which it attributed to price increases on programming packages, HD and DVR equipment and service fees. BSkyB experienced a 6% increase in ARPU which was explained in part by its decision not to renew viewing package discounts that had been in operation in the previous year. German-based Premiere has traditionally had a low ARPU, due to competition from the country's extensive cable network. However, competition between pay-TV operators intensified in 2007, and following its decline in revenue, Premiere's ARPU also declined 15.5% on 2006 figures, largely due to the loss of the Bundesliga football rights (to the satellite platform Arena) for the 06/07 and 08/09 seasons.

**Figure 4.28 Latest reported ARPU for some key pay-TV operators**

Source: Latest available annual reports

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

### 4.2.7 Television output from public service broadcasters (PSBs)

Information on programmes broadcast by European PSBs is gathered each year by the European Broadcasting Union (EBU), an association of 75 active member organisations from 56 countries. Together, the channels represented in the association achieve a weekly reach of some 650 million viewers and listeners.

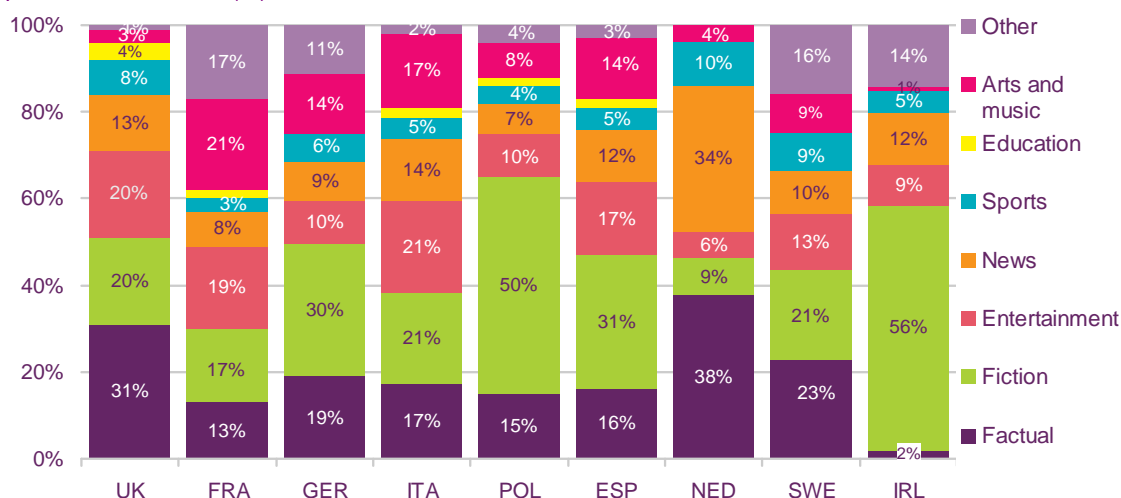
Output data presented in this section are collected and analysed using a set of standard EBU definitions to categorise programmes within genres, which aims to provide consistency across broadcasters, allowing valid comparisons to be made. This section focuses on European PSB data, as comparable figures for North America and Asia are not available.

Figure 4.29 gives an overview of the pattern of programme output by genre, illustrating the make-up of the hours broadcast by EBU-member PSB channels in each country for 2007. The chart compares network programme hours only, so national and regional output, which is part of the broadcasting landscape in some countries, is not included here.

- In the Netherlands, the UK and Sweden, Factual programmes predominated, accounting for 38% of all output in the Netherlands, 31% in the UK and 23% in Sweden. In all countries except Ireland, Factual and News programming, taken together, accounted for more than a fifth of broadcast hours.
- Fiction, which includes all kinds of drama programmes, soaps and feature films, was top of the ranking in terms of the number of hours broadcast in Ireland and Poland, where it comprised 56% and 50% of output respectively. In Spain, Fiction amounted to 31%; 30% in Germany, 21% in Italy and 20% in the UK.
- Entertainment, on the other hand, tended to feature less frequently in the PSB schedules, accounting for between 6% and 21% of output, while Sports programming averaged just 6% across the markets surveyed, perhaps reflecting the fact that non-PSB broadcasters tend to win the rights for sports events; sport has become a less prominent feature of the PSB schedules than was once the case.

**Figure 4.29 PSB network output, by genre: 2007**

Proportion of total hours (%)



Source: Ofcom/EBU Members

Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4, and S4C digital

Figure 4.30 shows how the output breaks down by first-run programmes, as opposed to repeats; and between programmes produced or commissioned by broadcasters (originations) and those bought in from other sources (acquired). Public service broadcasters are more likely to invest in programmes made in-house or commissioned from independent producers than are their commercial rivals, which typically rely more heavily on higher volumes of less expensive types of programmes – repeats and acquisitions.

Overall, first-run originated output accounted for 49% of all hours broadcast by the PSBs that form part of this report. They represented the majority of broadcasts by PSBs in the UK (BBC One, BBC Two, ITV1, Channel 4, S4C), France (France 2, France 3, France 5, Germany (ARD and ZDF), Italy (RAI1, RAI2, RAI3), and Spain (TVE and La 2). Those in Italy and Spain led the field, at 63% and 60% of all programmes. Among the countries surveyed, just over a third of programmes broadcast in Poland and Sweden were originated, while in Ireland the figure dropped to 23%. In most countries studied, fewer acquired programmes featured in the programme schedules, accounting for only 5% of output in the UK and 9% in Germany. The proportion was a little higher in Italy and Spain, at 15% each and 19% in Sweden. The figure was highest in Ireland where 30% of programmes were ready-made programmes, bought in from other suppliers.

Repeats accounted for over 40% of programmes broadcast in Sweden (51%), Ireland (47%), Poland (45%) and the UK (41%) while in France, Spain and Italy the figure was around a quarter. In Germany, 37% of programmes were repeats. These figures include repeats of both originations and acquired programmes.

**Figure 4.30 First-run originations, acquisition and repeats**

Proportion of total hours (%)



Source: Ofcom/EBU Members

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

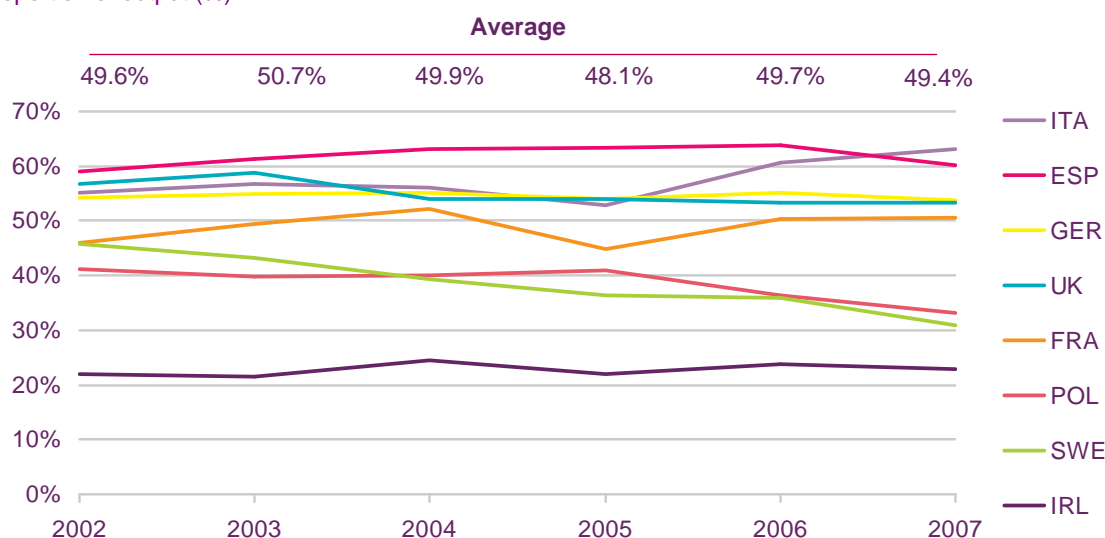
The following three charts show how the proportions of originations, acquired programmes and repeats have changed over the last five years.

Despite challenging financial conditions, European PSBs have managed to maintain the proportion of first-run originated programming in their schedules, even though these are usually more expensive to produce. At the same time, the proportion of acquired programmes shows a definite downward trend across the countries considered in this section. The volume-weighted average fell from 22% in 2002 to 15% in 2007, which may be explained by an increase in competition from commercial channels for popular acquisitions, which PSBs are increasingly unwilling or unable to buy if they are priced out of the market. Repeats have been used to fill the resulting gaps, accounting for an average of 36% of hours in 2007, up from 29% in 2002.

The proportion of first-run originated output across all countries surveyed remained relatively stable between 2002 and 2007, ranging from 48.1% in 2005 to 50.7% in 2003. In 2007 the figure fell very slightly, by 0.3 percentage points to 49.4%. Within an overall pattern of stability of first-run originations, there were fluctuations by country – notably reductions in the PSB schedules of Sweden, Poland and the UK, which fell from 46% in 2002 to 31% in 2007, 41% to 33% and 57% to 53% respectively. In contrast, PSBs in Italy and France produced and broadcast a higher proportion of first-run originated output in 2007 than in 2002.

**Figure 4.31 First-run originations: trends**

Proportion of output (%)



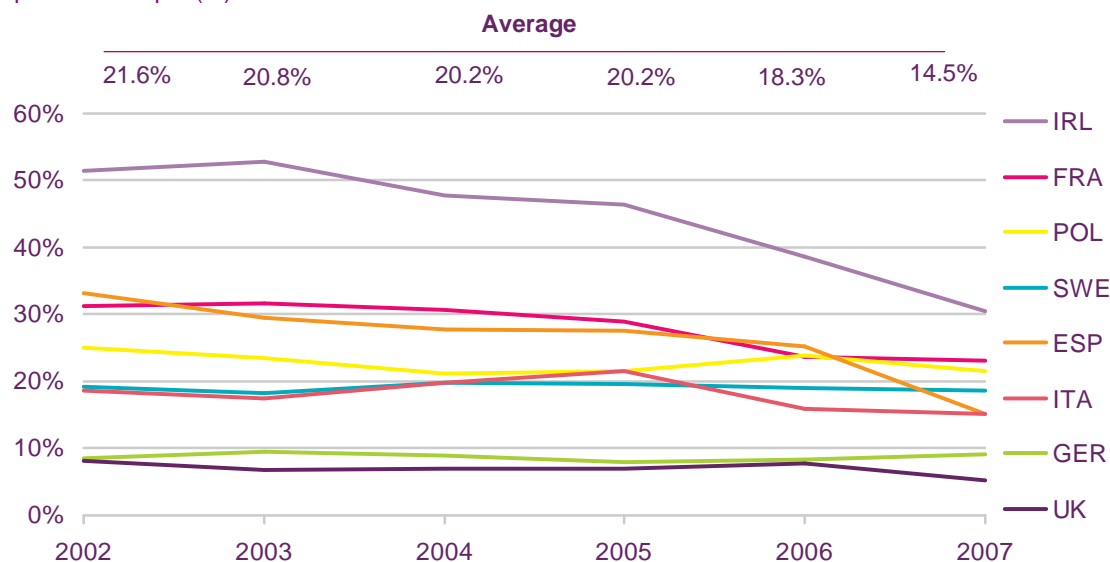
Source: Ofcom/EBU Members

Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4 and S4C digital.

Overall hours of acquired output fell from 21.6% of PSB schedules in 2002 to 14.5% in 2007, and no country increased the proportion of acquisitions in the schedule. The most significant reductions were seen in the Republic of Ireland and in Spain, where the figures went down by 21 and 18 percentage points (pp) respectively between 2002 and 2007, and in France, where the figure fell by 8pp. In Poland, Italy and the UK, the reductions were less dramatic at around 3 percentage points each, while in Sweden and Germany the proportions remained fairly level.

**Figure 4.32 Acquisitions: trends**

Proportion of output (%)



Source: Ofcom/EBU Members

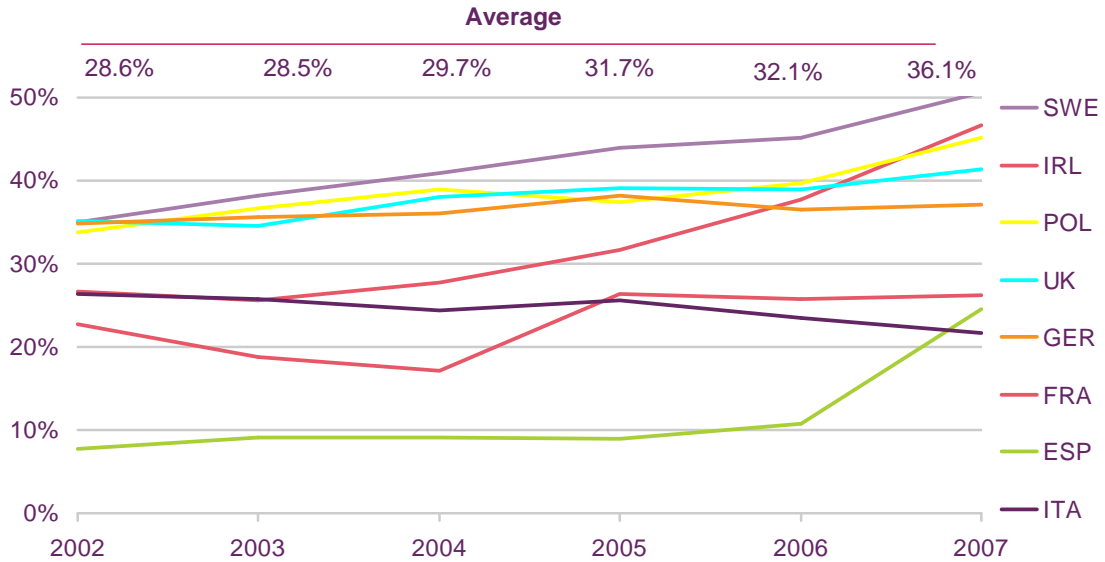
Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4 and S4C digital.

Compensating for the reductions in acquired output, repeats are on the increase in the schedules of most PSBs, with the exception of Italy, where the proportion of repeats in the schedules of RAI1, RAI2 and RAI3 dropped from 26% in 2002 to 22% in 2007. The largest

rises were seen on RTE1 and RTE2 in ROI (20 percentage points), in Spain on TVE and La2 (17pp), on SVT1 and SVT2 in Sweden (16pp) and in Poland on TVP1 and TVP2 (11pp); increases in the remaining countries were in single figures.

**Figure 4.33 Repeats: trends**

Proportion of output (%)



Source: Ofcom/EBU members

Note: The UK figures include BBC One, BBC Two, ITV1, Channel 4 and S4C digital.



## 4.3 The television viewer

### 4.3.1 Summary

This final section of the television report sets out the consumer trends among television viewers during 2007. It examines TV platform availability and take-up, and patterns of television consumption. It concludes by examining people's attitudes towards television content. The main points in this section include:

- **There were more main television sets in the UK (86%) connected to a digital TV receiver than in any other of our comparator countries at the end of 2007.** The US ranked second with 70%, followed by France (66%) and Japan (65%). The rate of conversion to digital television was highest in France, with take-up rising by 13 percentage points on the year; it was followed by the UK and the US with year-on-year growth of 9 percentage points each.
- **A growing number of people are choosing to pay for additional TV channels. Take-up rose in every comparator country during 2007,** with the result that the majority of households in every country took a pay-TV package apart from the UK, Italy, Japan and Spain; 2007 saw the majority (59%) of Polish households take pay-TV for the first time. In the UK, by contrast, pay-TV households remain in the minority – 47%, up by 2 percentage points on the year.
- **Viewers in the UK watched 3.6 hours of TV a day,** slightly more than the average of 3.4 hours across the other European countries covered in this report, but an hour less a day than viewers in the US (4.5 hours).
- **European PSBs that formed part of this study commanded an average share of 38% in 2007, down by 2 percentage points since last year.** UK PSBs attracted a slightly higher share (39%) also down by 2 percentage points.
- **Viewers in Japan and the UK were the least likely to express concerns about content on television (e.g. poor quality, offensive content),** with 25% and 39% respectively of the people we surveyed agreeing that they “had concerns”. The proportion was higher among viewers in France (54%), Germany (53%), the US (47%), Italy (46%) and Canada (43%).

### 4.3.2 Platform availability

The availability of television platforms for the large comparator countries in this study is shown in Figure 4.34. The majority of viewers are able to access satellite services (either pay or free); the satellite platform often offers coverage in areas that are unable to receive cable or terrestrial signals due to geographic or cost barriers.

Digital terrestrial services are also widely available in all seven countries and this is becoming an increasingly popular choice of platform. IPTV services, although growing in reach and popularity, are not yet widely available to viewers in all areas of the seven countries examined.

**Figure 4.34 Platform availability, by country: 2007**

	UK	France	Germany	Italy	US	Canada	Japan
Analogue Terrestrial							
Digital Terrestrial							
Digital Satellite							
Digital Cable							

Source: *World Television Markets 2008*, IDATE and Ofcom estimates

Note: IPTV excluded as not widely available

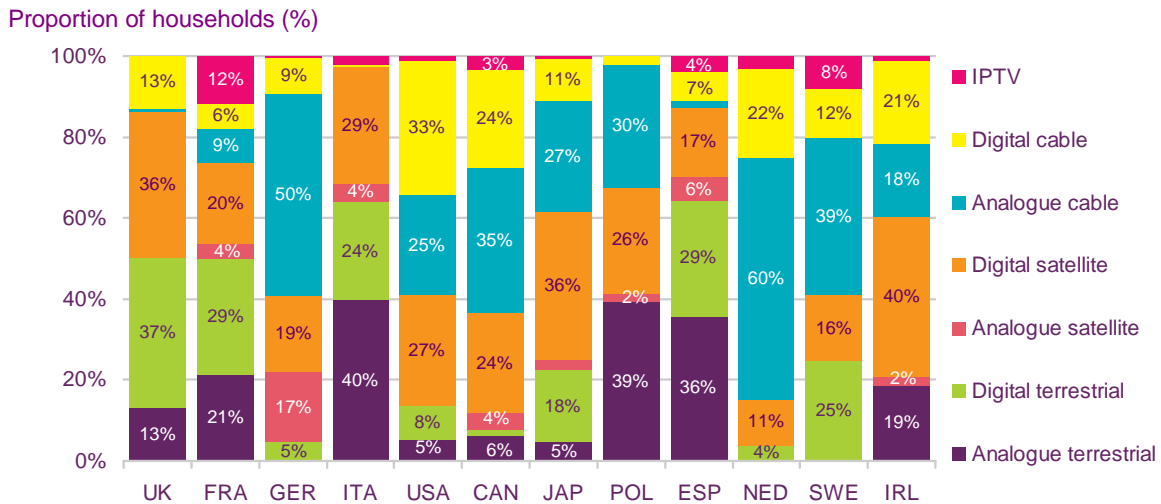
### 4.3.3 Take-up of television platforms on main television sets

#### 4.3.3.1 Analogue platform market share shrinks as consumers begin to prepare for DSO

The mix of platforms through which households access television on their main sets varies by country; but two patterns can be seen (Figure 4.35):

- **One platform connected to the majority of main sets**, such as in Germany and the Netherlands, where analogue cable is the most popular choice for households, and takes a 50% and 60% share of main sets respectively. In Germany, cable growth is the favoured platform, as it overcomes the problems of free-to-air transmission interference from neighbouring countries.
- **A mix of platforms**, with two or three technologies accounting for a substantial share of households. In the UK in 2007, two platforms, digital terrestrial and digital satellite, had comparable shares of main sets - 37% and 36% respectively. In Italy, Poland and Spain *three* platforms combined took a sizable portion of the market (95%, 95% and 82%) with ATT being joined by digital terrestrial and digital satellite in Italy and Spain, and by digital satellite and analogue cable in Poland. In the US and Canada digital cable, digital satellite and digital terrestrial together served 85% and 83% of households respectively.

**Figure 4.35 TV reception devices connected to the main set in the home: 2007**

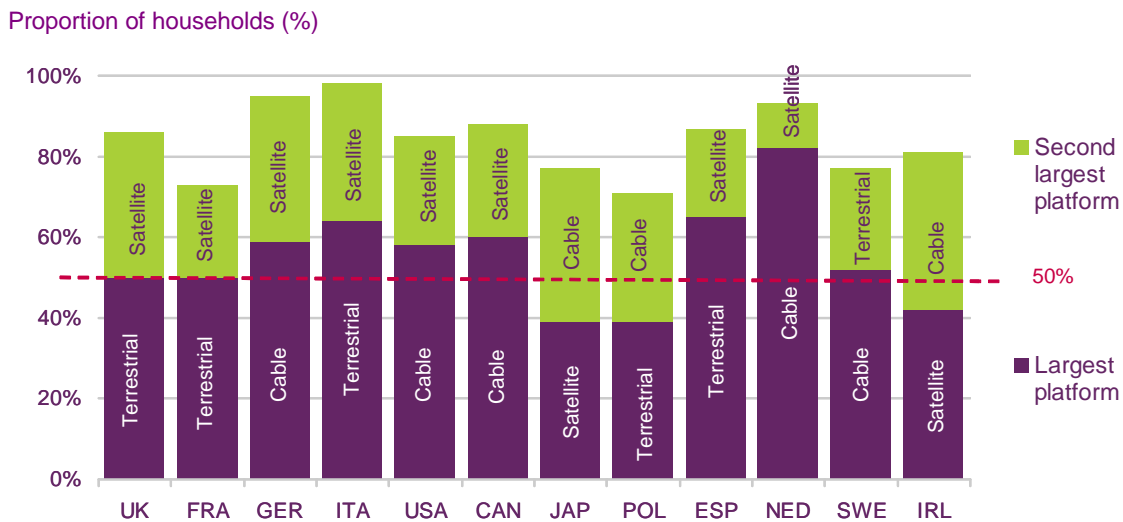


Source: World Television Markets 2008, IDATE

When analogue and digital technologies are combined, most of our comparator countries saw one platform (terrestrial, cable or satellite) accounting for the majority of connections to the main TV set; in the Netherlands, 82% of households connect to cable. The exceptions were Japan, Poland and Ireland, where platform choice is less concentrated, and the most popular services account for 39%, 37%, and 42% of households respectively (Figure 4.35).

In the UK and France, where broadcasters have historically used terrestrial technologies and consumers often remain with this platform when they switch to digital, terrestrial platforms were chosen by 50% of households.

**Figure 4.36 TV reception devices connected to the main set in the home: 2007**



Source: World Television Markets 2008, IDATE

#### 4.3.3.2 Analogue TV take-up fell across all platforms as consumers migrate to digital

In all the countries in this study the proportion of main sets connected to an analogue device fell, or remained stable, across all three platforms – terrestrial, satellite and cable (Figure 4.37). The proportion of terrestrial analogue main sets decreased over the year as countries prepared for DSO (except in the Netherlands where switchover took place in 2006). Sweden completed DSO in 2007, and the remaining 4% of households migrated to a digital platform,

while a good proportion of households in France, Spain and the UK converted to digital over the year, with 13%, 11% and 9% respectively selecting digital television for the first time.

The most sizeable beneficiary of analogue migration was the digital cable platform in the Netherlands, which saw its market share rise by nearly 15 percentage points during 2007. The digital satellite platform in Poland was another to benefit, with its share of households rising by 9 percentage points in the year - capturing the majority of the analogue terrestrial and analogue satellite reductions of 5% and 6% respectively.

IPTV take-up has also risen in many countries – but was particularly successful in France and Sweden during 2007, with its market share rising by 6 and 7 percentage points respectively over the period.

**Figure 4.37 Changes in platform take-up 2006 – 2007: percentage points**

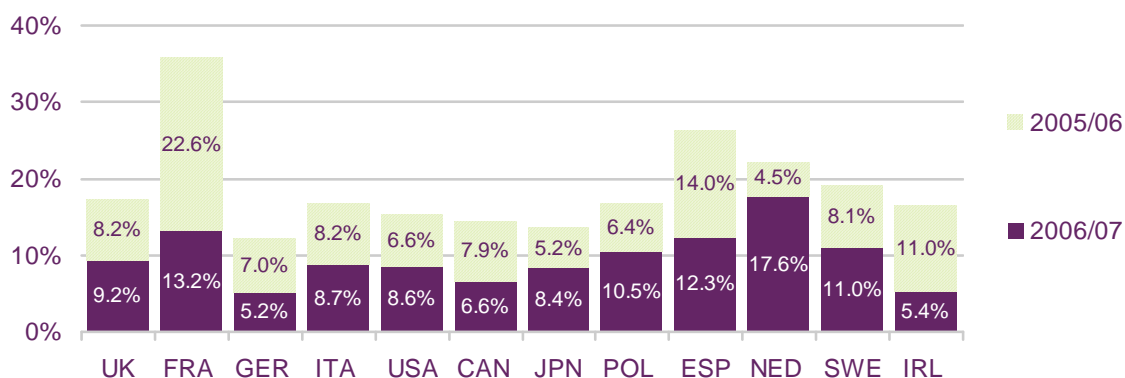
Platform		UK	FRA	GER	ITA	US	CAN	JPN	POL	ESP	NED	SWE	IRL
Terrestrial	Analogue	-8.7	-13.2	-1.2	-8.3	-4.0	-2.6	-5.1	-4.5	-11.3	0.0	-3.7	-3.4
	Digital	6.2	8.5	1.1	4.9	2.8	0.8	4.3	0.0	9.4	0.5	3.0	0.0
Satellite	Analogue	0.0	0.0	-2.1	-0.5	0.0	-0.6	-0.6	-5.7	-0.6	-0.1	-2.2	-0.5
	Digital	2.0	-1.3	2.0	2.9	1.3	1.2	0.7	9.3	1.2	1.6	-0.9	5.0
Cable	Analogue	-0.5	0.0	-1.9	0.0	-4.6	-4.3	-2.7	-0.4	-0.5	-17.4	-5.2	-1.6
	Digital	0.9	0.3	1.9	0.2	3.9	3.7	3.1	0.9	0.6	14.7	2.1	-0.2
IPTV		0.0	5.6	0.3	0.6	0.6	0.9	0.2	0.3	1.1	0.7	6.9	0.6

Source: World Television Markets 2008, IDATE/Ofcom  
 Note: Red boxes denote the biggest changes in platform take-up

Overall, people in the Netherlands, France and Spain converted their main sets to digital in the greatest numbers, with 18%, 13% and 12% respectively making the switch in 2007. In France and Spain this was largely due to a well-developed DTT platform, whereas in the Netherlands consumers switched to digital cable, reflecting analogue cable network upgrades (Figure 4.38).

**Figure 4.38 Proportion of analogue main sets converted to digital, 2006 – 2007**

Growth in the proportion of main sets connected to a digital decoder (%)



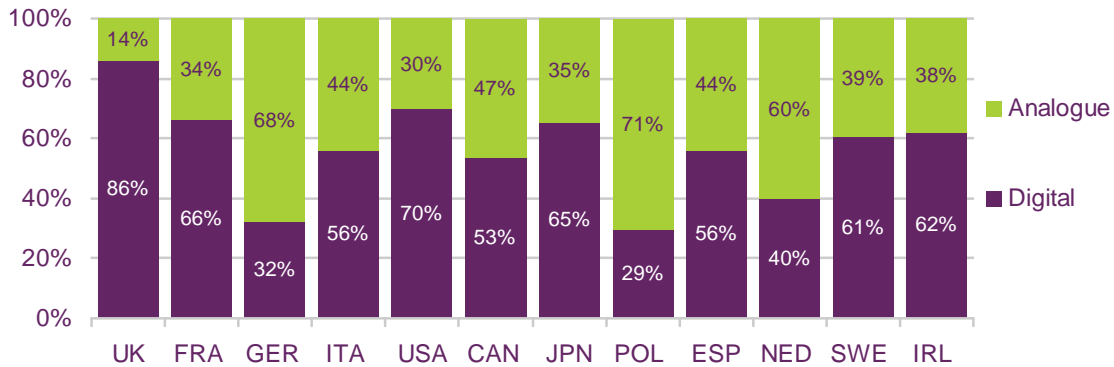
Source: World Television Markets 2008, IDATE/Ofcom

The net effect of DTV migrations in 2007 left the UK with the greatest proportion (86%) of main sets connected to digital, followed by the US (70%), France (66%) and Japan (65%). Despite Polish and Dutch consumers migrating rapidly to digital during 2007, they (along with consumers in Germany) were the least likely to have converted their main sets to digital; just 32% had done so in Germany, 29% in Poland and 40% in the Netherlands (Figure 4.39).

But consumers are preparing for DSO; in 2007, for the first time, the majority of households were receiving television channels through a digital decoder in Canada, Spain, Italy and Sweden.

**Figure 4.39 Analogue and digital television households, 2007**

Proportion of households (%)



Source: *World Television Markets 2008, IDATE*

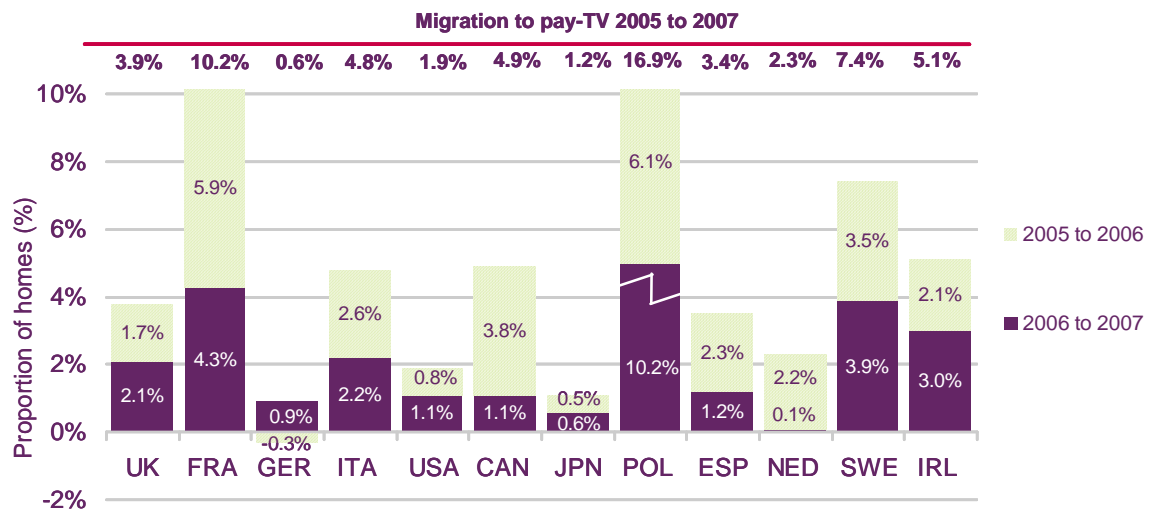
#### 4.3.3.3 Pay-TV growing in popularity in Poland

While pay-TV take-up rose during 2007, the rate of consumer adoption varied significantly among the countries covered by this report (Figure 4.40).

In the Netherlands, take-up slowed to just 0.1% in 2007, from 2.2% in 2006, as the number of pay-TV households almost reached saturation point (99.4% by the end of 2007 – Figure 4.40). In other mature pay-TV markets, such as the US and Canada, take-up was also comparatively slow.

By contrast, 61% of consumers in Poland chose to pay for additional television services in 2007, up by 10 percentage points on the year. Pay satellite was the driver behind many of those conversions, perhaps explained by the existence of three competing pay satellite operators. Nevertheless, cable still accounts for the largest share of Polish consumers paying for television services.

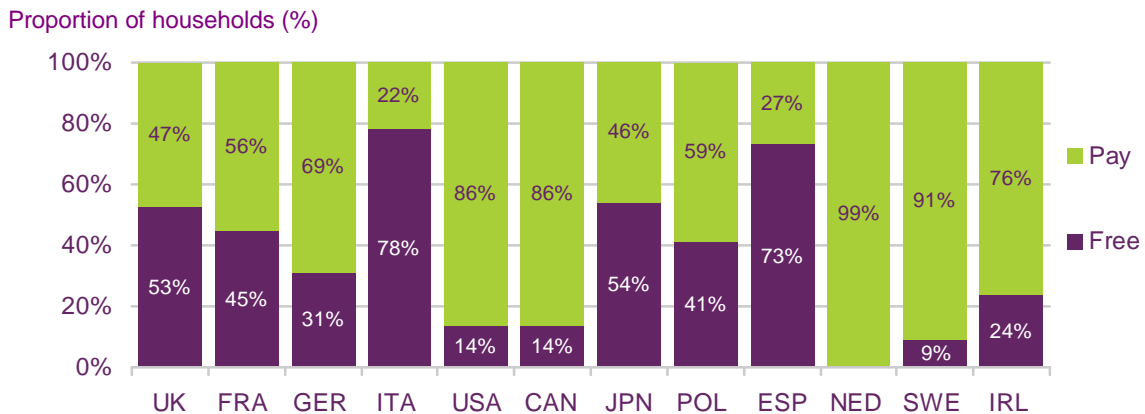
**Figure 4.40 Migration to pay-TV: 2006 - 2007**



Source: World Television Markets 2008, IDATE

The majority of households in the Netherlands, Sweden, the US, Canada, and to a slightly lesser extent, Ireland and Germany, took pay-TV in 2007. In Poland this was the first year when the majority of households had switched to a pay package, explained by the substantial migration to satellite during the year; the same threshold was reached by French households during 2006. The pay television market remained small in both Spain and Italy, where historically the analogue terrestrial platform has been popular, and consumers have been slower to migrate to digital and/or pay-TV (Figure 4.41).

**Figure 4.41 Pay versus free-to-view television, 2007**



Source: World Television Markets 2008, IDATE

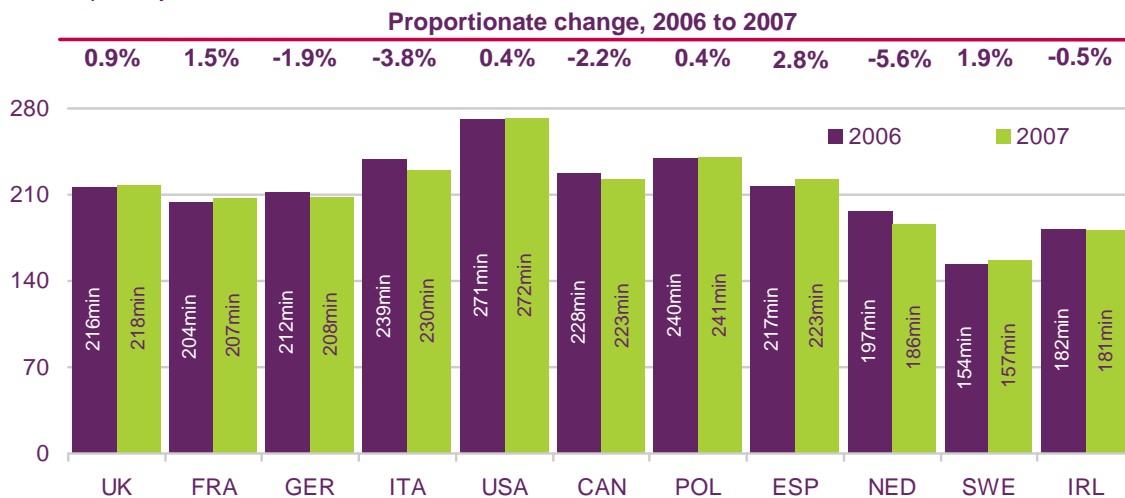
### 4.3.4 Viewers' consumption of television services

Figure 4.42 illustrates that the average amount of time spent watching television per day remained largely constant year-on-year across the countries in this study.

Viewers in the US consumed the most television, watching on average 4.5 hours, an hour more than the average (3.4 hours per person per day) across the European countries that form part of this study. Polish viewers watched more television than any other nation in Europe, at 4.0 hours a day (241 minutes), and people in Sweden were the lightest TV consumers, at just 2.6 hours (157 minutes) a day.

**Figure 4.42 Minutes of viewing per head**

Minutes per day



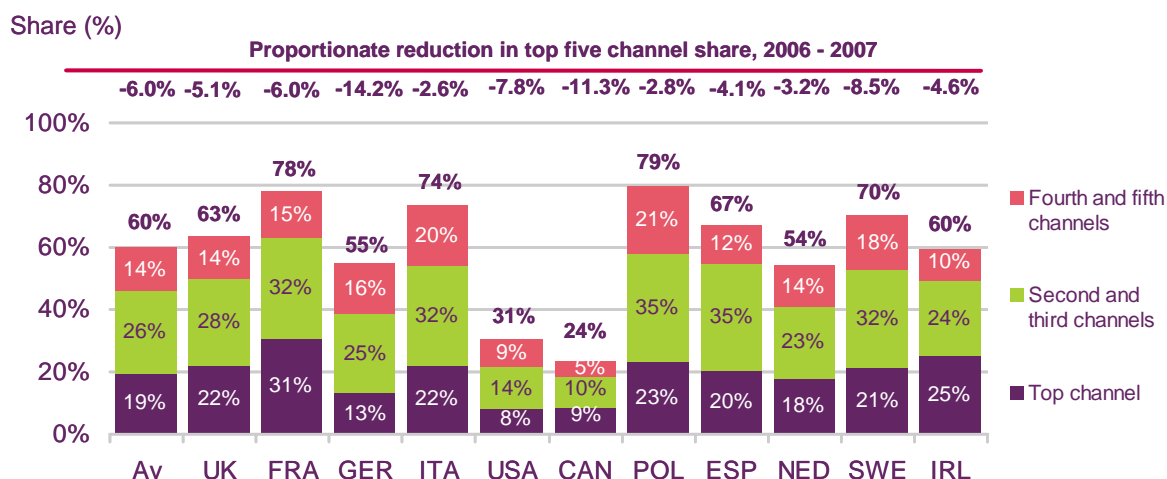
Source: *One Television Year in the World 2008 Eurodata/Mediаметrie*, based on national audience measurement systems.

Owing to the wide range of channels available to US and Canadian viewers (because of their willingness to pay for additional channels), viewing patterns are less concentrated, with the most popular channels attracting a comparatively low share. The top five attracted just 31% of viewer hours in the US and 24% in Canada (Figure 4.43).

Viewers in Poland showed greater loyalty to a smaller number of channels during 2007, with the result that the five most popular TV channels attracted 79% of all viewer hours. French viewers also devoted the majority of their viewing hours to just five channels, the top five commanding a share of 78%.

French commercial channel TF1 attracted the greatest share of any channel in this study, at 31%; the next highest was RTE 1 in Ireland with 25% share. Viewing patterns were also highly concentrated in Italy (where the top five accounted for 74%) and Spain (67%), where, like Poland, a significant majority of households continued to receive free-to-view television on their main sets.

**Figure 4.43 Collective audience share of top one, three and five channels, all households: 2007**

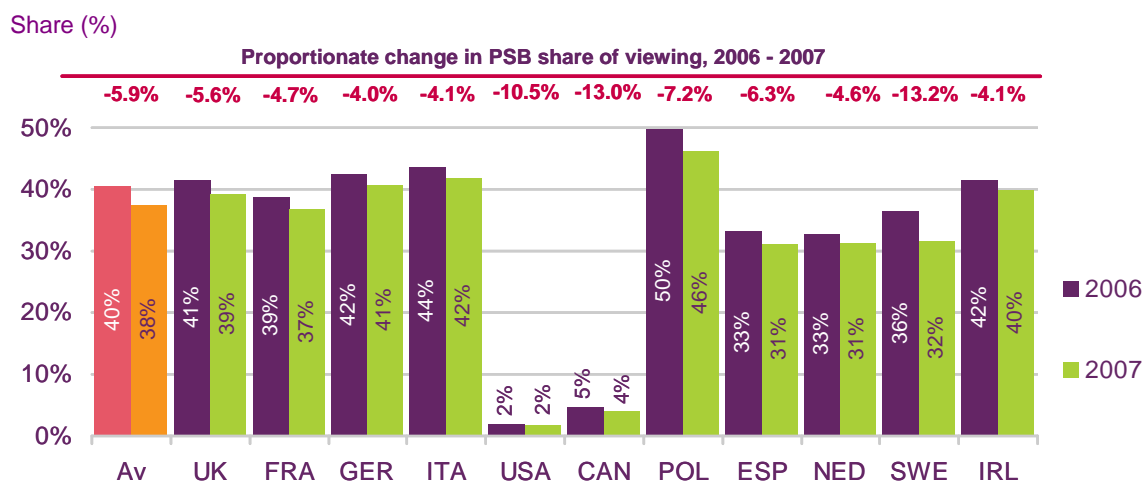


Source: One Television year in the World 2008, Eurodata/Mediаметrie, based on national audience measurement systems

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

The average share of the European PSB channels covered in this study fell by 2 percentage points over the year, down to 38% in 2007 (Figure 4.44). Sweden's SVT1 and SVT2 suffered the greatest reductions in share, down by 4 percentage points in 2007 (on top of a three percentage point reduction in 2006). For the first time, in 2007, Polish PSB channels POL1/2 failed to command the majority of viewer hours, with an all-day share of 46%.

**Figure 4.44 PSB share of viewing, all households**



Source: One Television Year in the World 2008 Eurodata/Mediаметrie, based on national audience measurement systems

Notes: UK figures include BBC One, BBC Two and Channel 4/S4C  
Average calculated using European channels.

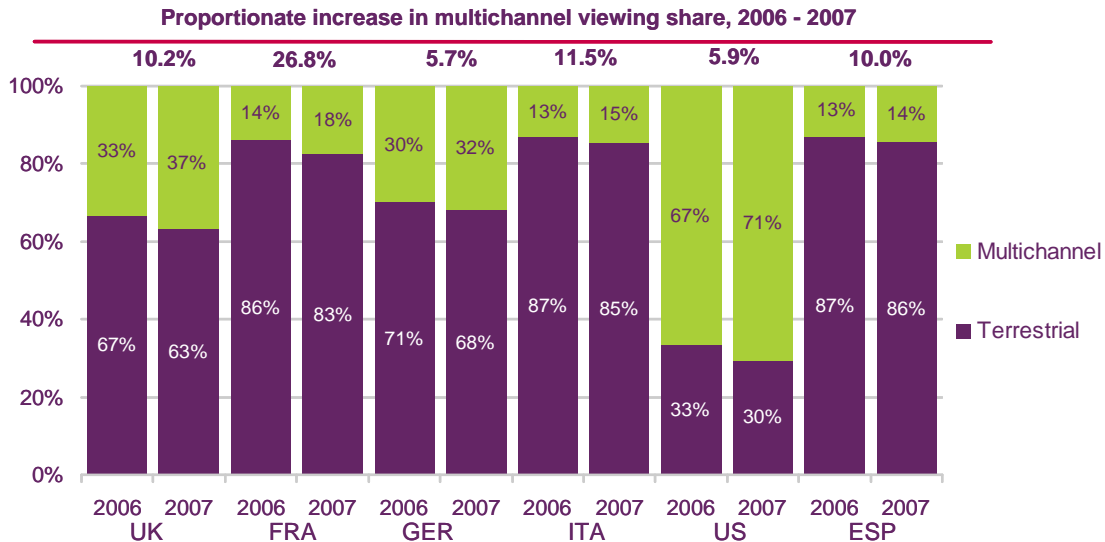
The growing popularity of multichannel television is continuing to erode the share of terrestrial television channels in the six larger countries in this study, as shown in Figure 4.45.

In the US the multichannels are unique in attracting the majority of viewer hours. In 2007 their share stood at 71%, up from 67% in 2006. In the remaining countries in this study, terrestrial channels continued to attract the majority of all viewer hours. In Spain and Italy the

share of viewing for terrestrial channels stood at 86% and 85% respectively in 2007, with the French channels TF1, France 2, France 3, M6, France 5 and Canal+ accounting for an 83% share.

**Figure 4.45 Terrestrial channels versus multichannel viewing shares**

Share (%)



Source: *One Television Year in the World 2008 Eurodata/Mediаметrie and Ofcom based on national audience measurement systems*

### 4.3.5 Consumer attitudes towards television

#### 4.3.5.1 TV is consumers' first choice for media interests

In most countries in this study, around half of our respondents with internet access (the survey was conducted online) said that TV was their first choice of media to find out about world or national news, as opposed to using the internet, newspapers or radio (Figure 4.46). A higher proportion of respondents in France chose television as their first choice for news, at 57% for world news and 61% for news about France; whereas in Japan only 35% turned to television first for news about the world, with the most popular choice of media being the internet, at 50%.

However, a higher proportion of respondents in Japan chose TV as their main source for sports news, at 46%, while the figure in other countries was between 28% and 39% of respondents - making it the favourite choice in all nations except France, where the internet was slightly more popular. A high proportion of those surveyed (for example, 36% in the UK) said that they weren't interested in sports news, so percentages for all media types were proportionately lower in this category.

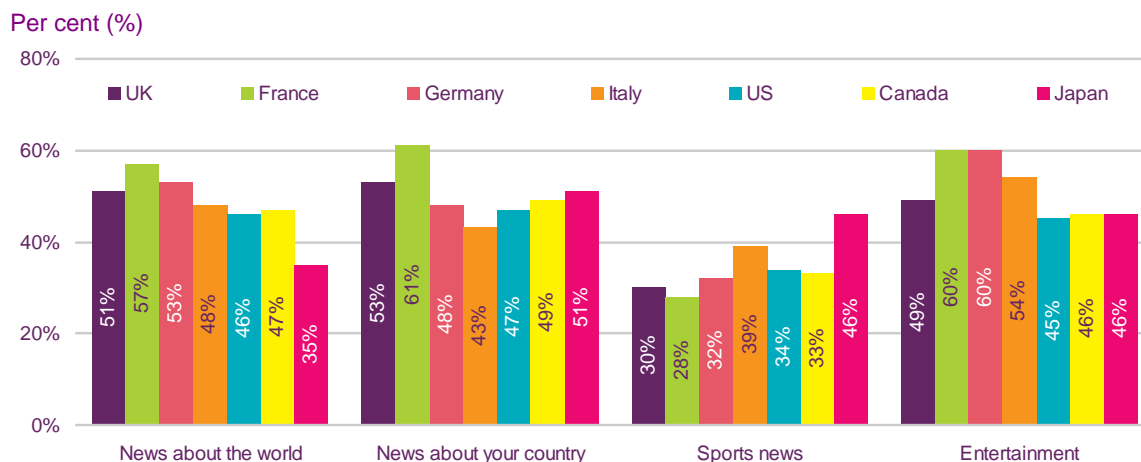
TV was the most popular first choice for entertainment across all countries surveyed, ranging from 45% of respondents in the US to 60% in France and Germany.

In the UK the second most popular choice for all four categories was the internet, with 28% choosing it as the first medium for entertainment, 26% for news about the world, 23% for news about the UK and 23% for sports news.

**A word of caution must be attached to these results - the research was undertaken online, and there will be a bias towards the internet in users' responses to the questionnaire, resulting in a likely overstatement of the internet figure.**

**Figure 4.46 TV as a source for media interests**

Which is your main source for the following interests?



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)

#### 4.3.5.2 Consumer concerns about television

Viewers in Japan were less likely than viewers in the other six countries surveyed to have concerns about television content, with just 25% of Japanese respondents expressing a concern (Figure 4.47). Respondents in the UK were also less worried; 39% said they had concerns about what is shown on TV, compared to more than half of viewers in France (54%) and Germany (53%) and almost half in Italy (46%) and the US (47%).

Of those respondents who expressed a concern, poor quality content was an issue for most; ranging from 84% in Japan to 94% in Italy; with 93% of respondents in the UK highlighting this as a concern.

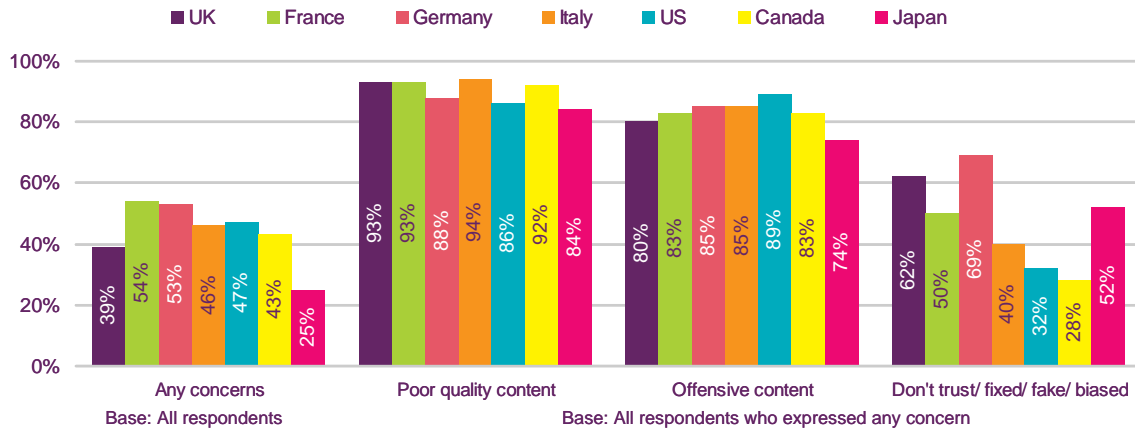
Offensive content (e.g. violent or sexually explicit material) was also raised by the majority of respondents across all seven countries as being an area of concern. Viewers in the US were the most likely (89%) to cite this as an issue.

A high proportion of respondents with concerns in the UK and Germany flagged issues surrounding trust or fixed, fake or biased content (62% and 69% respectively), around double the percentage of respondents in the US and Canada.

**Figure 4.47 Concerns about television, all individuals**

Do you have any concerns about what is on TV? What sorts of things on TV are you concerned about?

Per cent (%)



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)

All respondents who had any concern about television (UK 388, France 538, Germany 529, Italy 460, USA 477, Canada 429, Japan 248)

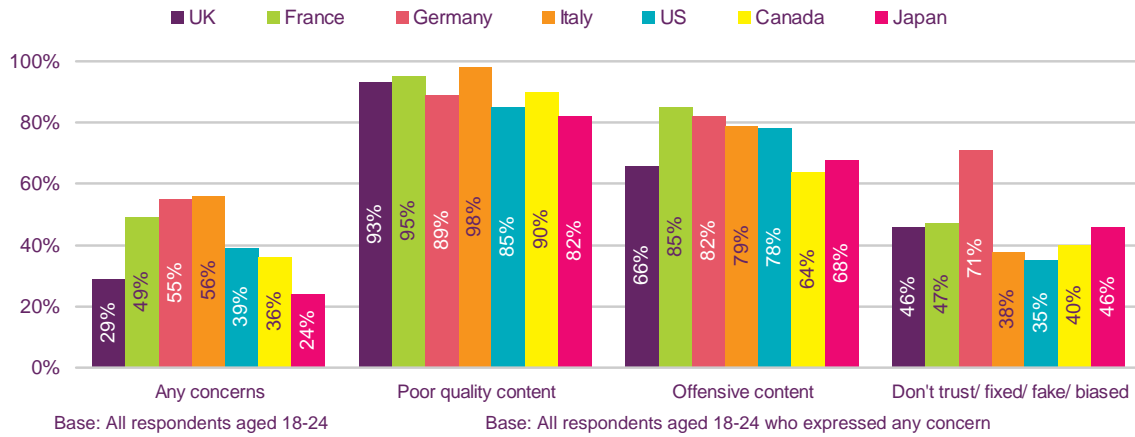
The following two charts (Figure 4.48 and Figure 4.49) split out viewer concerns about TV content by age of respondent. In most countries in the study, older adults (45 to 64 year-olds) were more likely to have concerns than younger adults (18 to 24 year-olds). The exceptions were in Italy and Japan, where the opposite was true, with a higher concern rate among younger viewers.

In the UK, the percentage of older adults with concerns was 14 percentage points higher than younger adults. The difference was even greater when comparing concerns about offensive content, which was 20 percentage points higher among 45 to 64 year olds, and trust issues, which were 29 percentage points higher.

**Figure 4.48 Concerns about television, 18 to 24 year olds**

Do you have any concerns about what is on TV? What sorts of things on TV are you concerned about?

Per cent (%)

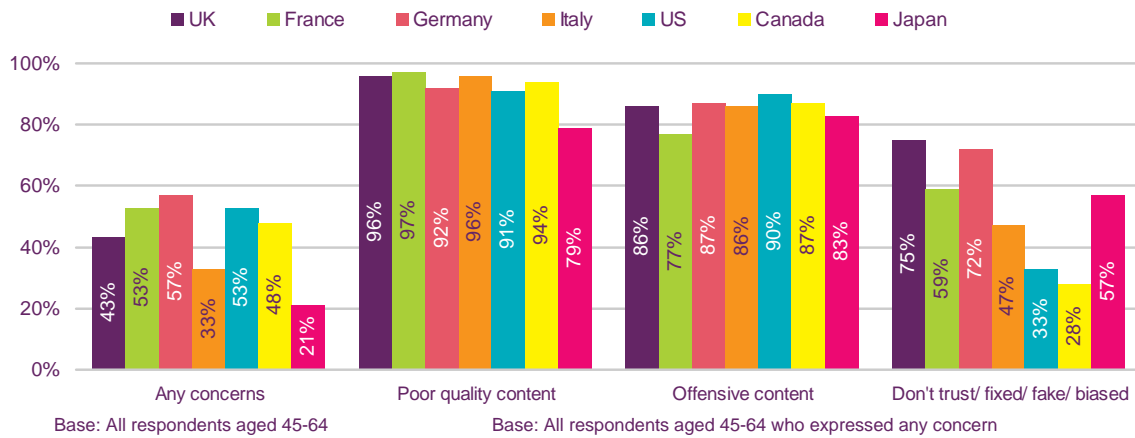


Source: Ofcom Understanding International Communications Behaviour research, October 2008  
 Base: All adults aged 18 to 24 who use the internet (UK141, France 190, Germany 193, Italy 191, USA 141, Canada 139, Japan 231)  
 All 18 to 24 year old respondents who had any concern about television (UK 41, France 94, Germany 106, Italy 107, USA 55, Canada 50, Japan 56)

**Figure 4.49 Concerns about television, 45 to 64 year olds**

Do you have any concerns about what is on TV? What sorts of things on TV are you concerned about?

Per cent (%)



Source: Ofcom Understanding International Communications Behaviour research, October 2008  
 Base: All adults aged 45 to 64 who use the internet (UK 390, France 274, Germany 291, Italy 272, USA 360, Canada 361, Japan 196)  
 All 45 to 64 year old respondents who had any concern about television (UK 168, France 145, Germany 165, Italy 90, USA 192, Canada 175, Japan 42)