

# The Communications Market 2008

## **3 Television**

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## 3.1 Key market developments in television

### 3.1.1 UK television industry key metrics, 2002-2007

UK television industry	2002	2003	2004	2005	2006	2007
Total TV industry revenue (£bn)	8.9	9.3	10.1	10.6	10.8	11.2
Proportion of revenue generated by public funds	25%	25%	23%	23%	23%	23%
Proportion of revenue generated by advertising	35%	35%	34%	33%	32%	32%
Proportion of revenue generated by subscriptions	32%	35%	35%	37%	37%	38%
TV as a proportion of total advertising spend	30.9%	30.2%	29.6%	29.6%	27.9%	26.8%
Spend on originated output by 5 main networks (£bn)	3.0	3.0	3.0	2.8	2.8	2.6
DTV take-up (% of homes in Q1)	38.5%	43.2%	53.0%	61.9%	69.7%	86.3% (Q1 2008 87.1%)
Proportion of DTV homes paying for TV (Q1)	86.6%	80.2%	71.7%	64.3%	60.0%	55.0%
Viewing per head, per day (hours) in all homes	3:34	3:44	3:42	3:39	3:36	3:38
Share of the five main networks in all homes	77.7%	76.4%	73.8%	70.3%	66.8%	63.5%
Number of channels broadcasting in the UK	236	294	379	416	433	470

This section summarises some of the most significant developments in the UK's television market during 2007:

- **Digital television take-up grew by 7.5 percentage points** in the twelve months to the end of Q1 2008 to reach 87.1%, driven largely by the popularity of Freeview.
- **The first stage of the UK's digital TV switchover began** in November 2007 when analogue television services were switched off in Whitehaven and Copeland and viewers gained access to three DTT multiplexes for the first time.
- **The gap between subscription and advertising revenues continued to widen**, with income from subscriptions exceeding net advertising revenue by £744 million in 2007.
- **The PSBs' digital-only channels maintained a strong performance in 2007**, gaining audience share of 2.3 percentage points, offsetting losses on the main channels. The result was that PSBs portfolios as a whole secured a 70% audience share in multichannel homes for the first time.
- **A range of digital-only channels re-focused their services to target the 16-24 age group**, with some notable success. UKTV Gold 2 re-branded as Dave, BBC Three re-launched as a pan-media proposition while Five Life re-launched as Fiver with the aim of attracting a younger, more balanced gender profile.
- Ofcom has introduced **a new policy on premium rate telephony services following the investigation into the broadcasters' use of these services**, in which a number of programmes were subject to sanction over the conduct of viewer competitions.

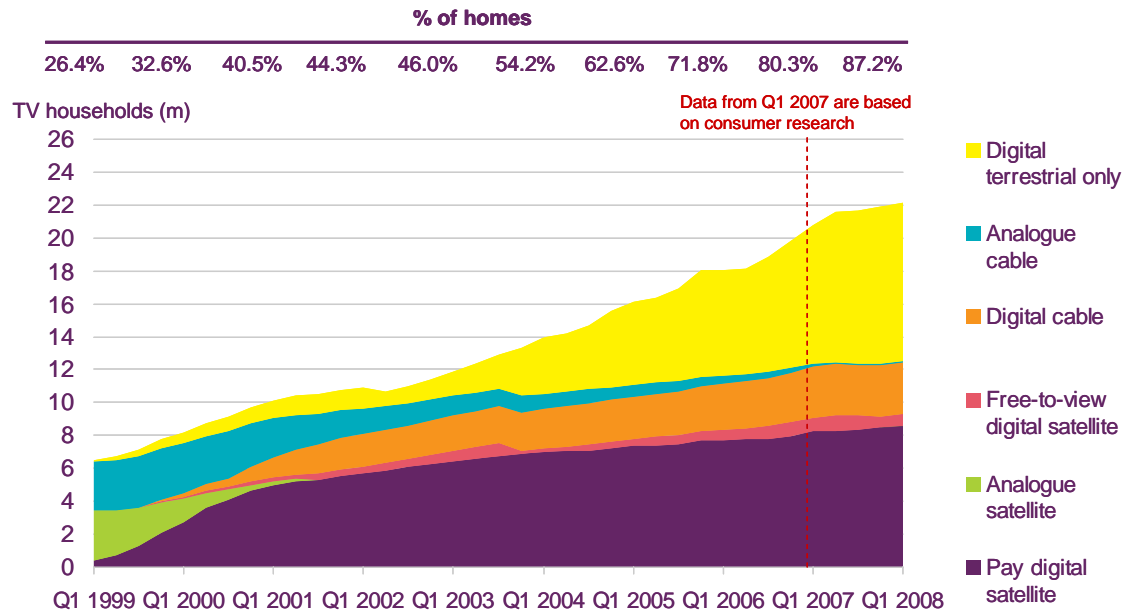
These stories are examined in more detail below.

### 3.1.2 Digital television (DTV) take-up reached 87% at the end of Q1 2008

DTV take-up on main sets reached 87.1% at the end of the first quarter of 2008, up by 7.5 percentage points over the year. Multichannel TV take-up was up 6.9 percentage points over the period to 87.2%. The difference between these take-up figures is explained by cable television, as Virgin Media continued to migrate its analogue customers to digital cable, increasing DTV uptake but not affecting the overall multichannel figure. The main driver of conversions to digital was the growing popularity of Freeview, which accounted for 75% of the growth over the year, while the pay-TV platforms also continued to grow.

Figure 3.1 Multichannel television take-up

Proportion of main sets connected to Multichannel TV (%)



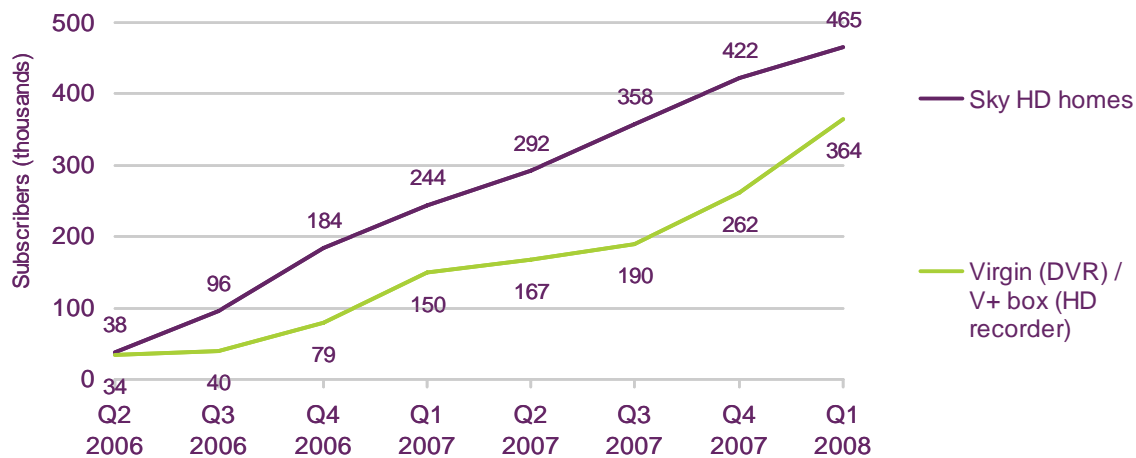
Source: research from Q1 2007, platform operator data, Ofcom estimates and GfK research prior to this

During 2007 the range of digital television services on offer to consumers developed, with the prospect of further evolution in the medium term:

- Following the launch of channels carrying some live premier league football, Setanta Sports launched subscription services over pay satellite, and DTT.
- The BBC and ITV launched their *freesat* service in May 2008, offering subscription-free access to 80 television channels including high-definition (HD) services from the BBC and ITV1 (the ITV1 HD service is currently exclusive to *freesat*).
- Sky launched its *Pay Once Watch Forever* product, offering time-limited free access to a range of basic-tier subscription services, with the option of subscribing to those services thereafter.
- Ofcom announced proposals to reorganise the DTT multiplexes to accommodate a range of new services, potentially including high-definition services.

The number of high-definition television (HDTV) subscribers doubled between Q1 2007 and Q1 2008, from 394k to 829k households. Subscriptions to Sky accounted for 465k, while those to Virgin Media accounted for the remaining 364k (where HD functionality comes as standard with the V+ DVR) (Figure 3.2).

Figure 3.2 Number of HDTV subscribers: Sky and Virgin Media



Source: BSkyB and Virgin Media

Take-up of digital video recorders (DVRs) continued to grow in 2008, as 23% of individuals claimed to have access to this technology, up by 8 percentage points, or 53%, on 2007. Sky claimed during the year that its 'push' DVR service (offering pre-broadcast access to audio-visual content) was attracting a substantial volume of viewing hours, suggesting that the added convenience of 'on-demand' functionality was appreciated by consumers.

But there is some way to go before consumers regard their library of recorded content as the 'default', with 88% of those with a DVR choosing instead to review the availability of content on live television 'always' or 'mostly' before turning to their programme archive. That said, the threat that DVRs pose to the free-to-view advertiser-funded business model may still remain, with 88% of those who watch recorded content claiming to fast-forward through advertisements.

### 3.1.3 DSO kicked off in Whitehaven and Copeland in Q4 2007

Autumn 2007 saw the first steps towards digital switchover in the UK. Using a two-stage switch, consumers in Whitehaven and Copeland lost access to analogue terrestrial BBC Two on 17 October when the channel was replaced with a DTT multiplex. Then at 02:00 on 14 November all the remaining analogue channels were switched off. Less than two hours later two further DTT multiplexes began broadcasting and residents acquired access to three DTT multiplexes for the first time.

Of the 29% of homes that had not yet converted to digital television at the point of switchover, a substantial proportion were converted to digital using pay-satellite service from BSkyB (although notably there is no cable service available to consumers in Whitehaven or Copeland and DTT was not available until switchover).

Immediately after switchover, 17% of homes (out of the 29%) had selected BSkyB. A further 10% had chosen Freeview while 1% were receiving analogue television from another transmitter and a further 1% had Freeview but had yet to connect it to their television. Research six months later found that everyone had converted to digital.

To help those aged 75 or over, registered blind or partially sighted, or eligible for certain disability benefits, a Switchover Help Scheme was set up, funded from the licence fee. In Copeland over two thousand people took advantage of it, amounting to around 28% of those who were eligible for support. In preparation for the first region to switch over fully (ITV

Border), the scheme has, after a formal process, awarded the first contract to supply lowest-cost practical help to BSkyB.

### 3.1.4 Subscription revenue £744m higher than TV advertising revenue in 2007

Subscription revenue first exceeded net advertising revenue (NAR) in 2003 and the gap between the two has widened every year since. By 2007, subscriptions had reached £4.3bn, 21% ahead of television advertising which reached £3.5bn in the same year.

Subscription revenue grew by 6.4% over 2007 to £4.3bn, driven by household migration to pay satellite and cable TV services, and by rises in average revenue per user following increases in subscription package prices and the end of discounted package offers. There may still be room for growth in pay-TV, as regions across the UK line up for digital switchover, and as BSkyB pushes to reach its stated target of 10 million subscribers by 2010.

By contrast, TV advertiser revenue rose 2.2% to £3.5bn over 2007 after an equivalent decline in 2006. The flat trend may be connected to advertising's tendency to be cyclical, coupled with emerging economic uncertainty during 2007 (Figure 3.3).

Figure 3.3 Subscription and net advertising revenue



Source: Ofcom/operators/platform operator annual reports

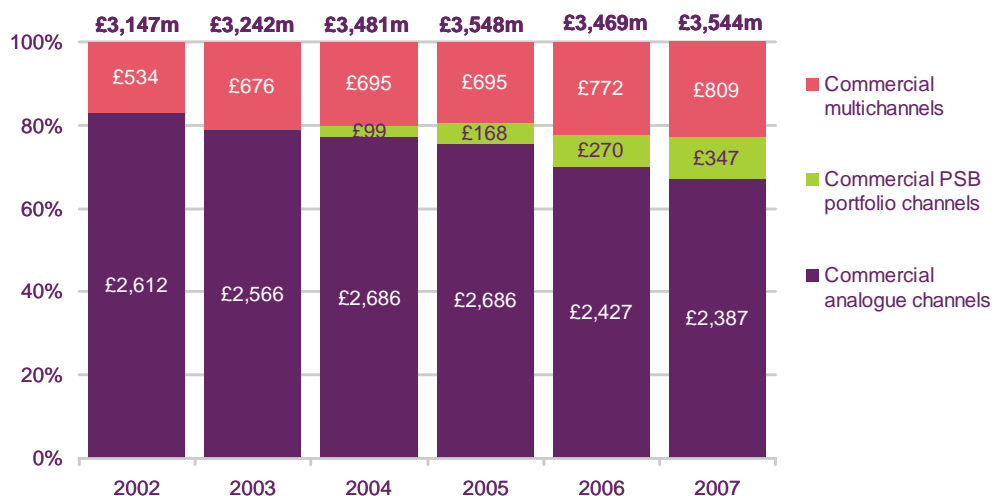
Note: Figures are nominal.

The commercial public service broadcasters (PSBs) saw their collective share of advertising revenue decline by 2.6% during 2007 to £2.4bn (or to 67% of the total industry NAR); this was driven by a fall in ITV1's NAR. The decline compounds a 9.6% loss in NAR across the PSBs in 2006 (Figure 3.4). The losses faced by the commercial analogue channels have been partly offset by their portfolio (or 'spin-off') channels, which have collectively grown to account for £347m (or 10%) of the industry's total advertising revenue.

The non-PSB commercial multichannels generated £809m in NAR or 23% of the total advertising revenue. This is up from £534m in 2002.

Figure 3.4 Net advertising revenue, by sector

£m



Source: Ofcom/broadcasters

Note: Figures are nominal.

### 3.1.5 PSB portfolio channels attracted additional share in 2007

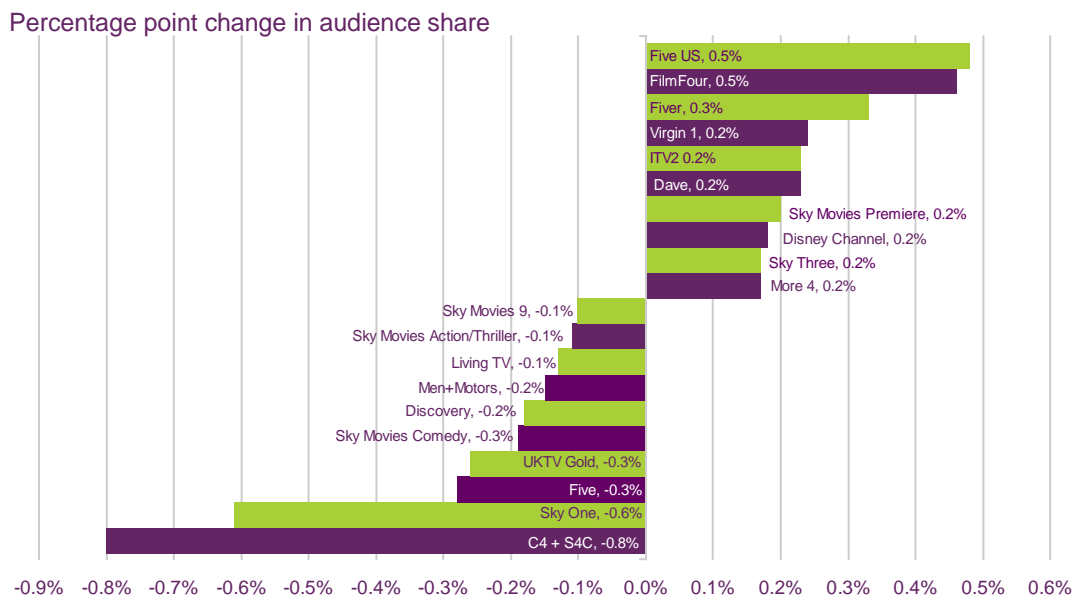
The PSB digital channels accounted for five of the ten channels that gained the greatest percentage point increases in audience share during 2007 (Figure 3.5).

Both of Five's new digital channels, Five US and Fiver, were among the top three, having launched in October 2006. Film Four, More 4 and the longer-established ITV2 also did well over the period. Their strong performance may be partly explained by the fact that they benefit from established brand identities, are promoted on their parent channels and have access to sizeable, established programme archives.

Four Sky channels featured among the ten channels that lost the most share between 2006 and 2007, three of which were film channels (although Sky also benefited from two channels – Sky Movies Premier and Sky Three – in the top ten gainers of 2007). Sky One experienced the largest reduction within Sky's channel portfolio, shedding 0.6 percentage points year-on-year – possibly as a result of the channel's March 2007 removal from the Virgin Media platform.

But the channel that lost most share in multichannel homes during 2007 was Channel Four, which was down 0.8 percentage points. Another of the main networks, Five, experienced the third biggest reduction, with a decline of 0.3 percentage points. Together they contributed to the collective PSB audience share in multichannel homes in 2007 falling by over one percentage point to 56.7%.

**Figure 3.5 Multichannel audience winners and losers, 2006 to 2007**

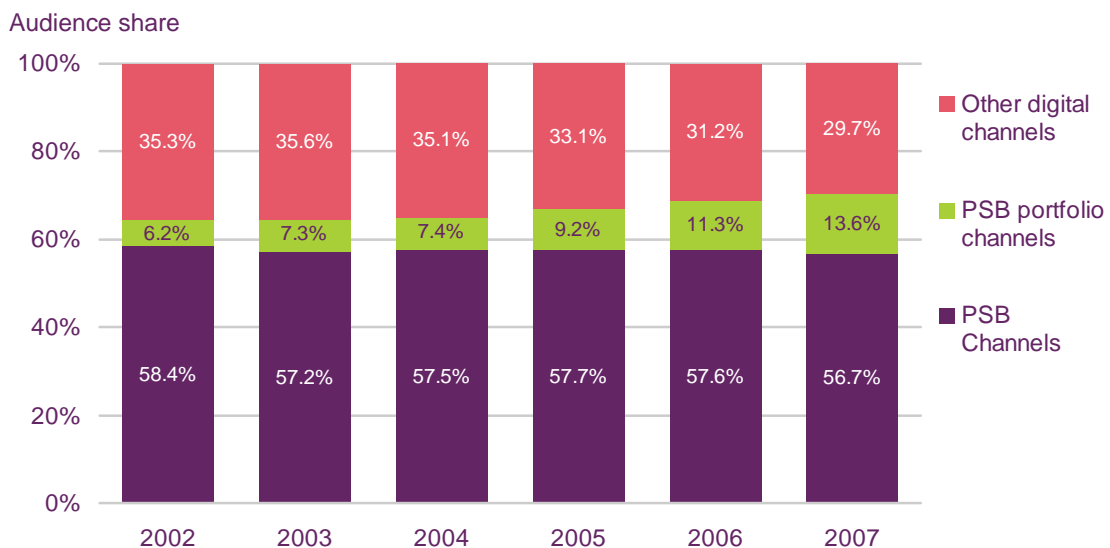


Source: BARB

Note: Includes channels' +1 services

Taking account both of the main PSB channels and of their digital-only services, the PSB channel families still accounted for a significant proportion of all TV viewing. Since PSB portfolio channel share more than doubled over the last five years (from 6.2% in 2002 to 13.6% in 2007) the PSB family of channels secured 70% of audience share in multichannel homes for the first time in 2007 (Figure 3.6).

**Figure 3.6 PSB and portfolio channel shares in multichannel homes**



Source: BARB

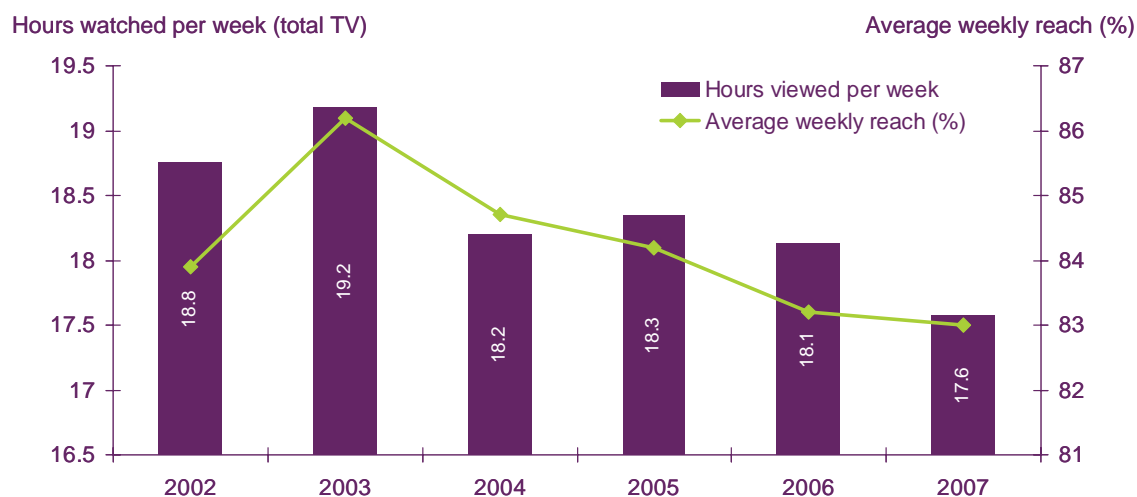
### 3.1.6 Digital-only channels reposition to target younger audiences

16-24 year olds are spending less time viewing broadcast content, because they are dividing their time between an expanding range of media consumption opportunities (for example, using social networking sites, downloading music or video clips and playing video games). As a result, they watched nearly an hour less TV each week in 2007 than they did in 2002

(down from 18.8 hours to 17.6 hours a week). This compared to an increase in viewing hours across all adults from 25.0 hours to 25.4 hours a week over the same period.

Reach suffered as well - average weekly 15-minute consecutive reach for TV as a whole in all homes for 16-24 year olds fell by 0.9 percentage points over the same period, to 83.0%; this compared with an *increase* of 0.9 percentage points for all individuals, to 92.6% (Figure 3.7).

Figure 3.7 16-24s TV viewing hours and weekly reach in all homes



Source: BARB

15-minute consecutive average weekly reach — full weeks

Note: 2002 figure may be affected by the changes in the BARB panel composition

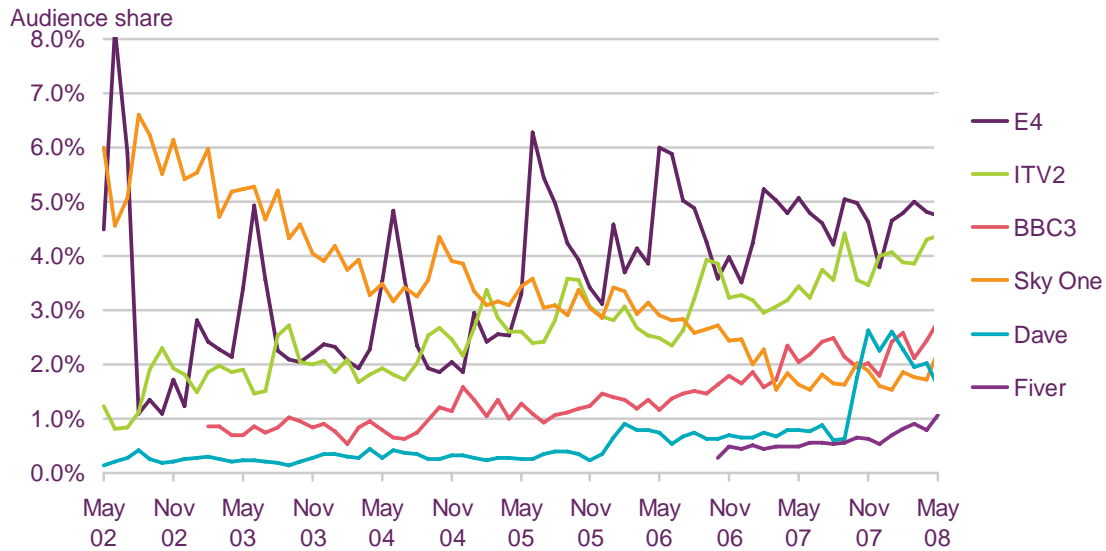
Responding to this trend, a number of entertainment channels have re-invented themselves in 2007/08 to win over this difficult-to-reach market:

- In October 2007 UKTV Gold 2 re-launched as Dave, a “no nonsense” entertainment channel aiming to appeal to an audience of 16-34 year-old men. The impact of the re-brand took effect immediately, with audience share rising sharply from 0.6% in September 2007 to 2.6% among 16-24s within just one month of the makeover (Figure 3.8).
- Channel Five’s portfolio channel Five Life re-branded as Fiver at the end of April 2008, reinvented itself as “younger, faster and louder”. As part of its strategy to attract a younger audience, the channel acquired the online drama *Sofia’s Diary* which debuted on the social networking website Bebo. Fiver’s share among 16-24s rose from 0.8% in April 2008 to 1.1% following the re-launch.
- BBC Three, whose share has grown steadily among 16-24 olds since its launch in 2003, also re-launched. In February 2008 it added a new line-up of programmes for an “innovative and exciting approach to television for young audiences”. The channel aimed to combine television and the web into a single, integrated offering (including a live webcast) but unlike the other channels, did not experience an immediate share boost from the re-launch.

Despite the increasing competition for younger audiences, introduced by these channels, established services such as E4 and ITV2 have held and built their audience share over the last five years. E4 retained its position as the most popular entertainment channel among 16-24s – but its rate of share increase slowed and its *Big Brother* peaks have become less

prominent. ITV2's audience has also risen among young adults, pushing its share in this demographic past 4.0% by the start of 2008, up from 1.2% in May 2002. (Its multichannel share among all age groups rose less quickly over the same period - by 1.1 percentage points to 2.2%). Sky One, by contrast, experienced a reduction in share among 16-24s, although this reflects a more general fall in share for the channel, among all adults, of 2.6 percentage points between 2002 and 2007. Some of the reduction in the past year may be explained by the channel's removal from the Virgin Media cable platform.

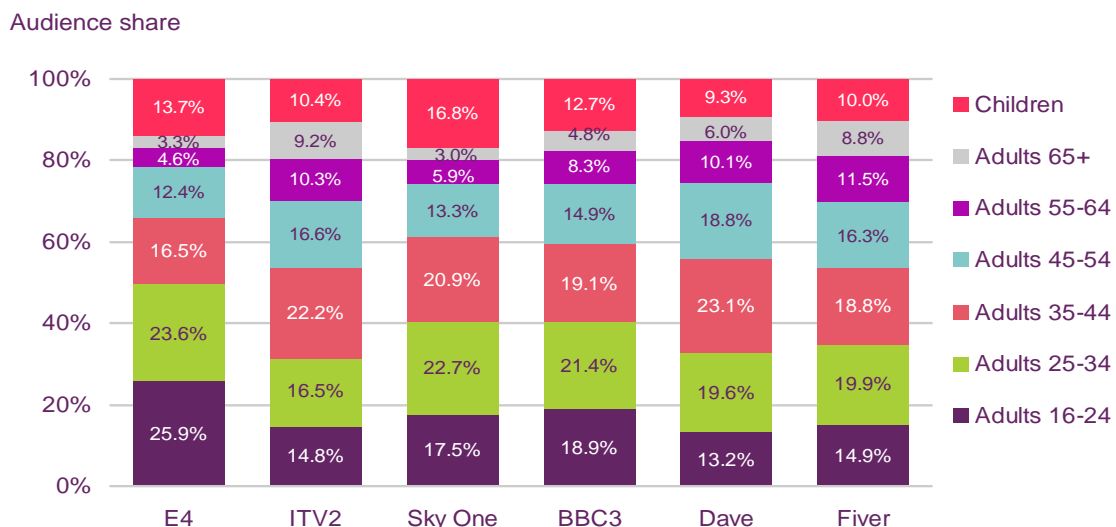
Figure 3.8 Audience share of the most popular channels: 16-24s



Source: BARB, multichannel homes  
 Note: Includes channels' +1 services

Thanks to its appeal among 16-24s, E4 attracted a higher proportion of younger viewers than any other channel. BBC Three's audience also appeared popular among the under 35s, with one in five of its audience coming from the 16-24 demographic. But Dave appeared to have greater appeal among those aged 35-54 – outside its demographic target (Figure 3.9).

Figure 3.9 Age profile of channels targeted at younger viewers: May 2008



Source: BARB  
 Note: Includes channels' +1 services

### 3.1.7 Channels move EPG slots in 2007

2007/08 saw the ongoing development of a secondary market in EPG trades, which first emerged in 2002 when the Home Shopping Europe channel was acquired by a third party so that a new channel could be launched in its place on the pay-satellite EPG (trades have also been conducted on the DTT platform). Channel 4's acquisition of Life TV in 2007 was perhaps one of the more prominent recent EPG trades which enabled the Corporation to cluster its channel portfolios in the same part of the EPG, which it did in August 2007. But more recently a range of additional acquisitions and swaps have been completed including:

- Virgin Media moving Bravo 2 and Challenge+1 to 153/154 so that Virgin 1 and Virgin1+1 could occupy the 121/122 slots (February 2008);
- Discovery placing DMax and DMax+1 at 144 and 145 in place of sumo.tv and sumo.tv+1 (March 2008);
- MTV R and Paramount Comedy 2 swapping slots with two open access channels in April 2008, providing the former with greater prominence (at 160 and 161) than they had historically enjoyed (at 200 and 201); and
- ITV2+1 moving to 131 in place of Men & Motors (March 2008).

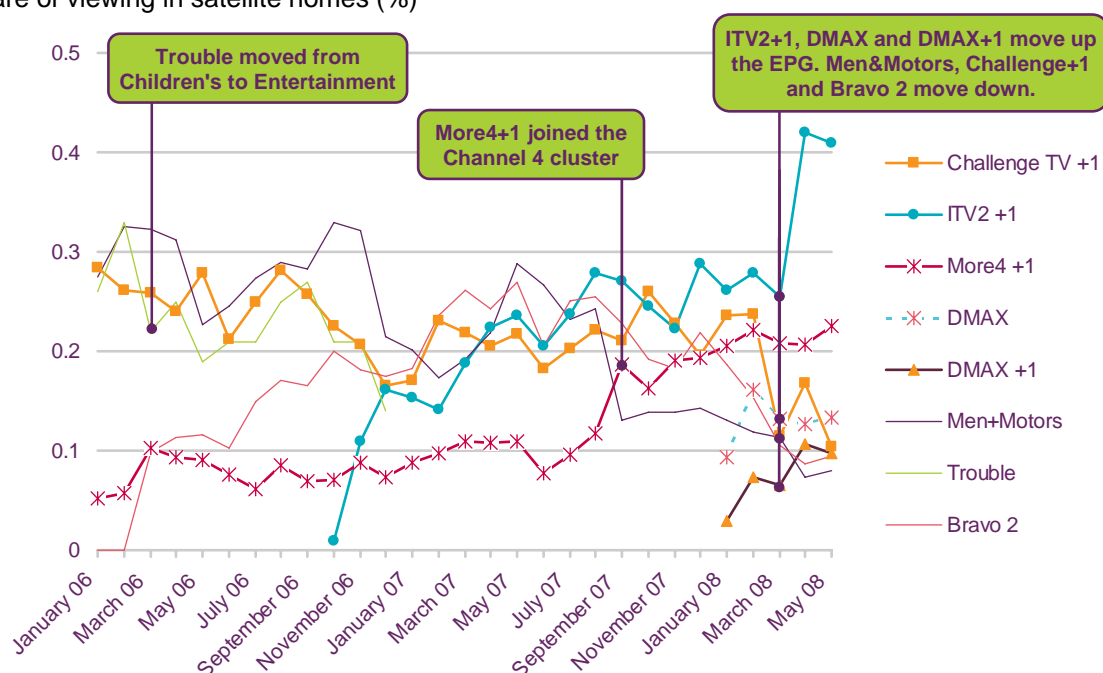
Figure 3.10 illustrates the timing of these changes to EPG listings and the prevailing channel shares before and after the changes. Most notably:

- ITV2+1, DMAX+1 and More4+1 all experienced share increases at or around the time that they were moved up their genre category;
- Men & Motors and Bravo 2's share was falling prior to their moves and continued to fall afterwards; and
- Challenge+1's share fell after it moved lower down the Entertainment category.

The volatility in audience shares both before and after channels changed slots shows that changes in share could be related to many factors including the introduction of new content onto a channel, the end of a series, the launch of a new services on a competing channel, or a change in the level of cross-promotion to that channel from another within a broadcaster's portfolio. All of these data need to be seen in context. Ofcom has not fully investigated the effects of channels moving within EPGs, and changes in viewing figures may be the result of numerous factors, which may vary depending on the facts of each case (Figure 3.10).

Figure 3.10 Channel shares in satellite homes and the timings of EPG changes

Share of viewing in satellite homes (%)



Source: Ofcom analysis based on BARB data and Ofcom research

### 3.1.8 Broadcasters' use of premium rate telephone services (PRS)

#### Policy developments

Last year in the *Communications Market Report* we reported on how Ofcom had examined in detail the ways in which broadcasters use premium rate telephone services. The centrepiece of this investigation was an inquiry led by Richard Ayre<sup>36</sup>.

The Inquiry's recommendations were taken forward in the Ofcom consultation *Participation TV: protecting viewers and consumers, and keeping advertising separate from editorial*<sup>37</sup>. Following this consultation, a regulatory statement was issued in February 2008<sup>38</sup>. In summary, it stated that:

- television broadcasters' licences are to be amended to make broadcasters directly responsible for communications with the public, and to introduce verification requirements for TV broadcasters' use of PRS;
- Ofcom will spot-check verification arrangements over a period of 12–18 months; and
- new, tougher guidance on the Broadcasting Code was to be issued.

The licence changes were confirmed in May 2008, as was the new guidance. The verification requirements apply from August 2008.

Other, separate changes in the governance structure between Ofcom and the PRS regulator PhonePay Plus (previously ICSTIS) meant that closer and more effective working

<sup>36</sup> The inquiry report can be found at <http://www.ofcom.org.uk/tv/ifi/prsinquiry/ayrereport/report.pdf>

<sup>37</sup> Available at <http://www.ofcom.org.uk/consult/condocs/participationtv/consultation.pdf>

<sup>38</sup> Available at <http://www.ofcom.org.uk/consult/condocs/participationtv/statement/ptvstatement.pdf>

arrangements were also introduced. Details can be found in the formal framework agreement which is available at:

<http://www.ofcom.org.uk/consult/condocs/phonepayplus/formalframework.pdf>

## Sanctions

The following broadcast PRS cases were subject to sanction by Ofcom over the twelve months to June 2008:

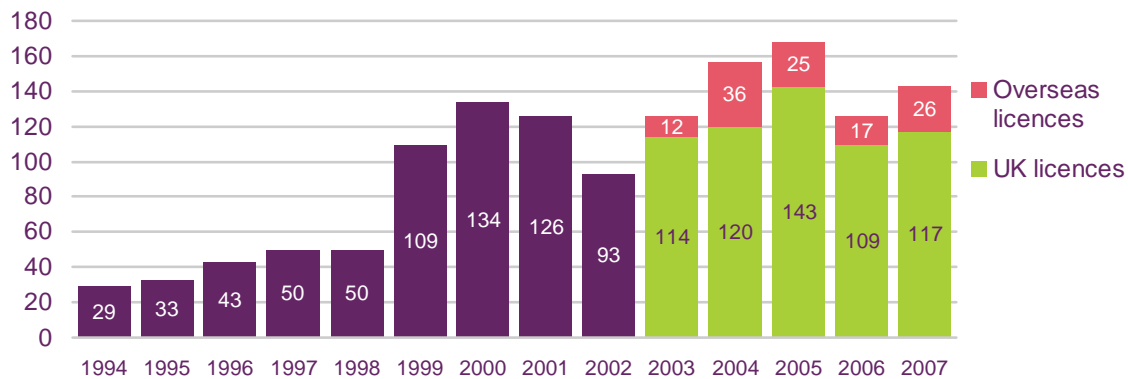
- i) **Ant & Dec's Saturday Night Takeaway, ITV1:** In May 2008, Ofcom fined LWT Ltd £3m for the repeated unfair conduct of viewer competitions *Jiggy Bank*, *Win the Ads* and *Grab the Ads*. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/lwt.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/lwt.pdf)
- ii) **Ant & Dec's Gameshow Marathon, ITV1:** In May 2008, Ofcom fined LWT Ltd £1.2m for the repeated unfair conduct of viewer competition *Prize Mountain*. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/lwt2.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/lwt2.pdf)
- iii) **Soapstar Superstar, ITV1:** In May 2008, Ofcom fined Granada Television Ltd £1.2m for misleading the ITV1 audience as to the outcome of viewer votes on a number of occasions. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/granada.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/granada.pdf)
- iv) **Various programmes, ITV2+1:** In May 2008, Ofcom fined ITV2 Ltd £275k for repeatedly failing to inform viewers that repeated competitions or other interactive programmes were no longer open or live. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/itv2.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/itv2.pdf)
- v) **Richard & Judy, Channel 4:** In December 2007, Ofcom fined Channel Four Television £1m for early and staggered selection of competition entrants in *You Say We Pay* viewer competitions. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/yswp.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/yswp.pdf)
- vi) **Deal or No Deal, Channel 4:** In December 2007, Ofcom fined Channel Four Television £500k for staggered selection of competition entrants in viewer competitions. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/dond.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/dond.pdf)
- vii) **Viewer competitions, GMTV:** In September 2007, Ofcom fined GMTV £2m for misconduct in viewer competitions between August 2003 and February 2007. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/gmtv.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/gmtv.pdf)
- viii) **Blue Peter, BBC1 and CBBC:** In July 2007, Ofcom fined the BBC a total of £50k for using a studio guest to pose as the winner of a viewer competition in a 'live' broadcast of *Blue Peter* on BBC1 and for repeating the programme, including the falsified competition, on CBBC. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/bbc.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/bbc.pdf)
- ix) **Brainteaser, Five:** In June 2007, Ofcom fined Channel 5 £300k for faking competition winners and misleading its audience on five separate occasions in its programme *Brainteaser*. Full adjudication at: [http://www.ofcom.org.uk/tv/obb/ocsc\\_adjud/channel5.pdf](http://www.ofcom.org.uk/tv/obb/ocsc_adjud/channel5.pdf)

### 3.1.9 Multicultural channels popular among TV licence awards in 2007

Ofcom awarded 143 television licences in 2007 – 117 for services broadcast in the UK and 26 for overseas (Figure 3.11). This was up from the 126 licences issued in 2006 (109 UK, 17 overseas).

Figure 3.11 Licences issued by Ofcom and the ITC

Number of licences issued



Source: Ofcom

Note: For years with purple bars, no distinction is made between UK licences and overseas licences.

Of the 117 UK licences awarded, the largest number by genre (34 licences) was for channels targeting ethnic minority communities, up from 31 licences awarded in 2006 and 12 in 2005.

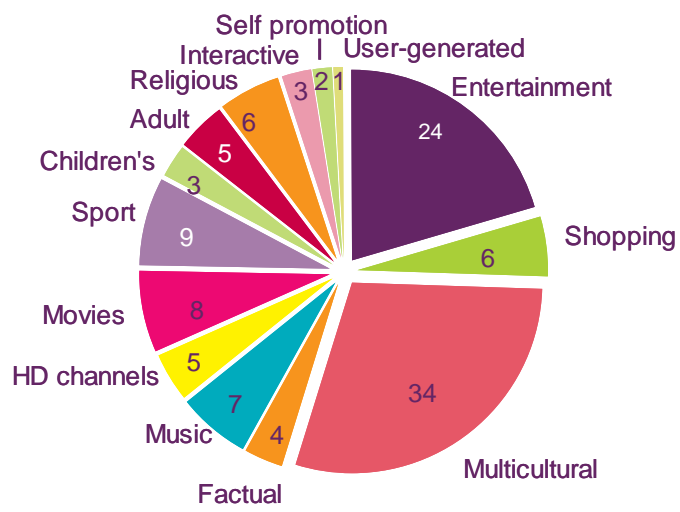
Entertainment channels formed the second largest genre for new awards in 2007 (24 licences) – although this fell from the 33 issued in 2006. Similarly, Factual channel licence applications dropped from 18 in 2006 to just 4 in 2007. This may point to the gradual saturation of certain genres, resulting in reduced levels of interest in new service launches; for example, while Entertainment channels attract a significant proportion of all viewing outside the PSB networks, there are already a large number of channels in this category.

But some genres still showed growth potential – new licence applications for Sports and Film services rose from two and three respectively in 2006 to nine and eight respectively in 2007. And the increasing popularity of high-definition (HD) services, backed by rising take-up of HD-ready sets, increasing numbers of HD subscribers and the launch of *freesat* by the BBC/ITV, led to a further five HD licence applications (Figure 3.12).

Note that a licence issued does not necessarily equate to the launch of a channel; services are often subject to delays and some never go live.

Figure 3.12 UK television licences awarded, by genre: 2007

Breakdown of licences  
(Total licences: 117)



Source: Ofcom



## 3.2 The television industry

### 3.2.1 Introduction

In this section of the report we examine the financial dynamics of the television market, setting out the flow of revenue within the sector. We also examine broadcasters' hours of output, spend on content and compliance with quotas. Some of the key points in this section include:

- **TV industry revenue rose 3.8% to £11.2bn in 2007**, with the gap between subscriber and advertising revenue widening further. The former rose by 6.4% over the year to £4.3bn, while the latter grew by 2.2% to £3.5bn;
- **Commercial multichannel advertising revenue grew by 11% over 2007 to £1.2bn**, while commercial analogue channel advertising revenue declined by 1.6% to £2.4bn;
- **The TV industry broadcast 2.1 million hours of content in 2007**. The seven main genres accounted for 1.1 million hours of content. Of these, 9.6% were first-run originations;
- **The five PSB channels' hours of first-run originated output (network and regions/nations) rose by 2.0% to 34,141 hours, while their spend fell by 5.3% to £2.6bn**; and
- **The combined spend on independently produced output from the BBC, ITV1, Channel 4 and Five increased by 8.9% to £1.18bn**, while spend on in-house productions declined by 9.5% to £1.23bn.

### 3.2.2 Television industry revenue

#### TV industry revenue reached £11.2bn in 2007

In 2007 television revenue rose by 3.8% to £11.2bn. The rise was largely explained by a 6.4% increase in subscription revenue, which reached £4.3bn over the year.

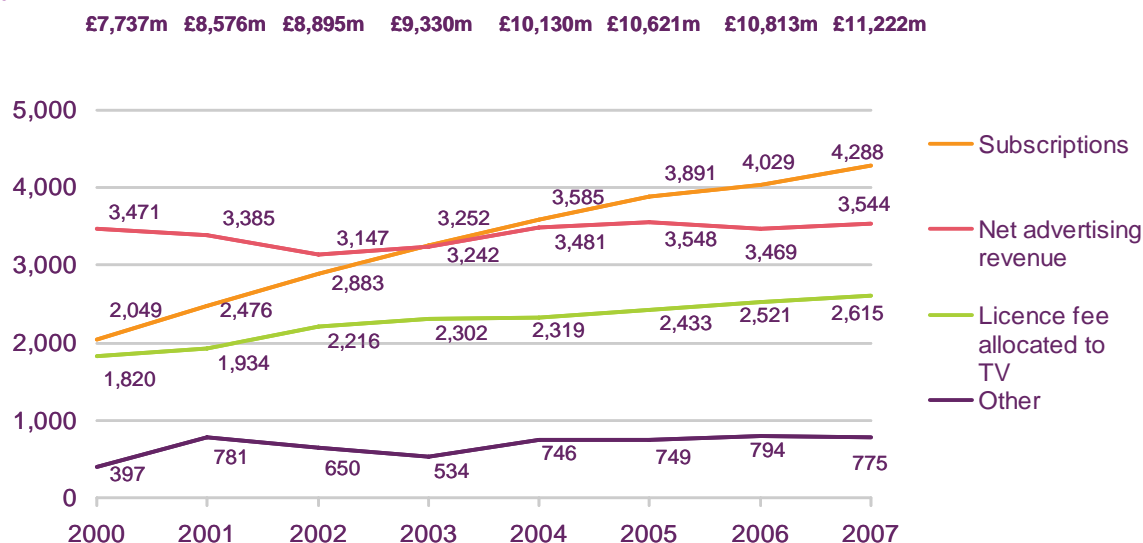
The result was an increase in the gap between subscription and advertising revenue, since the latter grew by just 2.2% to £3.5bn over the same period. While non-PSB channel advertiser revenue grew by 11% over the period, the three main commercial PSB channels experienced more variable fortunes; ITV1 reported a reduction in NAR of 3.8% while Channel 4 and Five saw increases of 2.0% and 0.5% respectively (see Figure 3.13 for further analysis).

'Other' revenue totalled £775m, down 2.4% year-on-year. This includes non-broadcast income generated from TV shopping, interactive services (including premium rate telephony services), pay-per-view, sponsorship, programme sales, public funding and 'other revenue'.

Public funding of television services through the licence fee rose 3.7% from the previous year to £2.6bn, reflecting the effect of the new licence fee settlement which came into force in April 2007.

Figure 3.13 Total TV industry revenue, by source

£m



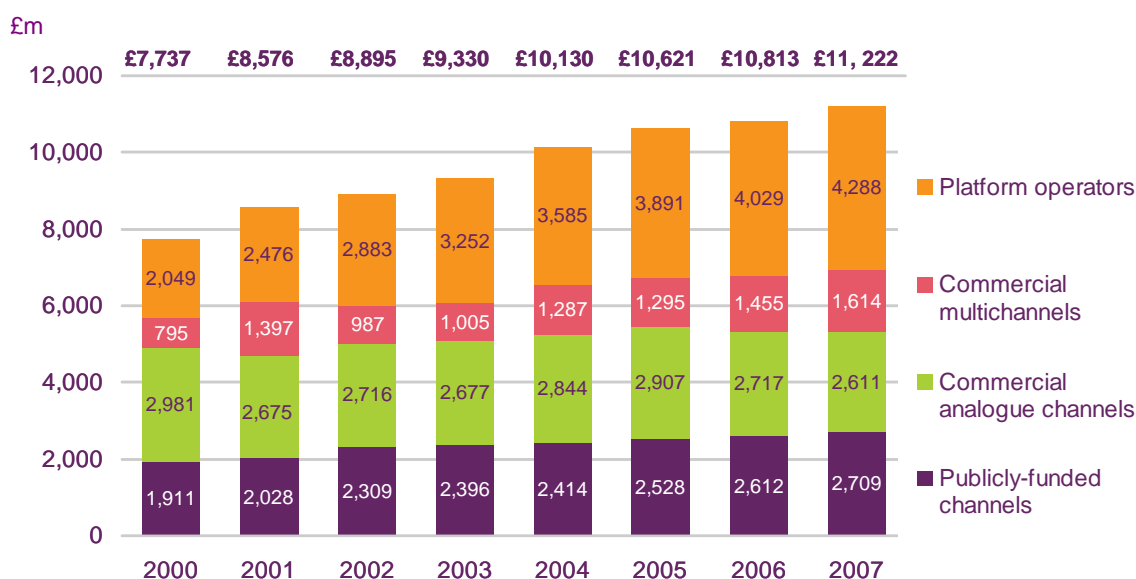
Source: Ofcom estimates, broadcasters

Note: Figures are nominal. 'Subscriptions' includes Ofcom's estimates of BSkyB and Virgin Media television subscriber revenue. 'Other' includes TV shopping, sponsorship, interactive (including premium rate telephony services), programme sales and S4C's grant from the DCMS. The licence fee figure for 2006 has been re-stated owing to a change in the way the BBC reported its figures, which allocates a greater proportion of overheads to specific services.

Once again, ongoing migration to digital TV benefited multichannels in 2007. Reflecting a consistent pattern of year-on-year increases dating back to 2003, commercial multichannel operators' revenue rose by 11% over 2007 to £1.6bn. (The increase may also be partly explained by the fact that Ofcom received returns from a greater number of non-PSB broadcasters this year than last, meaning that more channels' costs, revenues and hours have been included in our calculations.)

Platform operators' (BSkyB and Virgin Media) revenue has also climbed over the year, growing by 6.4% to £4.3bn. Commercial analogue channel revenue was down by 3.9% to £2.6bn, following a 6.5% drop over 2006. Public funding for the BBC and the predominantly publicly-funded S4C rose by 3.7% to £2.7bn (Figure 3.14).

Figure 3.14 Total TV industry revenue, by sector



Source: Ofcom estimates, broadcasters

Note: Figures are nominal. Commercial analogue channels comprise ITV1, Channel 4, Five and S4C. Commercial multichannels comprise all commercial channels other than ITV1, Channel 4 and Five. Publicly-funded channels comprise BBC One, BBC Two, the BBC's portfolio of digital-only television channels and S4C. S4C is listed under publicly-funded and commercial analogue channels because it has a mixed advertising and public funding model. The publicly-funded channels figures for 2006 and 2007 have been restated owing to a change in the way the BBC reported its licence fee figures.

### 3.2.3 Advertising, non-broadcast and multichannel revenue

#### Commercial multichannel advertising revenue continues to grow

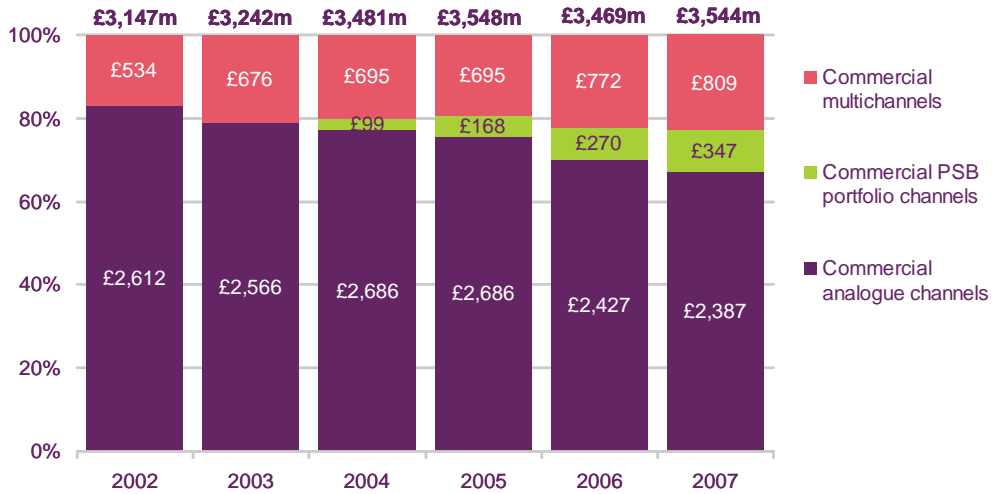
The television industry's total net advertising revenue grew by 2.2% over 2007 to £3,544m. The commercial multichannel operators captured most of this growth, attracting £1,156m of advertiser revenue in 2007, up 11% since 2006.

The commercial analogue channels experienced a third year of advertising revenue decline, falling 11% since 2004 and 1.6% during 2007 to total £2,387m. The reduction has been driven by a decline in ITV1's NAR, which fell by 3.8% over 2007 to £1,365m. This was partially offset by a 2.0% rise at Channel 4 to £676m and a 0.5% rise at Five to £287m.

The losses faced by the commercial analogue channels have been partly offset by their portfolio (or 'spin-off') channels, which now account for £347m (or 10%) of the industry's total advertising revenue (Figure 3.15).

Figure 3.15 Net advertising revenue, by sector

£m

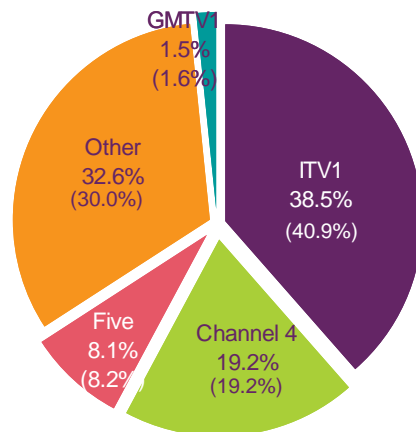


Source: Ofcom /Broadcasters  
 Note: Figures are nominal.

Figure 3.16 sets out commercial broadcasters' share of the television advertising market during 2006 and 2007. Commercial PSBs continue to attract the bulk of NAR (67%), but they lost 2.6 percentage points in aggregate share in 2007. ITV1 and GMTV1 accounted for 40% of the market, down 2.5 percentage points since 2006. Five's share fell by 0.1 percentage points to 8.1%, while Channel 4/S4C's share of the total remained constant at 19%. The loss in advertising share among the commercial PSBs was picked up by the commercial multichannel operators, which held a 33% share, up 2.6 percentage points from 2006.

Figure 3.16 TV advertising market share: 2007

Total NAR = £3,544m  
 (2006 figures in brackets – total £3,469)



Source: Ofcom/Broadcasters  
 Note: Channel 4 includes S4C.

In the light of the relatively flat advertising market, broadcasters have sought other ways to diversify and increase their revenue. Figure 3.17 shows the breakdown of the £775m they generated from non-broadcast activities over 2007 (down £19m from 2006). Sponsorship accounted for the bulk of the total (£191m), along with TV shopping (£152m) and 'other'

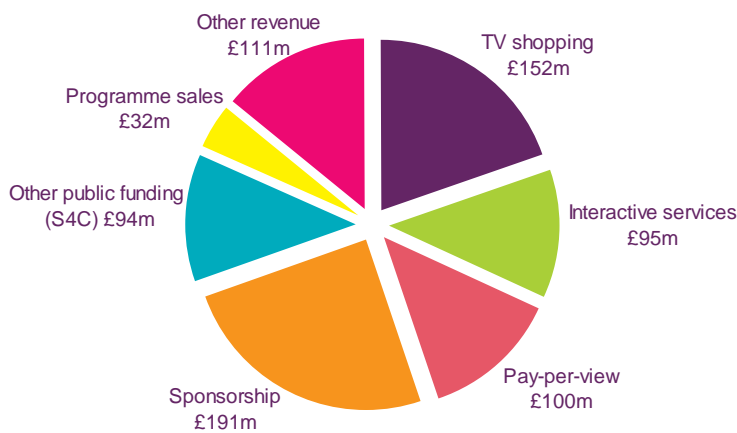
revenue (£111m). Of these, 'other' revenue rose 37% over the year, while sponsorship rose by 18%.

These increases were, however, offset by reductions in programme sales and interactive revenue. Programmes sales generated £32m in revenue in 2007, down 60% from 2006. This drop is due to the way in which Ofcom has accounted for ITV's production revenue.

Interactive revenue, which consists of red button and premium rate telephone services (PRTS), has also declined, falling by 21% over 2007 to £95m. The fall was driven by ITV Play being taken off air in March 2007, along with other telephony-based services which required audiences to dial premium rate telephone numbers to participate and win prizes.

**Figure 3.17 Breakdown of non-broadcast revenue: 2007**

Total non-broadcast revenue = £775m



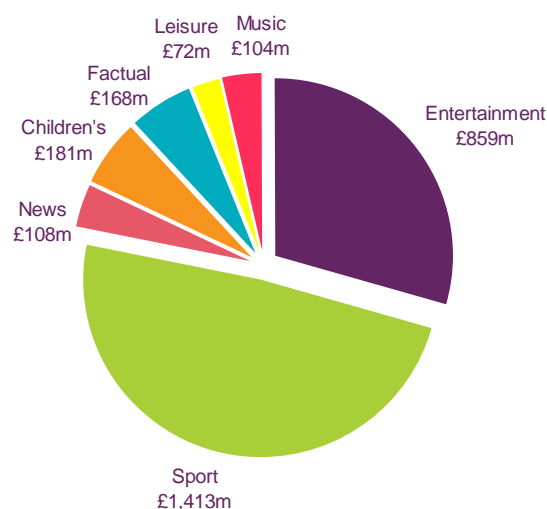
Source: Ofcom/Broadcasters  
 Note: Figures are nominal.

Multichannel operators generated £2,905m in revenue across the seven main Ofcom genres in 2007. (This figure includes revenue from advertising, sponsorship, subscriptions (retail or wholesale), retail, interactive, programmes sales, pay-per-view and 'other' revenue.)

Sport accounted for the largest proportion at 49% (£1,413m), while Entertainment took 30% (£859m). The remaining genres – News, Children's, Factual, Leisure and Music – accounted for a collective 22% or £633m (Figure 3.18).

Figure 3.18 **Multichannel operators' revenue in the key channel genres, 2007**

Total revenue: £2,905m



Source: Ofcom/Broadcasters

Note: Figures are nominal. They include revenue from advertising, sponsorship, subscriber revenue (retail or wholesale), retail, interactive, programmes sales, pay-per-view and 'other' revenue. These figures are drawn from operators' annual returns and they should be treated with a degree of caution because of the way that Ofcom requires revenues to be allocated across channels (and genres). It can be difficult for some broadcasters to allocate their revenues among channels within a portfolio and therefore estimates are sometimes used.

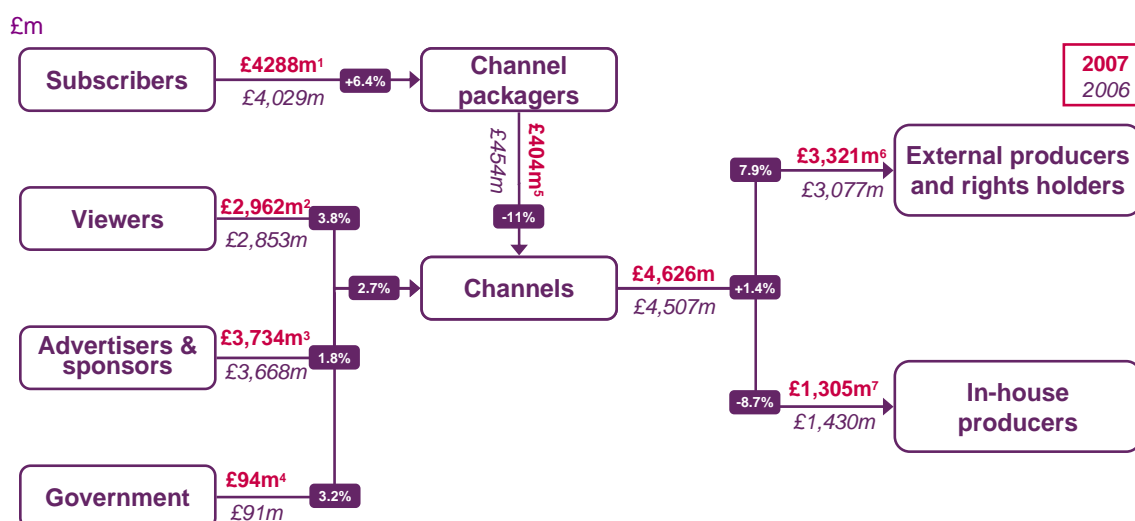
### 3.2.4 Industry flow of funds

Figure 3.19 offers a highly simplified analysis of the funds flowing into the television industry and the revenue circulating between platforms, channels and producers/rights holders.

The most significant developments in 2007 included:

- cable and satellite subscription revenue was up by 6.4% year-on-year to £4,288m – a significant rise on the rate of growth twelve months earlier (3.5%). This may be explained by subscription pack increases and the cessation of a range of discounted package deals that were on offer in 2006/07;
- Taking account of spend on first-run originations, acquired and repeated content, in-house production fell by 8.7% over the year to £1,305m, while productions from the independent sector grew by 7.9% to £3,321m over the same period. Once again, a possible contributory cause could be the BBC's introduction of its *Window of Creative Competition* scheme, whereby independent producers are given an additional opportunity to bid for commissions beyond the 25% statutory quota. It may also be explained by greater efficiencies in in-house production and escalating competition for acquired programmes and/or rights;
- an 11% reduction in channels' wholesale and retail subscriber revenue, possibly explained by the renegotiation of channel distribution deals with platform operators during 2007; and
- advertising and sponsorship rose by 1.6% to £3,734m, reversing the reduction in 2006 when loss in NAR among the PSBs exceeded the growth in NAR among the remaining channels.

Figure 3.19 Simplified flow of funds in the TV industry, 2007 (2006 in italics)



Source: Broadcasters, broadcaster results and Ofcom analysis.

Note: All figures are nominal.

**Notes:**

1. This includes Ofcom's estimates of BSkyB's and Virgin Media's subscriber revenue. .
2. This includes the licence fee, pay-per-view, television shopping revenue and interactive services revenue.
3. This includes net advertising revenue and sponsorship revenue from the commercial PSBs and from multi-channels in the Entertainment, Leisure, Factual, Children's, News, Film and Sport categories.
4. This category covers S4C's grant from the DCMS.
5. This includes payments made by channel aggregators/packageers to channel owners. It excludes revenue accruing to vertically-integrated channels (i.e. those owned by BSkyB and Virgin Media).
6. This includes revenue to UK and non-UK content and rights, and includes spend on first-run originated output, plus the costs of acquired output and repeats. We assume that all content spend from digital-only channels (except the BBC's) is produced externally.

This figure is a simplified representation of the industry due to the following facts:

- it does not include transmission and playout costs, nor does it illustrate spend on production facilities such as studios;
- due to a lack of data it does not break down the revenue generated by external producers and rights holders, nor the divide in spend between UK and overseas providers;
- it does not take account of the subscriber revenue from vertically integrated broadcasters, to whom the concept of flows of funds from platform operations to channel businesses does not apply. The channel packagers to channel revenue flows only represent transfers earned by channels that are not wholly owned by platform operators, and therefore exclude any flows to BSkyB and Virgin Media channels;
- it does not account for any platform contribution charges paid by channels and channel bundlers; and
- the figures used in this chart are derived from data submitted to us by UK broadcasters. All of the major broadcasters are included. However, substantially more small and medium sized channels submitted returns by the submission deadline in 2008 compared to 2007; this may explain some of the variation in figures.

A detailed examination of industry flow of funds was set out on page 30 of Ofcom's *Pay TV Market* consultation document which was published in December 2007<sup>39</sup>. Where figures do not reconcile, this is due to the simplifying facts set out above.

### 3.2.5 Platform operator developments in 2007/08

#### BSkyB

For the year ending 30 June 2008, BSkyB reported<sup>40</sup> £3,769m in retail subscription revenue, up almost 11% (£363m) on the twelve months to 30 June 2007, and £328m in advertising revenue, down by just under 7%. The company experienced a 13% reduction in wholesale subscription revenue to £136m.

By the end of June 2008 there were almost 8.98 million Sky subscribers, of which more than 3.7 million took Sky+, 498,000 paid-for high-definition (HD) channels and just over 1.6 million subscribed to the *Multiroom* service.

In 2006, BSkyB acquired a 17.9% stake in ITV plc. The matter was referred to the Competition Commission by the Secretary of State for Trade and Industry in May 2007. In December 2007, the Competition Commission recommended that the company reduce its stake to below 7.5% and not take a seat on the board. The Secretary of State for Business, Enterprise and Regulatory Reform accepted these recommendations in January 2008. BSkyB and Virgin Media have both lodged appeals with the Competition Appeals Tribunal against the Competition Commission's report and the Secretary of State's decision.

Meanwhile, Sky has proposed to remove Sky News, Sky Sports News and Sky Three from Freeview and replace them with a bundle of subscription channels under the '*Picnic*' brand: Sky Sports 1, Sky Movies SD1 and, in the evening, Sky One (including an hour of Sky News content). Ofcom has decided to consider BSkyB and National Grid Wireless's plans to launch *Picnic*, a pay-DTT subscription service, in parallel with its wider *Pay TV Review*.

With the full digital switchover (DSO) programme due to commence shortly, BSkyB was successful in winning a competitive tender to run the Switchover Help Scheme for the ITV Border region. This scheme will ensure that people over the age of 75 and those with disabilities will receive cheap or free support in switching to digital television.

With preparation for DSO gathering pace, and in the face of the BBC/ITV launch of *freesat*, BSkyB launched its *Pay Once Watch Forever* package. This includes access to all the UK's free channels, along with a four-month subscription to Sky's four Entertainment channel mixes. At the end of the four months, customers can either cancel their subscription and continue receiving the same TV and radio mix as Freesat from Sky customers, or begin paying for a standard Sky Entertainment channel subscription on a monthly basis.

BSkyB dropped its price to subscribers for a new HD set-top box from £249 to £150 in July 2008. Subscribers have to pay an additional £10 charge on top of their existing monthly tariff to access the full complement of HD channels for their package, but have free access to the Channel 4, Luxe TV and BBC HD channels. Non-subscribers can still purchase the HD set-top box for a flat £399 charge. BSkyB had 498,000 HD subscribers on 30 June 2008, according to its end of year results.

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<sup>39</sup> See [http://www.ofcom.org.uk/consult/condocs/market\\_invest\\_paytv/pay\\_tv.pdf](http://www.ofcom.org.uk/consult/condocs/market_invest_paytv/pay_tv.pdf)

<sup>40</sup> Sky's financial year 2008 results are available at [http://media.corporate-ir.net/media\\_files/irol/10/104016/press/FY\\_2008\\_pr.pdf](http://media.corporate-ir.net/media_files/irol/10/104016/press/FY_2008_pr.pdf)

## Virgin Media

In Q1 2008 Virgin Media's reported<sup>41</sup> cable TV revenue stood at £618.2m, down from £637.3m in Q1 2007. Group revenue (including mobile and broadband) was £1,021.9m, down 2.0% from the previous year. Net TV customer additions were 36,800 in Q1 2008, up from 36,100 in Q1 2007.

Virgin Media struck a variety of new content distribution deals during 2007/08. In April 2008 it added the BBC *iPlayer* to its VOD portfolio and integrated it into the platform's EPG. The catch-up service, accessible through the 'red button' on any BBC channel on the cable network, gives users access to streamed full-screen, broadcast-quality BBC TV programmes. The cable operator also introduced interactive features on BBC radio channels in September 2007, including schedule information, news headlines, track listings and chart information. Channel 4 and US broadcaster HBO also agreed VOD deals with Virgin for their HD content in October 2007 and April 2008 respectively.

Virgin Media started a phased programme to switch off its analogue cable service in May 2008. Approximately 200,000 customers will be affected, first in Coventry and Glasgow and then moving on to all remaining analogue cable areas. Customers will be offered transfers to digital cable where it is available, and in the small number of cases where it is not, the company will offer off-network services such as Virgin-branded DTT sets and DSL broadband instead. Once the transition to digital is complete there should be increased capacity on the cable networks for additional and/or improved services.

At the beginning of 2008, Virgin Media announced that it would be upgrading the speed of its broadband services. It will use fibre connections over its cable network to offer subscribers a new maximum download speed of 50Mbit/s, up from the current 20Mbit/s top speed. See Section 5.1.6, Page 307 for more details.

The organisation launched general entertainment channel Virgin 1 in October 2007. It airs on cable as well as on DTT and satellite and replaced Virgin Media-owned Ftn on each platform. Its schedule includes a mix of commissioned and acquired programming.

In July 2007 the cable operator announced that eight Setanta Sports channels would be included in its basic tier 'XL' TV package. These channels, except for Arsenal TV and Liverpool FC TV, are also available as an add-on package to other tariffs for an additional fee. In November 2007 Virgin Media and Setanta launched SSN, a 24 hour sports news channel.

### 3.2.6 Broadcaster developments in 2007/08

#### The BBC

According to its Annual Report and Accounts for 2007/2008,<sup>42</sup> the BBC received licence fee income of £3,369m in 2007/08, up 3.9% (£126m) from the previous year. BBC Worldwide delivered additional commercial revenue of £916m (up 13%) and a record profit of £118m (up 17%).

Following the launch of a beta *iPlayer* in July 2007, the Corporation launched a streamed service in December 2007. It gives users access to a large selection of TV programmes and the entire radio output from BBC channels and stations from the previous seven days. Users can still download programmes within the same seven-day window but can watch them at

<sup>41</sup> Virgin Media's Q1 2008 results are available at [http://library.corporate-ir.net/library/13/135/135485/items/292630/VM\\_q12008\\_final.pdf](http://library.corporate-ir.net/library/13/135/135485/items/292630/VM_q12008_final.pdf)

<sup>42</sup> BBC Annual Report and Accounts 2007/2008 are available at <http://www.bbc.co.uk/annualreport/>

any point over the next 30 days before the digital rights expire. In April 2008 the *iPlayer* received an average 700,000 requests to download or stream a programme each day and attracted more than one million unique users over the month from March 2008. The total number of requests for programme streams and downloads grew by over 20% between March and April 2008, from 17.2m to 21m. In June 2008 the *iPlayer* combined radio and TV programmes into a single interface and added a recommendations function, based on users' previous selections.

In February 2008, BBC Three re-launched its channel identity, adopted a new distribution strategy and integrated user-generated content (UGC) into programmes to strengthen its appeal to younger viewers. As part of the re-launch, viewers now have the chance to introduce scheduled programmes by submitting their own video continuity announcements. This is part of a wider move across the channel to interact with its audience, with programmes such as *Lily Allen & Friends*, *Upstaged* and *The Wall* relying heavily on viewer participation or submitted content. The channel also began simulcasting over the internet in February 2008. In addition, programmes are available online on a catch-up basis via the *iPlayer* and in some cases in advance, as previews on the BBC Three website.

Over the last twelve months the Corporation's sports portfolio has evolved. In March 2008 it acquired the UK rights to Formula One (F1) from 2009 to 2013 inclusive, taking over from ITV which has covered the motor sport since 1997. February 2008 saw the NFL Super Bowl on the BBC for the first time ever, in a deal that will last at least another year. The Corporation has also extended its rights to broadcast Six Nations rugby, Wimbledon and The Masters golf tournament, along with the Challenge Cup and some England international rugby league. However, the deal with the English FA to show a number of FA Cup games and England home internationals expired at the end of the 2007/2008 season, leaving the BBC without any regular live football coverage.

BBC HD, the mixed-genre high-definition channel, received approval from the BBC Trust in November 2007. It was the first free-to-view, PSB HD channel when it launched fully on cable and satellite in December 2007. Rather than simulcasting an existing channel, BBC HD aggregates HD content from its entire portfolio. There are plans in place to extend the hours of broadcast to five hours per weekday later this year, and eventually to nine hours per day.

May 2008 saw the BBC transmit subtitling with all programmes on its seven main channels, including national and regional output. It had made a commitment to reach this target in 1999 and has now succeeded due to advances in speech recognition technology. Over the past year, the BBC Trust has conducted reviews into proposed services including local video, a Gaelic Digital Service and a BBC HD channel and reviews of current BBC activity with regard to [bbc.co.uk](http://bbc.co.uk), talent costs and national network news coverage. In January 2008 the BBC Trust approved proposals for a Gaelic Digital Service involving a dedicated TV channel, radio station and enhanced Gaelic language content on the BBC website.

## ITV Companies

ITV plc's reported total revenue was £2,082m for the twelve months to December 2007,<sup>43</sup> down by 4.5% or £99m from 2006 (ITV plc financial results 2007). The loss was attributed to a decline in premium rate telephone services revenues, down by 52% (£58m) to £53m, following the temporary suspension of phone-in competitions and the withdrawal of ITV Play in March 2007. Net advertising revenue (NAR) at the flagship channel, ITV1, was down £57m (4.4%) to £1,224m over the period. This fall in revenue was almost offset by NAR gains at ITV2, ITV3, ITV4, CITV and Men and Motors, up 33% (£52m) to £209m.

In January 2008 ITV1 launched its new schedule, with more soaps and an evening slate reshuffle – an hour of drama at 9pm followed by the re-instated flagship news programme, the *News at Ten*. The channel introduced new output rather than spin-offs or returning drama, including comedy drama *The Palace* and the linked comedy/soap combination *Moving Wallpaper* and *Echo Beach*.

The ITV.com and ITV Local websites re-launched in August 2007 with an emphasis on their 'Catch Up' service. Since then, video views on the two websites have increased by an average of 21% month-on-month between January and June, reaching 12 million video views in May. A large part of the increase is attributable to specific, event-focused programmes. *Britain's Got Talent* and the Euro 2008 football tournament both generated high viewer numbers for their websites but there have also been increases across all genres of programmes.

ITV's latest statement of strategy sets out its ambition to double content revenue. It has adopted an acquisitions strategy to help do this, purchasing US company Jaffe Braunstein, UK quiz-show specialist 12 Yard and Swedish independent producer Silverback, to increase its content earnings through programme and format sales. The Global division has recruited a number of key executives with international experience to maximise its potential. In June 2008 ITV agreed an international production partnership with US studio Twentieth Century Fox Television. The deal will see them develop new programmes together and identify existing shows which the other partner could adapt themselves. The first such programme will be an ITV remake of Fox's sitcom *Dharma and Greg*.

The broadcaster's football rights portfolio grew over the year with the addition of the English FA contract for the 2008/2009 season. The package includes FA Cup matches and highlights, England home internationals, England away friendlies and the FA Women's Cup Final. In March 2008 it won the second rights package for the UEFA Champions League to extend its coverage to 2012.

In June 2008 SMG said it would re-brand as stv Group, to highlight its renewed focus on Scottish television, following its sale of outdoor advertising business Primesight to a private equity firm in August 2007 and of Virgin Radio to a consortium including the Times of India Group, in June 2008.

The UTV group's television sector experienced a 3% decline in revenues over the first four months of 2008 according to its May 2008 interim management statement.<sup>44</sup> In February 2008 it acquired Tibus, a web development company, which will enable the group to improve the online presence of its television station and integrate its broadcast and online platforms.

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<sup>43</sup> ITV's Annual Report 2007 is available at [http://www.itvplc.com/files/financialreport/2010/itv\\_2007\\_ar.pdf](http://www.itvplc.com/files/financialreport/2010/itv_2007_ar.pdf)

<sup>44</sup> UTV's Interim Management Statement for period 1 January to 30 April 2008 is available at <http://www3.u.tv/corpinfo/releases/docs/582.DOC>

## Channel 4

During 2007 Channel 4's reported<sup>45</sup> group revenue rose by 0.9% to £945m. Advertising and sponsorship grew by 6.2% - driven by the digital channels More4, E4 and Film4. Revenue generated by the main channel rose by 2.8% to £715m and by 21.6% to £156.4m for the digital channels. The main channel went from an operating profit of £21.8m in 2006 to a loss of £7.8m in 2007 due to programme investment and cost increases. By contrast, the digital channels turned 2006's operating loss of £17.6m into a profit of £16.2m over the course of the 2007-08 financial year.

March 2008 saw Channel 4 announce its new strategic vision, *Next on 4*.<sup>46</sup> It sets out the broadcaster's commitment to maintaining its public status and extending its public role into digital radio and the internet. It commits Channel 4 to four key creative purposes:

- nurturing new talent and original ideas;
- championing alternative voices and fresh perspectives;
- challenging people to see the world differently; and
- inspiring change in people's lives.

The commitments the broadcaster has made to achieve these aspirations include: screening the equivalent of at least one new peak-time documentary every weeknight; a £10m pilot fund for cross-platform projects aimed at content for 10 to 15 year olds; a ring-fenced budget and programme slots for multicultural programmes and an increase by 50% by 2012 in the proportion of Channel 4's spend on original commissions in Scotland, Wales and Northern Ireland.

A central feature of the *Next on 4* strategy is a £50m creative fund, launched in July together with a range of partners, called the *Four Innovations for the Public (4IP)* fund. It will act as a 'public service digital media fund', with commissioning hubs based across the UK. The money will be allocated to projects that combine traditional broadcasting formats with digital media, e.g. adapting news formats for social networking sites and using computer games for public purposes.

The broadcaster expanded its online VOD services in May 2008 with the launch of *Catch Up*, a video-streaming service. It offers a selection of programmes from the previous seven days, available to UK viewers at no charge and without the need to register beforehand. Programmes are preceded with two pre-roll advertisements and include a centre break with two further ads.

During 2007 Channel 4 entered into a joint venture with Emap Consumer Ltd for Box Television Ltd. As a result, Channel 4 now has a stake in seven branded music TV channels which are available on digital satellite and cable, and one, The Hits, which is also available on DTT. Since February 2008 some *4Music* branded shows have appeared on The Hits and the channel will re-brand as 4Music in August.

In June 2008 the broadcaster issued joint guidance on the Ofcom Broadcasting Code, applicable media laws and internal compliance procedures with fellow PSB, Five. The

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<sup>45</sup> Channel 4's Report & Financial Statements 2007 are available at

<http://www.channel4.com/about4/annualreport/annualreports-2007/index.html>

<sup>46</sup> Channel 4's report, *Next on 4*, is available at <http://www.channel4.com/about4/fullreport.html>

*Independent Producer Handbook*<sup>47</sup> provides advice and guidance to programme makers and editorial staff on best practice and compliance, including prioritising viewers' trust and aiming to increase viewers' confidence that programmes are true, accurate and fair and that they are not misled by them.

Ofcom has allowed 4 Digital Group to delay the launch of its national radio multiplex licence beyond the original July 2008 launch date. However, Ofcom has not yet agreed a revised launch date and has asked 4 Digital Group to provide revised plans, including new timings, by the end of summer for Ofcom's approval.

## Five

RTL, Five's parent company, reported<sup>48</sup> 2007 channel revenue of £341m, up 7.2% from 2006.

In July 2007 Five launched time-shifted '+1' versions of its two multichannel offerings Five Life and Five US on the digital satellite platform. Five Life was renamed 'Fiver' and re-launched in April 2008 to focus on a younger, less female-specific audience. The re-launch was accompanied by an outdoor advertising campaign and marketing push across Five's multichannel portfolio. The new-look channel broadcasts a mix of acquired dramas, repeats of Five-screened soaps and commissioned shows. *Sofia's Diary*, a drama aimed at 16-24 year olds and originally made for online viewing at Bebo, is one of these Fiver-specific programmes. It runs as a series of daily three-minute episodes, plus an omnibus, and is the first UK production to move from the internet to TV.

The broadcaster acquired the rights to the Australian soap *Neighbours* in May 2007 and began showing episodes from February 2008. It is the first time in the show's 22-year history that it has moved away from the BBC, and it now forms part of a late afternoon 'soap hour' in Five's schedule, with fellow Australian drama, *Home and Away*.

In October 2007 Five announced a new initiative with the Arts Council England, named *Five Culture*. The aim of the collaboration is to encourage participation in the arts through programmes and links to community organisations.

In the same month Five announced that it had signed up BBC News presenter Natasha Kaplinsky to be lead anchor on its main 5pm and 7pm *Five News* bulletins. The new-look bulletins, aired for the first time in February 2008, have been renamed *Five News with Natasha Kaplinsky* in a bid to differentiate them from other channels. It is the first UK news programme to credit the presenter in its titles.

## BSkyB channels

For the twelve months to 30 June 2008, BSkyB reported wholesale subscription revenue of £181m and advertising revenue of £328m.

BSkyB's multichannel portfolio audience share was 7.6% in 2007. It remains the fourth largest group by share in multichannel homes. See Section 3.3.7 for more details.

In March 2008 Sky extended its TV rights for UEFA Champions League matches until 2012. The new deal will allow the broadcaster to increase its coverage of the competition from 103

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<sup>47</sup> The *Independent Producer Handbook* is available at <http://www.independentproducerhandbook.co.uk/5/introduction/the-aim-of-the-independent-producer-handbook.html>

<sup>48</sup> RTL's Annual Report 2007 is available at [http://www.rtlgroup.com/files/AR2007\\_RTLGroup\\_COMPLETE.pdf](http://www.rtlgroup.com/files/AR2007_RTLGroup_COMPLETE.pdf)

to 130 games per season, with exclusive rights to Tuesday night matches and all but the first-choice match on Wednesdays. Sky's deal with the English FA expired at the end of the 2007/2008 season, so it will no longer show FA Cup and England international matches.

## **UKTV**

In October 2007, the group re-branded and re-launched UKTV G2 as 'Dave', with the tagline "The home of witty banter". The accompanying advertising campaign helped to increase the channel's audience share to 1.61%, making it the tenth most popular TV channel in May 2008. The re-launch has focused the channel on a male, 16 to 34 year old audience. Its schedules include mainly archive UK comedy, panel shows and entertainment programmes.

In April 2008, the broadcaster secured a contract with chat show hosts Richard and Judy. Their new programme will retain some of the main features of its Channel 4 incarnation, including the popular book and wine clubs. It will be the first time that the couple have presented their show on a digital-only multichannel. The show will air on a new UKTV channel called 'Watch', which will launch later in the year. UKTV will also re-brand and reposition some of its other portfolio channels later this year. UKTV Gold will become 'Gold' and feature more comedy shows, while UKTV Drama will change its name to 'Alibi' and focus on programmes about crime.

### **3.2.7 TV industry output**

#### **The TV industry broadcast over 2 million hours of content in 2007**

In 2007 the 470 channels which broadcast in the UK transmitted over 2.1 million hours of programming. Figure 3.20 breaks down total hours of output by the five PSB channels, the BBC's digital channels, programmes for the nations and regions, and the other digital channels.

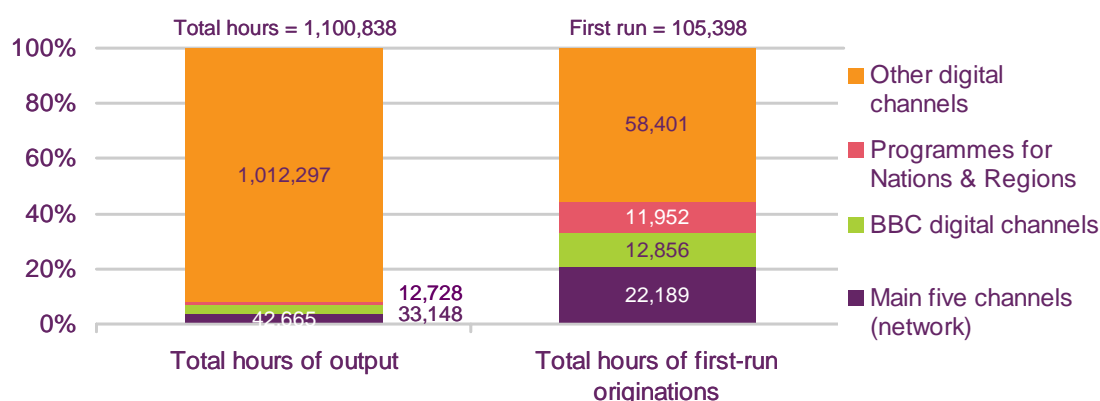
The digital channels accounted for the vast majority of this output (96%) and a large proportion of it (roughly 1 million hours, including shopping, movies, adult content and 'other' programming) did not represent traditional mainstream broadcast content; we have excluded these hours from the other digital channels' analysis.

The remaining genres – Entertainment, Factual, Children's, Sport, News, Leisure and Music – amounted to 1.1 million hours. In addition, the five PSB channels broadcast 43k hours, the BBC digital channels 33k hours, and 13k hours were programmes created for the nations and English regions.

Of the total 1.1 million hours of output, 10% (or 105k) hours were first-run originated output, while 90% consisted of repeats. The digital channels accounted for 55% of this figure (58k hours). But the significance that PSBs have to the production of originated content was underlined by their contribution of a further 47k hours, accounting for 45% of all originated hours while comprising just 8.0% of all hours. Of this total, the five PSB channels contributed 21% (22k hours), the BBC digital channels 12% (13k hours) and a further 11% (12k hours) were nations' and regions' programming.

**Figure 3.20 Total and first-run originated hours of output, 2007**

Proportion of hours by operator (per cent)



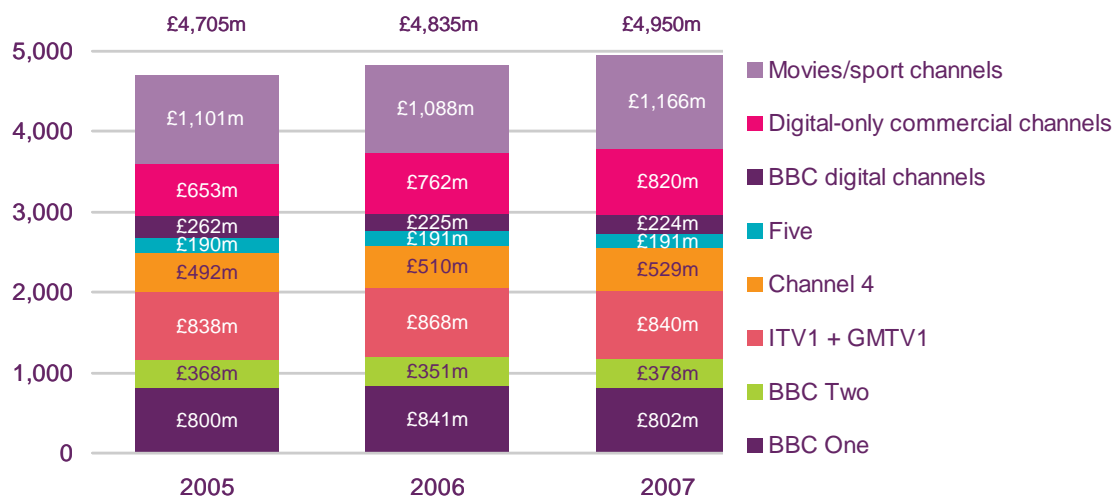
Source: Ofcom/Broadcasters

Note: The first-run figures include in-house productions and external commissions, not first-run acquisitions. GMTV is included within the figures for the five main channels.

Spend on television output rose 2.4% (£115m) over 2007 to reach £4,950m. The increase was driven by a £136m rise in spend by the film/sports channels and the digital-only channels, which invested £1,166m and £820m in 2007 respectively.

BBC One and BBC Two contributed a combined £1,180m over the year (down 1.0% since 2006), while ITV1/GMTV1 spent a further £840m (down 3.2%). Five spent £191m (broadly in line with 2006). Countering these reductions across the BBC, ITV1 and Five, Channel 4's spend rose by 3.7% over the year to reach £529m. Spend comprises in-house commissions, independently produced commissions, spend on acquired programmes and acquisition of other rights. It also includes spend on repeats (Figure 3.21).

**Figure 3.21 Spend on programmes**



Source: Ofcom/Broadcasters

Note: Figures are nominal. Figures do not include spend on nations and regions output.

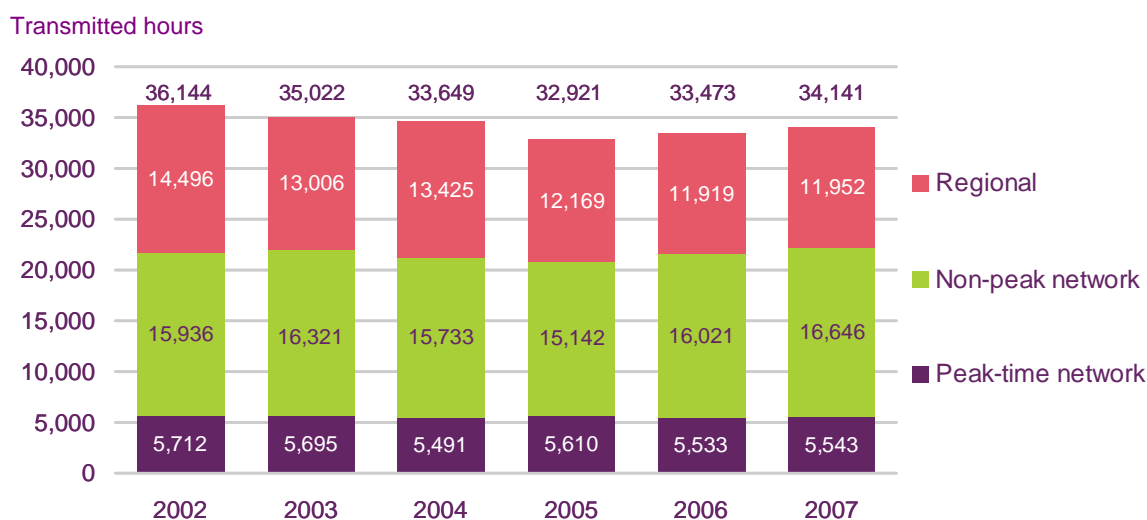
### 3.2.8 The five mainstream channels' output

#### PSBs' hours of first-run originated output rose over 2007

The five PSB channels broadcast a total of 34k hours of first-run originated output in 2007, up 2.0% since 2006. Peak-time (18:00 – 22:30) originations rose 0.2% to 5.5k hours, while

non-peak time originations rose 3.9% to 17k hours. Bucking a trend of year-on-year reductions, regional output rose by 0.3% to 12k hours during 2007 (Figure 3.22).

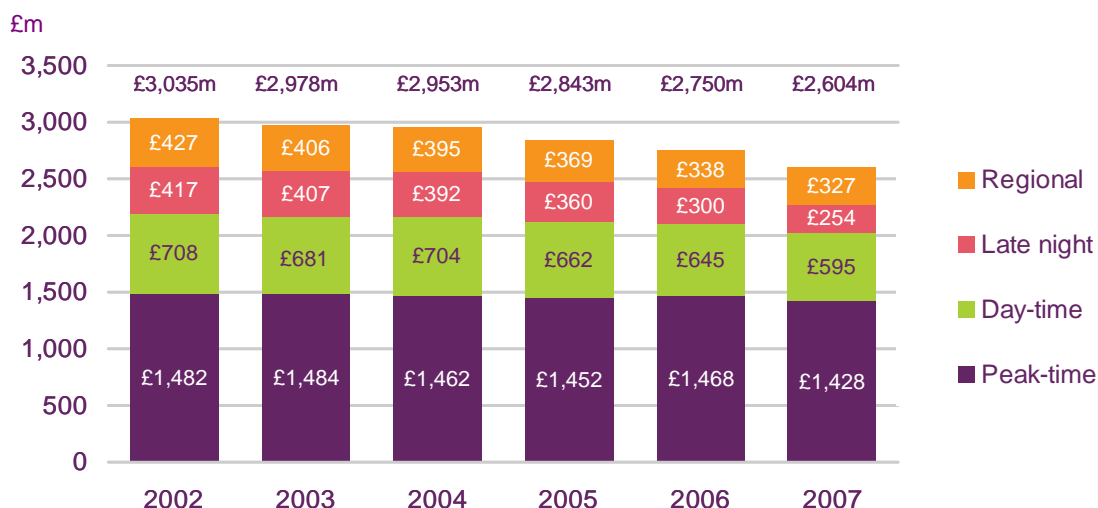
**Figure 3.22 Hours of first-run originated output on the five main channels**



Source: Ofcom/Broadcasters

Despite a rise in originated hours, the five PSB channels' investment in originated output fell by 5.3% to £2,604m, continuing a sustained period of decline. Peak-time output, which accounted for the largest proportion of spend (55%), experienced the smallest reduction in investment, down 2.7% since 2006 to total £1,428m (Figure 3.23). Spend on day-time output fell 7.8% over the year to £595m, while the equivalent figures for late-night and regional output was a 7.8% reduction to £254m, and a 3.3% reduction to £327m, respectively.

**Figure 3.23 Spend on first-run originated output on the five main networks**



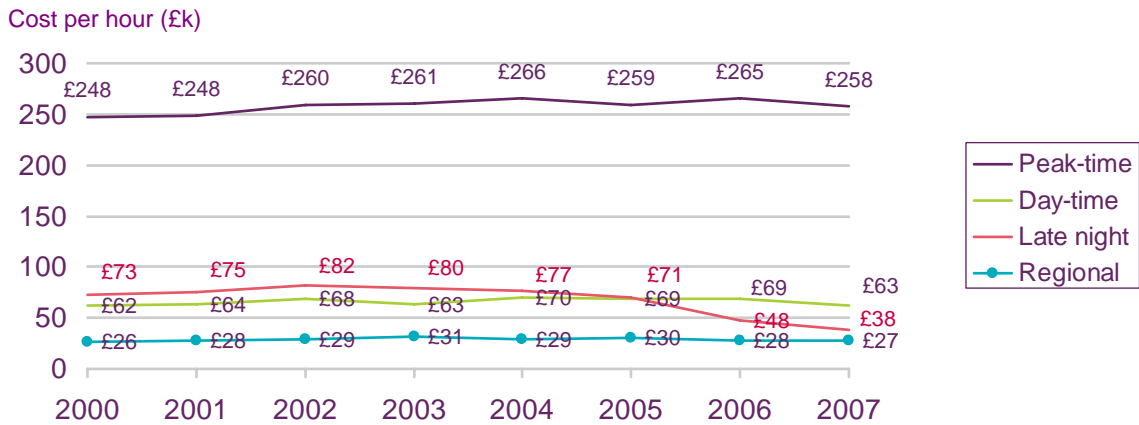
Source: Ofcom/Broadcasters

Note: Figures are expressed in 2007 prices.

The rise in PSBs' hours of originated output, coupled with a decline in spend, has meant that the PSBs' cost per hour (CPH) of content has fallen across all day parts and for regional output.

Most significantly, the CPH of originated late-night output fell by 21% to £38k during 2007, while that for day-time output fell by 8.7% to £63k. Peak-time and regional content fell 2.6% and 3.6% respectively, to £258k and £27k (Figure 3.24).

**Figure 3.24 CPH for first-run originated content on the five main networks**



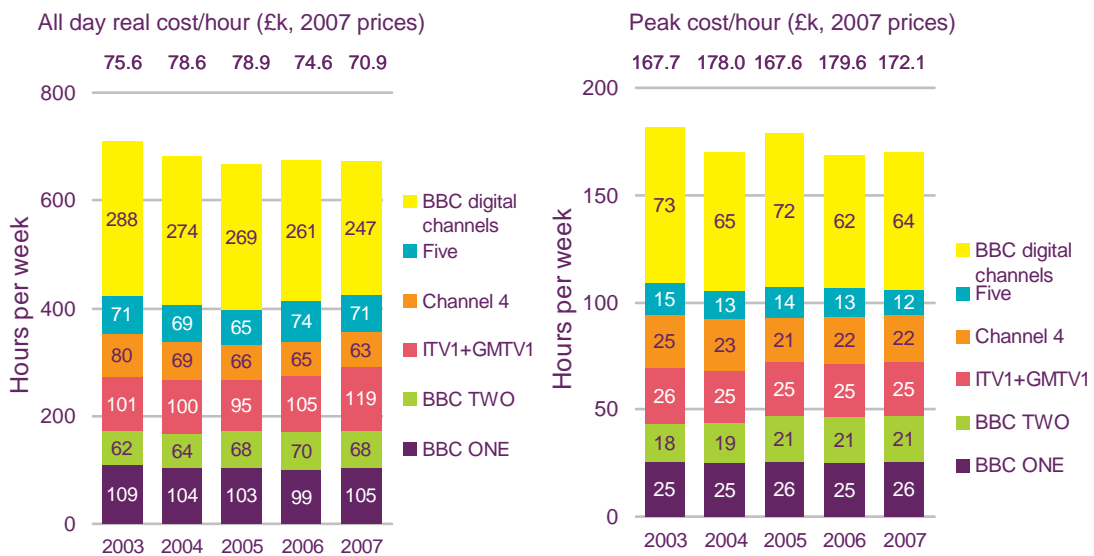
Source: Ofcom/Broadcasters  
 Note: Figures are expressed in 2007 prices.

Figure 3.25 illustrates the five PSB channels' and the BBC's digital channels' weekly hours of first-run originated output and the average CPH for all-day and peak-time output for these channels. PSBs' combined average CPH of day-time output fell by 5.0% between 2006 and 2007 to total £71k, while the CPH of peak-time output fell 4.2% to £172k.

On a channel-by-channel all-day basis, ITV1 and GMTV1 together broadcast more hours of first-run originated output across the whole day than the other terrestrial channels – 119 hours per week, up 13% from 2006. BBC One followed, with 105 hours per week, up 6.1% from the previous year. The remaining channels pulled back their hours of first-run originated output – most notably, the BBC's digital channels fell by 5.4%, BBC Two by 2.9% and Five by 4.1%.

During peak time the BBC channels slightly increased their volumes of first-run originated output by 2.8% over 2007 to 111 hours a week. Channel 4 and ITV1/GMTV1's hours remained steady, while Five's fell 7.7% to 12 hours per week.

**Figure 3.25 First-run originated output by the PSBs in peak time and all-day**



Source: Ofcom/Broadcasters  
 Note: Figures are expressed in 2007 prices.

### 3.2.9 PSB hours of output by genre

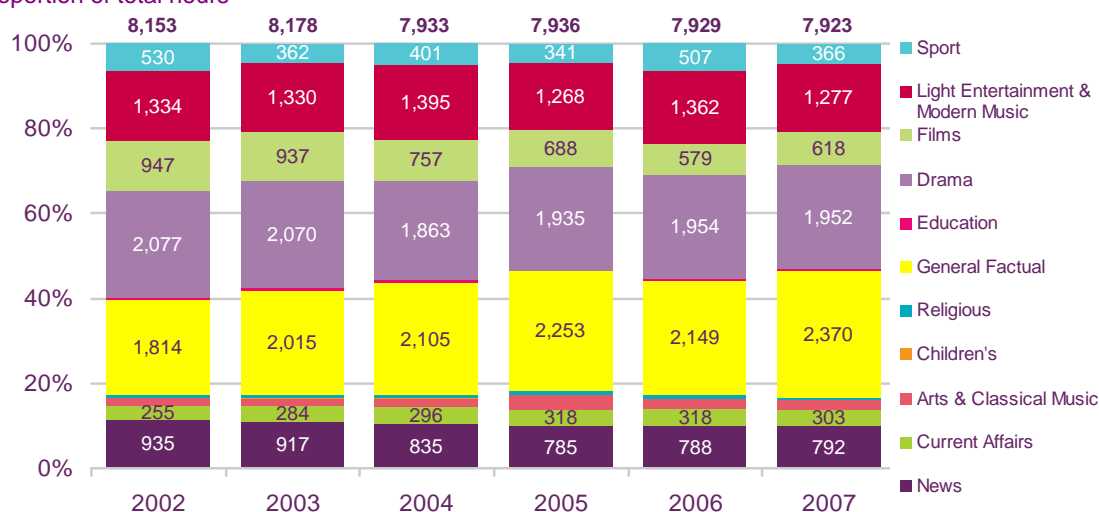
#### Hours of peak-time General Factual output climbed 10% during 2007

In peak time, General Factual, Drama and Light Entertainment/Modern Music accounted for 71% of the hours broadcast by the five PSB channels in 2007. Of these three significant genres, Light Entertainment/Modern Music experienced a reduction in hours of 6.2% since 2006 (to total 1.3k hours) while General Factual rose by 10% to 2.4k hours – reinforcing its position as the most frequently scheduled peak-time genre (Figure 3.26).

Sport constitutes a small proportion of the PSB schedule (366 hours or about one hour per day) since many sports rights are held by subscription channels run by BSkyB and Setanta. However, the FIFA World Cup, which is broadcast every four years, is available in terrestrial homes, and this added a greater volume of sport to the PSB schedules in 1998, 2002 and 2006. As a result, sports coverage has declined 28% since 2006, as this is when the World Cup was last broadcast.

Figure 3.26 PSB genre mix in peak time

Proportion of total hours



Source: Ofcom/Broadcasters

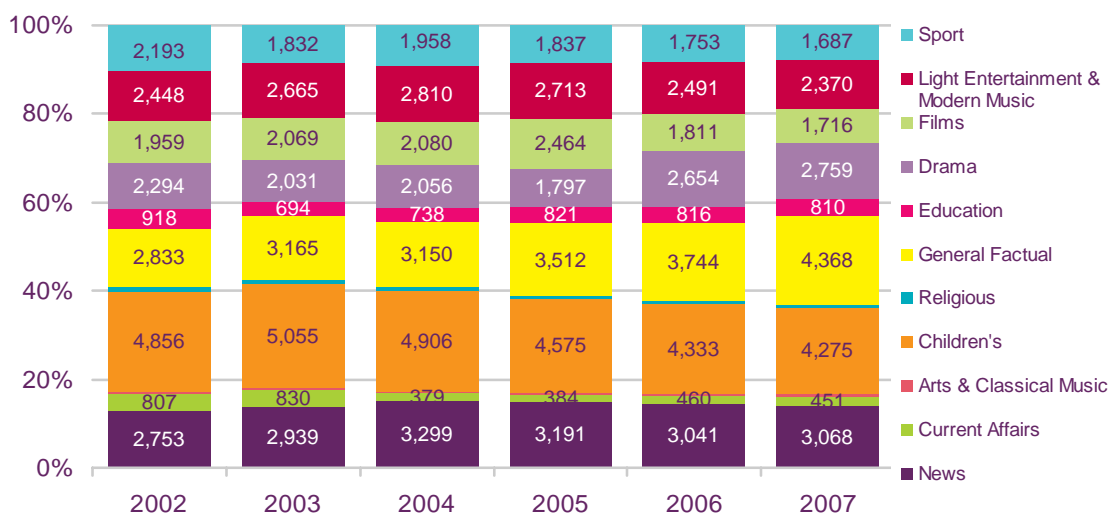
Note: Figures do not include spend on nations and regions output.

The genre mix in day time is to some extent different to that in peak time. Together, General Factual (4.4k hours) and Children's programming (4.3k hours) accounted for 40% of all hours in 2007. But the proportion that each takes of that total is changing. Since 2003, hours of General Factual have been rising, while those of Children's programming have been declining – and in 2007, for the first time, General Factual surpassed Children's to become the mostly frequently broadcast day-time genre.

Figure 3.27 reveals some other notable changes. Since 2004, hours of Drama have been increasing (possibly driven by ITV1's scheduling of drama repeats on weekday afternoons along with more recent originated shows such as *The Royal Today*), while Film, Sport, News, Children's and Light Entertainment/Modern Music output have been in decline. This may be partly explained by the increasing take-up of digital television platforms, with channels that specialise exclusively in these genres, prompting mixed genre channels to de-prioritise this content.

Figure 3.27 PSB genre mix in day-time

Proportion of total hours



Source: Ofcom/Broadcasters

Note: Includes five main channels plus GMTV1. Figures do not include spend on nations and regions output.

Figure 3.28 sets out the BBC's output from its digital channels. In 2007, they broadcast 33k hours of programmes, up 0.5% from 2006. Despite a rise in hours, their spend on content fell by 4.7% to £224m.<sup>49</sup>

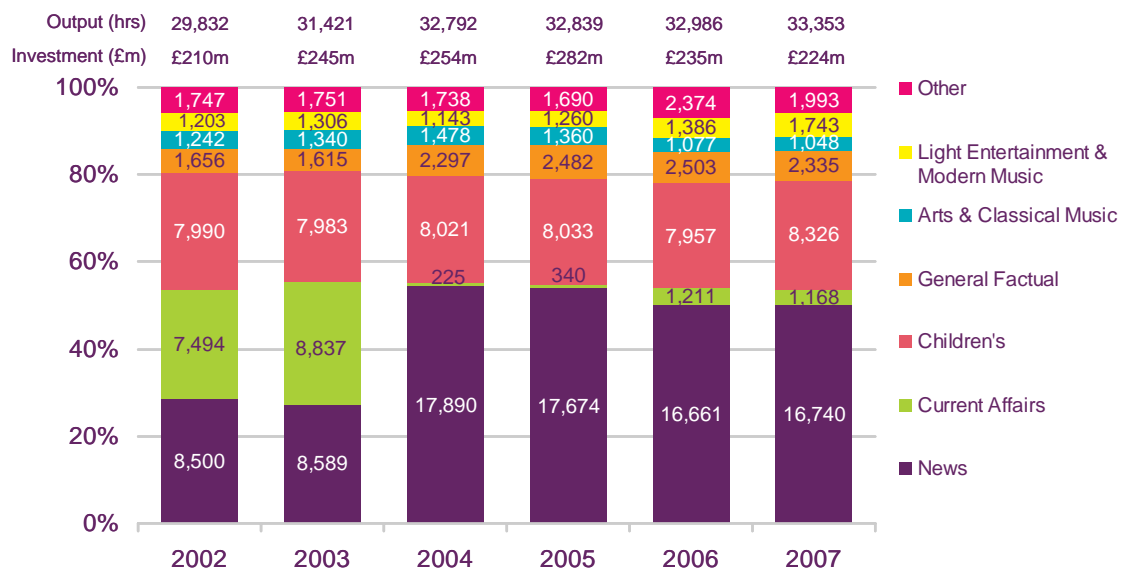
In line with last year, News accounted for roughly half (17k hours) of the BBC's total output, explained by its 24/7 *BBC News* channel. While hours of News appear to have risen, and hours of Current Affairs have fallen, the combined level has remained roughly constant. This is explained by the BBC allocating Parliamentary coverage to News rather than Current Affairs from 2004 onwards.

Children's programming accounted for the second largest proportion of output in 2007 (25% or 8k hours). This is attributed to the launch of CBeebies and CBBC, which has led to a general rise in Children's output since 2002.

Other notable changes over 2007 include the 26% rise in Light Entertainment/Modern Music to 1.7k hours and the 19% drop in 'Other' output to 1.8k hours.

<sup>49</sup> The BBC's financial year operates from 1 April to 31 March. Reporting on a calendar year can therefore sometimes show dips or peaks in genre spend which are caused by transmission phasing.

**Figure 3.28 The BBC's digital channels genre mix (all-day)**



Source: Ofcom/Broadcasters

Note: BBC digital channels include: BBC Three, BBC Four, BBC News 24, BBC Parliament, CBBC, and CBeebies

'Other' includes: Education, Drama, Film, Religion and Sport. Figures are in 2007 prices.

The BBC allocated Parliamentary coverage to the Current Affairs genre in the data for 1998 to 2003. From 2004 onwards, it has been allocated to either News or Current Affairs as appropriate.

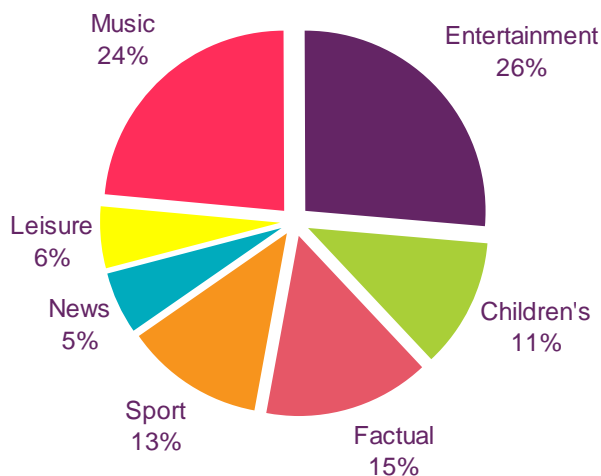
### 3.2.10 Multichannel output, by genre

#### Sport accounts for the bulk of multichannel operators' spend

In 2007 multichannel operators broadcast 1 million hours of output in seven of the main genres. Entertainment accounted for 26% (267,948 hours), Music for 24% (238k hours), Factual for 15% (151k hours), Sport 13% (127k hours) and Children's programming 11% (116k hours) (Figure 3.29).

**Figure 3.29 Hours of output on channels available on multichannel platforms**

Total broadcast hours in 2007 = 1,012,297 (2006 = 945,003)

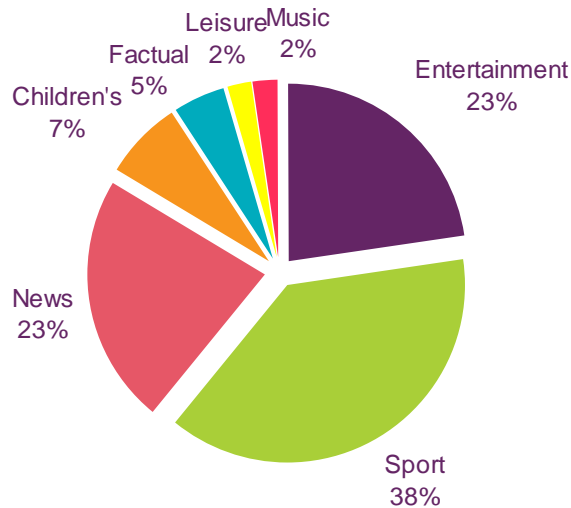


Source: Ofcom/Broadcasters

The majority (90%) of multichannel operators' total hours consisted of repeats, while 10% were first-run originated output. Sport comprised the bulk of first-run originated output (38%) along with News and Entertainment, which each took 23% of the total share. The other categories, Children's, Factual, Music and Leisure each broadcast less than 10% of original output (Figure 3.30).

**Figure 3.30 Multichannel first-run originations and acquisitions**

Total originated hours in 2007 = 101,952



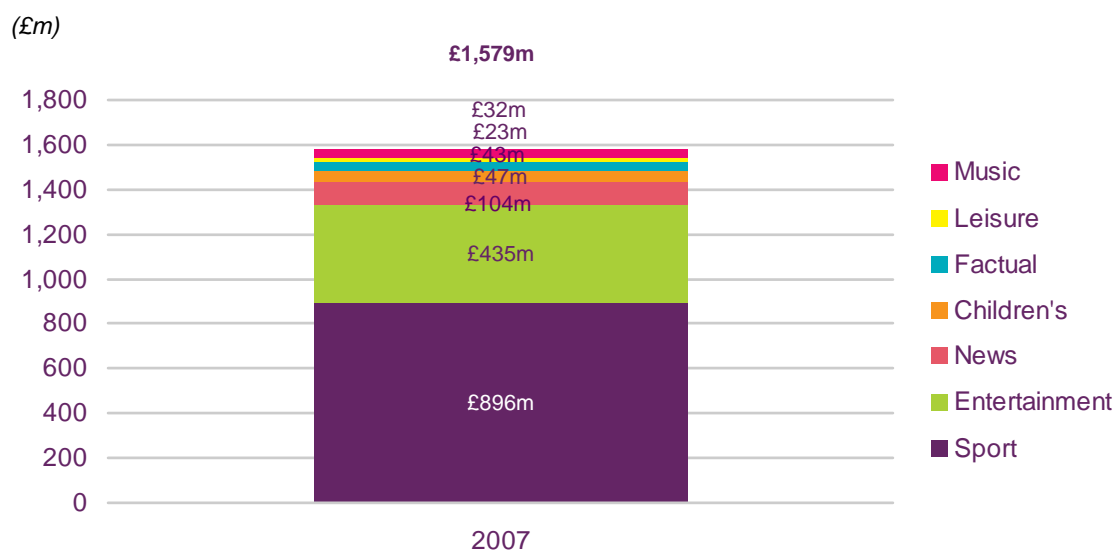
Source: Ofcom/Broadcasters

Note: Includes first-run in-house, commissioned and acquired content

Multichannel operators' spend on all content in these genres totalled roughly £1.6bn in 2007. Sport accounted for 57% of the total (£896m), but only 13% of the total hours and 38% of the first-run originations, highlighting the high cost of sports rights, relative to other forms of content.

Conversely, Entertainment accounted for 28% of the total spend (£435m), and 26% of the total hours (23% of first-run originations). The remainder combined (News, Children's, Factual, Leisure and Music) accounted for 16% of the spend (£248m), despite broadcasting 61% of the total hours and 40% of the originated content (Figure 3.31).

Figure 3.31 Content spend by multichannel operators in key channel genres



Source: Ofcom/Broadcasters

Note: Figures are nominal.

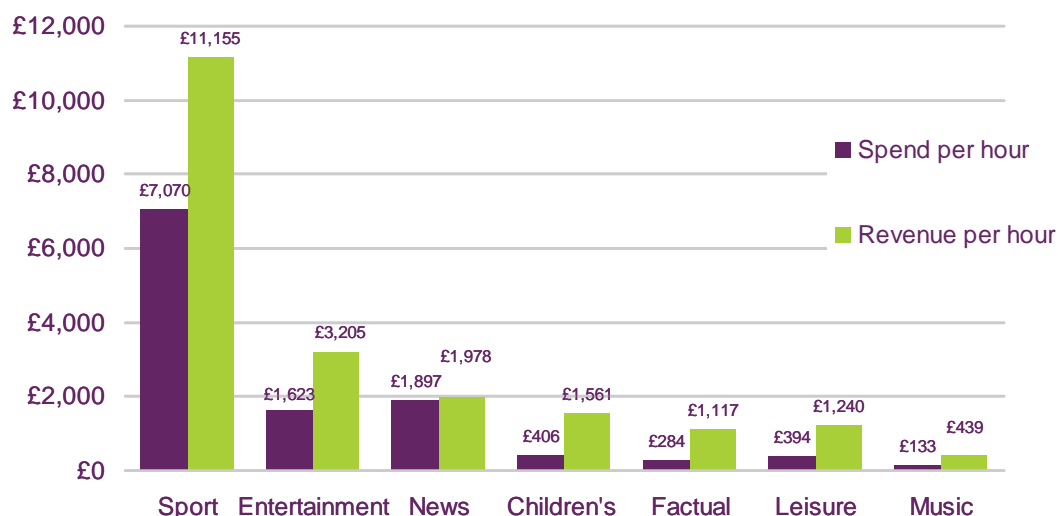
Figure 3.32 sets out multichannel operators' average cost per hour (CPH) on content, alongside the average revenue they generated per hour of transmission (this includes repeats, which offset costs). This shows how costs are distributed across different channel genres and also how originated hours of output can drive up costs.

Sports channels incurred the greatest spend per hour of content, at £7.1k, but they also generated the highest hourly revenue at £11k; this amount is 1.58 times their spend.

Entertainment channels spent an average of £1.6k per hour on content, while generating nearly double in revenue, at £3.2k per hour. Children's output, which includes a high level of repeats (94%), cost an average of £406 per hour and generated 3.8 times that amount in revenue - £1.6k per hour. Factual output cost £284 per hour and generated 3.9 times that amount in revenue - £1.1k per hour.

News, which has a relatively high level of first-run originated content (43%), cost an average of £1.9k per hour and generated the lowest return on investment, 4.3% or £2.0k per hour of revenue.

Figure 3.32 **Multichannels' CPH for content spend and revenue, by genre: 2007**  
 £ CPH (2007)



Source: Ofcom/Broadcasters

### 3.2.11 The production sector

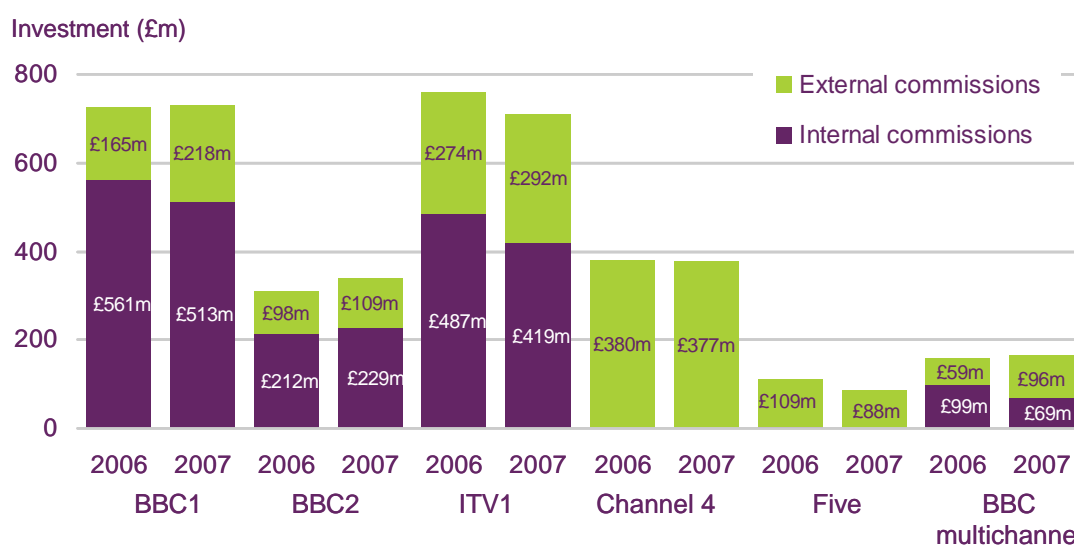
#### External commissions grew in 2007, while in-house productions declined

Over 2007 the combined spend on first-run external commissions from the BBC, ITV1, Channel 4 and Five increased by 8.8% to £1.18bn, while spend on in-house productions declined 9.6% to £1.23bn.

The BBC spent £811m on internal commissions across its channels (down 7.0% from 2006) and £423m externally (up 31%). This change in spend could relate to the BBC's introduction of its *Window of Creative Competition* (WoCC) programme, whereby independent producers are guaranteed 25% of commissions; in-house commissions get 50%, and the remaining 25% is available to in-house or independent productions, or other broadcasters.

ITV1's pattern of expenditure followed a similar trend. ITV1 spent £419m on in-house commissions (down 14%) and £292m on external commissions (up 6.6%). Channel 4 and Five, which, as publisher-broadcasters do not have significant in-house production capacity, reduced their spend on external commissions by 0.8% to £377m and by 19% to £88m respectively (Figure 3.33).

Figure 3.33 Spend on first-run commissions by PSBs: 2006 and 2007



Source: Ofcom/Broadcasters

Note: Figures are nominal. First-run network commissions including news and sports rights. BBC Multichannels included in the chart: BBC Three, BBC Four, CBBC, CBeebies

## Independent production sector

### Pact census 2007/08

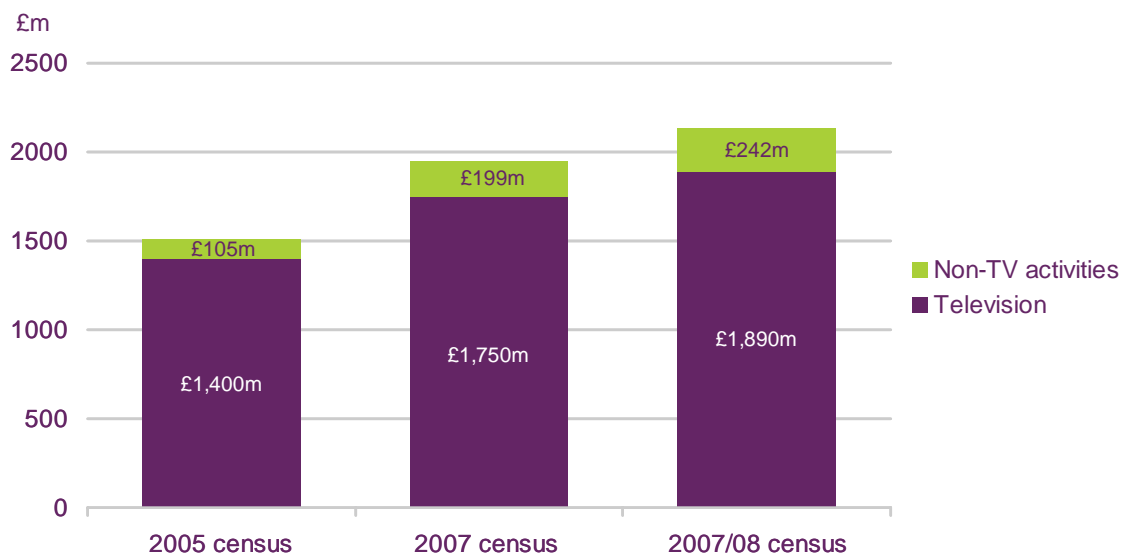
Pact is the UK trade association representing the interests of independent feature film, television, animation and interactive media companies. There are over 800 independent production companies of varying sizes in the UK (not all of whom are Pact members).

Pact carried out a census of the UK production sector in 2005, 2007 and in 2007/08. Data for the latest census were collected between September and November 2007 and were published in February 2008. Responses were received from 153 companies, capturing 76% of estimated industry revenue.

### Independents' revenue up by 9.4%

The independent production sector experienced strong growth during 2007/08, increasing by 9.4% to £2.14bn. Since 2005 its compound annual growth rate was 15.6%. The majority of revenue came from the television production business, which grew from £1.75bn in 2007 to £1.89bn, while non-TV revenue has more than doubled over the last three years to £242m, as shown in Figure 3.34.

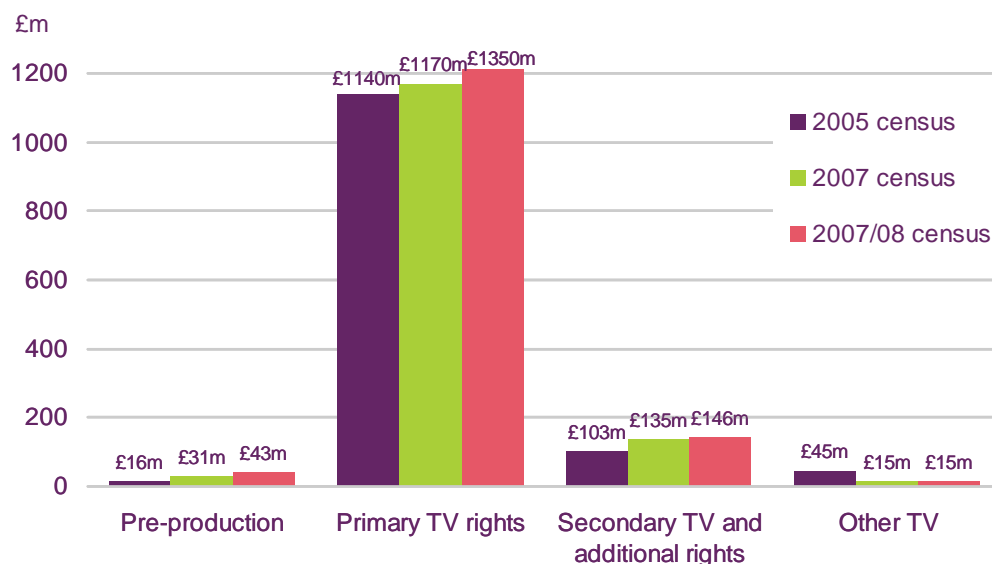
Figure 3.34 Sector revenue by TV and non-TV activities



Source: Pact Independent Production Census 2007/08. Data collated and analysed by Digital-i

Revenue from the sale of primary TV rights remains the main source of income for the independent production sector. Primary commissions increased from £1.14bn in 2005 to £1.35bn in the latest year. Secondary and additional rights accounted for £146m in 2007/08, up from £103m in 2005, while pre-production increased from £16m to £43m over the same period (Figure 3.35).

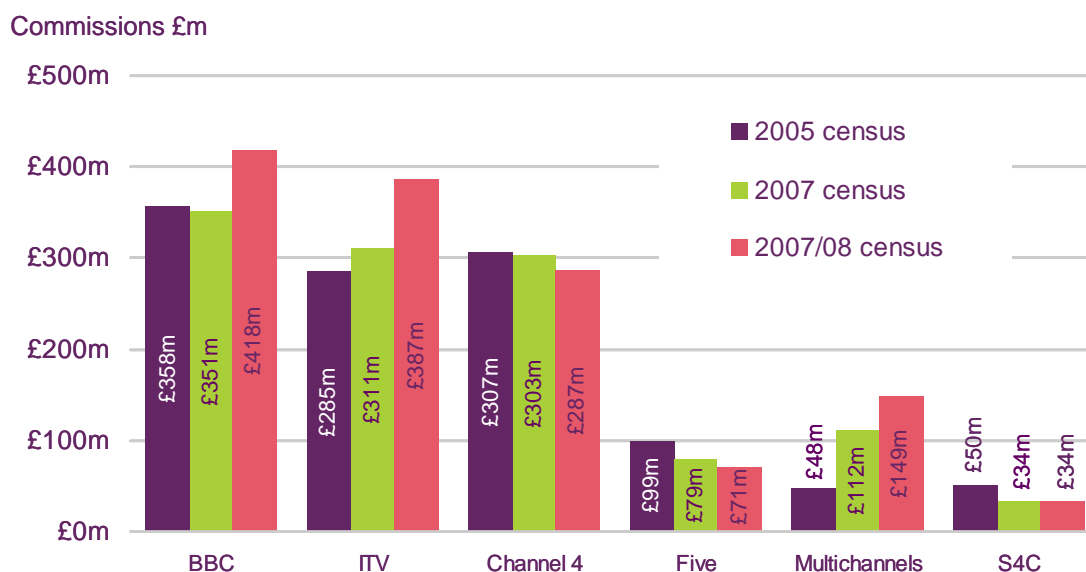
Figure 3.35 Independent producers' sources of UK television revenue



Source: Pact Independent Production Census 2007/08. Data collated and analysed by Digital-i

The revenue growth in the independent production industry has been fuelled by increased commissions from UK broadcasters, which have risen by £156m since the 2007 census. Figure 3.36 indicates that the BBC and ITV, including their digital portfolio channels, have been the primary source of this increase. Revenues from multichannels have also grown year-on-year, while commissions from Channel 4, Five and S4C have fallen.

Figure 3.36 Value of UK commissions, by broadcaster



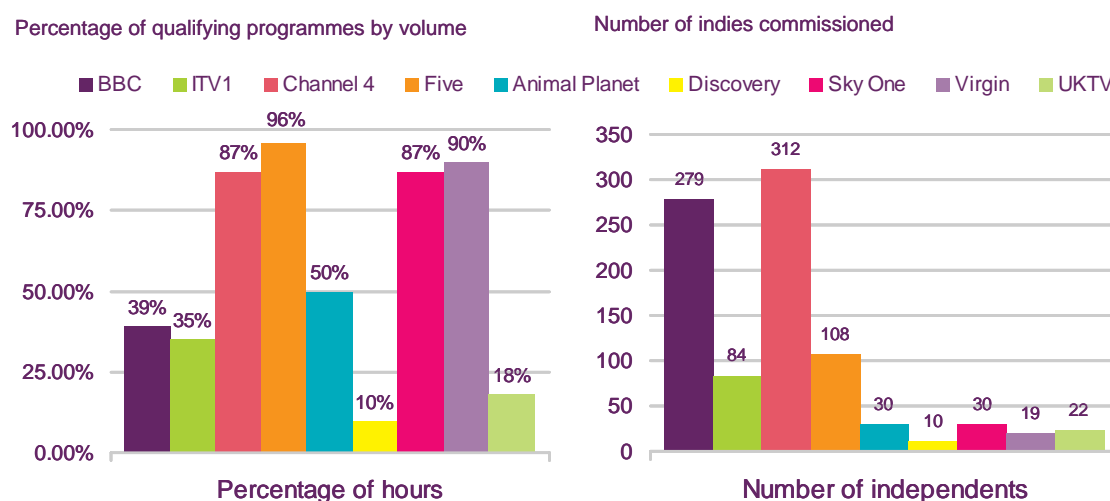
Source: Pact Independent Production Census 2007/08. Data collated and analysed by Digital-i

### Channel 4 continues to lead in numbers of indies commissioned

The proportion of hours of independent commissions and the number of independent companies providing programmes for each of the main broadcasters is shown in Figure 3.37. Quotas are imposed on PSBs, which must broadcast a minimum of 25% of qualifying hours made by independent producers. Non-PSBs are not subject to this quota and the levels achieved vary considerably, from 90% for Virgin and 87% for Sky One, to 18% for UKTV and 10% for the Discovery channel, according to the Broadcast Indie Survey 2008.

In terms of plurality of supply, the PSBs commission from a wide range of producers – Channel 4 was top of the list with 312 suppliers in 2007, followed by the BBC with 279, Five with 108 and ITV1 with 84 independent suppliers. The multichannel operators highlighted by Broadcast commissioned between 10 and 30 independents.

Figure 3.37 Percentage and number of independent production companies, by broadcaster



Source: Ofcom/Broadcast

Figure 3.38 lists the top ten holding companies and individual independent companies by turnover in 2007, as reported in the Broadcast *Indie Survey*. IMG and All3Media were the largest holding groups, with annual turnover greater than £200m. The largest independent companies were Hit Entertainment and Talkback Thames, reporting revenues of £143m and £140m respectively.

**Figure 3.38 Top ten holding companies and independents by revenue: 2007**

	Company	Revenue	Key shows
1	IMG Media	£221.7m	The One Show, Robin Hood, An Island Parish, The Catherine Tate Show
2	All3Media UK	£202.5m	Midsomer Murders, Formula One, Fifth Gear, 10 Years Younger, Richard & Judy
3	Endemol UK	£160.0m	Big Brother, Ready Steady Cook, Deal or No Deal, Brainteaser
4	Shine	£146.0m	Celebrity Masterchef, The Wright Stuff, Life On Mars, Spooks
5	Hit Entertainment	£142.7m	Bob The Builder, Project Build It, Barney & Friends, Wobblyland
6	Talkback Thames	£140.0m	Britain's Got Talent, The X-Factor, The Bill, Grand Designs
7	RDF Media Group	£99.3m	Wife Swap, Location, Location, Location, Faking It
8	Shed Media	£71.8m	Waterloo Road, Supernanny, Who Do You Think You Are?, New Tricks
9	Tinopolis	£66.0m	Question Time, The Government Inspector, Traffic Cops, Car Wars
10	DCD Media	£42.0m	House Price Challenge, Saturday Cooks, The Wind in the Willows

Source: *Broadcast Indies Survey 2008*

Consolidation in the UK independent production sector continued in 2007, with numerous production companies being acquired by larger UK and international groups. Cost savings and revenue generation have been the motivating factors. The five largest production companies accounted for 43% of industry revenue in the 2007/08 census, up from 41% the previous year.

A development over the past year has been the acquisition by European media groups of UK independent production companies. Two Way Traffic and Eyeworks, both in the Netherlands, Zodiak in Sweden and Mediaset in Italy have all taken over UK production companies (Figure 3.39).

Figure 3.39 Continued consolidation in the independent production sector

Holding company	Production companies
All3Media	South Pacific Pictures, North One TV, Lion TV, Lime Pictures, IDTV, Company Pictures, ARG TV, Cactus Films, All3Media International, Bentley Productions, Maverick Media, MME Movement, Objective Productions*
IMG	TWI, Tigress Productions, Tiger Aspect, Darlow Smithson Productions
RDF Media Group Plc	Touchpaper Television, RDF Media, RDF International, Radar TV, IWC Media, The Comedy Unit, Presentable, Foundation TV Productions
Southern Star Group	Oxford Scientific Films, Darrall Macqueen, Carnival Films & Television
Tinopolis	Venner TV, Mentorn, Folio, Sunset & Vine Productions, Music Box, Tinopolis, Video Arts Group*, APP Broadcast*
Shed Productions Plc	Shed Productions, Ricochet, Outright Distribution, Twenty Twenty Vision*, Wall to Wall*
ITV Productions	12 Yard Productions*
Endemol UK	Endemol, Cheetah, Initial, Zeppotron, Brighter Pictures, Showrunner, Hawkshead, Victoria Real
Fremantle Media (RTL Grp)	Fremantle Media, Talkback Thames, Grundy Productions, Regent Productions
DCD Media	Box TV, Done and Dusted, Iambic Productions, Prospect Pictures*, September Films*, West Park Pictures*
Hit Entertainment	Hit Entertainment, Gullane Entertainment, Hit USA Production, Guinness World Records
Mediaset, de Mol	Endemol*
Ten Alps Plc	Blakeway/3BM, Brook Lapping, Ten Alps TV, Production Co*
The Zodiac TV Group	Bullseye TV*, Diverse Productions UK and US* [plus non-UK companies]
Two Way Traffic	Celador International
Shine	Shine, Firefly, Kudos, Princess

Source :Pact

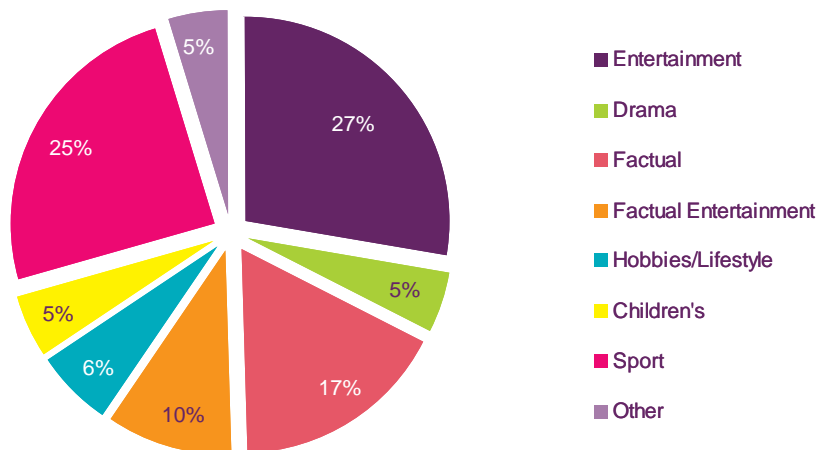
\*Mergers since Communications Market 2006

### Entertainment makes up more than a quarter of PSB commissions

PSBs were most likely to commission independents for Entertainment and Sports shows, as shown in Figure 3.40. Twenty-eight per cent of independent productions shown by PSBs in 2007 were Entertainment programmes and 25% were Sport. Factual programmes made up 17% of the total, Hobbies and Lifestyle 6% and Factual Entertainment contributed 10% of output.

Figure 3.40 PSB independent commissions by genre, 2007

Proportion of independent hours

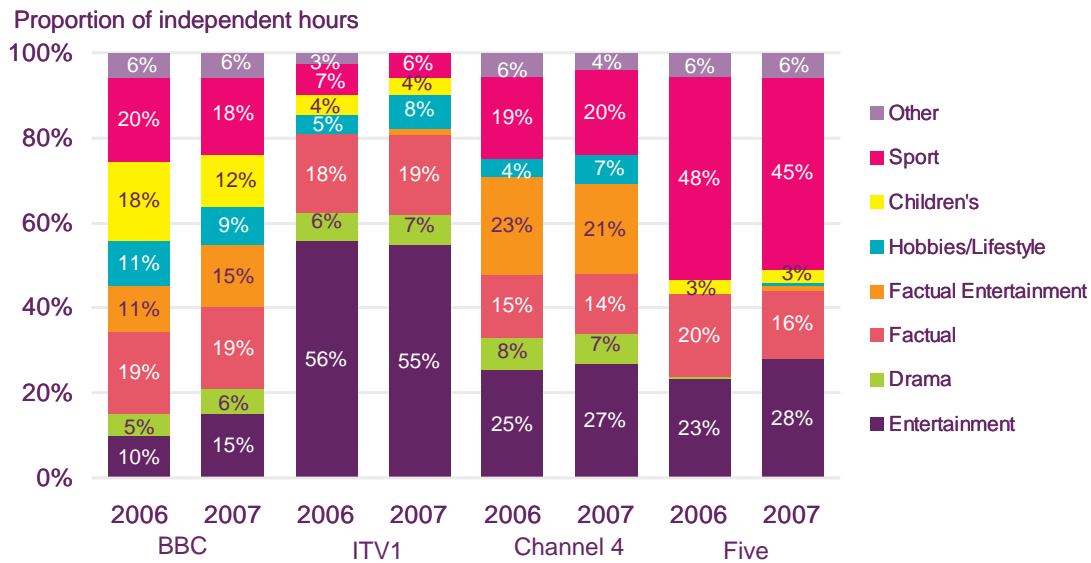


Source: Ofcom/Broadcasters

Figure 3.41 shows the breakdowns by broadcaster of commissions from independents, by programme genre, as a proportion of total independent commissions.

- Significant volumes were commissioned in Factual by all broadcasters – the BBC, Five and ITV1 devoted between 18% and 20% to Factual programmes, with Channel 4 commissioning 14% in 2007.
- The proportion of Entertainment commissioned by the BBC increased to 15% in 2007, up from 10% of output in 2006, with Factual Entertainment also showing an increase, from 11% to 15%, while the proportion of commissions in the Children's genre fell from 18% to 12%.
- The pattern on ITV1 was fairly consistent in 2006 and 2007, with over half its commissions in each year being in Entertainment.
- Around a quarter of Channel 4 and Five commissions were in Entertainment.
- Channel 4 also ranked highly in Factual Entertainment and Sport, at around 20% of volume.
- Sport was the dominant genre on Five, with 45% of commissions being in this genre in 2007.

Figure 3.41 PSBs' external commissioning patterns: 2006 & 2007



Source: Ofcom/Broadcasters

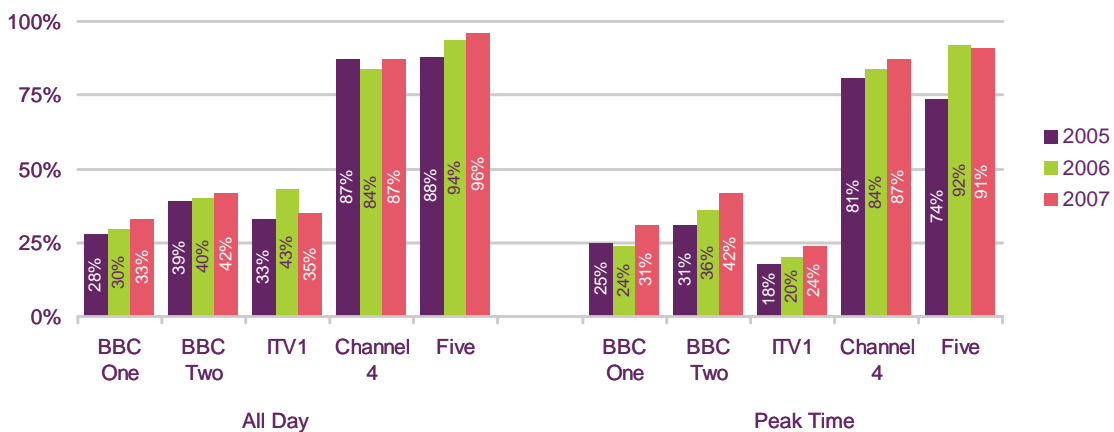
The impact of the introduction of the BBC's *Window of Creative Competition* (WoCC) is starting to be felt. By volume, the proportion of independent output on the BBC's channels has increased and in 2007 – the first full year of the operation of the WoCC – indie commissions increased on BBC One from 30% in 2006 to 33%. For BBC Two, the figure was 42%, up from 40% the previous year. This pattern was broadly consistent for both peak and non-peak time (Figure 3.42).

The all-day figure for ITV1 fell to 35% in 2007 from 43% in 2006, but the levels in peak time increased year-on-year, and stood at 24% in 2007, up from 20% in 2006. High volumes of soaps in peak time, all of which are made in-house, mean that the levels of independent output tend to be lower. The figure in 2007 was 31% if soaps were excluded.

Channel 4 and Five commission most original productions from independents; the 2007 peak-time figure stood at 87% for Channel 4 and 91% for Five, with programmes made by non-qualifying independent companies occupying the remaining time.

Figure 3.42 Independent production: 2005 to 2007

Percentage of qualifying independent production by volume



Source: Ofcom/Broadcasters

Note: Peak time excludes regional programmes

Figure 3.43 shows how the volumes of independent commissions fluctuate by time of day. For most of the day, the levels on BBC One are relatively stable. During day time (up to 6pm) the figure was 35%, compared to 31% in peak time (6pm to 10.30pm), rising to 42% in the post-peak period (up to 12.30am) and dropping off during the night hours to 26%.

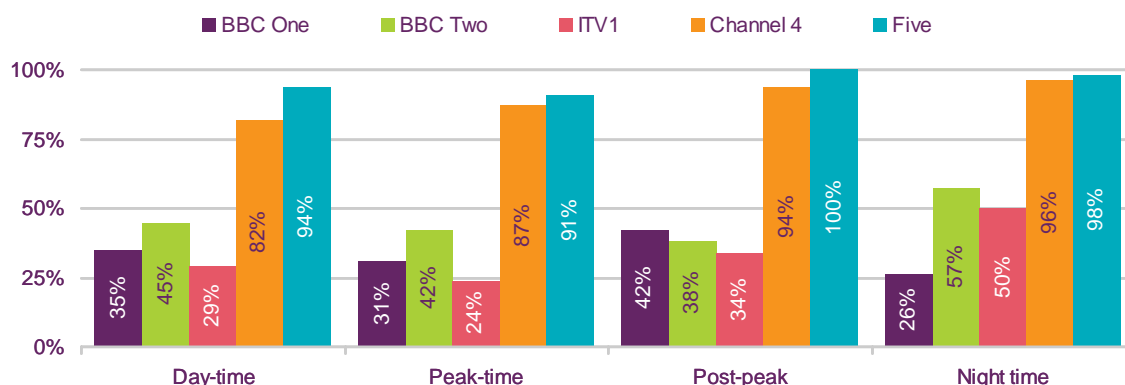
The position on ITV1 was the reverse, with lower levels of independent output during the day (29%) and in peak (24%), rising to 34% in the post-peak hours, with a further increase during the night (to 50%). These higher levels were in part due to the contribution of the late-night dial-in quiz shows, some of which were made by independents.

The figures for BBC Two were consistently higher across all day-parts, with 45% of programmes in day time being provided by independents, and 42% and 38% in peak and post-peak time. During the night hours the proportion increased to 57%.

The patterns for Channel 4 and Five show high levels across the schedule, particularly at the end of the day in the post-peak and night-time hours.

**Figure 3.43 Independent network productions, by day part: 2007**

Percentage of qualifying programmes by broadcaster by volume

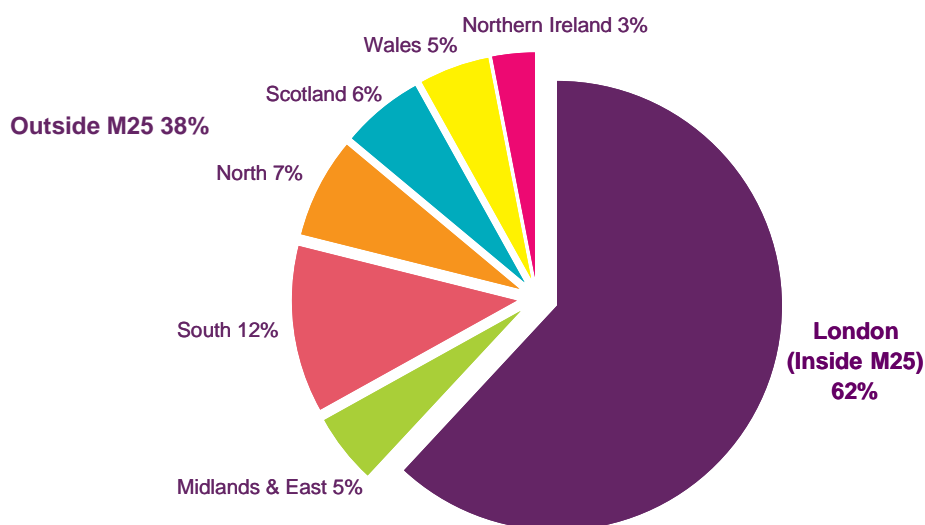


Source: Ofcom/Broadcasters

### More independents located in London than in nations and regions

Figure 3.44 shows that the majority (62%) of independent companies are based within the M25 area, with 38% being outside London. Independent companies in the South of England accounted for 12% of the total, while 7% were based in the North and 5% in the Midlands and East Anglia. In the nations, 6% of independents were in Scotland, 5% in Wales and 3% in Northern Ireland. Pact's research also shows that companies based outside London tend to be smaller than those within the capital. While 85% of companies with revenues greater than £10m are based in London, around half of those with revenue of less than £5m are based outside the M25.

Figure 3.44 **Location of Independents' bases**

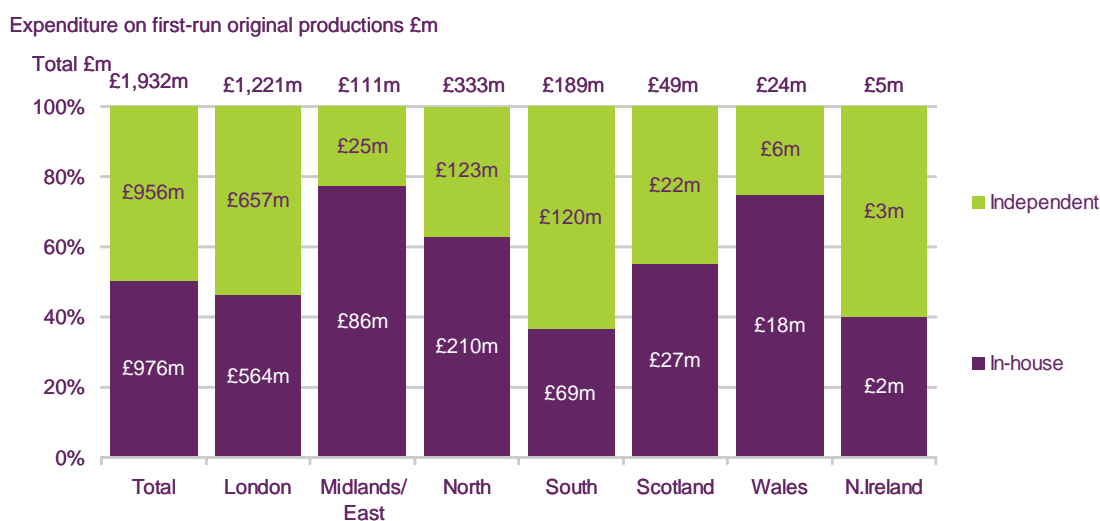


Source: *Pact Independent Production Census 2007/08. Data collated and analysed by Digital-i*

Taking all four main terrestrial broadcasters together, the division of spend between independent and in-house productions was fairly evenly split, with 49% being spent on independents, out of the total of £1,932 million.

While programmes made in London were also fairly evenly split, with 54% made by independents and 46% coming from broadcasters' in-house sources, the balance varied more widely in the nations and English regions. In the South of England, for example, spend on independent productions predominated (63%) while in the North, in-house productions were in the majority (63%). In the Midlands & East expenditure on in-house programme production accounted for 77% of spend and in Scotland the figure was 55%, with 75% in Wales and 40% in Northern Ireland (Figure 3.45).

Figure 3.45 **Breakdown of expenditure on production in the nations and regions**



Source: *Ofcom/Broadcasters*  
 Note: *Excludes data for GMTV and S4C*

Taking all four broadcasters together, a higher proportion of hours were commissioned from independents (57%) than from in-house production resources (43%) in 2007 (Figure 3.46). More independent programmes were made within the London area (58%) – a total of 6,593 hours - than were made in-house (4,731 hours). The proportion in the South of England was even higher with 78% being independently-produced. The balance was also in favour of indies in Scotland and Northern Ireland, while in the other English regions and in Wales the levels of independent programmes were below 50%.

Figure 3.46 Breakdown of volume of production in the nations and regions



Source: Ofcom/Broadcasters  
 Note: Excludes data for GMTV and S4C

### 3.2.12 Compliance with regulatory obligations

#### Compliance with programme quotas

A number of quotas apply to television broadcasters in the UK which Ofcom has a duty to monitor and enforce under the obligations laid down in the Communications Act 2003. Some of these apply to all broadcasters based in the UK, while other quotas are specific to public service broadcasters (PSBs) which operate under much tighter regulations. The commercial PSBs (ITV1, GMTV1, Channel 4 and Five) have a direct relationship with Ofcom in terms of compliance with quotas while regulation of the BBC is shared between the BBC Trust and Ofcom. The Trust is responsible for setting the majority of the BBC's targets and monitoring compliance but must consult and agree with Ofcom before changing specific quotas and must obtain Ofcom's agreement in relation to original and out-of-London network production. As Ofcom has a duty under the Communications Act to report on the communications market as a whole each year, full details of compliance against the quotas for the BBC, S4C and the commercial PSBs are included in this section.

#### European programming requirements

All qualifying broadcasters licensed in the UK, including cable and satellite licensees are subject to European programming obligations set out in the TV Without Frontiers Directive (TVWF) (which has recently been reviewed and replaced by the Audiovisual Media Services Directive which must be transposed into UK legislation by December 2009). The Directive requires minimum amounts of European (including UK) and independent programming to be shown; a majority of programmes must be European; at least 10% must be made by independents of which at least 50% must be recent works (made within the last five years). In July 2008 the Commission published its report on compliance by Member States with

Articles 4 and 5 (European and independently produced content) in respect of 2005 and 2006. The main report can be found at:

[http://ec.europa.eu/avpolicy/docs/reg/tvwf/art\\_4\\_5/2008\\_481\\_en.pdf](http://ec.europa.eu/avpolicy/docs/reg/tvwf/art_4_5/2008_481_en.pdf))

### **TV Access Services**

In 2007 a total of 91 companies, including cable and satellite broadcasters and PSBs, were also required to provide subtitling, signing and audio description for a proportion of their programming. These quotas apply to all PSB channels and to other broadcasters which achieve an average audience share over a year of 0.05% or more, subject to passing an affordability threshold and not facing technical difficulties that cannot be overcome.

### **The Communications Act 2003**

The public service channels are subject to a range of programming obligations which are described in the Act. Ofcom is responsible for setting appropriate quotas which it does in consultation with the respective broadcasters taking into account their individual remits and the relevant statutory criteria. Quotas are kept under review and may be adjusted over time to allow for changing circumstances. The public service requirements outlined below apply to all PSBs (the BBC, including its digital channels, ITV1, Channel 4, Five, S4C in Wales) but not to the commercial broadcasters' digital services (for example, ITV2, ITV3, E4, More 4, Fiver, Five US).

### **Summary of PSB Quotas**

*Original productions:* programmes commissioned by broadcasters from in-house production resources or from independent producers.

*Out-of-London productions:* programmes produced in the UK for the network and made outside the M25.

*Independent productions:* programmes made by companies who qualify under the statutory criteria as being independent of broadcasters

*National & international news and current affairs*

*Nations and regions programmes:* programmes, such as regional news and current affairs, on ITV1 or the BBC made for the particular nation or region in question

*TV Access Services:* subtitling, signing and audio description of programmes

## **3.2.13 Original productions**

### **Most channels exceeded quotas in 2007**

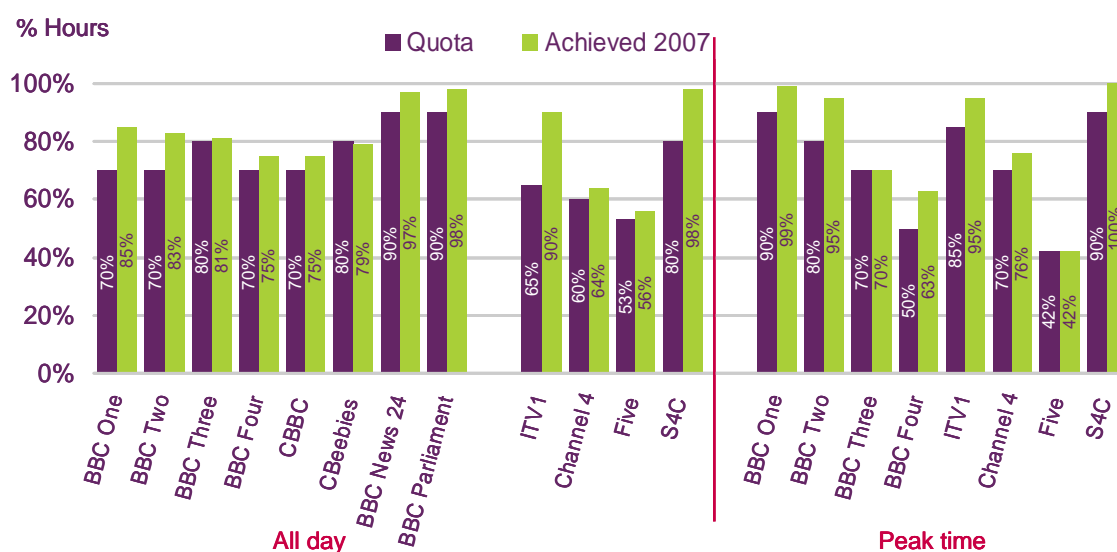
Original productions are programmes made by broadcasters from their own in-house production bases or commissioned from independent producers, for first showing on that channel. First-run programmes as well as repeats are included. Quotas for original productions are intended to make sure that broadcasters provide a sufficient amount of programming from a combination of their own resources and commissions from independents, rather than bought-in material.

Original programme quotas apply to all PSB channels and are in two parts – a quota for the complete broadcasting day (usually 24 hours, except in the case of the BBC's digital channels) and for peak viewing times (which are defined as 6.00pm to 10.30pm, except for BBC Three and Four where peak time runs from 7pm to midnight).

Figure 3.47 shows that the majority of programmes broadcast by PSB channels in 2007 were original productions and that the quotas were generally easily exceeded, although CBeebies narrowly missed the minimum figure. The quota is set at “approximately” 80% and CBeebies reached a figure of 79.48%.

The quota levels are higher in peak time than for the rest of the day for BBC One, BBC Two, ITV1, Channel 4 and S4C. Almost all programmes broadcast in peak viewing hours were original productions on BBC One (99%), BBC Two (95%), ITV1 (95%). Ofcom research<sup>50</sup> shows that providing enough new programmes made in the UK is important to viewers. A recent BBC/GfK Pulse survey<sup>51</sup> found that UK-made programmes were much more likely to have taught viewers something new, to have been discussed by viewers after watching and to be considered inspiring and thought-provoking.

Figure 3.47 Broadcasters’ performance against original production quotas



Source: Ofcom/Broadcasters

Note: BBC figures include programmes made or commissioned for other BBC channels except for BBC Three and BBC Four, where programmes first shown on another BBC PSB channel are excluded.

\*BBC Three and Four peak-time hours are 19:00 – 24:00

### 3.2.14 Nations’ and regions’ production outside London

#### ITV misses quota

Quotas for out-of-London productions set minimum requirements for the amounts of network programmes that must be made in the nations and English regions. These are intended to ensure that a range of production bases exists across the UK, thereby reducing the concentration in London. Programmes made outside the M25 include independent commissions, as well as in-house productions. The quotas are two-fold – one for value, which applies to the amount of money spent outside London; and the other for volume, which relates to the number of hours broadcast. In order to qualify against the quota, programmes must comply with Ofcom’s Regional Production Definition, which establishes three criteria:

- having a production base in the location;

<sup>50</sup> Ofcom PSB Tracker 2007

<sup>51</sup> BBC Pulse Survey, fieldwork by GfK NOP, Jan-Dec 2007

- achieving a minimum level of expenditure in the nation or region; and
- achieving a minimum spend on production talent.

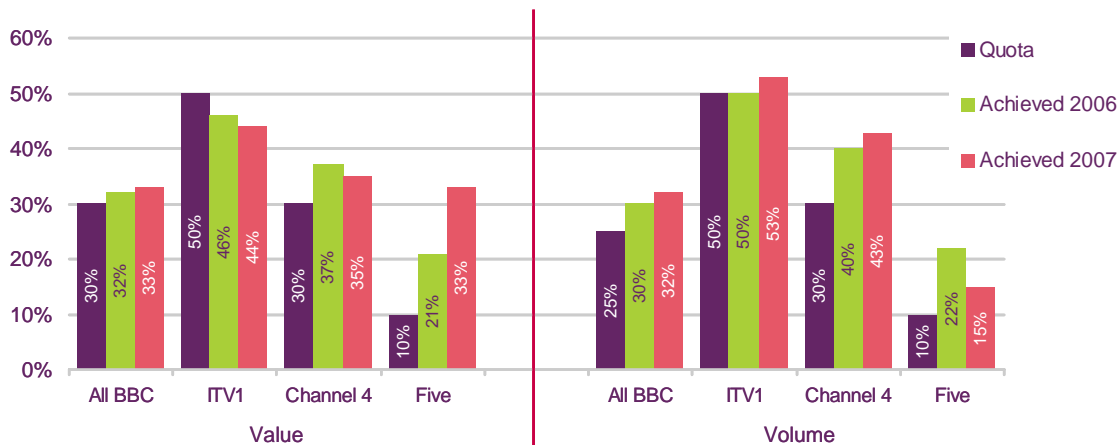
In order to qualify, programmes must meet at least two of these three criteria.

Figure 3.48 shows the broadcasters' performance against the quotas in 2006 and 2007 (apart from S4C where the quota does not apply). In most cases the quotas were exceeded for both value and volume in both years, with the exception of ITV1 where the value quota was not met. ITV's quota of 50% is higher than that for other broadcasters, and levels of 46% and 44% were achieved in 2006 and 2007 respectively. Ofcom's investigation into these shortfalls is ongoing and the outcome will be published when the process is complete. In 2007 the BBC achieved a level of 33% by value; Channel 4: 35% and Five: 33%.

A detailed audit of the data returns submitted by broadcasters was carried out during the year and some amendments were made to the figures as a result. The charts included in this section incorporate these re-stated figures.

**Figure 3.48 Performance against the out-of-London production quotas**

Percentage of network production produced outside London, by value and by volume



Source: Broadcaster returns

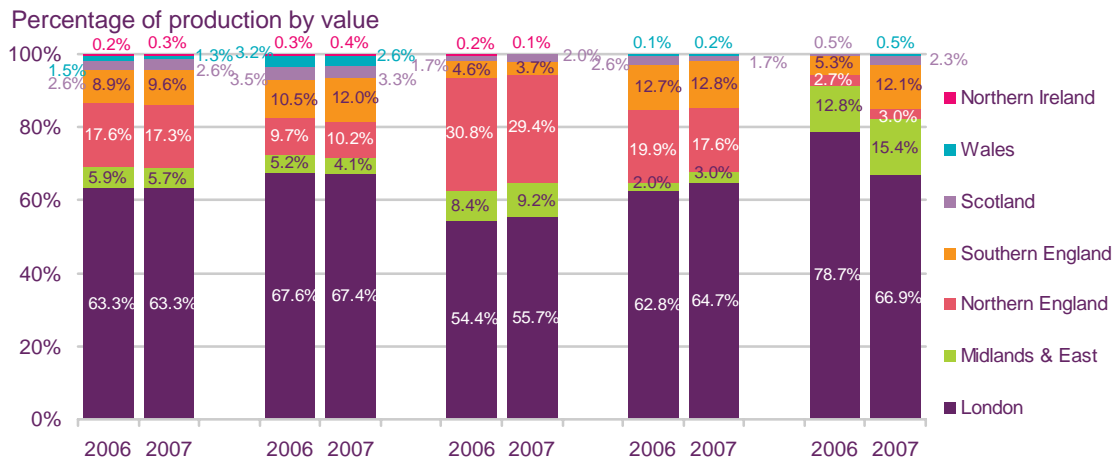
Note: Figures for 2006 have been restated following Ofcom's audit of out-of-London production

Figure 3.49 demonstrates that the majority of programmes, by value, were made in London. Around 67-68% of the BBC's network production was produced in London, with 25-26% coming from the English regions and around 6-7% from Scotland, Wales and Northern Ireland combined. Channel 4 and Five also showed a majority of programmes from London and the English regions. ITV1's output was less concentrated in London, at around 54-56%, with production in the English regions accounting for 42-44%.

Taking the four broadcasters together, the proportion of programmes made in London averaged 63% in 2006 and 2007, with the English regions accounting for just over 32%. Production in the nations averaged just over 4% in each of the last two years.

Given this disparity, Ofcom is considering other options and mechanisms that might be put in place to encourage a shift towards more production in the nations, and a movement away from London, as part of the second phase of its PSB Review which is expected to be published in the autumn.

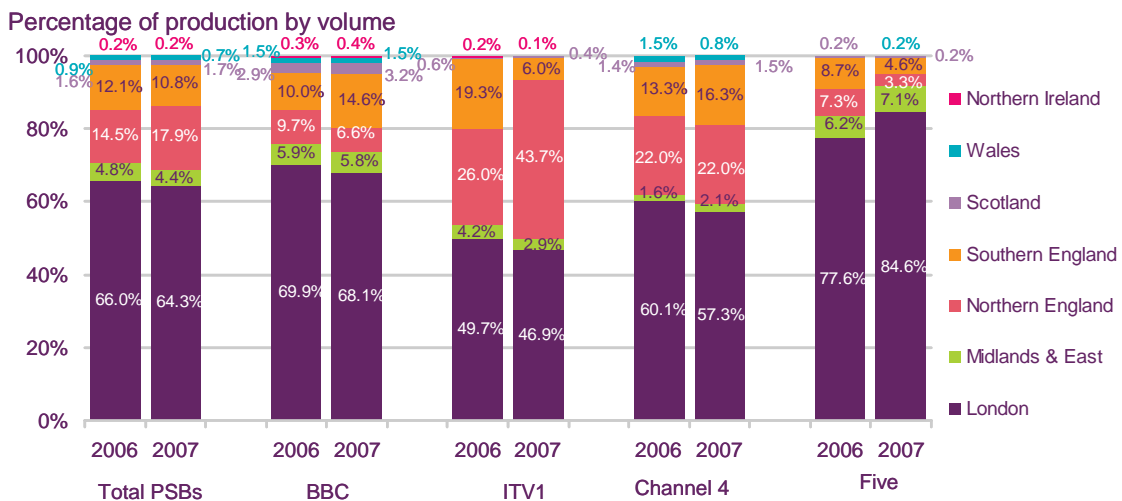
Figure 3.49 Breakdown of expenditure on production, by broadcaster



Source: Ofcom/Broadcasters  
 Note: Figures for 2006 have been re-stated

Figure 3.50 shows that, by volume, the proportion of programmes made outside London was similar to the proportion by value shown in the previous chart. Again, most production was based in London and in the English regions, which together accounted for 97% of production. London represented 66% in 2006 and 64% in 2007. Taking the PSBs as a whole, the proportion produced in the nations was less than 3%. Ofcom will further consider the issues surrounding out-of-London production in Phase 2 of the PSB Review to be published in the early autumn.

Figure 3.50 Breakdown of production volume, by broadcaster



Source: Ofcom/Broadcasters  
 Note: Figures for 2006 have been re-stated

### 3.2.15 Independent productions

#### Quota comfortably exceeded

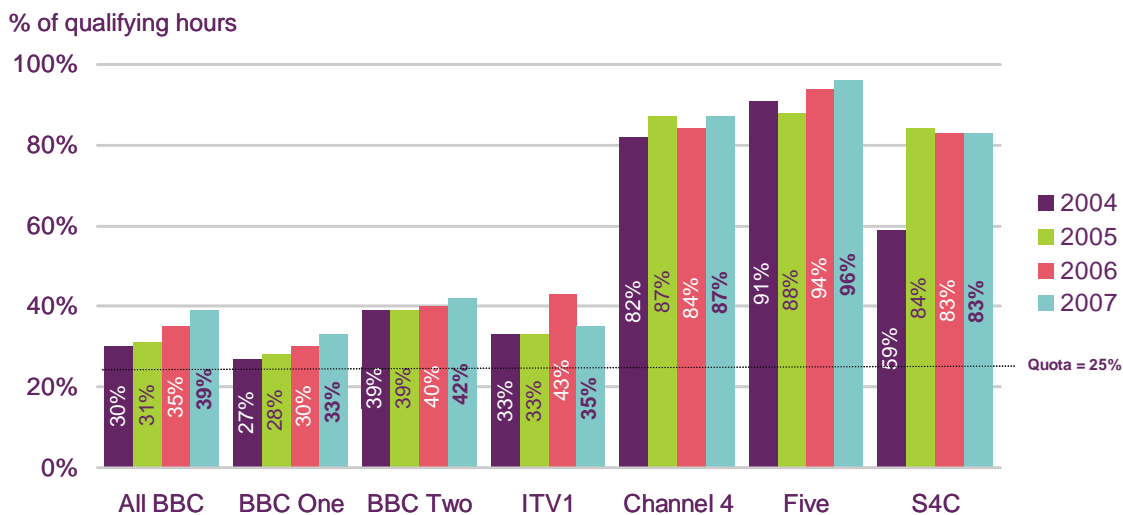
The independent quota is set by the Communications Act at 25% and applies across all PSBs. Its purpose is to allow production companies which are independent of broadcasters to have access to PSB channels, encouraging programmes from a wide diversity of sources

to be made and broadcast. The quota has been easily exceeded by all broadcasters over the last four years, as shown in Figure 3.51.

The quota applies to all the BBC's PSB channels taken together, as well as to BBC One and BBC Two separately. Overall, the BBC achieved 39% in 2007, with 33% on BBC One and 42% on BBC Two; levels which have increased year-on-year. 2007 was the first full year of the BBC's WoCC and its effects can be seen in the higher commissioning rates. ITV1 achieved 35% in 2007, somewhat lower than the figure of 43% seen in 2006 but above the level of 33% achieved in both 2004 and 2005.

Unlike the BBC and ITV, Channel 4, S4C in Wales and Five produce very few programmes themselves. They were set up to commission programmes from a wide variety of companies, including independent producers as well as other producers and broadcasters. Consequently, most of their programmes come from the independent sector and this is reflected in the quota figures shown in the chart, with Channel 4 achieving 87%, Five 96% and S4C 83% of qualifying hours in 2007.

**Figure 3.51 Qualifying hours commissioned from independent producers**



Source: Ofcom/Broadcasters

Although there is no requirement that the 25% quota must be achieved in each programme genre, there is an overall requirement for broadcasters to commission a wide range of different types of programmes. This is to make sure that independents are not restricted, and can provide programmes across all categories of output, from the most expensive Drama productions to Entertainment, Factual and Children's programmes.

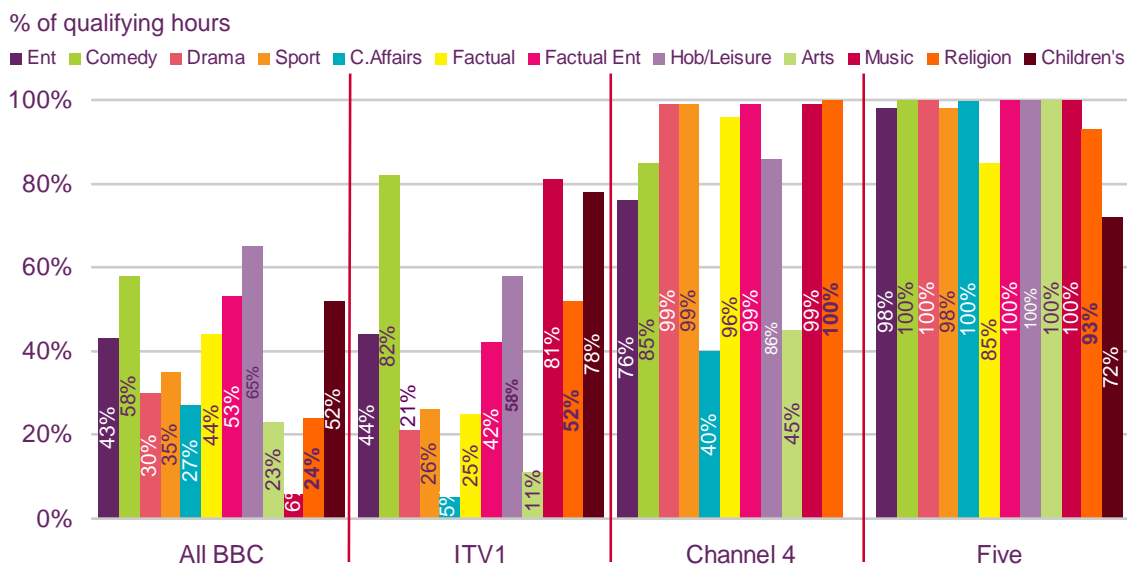
Figure 3.52 shows the spread by channel in 2007. On the BBC, Comedy, Factual Entertainment, Hobbies & Leisure and Children's programmes were the genres most likely to be produced by independents – the majority of qualifying programmes in these categories were made by indies. Arts, Music and Religion were mostly made in-house and less than 25% of programmes in these genres were independent commissions.

On ITV1, 82% of Comedy programmes were made by indies, as were the majority of Hobbies & Leisure, Music, Religion and Children's programmes. Less than 25% of Drama, Current Affairs and Arts programmes were from indies.

Channel 4 commissions most of its output from independents, and this applies across most programme genres, with the exception of Current Affairs, where ITN provided a high proportion; and Arts where the level of commissions was 45%.

Five commissions the majority of programmes in all genres from independent producers.

Figure 3.52 **Qualifying independent commissions, by genre**

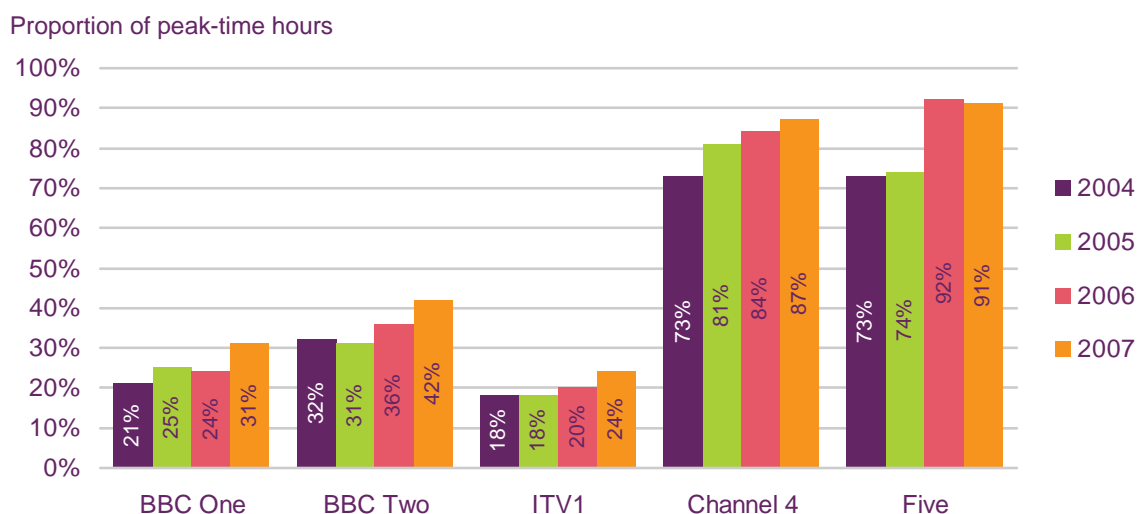


Source: Ofcom/Broadcasters

While there is no peak-time quota for independent productions, it is nevertheless important to make sure that programmes from indies have exposure at times when audience levels are highest. Figure 3.53 shows an increase in the proportion of peak-time programmes sourced from independents for most broadcasters. The level on BBC One went up to 31% in 2007 from 24% the previous year, while on BBC Two the increase was from 36% to 42% over the same period.

On ITV1 the proportion rose from 20% to 24% in 2007 and on Channel 4 it was up to 87%. On Five there was a small drop of one percentage point, albeit from a very high level of 92%, in 2007.

Figure 3.53 Peak-time qualifying hours commissioned from independents



Source: Ofcom/Broadcasters

Note: excludes regional programmes

### 3.2.16 News and Current Affairs

#### Quotas met by all broadcasters

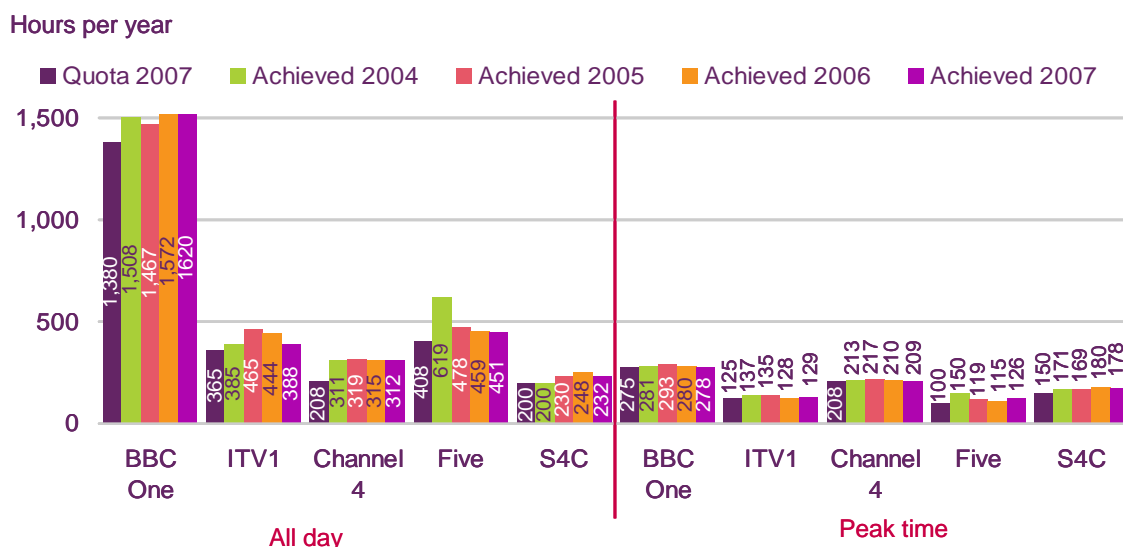
Quotas for national and international News are set individually for each main channel (apart from BBC Two where there is no news quota) and apply across the whole day and separately in peak time. All broadcasters exceeded the News quotas in 2007.

At 1,380 hours, BBC One has the highest annual target and the amount achieved in 2007 was 1,620 hours (or just over 31 hours a week – about 4½ hours a week above the quota). These figures exclude regional News and the night-time simulcasts of BBC News 24, but include the BBC’s breakfast service.

ITV1 achieved 388 hours against its quota of 365 hours (or 7 hours a week) while Channel 4 showed 312 hours compared with its 208-hour quota – equivalent to about 2 hours above the quota of 4 hours a week. Five achieved 451 hours against its quota of 408 hours (just over 7¾ hours a week) while S4C showed 232 hours compared with the 200-hour quota (Figure 3.54).

In peak time the quotas were met by all broadcasters. BBC One achieved 278 hours, ITV1 129 hours, Channel 4 209 hours, Five 126 hours and S4C 178 hours.

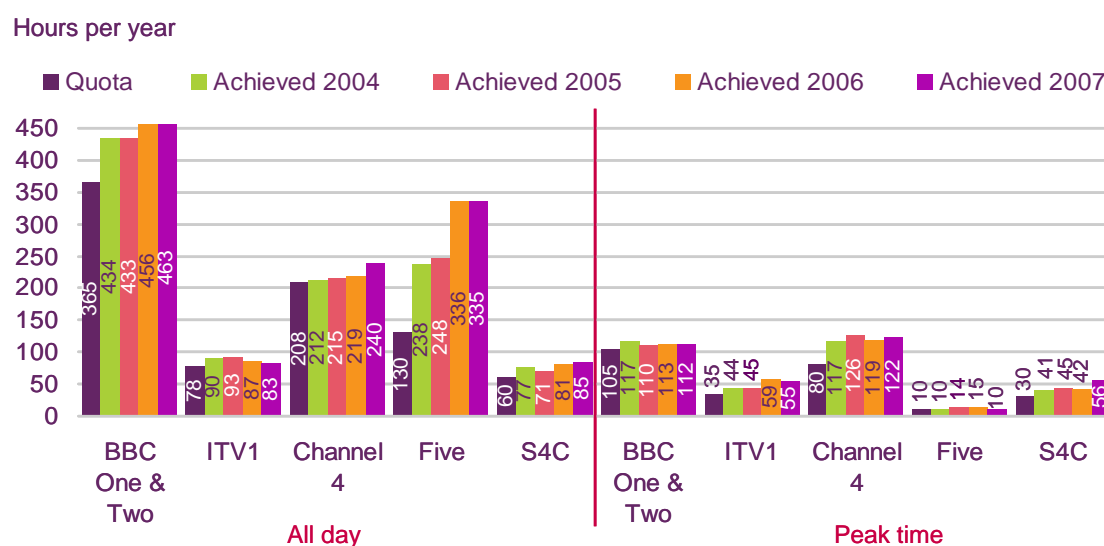
Figure 3.54 Performance against national and international News quotas, all-day and peak time



Source: Ofcom/Broadcasters

The Current Affairs quotas also apply to all PSBs, and are fixed for all-day and peak time. The BBC has the highest quotas, but these apply to BBC One and BBC Two taken together. As shown in Figure 3.55, all broadcasters met their quotas in 2007.

Figure 3.55 Performance against Current Affairs quotas, all-day and peak time



Source: Ofcom/Broadcasters

### 3.2.17 Programmes made for viewers in the nations and English regions

#### Under-delivery in regional news on ITV1

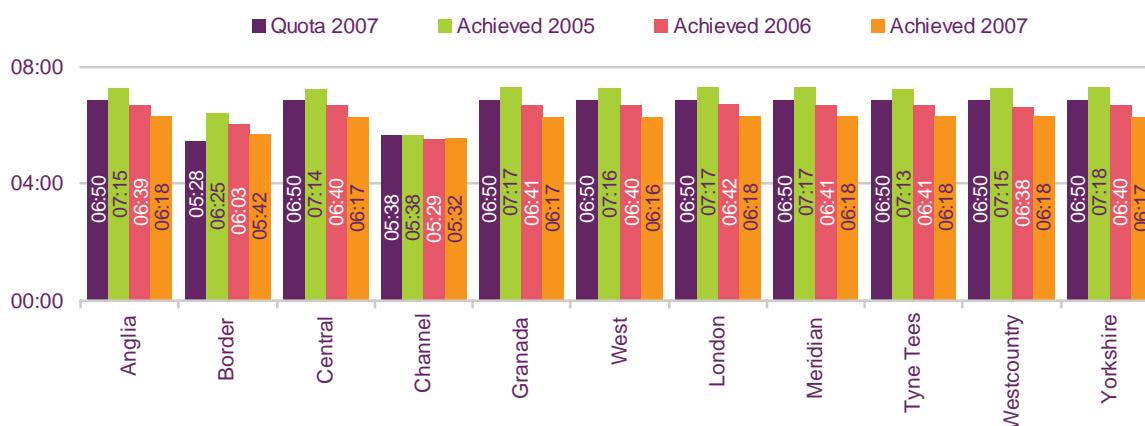
Regional programming quotas are for non-network programmes, which are those produced and broadcast in the nations and regions only, rather than across the whole of the UK. The ITV1 quotas have been standardised across most of the English regions for a number of years, with the exception of the two smallest regions - Border and Channel - where the quotas are a little lower. In 2007 the 'standard' regional quota stood at 6 hours 50 minutes

per week (Figure 3.56) of which News was set at 5 hours 20 minutes, Current Affairs at 26 minutes and other regional programmes at 1 hour 4 minutes a week.

The introduction of ITV's new daytime schedule, containing a much shorter weekday lunchtime news bulletin than previously, led to under-delivery against the regional programming quota for much of the year. Ofcom informed ITV that it was prepared to take no regulatory action over this, provided full delivery against the quota was reinstated from September 2007, and for the future. ITV did deliver fully against the quota from September onwards.

**Figure 3.56 England ITV1 licensees' performance against non-network programming quotas**

Average hours of regional programming per week



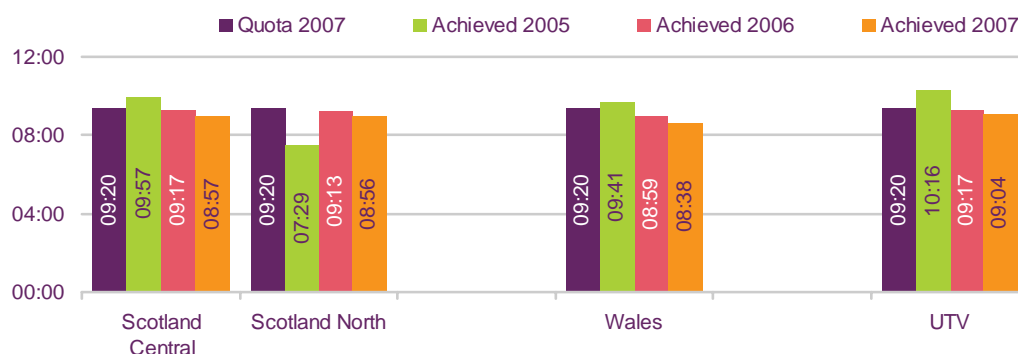
Source: Broadcaster returns

The quotas for non-network programmes in the nations are generally set at higher levels than those for the English regions. In common with the reduction in the quota level in England in 2007, the requirements were also reduced in Scotland, Wales and Northern Ireland and were standardised at 9 hours 20 minutes per week (Figure 3.57). The quota for the Scotland Central and Scotland North licensees includes separate production requirements for News, with joint requirements for non-News output, which allows programmes to be shared between the two broadcasters.

There were shortfalls in delivery due to the changes in the lunchtime news bulletin, as explained above, which were addressed from September 2007.

**Figure 3.57 Nations ITV1 licensees' performance against non-network programme quotas**

Average hours of regional programming per week



Source: Broadcaster returns

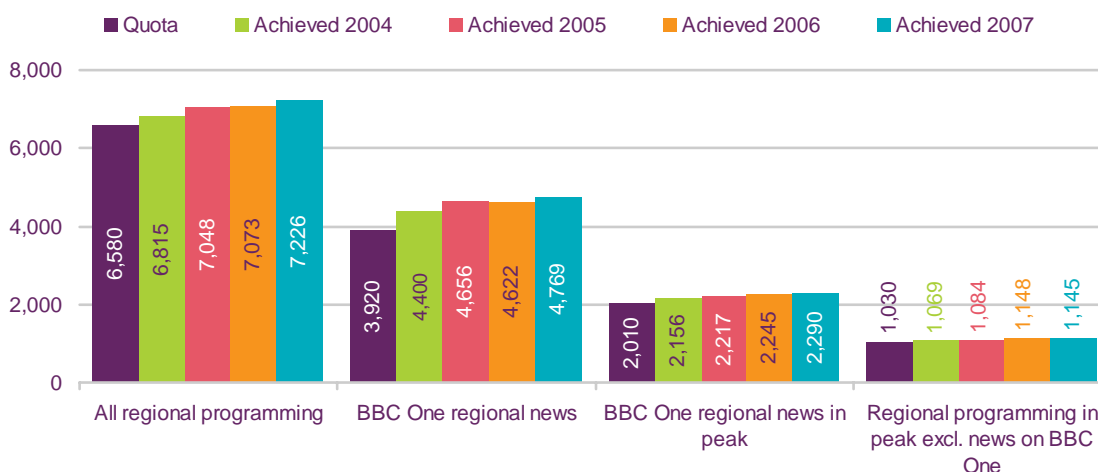
Note: From July 2005 the Stv quota for non-news output was shared between the Scotland Central and North licensees.

The quotas for regional programming by the BBC are expressed as annual totals and are not broken down by region or nation.

The overall annual requirement for all nations and regions programming to be broadcast on BBC One and Two is 6,580 hours, a figure which has been consistently exceeded each year. In 2007, the amount achieved was 7,226 hours – equivalent to over 138 hours a week (Figure 3.58).

Within the overall total, there are separate quotas for BBC One only, relating to regional News, regional News in peak time, and other regional programmes in peak time. Each of these quotas was exceeded. The level of regional News on BBC One reached 4,769 hours in 2007, some 849 hours above the minimum quota level.

**Figure 3.58 The BBC's performance against nations and regions programming quotas**



Source: Broadcaster returns

### 3.2.18 Repeats

There are no formal quotas limiting the amount of repeats broadcast. However, as this has always been an area of particular concern to viewers, it is useful to include figures to show how the main PSB channels compare.

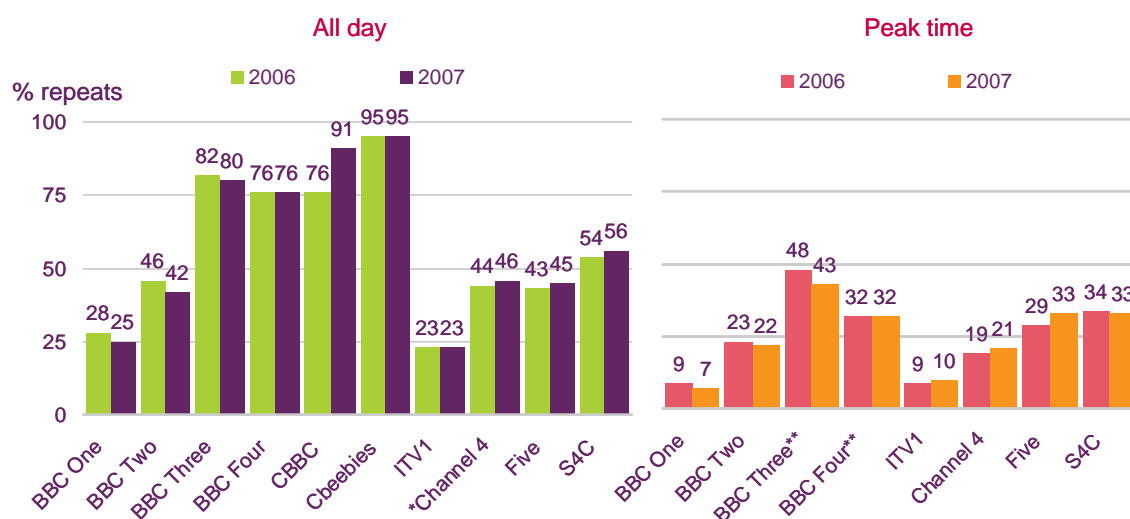
Repeats take on a range of different roles within the schedule. Sometimes a programme is repeated in the same week as the original broadcast but at a different time of day, to give more people the opportunity to watch. In other cases, a programme might be shown on a digital channel first and then repeated on a terrestrial channel in order to promote the digital service and encourage viewers to watch it. Programmes are sometimes 'previewed' on digital channels for the same reasons.

Some programme genres, such as Children's, Pre-school and Schools', are designed to be repeated often. As children grow up, new generations take their place and are able to watch these programmes which will be new to them. Well-made programmes in these genres can stand more than a single outing, as do much-loved old favourites in any genre.

Figure 3.59 shows the proportion of repeats in 2007, compared with 2006. Taking the whole day, the proportion of repeats has gone down on BBC One, BBC Two and BBC Three, when excluding programmes previously seen on another BBC channel. Repeats on ITV1 were at lower levels than any other channel, at 23%, in both years.

In peak time the volume of repeats is generally much lower. On BBC One, 7% of programmes were repeats in 2007, compared with 9% in 2006. Repeats on ITV1 in peak time increased a little, from 9% to 10% in 2007. The figure for BBC Two was 22% (down from 23% in 2006), with 21% on Channel 4 (up from 19% the previous year). On Five and S4C the proportions in 2007 were 33%.

Figure 3.59 Proportion of repeats: 2007



Source: Ofcom/Broadcasters

Note: Excluding programmes first shown on another PSB channel

\*Excluding schools programmes

\*\*BBC Three and Four peak time hours are 19:00 – 22:30

### 3.2.19 European programming

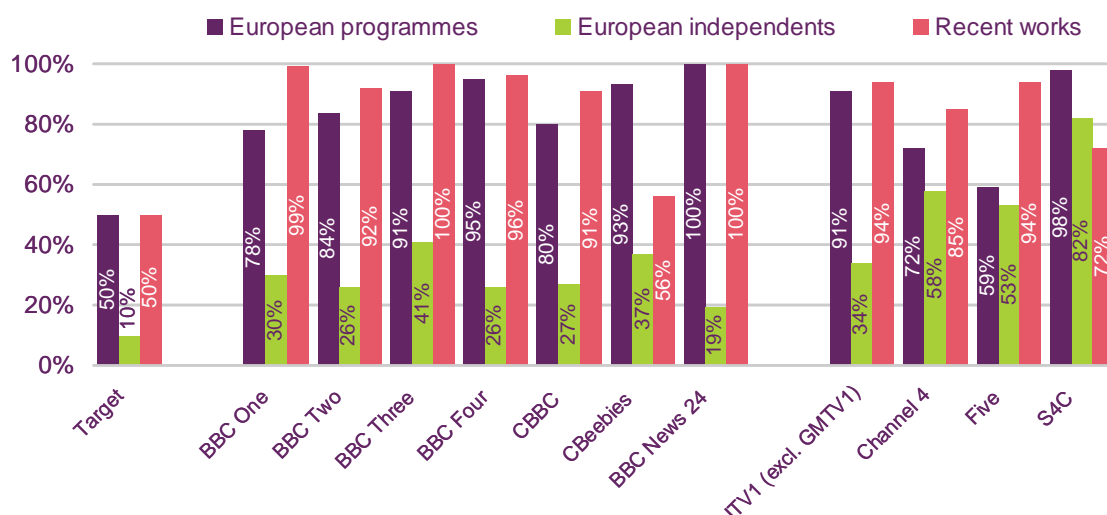
Quotas for European programmes derive from the European Commission's *Audio-visual Media Services (AVMS) Directive* and apply to all broadcasters throughout Europe.<sup>52</sup>

The quotas require that a majority of programming is European; that at least 10% is made by European independents; and that at least 50% of these have been made within the last five years.

The European Commission publishes the results for all channels broadcasting in Europe bi-annually and the latest statistical report covering 2005 and 2006 is available at: ([http://ec.europa.eu/avpolicy/docs/reg/tvwf/art\\_4\\_5/2008\\_2310\\_en.pdf](http://ec.europa.eu/avpolicy/docs/reg/tvwf/art_4_5/2008_2310_en.pdf)). The results for the UK PSBs are given in Figure 3.60 and show that all PSB channels easily exceeded the quotas in 2007.

Figure 3.60 Performance against European programming requirements, 2007

Proportion of transmitted programmes (%)



Source: Ofcom/Broadcasters

### 3.2.20 Other compliance matters

#### Listed Events

Listed events are defined as sports and other events of national interest which have been listed by the Secretary of State for Culture Media and Sport. The broadcasting legislation prevents broadcasters from acquiring exclusive rights and broadcasting coverage of such events live on an exclusive basis without Ofcom's consent. Broadcasters must comply with the Code on Listed Events and in 2007 there were no instances of any broadcaster failing to comply.

#### Code on Fairness

The Fairness and Privacy sections of the Ofcom Broadcasting Code set out how broadcasters should treat individuals or organisations that are directly affected by a particular programme (that is people who have either appeared or been mentioned in a programme or who have a specific interest in the subject matter of a programme) rather than

<sup>52</sup> The AVMS Directive replaced the Television Without Frontiers (TVWF) Directive on 10 December 2007

the generally accepted standards which should apply to programmes in order to avoid causing harm and offence to the general public.

Ofcom concluded 194 Fairness and Privacy complaints in 2007. Of these, 74 were adjudicated upon by Ofcom, with three Upheld, 20 Upheld in Part and 51 Not Upheld. The vast majority of the remaining 120 complaints were not entertained (i.e. could not be considered by Ofcom because they did not fall within its remit for Fairness and Privacy). However, in a small number of cases, complainants accepted an offer of Appropriate Resolution which had been volunteered, on a without prejudice basis, by the broadcaster concerned.

### **TV Access Services**

In 2007, 91 channels were required to provide subtitling, signing and audio description ('television access services') in accordance with Ofcom's Code on Television Access Services, compared with 74 channels in 2006. These 91 channels included all the public service channels, as well as digital channels featuring general Entertainment, Film, Sports, Documentaries, Children's programmes, and popular Music. The quotas apply to all PSB channels and all other television services which achieved an average audience share over a 12-month period of 0.05% or more, subject to passing an affordability threshold and not facing technical difficulties that cannot be overcome, such as the audio-description of music and news programmes where there is little space within the dialogue or sound track to provide audio-description. A full list of channels that provided television access services during 2007 can be found at

[http://www.ofcom.org.uk/tv/ifi/guidance/tv\\_access\\_serv/tv\\_access\\_statement07/](http://www.ofcom.org.uk/tv/ifi/guidance/tv_access_serv/tv_access_statement07/)

While most broadcasters met their obligations in full, those which did not are required to make up the shortfall during 2008. These amounts were added to the 2008 targets and are shown in the access service reports. In view of the significant shortfalls on certain services, Ofcom asked particular broadcasters to produce remedial plans, against which they are required to report on a monthly basis to ensure the obligations are met throughout the year. A report showing the performance of television channels against the targets applying in 2007 and 2008 can be found at

[http://www.ofcom.org.uk/tv/ifi/guidance/tv\\_access\\_serv/tvaccessrep/q407/](http://www.ofcom.org.uk/tv/ifi/guidance/tv_access_serv/tvaccessrep/q407/)

### **Intellectual Property**

The Communications Act 2003 requires Ofcom to report on any issues relating to intellectual property in programmes that have arisen or been of significance. In 2007 no such issues were brought to Ofcom's attention.

### **Training**

Training in television and radio is regulated by Ofcom's co-regulator, the Broadcast Training & Skills Regulator (BTSR). BTSR works closely with broadcasters, trade associations and Skillset (the Sector Skills Council for the Audio Visual Industries) to encourage broadcasters to provide relevant, inclusive and cost-effective training and development opportunities which enhance the provision of high quality services to audiences. In 2007, BTSR continued to develop the self evaluation system, in which broadcasters rate their own performance in accordance with guidelines developed in consultation with the industry. This was complemented by visits to selected radio and television broadcasters during which the self-evaluation reports were independently validated. Details of the validation process and the outcome can be found on BTSR's website ([www.btsr.org.uk](http://www.btsr.org.uk)).

2007 also saw the successful launch of the National Training Awards for the broadcast sector, administered by BTSR on behalf of the UK Skills Council. Award winners ranged across large, medium and small companies as well as commercial radio, cable and satellite, and terrestrial television broadcasters.

### **Equal Opportunities**

Ofcom is required to ensure that all but the smallest broadcasters make arrangements for promoting equal opportunities in employment regardless of gender, race and disability. At the moment, we do this through an annual reporting process and guidance to broadcasters on policies and procedures. In 2007, we published a summary report of information provided by broadcasters regarding their equal opportunities arrangements in 2006. We will shortly be publishing a summary report for 2007.

Given experience of co-regulation of training and development through the BTSR, Ofcom sought views in 2007 on whether co-regulation should be extended to equal opportunities, or whether direct regulation should continue. Most respondents favoured co-regulation, and agreed that BTSR should undertake this task. A number emphasised that more detailed planning was required and that costs should be kept under control. Advocates of continuing with direct regulation divided between those concerned that co-regulation would signal a downgrading of equal opportunities, and those broadcasters who saw no financial benefit. Ofcom will take a final decision on co-regulation in 2008.



## 3.3 The television viewer

### 3.3.1 Introduction

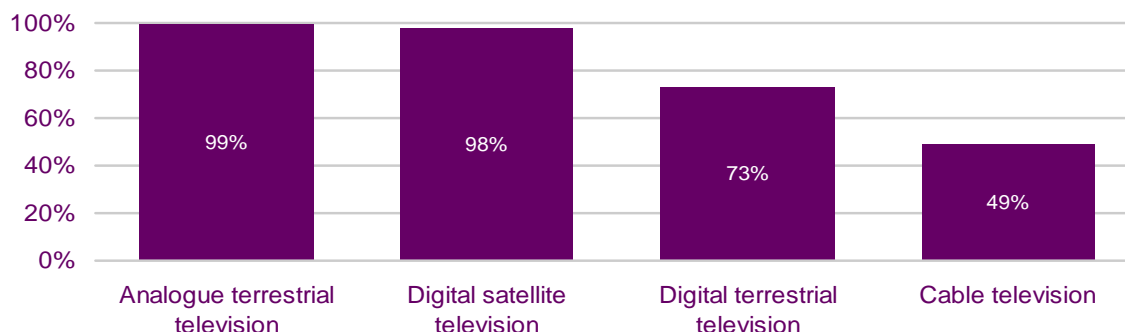
This section sets out the main trends among television viewers during 2007. It begins by considering the availability and take-up of digital television platforms, then analyses patterns of consumption among television viewers before concluding with an analysis of channel shares and audience demographics.

### 3.3.2 Availability of multichannel broadcast platforms

UK viewers have a choice of four main platforms for receiving television and in some areas they can also receive internet protocol television (IPTV) through Tiscali TV. Analogue terrestrial television is available to almost all of the UK population and among digital television platforms, digital satellite reaches 98% and digital terrestrial television (DTT) 73% (Figure 3.61). Cable television is available to less than half the population (49%). The availability of each platform has remained the same, year on year, except for digital cable whose reach has increased by two percentage points through upgrades of analogue infrastructure. When digital switchover commences in the Border region in Q4 2008, the availability of DTT will start to increase and should match analogue coverage once full switchover is complete in 2012. IPTV is available from two providers – Tiscali TV and BT Vision. Tiscali TV offers a range of television subscription services to consumers in a number of cities. BT Vision's live television services are delivered using DTT, though a number of live special events are delivered over the telephone line.<sup>53</sup>

Figure 3.61 Availability of television platforms

Proportion of population covered (%)



Source: Ofcom residential tracker

Each of the three main digital platforms offers a free-to-view service. Freeview is available via terrestrial TV, while satellite now offers two main non-subscription options including: *freesat* from ITV/BBC and *Freesat from Sky*. Cable customers can also receive a free TV service as part of a combined package, but still have to pay a monthly line rental charge for access to this service. Consumers can subscribe to additional channels if they choose via Top Up TV on DTT, Sky on DSat, and Virgin Media and other providers for cable TV.

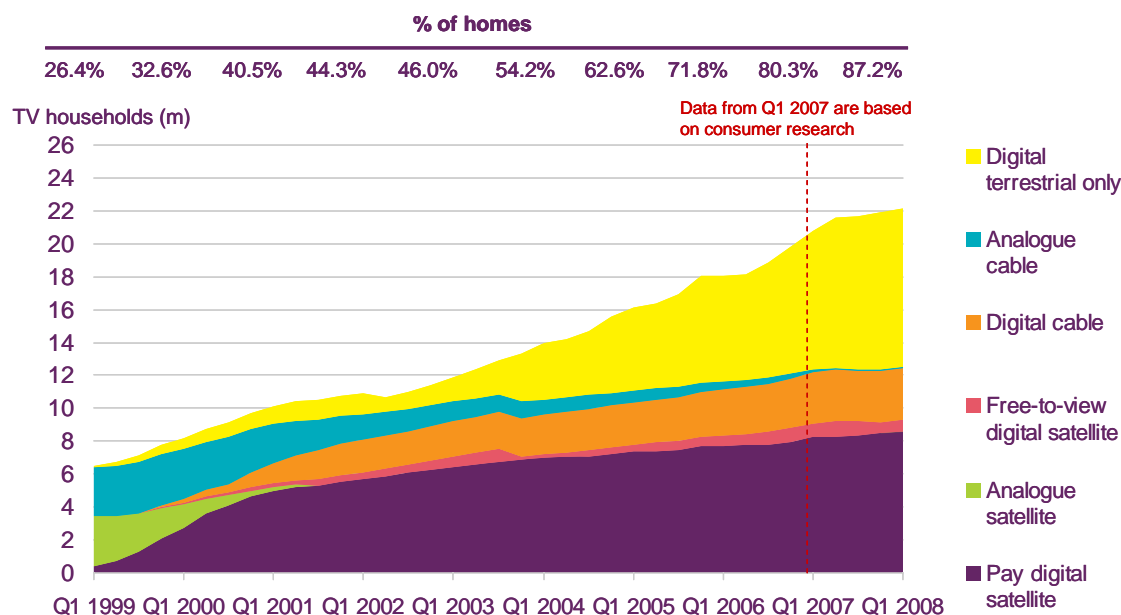
<sup>53</sup> BT Vision is not classed as an IPTV service in our figures because its live scheduled services are broadcast through DTT rather than by broadband. BT Vision homes are therefore included in DTT homes.

### 3.3.3 Digital TV take-up

#### DTV accessible on almost nine in ten main sets

Multichannel television take-up stood at 87.2% in Q1 2008, up by almost 7 percentage points on Q1 2007 (Figure 3.62). The main drivers of this growth were DTT and pay digital satellite, which have emerged as the two most common forms of receiving television on main sets.<sup>54</sup>

Figure 3.62 Take-up of multichannel television on main sets



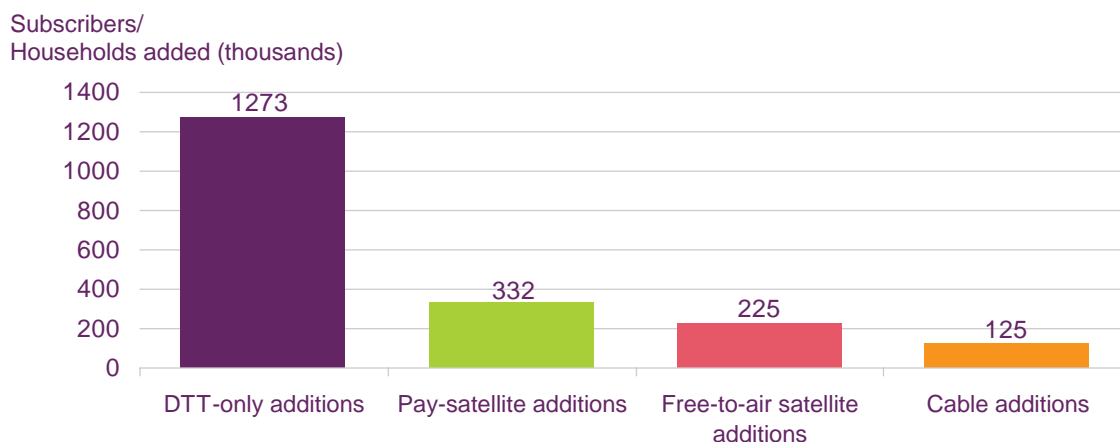
Source: Ofcom, Sky, Virgin Media, GfK research from Q1 2007 onwards; previous quarters use platform operator data, research and Ofcom estimates

Note: Digital terrestrial relates to DTT-only homes

Comparing net additions over the past year shows that DTT-only homes have increased by almost 1.3m in the year to Q1 2008, based on survey results. This was more than double the pay platform subscriber additions, with BSkyB adding 332,000 net subscribers and Virgin Media adding 125,000 TV customers over the year. Free satellite had increased by around 225,000 on a year ago according to research results (Figure 3.63).

<sup>54</sup> There are around 60 million television sets in the UK, of which around 25.5 million are 'main sets' (which broadly equates to the most-watched set, one in each TV household) and 34.5 million are secondary sets (in bedrooms, kitchens, etc).

**Figure 3.63 DTT, satellite and cable net additions, year to Q1 2008**



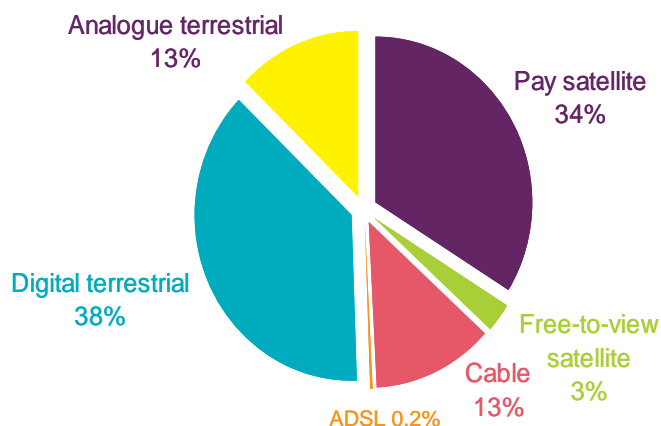
Source: Pay platform additions based on quarterly BSkyB and Virgin Media results. Free platform additions (DTT and free satellite) based on GfK research.

Note: 'All DTT additions' includes satellite and cable homes acquiring DTT for the first time during the quarter. 'DTT-only additions' are first time DTT acquirers who have no other multichannel platform in the home.

Survey results indicate that Freeview has extended its lead as the dominant digital television platform, with 9.6m (38%) UK homes using DTT on their main sets by Q1 2008 (Figure 3.64). This was up by almost 5 percentage points over the year. Pay satellite is the second most popular platform with a 34% share of main sets, up 2 percentage points on a year ago. Meanwhile, analogue terrestrial share had fallen by over 5 percentage points in the year and was the primary platform on less than one in seven main sets (13%) by Q1 2008. Cable's share has remained steady at around 13%, with free-to-view Satellite at 3%. IPTV, delivered via ADSL, made up the additional 0.2% hold of main set viewing.

**Figure 3.64 Platform share among main TV sets Q1 2008**

Total TV homes = 25.5 million



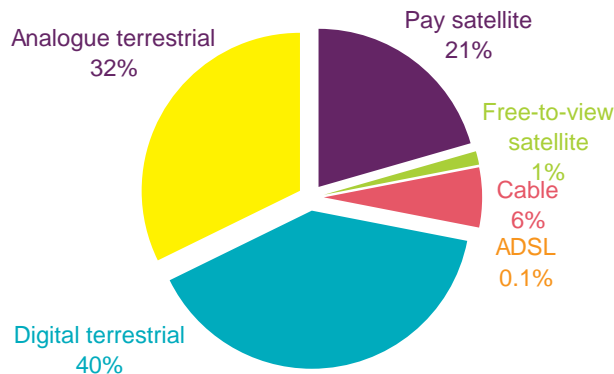
Source: GfK research for Q1 2008

Note: figures may not add up to 100% owing to rounding.

Among all UK TV sets, Freeview became the most common means of reception during 2007/08, with almost 40% of TV sets now DTT-enabled (Figure 3.65). This was up by over 11 percentage points in the year. The share of analogue sets fell by a similar amount, down by over 11 percentage points from last year to a 32% share by Q1 2008. Overall, the free-to-view platforms (DTT, analogue terrestrial, and free satellite) had a 73% share of all television sets in Q1 2008, with pay satellite (21%) and cable (6%) making up the remainder.

Figure 3.65 Platform share among all TV sets Q1 2008

Total TV sets = approximately 60 million

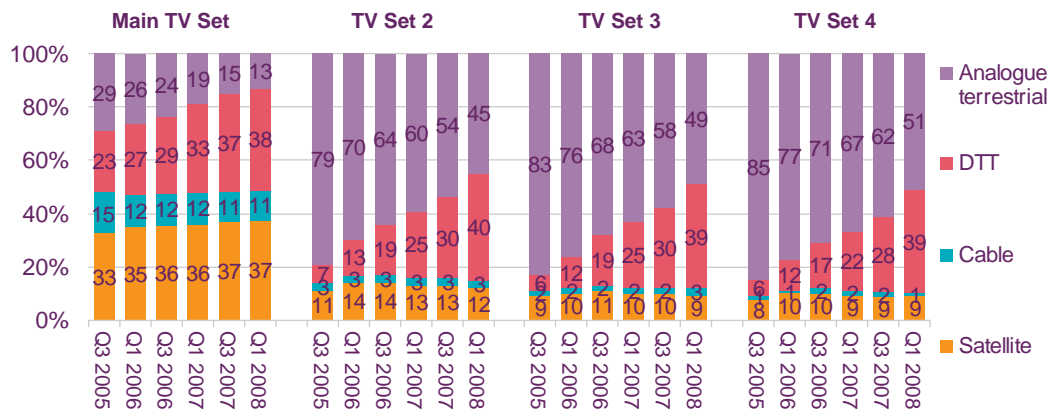


Source: GfK research for Q1 2008

Note: figures may not add up to 100% owing to rounding.

Over half of all first, second and third sets can now receive multichannel television. In Q1 2008 just 13% of main sets still relied on an analogue terrestrial signal (Figure 3.66). However, the analogue terrestrial share is higher on secondary sets; with share on second sets in the home at 45%, compared to 49% on third sets and a 51% on fourth sets.

Figure 3.66 Platform shares by platform, TV sets 1 – 4

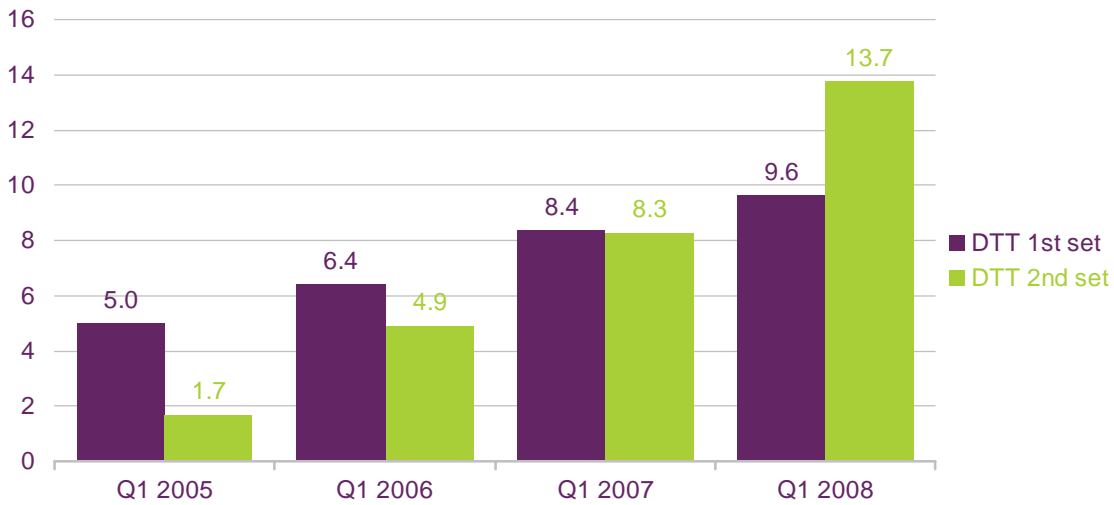


Source: GfK research

Consumers are increasingly converting secondary sets in the home to multichannel – for the first time ever the number of second sets equipped to receive DTT is higher than on primary sets (illustrated by Figure 3.67). This suggests that a large number of consumers, including pay-TV subscribers, are upgrading their secondary sets with the free-to-view DTT option.

**Figure 3.67 DTT on primary and secondary sets**

DTT on first and second sets (millions)

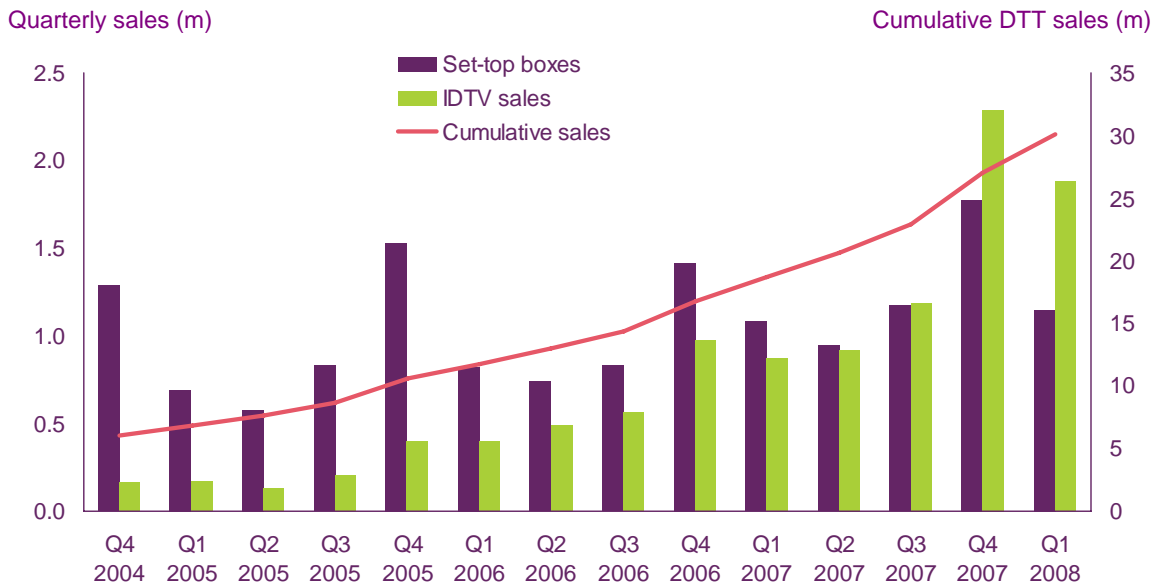


Source: GfK research

**Integrated DTT equipment becoming more prevalent**

Retail sales of DTT set-top boxes have now been overtaken by sales of integrated digital television (IDTV) sets, which accounted for 62% of all DTT sales by Q1 2008 (Figure 3.68). This reflects the increasing number of televisions which include a DTT receiver, up to almost 80% of all TV's sold by Q1 2008 (See Figure 2.64). Prices of Digital and HD-ready sets have also come down significantly in recent years, providing a boost to sales (See Figure 2.65). Figure 3.68 shows the rapid growth in IDTV sales over the last nine months and the peaks in Christmas sales in the fourth quarter of each year.

**Figure 3.68 DTT quarterly and cumulative sales since launch of Freeview**



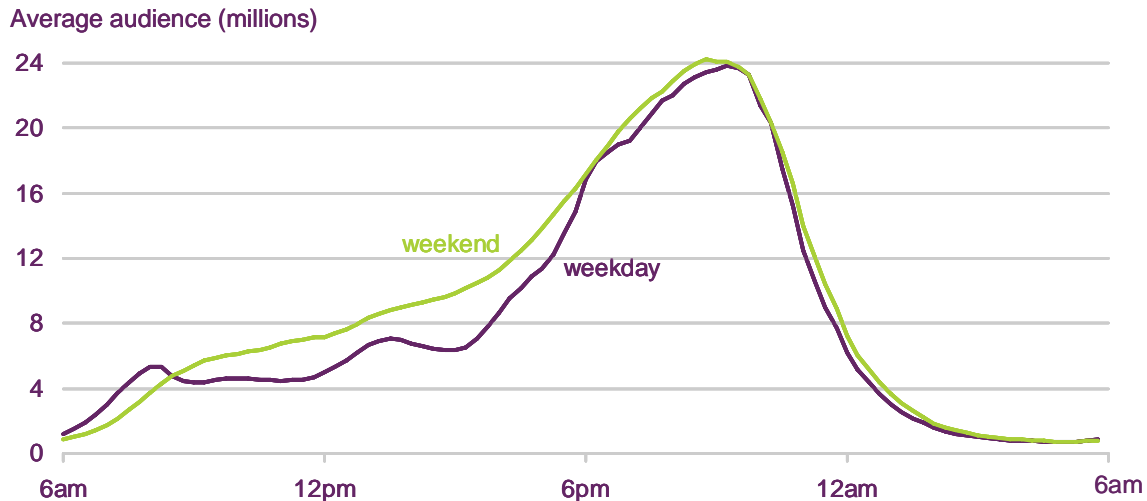
Source: Sales figures from GfK, as adjusted by Freeview.

### 3.3.4 Consumption of television services

#### Viewing across the day

Figure 3.69 shows how television audiences tend to be greater (by an average of 36%) at the weekends, with a smoother increase in viewing throughout the day up until the evening peak, compared to small peaks at breakfast and lunchtime on weekdays. The only time that the weekday audience exceeded the weekend viewing levels was during the morning between the 8am to 8.30am, peak breakfast TV, slot.

Figure 3.69 Average 2007 audiences, weekdays / weekends: by day part, all homes

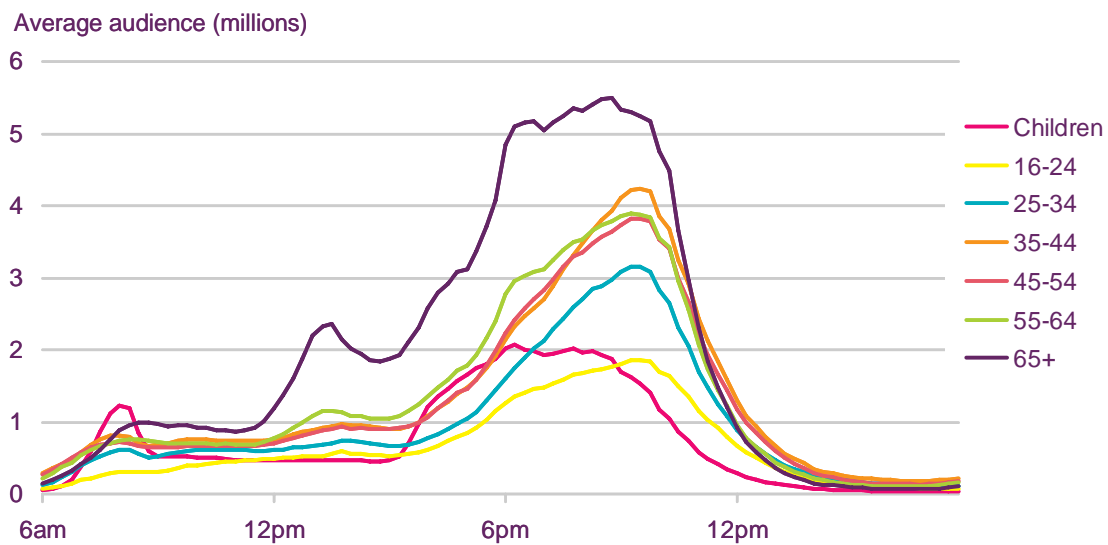


Source: BARB

The average audience age profile by day part varied significantly in 2007, as illustrated by Figure 3.70. Children were the largest audience group on weekday mornings, peaking with 1.2 million viewers at 8am. Then audiences in all age groups were relatively stable until around 1pm when over-65s (and to some extent the 55-64s), turn on the TV during the lunchtime period.

The volume of viewers increased among all age groups from 4pm onwards and reached a peak at around 9.30pm. Children's viewing climbed at a steeper rate than adults', following their arrival home from school, and then began to tail off in the middle of the evening. Over-65s watched TV in the greatest numbers, peaking at 5.5 million, while the 16-24s watched least, with a viewing peak of 1.9 million.

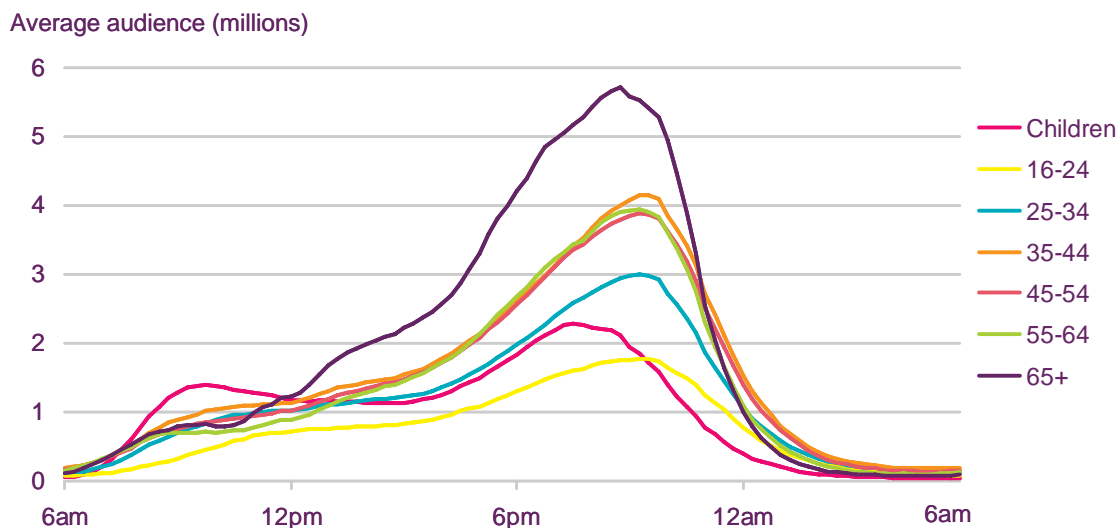
Figure 3.70 Average 2007 weekday audiences by day part and age, all homes



Source: BARB

At weekends, the average number of viewers watching at any one time was much more fluid, with only one main peak, at around 9.30pm, for most age groups (the same time as on weekdays). Children’s viewing, however, experienced a second peak mid-morning at the weekend, with 1.4 million viewing at around 10am, and their evening viewing peaked earlier, at 7.30 pm, and trailed off earlier than adults, in a similar way to weekdays (Figure 3.71).

Figure 3.71 Average 2007 weekend audiences, by day part and age, all homes



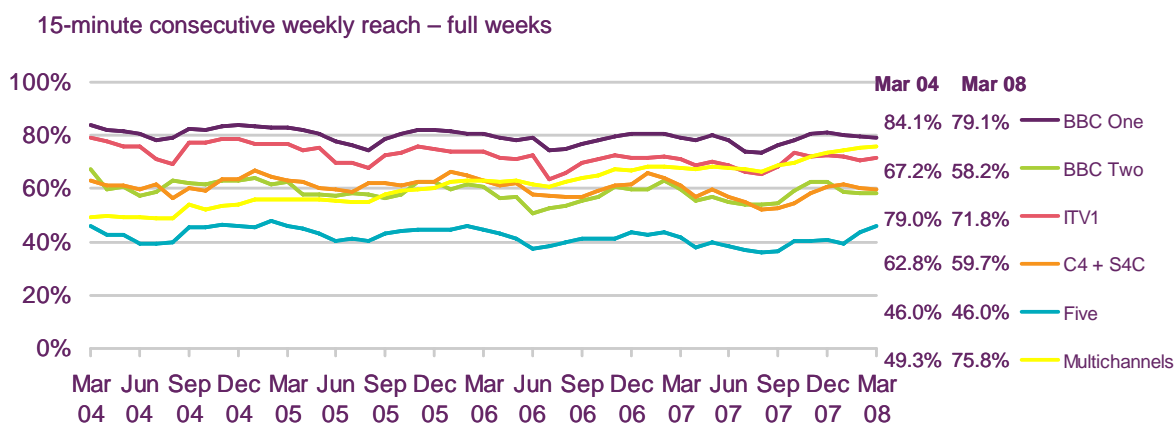
Source: BARB

### 3.3.5 Channel reach

Alongside the total number of viewers and the audience share, another standard industry measure of audience is ‘reach’. In this section, reach is defined as the proportion of viewers that watch a particular channel for at least fifteen consecutive minutes over a period of a week.

Figure 3.72 shows that the reach of multichannel services, taken as a whole, increased between March 2004 and March 2008, gaining 27 percentage points over the period and exceeding all the PSBs except BBC One during 2007. The positive impact of digital television migration has had a commensurate and opposite effect on the PSBs. Over the same four-year period, weekly reach for most of the PSB channels fell slightly, with the exception of Five, where reach remained static at 46% (significantly below the other PSBs). BBC Two's reach fell by the greatest amount over the four-year period – by 9.0 percentage points, followed by ITV1 which dropped by 7.2 percentage points, and BBC1 and Channel 4 which fell by 5.0 and 3.1 percentage points respectively.

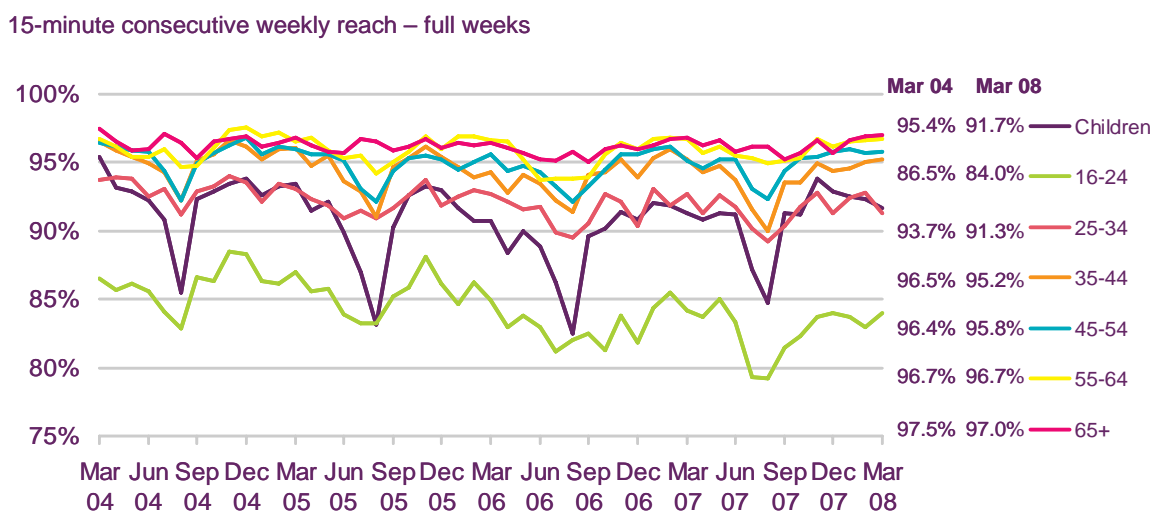
**Figure 3.72 Average weekly TV reach in all homes by channel, all homes**



Source: BARB

Breaking down TV reach by age groups in all homes, Figure 3.73 demonstrates that viewing by over-65s has remained relatively stable over the past few years. This is also true for children's reach in all homes, aside from seasonal variations which are particularly pronounced for children due to the dip in TV viewing during school summer holidays. TV reach for the younger adult age categories (where reach is already much lower) declined over the period, falling by 2.5 percentage points among 16-24 year olds and 2.4 percentage points for 25-34 year olds between March 2004 and March 2008.

**Figure 3.73 Average weekly total TV reach in all homes, by age**

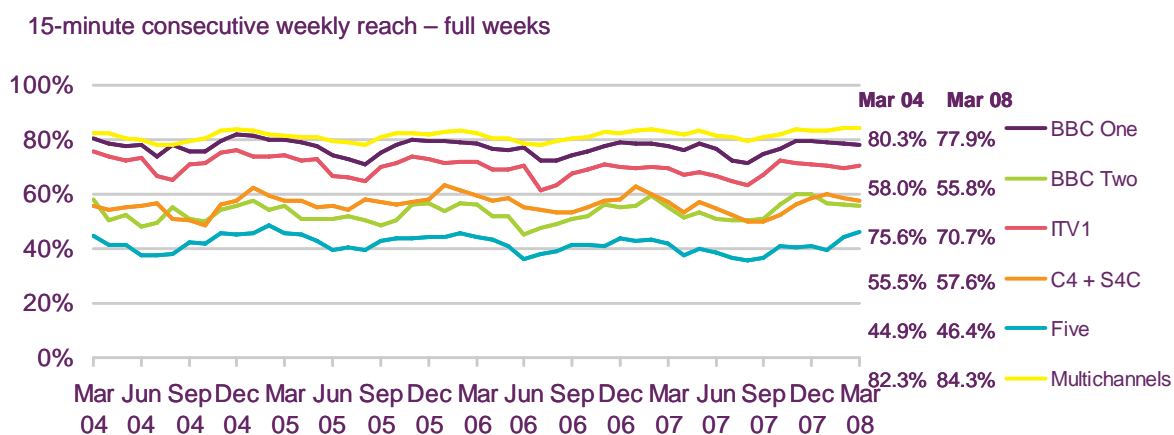


Source: BARB

In multichannel homes the average weekly reach of the PSB channels was similar to that in all homes, but the trends were more stable. Reach among the BBC's channels and ITV1 fell slightly between March 2004 and March 2008, while Channel 4's and Five's rose over the same period (Figure 3.74).

Collectively, all non-PSB channels increased their reach in multichannel homes by 2.0 percentage points between March 2004 and March 2008. However, this was slower than the increase in all homes, where multichannel penetration was a factor.

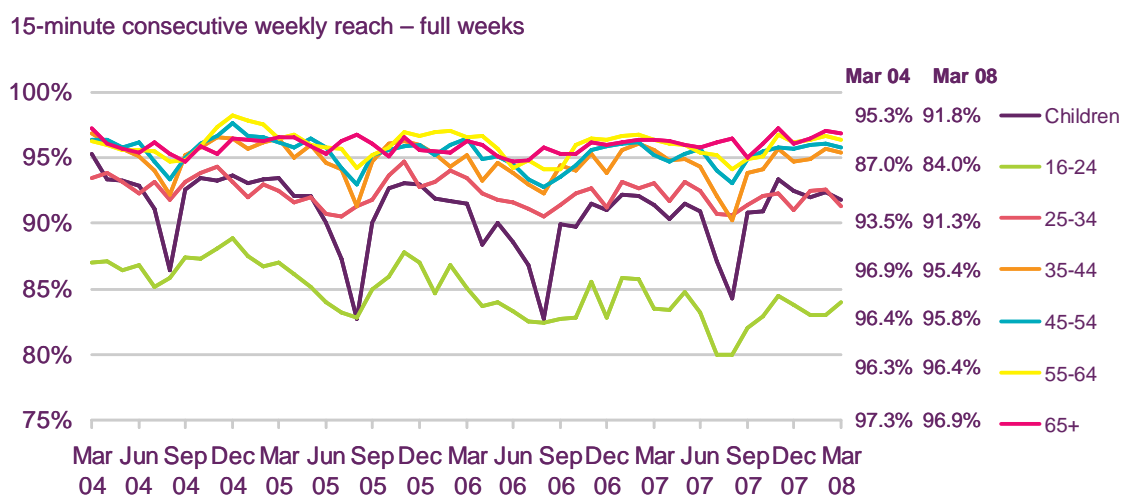
**Figure 3.74 Average weekly TV reach in multichannel homes, by channel**



Source: BARB

As illustrated by Figure 3.75, patterns of average weekly (15-minute) reach in multichannel homes were similar to the figures for reach in all homes, by age. Among the 16-24 age group, reach fell by 3.0 percentage points over four years in homes with multichannel television, compared to 2.5 percentage points in all homes.

**Figure 3.75 Average weekly total TV reach in multichannel homes, by age**



Source: BARB

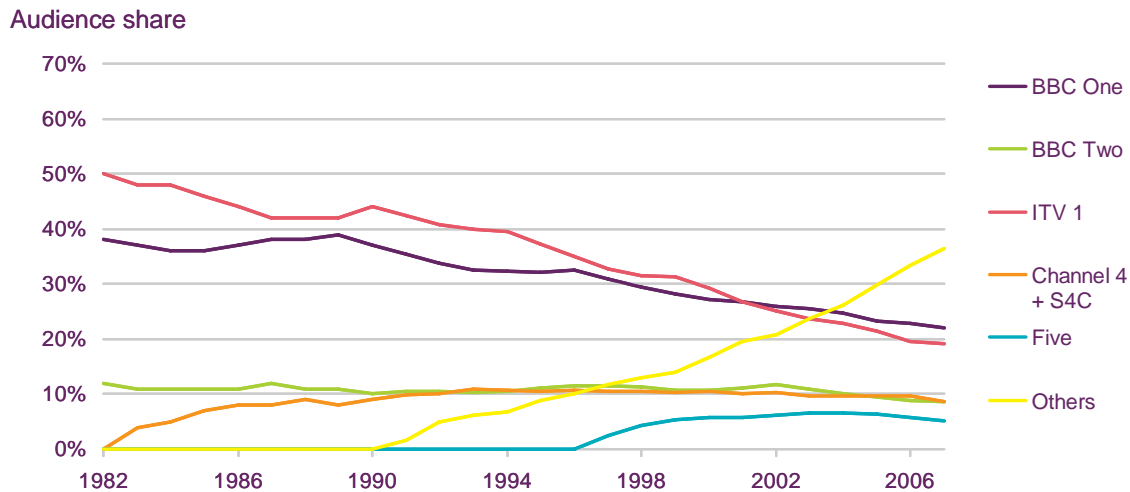
### 3.3.6 The five main networks' channel share

Over the last 25 years the introduction of additional channels (first Channel 4 in 1982 and then the multichannel operators in 1990 and Five in 1996) has had a major impact on the viewing share of BBC One and Two, and ITV1 (Figure 3.76). Both BBC One and ITV1's

share has declined gradually, falling by 16 and 31 percentage points respectively between 1982 and 2007, while BBC Two has seen a smaller reduction, dropping from 12% in 1982 to 9% in 2007.

In 2004 the combined share of the multichannels (which includes the PSB's portfolio channels in recent years) passed that of any of the PSB channels individually and had risen to 37% by 2007.

**Figure 3.76 Channel shares in all homes since 1982**

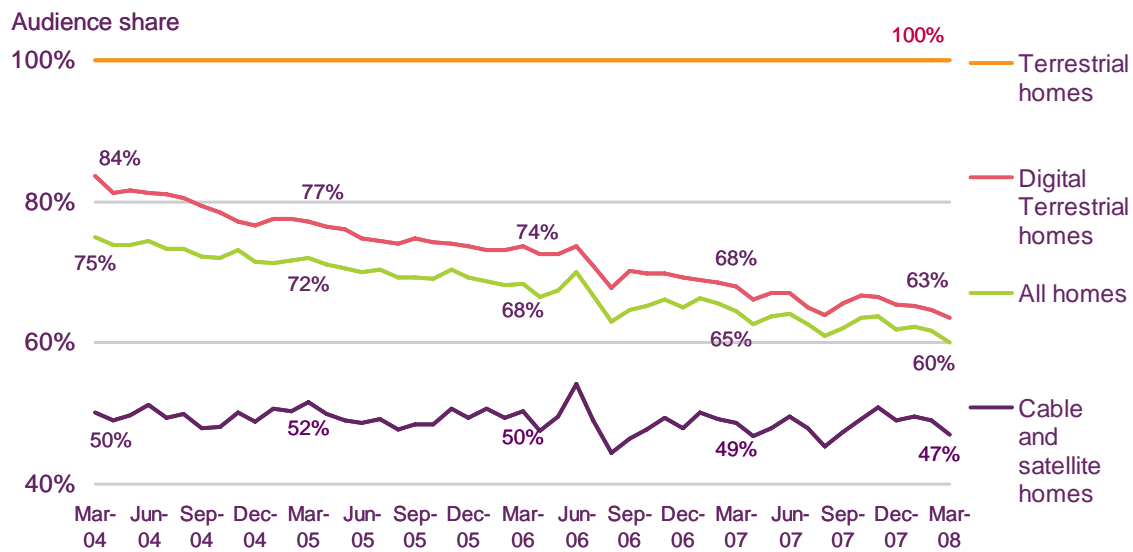


Source: BARB

### PSB channels continue to lose share in multichannel homes

The combined share of the five main networks (BBC One and Two, ITV1, Channel 4 and Five) continued to decline during 2007 on multichannel platforms. As shown in Figure 3.77, the networks' presence remained stronger in Freeview homes than in cable and satellite homes, achieving shares of 63% and 47% respectively in March 2008. However, their popularity has declined faster on Freeview, amounting to a drop of 21 percentage points between March 2004 and March 2008, in contrast to the drop of three percentage points in cable and satellite homes over the same period. This may reflect a strengthening channel line-up on Freeview, which over time has resulted in viewers watching fewer hours on the five main networks.

Figure 3.77 Five main networks' shares, by platform



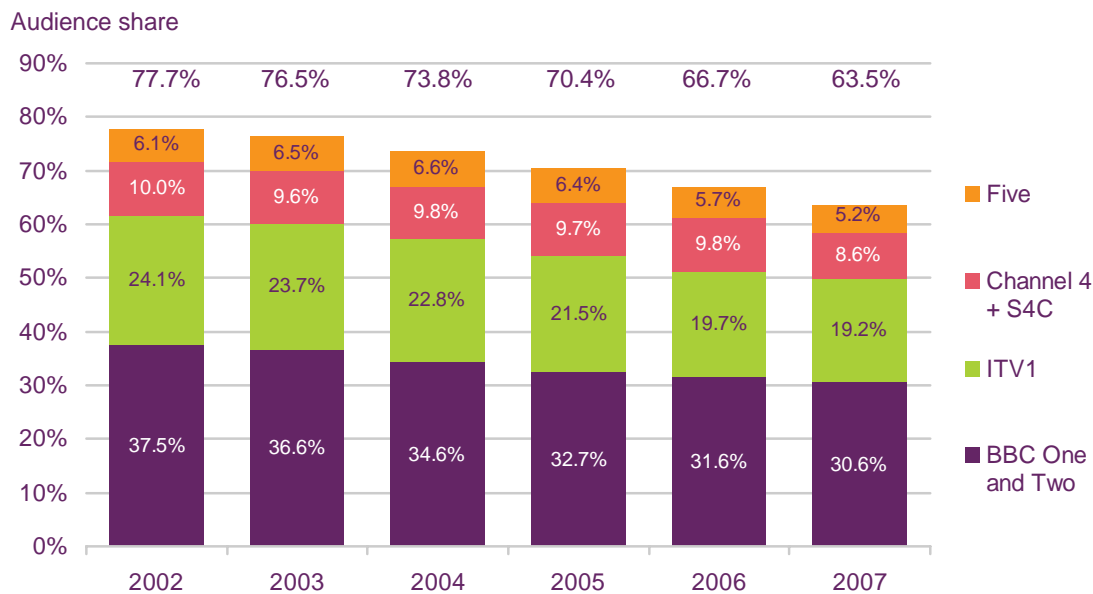
Source: BARB

2007 was the third year in a row that the five main networks lost more than three percentage points of share in all homes (Figure 3.78). This took the total PSB share down to 64% in 2007; an 18% reduction on 2002. The ongoing decline was driven by the intensifying competition for viewers in multichannel homes and the migration of analogue homes to digital.

Each of the five networks contributed to the overall loss in audience share in 2007.

- **BBC One and Two** fell by 1.0 percentage point in 2007. Across the five years the share of the two BBC networks has dropped by 6.9 percentage points to 31%.
- **ITV1** audience share also dropped, by 0.5 percentage points, in 2007. Over the past five years, its proportional decrease in share has been greater than the BBC's, falling by a fifth, from 24% in 2002 to 19% in 2007.
- Having managed to maintain its share in the last few years, **Channel 4** experienced the highest absolute and proportional decrease in audience share during 2007 – shedding 1.2 percentage points (or 12%) year on year, in contrast to a fall of just 0.2 percentage points over the four years that preceded this loss.
- For the last three years in a row, **Five** has lost share, and like ITV1 it recorded a fall of 0.5 percentage points from 2006 to 2007. This was Five's lowest audience share in all homes since its second year on air (1998), when it attracted 4.8% of all viewer hours.

**Figure 3.78 PSBs' audience share, all homes**



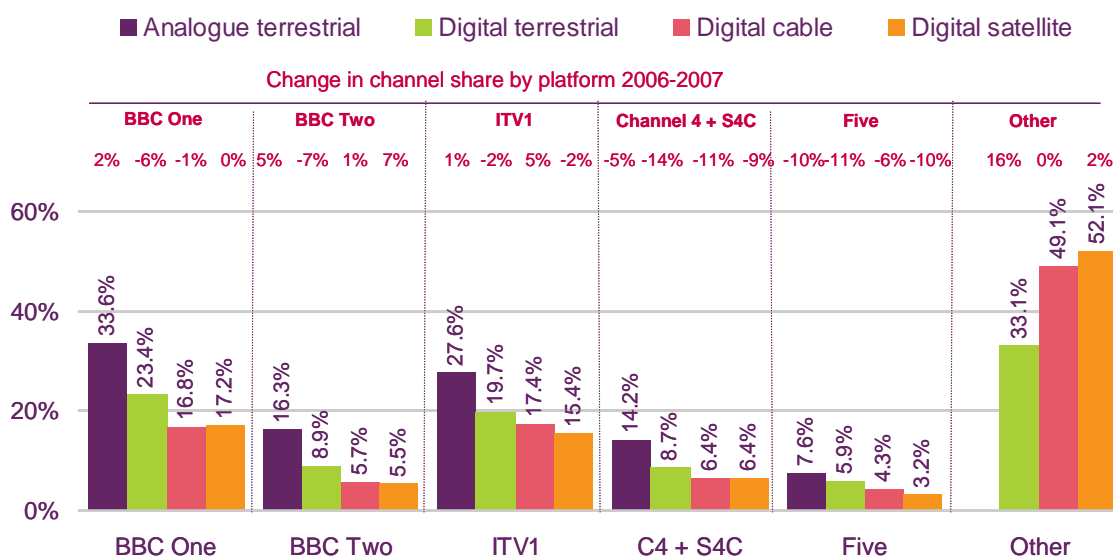
Source: BARB

Figure 3.79 breaks down the all-homes figure by the four main platforms, illustrating how the PSB and multichannel audience share varied between analogue terrestrial, digital terrestrial, digital cable and digital satellite viewers.

PSB share on the Freeview platform fell during 2007, with Channel 4 and Five showing the biggest year-on-year losses of 14% and 11% respectively. The multichannel operators profited from this decrease, gaining 16% for the second year in a row and taking their share to 33% in DTT homes.

Multichannel operators' shares remained relatively stable in digital cable and satellite homes between 2006 and 2007, but competition between the PSB operators was intense. Channel 4 and Five lost share on both platforms, BBC Two gained share on both (particularly on satellite, by 7%) and ITV1 gained 5% of share in cable homes, but lost share (2%) on the satellite platform.

Figure 3.79 Channel share by platform, 2007



Source: BARB

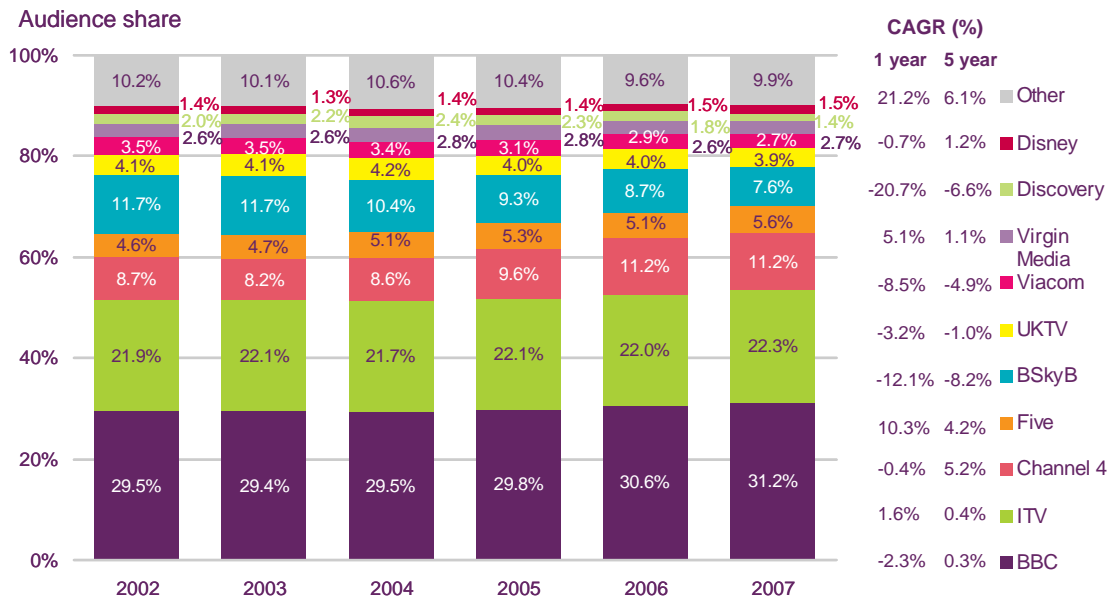
### 3.3.7 Multichannel broadcaster share

**The PSBs' family of channels command a 70% share of viewing in multichannel homes for the first time**

Figure 3.80 depicts the major broadcasting groups' total audience shares in multichannel homes. Despite losses by the five main networks, the PSB broadcasters' overall group shares improved in 2007 compared with 2002. The PSB channels' aggregate share in 2007 was 70%, a sizeable increase on the 2002 figure of 65%. The broadcasters' digital channels were responsible for the upsurge, underlining their growing importance to PSB share overall.

BSkyB's channel portfolio continued to lose share in 2007, shedding more than one percentage point over the year and taking its share of viewing down to 7.6% in 2007, from 12% in 2002. Most of the other commercial groups also lost share with, for example, the Discovery portfolio falling from 1.8% to 1.4% in 2007.

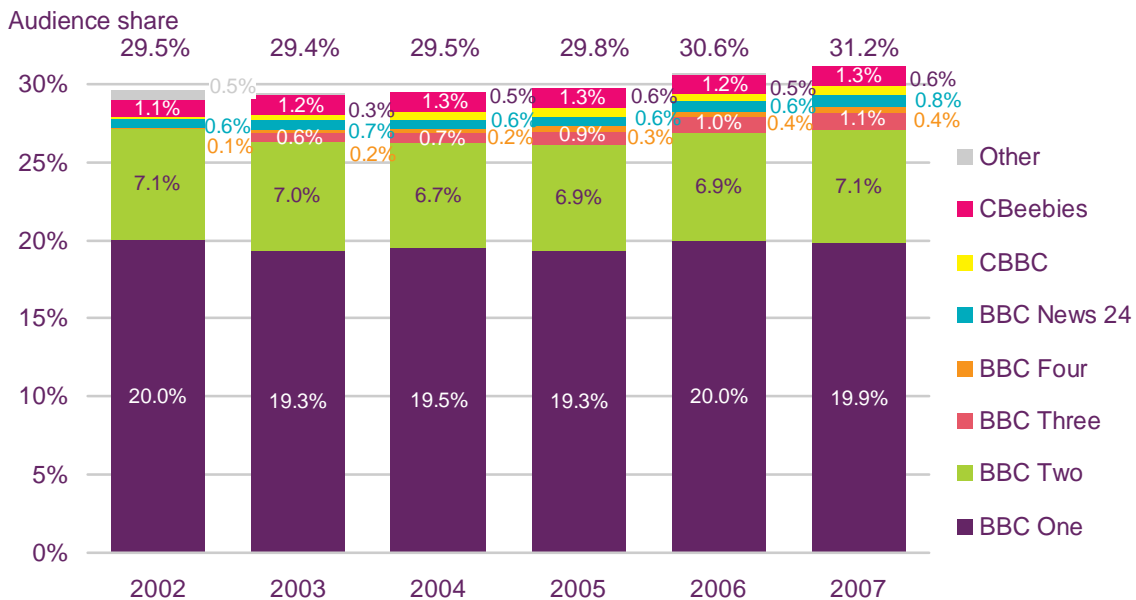
Figure 3.80 Broadcaster portfolio shares in multichannel homes



Source: BARB

The BBC's portfolio share remained relatively stable between 2002 and 2004, but more recently the group gained ground, with share up by 0.8 and 0.6 percentage points in 2006 and 2007 (Figure 3.81). The 2006 growth was due to BBC One's rising share of viewing, while in 2007 it was driven by small increases in the popularity of its digital channels, BBC Three, BBC News 24, CBBC and CBeebies, along with an increase in BBC2's share.

Figure 3.81 BBC portfolio share in multichannel homes



Source: BARB

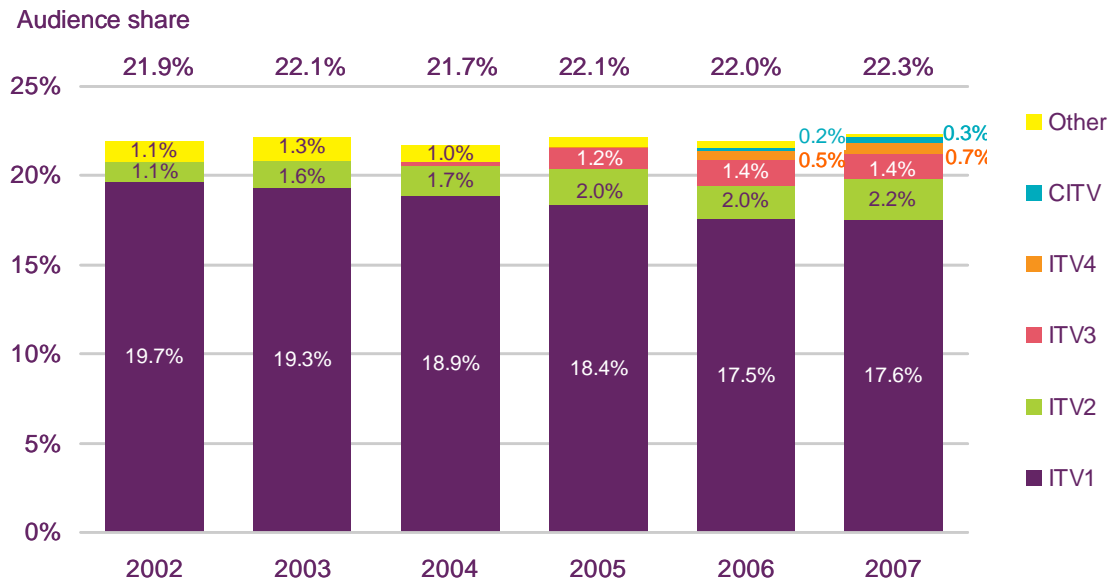
Note: Other includes BBC Parliament, BBC Choice and BBC Knowledge

ITV's group share in multichannel homes has remained stable at about 22.0% since at least 2002, although the individual channels' contributions to the total have varied over time (Figure 3.82). ITV2 doubled its audience share from 1.1% in 2002 to 2.2% in 2007 and the other digital channels, ITV3, ITV4 and CITV, have also grown in popularity since their

introduction, with their combined contribution to ITV's portfolio share having also doubled over the period.

The result has been a reduction in ITV's reliance on ITV1 share within the portfolio; in 2002 the flagship channel, ITV1, made up 90% of the group's share, and by 2007 this had reduced to 79%. But in 2007, for the first time in five years, ITV1 broke the pattern of its declining audience share in multichannel homes, and managed a year-on-year increase of 0.1 percentage points.

Figure 3.82 **ITV portfolio share in multichannel homes**



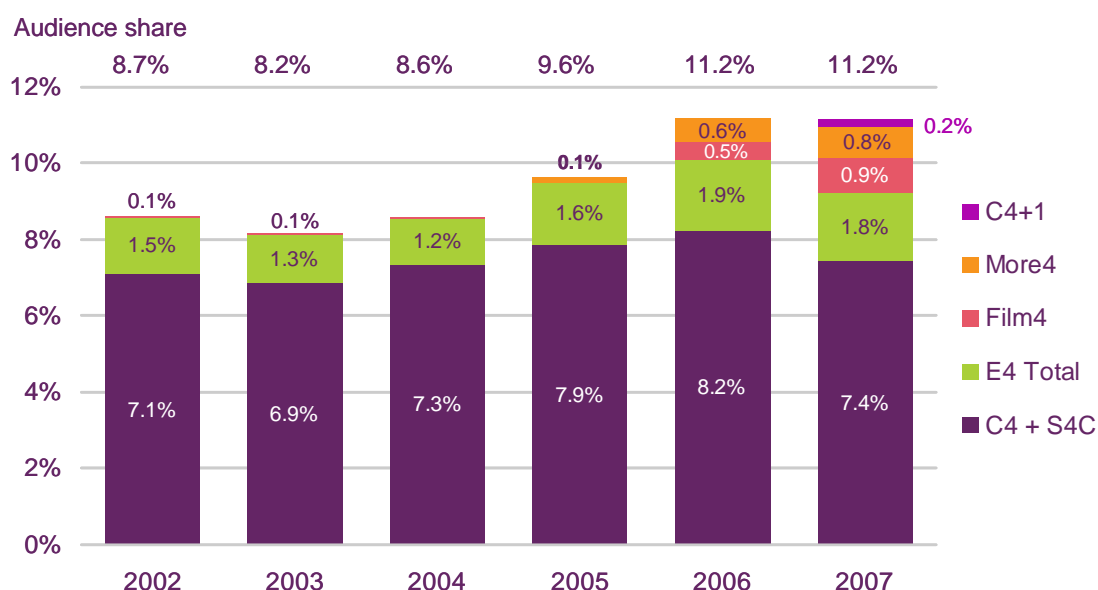
Source: BARB

Note: Other includes ITV Play, Men & Motors, GMTV2, Granada Breeze, Plus, ITV News; ITV2 and ITV3 include their +1 service share

In 2006 Channel 4's main channel reached a high of 8.2% share in multichannel homes, but the peak was short-lived and its share dropped by 0.8 percentage points to 7.4% in 2007 (Figure 3.83). E4's share also fell, reversing a trend of year-on-year increases, but the reduction was much smaller than on the main channel, down by 0.1 percentage points to 1.8% in 2007.

By contrast Film 4 and More 4 both saw year-on-year growth in audience share, by 0.4 and 0.2 percentage points respectively, and with the introduction of C4+1 in 2007, overall group share was maintained at the 2006 level (11.2%), which was an increase of 2.5 percentage points on the portfolio share reached in 2002.

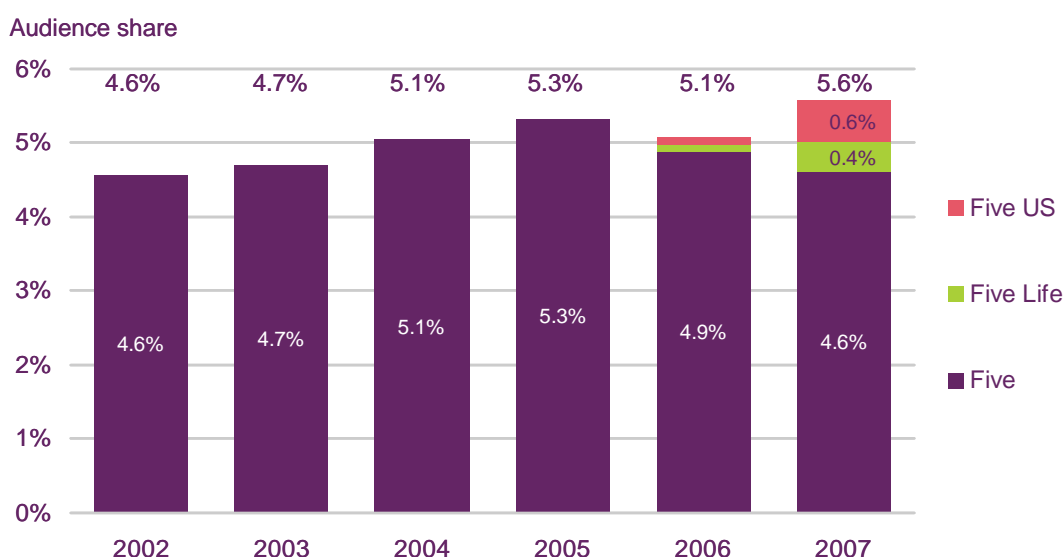
Figure 3.83 Channel 4 portfolio share in multichannel homes



Source: BARB

Five's introduction, at the end of 2006, of its digital channels, Five US and Five Life (or Fiver as it was re-branded in April 2008), enabled the channel group to reach its highest share in multichannel homes in 2007; up by one percentage point on the share achieved in 2002. Five, on the other hand, failed to build on the growth of its early years, having seen audience share drop in recent years - down from 5.3% in 2005 to 4.6% in 2007 – its lowest figure since 2002 (Figure 3.84).

Figure 3.84 Five portfolio share in multichannel homes



Source: BARB

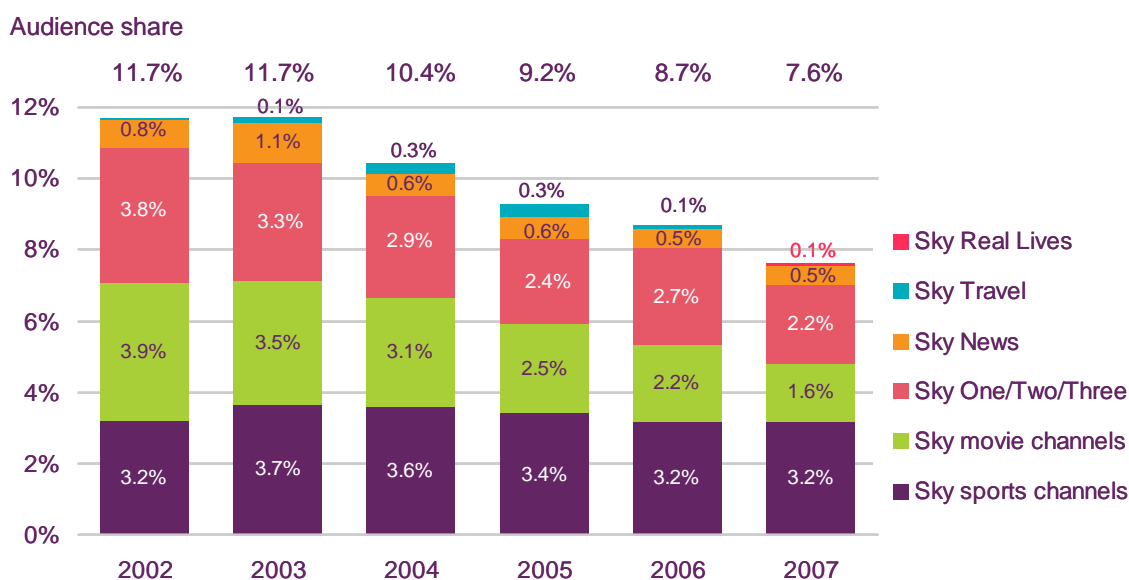
Note: Five Life and Five US include their +1 service shares

BSkyB's aggregate multichannel audience share continued on a downward trend for the fifth year, falling by 1.1 percentage point to 7.6% in 2007. This reduction, illustrated by Figure 3.85, was in part driven by the absence of key Sky channels on the growing Freeview

platform (now only Sky News, Sky Sports News and Sky Three), as well as the removal of Sky's non-premium channels from Virgin Media's cable platform.

Despite continuing to lose share, BSkyB is still the fourth largest group by share in multichannel homes, with a share 2 percentage points higher than the next biggest group, Five.

**Figure 3.85 BSkyB portfolio share in multichannel homes**



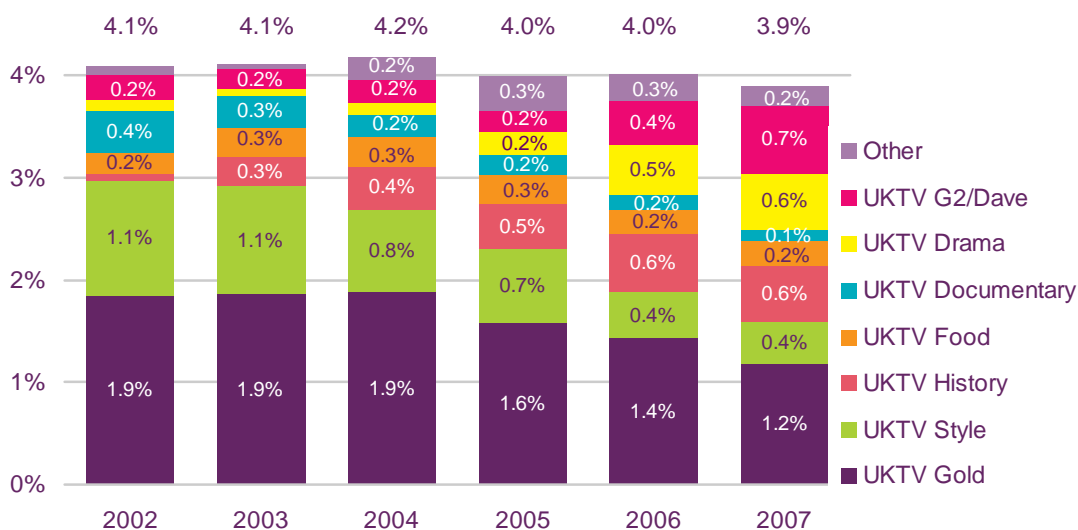
Source: BARB

Taken as a whole, the UKTV channel portfolio share declined by a marginal 0.2 percentage points in five years, down from 4.1% in 2002 to 3.9% in 2007 (Figure 3.86). The group's portfolio share is delivered by a more diverse range of channels than five years ago. UKTV Gold accounted for 42% of total share in 2002 but this had fallen to 31% by 2007, because its share of viewing dropped by 0.7 percentage points to 1.2% over the period. UKTV Style's share of viewing also fell significantly over the period, by 0.7 percentage points to 0.4% in 2007.

The group's overall share might have fallen by a greater margin had it not been for the re-brand of UK Gold 2, which became Dave in October 2007. Although the channel re-launch took place near the end of 2007, its impact was felt immediately, with the multichannel share average for the year as a whole increasing by over 50% compared with 2006. Dave continued to attract audiences during the early part of 2008 and was ranked the tenth most popular TV channel for the month of May 2008, with a share of 1.6%.

Figure 3.86 UKTV portfolio share in multichannel homes

Audience share



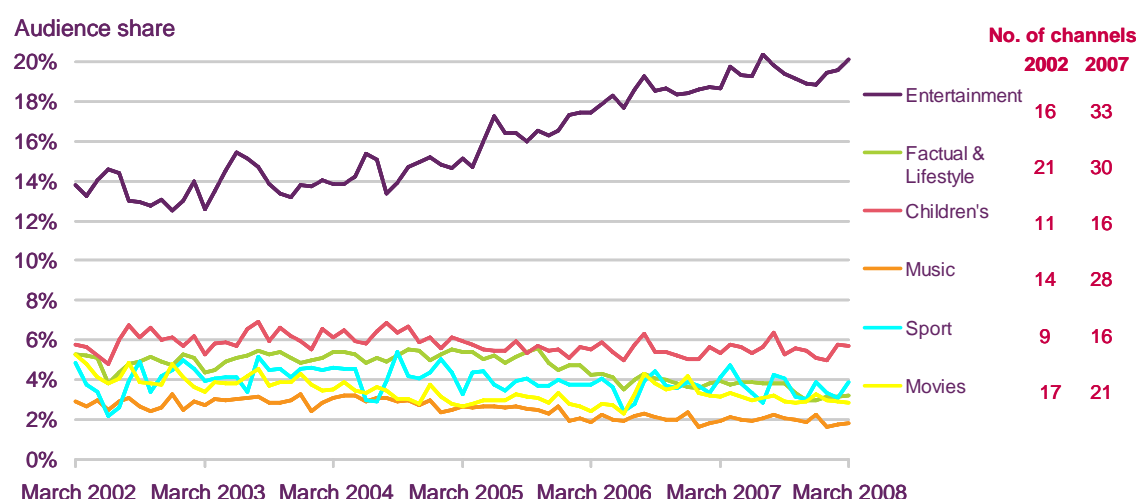
Source: BARB

### Growth in share of Entertainment channels continues

Figure 3.87 groups channel shares by genre. The aggregate share of channels in the Entertainment genre continued to increase, reaching 20% in all homes by 2008, around six percentage points higher than the genre's share in 2002. Although the number of Entertainment channels available to watch doubled over the same period, the share of the most popular channels still contributed most to the success of the genre – with the top ten Entertainment channels in March 2008 accounting for 63.7% of the total genre share, rising to 79.6% for the top 15 channels out of the total of 33.

Channel numbers in other genres also increased over the same period but, unlike Entertainment, their shares of viewing declined. The steepest fall was experienced by Factual & Lifestyle channels, which dropped from 5.3% in March 2002 to 3.2% six years later; this may be explained by a lack of channels in this genre securing distribution on the Freeview platform, which continued to grow in popularity during 2007.

Figure 3.87 Aggregate share of channel genres in multichannel homes



Source: BARB

Note: Number of channels doesn't include +1 services

### PSB portfolio channels remain popular with viewers

The top five slots in the channel rankings continue to be occupied by the PSB channels in the same order as they appeared in 2002 (Figure 3.88). The PSB portfolio channels also ranked highly – with nine being placed in the top 24. The introduction of +1 services may have helped maintain or increase overall share, with two-thirds of the top PSB portfolio channels now having a time-shifted version.

Outside the PSB family of channels, BSkyB featured four channels in the top 24, including Sky Sports 1 eighth in the list and Sky One 12th (down from sixth). UKTV's newly re-branded channel Dave succeeded in reaching 20th place in 2007, even though it was re-launched only in the autumn.

Figure 3.88 The top channels by share in multichannel homes – 2002 to 2007

Channel	Share 2007	Rank 2007	Rank 2002	Channel	Share 2007	Rank 2007	Rank 2002
BBC One	19.9%	1	1	BBC Three	1.1%	13	-
ITV1	17.6%	2	2	Living	1.0%	14	11
Channel 4	7.4%	3	3	Film4	0.9%	15	88
BBC Two	7.1%	4	4	More4	0.8%	16	-
Five	4.6%	5	5	BBC News 24	0.8%	17	22
ITV2	2.2%	6	10	Disney Channel	0.8%	18	26
E4	1.8%	7	9	Sky Three	0.7%	19	-
Sky Sports 1	1.7%	8	8	UKTV Gold 2 / Dave	0.7%	20	-
ITV3	1.4%	9	-	ITV4	0.7%	21	-
CBeebies	1.3%	10	12	Sky Sports News	0.6%	22	38
UKTV Gold	1.2%	11	7	CBBC	0.6%	23	71
Sky One	1.1%	12	6	Five US	0.6%	24	-

Source: BARB

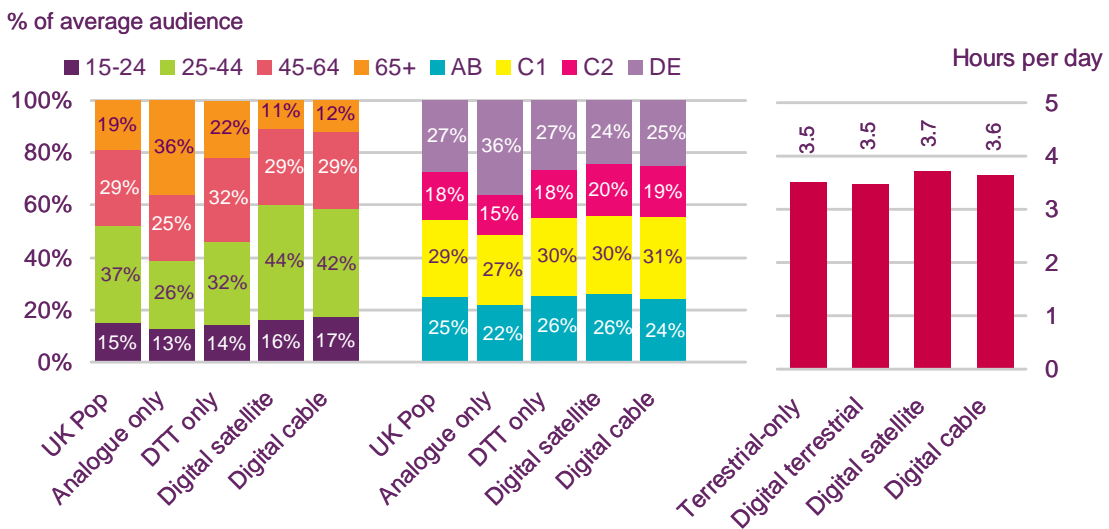
Note: Includes channels' +1 services

## Platform and channel demographics

Figure 3.89 shows how platforms' audience demographics varied in 2007. Digital satellite and cable platforms attracted a higher proportion of younger viewers than did analogue and Freeview. Analogue had the highest proportion of over-65s, with this age group taking longer to switch over to digital viewing. Analogue-only homes also represented a lower proportion of ABs and a higher share of DEs than the other platforms.

Households with terrestrial and digital terrestrial TV sets watched for an average of 3.5 hours a day, a lower viewing average per person than homes with cable and satellite TV. The digital satellite platform had the highest average number of hours viewed per day, at 3.7, with digital cable viewers watching an average of 3.6 hours per day.

Figure 3.89 Platform demographics by age, social grade and viewing hours, 2007

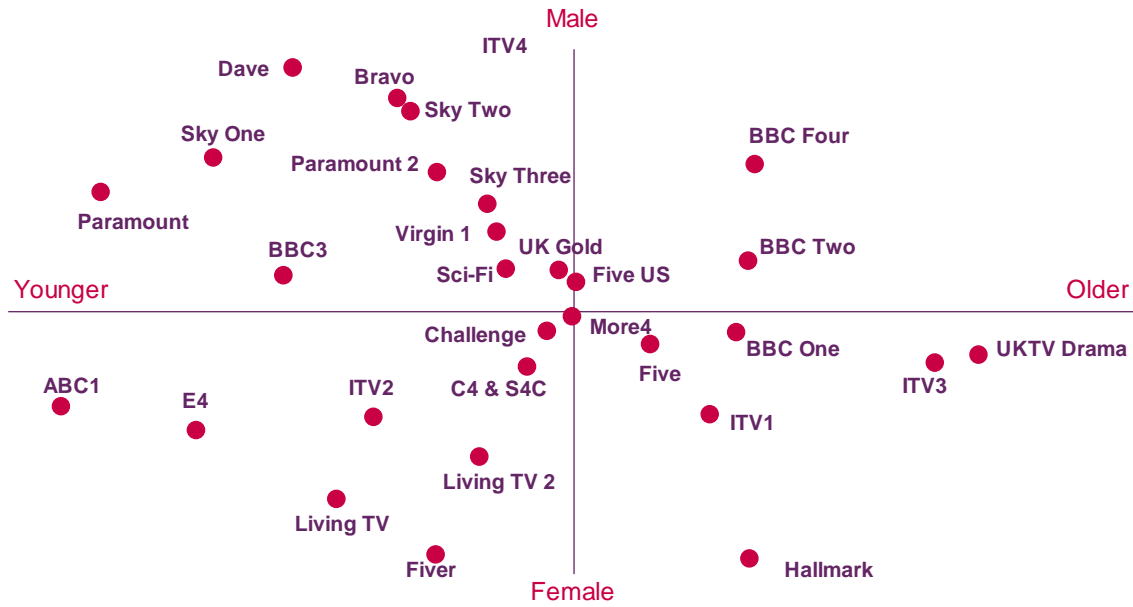


Source: Ofcom and BARB

Figure 3.90 plots the age and gender of the largest general Entertainment channels in multichannel homes, calculated relative to the TV population average (which includes children). The majority of these channels attracted a younger-skewed audience, spread across both female and male groups. However, with the exception of Channel 4, the main PSB channels tended to appeal more to older audiences, and all the terrestrial channels were female-skewed apart from BBC Two, which attracted more men. The only other channel which fell securely into the older male quadrant was BBC Four.

BSkyB's entertainment channels all sat within the younger male quadrant, alongside channels such as the Paramount comedy channels, Virgin 1 and Bravo, which were unsurprisingly joined by male-targeted Dave, while channels such as Living TV, E4 and ABC1 attracted a younger female audience.

Figure 3.90 Age and demographic profile of Entertainment channels in multichannel homes



Source: BARB  
 Note: The profile of a channel is calculated relative to the television population in multichannel homes. Includes channels' +1 services

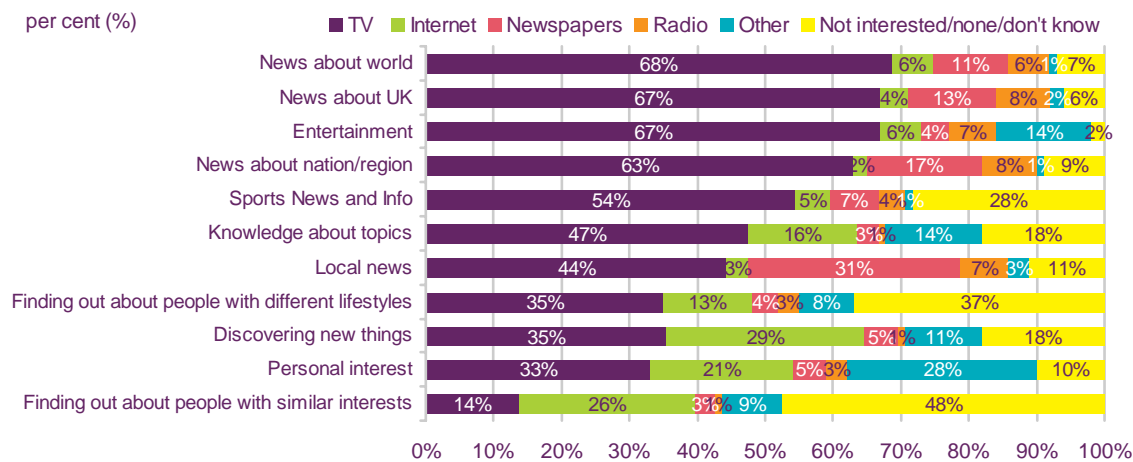
### 3.3.8 Consumer attitudes towards television

#### Television is consumers' first choice for news and entertainment

Ofcom's 2007 PSB Review survey found that television was nearly 70% of respondents' first choice for entertainment, and for UK and world news.

About one-third of respondents said that TV was their first choice for discovering new things, exploring personal interests and finding out about people with similar interests. The internet has also become a highly-used source for these three activities, with a quarter or more of respondents turning to the web instead of the television (Figure 3.91).

Figure 3.91 TV is the main source for most media interests

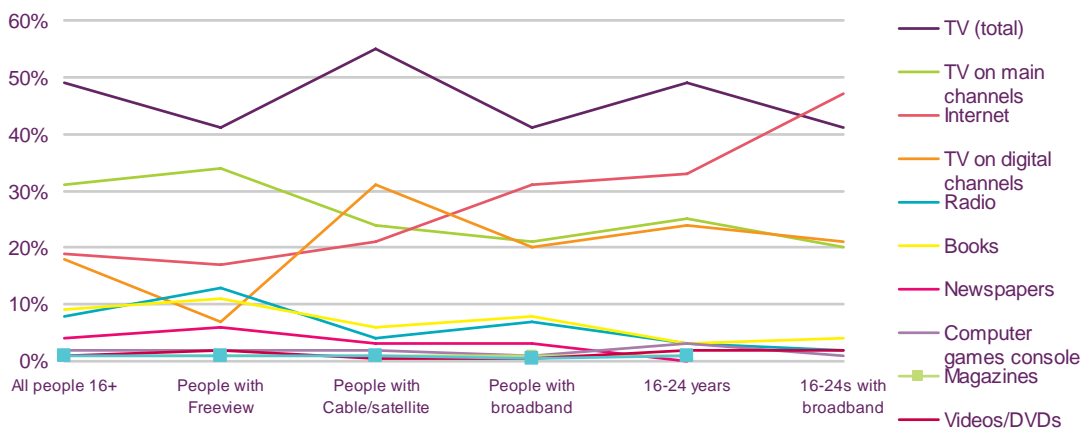


Source: Ofcom  
 PSB Review survey 2007: Q12: 2,260 interviews 16+, October-December 2007, results for TV on main channels and TV on digital channels combined under TV

Television was also found to be the media service people would find hardest to live without. Of those surveyed, 55% of those who had cable or satellite television in their house said that TV is the medium they would miss most if taken away. This number, however, fell to 41% for those who had either broadband or Freeview in their homes.

The reliance on the television fell further among 16-24 year olds, who, on average, claimed that they would miss the internet more than television. (Figure 3.92).

**Figure 3.92 TV is the medium people would find it hardest to live without**



Source: Ofcom

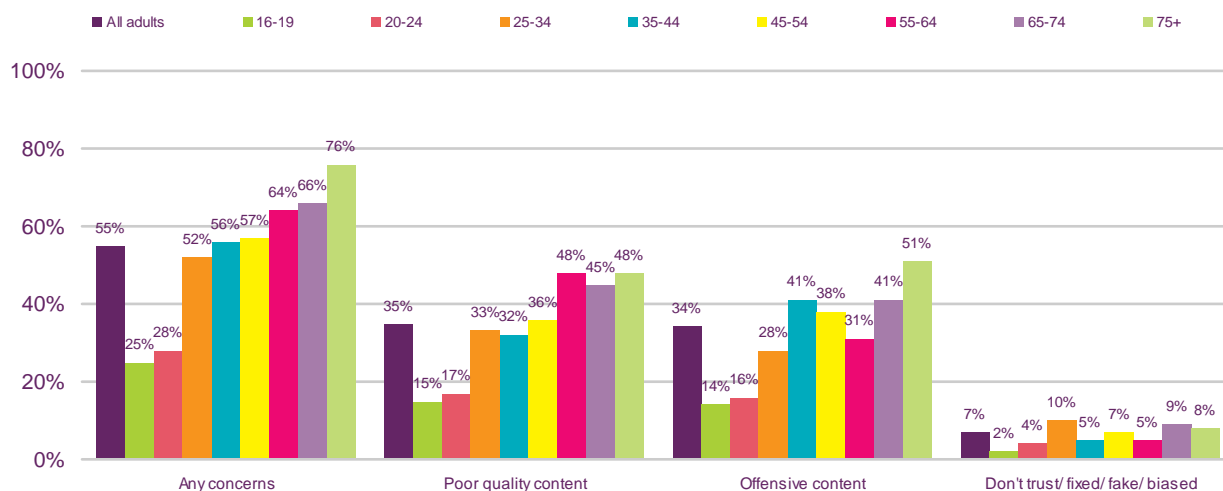
PSB Review survey 2007: Q13: 2,260 interviews 16+, by platform access at home, 613 interviews 16+ with Freeview, 1,054 interviews 16+ broadband access, 1,186 interviews 16+ cable/satellite

### Around a third of parents are concerned about their child's viewing

In May 2008 we published our *Media Literacy Audit* reports, which examined adults', children's and parents' understanding of, and engagement with, various media and communications devices, such as the television, internet and radio.

Our research found that 55% of adults were concerned about what was on television in 2007 – this was 9% higher than in 2005; 34% were worried about offensive content, 35% about the poor quality of content and 7% about issues relating to trust, fakery or biased information (Figure 3.93).

Figure 3.93 Concerns about television, by age



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in October to December 2007

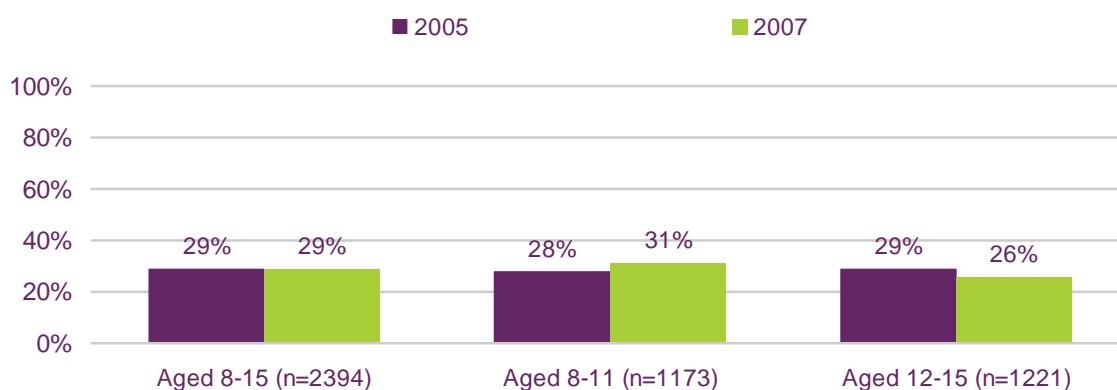
Note: T10 – Can you tell me if you have any concerns about what is on TV? What sorts of things are you concerned about?

Base: All adults aged 16+ (206 aged 16-19, 207 aged 20-24, 473 aged 25-34, 661 aged 35-44, 489 aged 45-54, 341 aged 55-64, 356 aged 65-74, 167 aged 75+)

Thirty-four per cent of parents with children aged 8-11 and 31% of those with children aged 12-15 said that they were concerned about their child's viewing. However, 57% of adults stated that they were not interested in blocking access to unwanted programming by setting a PIN code, 35% said that they could set the PIN with confidence and 17% said that they were interested in the service but were not confident about how to use it. In particular, those aged 25-44, and females, were less confident about using this function (Figure 3.94).

When parents with children were asked if they used the PIN- or password-protected services, roughly one-third (31%) of those with children aged 8-11 and one-quarter (26%) with children aged 12-15 said yes, leaving a large proportion that did not (Figure 3.94).

Figure 3.94 PIN/password protected TV – comparison with 2005



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in April to September 2007

Note: QP11 Are there any controls set on your TV service so that your child can only watch particular channels or types of programmes once a PIN number or password has been entered?

Base: Those with multichannel TV in the household and whose child watches TV at home