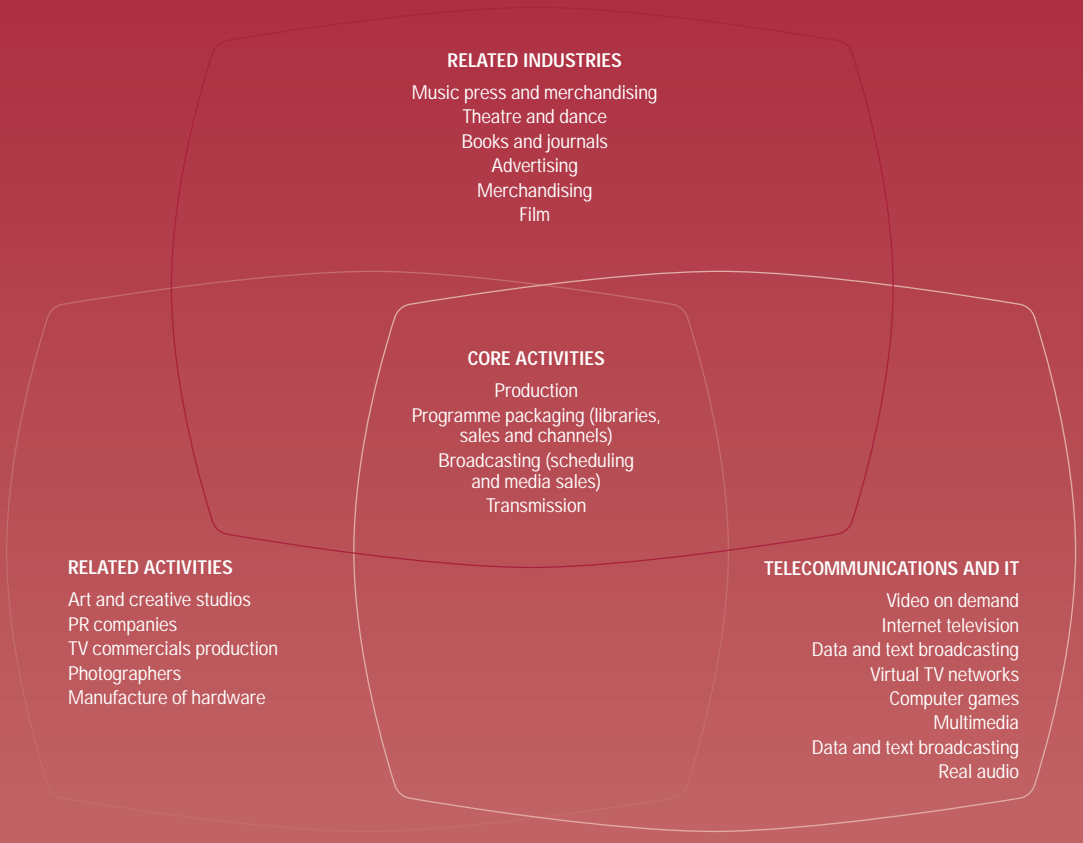




television+radio



This analysis covers all public service, commercial, terrestrial, cable and satellite television and radio. It includes programme production, packaging, broadcasting, sales and transmission.

# SECTION 13 TELEVISION AND RADIO

## INDUSTRY REVENUES

UK television and radio industry gross revenues from all sources, domestic and international, in 1996 amounted to £6.4bn, of which £4.2bn was accounted for by commercial television, £1.9bn by BBC television and radio activities and the remainder by commercial radio.

### UK Market Size

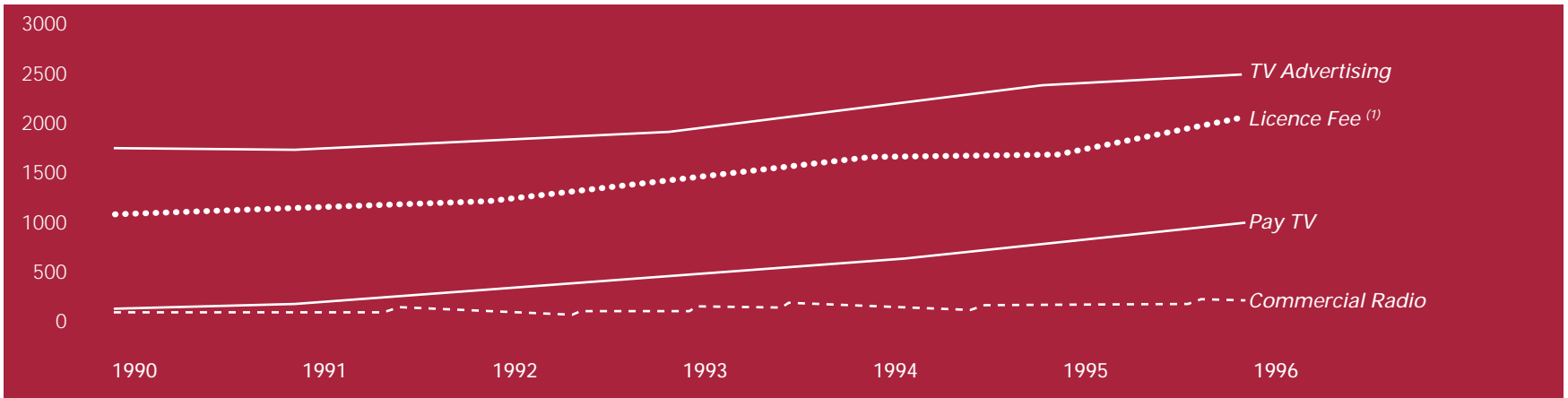
1996	BBC licence fee £bn	BBC World Service <sup>^</sup> £bn	Consumer subscription £bn	Net Advertising revenue £bn	Total £bn
Television	*	-	1.4	2.5	
Radio	*	0.2	-	0.3 <sup>1</sup>	
<b>Total</b>	<b>1.8</b>	<b>0.2</b>	<b>1.4</b>	<b>2.8</b>	<b>6.2</b>

\* BBC licence-fee funded expenditure on TV-related activities was £1.1bn, on radio £0.4bn, and on unallocated costs £0.3bn. The equivalent figures for 1998 were £1.4 bn, £0.4bn and £0.2bn respectively

<sup>^</sup> Expenditure met from Grant in Aid provided by the Foreign and Commonwealth Office

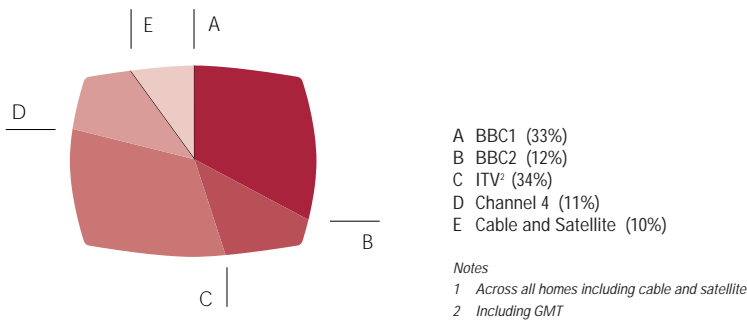
<sup>1</sup> Source Zenith. Spectrum estimates that ITV accounts for £1.6bn of advertising spend, Channel 4 for £0.5bn and satellite for £0.5bn

### TV and Radio Revenues (£bn)



### UK Viewing Shares<sup>1</sup>

Note 1 Includes colour and monochrome licence fees  
Source: Spectrum Analysis, Kagan



The UK market in television and radio was worth £6.2bn in 1996, of which two-thirds (£4.2bn) came from commercial revenues, including direct consumer subscription of £1.4bn, almost a quarter of the total.

The fastest growing sector of the TV industry between 1990 and 1996 has been Pay-TV with a CAGR of 43%. This has been fuelled by the growth in multichannel households. During the same period, radio advertising revenues also grew significantly by a CAGR of 11%, and now account for 11% of all broadcast advertising revenues.

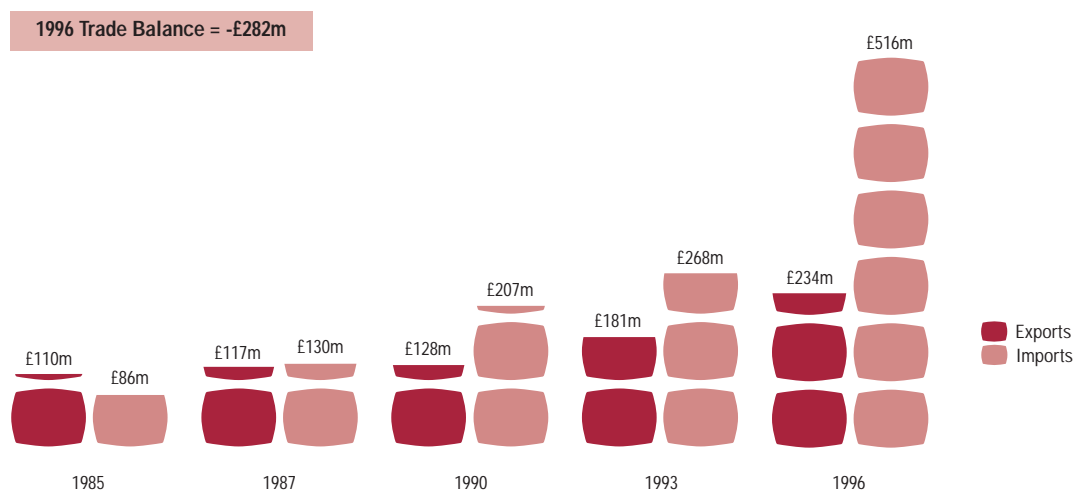
Consumer demand for broadcast services continues to expand. Television viewing accounts for 27% and radio for 18% of our leisure time. The UK watches significantly more television than most of our European neighbours except Italy. The average person spends 227 minutes a day in front of television sets. The average radio listener tunes in for 16 hours a week.

## SECTION 13 TELEVISION AND RADIO

Television has become the primary or sole source of news for 72% of the population, up from 60% in 1983.

In addition to spending £97.50 on the licence fee, 28% of households are buying Pay-TV subscriptions ranging from £8 to £32 per month.

### BALANCE OF TRADE



Source: British Council Press Release 10/10/97

### Destination of Exports/Source of Imports<sup>2</sup> 1996

	Exports £m		Imports £m	
<b>EU</b>	118	(50%)	130	(25%)
<b>North America</b>	49	(21%)	273	(53%)
<b>Western Europe (non-EU)</b>	10	(4%)	60	(12%)
<b>Other developed countries</b>	41	(18%)	26	(5%)
<b>All other countries</b>	16	(7%)	27	(5%)
<b>Total</b>	<b>234</b>	<b>(100%)</b>	<b>516</b>	<b>(100%)</b>

Most overseas sales for the BBC and ITV companies are in drama, factual and light entertainment genres. BSkyB contributes to the television export market through the sale of sports rights internationally. Some of the larger production independents have become increasingly involved in export markets. The BBC, as a global brand, accounts for the majority of television programme exports – some 53% in 1994/95.

The market for international radio sales is small as the majority of radio stations do not purchase significant quantities of programming. The BBC is a key player but its annual sales amount to only £2m.

ONS also publish figures<sup>3</sup> for 'Television and radio services' showing exports of £73m and imports of £15m, giving a trade balance of £58m.

The UK's balance of trade deficit has increased sharply, from a surplus of £24m in 1985 to a deficit of £282m in 1996. Although the UK has a language advantage over other EU countries, it only exports 1% more programming than Germany or France.

UK broadcasters are expanding their activities overseas. The BBC distributes *BBC World* and *BBC Prime* throughout Europe and has recently established *BBC America*. It also operates *UK TV* as a joint venture in Australia with Pearson and Foxtel, and *Animal Planet* and *People & Arts* in the Americas. Pearson has become a major international television production company, with some 70% of its television income coming from activities overseas. Granada has also established a production base in the US. GWR Group and DMG Radio are also expanding into overseas markets, with the latter controlling some 16 local radio stations in Australia.

The fourfold increase in imports over the last ten years is largely attributable to the growth in multichannel cable and satellite television. Imports from EU countries are increasing in importance. The increase in the number of channels for ethnic minority audiences should lead to a rise in imports from countries outside North America and the EU.

<sup>2</sup> All overseas transactions of television companies in terms of film and television material

<sup>3</sup> Source: Overseas Trade in Business Services ONS News release Nov 1997

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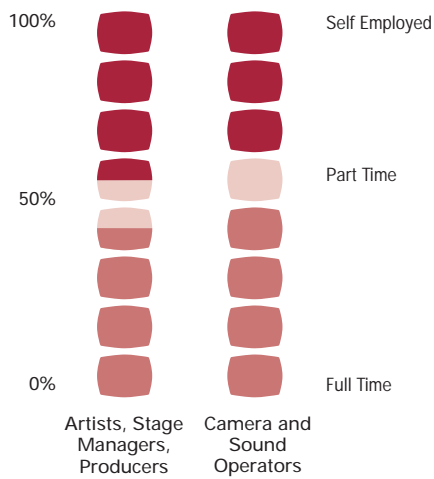
### EMPLOYMENT

#### 1996 Employment by Organisation

<b>Television</b>	BBC	17,317
	ITV	8,500
	Channel 4 and Channel 5	756
	Sky	4,580
	Other cable/satellite	16,500
	Independent	12,000
<b>Television Total</b>		<b>59,653</b>
<b>Radio</b>	BBC	2,200
	Commercial	1,600
<b>Radio Total</b>		<b>3,800</b>
<b>Total</b>		<b>63,453</b>

Television has experienced strong employment growth in recent years, with the number employed rising from 42,000 to 60,000 between 1994 and 1996. Much of the growth has resulted from the increased deployment of cable networks which has created many new jobs in the distribution side of the television industry. The growth of the satellite market has also had an impact – BSkyB's workforce has doubled in the last three years.

#### Jobs In Television by Employment Status



Source: ACE Report No 2, The Arts Council of England (figures adjusted to exclude unemployed)

The employment structure of the television industry is becoming increasingly flexible with more part-time or freelance employment:

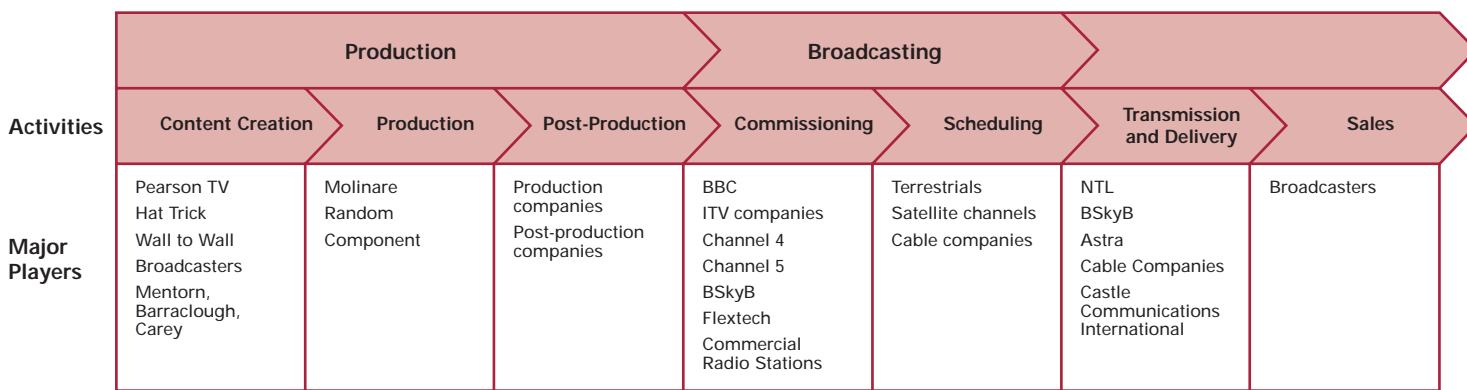
- The ITV companies which employ 8,500 in-house staff uses a further 4,900 freelance personnel<sup>5</sup>
- Of all actors and producers in employment, the number of full time employees equals that of the self employed
- Freelance technicians account for 40% of the technical workforce

# SECTION 13 TELEVISION AND RADIO

The proportion of women in management appears to be increasing. The BBC reports that the proportion of women Senior Executives it employs increased from 21% to 29% between 1995 and 1998. Over the same period, it also increased its women senior managers from 28% to 33% of its workforce. Women account for 40% of actors and producers and 18% of technicians.<sup>6</sup>

The BBC and ITV companies' commitment to regional programming ensures that programme investment and employment in broadcasting is distributed around the UK. However, employment in the television industry is greatest in London, where 46% of actors and producers and 27% of camera and sound operators are employed.<sup>7</sup>

## INDUSTRY STRUCTURE



During the 1990s there has been a substantial increase in the number of commercial television and radio services available to consumers. However, there has been a trend towards consolidation in ownership in both sectors. ITV is now dominated by three main companies:<sup>8</sup>

- Carlton, Central and West Country (35% of ITV revenues)
- Granada, LWT and Yorkshire/Tyne Tees (33%)
- Meridien, Anglia and HTV (24%)

Pay-TV is dominated by BSkyB as the most important supplier and packager of Pay-TV films, sports and entertainment. In 1996, BSkyB accounted for 68% of Pay-TV income.

The cable industry is consolidating, with three companies now controlling 73% of all subscribers.<sup>9</sup> Further consolidation is likely.

In commercial radio, there are now four large radio groupings: GWR Group, Capital Radio, Scottish Radio and EMAP Radio, with several other companies controlling smaller numbers of licences.

## Total Investment in Original Programming<sup>1</sup>



Note 1 Original Programming is non-acquired, non-repeated programming  
Source: ITVA, BSkyB Annual Report, BBC Annual Report & Spectrum Analysis

There has also been some consolidation in the independent programme production sector. On the whole, however, independent producers remain relatively small-scale, with only a handful of PLCs having interests in the sector.

High investment in original production has created a healthy, diverse and mixed production base which is the envy of Europe.

<sup>6</sup> Source BBC Annual Report 1998 and ACE Research Report No. 2

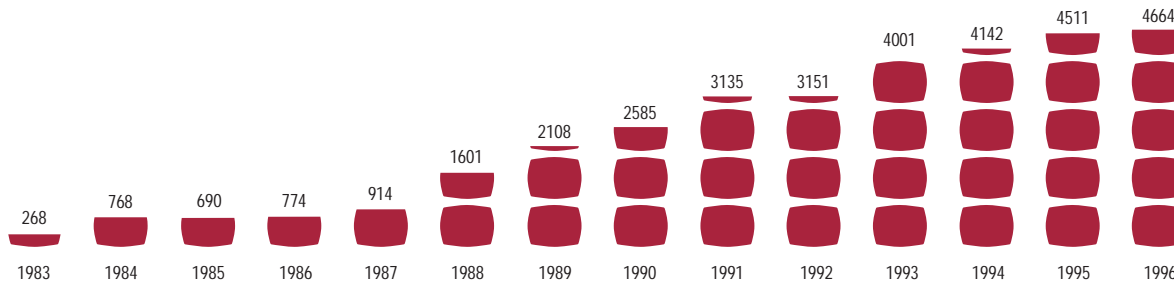
<sup>7</sup> Source ACE Research Report No. 3

<sup>8</sup> Source UK Media Yearbook 1997 Zenith

<sup>9</sup> Source New Media Markets

Total investment in original programming by UK broadcasters amounts to £1.9bn, of which as much as £1.8bn is accounted for by the five terrestrial broadcasters. Some £700m (37%) of original production expenditure represents commissions from independent producers.

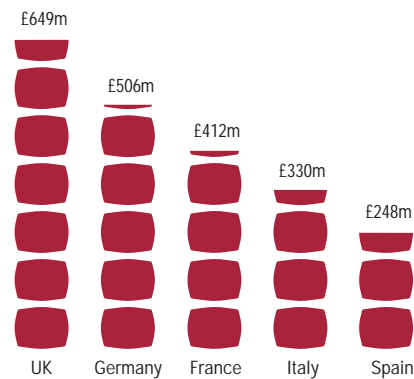
### The Growth of Independent Production Hours 1983 – 1996 (Hours)



The growth in the independent sector was fuelled by the creation of Channel 4 and the subsequent 25% independent production quota imposed on the BBC and ITV. It is the largest and most successful sector of its kind in Europe. The independent sector is however characterised by hundreds of very small companies with minimal resources and investment capability:

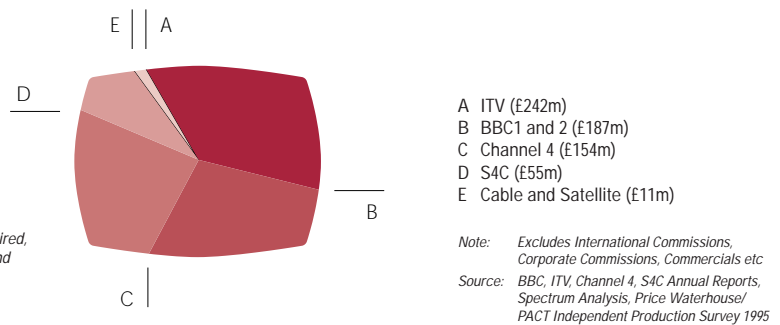
- in 1996, 65% of independents produced only one programme
- in the same year, only 2% of independents produced 10 or more programmes

### Original Drama<sup>1</sup> Investment in Europe 1996



Note 1 Original drama includes non-acquired, non-repeated fiction TV movies and TV series  
Source: BIPE, Spectrum Analysis, adjusted to 1996 numbers

### UK Investment in Drama Production 1996



The vast bulk of investment in UK original drama production is generated by the five terrestrial channels – 98% of the total £649m in 1996. Only 2% of cable and satellite revenues is invested in original UK drama production.

Over the next five years, considerable investment will be made in digital production for both television and radio.

### INTERNATIONAL CRITICAL ACCLAIM

UK television programmes continue to gain international critical acclaim. During 1996, the UK won six out of the seven International Emmy prizes, five going to the BBC. In the previous year, the UK had won six out of ten. Also in 1995 the UK won five out of eight awards at the Golden Rose of Montreux television festival, and in 1996 the BBC won a Silver Rose. At the 1996 Monte Carlo television festival, the UK won six out of fifteen awards.<sup>10</sup>

BBC World Service Radio continues to enjoy a strong reputation around the world.

### SECONDARY ECONOMIC EFFECTS

Commercial broadcasting has played a significant role in stimulating the development of the UK advertising industry as a world leader. Television and radio account for 33% of gross advertising expenditure. The launch of Channel 5 and digital television and radio will be a further impetus for growth.

The sector also has synergies and crossover with theatre, film and music, and helps sustain jobs in training, graphics, special effects, animation, games and multimedia.

The export of television programmes promotes British culture abroad which in turn has an impact on inbound tourism. The strength of BBC World Service in countries around the world also helps promote the English language and culture. This in turn stimulates

<sup>10</sup> Source BFI Film & Television Handbook 1997 and 1998



## SECTION 13 TELEVISION AND RADIO

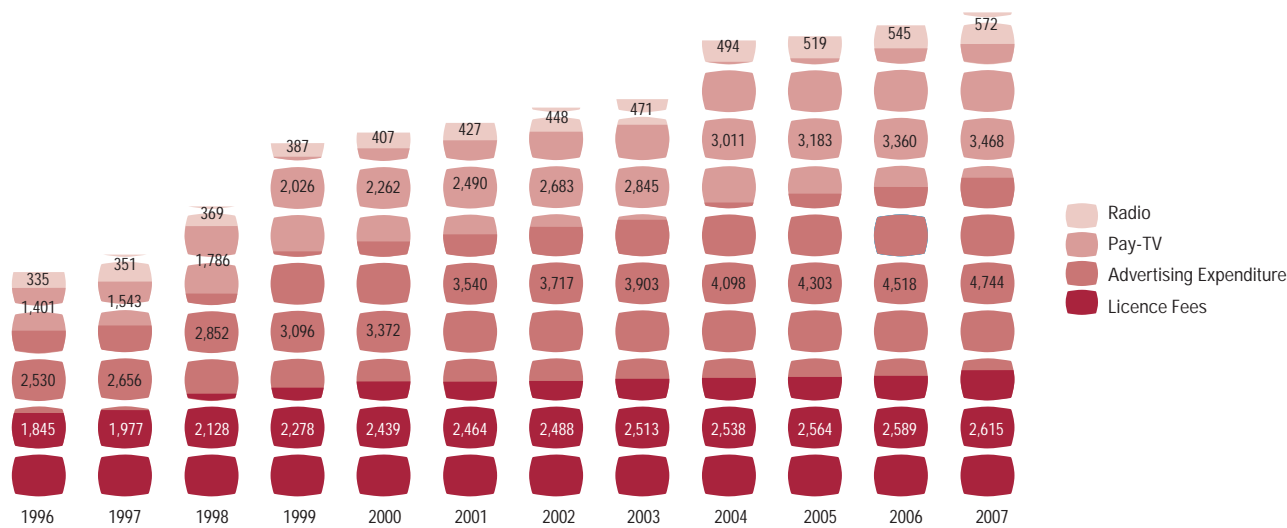
the UK *education* sector, by encouraging people to come to the UK to further their education, and the *publishing* sector which provides training materials.

BBC World Service Radio plays an important role in promoting British culture overseas.

The multiplier effect means that there are possibly a further 70,000 people employed indirectly as a result of television and radio expenditure.

### POTENTIAL FOR GROWTH

#### Forecast Growth in UK Television and Radio Revenues £m



Revenues in the broadcasting sector are forecast to almost double to £11.3bn over the next decade. Growth in the TV industry will be fuelled by the introduction of digital TV and the ushering in of a new era of multichannel and on-demand viewing.

Digital television will create more channels and pave the way for interactive services in the home. The UK could experience one of the fastest transitions to digital with the launch of satellite and terrestrial networks at the end of 1998 and the subsequent launch of digital cable over the next five years.

Broadcasters will have to make considerable investment in programming, equipment, marketing and promotion. The BBC estimates that 9% of its licence fee income will be spent on investments in digital broadcasting.

Radio is a growing medium which is becoming increasingly popular with advertisers. The potential of digital radio will depend critically on the marketing and take-up of receiving equipment which is currently relatively expensive.

### GROWING THE SECTOR – POINTS FOR CONSIDERATION

The broadcasting sector is expected to experience strong growth over the next decade. In seeking to take the opportunity to reap the economic benefit in the UK, a number of issues need to be considered. These include:

- how to develop regulation to continue to protect the public interest while ensuring that it does not create unnecessary obstacles to the development of the industry
- the economic balance and maintenance of fair and open competition between key players – distributors, retailers and content creators: how this affects the long term growth potential of the sector as a whole and how it is affected by regulatory and fiscal measures
- how to improve the export performance of the television sector
- how to ensure that the expansion of broadcast outlets does not simply lead to higher imports and a further widening of the trade gap
- the rate of take-up of digital television and radio, and measures to accelerate it
- the role of the BBC and the future of the licence fee
- rights issues, including the regulation of sports rights

