The value of international channels to the UK

Final report

13th February 2018

A report for COBA by Oliver & Ohlbaum Associates Ltd

Executive summary

Objective and scope

- Over the last three decades, the international channels sector has made the UK its home, using the freedom allowed by the Country of Origin principle, and more than 750 channels are licensed by Ofcom for broadcast outside the UK.
- COBA wishes to evaluate the size of the non-UK channels sector and its importance to the UK economy, as the withdrawal of the UK from the EU means that, without a suitable settlement, COO will no longer apply and the channels that rely on it may need to seek alternative arrangements.

Methodology

- Obtaining licensing in another Member State is likely to mean moving all or some of operations, editorial and transmission.
- To understand the business models used and channels' cost structures, a questionnaire covering which content, operational, editorial and transmission costs are accounted for in the UK or overseas was submitted to members of COBA

Tiering and calculation

- We have been looking at three types of channels:
  - UK channels that have an international feed, broadcast to other territories with an advertising opt-out
  - Multi-territory channels based in the UK (which broadcast to the UK and other territories) - regardless of whether they have an Ofcom licence
  - Channels based in the UK for broadcast to another territory - regardless of whether they have an Ofcom licence
- Comparing the different cost structures has enabled us to divide channels into five tiers, for which we have then come up with an average cost by channel that has been used to determine the total value of the international channels to the UK economy

Key findings

- In 2011 it was estimated that the non-UK channel sector was worth £679m, and it has grown significantly since then
- **We estimate that in 2017, the aggregated value in the UK of international channels broadcasting outside the UK is £1.02bn, having therefore grown by over 50% in five years**

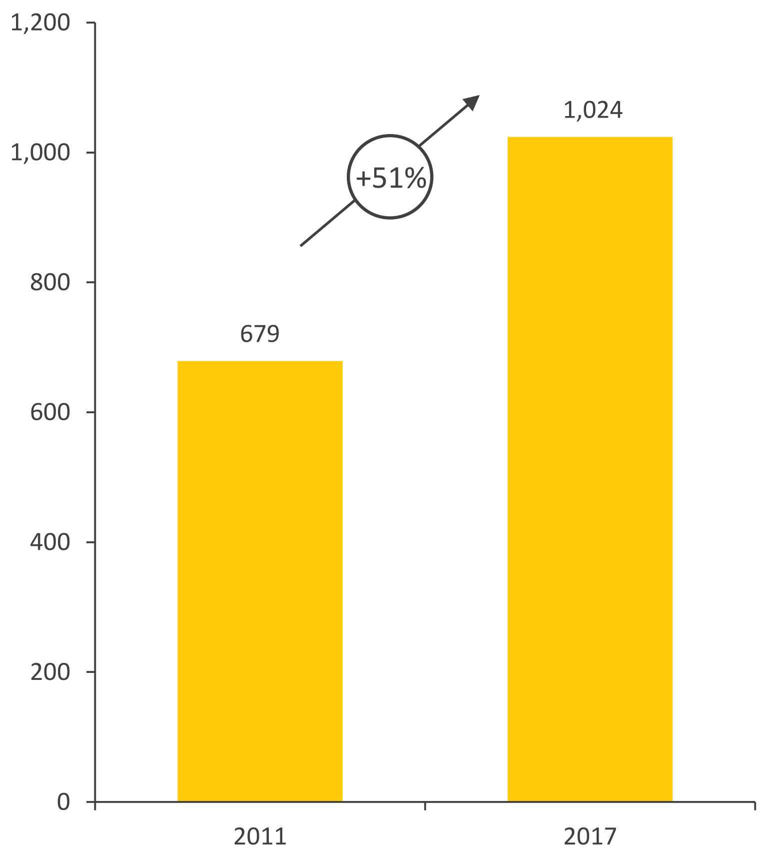
Source: Oliver & Ohlbaum analysis

The international channels contribution to the UK in 2017

In 2017, the value of international channels in the UK was estimated at £1.02bn

The international channels sector contribution to the UK, total value, 2017 vs 2011

£ million



- We have estimated that in 2017, the contribution of the international channels sector in the UK economy was £1.02bn
- This number includes the spend on international channels in the UK by the whole sector:
  - COBA members
  - COBA affiliate members
  - Non-COBA members
- As we couldn't provide detailed spend for each of the 761 linear channels licensed by Ofcom, we have estimated part of this spend thanks to our tiering approach (described in the methodology section)

Source: COBA, Ofcom, Oliver & Ohlbaum analysis

The international channels contribution to the UK: spend overview by category

The international channels spend in the UK can be broken down into several cost categories, one-offs and annual costs. The key categories impacting on the contribution to the UK economy are content, transmission and overheads

Cost breakdown by category

Cost breakdown by category	2017* estimate	Comments
ONE-OFF COSTS		
CAPITAL INVESTMENT	£37m	• Office move or refurb, equipment, leasehold improvement
CHANNEL LAUNCH	£0.5m	• EPG purchases (for channels launched in 2017)
ANNUAL COSTS		
CONTENT & REVERSIONING	£369m	• Pre-production, content commissioning and acquisitions
PRODUCTION AND FACILITIES	£78m	• Operations and creative services, IT, post-production
TRANSMISSION	£192m	• Transponder capacity, EPG costs, operations, playout and uplink, fiber, satellite space
CHANNEL MANAGEMENT, SALES & MARKETING	£142m	• Subscriber billing system, media, PR, communication, ad sales, sponsorship, sales and marketing staff
OVERHEADS	£194m	• Rent and utilities, admin and legal staff
EXTERNAL SPEND & OTHER	£11m	• Legal fees, Ofcom broadcast licence and compliance

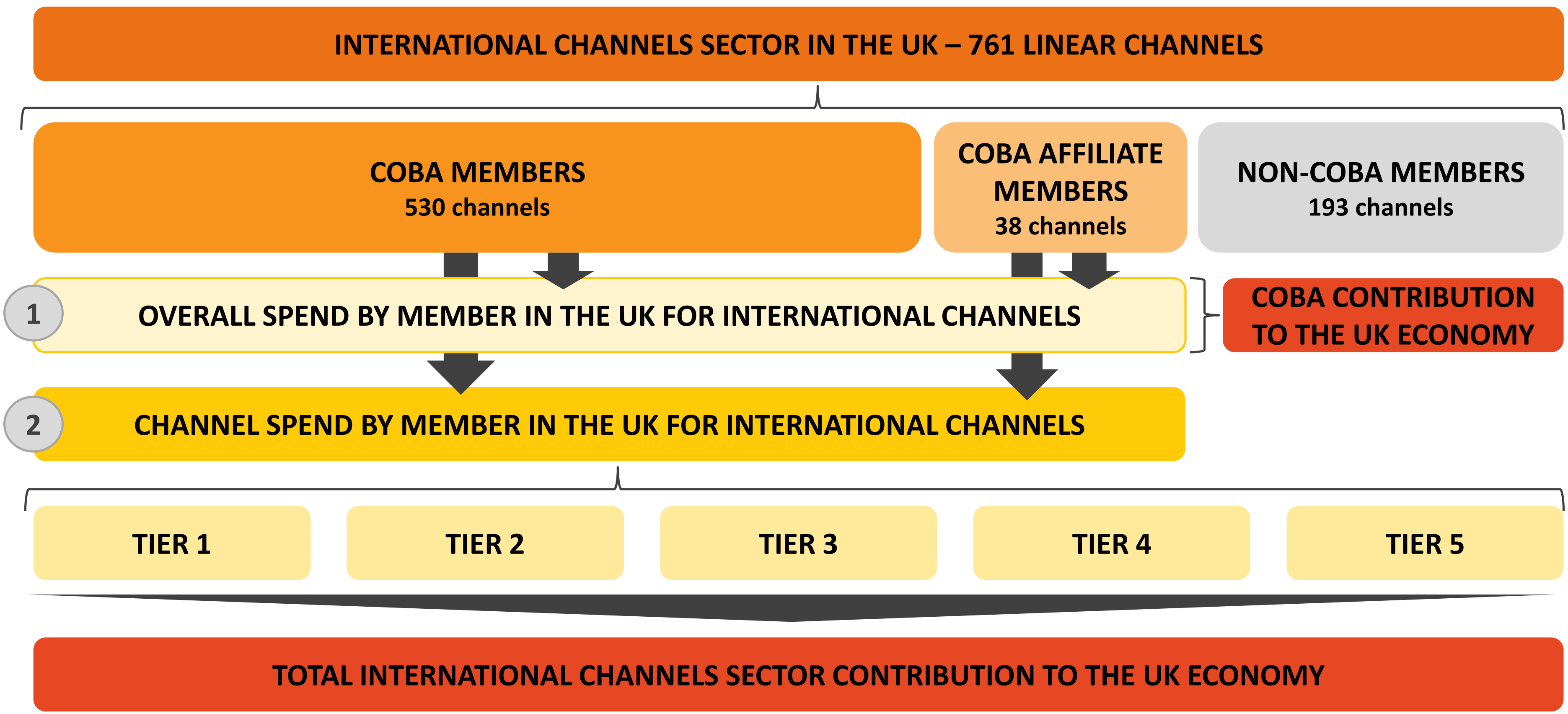
**Most recent financial year*

Source: COBA members, Oliver & Ohlbaum analysis

Methodology – Data collection sample & tiering to total sector size

Because we weren't able to look at every single channel in detail, we have focused on COBA members' channel, and categorised all channels in a relevant tier according to their likely cost structure

Collection of data and tiering application



Source: COBA, Ofcom, Oliver & Ohlbaum analysis

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Oliver & Ohlbaum

www.oando.co.uk

@OliverOhlbaum

346 Kensington High Street, London, W14 8NS

+44 (0)20 7313 5900

O&O