



The impact of listed events on the viewing and funding of sports

A REPORT PREPARED FOR THE CHAIR AND REVIEW PANEL

November 2009

The impact of listed events on the viewing and funding of sports

Executive summary	1
The analytical framework.....	1
Developments in the UK broadcasting market and their potential impact on listing.....	3
Applying the framework.....	4
Participation in sport.....	6
Listing policy in other jurisdictions.....	7
1 Introduction	9
1.1 Listed events in the UK.....	9
1.2 The scope of this study.....	13
1.3 The structure of this report.....	14
2 Analytical framework	15
2.1 The counterfactual.....	15
2.2 Estimating the benefits from listing events.....	18
2.3 Estimating the costs from listing events.....	21
2.4 Data sources.....	24
3 The UK TV broadcasting market	27
3.1 The take up of Pay TV services has increased.....	27
3.2 Take-up of Pay TV services varies across consumer groups.....	29
3.3 In the UK, ARPU for Pay TV is relatively high.....	31
3.4 The demand for Pay TV premium services.....	32
3.5 In the UK, advertising accounts for around one-third of TV revenues.....	33
3.6 Implications of the changing broadcasting market for listing policy.....	33
4 The impact of listing events	37
4.1 Listing England’s home cricket tests.....	37
4.2 Listing policy for the FIFA World Cup Finals.....	43
4.3 Listing policy for the Six Nations Championship.....	46

4.4	Listing policy for the World Athletics Championship	49
5	Participation and coverage.....	55
5.1	Participation in sport – The DCMS Taking part survey	55
5.2	Possible further areas of research.....	57
6	Listing policy in other countries	59
6.1	Listing policy in other Member States	59
6.2	Listing policy in Australia	61
7	Conclusions	65
7.1	Summary of findings	65
7.2	Next steps	66
	Annexe 1: The impact of listing particular events	69
	The Olympic Games	69
	Listing policy for the UEFA European Championships	72
	Listing policy for Other International football matches involving Home Nations	74
	listing policy for the champions league.....	78
	Listing policy for the Rugby Union World Cup.....	80
	Listing policy for the Challenge Cup final.....	82
	Listing policy for Wimbledon	84
	Listing policy for the Open Championship	87
	Listing policy for the Ryder Cup	89
	The Grand National and Epsom Derby.....	91
	Annexe 2: Estimating the monetary value of consumer benefits from listing England's home test matches.....	93
	Annexe 3: Methodology for collecting UK TV audience data for listed events.....	97

The impact of listed events on the viewing and funding of sports

Figure 1: Average viewing figures for the most recent Group A listed events.....	12
Figure 2: The counterfactual.....	17
Figure 3: Consumer surplus.....	19
Figure 4: The penetration of multi-channel TV platforms in the UK, 1989 - 2008	27
Figure 5: Comparative take up of Pay TV services	28
Figure 6: The increase in the take up of Pay TV services, 2002-07	28
Figure 7: The collective audience share of the top five channels.....	29
Figure 8: Pay TV multichannel platform ownership by age group, 2008	30
Figure 9: Pay TV multichannel platform ownership by socio-economic group, 2008	30
Figure 10: Pay TV multichannel platform ownership by income group, 2008.....	31
Figure 11: Pay TV ARPU, 2007	32
Figure 12: Average TV revenue per head, 2007	33
Figure 13: Average viewing figures for live test match cricket in England, 2000-08	38
Figure 14: Average viewing figures for highlights coverage of England's home tests, 2000-08	39
Figure 15: Average UK viewing figures for live coverage of the FIFA World Cup 2002 AND 2006	44
Figure 16: FIFA 2007 revenue split.....	45
Figure 17: Average UK viewing figures for live coverage of England's Six Nations matches	47
Figure 18: Average UK viewing figures for live coverage of Scotland's Six Nations matches	48
Figure 19: RFU 2008 revenue split.....	49
Figure 20: Average UK viewing figures for live coverage of the World Athletics Championships, 2001-07.....	51
Figure 21: Average UK viewing figures for live coverage of other athletics events	52

Figure 22: Number of adults taking part in major sports at least once in the past 12 months.....	56
Figure 23: Participating in sport and watching live sport on TV	57
Figure 24: The Australian Anti-siphoning list, 2006-10.....	62
Figure 25: Average and peak UK viewing figures for live coverage of the Summer Olympic Games, 2000-08	70
Figure 26: IOC marketing revenues, 2001-04 Olympic quadrennial.....	71
Figure 27: Average UK television viewing figures for the European Championship Finals tournament, 2000-08.....	73
Figure 28: Average viewing figures for England World Cup qualifiers, 2000-2008	76
Figure 29: Average viewing figures for England European Championship qualifiers.....	76
Figure 30: Average viewing figures for UEFA Champions League (excluding semi-finals and final), 2000-08.....	79
Figure 31: Average viewing figures for Champions League Semi-Finals, 2006-07 and 2007-08.....	79
Figure 32: Average UK viewing figures for live coverage of the Rugby Union World Cup.....	81
Figure 33: Average viewing figures for Rugby League events 2000-08.....	83
Figure 34: Average viewing figures for Wimbledon, 2000-08	85
Figure 35: Average viewing figures for other tennis events, 2000-08.....	86
Figure 36: Average UK viewing figures for live coverage of The Open Championship and other majors.....	88
Figure 37: Average UK viewing figures for live and highlight coverage of the Ryder Cup.....	90
Figure 38: Average UK viewing figures for live coverage of other golf events....	90
Figure 39: Average viewing figures for the Grand National and Derby, 2000-0891	
Table 1: Summary of case study findings	6
Table 2: Listed events in the UK	10
Table 3: The possible impact of removing events from the Group A list.....	16
Table 4: Revenue from television broadcasting rights - FIFA World Cup	45
Table 5: UK Athletics - Revenues (£000), 2007-08	53

Table 6: Adults in England taking part in cricket at least once in the 12 months prior to the survey56

Executive summary

The objective of a Government choosing to list events is to ensure, to the extent possible, as wide as possible coverage of those events considered to be of major national importance. The Audio Visual Media Services Directive (AVMS Directive) allows Member State Governments to 'list' events considered to be of major importance to society, in order to ensure that in their jurisdiction, these events are not broadcast exclusively in such a way as to preclude a significant proportion of the viewing public from following the event on free to air (FTA) television, either as live or via deferred coverage. In the UK, this is captured by the Broadcasting Act 1996 (as amended), with the list having last been updated in 1998.

The Secretary of State for Culture, Media and Sport recently announced a review of this list. A chair and panel of experts have been appointed to report on their recommendations to the Secretary of State, who will take the final decision about whether or not the list should be revised. Frontier Economics has been retained on behalf of the panel to provide input to the review through an assessment of the impact of listing on viewing and funding of sport.

This document presents our findings. It is based on a review of publicly available information, together with an assessment of BARB audience data for sporting events over the period 2000-08. We were instructed not to seek the views of broadcasters or rights owners on the potential impact of listing, as these views will be captured as part of a consultation exercise. Indeed, it is not the intention of this report to recommend which events should be listed as that is a matter for the panel. Rather, this report puts forward a framework for assessing the potential impact of listing and considers the application of this framework to a number of specific case studies. Although the report concentrates on sporting events, the framework could be equally applied to non-sporting events.

THE ANALYTICAL FRAMEWORK

Section 2 of the report presents the analytical framework which we use to assess the potential impact of listing events. In developing this framework it has been necessary to differentiate the legal framework governing the listing of events and the practical implications that arise from listing. In particular, the legal framework neither prevents the sale of rights for listed events to Pay TV providers, nor guarantees coverage of listed events on FTA channels that are also qualifying channels.¹ However, by limiting the ability of Pay-TV broadcasters to gain exclusive rights to cover an event, listing effectively reduces the competition for rights and increases the likelihood of listed event coverage on a qualifying

¹ Qualifying channels are those where the service is provided without any consideration being required for the reception of the service and it is received by at least 95% of the population of the UK. Qualifying channels are designated by Ofcom. Currently these are BBC1, BBC2, ITV1, Channel 4 and Channel 5.

channel. For example, the most recent occurrence of all events listed by the UK Government in Group A (where a broadcaster cannot provide exclusive live coverage without the prior permission of Ofcom) has been shown on qualifying channels. Indeed, the majority of Group B events (which may not be broadcast live on an exclusive basis unless adequate provision has been made for secondary coverage or alternatively if Ofcom has given its consent) are also shown live on a qualifying channel.

Our framework focuses on identifying the costs and benefits that can arise from listing an event. As described above, the objective of listing an event (as described in the AVMS Directive), is to ensure that events which are regarded as being of major importance to society are not broadcast exclusively in such a way as to preclude a significant proportion of the viewing public from following the event on FTA television, either as live or via deferred coverage. In practice, therefore, the primary benefit that may arise from listing relates to the potentially increased availability of coverage for an event which can arise when it is listed. A second potential benefit relates to the impact that broadcast coverage may have on participation in sports. This is reviewed separately, in Section 6 of the report.²

The costs of listing are likely to accrue primarily to broadcast rights owners (i.e., governing bodies) who, following listing, may see a reduction in the proceeds generated from the sale of broadcasting rights, due to the impact that listing can have on competition for such rights. This reduction in proceeds may then impact the funding for grass roots activity in sport. However, it is not possible to measure directly how much money the sale of broadcast rights for a particular event would have raised had the listing rules not existed, and comprehensive information on the actual amounts bid by different competing bidders in any given auction is typically not publicly available.³ We have therefore developed a three-stage approach to assessing the potential costs from listing an event.

1. Is there a direct link between the proceeds from the sale of UK broadcast rights and the revenues earned by the sport / event's governing body in the UK?

In many cases, UK broadcast rights are sold directly by the relevant UK governing body, with the revenue from these sales accruing to the UK body. For these events there is a direct link between the proceeds from the sale of the UK broadcast rights and the revenues earned by the UK governing body.

In other cases, particularly for international events, UK authorities may not own the broadcast rights under consideration. In these cases, to establish the potential costs to UK sports of listing events it is necessary to consider the links between the international organisations owning and selling the rights, and how any revenues from the sale of such rights are passed through to UK authorities / sports governing bodies.

² Listing may also create other potential social benefits. These have not been considered in our report in the absence of any publicly available data or information on which to undertake an assessment.

³ Whilst media reports often state how much a broadcaster has paid for rights, the value of other bids received by the governing body typically remain confidential.

2. Does the sale of rights to UK broadcasters form a significant part of the revenues earned by the governing body / rights holder in the UK?

The sale of broadcasting rights to UK broadcasters is likely to be a relatively more important revenue source for some sports than others. For those sports where these broadcasting rights are a significant source of revenue, the potential cost of listing an event may be relatively greater than for those sports that benefit from other major revenue sources.

3. Is there significant investment in the UK in the grass roots of the sport?

For those events where grass roots investment is relatively more important and for whom the sale of UK broadcasting rights is a major source of revenue, listing could potentially have a significant impact on funding for the grass roots.

DEVELOPMENTS IN THE UK BROADCASTING MARKET AND THEIR POTENTIAL IMPACT ON LISTING

The impact of listing policy will also depend on developments in the broadcasting market. In Section 3 we therefore review recent trends in the UK broadcasting market, focusing in particular on:

- developments in the subscriber base for Pay TV services since 1998;
- the comparative size of the UK Pay TV market and those in other major economies; and
- likely future trends in the broadcasting market associated with the digital switchover.

This analysis shows that the penetration of Pay TV platforms (and multichannel TV platforms more generally) has increased significantly since the last listing review. This is likely to impact the scale of the consumer benefits that may arise from listing events. For example, as the take-up of Pay TV further increases, it may be reasonable to assume that the incremental viewing figures which arise from showing an event on FTA (and moreover the qualifying channels) may be reduced, especially if the event is not shown on a premium Pay TV channel or on PPV (pay per view) (where viewers in both cases face additional costs to watch the event in question).⁴

Further, as the switchover to digital television is completed in 2012, FTA Digital Terrestrial Television is expected to see further growth. This could have a number of implications for listing policy and the costs and benefits arising from listing, although it is currently not yet clear which of these factors may dominate.

- Firstly, a number of “basic channels” shown on all multichannel platforms will become available to more consumers and once such channels pass the free reception and 95% coverage test, they are likely to be recognised by

⁴ However, the extent to which this occurs is also likely to be driven by the nature of the content shown on Pay TV (i.e., the growth of Pay TV is itself linked to the exclusive Pay TV content).

Ofcom as “qualifying channels”, for the purposes of showing listed events. This could increase the attractiveness of qualifying channels for some governing bodies as it may increase the scheduling time available for the broadcasting of listed events.

- As the number of qualifying channels increases, audience shares are likely to become increasingly fragmented and so advertising revenues for individual channels may be impacted.
- The continued take-up of Pay TV platforms may be driven increasingly by the demand for access to specific premium content which cannot be accessed elsewhere, rather than simply a demand for more TV channels⁵.

If the last two factors dominate, it may become relatively more important for Pay TV providers to win rights to premium content and, given potential pressures on advertising revenues for both qualifying and non-qualifying FTA channels, more difficult for these broadcasters to compete with Pay TV providers in the market for rights. As a result, unless sports governing bodies have their own policies not to award exclusive rights to Pay TV providers, it is possible that Pay TV providers might, in the absence of a list of events, be in a position to increase their portfolio of exclusive rights to premium content.

APPLYING THE FRAMEWORK

In Section 4 and Annexe 1 of the report we apply the framework described above to particular sporting events, focusing on those events which are currently listed by the UK Government and others which, although not listed in the UK, are listed in some other EU Member States. Specifically, Section 4 considers the costs and benefits of:

- adding England’s home cricket tests to the Group A list of events;
- listing in Group A only certain games in the Football World Cup Finals;
- amending the listed status of Home Nation games in Rugby Union’s Six Nation’s Championships (currently in Group B and shown live on a qualifying channel); and
- amending the listed status of the World Athletics Championships (currently in Group B and shown live on a qualifying channel).

Given that the majority of the events considered in this report are currently shown on qualifying channels, the counterfactual in the majority of cases considers the potential impact of de-listing the event and hence coverage switching to non qualifying channels, such as those on Pay TV. In addition, however, the Section also considers whether listing policy is in each case likely to

⁵ This includes channels exclusively available via basic and premium subscriptions to Pay-TV platforms and also PPV. For cable, satellite and IPTV providers, demand may also be driven by the additional services bundled by the providers with Pay TV.

be effective⁶. For example, in some cases, de-listing may have no impact, either because Pay TV providers are not interested in the broadcast rights, or because the rights owners have a policy of only selling rights to qualifying channels.⁷

For each case, we present latest viewing figure information for the event and where possible, analysis of viewing figures for comparable events shown on Pay TV and both qualifying and non-qualifying FTA channels. In some cases, where event coverage has switched recently between qualifying FTA and Pay TV channels, we also present a direct comparison of viewing figures for coverage on qualifying FTA and Pay TV channels.

The case studies then consider the potential costs of listing. For example, the case studies describe the funding structure for each sport / event and the importance of TV broadcasting revenues to the overall income of the authorities concerned. Lastly, the case studies consider the level of grass roots funding (and the recipients of grass roots funding) in order to assess the potential impact that a change in proceeds from the sale of broadcast rights might have on the funding for grass roots sport.

The case studies considered in Section 4 of the report are summarised in Table 1, below.

⁶ If listing policy is effective, it is considered to act as a constraint to the behaviour of the rights owners or broadcasters of an event. For example if a listed event were to be delisted then listing policy would be considered to be a constraint and therefore 'effective' if the event then moved away from a qualifying channel.

⁷ Note that some of the potential costs in the absence of a list may be internalised by the sports' governing bodies. For example, sponsorship revenues could be expected to be higher, the greater is the potential TV audience and hence governing bodies would be expected to take this into account when deciding whether to sell rights to Pay TV providers.

Event	Summary of viewing figure information	Importance of revenues from sale of broadcast rights to UK governing body	Levels of grass roots funding	Potential impact of listing / further areas for consideration
England's home cricket tests (Currently listed in Group B)	Average audience on qualifying channels of 1.2 million (2000-05), higher in 2005 (up to 2.7 million for one test) Average audience on Pay TV approx 0.25 million (2000-08)	Broadcasting contracts form a significant part of ECB revenues	Around 1/3 rd of ECB expenditure in 2007 to First Class Counties Additional investment in recreational cricket	Potential significant benefits to consumers but likely impact on current levels of ECB funding Further consider trends in participation
FIFA World Cup Finals (Currently listed in Group A)	Home Nation games and final attract some of the highest TV audiences Much lower audiences for some other games however	Dependent on links between broadcast revenues earned by FIFA and payments to National Associations	National Football Associations invest significantly in grass roots football	Expect significant consumer benefits to listing parts of the tournament
Six Nations Championship (Home Nation games currently listed in Group B)	Relatively high compared to some listed events. Some games attract up to 7 million viewers	Broadcast revenues important source of revenue, along with ticket income, hospitality and sponsorship	Each RFU invests in specific grass roots programmes	Is listing policy likely to be effective in the future?
World Athletics Championship (Currently listed in Group B)	Average viewing figures on qualifying channels around 2-3 million, but peak audiences likely to be higher	UK Athletics earns significant revenue from UK broadcast rights for its events, and sponsorship Not clear how IAAF proceeds from sale of Championship rights allocated to national associations	UK Athletics investment in grass roots and elite performance	Is listing policy currently effective? Consider possible complementarity between demand for broadcasting World Championship and demand for UK Athletics events

Table 1: Summary of case study findings

PARTICIPATION IN SPORT

There are two main channels through which listing policy could impact sports participation. Listing events and hence encouraging sports broadcasting on qualifying channels could potentially positively impact participation in sport, as more viewers decide to take up a sport after watching a particular event on TV. Conversely, however, listing events may reduce the proceeds of governing authorities from TV rights sales and hence limit investment in grass roots sport, potentially negatively impacting participation.

The information available from which to assess these hypotheses is currently limited. As such, it has not been possible to conclude whether listing an event has a positive impact on participation in the sport concerned. For example, to assess definitively this link it would be necessary to collect information not only on participation, but also on all other factors that could potentially affect participation, in order to establish any causal link between participation and broadcasting. The Panel may consider commissioning such further research.

However, a number of surveys and studies do attempt to measure participation in sport. In Section 6 of the report we therefore focus on the overall level of participation in sport, as reported in the annual DCMS ‘Taking Part’ Survey.⁸

LISTING POLICY IN OTHER JURISDICTIONS

A number of other Member States also apply listing policies in order to promote FTA coverage of major events. For example, according to the notifications published by the European Commission, Austria, Belgium, Finland, France, Germany, Ireland and Italy (as well as the UK) have all identified events under the relevant Directive. The Danish Government had previously also notified a list of events but subsequently withdrew its list.⁹

In all cases, the lists introduced by Member States reflect the popularity of individual sports and sporting events in the jurisdictions concerned. For example, the Irish Government’s list includes the Senior All Ireland Football and Hurling Finals, while the lists in both Finland and Austria include Alpine Skiing. The overall coverage of the lists does, however, differ between Member States. For example, the Belgian and French lists include, respectively, 21 and 19 separate events, whilst the lists in Austria, Finland, Germany, Ireland and Italy all include less than 10 events.¹⁰

There are further three major differences between the UK list and those in other Member States which have introduced listing policies:

- In other Member States there is greater differentiation between games / events involving the home country and other games within the same tournament. For example, the UK is one of only two Member States to list the whole of the FIFA World Cup Finals Tournament and UEFA European Championship Finals Tournament. Other Member States typically list games involving their national side, together with the later stages of the event (and in some cases, the opening game). Similarly, some Member States list qualifying

⁸ Estimates made by governing bodies concerning participation in particular sports, or take-up of certain programmes, are reviewed separately within each case study (see Section 4 and Annex 1). Note, however, that there is no common definition of “participation” and hence any comparisons need to be undertaken with caution.

⁹ Some other countries outside the European Union also apply a similar policy. For example, Australia applies an “anti-siphoning” policy, designed to keep certain sporting events on FTA TV.

¹⁰ Annex 3 of Ofcom’s Code on Sports and other Listed and Designated Events. Although Ofcom’s Code also includes a list of events for Denmark, we understand that this list has been revoked.

games involving their home team as well as the later stages of UEFA club competitions, where national club teams are involved.

- In some Member States, non-sporting events are listed. Whilst sports events dominate the list of events in all cases, three states (Belgium, Austria and Italy) have also included non-sporting events in their lists.
- The UK is the only Member State to divide its listed events into groups, differentiating between live (Group A) and deferred/highlights (Group B) coverage.

1 Introduction

Frontier Economics has been retained to advise the Chair and Panel as part of its review process to assess the impact of listing certain events on viewing and funding of sports in the UK and European Union. This report presents our findings.

1.1 LISTED EVENTS IN THE UK

The objective of a Government choosing to list events is to ensure, to the extent possible, as wide as possible broadcast coverage of those events considered to be of major national importance.

The Audio Visual Media Services Directive (AVMS Directive) allows Member State Governments to ‘list’ events considered to be of major importance to society, in order to ensure that in their jurisdiction, these events are not broadcast exclusively in such a way as to preclude a significant proportion of the viewing public from following the event on FTA television, either as live or via deferred coverage. In the UK, this is captured by the Broadcasting Act 1996 (as amended), which also requires Ofcom to maintain a code of practice giving guidance to broadcasters and rights owners on matters related to the televising of events listed by the Secretary of State for Culture, Media and Sport.¹¹ The 1996 Act also sets the criteria for channels that qualify as FTA for the purposes of the UK listed events regime. Currently these are BBC1, BBC2, ITV1, Channel 4 and Channel 5 and these are described as “qualifying channels”.

By listing an event, the Secretary of State does not guarantee that coverage will be shown on a qualifying channel.¹² However, listing an event does ensure that it is not broadcast exclusively live by any channel without the previous consent of Ofcom. As described below, such consent is only granted in specific circumstances.

The UK list of events was last updated in 1998. At this time, it was also split into two groups. Those events in Group A can not be shown exclusively live by any channel unless certain criteria are met and Ofcom has given its consent. Those events in Group B must not be broadcast live on an exclusive basis unless adequate provision has been made for secondary (highlight or deferred) coverage on a channel in the other category. In this case Ofcom’s consent will be a formality. However, if no alternative broadcaster has acquired secondary coverage, then Ofcom’s consent will be required (and as with Group A events this will only be granted in specific circumstances). The events which currently make up these two groups are as follows.

¹¹ Ofcom, “Code on Sports and Other Listed and Designated Events”.

¹² As described below, for the purpose of listed events, channels are classified either as ‘qualifying channels’ or ‘non-qualifying channels’. So if a Group B event is shown exclusively live on a non-qualifying channel, there must be adequate provision for secondary coverage on a qualifying channel.

Group A events	Group B events
The Olympic Games	England's home cricket test matches and Cricket World Cup matches
Football World Cup and European Championship Finals Tournaments	The final stages of the Cricket World Cup
The FA Cup Final and Scottish FA Cup Final (in Scotland)	Home nation matches in the Six Nations Championship
The Grand National	All other matches in the Rugby World Cup
The Derby	Non-finals play in the Wimbledon Tennis Championship
Wimbledon Tennis Finals	The Commonwealth Games
Rugby World Cup Final	World Athletics Championships
Rugby League Challenge Cup Final	The Ryder Cup
	Open Golf Championship

Table 2: Listed events in the UK

Source: DCMS

In respect of showing listed events, the Broadcasting Act defines two categories of television programme service (i.e., television channels); those which satisfy the qualifying conditions (i.e., qualifying channels) and those which do not (non-qualifying channels). In order to meet the qualifying conditions, the service must be provided without any payment being required for reception of the service and at least 95% of the UK population must be able to receive it.

Separate contracts for live coverage of listed events must exist for qualifying and non-qualifying broadcasters. That is, a broadcasting channel is not able to show live coverage of the whole or part of a Group A event without the previous consent of Ofcom, unless a broadcasting channel in the other category has also acquired rights for live coverage of all or the same part of the event, to an area which includes substantially the whole of the area covered by the first broadcaster. In this case Ofcom's consent would not be required (unless another broadcaster raises an objection). A broadcaster is only able to show exclusive live coverage of a Group B event if sufficient provision has been made for secondary coverage (i.e., highlights or deferred full coverage) by a broadcaster in the other category. For example, a non-qualifying channel can only show exclusive live coverage if adequate provision is made for a qualifying channel to show secondary coverage.¹³ In this instance Ofcom's consent will be a formality, but it must be applied for.

The Ofcom Code provides guidance on the circumstances in which it will give its consent for a broadcaster to offer exclusive live coverage of a listed event in

¹³ Under the Ofcom Code, this obligation applies equally to qualifying broadcasting channels showing exclusive live coverage of a Group B event.

Group A (or exclusive live coverage of an event in Group B where a broadcaster in the other category is not able or willing to provide adequate secondary coverage). In granting permission, the Code sets out that Ofcom, “*will wish to be satisfied that broadcasters have had a genuine opportunity to acquire rights on fair and reasonable terms*”.¹⁴ Under the Code, Ofcom will judge this with reference to some or all of the following factors:

- whether broadcasters were given a reasonable time in which to acquire the events;
- whether invitations for expressions of interest in the broadcasting rights were communicated openly and simultaneously to qualifying and non-qualifying broadcasters;
- whether the bid documentation prepared by the rights owner set out all material aspects of the bid process and relevant terms and conditions;
- whether it was possible for broadcasters to purchase the rights independently of others, and where it was not, that the rights included in a package were not more attractive to one category of broadcaster;
- whether the conditions or costs attached to the rights have been clearly stated;
- whether the price sought by the rights owner was fair, reasonable and non-discriminatory between qualifying and non-qualifying channels;¹⁵ and
- any other facts or matters which appear relevant to Ofcom.

Listing an event in Group A does not, therefore, guarantee that it will be shown live on a qualifying channel. Similarly, listing an event in Group B does not guarantee that ‘adequate’ secondary coverage will be shown on a qualifying channel. Rather, for Group A events, the following outcomes are possible:

- exclusive live coverage of the event is on a qualifying channel;
- live coverage is on both a qualifying channel and a non-qualifying channel;
- qualifying channels choose not to bid for the rights, with a non-qualifying channel given consent to provide exclusive live coverage; or
- live coverage of the event is not broadcast on either a qualifying or non-qualifying channel.

Nevertheless, it is noticeable that all the events currently included in Group A are broadcast live (either on an exclusive or shared basis) by a qualifying channel (i.e., the first two outcomes listed above).¹⁶

¹⁴ Ofcom Code on Sports and Other Listed and Designated Events, paragraph 1.14

¹⁵ Factors Ofcom have regard to in this respect include, inter alia, previous fees for the event or similar events, the time of day of live coverage, the revenue and audience potential associated with the event, the period for which rights are offered and competition in the market place.

Viewing figures for listed events

Figure 1, below, shows the average viewing figures for the most recent occurrence of each Group A listed event (for example, including the 2008 Olympics, 2007 Rugby World Cup Final and the 2006 Football World Cup Finals Tournament). This shows significant variation between the viewing figures for each event.¹⁷ For example, of the most recent occurrence of each event, the Rugby World Cup Final 2007 (which involved England) attracted the highest average audience, with Home Nation games in the Football World Cup the next most popular. In contrast, the 2008 Rugby League Challenge Cup Final and the 2008 Epsom Derby attracted average audiences of less than 2 million.

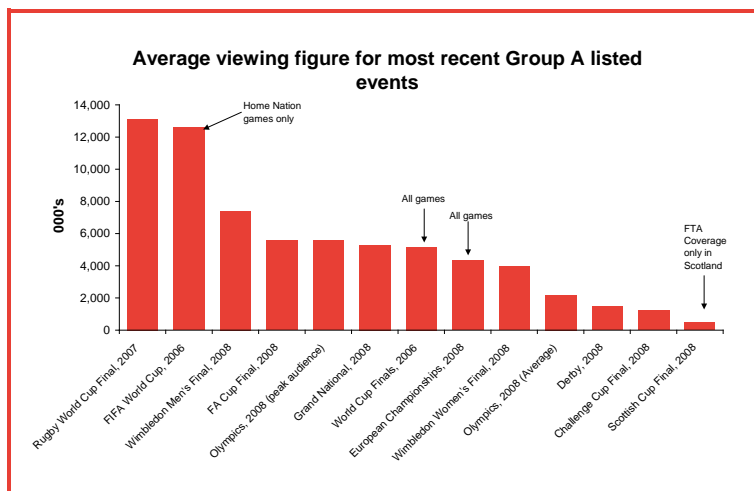


Figure 1: Average viewing figures for the most recent Group A listed events

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

Specific matches or events within wider tournaments can attract higher average audiences than those shown above. For example, England vs. Argentina in the second round of the 1998 World Cup Finals attracted an average audience in excess of 20 million (excluding those who may have watched the game on commercial premises) and was one of the five most watched TV broadcasts in the 1990s.

1.1.1 The latest review

The AVMS Directive allows a wide degree of discretion for national governments to decide which events to list. In its previous (1998) review, the advisory panel at the time recommended to the Secretary of State that any event which is listed should meet the following criterion:

- the event and its outcome must have a special national resonance, and not only be of significance to those who ordinarily follow the sport concerned;

Such an event is likely to fall into one or both of the following categories:

¹⁶ The rights to broadcast live coverage of the FIFA World Cup Finals Tournament and UEFA European Championship Finals have traditionally been shared in the UK by BBC and ITV.

¹⁷ Note that reported viewing figures exclude estimates of those viewing in commercial premises.

- it is a pre-eminent national or international event in the sport;
- it involves the national team or national representatives in the sport concerned.

In addition, it is more likely to be listed if:

- it is likely to command a large television audience
- it has a history of being broadcast live on FTA services.¹⁸

In considering whether to list an event, the Secretary of State will have regard to other factors affecting the likely costs and benefits to the sport concerned, to the broadcasting industry and to viewers. Such additional factors will be considered cumulatively and no one factor (whether existing or not) will be decisive.

Since the list of events was last reviewed in 1998, there have been a number of changes in both the media and sports sectors of the UK economy. For example, the penetration of Pay TV services has increased significantly, whilst the number of channels through which broadcast media can be accessed has also risen, for example with TV over broadband now increasingly available. The Government has now commissioned a new review of the list. The review panel, chaired by David Davies, is charged with considering the principles of having a list, the criteria against which events might be listed, the events which it considers should be on any list and making recommendations to the Secretary of State.

1.2 THE SCOPE OF THIS STUDY

Frontier has been commissioned to assess the impact of listing events on both viewing figures and funding for grass roots sport. We understand this study will be used as an input to the review of listed events conducted by the independent panel, in particular supporting the first two questions to be addressed by the panel, namely the principles of having a list of events and the criteria against which events might be listed. The purpose of this report is not, however, to recommend which events should be considered for recommendation by the Panel.

In developing and applying the analytical framework we have had regard for the events in the following sports, all of which appear in some form on the current lists of events, either as part of Group A or Group B:

- Football;
- Rugby Union;
- Rugby League;
- Cricket;
- Tennis;

¹⁸ Department for Culture, Media and Sport; Review of Listed Sports Events Background Information, November 2007

- Athletics;
- Golf; and
- Horse Racing.

This does not mean that the analytical framework and conclusions from this report could not be applied to other sporting or cultural events. It would, however, require the collection of other data specific to those events.

In preparing this report we have relied on publicly available data on the value of sporting rights and sponsorships. Viewing figure data have been provided by Futures Sport & Entertainment, based on information from BARB. In the conclusions to this report we also highlight where further proprietary or confidential data could support the analysis and hence enable a more comprehensive estimation of the potential impact of listing individual events.

1.3 THE STRUCTURE OF THIS REPORT

The remainder of this report is structured as follows:

- Section 2 presents the analytical framework we have used to assess the impact of listing events;
- Section 3 describes major developments in the UK TV market since the 1998 review;
- Section 4 applies the analytical framework described in Section 2 to particular sports events, to assess the potential impact of listing those events;
- Section 5 considers the potential link between participation in sport and sports coverage on TV;
- Section 6 reviews listing policy in other countries; and
- Section 7 presents our conclusions.

In addition, Annexe 1 presents case studies on other sports / events not covered in Section 4. Annexe 2 provides an indicative monetary estimate for the gains in consumer welfare that could arise from listing a sporting event (England's home cricket test). Finally, Annexe 3 describes the methodology used to prepare the viewing figure data.

2 Analytical framework

In developing the framework it is important to take account also of the underlying rationale for listing particular events. The framework can then be used to understand the extent to which listing events may benefit society, whilst also assessing the costs that could be incurred as a result of the listing policy.

By listing an event the Government is aiming to ensure, to the extent possible, coverage on a qualifying channel. A policy of listing events would, therefore, reflect a view that the benefits of ensuring as wide as possible coverage for that particular event outweigh any costs from not allowing broadcast channels to gain, except in limited circumstances, exclusive coverage rights.

Understanding the impact of listing events therefore requires further consideration of the benefits that can arise from listing, together with the costs that may arise from a reduction in competition for the rights. To understand this properly, it is necessary first to define a counterfactual (i.e., the likely state of the world absent intervention), with the costs and benefits of listing events then compared to the situation under the counterfactual.

2.1 THE COUNTERFACTUAL

In order to assess the impact of listing events a reasonable counterfactual would be the case where no events were listed or, when looking at an individual event, where that event is not listed.¹⁹ It is also though important to recognise that in some cases, listing an event may not constrain the behaviour of the rights owners and broadcasters. In these cases, the sale of broadcast rights and the behaviour of rights owners and broadcasters are not affected by the listed status of the event and hence listing the event can have no impact.²⁰

Given the main four possible outcomes from listing an event in Group A (listed above in Section 1.1), the following table presents the possible outcomes (counterfactuals) from delisting that event (i.e., so it is no longer listed in Group A or Group B). This shows that in a number of cases, de-listing an event may not have an impact. In other cases de-listing the event results in exclusive live coverage moving to a non-qualifying channel.

¹⁹ In this report, however, we do not consider the possible impact of listing an event on other events/sports.

²⁰ For example, non-finals play in the Wimbledon Tennis Tournament is currently not part of the Group A list. However, exclusive live broadcast coverage has been retained by a qualified channel, even though non-qualified channels are free to gain exclusive live coverage. For other sports, such as Formula 1, the importance of sponsorship rights (and the requirements of sponsors to reach as wide an audience as possible) can limit the extent to which the broadcast rights owner is willing to sell exclusive rights to Pay TV providers.

Outcome when event is listed in Group A	Possible outcome when event is not listed	Impact
Exclusive coverage on a qualifying channel	<ul style="list-style-type: none"> • Live coverage remains on a qualifying channel 	Listing the event is not effective – no impact from delisting
	<ul style="list-style-type: none"> • Exclusive live coverage moves to a non-qualifying channel 	Listing is effective. De-listing results in exclusive coverage on a non-qualifying channel
Joint coverage – qualifying & non-qualifying channels	<ul style="list-style-type: none"> • No change 	Listing the event is not effective – no impact from delisting
	<ul style="list-style-type: none"> • Exclusive live coverage moves to a non-qualifying channel²¹ 	Listing is effective. De-listing results in exclusive coverage on a non-qualifying channel
Exclusive coverage – non-qualifying channel	<ul style="list-style-type: none"> • No change 	Listing the event is not effective – no demand from qualifying channel broadcasters
Event not broadcast by either category	<ul style="list-style-type: none"> • No change 	Listing the event is not effective – no demand from any broadcasters
	<ul style="list-style-type: none"> • Exclusive live coverage on a non-qualifying channel 	Listing is effective. De-listing results in exclusive coverage on a non-qualifying channel (compared to no coverage before)

Table 3: The possible impact of removing events from the Group A list

Source: Frontier analysis

As set out above, the rationale for listing events relates to ensuring, to the extent possible, coverage on qualifying channels. In addition, all UK Group A events are currently shown on qualifying channels. Taken together, it therefore seems reasonable in this study to assess the costs and benefits of those cases where listing an event is effective and hence where, following a change in the listed status of an event, coverage may move between qualifying and non-qualifying

²¹ It is also possible that a qualifying channel could hold the exclusive rights to live coverage of the delisted event in this case. Although this is unlikely, this would still indicate that delisting is effective.

channels. That is, under the counterfactual, once an event is removed from the list, live coverage will switch to Pay TV only. This is illustrated below.²²

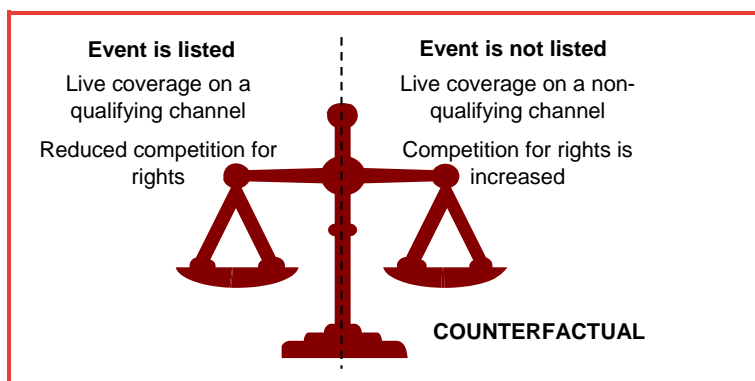


Figure 2: The counterfactual

In applying the analytical framework, it is then necessary to consider the net benefits (i.e., benefits minus costs) to society under both the ‘actual’ and counterfactual scenarios. In doing this we have had specific regard to the four areas the panel want in particular to understand, namely:

- the impact that listing events has on viewing figures;
- the potential link between TV coverage and sports participation;
- the impact that listing events has on the sale of viewing rights; and
- the impact that listing events has on funding for grass roots sport in the UK.

In matching these four areas to the overall framework for assessing the net benefits of listing events, we consider the first two of these factors as part of the benefits from listing events. The latter two factors are then considered as part of the costs of listing events (on the basis that the sale of viewing rights when a given event is listed may generate lower proceeds compared to if it was not listed, thus impacting the funding for grass roots activity in that sport). Listing events might also have wider social benefits, associated with the national resonance of the particular events. In this report we have not evaluated these possible benefits.

In considering the costs and benefits of listing events it is, however, useful to note the following:

- **The administrative costs for listing events.** As we have seen, it is possible that for some events, the listed status may not, in effect, constrain the behaviour of rights owners. That is, listing the event will not change the outcome that would arise in the absence of listing. In these cases, listing the event will not generate consumer benefit. It may, however, increase administrative costs for rights owners and broadcasters who need to comply with Ofcom’s code. In general, therefore, it could be reasonable for the

²² The impact of listing policy on competition for rights is considered further in Section 2.3.

Government to consider not listing events where that would not place a constraint on the rights holder and / or broadcasters.

As part of our cost-benefit analysis, we identify those factors which may not make the list constrain the behaviour of rights owners for certain events.

- **The potential impact that listing events has on the availability of live coverage via any broadcaster.** In the UK, all listed events are currently shown on qualifying channels. However, in some other jurisdictions (most notably, Australia), listing policies have been associated – by some commentators – with a reduction in the amount of sport broadcast on FTA TV (because events which FTA providers did not wish to show – in part or in full – were included on the list of ‘protected’ events). A case study on the Australian experience is included in this report as part of Section 6. This potential cost is likely to depend on how listing policies are designed in each country and given the experience with listing in the UK, this is less of a issue for UK policy.

2.2 ESTIMATING THE BENEFITS FROM LISTING EVENTS

Given the analytical framework presented above, the primary consumer benefit from listing events (compared to the counterfactual) stems from the greater availability of coverage for consumers (assuming that a qualifying channel takes up the rights) at a lower price. That is, to watch an event on a qualifying channel viewers do not face any additional cost over the licence fee and cost of a TV. In comparison, to watch an event on Pay TV, consumers must also pay monthly subscription fees and (in some cases) specific pay-per-view (PPV) charges for individual events.²³ Thus, to the extent that showing events on a qualifying channel leads to additional demand for watching the coverage this would lead to an overall increase in consumer benefit from the consumption of TV viewing for such events. This is explained further, below.

²³ Depending on the chosen platform for accessing Pay TV services, viewers may also face system set-up costs (e.g., for installing cable or satellite TV).

Measuring consumer welfare

Within economics, consumer welfare can be measured using the concept of consumer surplus. This refers to the benefit that individuals gain from consuming a given quantity of a good or service and is measured as the difference between the amount an individual is willing to pay for the good or service and the amount actually paid. This is illustrated diagrammatically below.

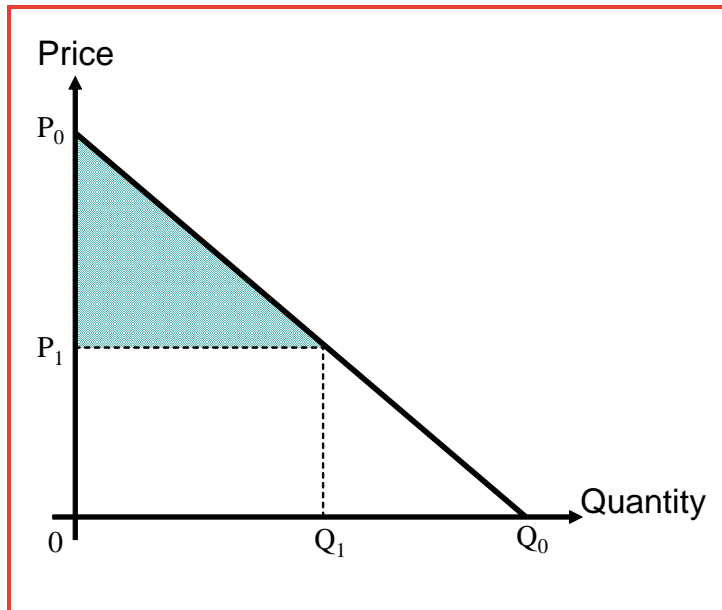


Figure 3: Consumer surplus

In Figure 3 the demand for consuming the particular good in question is shown by the line $P_0 - Q_0$ (i.e., the dark black line). If consumers are charged a positive price, P_1 , for the good or service, quantity Q_1 units of the good are consumed. Some consumers, however, are willing to pay more than P_1 to consume the good. The additional value that these consumers gain from consuming the good is, in total, equal to the shaded area in the diagram. This is the consumer surplus. As the price of the good decreases, demand increases as more consumers find the price equal to or below their private valuation for the good and as a result, the consumer surplus (consumer welfare) increases. In the extreme, if the price for the good is zero, consumer surplus extends to the entire area under the demand curve (i.e., the triangle $P_0, Q_0, 0$).

In this study, we have used data on the viewing habits of the UK population to examine how viewing figures (equivalent to quantity demanded in Figure 3 above) change as event coverage moves between qualifying channels and Pay TV.²⁴

²⁴ Quantifying robustly the increase in consumer welfare from ensuring (to the extent possible) that events are shown on qualifying channels would require additional data to understand the viewing preferences of consumers for different sports (for example, including the extent to which demand changes for a given change in price). Such data are not available for most sports events.

Ideally, we would look to compare viewing figures for identical listed and non-listed events. However, the often unique nature of listed events means that this is typically not possible. We have therefore collected viewing figure information to compare the following:

- Viewing figures for events which have switched between qualifying channels and Pay TV. Events in this category are England's home cricket tests and England's home games in the Rugby Union Six Nations Championship.
- Viewing figures for other major sports events shown on qualifying channels and Pay TV. Examples in this category are UEFA Champions League Semi-Finals, where one leg of a tie is currently shown on a qualifying channel, with the other leg shown on Pay TV; together with international Football and Rugby Union, where broadcast rights are often shared between qualifying channels and Pay TV providers.
- Viewing figures for some non-listed events which are shown exclusively live on Pay TV and which could be considered potentially comparable to certain listed events. Examples in this category could include some of the Carling Cup Finals – a possible comparator for the FA Cup Final, depending also on the teams involved – and the Rugby League Super League Grand Final – a possible comparator for the Challenge Cup Final.

A second possible benefit that might arise from listing events and in particular, the greater availability of coverage for events shown on qualifying channels, relates to potential increases in participation. That is, as individuals watch an event, some may be motivated to also take up that sport. If broadcast coverage of an event is more widely available, it is possible, therefore, that more individuals will begin to participate in the sport.

Although it is difficult - and beyond the scope of this report – to quantify the potential benefits from increased participation, these may include benefits from increasing health and fitness levels and possible social benefits.²⁵

To link directly participation in a sport to listing events in that sport, it would be necessary to collect significant amounts of data, not only on participation and viewing figures (before and after the event in question was listed) but also on other variables that might impact participation in that sport (for example, including but not limited to the availability of facilities and the cost of taking up the sport) and this is beyond the remit of this report. Therefore, in Section 5 of the report we consider this potential benefit primarily through analysis of existing research on participation in sport.

²⁵ Increasing participation may also create some costs, such as the potential costs of treating an increased number of sports-related injuries.

2.3 ESTIMATING THE COSTS FROM LISTING EVENTS

The cost from listing events is likely to stem from the restrictions that listing imposes on the markets for the sale of some broadcast rights.

- For events listed in **Group A**, no broadcaster can²⁶, without Ofcom consent, provide exclusive live coverage of an event. In many cases, Pay TV providers may only be interested in exclusive rights and thus in effect, this restricts or reduces the competition for the rights. If the event was not listed (and assuming Pay TV channels would be interested in acquiring the broadcast rights), a greater number of broadcasters could be expected to compete for the rights.
- If a non-listed event is moved into **Group B**, the number of broadcasters eligible to bid for exclusive live coverage would not decline. However, part of the value of these rights to the Pay TV provider arises from the increased subscription revenues it might earn from new customers who take services in order to be able to watch the event in question. The availability of deferred coverage or highlights on a qualifying channel could reduce the number of customers who would otherwise subscribe to watch the event, thus reducing the incremental revenues and value accruing to the Pay TV provider from owning the rights. In practice, however, estimating this potential impact based on publicly available information is not feasible. We therefore focus in this analysis on the impact of listing events in Group A.

The reduced competition in the market for broadcast rights to Group A events, together with the reduced value to Pay TV providers of broadcast rights for Group B events, may mean that rights holders receive less income from broadcasters, once an event is listed. To the extent that television revenues form a significant part of the overall revenue for a sports governing body, and governing bodies invest these revenues in ‘grass roots’ sport, any reduction in these revenues could then impact negatively on the availability of funding for ‘grass roots’ sport.²⁷

This potential impact on the funding for grass roots sport is likely to be the major direct cost of listing events. Central to estimating the possible scale of this cost for individual sports is an understanding of the difference in the value of rights to Pay TV broadcasters and those that own qualifying channels (and ultimately, how proceeds for rights owners may differ when an event is listed). However, information on the sale of broadcast rights is often not publicly available (whilst the amount paid by the winning broadcaster is sometimes publicised, the amounts bid by other parties are typically considered to be commercially confidential). In the absence of complete information on the sale of broadcast rights we considered three questions to identify the potential cost to the sport concerned of listing events. These are as follows.

²⁶ This is explained in more detail above.

²⁷ There is no standard definition of ‘grass roots’. However, for the purposes of this report we consider that this would include club and developmental sports participation, and may differ by sport. We discuss this below.

1. Is there a direct link between the proceeds from the sale of UK broadcast rights and the revenues earned by the sport / event's governing body in the UK?

In many cases, UK broadcast rights are sold directly by the relevant UK governing body, with the revenue from these sales accruing to the UK body. This, for example, is the case with domestic events such as the FA Premier League or FA Cup Final. For these events there is a direct link, therefore, between the proceeds from the sale of the UK broadcast rights and the revenues earned by the UK governing body.

In other cases, particularly for international events, UK authorities may not own the broadcast rights under consideration. This is the case, for example, with international organizations such as the IAAF, FIFA and the IOC who ultimately own broadcast rights to the World Athletics Championships, Football World Cup and Olympic Games, respectively. In these cases, to establish the potential costs to UK sports of listing events it is necessary to consider the links between the international organisations and how any TV revenues are passed through to UK organisations.

2. Does the sale of rights to UK broadcasters form a significant part of the revenues earned by the governing body / rights holder in the UK?

The sale of broadcasting rights to UK broadcasters is likely to be a relatively more important revenue source for some sports than others. For those sports where these broadcasting rights are a significant source of revenue, the potential cost of listing an event may be relatively greater than for those sports that enjoy other major revenue sources.

3. Is there significant investment in the UK in the grass roots of the sport?

The final question concerns the extent of investment in UK grass roots sport. For those events where grass roots investment is relatively more important and for whom the sale of UK broadcasting rights is a major source of revenue, listing could potentially have a significant impact on funding for the grass roots.²⁸

2.3.1 Applying the framework to assess the potential cost of listing

In order to assess the potential cost of listing events we have reviewed publicly available financial information on each sport under consideration. For example, using annual reports and financial statements we have estimated the importance to each UK governing body of TV broadcast revenues (and if available, sponsorship revenues), together with the funding of the grass roots in that sport.

The detailed application of the framework will, however, also differ by sport. One area that may differ is the definition / concept of 'grass roots' funding in

²⁸ Where there is no investment in grass roots sport, the policy of (de-)listing the sport / event is likely to result only in a transfer of welfare between the rights owner (i.e., the governing body) and the rights holder (i.e., the broadcaster).

each sport. For example, in cricket the ECB (England & Wales Cricket Board) is a major source of finance for the first-class county game, with the counties being the major recipients of ECB revenue²⁹. It may therefore be reasonable to include funding for the county game in an assessment of the ECB's funding of the grass roots. In contrast in other sports, grass roots investment is likely to cover primarily amateur and mass participation activities.

Finally, it is important to note that the framework identified above can be used to illustrate the potential cost of listing. The actual cost of listing individual events will also depend on the actual proceeds from the sale of rights. For example, if Pay TV providers pay only marginally more for rights than a qualifying channel provider would have paid, the actual costs of listing will be limited. This is considered further in the box below.

Proceeds from the sale of sports rights

The cost from listing an event (in terms of reduced revenues for rights owners) will be zero if the proceeds from the sale of rights do not differ between the base case and the counterfactual scenarios. For example, listing events for which the value of broadcast rights to qualifying channels is higher than to Pay TV providers will not be constraining and hence the cost of listing is likely to be zero (in the absence of the list the event's rights would be sold to a qualifying channel). There may also be cases, however, where Pay TV providers do value events more than a qualifying channel but where the costs of listing remain limited.

In any auction, a bidder will be willing to pay up to his own valuation for the good or service in question (in this case, broadcast rights). Bidders will not, however, automatically bid a price equal to their own valuation. Rather, a bidder will know that he can win the auction by bidding only marginally more than the value attributed to the good / service by the bidder with the second highest valuation. As such, the difference between the value of the winning bid in an auction and that party's valuation for the good / service is likely to depend on the differences in the valuations of all bidders in the auction, together with the number of bidders in the auction.

For example, imagine two qualifying channels compete for the rights to broadcast live coverage of a listed event (given its listed status, we assume for now that no Pay TV providers compete for the rights), with exclusive rights sold to the bidder offering the highest financial bid in the auction. The first qualifying channel ("FTA1") values the rights at £100, whereas the second ("FTA2") values the rights at £50. In the auction, FTA2 will not be willing to pay more than £50 and hence the rights would be awarded to FTA1 for any amount paid above £50.³⁰ In the

²⁹ ECB Annual Report 2007, Financial Review (page 8)

³⁰ For example, in a multi-round auction, FTA2 would withdraw from the auction once the price exceeded its own valuation. In a single round auction, we assume that FTA1 would estimate its value for the rights and FTA2's likely value.

counterfactual scenario, the event is de-listed and a Pay TV provider also competes for the rights to the event. In this case, the Pay TV provider values the rights at £150. Assuming that the valuations of the qualifying channels do not change, the rights would be awarded to the Pay TV provider for a bid above £100.

For a second listed event, however, the valuations of the two qualifying channels are more aligned, with FTA1 valuing the broadcast rights at £100 and FTA2 at £99. In this case, the rights would be expected to be awarded in a multi-round auction to FTA1 for £100. Following the delisting of the event, assume that a Pay TV provider who values the broadcast rights at £150 enters the auction. To win the rights the Pay TV provider would have to pay marginally more than either of the qualifying channels would be prepared to pay. Assuming their valuations do not change, the rights could therefore be sold to the Pay TV provider for £101, because neither qualifying channel would be willing to pay more than £100. In this case, therefore, listing the event has almost no cost to the broadcast rights owner (as the proceeds under the base case and counterfactual scenarios do not vary significantly). In this case, listing would only impart a cost if a second Pay TV provider was also interested in the broadcast rights and valued them more than either of the qualifying channels. In this case, the winning provider would have to pay a price at least equal to the value of the Pay TV provider with the lower valuation. We would therefore generally expect listing to imply higher costs where there is more competition amongst Pay TV providers who value an event more than qualifying channels.

2.4 DATA SOURCES

This report has been prepared using publicly available information on the sale of viewing rights and the financial structure of individual sports. We have not, as part of this, sought additional information from either rights owners or broadcasters.

As described above, data on viewing figures for individual events have been provided by Futures Sport & Entertainment. This uses information originally collected by BARB. A description of the approach followed by Future Sports & Entertainment in the collation of these data is included in the report as Annexe 2. BARB viewing data do not, however, include estimates of the number of consumers watching events on commercial premises, such as in pubs or clubs. As such, it is likely that the viewing figure information provided in this report may understate the total number of consumers watching particular events.

All data and information used in the report is sourced fully in the following sections. However, in summary the other primary sources of information we have used in preparing this report are as follows:

- the annual reports and financial statements of sporting governing bodies (used, for example to collect information on the primary revenue sources for the governing bodies together with their activities in funding grass roots sport);

Analytical framework

- reports published by Ofcom on the UK Pay TV market, the consumer experience and the international communications market;
- third party media reports on the sale of broadcasting rights; and
- previously published literature on the economics of sport, specifically, *Handbook on the Economics of Sport* edited by Wladimir Andreff and Stefan Szymanski; and *The Economics of Sport Broadcasting*, Chris Gratton and Harry Arne Solberg.

3 The UK TV broadcasting market

The benefits from listing events will be closely linked to the development of the broadcasting market. For example, the greater is the penetration of Pay TV the lower may be the potential difference in viewing figures between qualifying channels and Pay TV. In this section of the report we therefore describe how the UK TV broadcasting market and in particular, how the penetration of Pay TV services, has changed since the last listing review was undertaken in 1998. We then also consider how potential future developments in the UK broadcast market may impact listing policy and in particular, the competition for broadcast rights.

3.1 THE TAKE UP OF PAY TV SERVICES HAS INCREASED

One of the primary ongoing developments in the UK broadcasting market is the growth of Pay TV services. Ofcom has reported that, in 2007, almost half of UK households took Pay TV services, up from just under 40% in 2002. The following figure, taken from Ofcom's second consultation in its Pay TV market investigation, illustrates the long term trend in the number of households accessing multi-channel platforms from their main TV set.

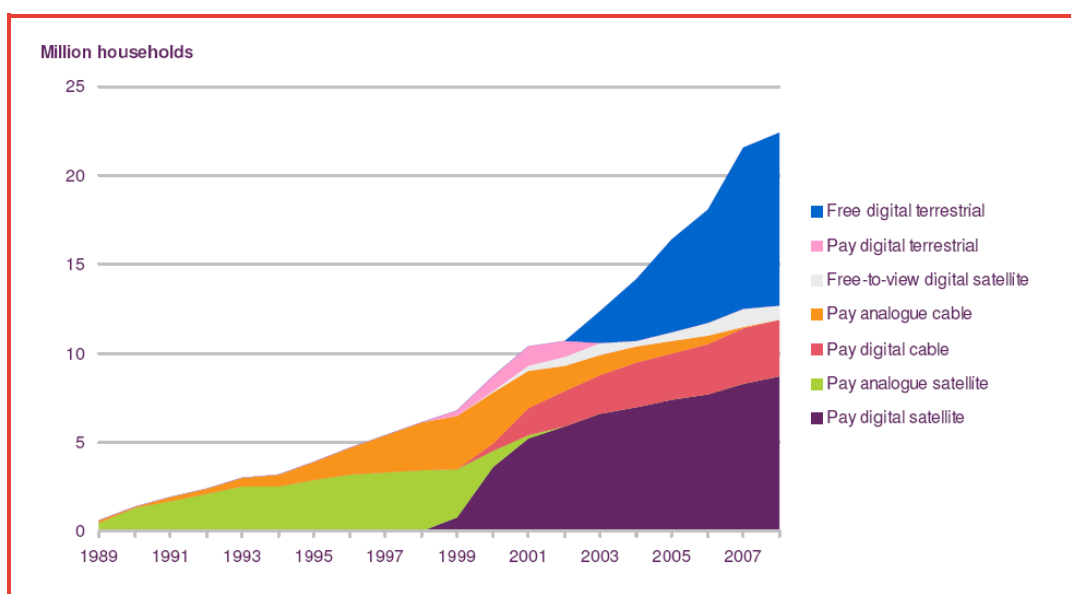


Figure 4: The penetration of multi-channel TV platforms in the UK, 1989 - 2008

Source: Ofcom, *Pay TV Second Consultation: Access to Premium Content, September 2008* (Figure 1, page 31)

As shown in Figure 4, only around 1 million households had access to multichannel TV platforms in 1989 (which, at the time, were only Pay TV platforms). By 1998, penetration had grown to in excess of 5 million households, the vast majority of which were taking Pay TV services via (analogue) satellite and cable platforms. By 2008, this figure had almost doubled again, with around 10 million households accessing multi-channel Pay TV platforms. In addition, since 2000, FTA digital terrestrial television (DTT) has been introduced, with

over 10 million other households now taking DTT services (Freeview). Although Freeview is a FTA service, viewers can also subscribe to additional ‘top-up’ channels.³¹

Despite the growth in the uptake of Pay TV services, the penetration of Pay TV in the UK currently lies below that in a number of other European markets. This is illustrated in Figure 5, below, which compares the penetration of Pay TV services in a number of jurisdictions, both for 2002 and for 2007.

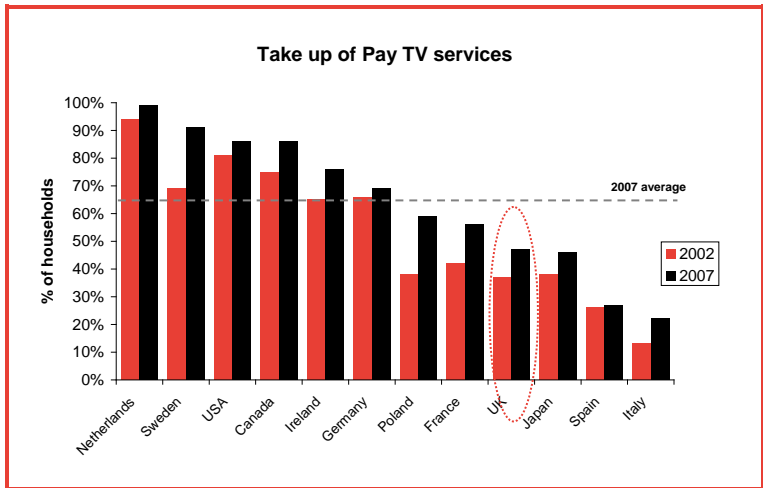


Figure 5: Comparative take up of Pay TV services

Source: Taken from Ofcom, "The International Communications Market 2008", Section 4 (Television), Figure 4.5

Over the five year period, however, penetration has grown more rapidly in the UK than a number of other markets. That is, starting from a relatively low base, the penetration of Pay TV services in the UK appears to be catching up with that in other markets.

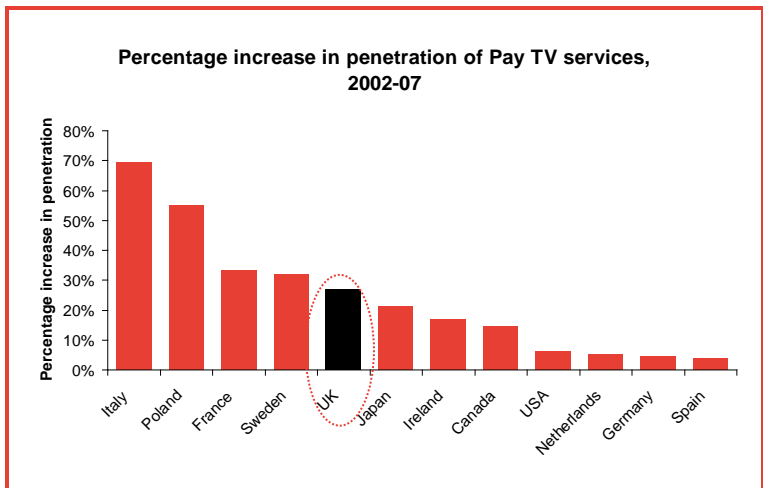


Figure 6: The increase in the take up of Pay TV services, 2002-07

Source: Frontier analysis

Latest published figures suggest that growth in the penetration of Pay TV services in the UK is continuing. For example, in its Digital Progress Report for

³¹ At the time of preparing this report, Sky Sports 1 is not a top-up channel on Freeview. Setanta Sports is, however.

Q3 2008, Ofcom estimates that there were 12.5 million digital Pay TV households in Q3 2008, up from 12.3 million the previous quarter.³² Digital satellite is currently the most widely available source of digital TV in the UK, with services reaching 98% of the population. By contrast, cable TV is available to around half the UK population.³³ Although DTT is not yet available throughout the UK, the analogue signal is due to be turned off by 2012, by which stage DTT services should be available throughout almost all the UK.

The growth in Pay TV and multichannel services has coincided with a fall in the collective audience share of the five main FTA channels in the UK. For example, in 1998, the five main channels – the current Qualifying Channels for listed events – accounted for a collective audience share of around 87%. By 2003, this had fallen to 76% and by 2007, 64%.³⁴

As shown in Figure 7, the collective audience share of the top five channels in the UK is now below that of the top five channels in a number of other European countries, including France, Spain and Italy.

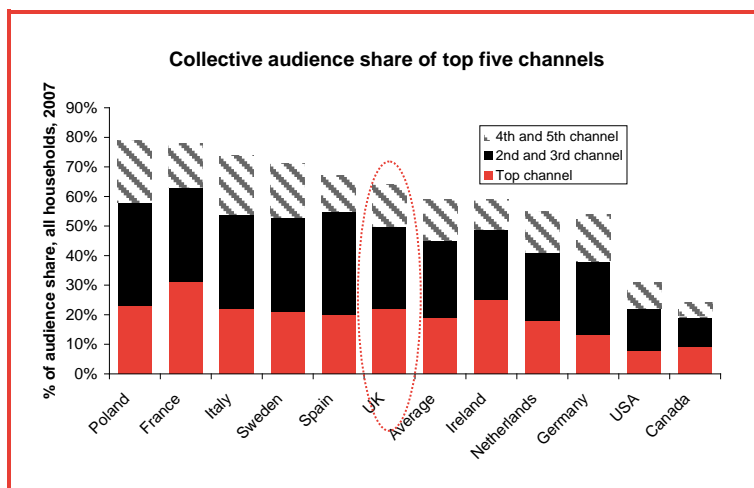


Figure 7: The collective audience share of the top five channels

Source: Taken from Ofcom, "The International Communications Market 2008", Section 4 (Television), Figure 4.43

3.2 TAKE-UP OF PAY TV SERVICES VARIES ACROSS CONSUMER GROUPS

Whilst the take-up of Pay TV services has increased in recent years, the pattern of take up differs across social groups, most notably between different age and income groups in society. This is illustrated in the three figures below, which, based on Ofcom's Communications Tracking Survey, show the proportion of respondents who take Pay TV services, split by:

- age group;

³² Ofcom, "The Communications Market: Digital Progress Report, Digital TV Q3 2008", Figure 1.

³³ Ofcom, "Pay TV Market Investigation Consultation", December 2007, Figure 22

³⁴ Figures for 1998 and 2003 taken from DCMS briefing paper, "Listed events – the changing broadcasting landscape" Collective audience share for 2007 taken from Ofcom, "The International Communications Market 2008", Section 4 (Television), Figure 4.43.

- socio-economic group; and
- income group.³⁵

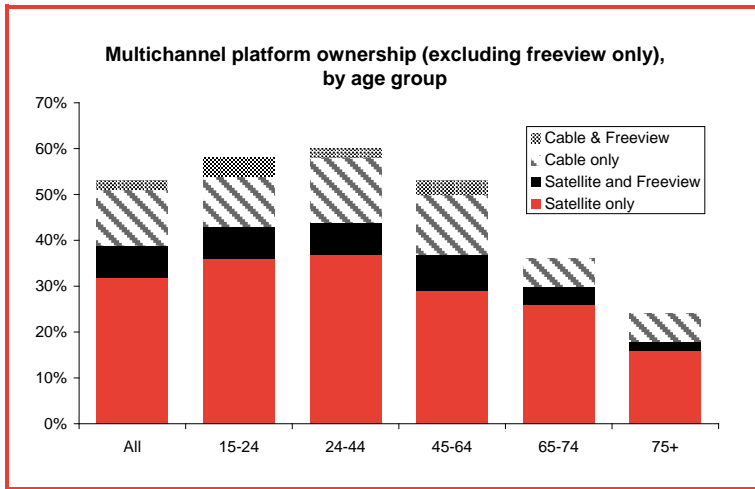


Figure 8: Pay TV multichannel platform ownership by age group, 2008

Source: Frontier analysis, adapted from Ofcom, "The Consumer Experience 2008" (published November 2008), Figure 54

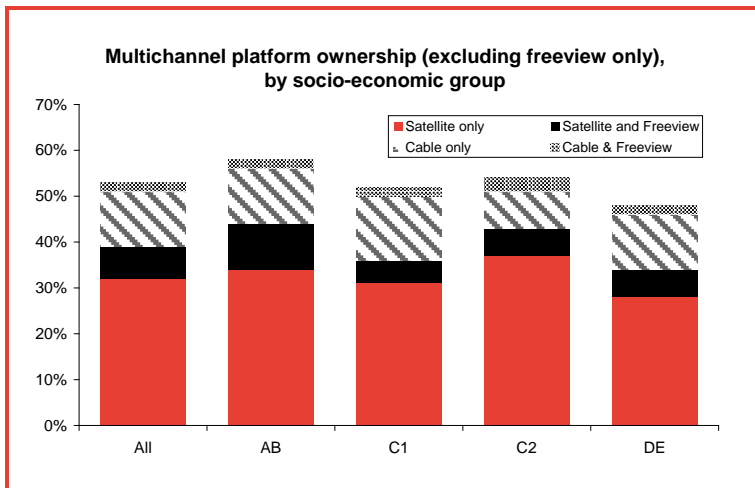


Figure 9: Pay TV multichannel platform ownership by socio-economic group, 2008

Source: Frontier analysis, adapted from Ofcom, "The Consumer Experience 2008" (published November 2008), Figure 55

³⁵ Ofcom's survey shows the trend in multichannel platform ownership and therefore also includes those consumers who take Freeview only. This has been excluded from the analysis presented in this report in order to focus on the proportions taking Pay TV.

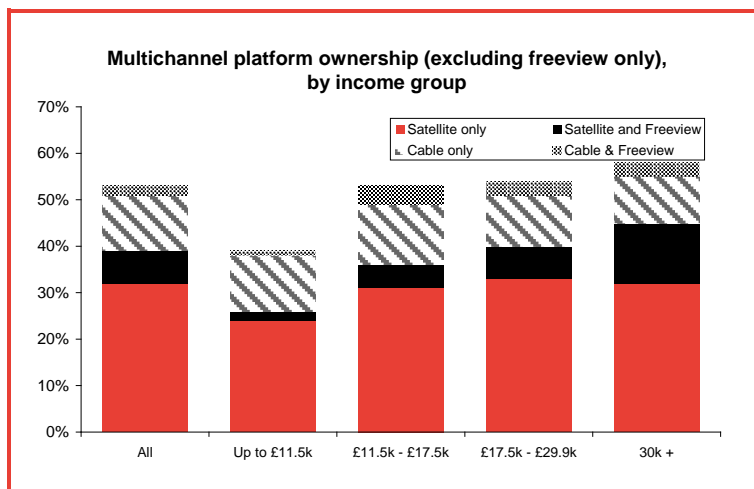


Figure 10: Pay TV multichannel platform ownership by income group, 2008

Source: Frontier analysis, adapted from Ofcom, "The Consumer Experience 2008" (published November 2008), Figure 56

According to these data, just over half the UK population has access to multi-channel TV via either a cable or satellite platform. The variation in take-up across social groups is relatively unpronounced. However, amongst older members of society (i.e., those 65+) and those on the lowest incomes (i.e., less than £11,500 per annum) take-up is considerably below 50%. For these groups, therefore, terrestrial (FTA) TV – the qualifying channels - is a relatively more important source of broadcast coverage.

3.3 IN THE UK, ARPU FOR PAY TV IS RELATIVELY HIGH

One of the factors that impact the penetration of Pay TV will be the price of Pay TV services. However, accurately comparing the price of Pay TV services across countries is made difficult by the differing characteristics of the services. Price is therefore often proxied through Average Revenue Per User (ARPU). This measure captures the average amount paid by subscribers for Pay TV services and thus takes into account both the quantity consumed (in this respect, the channel packages purchased by consumers) and the price for these packages.

The following chart, taken from Ofcom's review of international communications markets, compares the ARPU for Pay TV services in the UK and other major economies. It shows that in the UK, subscription TV ARPU was in 2007 higher than in all other countries, in the sample, excluding Italy.

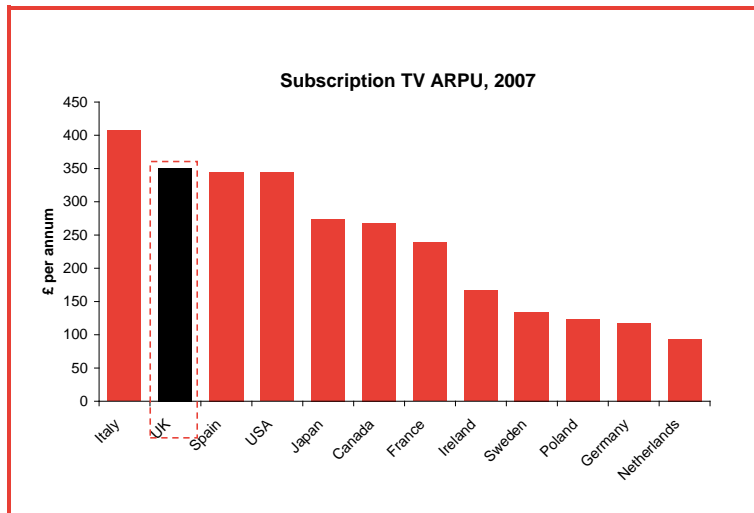


Figure 11: Pay TV ARPU, 2007

Source: Taken from Ofcom, "The International Communications Market 2008", Section 4 (Television), Figure 4.14

3.4 THE DEMAND FOR PAY TV PREMIUM SERVICES

Taking a Pay TV service is a necessary but not always sufficient condition to access coverage of major events shown by the Pay TV broadcasters. Rather, Pay TV services are often divided into 'basic' and 'premium' content. Basic content is provided to the viewer at no extra cost beyond the minimum monthly subscription, whereas premium content is only available at a higher subscription price or, in some instances, on an individual pay-per-view (PPV) basis. Currently, for example, Sky Sports is only available to UK viewers as part of a premium package. In assessing the addressable market for major (sporting) events shown on Pay TV (i.e., the maximum number of viewers able to watch the event), it is therefore important to consider not only the total number of households subscribing to Pay TV, but also the number who currently subscribe, or are willing to subscribe, to premium services.³⁶

Information collected by DCMS and circulated to the Review Panel states that around 40% of Sky customers subscribe only to its basic channel package (i.e., they do not pay for premium channels such as Sky Sports), compared to 75% of Virgin Media customers.³⁷ At the maximum, therefore, 60% of Sky customers and 25% of Virgin Media customers might subscribe to the premium sports channels showing much of the live event coverage on Pay TV. Given Ofcom's estimate that there were 12.5 million digital Pay TV households in Q3 2008 (of which 3.3 million were digital cable households and 8.8 million pay satellite households), this equates to a maximum of 6.1 million households who subscribe to premium channels.

³⁶ In reality, there is also a link between the willingness of consumers to pay for premium services and the additional content provided over premium channels. For example, the acquisition of Premiership football rights by Sky is often credited with driving the take-up of Sky services (and in particular, premium sports coverage).

³⁷ DCMS briefing paper, "Listed events – the changing broadcasting landscape?". Note, however, that these figures will also include consumers who only subscribe to premium movie channels.

3.5 IN THE UK, ADVERTISING ACCOUNTS FOR AROUND ONE-THIRD OF TV REVENUES

In general, revenue for TV broadcasters can come from three sources: public funding, advertising and subscription. The following chart compares the sources of TV revenue (per head of the population) in the UK and other major economies.

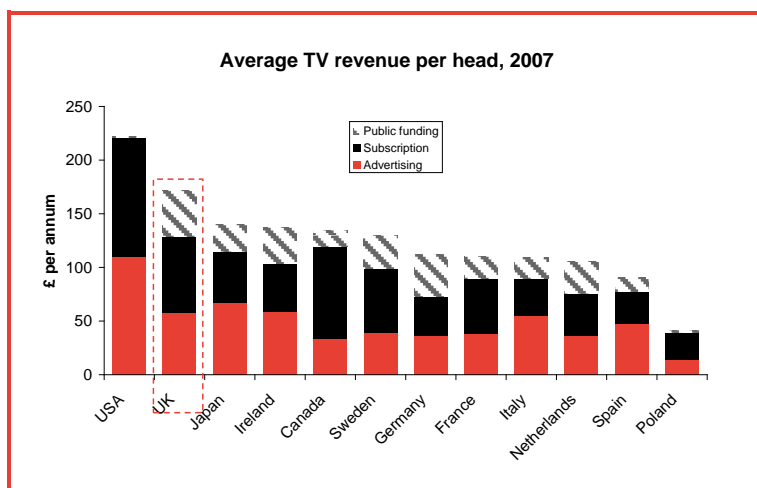


Figure 12: Average TV revenue per head, 2007

Source: Taken from Ofcom, "The International Communications Market 2008", Section 4 (Television), Figure 4.20

Overall, TV revenues per head are higher in the UK than in any other European country in the sample and second only to the US. In the UK, around 33% of revenues are from advertising, 40% from subscription and the remainder from public funding. Although all countries other than the US have relatively significant levels of public funding for public service broadcasting, many countries do not impose licence fees on viewers. For example, in the Netherlands, public service broadcasting is funded directly by government, whilst in Spain, funding is provided through a combination of advertising and government grants.

3.6 IMPLICATIONS OF THE CHANGING BROADCASTING MARKET FOR LISTING POLICY

From the analysis presented above, it is clear that the penetration of Pay TV (and multichannel TV more generally) has increased significantly since the last listing review. It also appears likely, that viewing figures for Pay TV channels have increased.³⁸ As the take-up of Pay TV further increases, it is likely, therefore, that the incremental viewing figures that arise from showing an event on the qualifying channels may be reduced, especially if, in the counterfactual, the event is not shown on a premium Pay TV channel or on PPV (where viewers in both

³⁸ Trends in viewing figures for events shown on Pay TV and FTA are assessed in Chapter 4 and Annex 1 of this report.

cases face additional costs to watch the event in question).³⁹ To the extent that the number of viewers of a listed event who may now also have access to non-qualifying channels to which the event might transfer has increased, this suggests that the benefits to listing events may be lower than at the time of previous reviews.

Further, as the switchover to DTT is completed in 2012, we can expect to see further growth in this platform. This could have a number of implications for listing policy and the costs and benefits arising from listing, although it is currently not yet clear which of these factors may dominate.

1. Firstly, a number of “basic channels” shown on all multichannel platforms will become available to more consumers and once access reaches 95% coverage, more channels will be recognised by Ofcom as “qualifying channels”, for the purposes of showing listed events. This could increase the attractiveness of qualifying channels for some governing bodies as it may increase the scheduling time available for the broadcasting of listed events.
2. Audience shares are likely to become increasingly fragmented and so advertising revenues for individual channels are likely to be impacted.
3. The continued up-take of Pay TV is likely to be driven primarily by the demand for access to specific premium content which cannot be accessed elsewhere, rather than simply a demand for more TV channels.⁴⁰
4. If the last two factors dominate, it may become relatively more important for Pay TV providers to win rights to premium content and, given the impact on advertising revenues for qualifying and non-qualifying FTA channels⁴¹, more difficult for these broadcasters to compete with Pay TV providers in the market for rights.

As a result, unless sports governing bodies have their own policies not to award exclusive rights to Pay TV providers, it is possible that Pay TV providers might, in the absence of a list of events, increase their portfolio of exclusive rights to premium content. So, whilst the number of consumers who may benefit from listing events may be lower than at the time of previous reviews (in terms purely of the incremental number of consumers who would be able to view the event), it is possible that a relaxation of listing policy (i.e., listing fewer events), will lead to a further transfer of premium content to Pay TV broadcasters.⁴²

³⁹ However, the extent to which this occurs is also likely to be driven by the nature of the content shown on Pay TV (i.e., the growth of Pay TV is itself linked to the exclusive Pay TV content).

⁴⁰ For cable, satellite and IPTV providers, demand may also be driven by the additional services bundled by the providers with Pay TV.

⁴¹ This excludes the BBC as they do not receive any advertising revenue.

⁴² This analysis does not take into account the possibility that existing Pay TV subscribers may discontinue their subscriptions if events currently shown exclusively on Pay TV were added to the list and hence coverage likely moved to FTA TV. DCMS may wish to consider undertaking market research to consider further the extent to which consumers may discontinue subscriptions in these circumstances.

In addition, in the shorter term, the reduction in advertising revenues associated with the current economic climate could reduce the value of rights to FTA providers and hence the amounts they may be prepared to pay for rights. As advertising revenues form only one source of revenue for Pay TV providers any reduction in advertising revenues may affect these providers less.

4 The impact of listing events

In this section of the report we apply the analytical framework presented above to a number of case studies, analysing in each case the potential costs and benefits from a change in the current status of the event (i.e., the costs and benefits of a non-listed event being added to the list, or the costs and benefits of removing an event from the list).

We have selected four case studies on the basis of availability of information to make an assessment, and the lessons from listing in other countries. Specifically, the four case studies we address in this section assess the costs and benefits of:

- Adding England's home cricket tests to the Group A list of events – Given the recent switch between TV channels broadcasting these games, it has been possible to consider data on the impact of this switch on TV viewing. In addition, the broadcasting of England's home tests has received considerable media attention in recent years;
- Listing in Group A only certain games in the Football World Cup Finals – In the UK there are no events where only home national games are included in Group A. We therefore consider the potential costs and benefits of this with reference to the FIFA World Cup finals. We note, however, that the practicalities of such a listing policy may need to be considered further;
- Amending the listed status of Home Nation games in Rugby Union's Six Nations Championships – As with England's home cricket tests, some six nations coverage has switched between qualifying and non-qualifying channels; and
- Amending the listed status of the World Athletics Championships – In particular, here we assess the potential costs and benefits of listing an event in a sport on other events/competitions in the same sport.

In each case, we consider the available information on the viewing figures for the event in question, together with the funding structures of the sport / event, to assess the potential impact of changing the current listed status of the event on both consumers and the funding of grass roots sport. Further case studies are presented in an annexe to the report.

It is not, however, the purpose of this report to conclude whether these – or other – events should be listed by the Government. Therefore, whilst we consider the costs and benefits of the Government's listing policy for each event, we do not draw inferences from this regarding whether these events should be listed.

4.1 LISTING ENGLAND'S HOME CRICKET TESTS

In 1998 England's home cricket tests were placed in Group B. In practice, this meant that live coverage of home tests could be shown on Pay TV exclusively, so long as adequate provision had been made for secondary (highlight or deferred)

coverage on a FTA (qualifying channel) or if Ofcom otherwise consents. For a number of years up to (and including) 2005, live coverage was shared between the qualifying channels and Pay TV channels, with Sky Sports showing exclusive live coverage of the second test of each summer and Channel 4 showing live coverage of all England's other home tests. Since 2006, however, all England's home tests have been shown exclusively live on Pay TV.

4.1.1 The benefits of listing England's home cricket tests – viewing figures for tests on FTA and Pay TV

We have assessed the potential consumer benefit that could result from adding England's home test matches to the Group A list (and hence, in our analytical framework, increasing the likelihood of live coverage on a FTA qualifying channel) through an analysis of viewing figures for test match cricket in England since 2000.

Based on average viewing figures for live coverage of each test match, Figure 13 below compares both the average number of viewers for test matches in each year and for the period 2000-05, the average viewing figure for the test shown on Sky Sports compared to all other tests that year. This shows that:

- between 2000 and 2005, live coverage on qualifying channels of test matches in England attracted an average audience of 1.2 million viewers;
- the audience for the qualifying channels peaked during the 2005 Ashes series, with an average audience for Ashes tests of 2.2 million (peaking at 2.7 million for the final test);
- between 2000 and 2008, live Pay TV coverage of test matches in England attracted an average audience of 0.25 million viewers; and
- since live coverage of all tests in England switched to Pay TV, viewing figures for Pay TV have increased slightly, peaking at around 0.36 million for some tests in 2008.

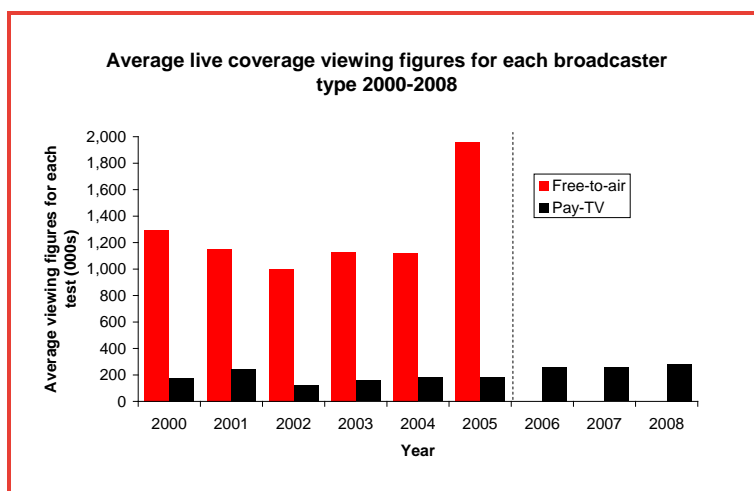


Figure 13: Average viewing figures for live test match cricket in England, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The above data suggest, therefore, that there has been a material reduction in the number of people watching live coverage of tests in England since the live rights

were sold exclusively to Pay TV providers. For example, average viewing figures for those tests shown on Sky during the period 2000-08 were around 1/5th of the average viewing figures for those tests shown on qualifying channels in the same period. Including cricket in the Group A list could therefore be expected to benefit consumers who watched live test match cricket when it was shown on a qualifying channel, but who have since stopped watching live coverage. In Annexe 2, we provide an indicative monetary estimate of the maximum value of the increases that could arise from listing these games.

We have also collected viewing figure information for highlights of test matches played in England shown on qualifying channels. Given the decline in viewing figures for live coverage when this is shown on Pay TV, we would expect average viewing figures for highlights programmes on the qualifying channels to increase for those tests shown live on Pay TV. However, as is shown in Figure 14, below, this is not conclusively the case. Whilst in the period 2000-03, highlights programmes for those tests not shown live on qualifying channels attracted relatively greater audiences, it is not clear that this pattern remained across the whole period. This could be driven, however, by a number of factors affecting the popularity of the highlights programme, including:

- the timing of the highlights programme;
- the popularity of England's opponents;
- the closeness of the match in question; and
- the wider media coverage of the match.⁴³

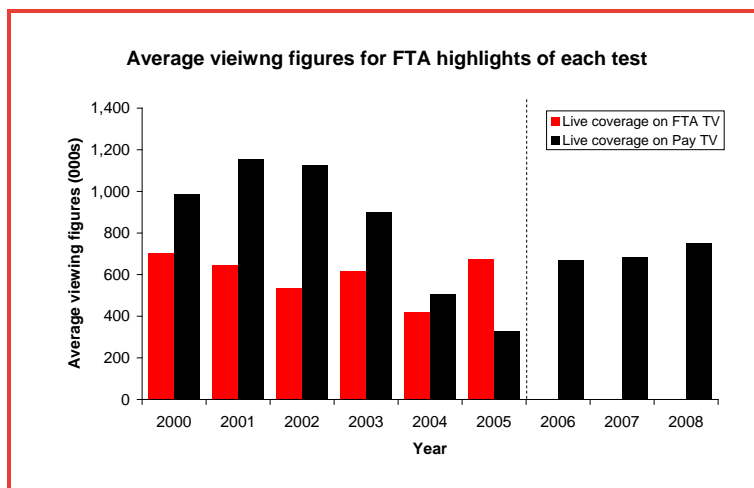


Figure 14: Average viewing figures for highlights coverage of England's home tests, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

⁴³ For example in 2005, the average audience for FTA highlights was lower for the test broadcast on Sky than for those broadcast on Channel 4. However, the test match shown on Sky (England – Bangladesh) would have received less media coverage more generally than the subsequent Ashes tests.

4.1.2 The potential costs of listing - the impact on ECB revenues and grass roots funding

Cricket in England is governed by the England and Wales Cricket Board (ECB). The ECB is also responsible for selling broadcast rights to cricket in England, with the proceeds from these broadcast rights forming one part of the ECB's revenues. Should listing England's home test matches in Group A reduce the potential proceeds from these rights sales, this could create a cost for the ECB. In the remainder of this section we use publicly available information to assess this potential cost and any possible impact on the funding available for grass roots investment in cricket.

ECB revenue and expenditure

In 2007 (the last financial year for which data are available), ECB revenues totalled £93 million, up from £77 million in 2006. We understand that the sale of broadcast rights forms a key part of the ECB's revenues, alongside ticketing revenues from major games. Broadcasting revenues include both the sale of rights to UK broadcasters (TV and radio) and to international broadcasters who wish to broadcast English cricket. The ECB's accounts do not, however, provide details on the proportion of overall ECB income accruing from each source. The ECB does though state in its 2007 annual report that broadcasting agreements, "underpin the financial security of the Board in the medium term", with an increase in revenue from Sky in 2007 considered to be one of the key factors driving the ECB's higher turnover in 2007.⁴⁴

Total ECB expenditure in 2007 was around £86 million, an increase from £71 million in 2006. Its major items of expenditure in 2007 were as follows:

- fee payments to the First Class Counties;
- costs associated with the England national team;
- costs associated with cricket in the community; and
- governance costs.

In 2007, payments to the First Class Counties accounted for just over 1/3rd of total ECB expenditure (£31.6 million). In addition, the ECB spent a further £4.6 million on the First Class game, including the costs of employing umpires and temporary floodlights for some matches.

ECB expenditure on community cricket (e.g., recreational cricket) totalled around £10.2 million in 2007, an increase of 13% from 2005. Much of this investment is made through the England and Wales Cricket Trust, a wholly owned charitable trust of the ECB. For example, in 2007 the ECB launched a scheme called 'One Game', which aims to widen the appeal of cricket amongst all communities in the UK.

⁴⁴ ECB Annual Report 2007, Financial Review (page 8)

Proceeds from the sale of rights

The broadcast rights to cricket in England are sold periodically by the ECB. Most recently, the TV rights for the period 2010-13 were sold exclusively to Sky, for a fee reported to have been around £300 million.⁴⁵

The result of the sale of the rights to cover England's home test matches during the period 2006-09 represented the first time that none of England's home tests had been shown on a qualifying channel. We understand that for this period, both Sky and Channel 4 bid for rights to show England's test matches, although all test match rights were awarded to Sky (with highlights coverage on Five). According to Ofcom's Pay TV investigation (Annex 10), Sky paid around £208 million for all the rights, whereas Channel 4 and Sky joint bids (to continue the arrangements which had been in place up to and including 2005) totalled around £117 million.⁴⁶ On an annualised basis, therefore, the ECB's revenues from TV broadcasting would, under the joint Channel 4 / Sky bid, have been around £22 million per annum lower for each of the four years of the contract (equivalent to a 25% reduction compared to actual 2007 turnover).

The potential impact of listing on grass roots funding

Proceeds from the sale of broadcast rights are a significant source of revenue for the ECB. A significant decline in these revenues (without a compensating increase in revenues from other sources) could, therefore, impact the ECB's ability to continue to fund both First Class and recreational cricket at its current level. For example, we understand that the ECB argued that accepting the joint Channel 4 / Sky bid for the period 2006-09 would have resulted in a 40% cut in funding for First Class and recreational cricket. Based on the ECB's actual annual expenditure in 2007 on First Class and recreational cricket, this would equate to a reduction in funding, from the 2007 level of £56.4 million to around £34 million.

Sponsorship could provide one possible source of 'compensating revenue' for the ECB, were England's home test matches shown on qualifying channels. For example, some other sports governing bodies (such as UK Athletics) consider that the wide availability of TV coverage enhances the value of possible sponsorship deals. We do not, however, have any information on the value of sponsorship revenues to the ECB and therefore it is not possible to conclude how important such revenues are to the ECB. We would expect, however, that when setting its broadcast policy, the ECB is likely to consider the potential impact of broadcasting on sponsorship.

⁴⁵ Source: Press reports. Note this includes one-day and Twenty20 internationals, as well as some domestic (First Class) cricket. Figures on how much Sky paid for individual packages (e.g., the test matches, excluding limited over and domestic cricket) are not publicly available.

⁴⁶ Source: *Ofcom Pay TV investigation, Annex 10*. According to the Ofcom investigation, Channel 4 bid £45million to cover the majority of Summer Tests and Sky £72million for the remaining fixtures.

4.1.3 Conclusion – listing policy and cricket

The analysis presented above suggests including England's home test matches in the Group A list (and hence ensuring, to the extent possible, live coverage on qualifying channels) could lead to significant benefits to consumers. However, by potentially reducing the proceeds accruing to the ECB from the sale of media rights, such a policy could also adversely impact the ECB's ability to continue current levels of funding for financing First Class and recreational cricket.

The overall impact of listing is also likely to depend on a number of other factors, which it has not been possible to assess fully in this report. In reaching its recommendation, the Review Panel may therefore wish to also consider some or all of the following factors:

- **The impact of grass roots funding on participation.** The ECB, in its 2007 Annual Report, suggests that participation in club and school cricket increased by 27% during 2006-07. Further, the ECB appears to link this specifically to its investment in grass roots (i.e., recreational) cricket. As described further in Section 5 of this report, the reported increase in participation is not reflected in a survey of participation undertaken by DCMS (The Taking Part Survey). As the definition of participation in the two surveys differs, these results could still be consistent. This is an area where further (primary or secondary) research may be useful.
- **The impact of TV coverage switching to Pay TV on radio listening figures.** England's test matches are also broadcast live via BBC Radio. Whilst not covered in this report, further research could be undertaken to assess whether any former TV viewers of test match cricket have now switched to listening to radio coverage only. Such research could identify whether radio listening figures react to changes in TV coverage, although would not by itself identify whether radio listeners considered radio to be an adequate substitute for TV coverage.⁴⁷
- **The funding structure of domestic cricket.** As we set out above, the ECB directs a considerable proportion of its funding to domestic First Class cricket. Indeed, unlike some other sports, we understand that ECB revenues form a significant part of the revenue base for some First Class Counties. For example, in the year ending 30th September 2008, approximately 50% of Worcestershire County Cricket Club's revenues came from the ECB.⁴⁸ In some other sports grass roots funding may focus on promoting recreational activities, rather than supporting financially the top-tier of the domestic game. However, given the importance of the First Class County game to

⁴⁷ If former TV viewers (i.e., those who watched test cricket when it was broadcast live on FTA) who have switched to radio consider radio an adequate substitute for TV, the potential consumer benefits from listing England test matches could be reduced. Note, however, that due to the way in which radio listening data is collected and recorded, it may not be possible to identify accurately the total audience for Test Match Special.

⁴⁸ Source: Worcestershire County Cricket Club, Annual Report – 2008 Season

international performance, it may be reasonable to also consider this funding to be part of the ECB's investment in 'grass roots'.

- **The value of rights to particular forms of cricket.** International – and domestic – cricket has changed significantly in recent years. In particular, a greater amount of one-day cricket is now played, whilst Twenty20 cricket has also attracted considerable interest and coverage. In order to understand the potential impact on the ECB's revenues of listing one form of cricket (in this case England's home test matches), it would be important to examine the relative values placed by broadcasters on each type of cricket / each cricket competition.

4.2 LISTING POLICY FOR THE FIFA WORLD CUP FINALS

The Finals Tournament is currently listed as a Group A event. As described in Section 6, the UK is one of only two European countries to include the whole of the World Cup Finals on its list of events. In contrast, other European countries typically list games involving their national side, the later stages of the tournament and sometimes the opening game.

4.2.1 Background

FIFA is the international governing body for football and owns the broadcasting rights to the World Cup Finals. FIFA sell these rights to broadcasters in groups of two or three tournaments. For the 2002 and 2006 tournaments, FIFA sold all of the broadcasting rights to an intermediary, Kirch Media, who then sold the rights on to broadcasters. For the 2010 (South Africa) and 2014 (Brazil) tournaments, the broadcasting rights were sold directly by FIFA. BBC and ITV, who have tended to share the rights to the FIFA World Cup finals, are the current UK rights holders for these tournaments, paying in a joint bid £110m for each tournament.

4.2.2 The potential benefits of listing the FIFA World Cup finals tournament – average viewing figures

To assess the potential benefits of listing the FIFA World Cup finals tournament, we have collected average viewing figures for each of the last two tournaments (i.e. 2002 and 2006). These data cover all matches in each tournament and identify the teams playing in each game.

As shown below, parts of the World Cup typically attract larger audiences than the majority of Group A events (as shown above in Section 1.1). However, the average audiences differ significantly across a whole tournament. For example, Figure 12 shows at each stage of the tournament the average viewing figures for live coverage on BBC and ITV. This shows that the highest average audiences are for Home Nation games and the World Cup Final itself.

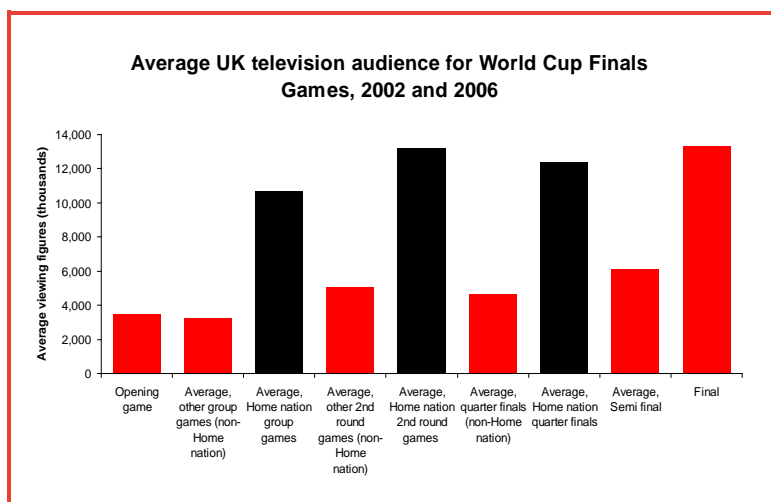


Figure 15: Average UK viewing figures for live coverage of the FIFA World Cup 2002 AND 2006

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

Some Home Nation games have actually attracted audiences considerably higher than those averages shown above. For example, England against Argentina in the 1998 World Cup drew an audience of 23.78 million. Conversely, some other matches, particularly in the early stages of the tournament, attract relatively low audiences. For example, Australia vs. Japan, Spain vs. Ukraine and Argentina vs. Serbia in the 2006 World Cup all attracted audiences below 2 million.

4.2.3 The potential costs of listing the FIFA World Cup finals tournament – structure and funding of FIFA

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK of TV broadcast revenues and the level of grass roots investment in the sport in the UK.

As the World Cup is an international tournament, the broadcasting rights are owned by FIFA and not the national Football Associations. As such, the Home Nation Football Associations do not directly receive any fees paid by UK broadcasters for the rights to show the World Cup finals tournament. Instead, this money accrues to FIFA (although as noted above, FIFA may sell rights via an intermediary.)

Broadcasting rights are, however, an important source of revenue for FIFA, as shown in Figure 13. In 2007, event income accounted for 89% (\$787m) of FIFA revenue, with \$520m of this coming from the sale of TV broadcasting rights to the 2010 FIFA World Cup.

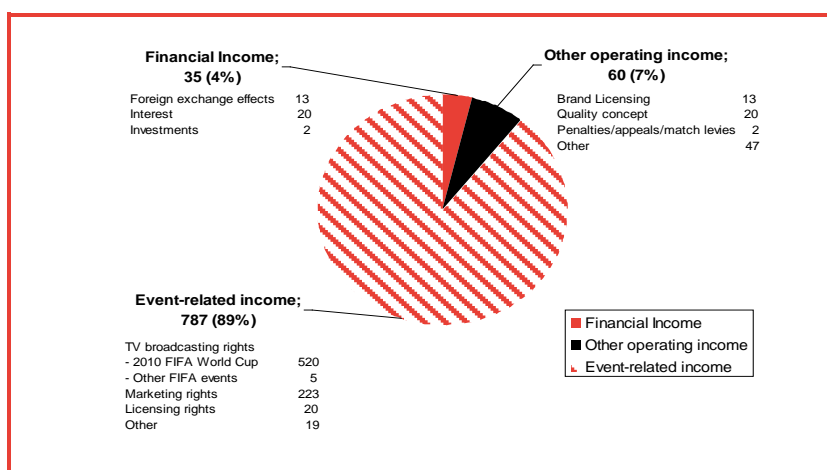


Figure 16: FIFA 2007 revenue split

Source: FIFA 2007 financial report

Table 3 shows that in 2007 over half of the revenues from World Cup television broadcasting rights came from Europe.

in USD	2007	2008
Europe	292,443	154,815
Asia and North Africa	86,000	0
South and Central America	80,100	0
North America and the Caribbean	53,252	0
Rest of the World	8,166	182,186
Total	519,961	337,001

Table 4: Revenue from television broadcasting rights - FIFA World Cup

Source: FIFA's 2007 financial report

N.B. comparison between years is difficult as previously sold in three packages (Europe, USA and Rest of the World)

Over half (58%) of FIFA's revenue from the 2006 World Cup Finals came from the sale of broadcasting rights. The sale of marketing rights accounted for a further 25% of revenues, with the remaining revenues coming from the sale of VIP packages, product licensing, ticketing and FIFA's share of the profit made by the 2006 World Cup.

As explained previously, listing an event can impact the grassroots funding of a sport if the revenues of the governing body are reduced as a result. It is not clear, however, how much (if any) of FIFA's revenues are invested in grassroots football in the UK. Based on publicly available information it has not been possible to directly attribute revenues from the sale of broadcasting rights in the UK, to FIFA's grassroots investment and, therefore, to assess the potential costs of listing the World Cup. In 2007, \$154m (19%) of FIFA's expenses were development related although it is not clear from publicly available information whether some of this was invested in the UK.

4.2.4 The potential costs of listing the FIFA World Cup finals tournament – the potential impact of changing its listing status

The impact of delisting the World Cup will depend on both the interest of the Pay-TV providers in exclusive broadcasting rights, the broadcast policy of FIFA and the proportion of FIFA's investments that occur in the UK. For example, if Pay-TV providers are not interested in gaining exclusive rights, then there will be no impact from delisting the tournament.

Further, it is notable that in some other countries (such as Germany) where only certain games are listed, broadcast rights for the remainder of the tournament have not been sold to Pay TV providers. Although the structure of Pay and FTA TV markets differ between countries, this suggests that a policy of listing only certain games may not lead to all other games 'automatically' being broadcast on Pay TV channels, potentially because Pay TV providers may not value the non-listed games significantly more than FTA providers. Even if some of these games did switch to Pay TV, the relatively low viewing figures for these may mean that any reductions in consumer welfare from de-listing are relatively limited, especially against a counterfactual of delisting the entire tournament.

4.3 LISTING POLICY FOR THE SIX NATIONS CHAMPIONSHIP

Home Nation games in the Six Nations Championship are currently listed in Group B.

4.3.1 Background

Although the Six Nations Committee sells the rights to the Championship on behalf of the six member nations⁴⁹, the ultimate ownership of the rights to Home Nation matches lies with the Rugby Football Union of each member nation.

Despite only being a Group B listed event, the whole Six Nations Championship is currently broadcast on qualifying channels. Historically in the UK, the BBC and S4C have held the broadcasting rights to the event and are also the current rights holders until 2013. Additionally, Setanta will be broadcasting highlights until 2013. This has not, however, always been the case. In 1999, England's Rugby Football Union (RFU) broke away from the Six Nations Committee and made a deal with Sky for the rights to England home games for the period up to 2001. This deal was not repeated, however, with the RFU agreeing that all future deals would be negotiated collectively.

⁴⁹ The broadcasting rights are sold as a single package (live and highlights together.)

4.3.2 The potential benefits of listing the Six Nations Championship – average viewing figures

To assess the potential benefits of listing the Six Nations Championship, we have collected average viewing figures for every Six Nations match over the period 2000-2008 for each Home Nation. This data is also split into FTA and Pay-TV coverage.

Figures 14 and 15, below, show the average UK viewing figures for live coverage of England's and Scotland's Six Nations matches, split between FTA⁵⁰ and Pay-TV. We can see that across the whole period, on average, Six Nations matches have commanded in each nation relatively large television audiences, especially compared to some other listed events. Since 2002, the average audience for England's Six Nations matches has been 5.3 million, and for the same period, average audiences for Scotland's matches has been 3.6 million; Wales, 3.8 million and Ireland⁵¹, 3.6 million. In comparison, those England games shown only on Sky (in the early part of the decade) attracted audiences of only around 0.5 million.

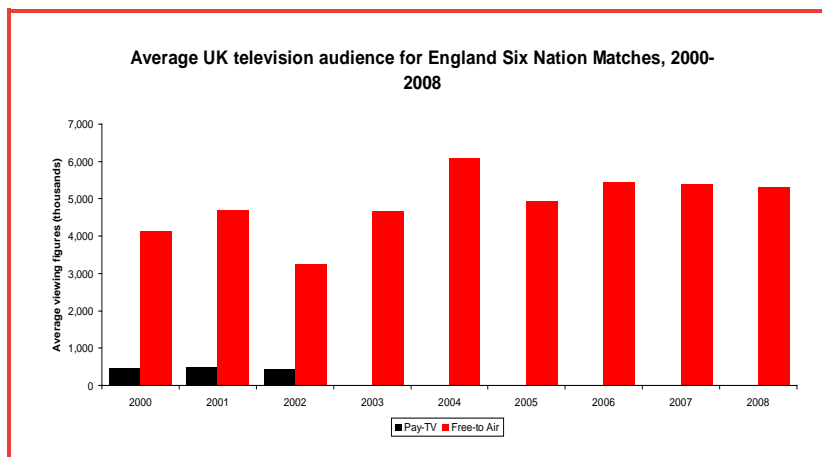


Figure 17:
Average UK
viewing figures for
live coverage of
England's Six
Nations matches

Source: Frontier and
Futures Sport &
Entertainment
analysis, based on
BARB data

⁵⁰ This includes FTA coverage on the BBC (a qualifying channel) and S4C (a non-qualifying channel.)

⁵¹ Ireland's Six Nations team includes both Northern Ireland and the Republic of Ireland.

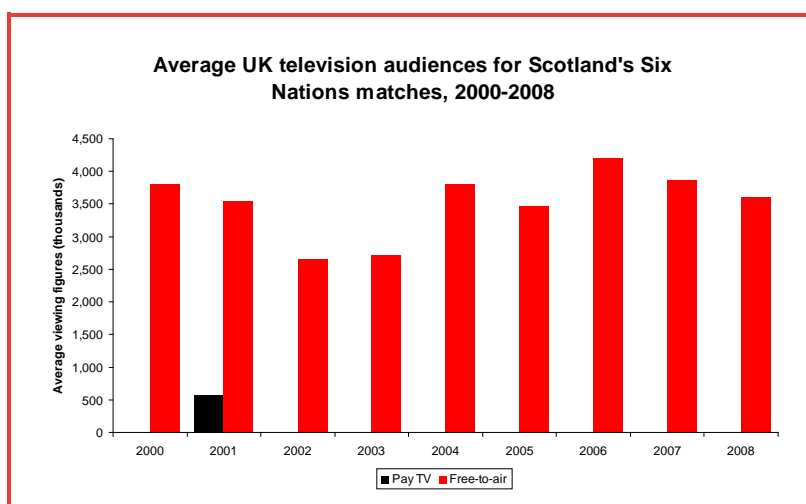


Figure 18: Average UK viewing figures for live coverage of Scotland's Six Nations matches

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

For England and Scotland, matches against other home nations typically attract the highest viewing figures. For example, England against Scotland in the 2004 Championship and England against Ireland in the 2007 Championship both attracted audiences of around 7 million.

4.3.3 The potential costs of listing the Six Nations Championship – structure and funding of the National Rugby Unions

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK of TV broadcast revenues and the level of grass roots investment in the sport in the UK.

As the broadcasting rights to the Six Nations Championships are ultimately owned by the National Rugby Unions, they will receive any fees paid by UK broadcasters for the rights to show the Six Nations. Should the proceeds from the sale of TV rights in the UK increase, therefore (in the event, for example, that the rights owners sold the broadcasting rights to Pay-TV), the increased proceeds would result in increased revenue for the national Rugby Unions.

Whilst a significant revenue source, broadcasting, is not, however, the major source of revenue for most of the National Rugby Unions. As shown in figure 16, the (English) RFU received 22% (£21.4m) of their income from the sale of broadcasting rights in 2008. Their main source of revenue in this period was Hospitality and Catering.

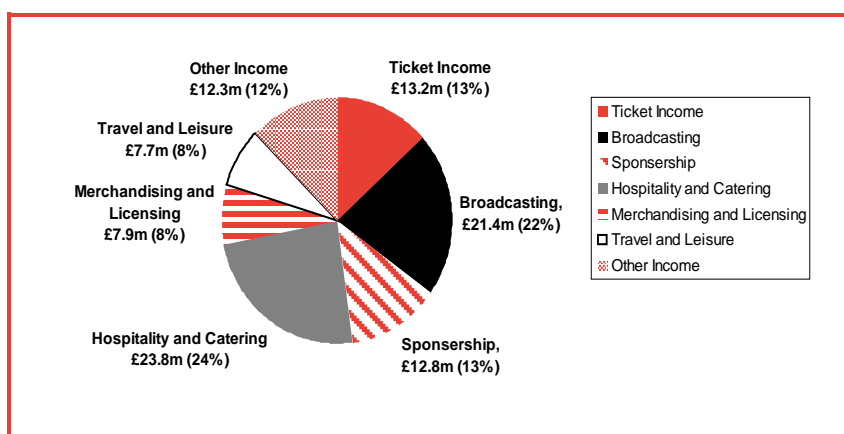


Figure 19: RFU 2008 revenue split

Source: RFU 2008 Financial Report

In the same year the SRU (Scottish Rugby Union) received 19% (£5.5m) of their income from the sale of broadcasting rights, with their main revenue source being ticket sales. This is also the case with the WRU (Welsh Rugby Union) who received £27.3m (55%) of their revenues in 2008 as match income (£16.9m of which was from the Six Nations Championship.)

Each home nation Rugby Union provides significant investment in grassroots. For example, the RFU invested £16.2 million in Community Rugby in 2008, with £0.6 million of this going into the RFU's *Go Play Rugby* campaign, which ran in conjunction with the 2007 Rugby World Cup. The initial target of this campaign, which according to the RFU has been surpassed, was to win back 6,000 former participants in Rugby Union. In the same year, the SRU invested £2.8m into Community and Performance Rugby and the WRU invested £4.6m into Community Rugby through programmes and allocations to affiliates.

4.3.4 The potential costs of listing the Six Nations Championship – the potential impact of changing its listing status

As described above, the Six Nations Championship is currently shown live on a qualifying channel. Given that the Championship is only a Group B listed event, this suggests that listing does not currently constrain the behaviour of either the broadcasters or rights owners (i.e., National Rugby Unions have not taken the opportunity to sell exclusive live rights to a Pay TV provider). Changing the listed status of the event may not, therefore at the moment result in any costs (or benefits) to any party. It is unclear, however, whether this situation could change in the future and hence whether a change in listing policy could become a behavioural constraint on the rights owners.

4.4 LISTING POLICY FOR THE WORLD ATHLETICS CHAMPIONSHIP

The IAAF World Athletics Championship, which takes place every two years, is currently listed as a Group B event. Although athletics form part of other listed events (namely the Summer Olympic and Commonwealth Games), the World Championship is the only specifically athletics event which is listed.

4.4.1 Background

Broadcast rights for the World Athletics Championships

Despite only being a Group B event, the World Championship is currently broadcast on qualifying channels (BBC1 and BBC2), as well as a Pay TV channel. We are not aware of any of the previous World Athletics Championships having not been broadcast on qualifying channels.

The broadcast rights to the World Championships are owned ultimately by the IAAF, the international federation that governs athletics. The IAAF then sells the rights to broadcast the Championships, either to individual organisations or to media agencies (including the European Broadcasting Union), who then sell the rights on to broadcasters in individual countries. At the time of preparing this report, no public information was available regarding the competition for these rights among UK broadcasters, or the amounts paid by the BBC for the rights to carry live coverage of the Championships.

Broadcasting of other athletics events in the UK

In addition to broadcasting the World Championships, the BBC has also the rights to televise events organised by UK Athletics, the governing body for athletics in the UK. This includes, for example, coverage of the UK Championships and trials, Grand Prix events held in the UK and certain indoor events.

According to media reports, BBC and UK Athletics agreed recently a new contract for the BBC to continue to provide domestic athletics coverage until 2014. Although the value of the deal has not been made public, it is reputed to be worth ‘several million pounds’ to UK Athletics. Further, we understand that BBC faced competition for the rights from one other terrestrial (qualifying channel) broadcaster.⁵² We are not aware whether any Pay TV broadcasters bid for the rights.

4.4.2 The potential benefits of listing the World Athletics Championships – average viewing figures

To assess the potential benefits of listing the World Athletics Championship, we have collected average viewing figures for each of the last four World Championships (i.e., 2001, 03, 05 and 07), together with average viewing figures for other athletics events broadcast on qualifying channels and Pay TV.

Figure 20, below, shows the average viewing figures for each World Championship, split between coverage on BBC1, BBC2 and Eurosport. According to these data, the average audience on qualifying channels for the World Championship peaked in 2005, at around 3 million viewers (for BBC1

⁵² See, for example, <http://www.telegraph.co.uk/sport/othersports/athletics/3551602/BBC-deal-softens-London-2012-funding-blow-for-UK-Athletics-Athletics.html>

coverage).⁵³ Whilst relatively lower than the average audiences for the majority of Group A events (as shown above in Section 1.1), the World Championships typically attract larger audiences than some other listed events, including the Challenge Cup Final and England's home cricket test matches (when these were shown on a qualifying channel). Further, given the nature of the World Championships (which last for a number of days and can include significant amounts of day-time coverage), these average viewing figures may significantly understate the peak audiences for particular events.

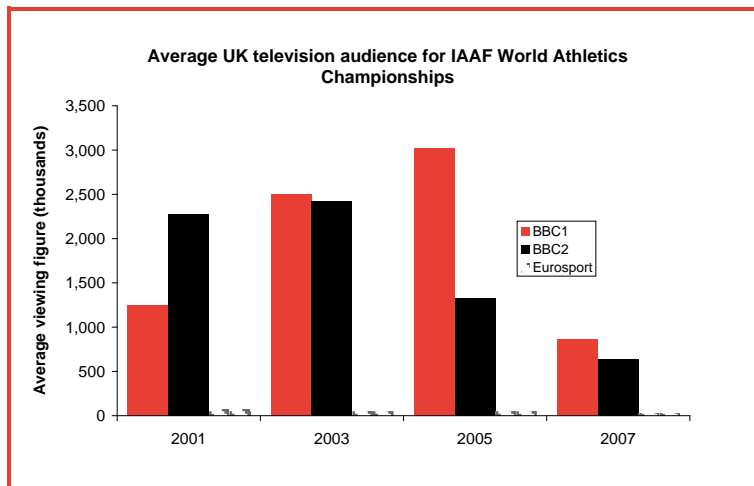


Figure 20: Average UK viewing figures for live coverage of the World Athletics Championships, 2001-07

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The following chart shows average viewing figures for other athletics events shown live on qualifying channels during the period 2000-08. This shows average audiences for live athletics events in each year of around 2 million for coverage on BBC1 and 1.5 million for coverage on BBC2. Whilst this could suggest that the World Championships does not typically command a significantly larger audience than other athletics events shown on qualifying channels, it is also important to recognise that the relatively greater coverage of the World Championships is likely to impact its average audience figures.

⁵³ Whilst coverage for the 2007 Championship was considerably lower (with average audiences on BBC1 and BBC2 of less than 1 million), this is likely to have been driven by the Championships taking place in Japan and hence live coverage occurring during the daytime, rather than UK evenings – when higher TV audiences can be expected.

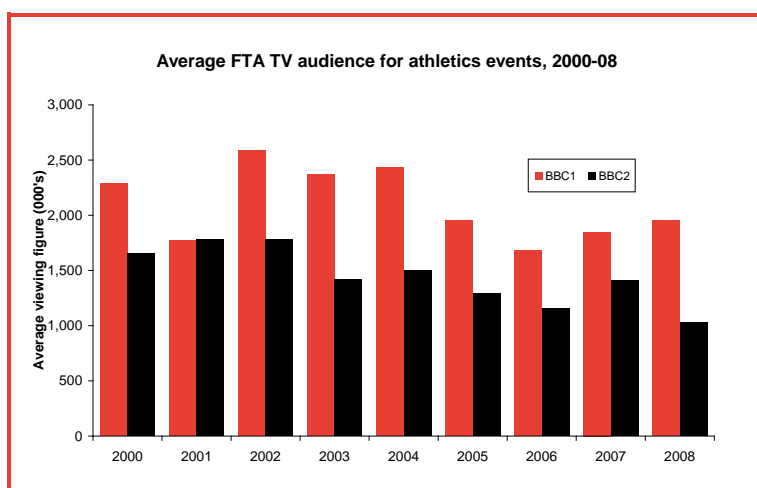


Figure 21: Average UK viewing figures for live coverage of other athletics events

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

4.4.3 The potential costs of listing the World Athletics Championship – structure and funding of UK Athletics

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK of TV broadcast revenues and the level of grass roots investment in the sport.

As an international sporting event, the broadcast rights to the World Championships are owned by the IAAF, rather than by UK Athletics. As such, UK Athletics does not receive directly any fees paid by the UK broadcasters for the rights to show the Championships in the UK. Instead, this money will accrue to the IAAF (although as noted above, the IAAF may sell rights via an intermediary). Should the proceeds from the sale of TV rights in the UK increase, therefore (in the event, for example, that the World Championships are de-listed), the increased proceeds will only accrue to UK Athletics if there is a direct link between the value of TV rights and the revenues received by UK Athletics from the IAAF.

Revenues from TV rights are, however, an important source of income for UK Athletics. Table 5, below, presents information regarding the revenues earned by UK Athletics in 2007 and 2008. Of the almost £24 million of income earned by UK Athletics in 2008, £8.7 million came from TV events and £7.2 million from sponsorship and grants.

Revenue source (£000)	2008	2007
TV events	8,718	7,793
World Class, Performance, GB & NI team	7,554	5,915
Sponsorship, grants and other income	7,219	8,268

Table 5: UK Athletics - Revenues (£000), 2007-08

Source: UK Athletics Limited, Report and Financial Statements for the year ended 31/03/2008

In both years 2007 and 2008, UK Athletics received only relatively small grants from European or World athletics authorities, of around £55,000 in each year. It is not clear, however, if this includes any income from the World Championships or other international events.

In contrast, UK Athletics earns considerable revenues from both its UK TV deal and domestic sponsorship. For example, UK Athletics has with Aviva one of the largest sponsorship deals of any Olympic sport in the UK, totalling around £50 million over a six year period. The income from this sponsorship deal supports a number of UK Athletics activities at all levels of the sport, including elite coaching and grass roots schemes. For example, the UK Athletics 2006 Annual Review estimated that by 2012, more than 10 million children and 1.5 million families would be involved in grass roots schemes under its sponsorship programme.

One of the key factors in UK Athletics attracting sponsors is thought to be the widespread TV coverage of athletics on FTA television, as this creates a potentially significant audience for the sponsor. If athletics coverage was no longer available on FTA television, therefore, it is possible that UK Athletics' revenues from sponsorship would also decline. UK Athletics would, however, be likely to take into account the potential impact on sponsorship of any TV deals.

4.4.4 The potential costs of listing the World Athletics Championship – the potential impact of changing its listed status

As described above, the World Athletics Championships are currently shown live on a FTA channel. Given that the Championships are listed only in Group B, it is reasonable to conclude that the listed status of the event does not constrain the behaviour of the broadcasters or rights owner.⁵⁴ Changing the listed status of the event may not, therefore, impart significant costs (or benefits) on any party. For

⁵⁴ It is, however, possible that by including the Championships on the Group B list, the value of the rights to a Pay TV provider are reduced to such an extent that Pay TV providers do not bid for exclusive live rights.

example, adding the event to the Group A list may further reduce competition for the rights and hence proceeds to the IAAF. However, given the apparently non-constraining nature of the Group B list for the World Championships, this potential cost may be relatively minor.

The impact of de-listing the event completely will depend on the level of interest amongst Pay TV providers for the live rights to the World Championships. If Pay TV providers are not interested in securing exclusive live rights, de-listing the event completely will have no impact. If, however, Pay TV providers are interested in exclusive live rights to the Championships then de-listing the event could have implications for consumers and for athletics in the UK.

In the absence of other IAAF policies to ensure the availability of coverage of the Championships to the widest possible audience, it would be reasonable to expect the IAAF (or any intermediary) to sell the broadcast rights for the Championship to the highest bidder. Thus if a Pay TV provider valued the rights more highly than a broadcaster who intended to show the match on a qualifying channel, it is likely that the rights would be sold to the Pay TV provider.

For most events, de-listing may benefit the governing body, as the increased competition for the rights allows the governing body to potentially earn additional revenues from the sale of rights. In the case of the World Athletics Championships, this potential benefit would accrue to the IAAF. It is not clear, however, given the financial structure of UK Athletics, whether any part of this benefit would accrue to the UK governing body. Indeed, it is possible that exclusive coverage of the World Championships on Pay TV could actually create a cost for UK Athletics, if this reduced the value of domestic events to other broadcasters (and potentially, the value of domestic athletics to sponsors). In addition, compared to some other sports the potentially easier access to 'grass roots' athletics means that broadcasting coverage on qualifying channels could have a relatively greater impact on participation than may be the case with some other sports.

In conclusion, therefore, the impact of de-listing the World Championships will depend both on the interest of Pay TV providers in exclusive rights for the Championships, and the broadcast policy of the IAAF. If Pay TV providers are not interested in gaining exclusive rights, de-listing will have no impact. Conversely, if the IAAF, when selling rights, does not take into account the impact on UK Athletics; it is possible that the sale of rights to a Pay TV provider could actually impart a cost on UK Athletics.

So, if de-listing the event did lead to coverage of the World Championships moving to Pay TV it is possible that this would not benefit athletics in the UK. This possibility arises because of the potentially complementary nature of coverage for athletics in the UK (whereby FTA providers could be less willing to show non-championship athletics if the rights to the World Championships are sold exclusively to a Pay TV provider), together with the rights to the World Championships being owned by a different governing body to that which owns the rights to UK domestic athletics.

5 Participation and coverage

The UK Government, through a number of policy initiatives, aims to increase participation and excellence in grass roots sport. Further, in the 1998 review, one of the criteria used by the Government for listing events considered specifically the potential impact on participation. In this chapter, we therefore examine the extent of any links between broadcast coverage and participation in sports.

Broadly, there are two possible ways in which listing policy could impact sports participation. Listing events and hence encouraging sports broadcasting on qualifying channels could potentially positively impact participation in sport, as viewers decide to take up a sport after watching a particular event on TV. Conversely, however, listing events may reduce the proceeds of governing authorities from TV rights sales and hence limit investment in grass roots facilities and promotion of the sport, potentially negatively impacting participation⁵⁵.

The information available from which to assess these hypotheses is currently limited. As such, it is not possible to conclude whether listing an event has a positive impact on participation in the sport concerned. For example, to assess definitively this link it would be necessary to collect information not only on participation, but also on all the other factors that could potentially affect participation, in order to establish any causal link between broadcasting and participation. We are not aware of any existing research that has been conducted on this basis.

However, a number of surveys and studies do attempt to measure participation in sport. In this section we therefore focus on the overall level of participation in sport, as reported in the annual DCMS ‘Taking Part’ Survey.⁵⁶ Following the summary of the Taking Part Survey results, we conclude the section by outlining possible areas of further research that could be undertaken in this area, should DCMS wish to continue to explore the possible link between broadcasting and participation.

5.1 PARTICIPATION IN SPORT – THE DCMS TAKING PART SURVEY

The Taking Part Survey is run annually by the DCMS. It surveys adults (i.e., those aged 16 or over) in England on their participation in sports. In addition, it includes data on the TV viewing habits of respondents, thus enabling some comparison between the viewing habits of those who participate in sport and those who do not. Again, however, it does not establish causality between these

⁵⁵ In the event that revenue raised from broadcasting can be used to invest in hiring better players or developing facilities then this may result in increased participation in a sport and increased demand for television coverage.

⁵⁶ Estimates made by governing bodies concerning participation in particular sports, or take-up of certain programmes, are reviewed separately within each case study (see Section 4 and Annex 1).

two variables (i.e., it does not establish if individuals are more likely to watch sport on TV because they participate in sports, or vice versa).

The following chart, based on the 2007-08 dataset, summarises the number of adults in England who took part in particular sports at least once in the year prior to the survey. According to these data, golf, football and tennis were the most popular participation sports in England, with over 4 million adults participating in forms of golf or outdoor football at least once in the year before the survey. In both cases, this is equivalent to at least 10% of the adult population in England. Participation in other listed sports is, however, lower. For example, according to the survey less than 500,000 adults took part in either Rugby League or Track and Field Athletics in the 12 months prior to the survey.

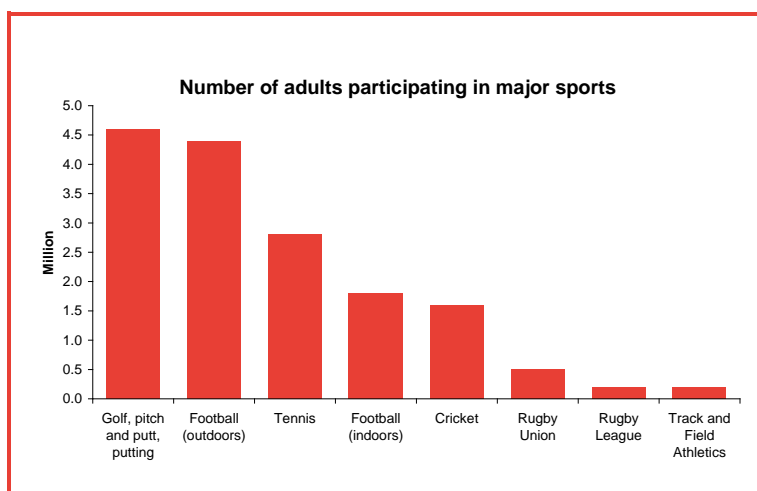


Figure 22: Number of adults taking part in major sports at least once in the past 12 months

Source: DCMS Taking Part Survey, 2007-08 dataset

The DCMS Taking Part Survey can also be used to indicate whether the numbers participating in individual sports has changed over the survey period. Given the rise in participation in cricket reported by the ECB (see Section 4.1, above), we have collected data on participation levels for cricket over the three survey periods (i.e., 2005-06 to 2007-08). These are shown in the table below.

	Number of adults participating in cricket at least once in past 12 months (million)	% of adult population
2005-06	1.7	4.3%
2006-07	1.7	4.3%
2007-08	1.6	3.9%

Table 6: Adults in England taking part in cricket at least once in the 12 months prior to the survey

Source: DCMS Taking Part Survey, 2005-06 - 2007-08

The Taking Part Survey does not, therefore, at face value support the reported rise in participation in cricket. However, the DCMS Taking Part Survey explicitly does not cover children's participation in sport. In contrast, the ECB's participation figures reflect participation in schools and clubs. Furthermore, the DCMS Survey does not capture the frequency with which sport is played. The

results of the two surveys could therefore be consistent, and further investigation is required to form a definitive view on participation trends.

The DCMS Survey also includes questions about respondents' TV viewing habits. The following chart compares the proportion of adults who participate in particular sports (as defined above) and who watch live sport on TV. According to these data, adults who participate in sport appear more likely to watch live sports coverage on TV than adults who do not participate in sport. For example, overall 54% of adults watch live sport on TV, compared to 84% of those who participate in cricket and 89% of those who participate in indoor football. This does not, however, establish any causality between participating in sport and viewing habits.

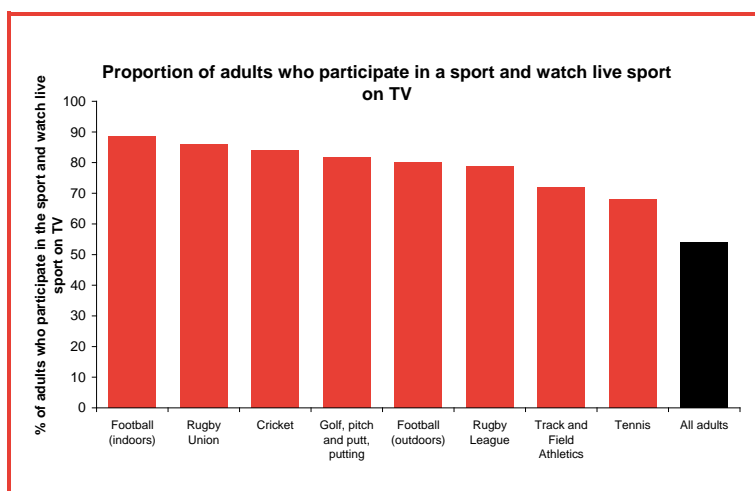


Figure 23: Participating in sport and watching live sport on TV

Source: DCMS Taking Part Survey, 2007-08 dataset

5.2 POSSIBLE FURTHER AREAS OF RESEARCH

Whilst the DCMS Taking Part Survey provides information on the numbers participating at least once a year in certain sports, it does not assess participation levels amongst children, or the frequency of participation. Both of these are therefore further areas of possible research into sports participation.

We understand that other surveys do currently exist which could be used to provide information in both of these areas. For example, the 'Active Participation' and 'Young Persons' Participation' surveys, both of which are undertaken by Sports England could add to the evidence base on participation. In addition, the Panel could consider exploring with individual governing bodies any information which is collected on participation, the likely drivers of participation in that sport and, if required, how the governing body's own information matches the survey data collected by DCMS.

It is unlikely, however, that these additional surveys will enable possible causality between participation and TV coverage to be tested. Should the Panel wish to further explore this relationship, it is likely to be necessary to undertake new primary research. For this, the Panel would need to commission research that would involve the collection of data, not only on sports participation and TV

viewing (or TV coverage of events), but also data on the other main factors which may affect the level of participation. For example, this could include information on the costs of participating, the availability of facilities / clubs and levels of other media coverage. The relationship between participation and all its potential drivers (including TV coverage) could then – assuming sufficient data are available – be tested statistically in order to examine any potential causation.

6 Listing policy in other countries

A number of other Member States apply listing policies in order to promote FTA coverage of major events. In this section of the report we outline the key characteristics of the listing regimes applying in other European Union Member States and also in Australia. In particular, we highlight the main differences between the UK list of events and the lists in place in these other jurisdictions.

6.1 LISTING POLICY IN OTHER MEMBER STATES

As described above in Section 1.1, the AVMS Directive allows Member States to list events considered to be of major importance to society. It is up to each Member State to decide the terms on which it draws up its list and the criteria it applies in deciding what is of major importance to society. The legislation and any list drawn up under it should be verified by the Commission. Once this has been done EC law provides that each Member State must ensure that broadcasters operating within its jurisdiction do not undermine another Member State's list.

According to the notifications published by the European Commission, Austria, Belgium, Finland, France, Germany, Ireland and Italy (as well as the UK) have all identified events under the relevant article. The Danish Government had previously notified a list of events but has subsequently withdrawn its list.

In all cases, the lists introduced by Member States reflect the popularity of individual sports and sporting events in the jurisdictions concerned. For example, the Irish list includes the Senior All Ireland Football and Hurling Finals, while the lists in both Finland and Austria include Alpine Skiing. The overall coverage of the lists does, however, differ between Member States. For example, the Belgian and French lists include, respectively, 21 and 19 separate events, whilst the lists in Austria, Finland, Germany, Ireland and Italy all include less than 10 events.⁵⁷

There are further three major differences between the UK list and those in other Member States which have introduced listing policies:

- in other Member States there is greater differentiation between games / events involving the home country and other games within the same tournament;
- the UK is the only Member State to differentiate between Group A and Group B events;
- in some Member States, non-sporting events are listed.

⁵⁷ Annex 3 of Ofcom's Code on Sports and other Listed and Designated Events. Although Ofcom's Code also includes a list of events for Denmark, we understand that this list has been revoked.

6.1.1 Listing games / events involving the home country

As we have set out above, the UK list currently includes as Group A events the whole of the Football World Cup and European Championship Finals tournaments. That is, no games played in these tournaments can be broadcast exclusively live on a non-qualifying channel without the prior permission of Ofcom. In practice, all games in recent tournament finals have been broadcast live on qualifying channels.⁵⁸

The UK, alongside Belgium, is one of only two European countries to list these complete tournament finals. All other Member States that designate events list only part of the tournament, specifically covering:

- games involving their own team;
- the tournament final; and
- in many cases, the semi-final and / or opening game.⁵⁹

It is not the case, however, that all other games are therefore shown on Pay TV only. For example, in Germany all World Cup games remain on FTA TV.⁶⁰

The UK list also differs from those in other Member States in its treatment of other fixtures involving UK national teams. Unlike the UK, other Member States (with the exception of Austria and Finland) list Football World Cup and European Championship qualifying games involving national teams, whereas in some Member States non-competitive (friendly) internationals are also listed.

Similarly, Germany and Italy list the later stages of the UEFA Champions League and UEFA Cup where these involve home teams. The Belgian list also includes all games in these tournaments where a Belgian team is involved. In the UK, no parts of the Champions League or UEFA Cup are listed.

The policy of listing explicitly games involving national teams is not restricted to football. For example, both France and Ireland apply a similar policy to the Rugby World Cup Finals tournament. France and Belgium also both list the later stages of the Davis Cup and Federation Cup, if French and Belgian teams are (respectively) involved.

6.1.2 The differentiation between Group A and Group B events

We are not aware of any Member States, other than the UK, differentiating between designated events. That is, only the UK identifies separately those events where exclusive live coverage of an event can only be broadcast with Ofcom's permission and those events where the regime protects highlights coverage as a minimum.

⁵⁸ There have been some exceptions to this, when matches have been played simultaneously (for example, during the final round of group games).

⁵⁹ In Finland, the tournament is listed from the quarter finals onwards.

⁶⁰ Whether non-listed games switch to Pay TV, following a change in listing policy, would likely depend on the residual value to Pay TV providers of the remainder of the tournament.

6.1.3 Listing non-sporting events

The UK list includes only sporting events. However, the AVMS Directive does not specifically refer to sporting events or exclude the possibility of listing other events.

Whilst in other Member States sports events dominate the listed events, three states (Belgium, Austria and Italy) have also included non-sporting events in their lists. The non-sporting events which have been listed are as follows:

- Austria: The Vienna Philharmonic Orchestra's New Year Concert and the Vienna Opera Ball.
- Belgium: The final of the Queen Elisabeth Music Competition.
- Italy: The San Remo Italian Music Festival.

6.2 LISTING POLICY IN AUSTRALIA

The Government of Australia also applies a listing policy (known locally as Anti-siphoning). It is administered by the ACMA (Australia Communications and Media Authority) and its aim is to prevent exclusive live coverage of major sporting events being 'siphoned off' by Pay TV providers. Under the provisions, Pay TV providers are not able to acquire a right to televise a listed event until a right is acquired by a FTA broadcaster covering 50% of the population. All events are, however, automatically de-listed 12 weeks prior to their commencement, thus allowing Pay TV broadcasters to acquire rights where no FTA broadcaster has done so in a reasonable time⁶¹.

The relevant Minister has the power to amend, from time-to-time, the events included on the anti-siphoning list. As with the UK system, placing an event on the list does not guarantee that live coverage will be shown on FTA TV. For example, the list does not:

- oblige FTA broadcasters to buy the rights to events on the list;
- guarantee FTA broadcasters exclusive rights; or
- oblige any FTA broadcasters who obtain the rights to broadcast the events live and in full.

The most recent update to the list took effect in January 2006 and is due to remain in place until the end of 2010. The events on the list are as follows:

⁶¹ Note that in Australia, we understand that some FTA TV operators also have stakes in Pay TV channels.

Sport	Individual event / match
Each event held as part of the Olympic Games	N/A
Each event held as part of the Commonwealth Games	N/A
Horse Racing	The Melbourne Cup
Australian Rules Football	Each match in the Premiership competition, including the Finals Series
Rugby League Football	Each matches in the National Rugby League Premiership competition, including the Finals Series
	Each match in the Rugby League State of Origin Series
	Each international Rugby League test involving the senior Australian team (home and away)
Rugby Union Football	Each international test involving the senior Australian team (home and away)
	Each match in the Rugby Union World Cup tournament
Cricket	Each international test involving the senior Australian team played in either Australia or England
	Each international one day match involving the senior Australian team played in either Australia or England
	Each one day Cricket World Cup match
Football	The English FA Cup Final
	Each match in the FIFA World Cup Finals (2006 & 2010)
Tennis	Each match in the Australian Open
	Each match in the Wimbledon Championships
	Each match in the mens and women's singles (quarter finals onwards) in the French Open
	Each match in the mens and women's singles (quarter finals onwards) in the US Open
	Each match in each Davis Cup tie involving an Australian team
Netball	Each international match involving the senior Australian team (home and away)
Golf	Each round in the Australian Masters
	Each round in the Australian Open
	Each round in the US Masters
	Each round in the British Open
Motorsport	The Australian F1 Grand Prix
	Each race in the Moto GP held in Australia
	Each race in the V8 supercar championship (in the Bathurst 100)
	Each race in the Champ Car World Series (IndyCar) championship held in Australia

Figure 24: The Australian Anti-siphoning list, 2006-10

Source: ACMA website (http://www.acma.gov.au/WEB/STANDARD/pc=PC_91822)

When the list was last reviewed, a number of events were removed. These included, for example, AFL State of Origin Matches, each match in the Rugby Union Hong Kong Sevens Tournament and all cricket test matches involving the Australian team not played in either Australia or England. In addition, the period for automatically de-listing events was extended from 6 weeks prior to the event to the current 12 week period. This followed concerns that the anti-siphoning policy had actually reduced the amount of sport broadcast on TV. For example, a Productivity Commission report on broadcasting, noted:

“The anti-siphoning provisions do not actively encourage free to air broadcasters to exercise the rights reserved for them. Broadcasters have frequently provided delayed coverage, or televised only a small proportion of an event. A well documented example was when the Nine Network, having bought the rights to the 1997 cricket Ashes series, did not screen the first session of each Test because it clashed with regular prime-time programs. Thus, although the Nine Network’s

coverage was incomplete, subscription broadcaster Optus Vision was limited to showing the sessions that the Nine Network had ‘rejected’.” (Productivity Commission, “Broadcasting Inquiry Report”, March 2000).

In addition to its anti-siphoning policy, the Australian Government also applies an ‘anti-hoarding’ policy. Under this policy, commercial licensees who acquire rights to a listed event, but who do not propose to fully use that right, must offer the unused portion to other broadcasters for a nominal charge.

7 Conclusions

In this report we have considered the potential impact of listing certain events on viewing and funding of sports in the UK. In doing so, we have differentiated between the legal framework that governs the listing of events and the practical implications that arise from listing. In particular, listing an event does not guarantee that it will be shown on a qualifying channel. However, experience shows that all the events which are listed in Group A are currently shown live on qualifying channels.

7.1 SUMMARY OF FINDINGS

In identifying the potential impact of listing events, we have developed a framework for assessing the costs and benefits of listing. Within this framework, the primary quantitative benefit of listing arises from the greater availability of coverage of events shown on a qualifying channel, with this greater availability enhancing consumer benefit. The major costs that may arise from listing an event stem from the reduced competition for broadcast rights that may occur when listing (in practical terms) reduces the value of rights to Pay TV providers. In particular, for sports where income from TV broadcasting rights provides a significant revenue source to the governing body, and where that governing body undertakes investment in grass roots sport, listing can potentially have a significant impact on the funding available for grass roots.

In Section 4 and Annexe 1 of this report, we have applied our analytical framework to individual sports and events. This analysis has been based on publicly available information for each sport / event and for each, considers the potential impact of listing on consumers and the sports themselves, through:

- an assessment of average viewing figures for the events concerned and trends in viewing figures over time;
- an assessment of the primary revenue sources for the sport / event; and
- an analysis of the extent to which revenues from the sale of UK broadcast rights are used to fund investment in UK grass roots sport, including the extent to which revenues from the sale of UK rights accrue to UK institutions.

Applying this framework has enabled us to identify the potential costs and benefits of listing individual events. It suggests that:

- Whilst the level of viewing figures for different events varies significantly, and there is relatively limited evidence for all sporting events on the likely impact of listing on viewing, the available evidence suggests that moving an event from a qualifying channel to a non-qualifying channel could be expected to lead to a material reduction in viewing figures.
- The potential cost of listing (to governing authorities) is likely to be higher where there is a direct link between the proceeds from the sale of UK broadcast rights and the revenues accruing to UK governing bodies. This is

likely to be the case for events where rights are owned by UK authorities, but may not be the case for certain international events (for example, where total broadcast revenues are allocated to National Associations not in direct proportion to the value of those national rights).

- The potential cost of listing (to governing authorities) is also likely to depend on the relative importance of income from the sale of UK rights and, if applicable, revenue from the sale of overseas rights. For example, TV rights to a number of 'UK' events are also sold to overseas broadcasters. The value of these rights will be unaffected by the UK Government's listing policy. As such, the impact of listing on total broadcast revenues accruing to UK governing bodies is likely to be greater for those sports / events which are primarily dependent on the sale of UK domestic rights.
- There may be some events where listing does not place an effective constraint on the broadcasters or rights holders. This may occur either where a rights owner (governing body) implements a policy of only selling rights to a broadcaster that will show an event on a qualifying channel, or where Pay TV providers do not place a greater value on rights than qualifying channel providers.

7.2 NEXT STEPS

In this report we have developed a framework for assessing the costs and benefits of listing events. Using publicly available data (including information on average viewing figures) we have also applied this framework to particular events. We have not, however, sought the views of governing bodies or broadcasters in our analysis.

Whilst summarising the costs and benefits of listing events, the purpose of this report is not to identify which events should be listed by the UK Government, rather it is to provide input to the review through an assessment of the impact of listing on viewing and funding of sport.

The ultimate decision regarding which events should be listed, a matter for the Secretary of State, will also be affected by qualitative factors and an overall assessment of the national resonance of particular events.

Lastly, our report has not considered a listing policy for non-sporting events. This does not imply that it is our view that non-sporting events should not be considered suitable for listing. Rather, it reflects the current status of the UK list and the relative availability of information on sporting and non-sporting events. Again, however, we consider that the framework developed in this report could be applied also to assess the potential costs and benefits of listing other (non-sporting) events.

There are a number of areas of further research which the Panel may wish to consider:

- **Discussions with broadcasters**, to understand more fully valuations of broadcast rights and the likely impact of changes in the broadcasting market on competition for (sports) rights.

Conclusions

- **Collating further information on the sale of sports rights**, for example from governing bodies. Such information would enable a more full assessment of the constraining nature of the list for certain events, together with the potential costs (lost revenues) for governing bodies arising from listing events.
- **Further research on viewing figures**, for example on peak audiences for listed events and to assess the scale of viewing in commercial premises for different sports.
- **Market research**, focusing on whether consumers would cancel subscriptions to Pay TV if certain events currently shown by Pay TV providers were listed.
- **Further research on the drivers of participation in sport**. This could take the form either of new primary research or an assessment of data contained within other participation surveys carried out by DCMS and Sport England.

Annexe 1: The impact of listing particular events

In this annexe we outline the potential impact of listing other major sporting events. This focuses on those events currently listed by the UK Government and some non-listed events which are listed by other EU Member States. As with Section 4 of the report, this annexe is based on publicly available information. Its purpose is to identify for each case the likely costs and benefits of listing (or, where this is not possible, the factors that will affect the costs and benefits). It is not intended as an exhaustive summary of the potential advantages of listing and does not address all the factors that the Review Panel may wish to consider when developing its proposals for listing events.

The events covered in this annexe are:

- The Olympic Games;
- The football European Championship Finals Tournament;
- Home Nation football World Cup and European Championship qualifying games;
- The UEFA Champions League;
- The Rugby Union World Cup Finals tournament;
- The Rugby League Challenge Cup Final;
- The Wimbledon Tennis Championships;
- The British Open Golf Championship and Ryder Cup; and
- The Grand National and the Epsom Derby;

THE OLYMPIC GAMES

The Olympic Games is currently a Group A listed event. Recent Olympic Games have been broadcast live on both BBC and Eurosport (a Pay TV channel). In this section we present information on viewing figures for recent (summer) Olympics. We then describe the IOC's broadcast policy and finally the importance of broadcast revenues to the IOC and its links to funding national associations.

UK viewing figures for the Olympic Games

The Olympic Games can attract substantial TV audiences, particularly for specific events. This is shown in the following figure, which shows both peak and average viewing figures for each of the last three Summer Olympics. For example, in 2004, the Olympic Games attracted a peak audience of over 9 million for the final night of Athletics, with average audiences (over the whole Games) for both BBC1 and BBC2 coverage of over 3 million.

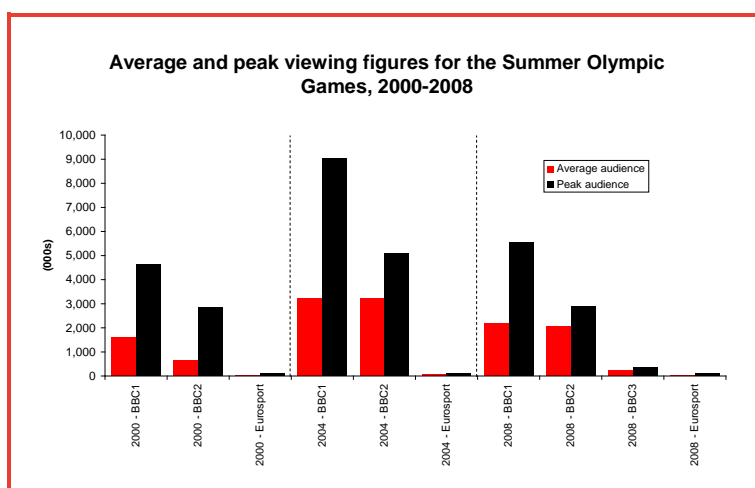


Figure 25: Average and peak UK viewing figures for live coverage of the Summer Olympic Games, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

Compared to some listed events (such as recent Rugby Union World Cup Finals and some parts of the Football World Cup), average viewing figures for each Olympics seem relatively low in absolute terms. However, it is important in comparing viewing figures to take into account the characteristics of the event. In particular, the duration of the Olympic Games, compared to ‘one-off’ events such as rugby and football matches, the overall amount of coverage and the proportion of that coverage taking place in day time hours are all likely to impact average viewing figures for the Olympic Games. For example, it is noticeable that viewing figures for the 2000 and 2008 Olympic Games were on average, lower than those for the 2004 Games. This is likely to have been at least partially driven by the timing of live coverage: in 2004, the Games were held in Europe and hence some live coverage would have taken place during the peak early evening period.

Broadcast rights to the Olympic Games

Broadcast rights to the Olympic Games are owned by the IOC. These rights are then sold to broadcasters either directly or through intermediaries. For example, the IOC recently appointed Sportfive as its official partner for European broadcast rights to the 2014 and 2016 Olympic Games.⁶² Sportfive will then sell these rights to individual national broadcasters in each jurisdiction.

IOC policy, however, is to ensure as wide a coverage of the Games as possible. As such, it only sells rights to broadcasters who can guarantee broad coverage throughout their jurisdiction. For example, Sportfive, when selling the European rights to 2014 and 2016, has an obligation to ensure, in each jurisdiction, at least 200 hours of FTA coverage of the Summer Games and 100 hours FTA coverage of the Winter Games. This does not mean, however, that the IOC will not sell broadcast rights to Pay TV providers. For example, Sky Italia has purchased the Italian broadcast rights for the 2010 and 2012 Olympics. Sky Italia is though responsible for ensuring continued coverage on FTA television and to this end,

⁶² This deal however excludes broadcast rights in the UK, France, Germany, Italy, Spain and Turkey.

we understand it has entered negotiations with FTA broadcasters to provide this coverage.

IOC revenues and expenditure – the importance of broadcast rights

Total IOC marketing revenues in the 2001-04 Olympic quadrennial were around \$4.2 billion. As illustrated in the figure below, broadcast revenues accounted for over half of these revenues.⁶³

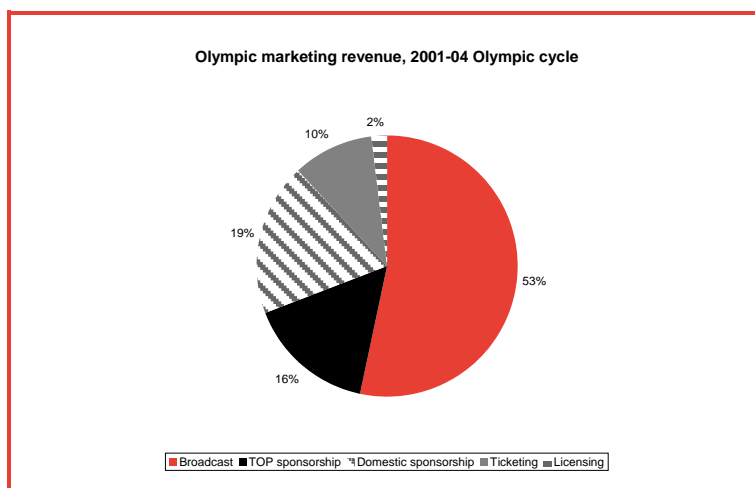


Figure 26: IOC marketing revenues, 2001-04 Olympic quadrennial

Source: IOC Olympic Marketing Factfile

Full data for 2005-08 are not yet available. However, from selling the rights to the Beijing Olympics, we understand from the IOC Olympic Marketing Factfile that it earned revenue of around \$1.7 billion and from the last Winter Olympics, around \$800 million. For the European rights, the European Broadcasting Union paid \$443.4 million and \$135 million, respectively.⁶⁴

The IOC distributes over 90% of its income to other Olympic organisations, including host city organising committees. However, with the exception of the income provided to host city organising committees, there is no direct link between broadcasting revenues and proceeds to national committees and federations. That is, there appears to be no direct link between the amounts paid for broadcasting rights in the UK and the income provided by the IOC to the British Olympic Association.

The three primary recipients of IOC marketing revenue are as follows:

- **Olympic Organising Committees in host cities.** Almost half (49%) of broadcasting revenues from each Olympic Games are allocated to the relevant Olympic Organising Committee. In addition, in each quadrennial, 50% of the IOC's major sponsorship revenue ("TOP revenue") is awarded to the organising committees of the Summer and Winter Games in that period

⁶³ A quadrennial refers to the Olympic cycle, culminating in a Summer Games (e.g., 2001-04, 2005-08). At the time of researching this report (February 2009), complete data on the 2005-08 period were not available. Unless otherwise stated, therefore, data in this report refer to the 2001-04 quadrennial.

⁶⁴ IOC Olympic Marketing Factfile.

(with approximately 60% of that going to the Organising Committee for the Summer Games).

- **National Olympic Committees.** The IOC also provides financial support to National Committees. For example, the IOC contributes broadcast revenue to Olympic Solidarity, an organisation which provides financial support to those National Committees with the greatest need. During the four year period culminating in the 2004 Summer Olympics, the IOC provided approximately US\$318.5m to National Committees.
- **International Sports Federations.** Part of the IOC's income from broadcasting revenues is used to provide financial support to the International Federations of Olympic (summer and winter) sports. Following the 2004 Summer Olympics, the IOC provided \$254 million to International Federations. Following the 2006 Winter Games, the IOC provided \$126 million to the relevant federations.

LISTING POLICY FOR THE UEFA EUROPEAN CHAMPIONSHIPS

Since the 1998 review the finals tournament of the European Championships has been listed as a Group A event. As with the FIFA World Cup, the UK is one of only two European countries to list the whole of the finals. Other countries typically list their own games, later stages and possibly the opening game.

Background

UEFA governs the European Championships and sells the broadcasting rights to the tournament collectively to broadcasters. Previously UEFA has sold the rights to the European Championships through the European Broadcasting Union. However, for Euro 2008 UEFA worked through the sales agency 'Sportfive', who sold rights individually to each market. The UK, Spain, France, Germany and Italy are the five biggest markets for broadcasting rights for this event. In the UK, the BBC and ITV were the rights holders for Euro 2008. At the time of preparing this report, the bidding process for the sale of Euro 2012 rights was ongoing.

The potential benefits of listing the European Championships—average viewing figures

To assess the potential benefits of listing the European Championships, we collected average viewing figures for each of the last three tournaments (i.e., 2000, 04 and 08).

Figure 27, below, shows the average viewing figures for the different stages of the tournaments held between 2000 and 2008. From this it is clear that some matches attract among the highest television audiences for any listed event (as shown above in Section 1.1). As with the World Cup, home nation games attract larger audiences than other matches. The later stages of the tournament also attract larger audiences, even where home nation teams are not involved. However, there is less variability in viewing figures than for the World Cup. This

may be because there are no major time-zone differences between the UK and the hosts of the European Championship and hence the majority of games are shown at peak times. This is not always the case with the World Cup (as in the 2002 tournament, for example, where average viewing figures were lower).

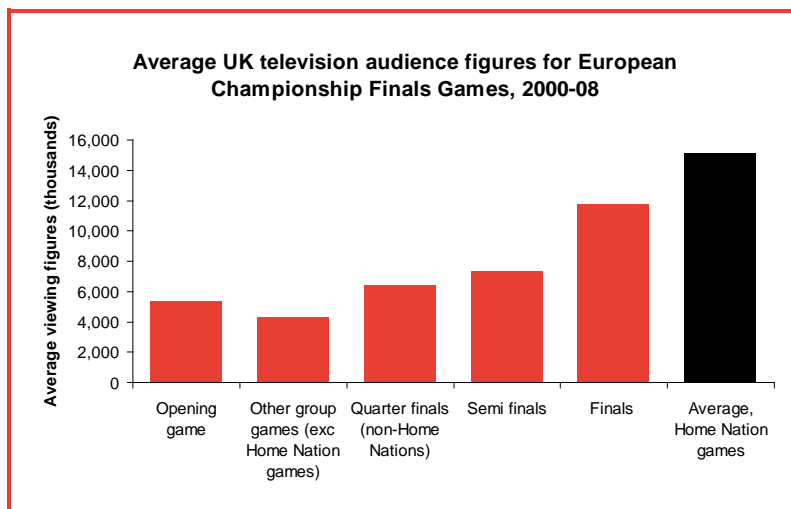


Figure 27: Average UK television viewing figures for the European Championship Finals tournament, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The potential costs of listing the European Championships – structure and funding of UEFA

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK of TV broadcast revenues and the level of grass roots investment in the sport in the UK.

Like the World Cup, the European Championships is an international tournament. Therefore, the broadcasting rights are owned by UEFA and not the national Football Associations. As such, the Home Nation Football Associations do not receive directly any fees paid by UK broadcasters for the rights to show the European Championships Finals. Instead, this money accrues to UEFA (although as noted above, UEFA may sell rights via an intermediary). Therefore, as with the World Cup, any costs to UK Football Associations from listing depend on there being a direct link between proceeds from UK rights sales and grass roots investment in the UK.

From publicly available data it has not been possible to establish such a link, although as we note below, UEFA does make significant payments to individual associations.

The fees from the sale of broadcasting rights are, however, an important source of revenue for UEFA. In 2006-07 €810.8 million (70%) of UEFA's revenues came from this source, with 16% of these revenues (€133 million) coming specifically from the rights to Euro 2008.⁶⁵ As the UK is one of the biggest broadcasting markets for European Championships it may be reasonable to

⁶⁵ Rights to the UEFA Champions League make up a significant proportion of the remaining broadcast revenues.

assume that a significant proportion of these revenues were the proceeds from the sale of broadcasting rights to UK broadcasters.

UEFA expenditure

UEFA makes regular payments to national football associations. Along with these payments made to European associations, leagues and clubs, which in 2006-07 totalled €86 million, UEFA also made €3 million of contributions and donations and invested in its own grassroots schemes. In the same year, UEFA spent €65 million on their HatTrick scheme, including investments in mini-pitches, education schemes and referee conventions. The original HatTrick budget of just of CHF 400 million (€250 million) has been increased to almost CHF500 million.

The potential costs of listing the European Championship finals tournament – the potential impact of changing its listing status

The impact of delisting the Championship finals will depend on both the interest of the Pay-TV providers in exclusive broadcasting rights, the broadcast policy of UEFA and the proportion of UEFA's expenditure that occurs in the UK. For example, if Pay-TV providers are not interested in gaining exclusive rights, then there will be no impact from delisting the tournament.

Further, it is notable that in some other countries (such as Germany) where only certain games are listed, broadcast rights for the remainder of the tournament have not been sold to Pay TV providers. Although the structure of Pay and FTA TV markets differ between countries, this suggests that a policy of listing only certain games may not lead to all other games 'automatically' being broadcast on Pay TV channels, potentially because Pay TV providers may not value the non-listed games significantly more than FTA providers. Even if some of these games did switch to Pay TV, the relatively lower viewing figures for these may mean that any reductions in consumer welfare from de-listing are relatively limited, especially against a counterfactual of delisting the entire tournament.

LISTING POLICY FOR OTHER INTERNATIONAL FOOTBALL MATCHES INVOLVING HOME NATIONS

Other home international football includes home nation qualifiers for the World Cup and European Championship and also home nation friendlies. In the UK no other home international football games are listed.⁶⁶

⁶⁶ France, Germany and Italy list other games involving the national team; Ireland lists its World Cup / European Championship qualifiers.

Background

The Football Association in each home nation own the broadcasting rights to their respective home international football games and each sells these rights independently.

In England, the broadcasting rights to all home international football matches are held by the Football Association (FA). The FA most recently sold the rights to home internationals with the rights to the FA Cup and other FA events in three packages. This latest deal, effective for four years from August 2008, has been reported to be worth £425 million. As part of this deal, ITV holds the rights to all competitive home fixtures.

Broadcasting rights for Scotland's home internationals are split between qualifying channels and Pay-TV. The Scottish Football Association (SFA) has a deal with BSkyB to show home World Cup qualifying games and Setanta to show away games. During Euro 2008 qualifying, BBC Scotland showed live coverage of some away games and highlights of others.

It is a similar situation in Wales; the Football Association of Wales (FAW) has sold its broadcasting rights to BBC Wales, BSkyB and Setanta. BBC Wales shows highlights of qualifying games plus live coverage of some games.

The BBC lost the broadcasting rights to Northern Ireland's home games in 2007 and coverage has now moved to Pay-TV. BSkyB were reported to have paid more than £10m for the rights, with Setanta holding the rights to other home international games.

The potential benefits of listing other home international football – average viewing figures

To assess the potential benefits of listing other home international football, we have collected for all Home Nations average viewing figures for all World Cup and European Championship qualifiers over the period 2000-08.

These data show that home nation games can get substantial audiences on qualifying channels. For example, Figure 32, below, shows the average viewing figures for live coverage of England's World Cup qualifiers, split by qualifying channel and Pay-TV. Figure 33 shows the average viewing figures for England's European Championship qualifiers, again with the same split. Although average audiences for games on qualifying channels were typically lower than those for England games in the tournament finals, many England games attracted in excess of 8 million viewers. For both tournaments, matches at the end of campaigns and those against major teams commanded the largest audiences.

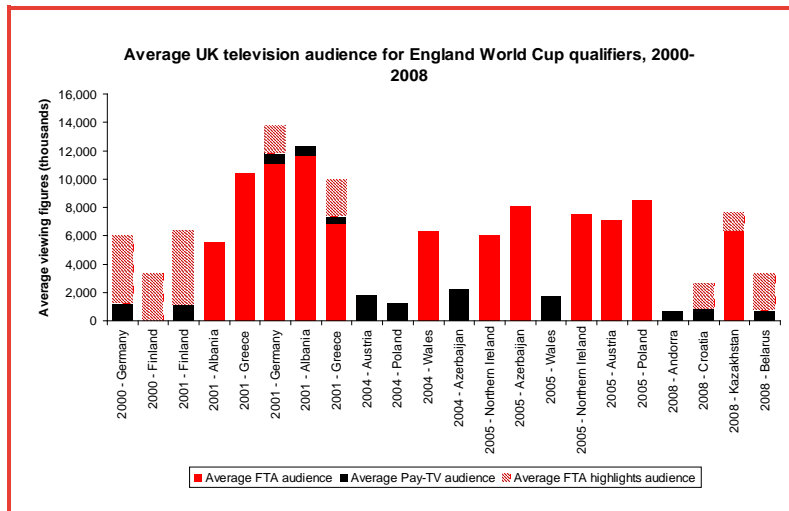


Figure 28: Average viewing figures for England World Cup qualifiers, 2000-2008

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

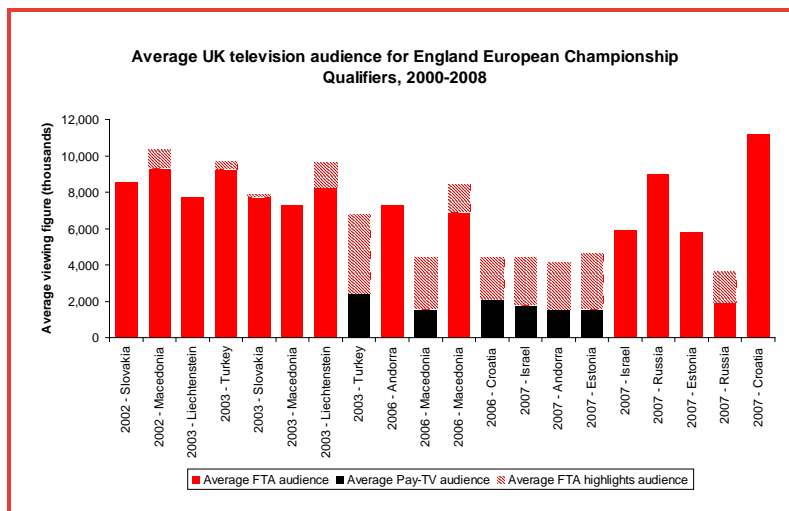


Figure 29: Average viewing figures for England European Championship qualifiers

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

Interpreting similar data for the other Home Nations is more difficult as games shown on Pay TV are typically shown throughout the whole of the UK and so can attract similar (or even higher) total audiences than those games shown only on regional FTA channels. Nevertheless, it is important to note that although viewing figures for other home nation qualifiers are relatively small in absolute terms, they are still a potentially significant share of the relevant audience.

The potential costs of listing other home international football – structure and funding of the FA

Each Football Association owns the broadcasting rights to its international games and therefore the fees from the sale of these rights will accrue directly to the relevant Football Association. The importance of broadcasting revenues, however, does differ for each Association. For 2006-07, over one third of the FA's income came from broadcasting revenues, including sales to overseas broadcasters. For example, in November 2007, the FA announced that it had sold its international broadcasting rights to a group of broadcasters for £150 million, an increase of £110 million over the current contract.

For the SFA (Scottish FA), broadcasting revenues appears to be slightly less important. They received 14% of their £25.3 million turnover from television and radio in 2007. Although the FAW (Football Association of Wales) reports that the ‘sustainability of good TV revenues, balanced with good exposure is crucial to the growth objective of the game,’⁶⁷ it relies on UEFA’s schemes for the development of football for a large amount of its revenues.

The scale of investment in grassroots football also differs substantially between associations. For example, in 2007 the FA announced a £200 million funding package for grassroots football. In 2007 alone, the FA’s distributions to the game totalled £29 million and they agreed a new three-year extension to their ongoing commitment to the Football Foundation of £15 million per year. The Football Foundation is funded by the Premier League, the FA and the government and its mission is to improve facilities, create opportunities and build communities throughout England. The FA also distributed £25 million through their prize fund and broadcast payments for The FA Cup and other FA competitions.

The scale of the SFA’s investment in grassroots is relatively smaller in absolute terms although still significant relative to turnover. In 2007, £2.9 million went to the Scottish Football Partnership towards its activities in Scottish Football. The SFA also invested £2 million in schemes aimed at increasing participation, providing coach education courses and community schemes amongst other development activities.⁶⁸

The FAW’s investment in grassroots football, however, occurs primarily through its membership of a number of UEFA’s programmes. These include the Hattrick scheme, through which, mini-pitches have been installed across Wales.

The potential costs of listing other home international football – the potential impact of changing its listing status

At present it appears that the broadcasting policies of the Football Associations differ quite considerably, with varying mixes of games for each Home Nation shown on Pay and qualifying channels. In addition, the English FA is a signatory to the CCPR voluntary code, pledging to engage in broadcasting deals that represent good value for money for governing sports, striking the right balance between audience and revenue.

Listing other home international games could, therefore, constrain each domestic FA and potentially reduce income streams from broadcasting. Given the importance of these revenues, the ability of FAs to continue to invest at current levels in grass roots football might also be constrained by such a policy.

⁶⁷ “*For the Game, for Wales*”, The Football Association of Wales Consultation document for 2008-2012, paragraph 9.8

⁶⁸ Scottish FA Annual Report, 2008

LISTING POLICY FOR THE CHAMPIONS LEAGUE

The UEFA Champions League is not a listed event in the UK. In some other countries, the latter stages of the Champions League are listed when involving a home team.

Background

UEFA, the European football governing body, controls both the broadcasting and sponsorship rights to the Champions League. The broadcasting rights are sold in packages and, in the UK, as in most countries, the rights are sold as two customised bundles by match day and broadcaster type.

In 2003, UEFA agreed with the European Commission to sell its rights to more than one broadcaster in each country. Prior to this the rights were sold as one package to only one broadcaster.

In the UK, ITV and Sky Sports hold the broadcast rights until at least 2012. There has in the past, however, been significant competition amongst UK broadcasters for the rights. For example, competition from the BBC for the 2002-03 Champions League rights is thought to have led to an increase in the price of UK rights, at a time when the value in other European markets depreciated.

The potential benefits of listing the Champions League – average viewing figures

To assess the potential benefits of listing the Champions League, we have collected average viewing figures for all stages of the competition from 1999-00 to 2008-09⁶⁹.

Figure 30, below, shows the average viewing figures for each UEFA Champions League competition (excluding semi-finals and finals), split between coverage on FTA and Pay-TV. The data shows that some games commanded average FTA audiences of above 8 million. However, it also suggests that average audiences have declined in recent years. Despite this, average viewing figures are still, however, higher than for some Group A listed events (as shown above in Section 1.1).

⁶⁹ The 2008-09 season of the Champions League competition is yet to come to an end and therefore the data that we have is for the earlier stages, i.e. those matches played up to the end of 2008.

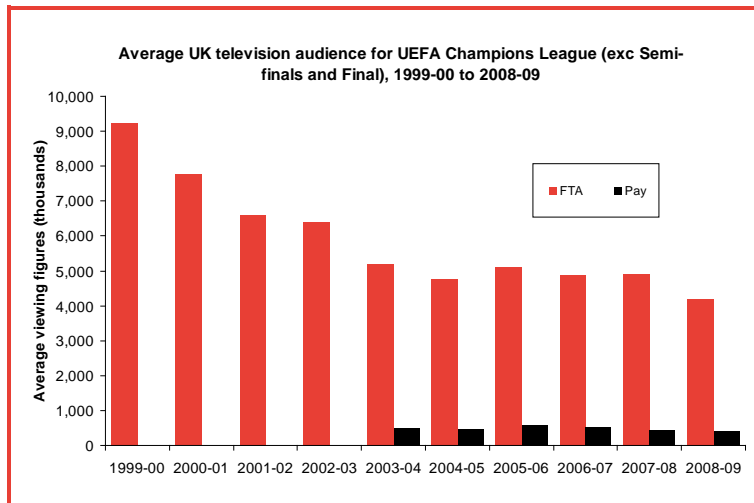


Figure 30: Average viewing figures for UEFA Champions League (excluding semi-finals and final), 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The semi-final stage of the Champions League is played in two legs, one at each team's home ground. In the UK, one leg of each tie is broadcast on a qualifying channel and the other on Pay-TV⁷⁰. Figure 31 shows the average audiences for the Champions League semi-finals in 2006-07 and 2007-08, split between the qualifying channel leg and the Pay TV leg. From this, we can see that the viewing figures for the qualifying channel leg are between 3 and 5 times higher than those for the Pay-TV leg, with average audiences of 8.6 million for the qualifying channel leg and 2 million for the Pay-TV leg. The data on earlier semi-finals indicates that those not involving British clubs tend to attract smaller audiences. For example, in 2004-05 the Chelsea vs. Monaco semi-final leg shown on a qualifying channel attracted audiences of 6.3 million, whilst the qualifying channel leg of the Deportivo vs. Porto semi-final attracted only 3 million viewers. Similarly, the 2007-08 final, involving two English clubs, attracted a qualifying channel audience of 10 million.

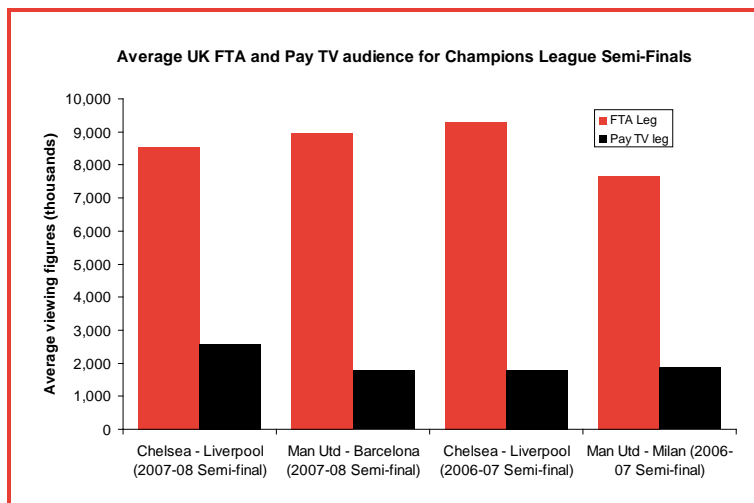


Figure 31: Average viewing figures for Champions League Semi-Finals, 2006-07 and 2007-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

⁷⁰ In 2003, the other leg was shown on ITV2, a non-qualifying FTA channel, rather than a Pay-TV channel.

The potential costs of listing the Champions League – structure and funding of UEFA

The Champions League is a significant revenue source for UEFA and competing clubs. Broadcasting revenues from the Champions League make up nearly three quarters of UEFA's total broadcasting revenues. In 2006-07 this figure was €625m.

Champions League revenues are allocated to clubs based on a number of factors including the number of matches played in the tournament and the value of their national TV market to the Champions League. In 2005-2006, 25% (€119 million) of total broadcasting revenue from the Champions League came from the UK. This was double that of second and third placed Italy and Germany. A high proportion of UEFA revenues are distributed to participating clubs, with £585 million being distributed to the 32 UEFA Champions League teams in 2006-07. Along with the grassroots investments made by UEFA, clubs themselves may also invest in their own grassroots or community schemes.

The potential costs of listing the Champions League – the potential impact of changing its listing status

The Champions League is not currently listed, but coverage is shared between qualifying channels and Pay-TV. This indicates that listing would be a constraint to UEFA, at least to some degree, as the coverage currently on Pay-TV may move to a qualifying channel. Assuming that the fees received from Pay-TV broadcasters are higher than those from broadcasters owning a qualifying channel and that listing would decrease competition for rights, listing could result in a decrease in broadcasting revenues for UEFA. Given the significant proportion of broadcast revenues that accrue to UK clubs this could have an impact on the income of some clubs.

LISTING POLICY FOR THE RUGBY UNION WORLD CUP

The Rugby World Cup final is a Group A listed event. All other matches in the tournament are listed in Group B.

Background

The Rugby Union World Cup is organised by its governing body, the International Rugby Board (IRB), who own the broadcasting rights for the event. Despite only the final being a Group A event, the whole of the last Rugby Union World Cup was broadcast by ITV, which splits its broadcasts between its qualifying channel (ITV1) and its non-qualifying FTA channels (ITV2, ITV3 and ITV4). ITV has been the broadcasting rights holder since 1991.

The potential benefits of listing the Rugby Union World Cup – average viewing figures

To assess the potential benefits of listing the Rugby Union World Cup, we have collected average viewing figures for the last two tournaments (2003 and 2007).

Figure 32, below, shows the average viewing figures for the live coverage of the Rugby Union World Cup, split between coverage on ITV1 and other ITV channels and also by home nation games and non-home nation games. Over the 2003 and 2007 Rugby World Cups, the final attracted average viewing figures of 12.2 million. These are among the largest audiences of all Group A events, although this is likely to have been in part driven by the participation of a Home Nation in each final. The data also show that home nation games typically attract larger audiences than others when the broadcasting channel is taken into account.

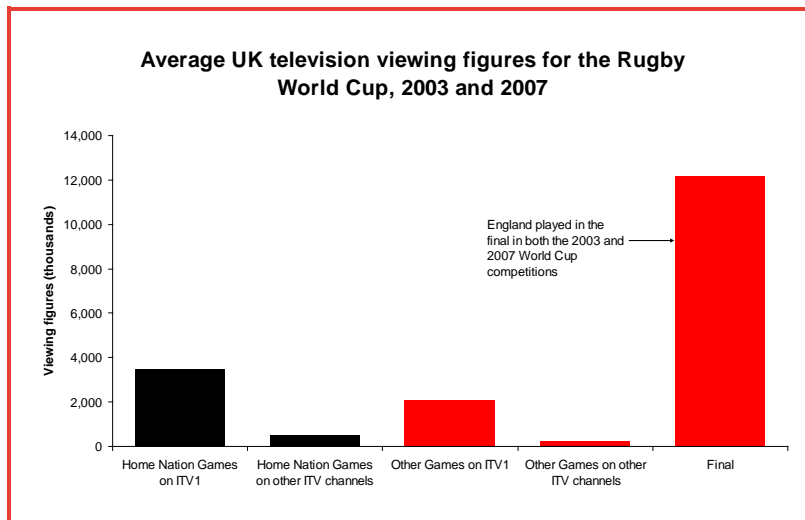


Figure 32: Average UK viewing figures for live coverage of the Rugby Union World Cup

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

There is a significant difference in the average audiences for games broadcast on ITV1 (a qualifying channel) and those broadcast on other ITV channels (non-qualifying channels).

The potential costs of listing the Rugby Union World Cup – structure and funding of RFU

As an international sporting event, the broadcast rights to the Rugby World Cup Finals tournament are owned by the IRB rather than the national rugby unions. As such, the national rugby unions do not receive directly any fees paid by UK broadcasters for the rights to show the Rugby World Cup in the UK. As a result, if the proceeds from the sale of TV rights in the UK increase, (in the event, for example, that the Rugby World Cup moves to pay-TV), the additional proceeds will only accrue to the national rugby unions if there is a direct link between the value of TV rights and the revenues received by the national rugby unions from the IRB.

Most of the income of the IRB does however, come from the World Cup and associated sponsorship deals. This results in its income being significantly larger in World Cup years to non-World Cup years. In 2003, the IRB received €60 million of the €86 million total revenue from the World Cup.

The IRB invests more than two thirds of its income in the development of the game. The IRB also finances the World Cup and provides significant funding to national and regional organisations. For example, the IRB fee paid to the RFU

for England's participation in the 2007 Rugby World Cup was £3.3 million. Similarly, the WRU received £3.1 million for its participation.

The IRB provides income to regional associations such as FIRA-Association of European Rugby (FIRA-AER), which was integrated into the IRB in 1999. FIRA-AER'S role is to promote and govern rugby union in the European area and to run the junior world championship. About 80% of the budget of the FIRA-AER is financed by the IRB. This budget is used to organise competitions (male and female), and to pay for referees, organisers, training and general expenses. It is also FIRA-AER's job to advise on the allocation of €3.5m from the IRB that is provided directly to the member countries. This is distributed according to the countries' population, number of players and the number of clubs and rugby schools.

The potential costs of listing the Rugby Union World Cup – the potential impact of changing its listing status

Currently the broadcasting rights to the whole of the Rugby World Cup are owned by ITV. As only the final is listed as a Group A event, ITV is free to choose on which of its channels to show the live coverage of all other matches.

In conclusion, the potential impact of changing the Rugby Union World Cup's listing status so that the rest of the event is listed under Group A will be dependent on whether the value of the rights to broadcasters who will show the event on a qualifying channel only may fall as a result. The potential impact of delisting all or some of the event will be dependent on the likelihood of a move to Pay-TV.

LISTING POLICY FOR THE CHALLENGE CUP FINAL

The Challenge Cup is a knockout cup competition for Rugby League clubs across Europe. Originally it was contested only by teams from England, Wales and Scotland, but it has recently been expanded to allow teams from France and Russia to take part. The Challenge Cup final is currently listed as a Group A event.

Background

Broadcasting rights for the Challenge Cup and Super League Grand Final

The Rugby Football League (RFL) own the rights to the Challenge Cup and the Super League. Since 1996, Sky has had exclusive Super League coverage, with highlights shown on the BBC. The Challenge Cup Final, a listed event, has been shown by the BBC. Both broadcasters will continue to hold the rights until at least 2011.

History of the Super League

In 1996, the Rugby League with Sky agreed a £87million, five-year deal, for live broadcasting rights to the new Super League. Sky's investment was part of a plan to create a new, international rugby league competition. However, in 1998, Sky

renegotiated its contract with the RFL (Rugby Football League), reducing the amount it paid for the rights by 48% to £9 million per season. In 2004, the Super League agreed a new £48 million, five year deal with Sky for league coverage. Rights to the Challenge Cup Final were sold to the BBC in a separate deal.

The potential benefits of listing the Challenge Cup final – average viewing figures

To assess the benefits of listing the Challenge Cup Final, we have collected average viewing figures for each of the finals from 2000-08. We have also collected average viewing figures for live and highlight coverage of the Super League Grand final during the same period. As a one-off game at the end of each season to determine the Super League Champions, this game could, to an extent, be considered comparable to the Challenge Cup Final.

Figure 33, below, shows the average viewing figures for each Challenge Cup Final and Super League Grand Final. According to this data, the average audience for the Challenge Cup Final was 1.6 million, although viewing figures have declined in recent years. As shown above in Section 1.1, average viewing figures for the Challenge Cup Final were among the lowest of the Group A events in recent years.

For 2005 and 2006, the average viewing figures (live and highlights) for the Super League Grand Final were greater than average viewing figures for the Challenge Cup Final. This trend, however, was reversed in 2007 and 2008. Overall, however, demand to watch the Super League Grand Final may not be significantly lower than the demand to watch the Challenge Cup Final.

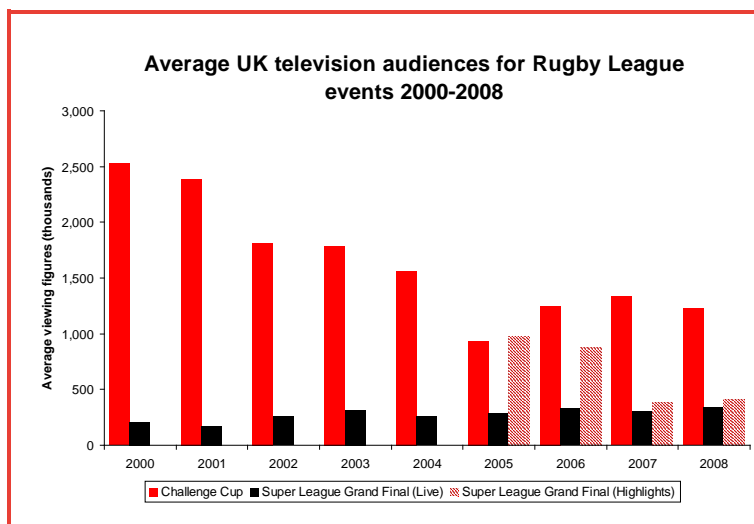


Figure 33: Average viewing figures for Rugby League events 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The potential costs of listing the Challenge Cup final – structure and funding of RFL

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the

sport in the UK on TV broadcast revenues and the level of grass roots investment in the sport in the UK.

As the broadcasting rights owners, RFL receives all proceeds from the sale of broadcasting rights, both here and overseas. Along with government funding and match income, broadcasting revenues are one of the most important sources of RFL revenue. In 2007, 21% (£2.8 million) of RFL's revenues came from broadcasting. DCMS and Sport England also provided RFL with around £4.2 million of funding.⁷¹

It appears that Government funding is important for the game as a whole, as Government funded activities form a significant part of RFL investment in grassroots. The 2007 DCMS and Sport England payments to RFL were part of the national Community Club Development Programmes (CCDP). The RFL worked in partnership with community clubs to develop a total of 12 projects and facility upgrades, collectively valued at over £5.5m. The RFL also continued to implement many initiatives under its RESPECT programme, with the aim of maintaining and enhancing the environment in which the game is played at all levels. This includes: investment in coaching programmes, promoting Rugby League opportunities within black and ethnic minority communities and creating more opportunities for disabled athletes to get involved in the game.

The potential costs of listing the Challenge Cup – the potential impact of changing its listing status

One of the main considerations when assessing the potential impact of changing the listed status of the Challenge Cup Final is whether the event would move to Pay-TV should it be delisted (i.e., whether the listing is effective). Sky's current levels of involvement with the sport may indicate that if the Challenge Cup was delisted, the RFL might sell the rights to Pay-TV. However, the RFL are also signatories to the CCPR voluntary code (explained previously) and therefore may aim to keep the Challenge Cup final on a qualifying channel, irrespective of listing, to ensure that some Rugby League remains accessible to all viewers.

LISTING POLICY FOR WIMBLEDON

Wimbledon is one of the four Grand Slam tournaments, the others being the Australian Open, the French Open and the U.S. Open. Only the Wimbledon finals are currently listed as a Group A event, with non-finals play forming part of the Group B list.

Background

Wimbledon is hosted at the All England Lawn Tennis and Croquet Club (AELTC). The annual surplus that AELTC earns from hosting the event is given to the Lawn Tennis Association (LTA), the UK governing body of tennis.

⁷¹ Source: Rugby Football League Annual Report, 2007

Broadcasting rights for Wimbledon

Despite only the finals being listed, the whole tournament is currently broadcast on the BBC, which holds the broadcasting rights up until 2014. The BBC is also the host broadcaster and acts for more than 40 other international networks.

Broadcasting of other tennis events in the UK

In addition to broadcasting the Wimbledon tournament, the BBC also has the rights to televise a number of other tennis events. This includes two of the other three Grand Slam tournaments, the French Open and the Australian Open, along with Great Britain's ties in the Davis Cup. The US Open and a number of other tennis events are broadcast on Sky Sports and Eurosport.

The potential benefits of listing Wimbledon– average viewing figures

To assess the potential benefits of listing the Wimbledon tournament, we have collected average viewing figures for each of the nine tournaments during the period 2000-08. We have also collected average annual viewing figures for all other tennis events, excluding Wimbledon, thus enabling us to compare viewing figures for Wimbledon and other tennis events.

Figure 34, below, shows the average viewing figures for each Wimbledon tournament. It shows separately the average viewing figure for the whole tournament, the average viewing figure for the Men's Singles Final and the average viewing figure for the Women's Singles Final. According to these data, the tournaments have, on average, commanded audiences of around 4.3 million.⁷² The Men's Singles Final in 2008 was watched by an average of 7.4 million viewers, with the Men's Singles Final attracting more viewers than the women's single finals in all years apart from 2001 and 2005.

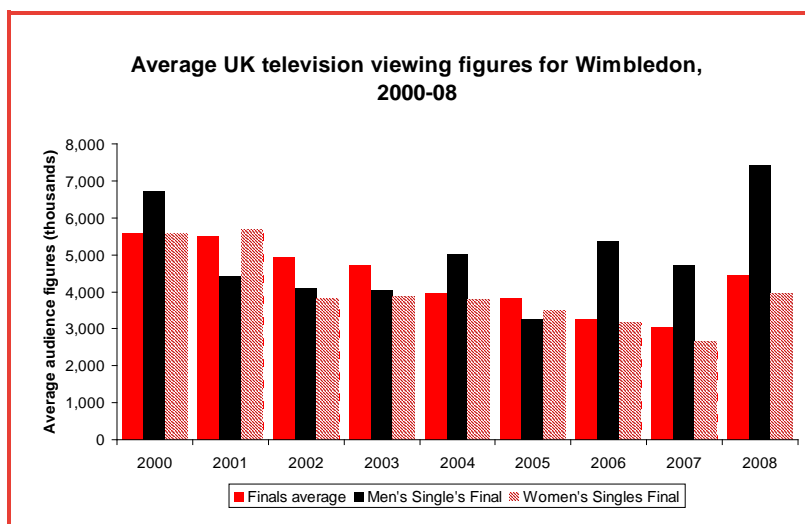


Figure 34: Average viewing figures for Wimbledon, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

⁷² Given the nature of Wimbledon coverage (with significant amounts of coverage during week day off-peak hours), peak audiences are likely to be significantly greater than the reported 4.3 million average viewing figure.

Figure 35 shows the average annual viewing figures for all other tennis events over the same period, split between qualifying channels and Pay-TV. This shows that, on average, other tennis events tend to attract fewer viewers than Wimbledon. For example, the highest average annual viewing figure recorded for the period was 1.4 million in 2001. This suggests that Wimbledon is significantly more popular among viewers than other tennis events.

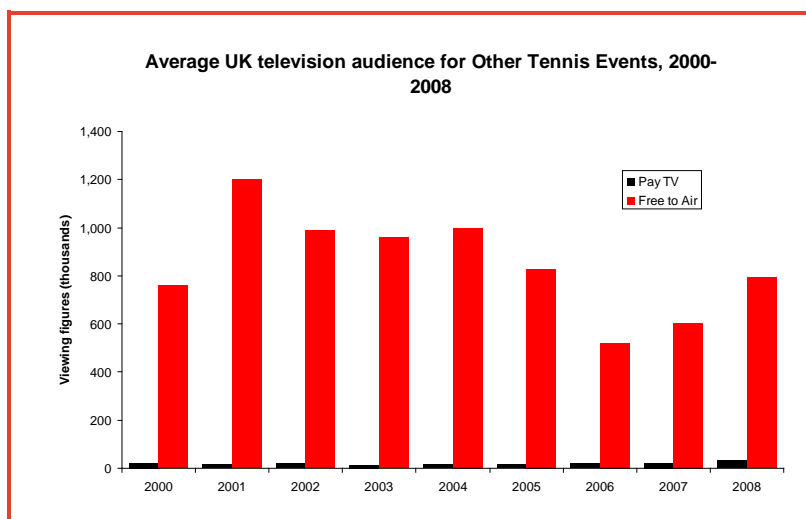


Figure 35: Average viewing figures for other tennis events, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The potential costs of listing Wimbledon – structure and funding of the LTA

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK of TV broadcast revenues and the level of grass roots investment in the sport in the UK.

Although broadcast revenues are a significant source of revenues for Wimbledon, much of these accrue from overseas broadcasters, unaffected by the UK's listing policy. These revenues generate a surplus for Wimbledon, which is typically the LTA's most significant source of revenue. For example, in 2008, the surplus from the tournament generated £27 million of revenue for the LTA, 58% of its total revenue. The LTA also received approximately £4 million of Sport England grant funding and £3 million of donations.

This annual surplus is used in part for the LTA's investment in UK tennis. In 2008, around £14.2 million was invested in *Player Programmes* to provide activities to enhance performance. These activities range from the identification and development of talented young children through to top performance tennis players. Another large area of investment is *Tennis Support*, which covers County Relations, Places to Play and Tennis Services, including British Tennis Membership. £6.5 million was invested in this area in 2008. The LTA also provides a *Coach Services Programme* which provides investment in changes in approach, to both learning programmes and support for coaches across the country.

The potential costs of listing Wimbledon – the potential impact of changing its listing status

As described above, the whole Wimbledon tournament is currently shown live on a qualifying channel. Given that only the finals of the tournament are listed in Group A, it may be that the listed status of the event does not constrain the behaviour of the broadcasters or rights owner (note however that this would not be the case if non-qualifying channels were only interested in the rights if the entire tournament was de-listed). In addition for Wimbledon, revenues from overseas broadcasters are relatively more significant than for other UK sports / events. Any changes to the proceeds from the sale of UK broadcasting rights (arising from a change in the listed status of the event) may therefore have only limited impact on the LTA's funding of UK tennis programmes.

LISTING POLICY FOR THE OPEN CHAMPIONSHIP

The Open Championship is one of the four major championships in men's golf. It is also the only one of these championships which is played outside of the US. The Open is currently televised live by the BBC, which also televises the US Masters (another major). The remaining two majors (the US Open and US PGA Championship) are shown on Pay TV. The Open is currently listed as a Group B event and, apart from the Ryder Cup, is the only listed golf event.

The Royal and Ancient Golf Club of St Andrews (R&A) are the governing body for golf in the UK and control both the broadcasting rights to the Open and the location of the event.

The potential benefits of listing the Open Championship – average viewing figures

To assess the potential benefits of listing the Open Championship, we have collected average viewing figures for each year's coverage over the period 2000-08, together with average viewing figures for the US Masters, US Open and US PGA.

Figure 36, below, illustrates that viewing figures for both The Open and US Masters are similar, with those for the US Open and US PGA significantly lower. On average, The Open and US Masters commanded average audiences of approximately 3.5 - 4 million viewers over the period, with The Open attracting slightly larger audiences for every year. Further, coverage of Open includes significantly greater live coverage in daytime hours, meaning these average viewing figures may understate significantly the peak audiences for The Open (relative to peak audiences for the US Masters).

The US Open and US PGA attract significantly lower average audiences on Pay TV, of typically less than 250,000.

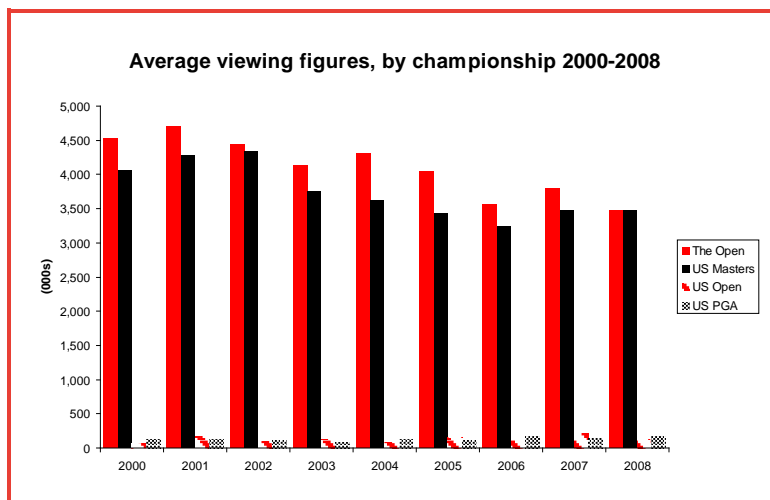


Figure 36: Average UK viewing figures for live coverage of The Open Championship and other majors

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The potential costs of listing the Open Championship – structure and funding of the R&A

As described above in Section 2.3, the costs of listing an event are likely to depend on the funding structure for the sport concerned, the importance to the sport in the UK on TV broadcast revenues and the level of grass roots investment in the sport in the UK.

It is difficult to assess the impact of listing the Open Championships on R&A revenues as information regarding the importance of broadcasting revenues to total R&A turnover is not available. We are, however, able to imply, from the level of grass roots investment in the sport, how a decrease in R&A profits may impact the game as a whole.

For example, we understand that proceeds from The Open Championship have enabled the R&A, since 1986 to contribute funding to a wide range of golf bodies. In the initial 10 year period, £12.5m was distributed in outright grants and more than a further £8m in interest free loans.

As part of this investment, the Golf Foundation receives extensive grants towards its work in promoting junior golf. Much of the R&A's investment in grassroots is aimed at helping golf clubs extend and improve their facilities available for golfers so that more visitors can be accommodated. The R&A also offers grants to the 28 countries affiliated to the R&A for the coaching of amateur golfers, whilst the PGA receives regular grants for its training programmes.

The potential costs of listing the Open Championship – the potential impact of changing its listing status

As described above, the Open Championship is currently shown live on a qualifying channel. Given that the Championship is only listed in Group B, it is reasonable to conclude that the listed status of the event does not constrain the behaviour of the broadcasters or rights owner. Changing the status of the Open

Championship may not, therefore, impart currently significant costs (or benefits) on any party. Given that live coverage of the Ryder Cup has however moved to a non-qualifying channel it is also possible that in future, the listing status of the Open may constrain the behaviour of the broadcast rights owner.

LISTING POLICY FOR THE RYDER CUP

The Ryder Cup is played every two years between teams from Europe and North America. It is currently listed as a Group B event.

Background

Broadcasting rights for the Ryder Cup

The Ryder Cup is jointly administered by the PGA of America and the PGA European Tour who are the broadcasting rights owners. The European Tour has undertaken a joint venture with Trans World International to form PGA European Tour Productions. This group supplies coverage of the events to the tour broadcasters in the UK and United States.

Unlike the Open Championship, live coverage of the Ryder Cup has moved to Pay-TV, with BSkyB currently holding the broadcasting rights for the 2012 and 2014 Ryder Cups. The BBC has rights to show highlights of the event.

The potential benefits of listing the Ryder Cup– average viewing figures

To assess the potential benefits of listing the Ryder Cup, we have collected average viewing figures for both the live and highlights coverage of the last four Ryder Cups (i.e., 2002, 04, 06 and 08), together with average viewing figures for other golf events broadcast on FTA between 2000 and 2008.

Figure 37, below, shows the average viewing figures for the Ryder cup, split between live and highlight coverage. Even when highlights are taken into account, the Ryder Cup commands lower average audiences than The Open. In comparison, however, average live audiences (of around 0.5 million) are double those of the US Open and US PGA, suggesting there is greater interest - among Pay TV customers - in the Ryder Cup than either the US Open or US PGA Championships.

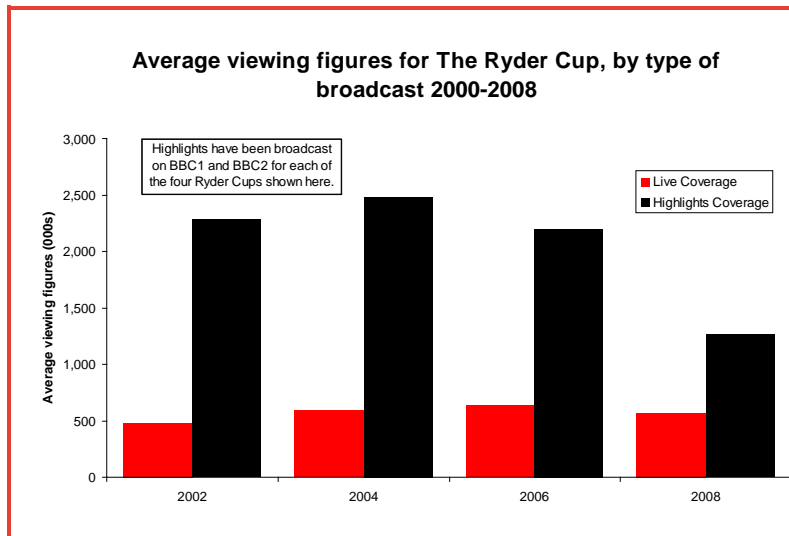


Figure 37: Average UK viewing figures for live and highlight coverage of the Ryder Cup

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The following chart, Figure 38, shows average viewing figures for other golf events shown live on the BBC during the period 2000-08. It can be seen that other golf events shown on a qualifying channel have attracted average annual audiences of around 1 million. This is lower than the audiences for both the Open Championship and Ryder Cup (highlights), suggesting these two events are more popular among UK viewers than other golf events (excluding the US Masters).

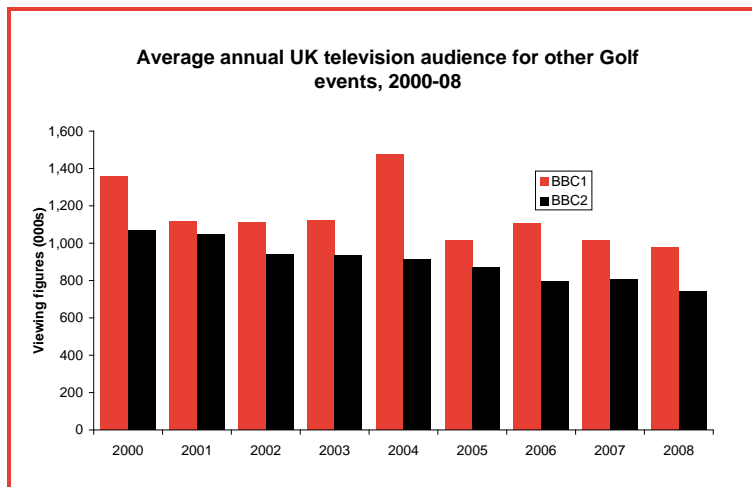


Figure 38: Average UK viewing figures for live coverage of other golf events

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

The potential costs of listing the Ryder Cup– the potential impact of changing its listing status

The fact that live coverage of the Ryder Cup has moved to Pay-TV suggests that listing may constrain the behaviour of the rights holders and broadcasters. For example, delisting the event could lead to both live and highlight coverage of the Ryder Cup moving to non-qualifying channels. However, there is significant demand for highlights on qualifying channels and this, combined with the evidence about the differences in viewing figures for events that have switched between qualifying and non-qualifying channels, suggests that this would lead to

relatively large viewing figures for live coverage, were it to move to a qualifying channel for example, as a result of the event being listed in Group A.⁷³

THE GRAND NATIONAL AND EPSOM DERBY

Both the Grand National and Derby are currently included among the Group A list of events. Currently, both are broadcast on a qualifying channel through the BBC, although in previous years the Derby has been shown on Channel 4.

Viewing figures for the Derby and Grand National

Official viewing figures suggest that in the UK, around 6 million people watch live coverage of the Grand National, with just under 2 million watching live coverage of the Derby. According to official BARB figures, the highest viewing figure (for either event) since 2000 was for the Grand National in 2005, which was watched by 7.7m viewers. Average viewing figures for both events over the period 2000-08 are shown in the figure below.

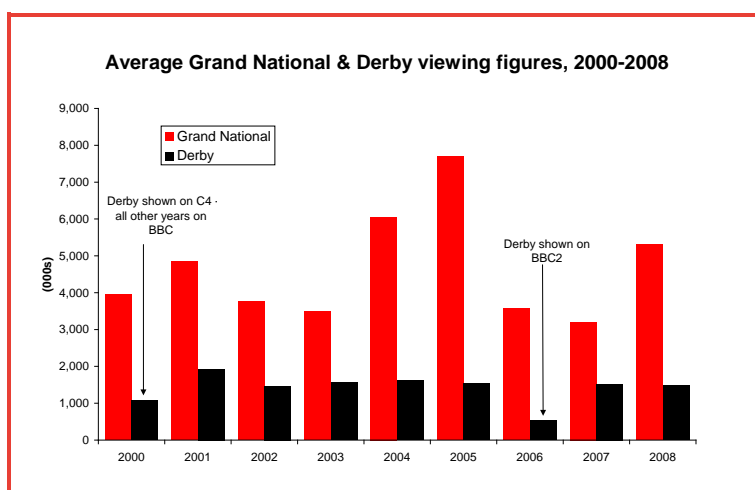


Figure 39: Average viewing figures for the Grand National and Derby, 2000-08

Source: Frontier and Futures Sport & Entertainment analysis, based on BARB data

Compared to other Group A listed events, viewing figures for the Grand National in 2008 were relatively high. In comparison, The Derby was one of the least watched Group A events, based on average viewing figures. However, it is important to note that in each case the viewing figures shown in Figure 39 may understate the numbers watching the actual race (as viewing figures are averages for the programmes containing these events, which include the televised build-up and review). For example, according to figures listed on the website for Aintree racecourse, a domestic audience of 7.6 million, representing 66.5% of the television audience at the time, saw the live broadcast of the Grand National in 2007.⁷⁴

⁷³ It has not been possible to assess the financial contribution of the Ryder Cup broadcasting rights to golf and therefore the potential costs to the authorities of listing the event.

⁷⁴ <http://www.aintree.co.uk/pages/broadcasting-of-the-grand-national/>

Broadcasting rights for horse racing

The British Horseracing Authority (BHA) governs the sport in the UK. Its responsibilities include:

- providing the most compelling and attractive racing in the world
- ensuring the highest standards for the sport and participants, on and away from the racecourse
- promoting racehorse welfare; and
- representing and promoting the sport and the industry.

The BHA is not, however, responsible for the sale of broadcasting rights. Rather, owners of individual racecourses are responsible for their own commercial interests, including the sale of broadcasting rights.⁷⁵

The BBC currently has the rights to broadcast in the UK exclusive live coverage of both the Grand National and the Derby. Prior to this, the Derby was shown for a number of years on Channel 4. We are not aware of how much the rights to both events were sold for. However, we understand that when the rights were last contested, BBC faced competition from at least one other qualifying channel broadcaster.

The importance of broadcast revenues for horse racing

Broadcast revenues for the horse racing industry accrue from three sources: fees paid by qualifying channels; fees paid by specialist Pay TV channels and payments for the supply of racecourse pictures to licensed betting offices. In 2006 the BHA (then the British Horseracing Board) commissioned a study into the economic impact of horseracing.⁷⁶ According to this study, income from broadcasting / media generated £46 million per annum (less than 10% of total income for the sport), compared to for example £103 million from the betting levy, £116 million from race day receipts and £94 million from catering.⁷⁷

Expenditure associated with horse racing primarily covers operating costs for owners, trainers and racecourses, together with wage costs. From publicly available information, the level of any specific investment in ‘grass roots’ racing is unclear.

⁷⁵ A number of racecourses have common ownership and therefore owners may look after the commercial rights of a group of racecourses.

⁷⁶ “*Economic impact of British Horseracing, 2006*”, Deloitte, prepared for the British Horseracing Board

⁷⁷ It has not been possible, from publicly available information, to assess the importance of broadcasting revenues from just the two listed events. This could be an area of further research for the Review Panel.

Annexe 2: Estimating the monetary value of consumer benefits from listing England's home test matches

In Section 2.2 we outlined an approach for estimating the impact on consumer welfare of listing events (on the assumption that those events are then shown on a qualifying channel). Although we do not have all the data necessary to estimate the impact on consumer welfare of listing England's home test matches, from the data that we have it may be possible to provide some estimates of the potential scale of any gains in consumer welfare⁷⁸.

Increases in consumer welfare from listing England's home test matches may stem primarily from two sources:

- increases in welfare for those consumers who have taken out a Pay TV subscription in order to watch England's home test matches and hence would no longer need to take out the subscription if the tests were shown on a qualifying channel; and
- increases in welfare for those consumers who did watch test matches on a qualifying channel but who did not take out a Pay TV subscription and hence no longer watch live coverage.

Given publicly available data, it is not possible to measure accurately the potential increase in welfare for consumers in the first category. For example, we do not know how many consumers would give up a Pay TV subscription if they were able to watch England's home tests on a qualifying channel.

It is possible, however, to provide an indicative estimate of the potential scale of increases in welfare for consumers in the second category. If the value a consumer places on being able to watch England's home test matches was equal to or greater than the price of the required Pay TV subscription, we would expect the consumer concerned to subscribe and hence be able to watch the live coverage. The maximum value that a potential viewer who has chosen not to subscribe to Pay TV would place on watching live coverage of the cricket would for most consumers be expected to be marginally below the price of the cheapest subscription package that would have given the consumer the ability to watch the coverage.

At the time of writing this report the cheapest subscription to all Sky Sports channels was approximately £35.50 per month, excluding limited special offers.⁷⁹ Based on the analysis of viewing figures presented above, approximately 1 million fewer viewers watch coverage of England's home tests since coverage switched

⁷⁸ This analysis ignores possible changes in the quality of TV coverage and the potential consumer welfare from viewers watching coverage on commercial premises.

⁷⁹ This is based on a customer taking one Sky TV pack (£16.50 per month) and the Sky Sports pack (£19). This gives the customer all Sky Sports channels. Subscribing to either Sky Sports 1 or Sky Sports 2 alone reduces the monthly cost to £27.50 per month.

to Pay TV. This suggests that these 1 million viewers have interest in live coverage but have not subscribed to Sky. The maximum potential benefit that each of these consumers could obtain from England's home tests being shown on a qualifying channel would be £426 per annum (i.e., £35.50 * 12 months). The maximum possible gain in consumer welfare for all these consumers (i.e., assuming they all valued watching cricket only marginally less than the subscription fee) from England's home tests being shown on a qualifying channel would therefore equal £426 million per annum.⁸⁰

In reality many consumers will not value the rights up to the maximum of £35.50 a month. Rather, if we assume that the distribution of the private value of viewers was linear, between a maximum of £426 per annum and £0, then the estimated potential gain for consumers would be 50% of the £426 million per annum, or £213 million. Note also that a number of consumers that do not take the subscription package to watch live cricket, could be watching cricket in commercial premises or jointly with friends or family that do subscribe. To the extent that such consumers continued to watch live cricket after it switched to a non-qualifying channel, the estimate of the potential welfare effect would need to be adjusted downwards.

⁸⁰ Note there is a minimum subscription to Sky TV of 12 months. Consumers could however choose only to take the Sports pack during the months where England's home tests are broadcast. For example, if consumers only took Sky Sports for four months, approximately covering the period when tests are played in England, the annualised average monthly subscription price would be approximately £22.80 (equivalent to £274 per annum). This reduces the maximum annual value for these consumers of coverage moving back to FTA to approximately £274 million per annum. Again, however, if we assume that the distribution of the private value of viewers was linear, between a maximum of £274 per annum and £0, then the estimated potential gain for consumers would be 50% of the £274 million per annum, or £137 million.

Annexe 3: Methodology for collecting UK TV audience data for listed events

This annexe explains the methodology employed by Futures Sport + Entertainment in collating TV audience data for Frontier Economics, as part of the review of Listed Events in the UK.⁸¹

1. TV audience data source

All TV audience data have been sourced from BARB.

2. Target audience

In all cases, the viewing figures supplied to Frontier Economics are for the “All Individuals” demographic group. That is to say, people aged 4+.

3. Programmes included within reported figures

The programme descriptions contained within BARB audience data are often incomplete, e.g. “Football”. futures sport + entertainment has therefore used its bespoke TV audience data tools to complement the information supplied by BARB with more comprehensive programme descriptions, e.g. the tournament featured in a programme, which were the competing teams, etc.

futures sport + entertainment has been tracking global TV audience trends for more than a decade, and has developed a variety of tools over this time, for precisely this type of exercise. For example, we have interrogated the published TV guides over the period 2000 – 2008 in order to see precisely what has been televised over the last nine years.

4. Unaudited channels

Not all TV channels in the UK are audited by BARB. This means that it is not possible to supply TV audience data for all televised sporting events.

5. Regional channels

Wherever possible and relevant, the audience figures for regional feeds of national, free-to-air broadcasters have also been collected.

⁸¹ This annexe was prepared by Futures Sport + Entertainment

6. Average audience figures

In all cases, the average audience reported for each sporting event has been calculated on the basis of the “programme average”, rather than the “event average”. That is to say, the figures include pre-match build-up, post-match analysis and other content that surrounds the live coverage.

Where a sporting event has been televised live simultaneously across more than one channel, the average audience on each channel has been summed, in order to derive the total UK audience for that event.

The average audience across multiple events has been calculated on a duration-weighted basis. That is to say, a programme that lasts one hour is assigned a weight sixty times higher than a programme lasting one minute, for example.

7. Peak audience figures

For the Olympic Games, in addition to the average audience, the peak audience has also been supplied. For the purpose of this report, futures sport + entertainment has defined the peak audience as the programme that achieved the highest average audience figure of the entire Olympiad.

8. Out-of-home viewing

Official BARB data only monitor the number of people who watch a TV programme in an “in-home” location. This includes people watching at a friend’s or relative’s house, but not in venues such as pubs or bars.

Bespoke research conducted by futures sport + entertainment on behalf of its clients has shown that out-of-home viewing can make a large contribution to the total audience for a sporting event. Indeed, there is evidence to suggest that it has become more important in recent years. However, its importance does vary widely by event.

FRONTIER ECONOMICS EUROPE

BRUSSELS | COLOGNE | LONDON | MADRID

Frontier Economics Ltd 71 High Holborn London WC1V 6DA
Tel. +44 (0)20 7031 7000 Fax. +44 (0)20 7031 7001 www.frontier-economics.com