

Ofcom's second consultation on the coexistence of new services in the 800MHz band with digital terrestrial television

A response from Freeview

1. Introduction

Freeview welcomes the opportunity to respond to Ofcom's consultation and acknowledges the public interest in the rollout of 4G mobile services.

In preparing this response, Freeview has conducted original consumer research through Kantar Media.¹ The submission has been put together on the basis of the role that Freeview plays in championing and protecting the interests of the consumers reliant on its services.²

Freeview is the UK's leading television platform, currently serving over 20 million homes (including almost 11 million main set homes).³ By the time 4G services roll out, over 90% of the UK will have Freeview either on a main or secondary set.⁴ In responding to Ofcom's consultation, our principal concern is that the introduction of new mobile services in the 800MHz band should not be to the detriment of existing television services and that all Freeview homes should be protected from the interference likely to be caused by 4G. Our response is predicated on this overarching principle. The consumer research shows that the majority of Freeview homes do not find 4G appealing and nor do they, for the most part, own smart devices.⁵ The people least likely to benefit from 4G services are therefore those that will end up suffering the consequences of their rollout.

Whilst we welcome the Government's commitment to set aside £180 million to pay for countering the effects of interference, it does not go nearly far enough to meet consumer expectations. As is clear from the Second Consultation Document, the proposals from Ofcom and the Government around the levels of mitigation being offered and implementation via MitCo will still leave homes that watch some or all of their television on Freeview to bear considerable cost and inconvenience as a result of interference from the development of 4G networks. Over a quarter of UK consumers feel it's the Government who would be at fault for this interference with a further third blaming the mobile operators.⁶ The rollout of 4G services will cause consumers significant inconvenience, we do not think they should bear the cost of maintaining their existing service as well.

¹ Kantar Media conducted a face to face omnibus survey in April 2012, interviewing 2,046 people who have television in the home. The sample was nationally representative and included homes with DTT, cable or satellite as their main or secondary source of television.

² The views expressed in the response are those of the management team and do not necessarily represent those of our individual shareholders.

³ BARB Establishment Survey, Q4 2011

⁴ 3 Reasons Ltd., Spring 2012 iteration. Total penetration is currently at 77% of all UK homes based on BARB's Q4 2011 numbers

⁵ Appeal for 4G services was low amongst Freeview homes - 71% found it unappealing. Smart device penetration amongst Freeview users is also low - 29% (versus 43% for the population as a whole).

⁶ Kantar Media, April 2012: 26% of people would blame the government for interference to the Freeview service whilst 31% would feel the mobile operators are responsible and a further 30% would not know who was at fault.

Our response to the consultation comprises two sections:

- Reactions to the overarching parameters of the scheme
- Responses to specific questions in the Ofcom consultation

2. Reactions to the scheme

Of the 2.3m households estimated to be at risk of interference, almost 1.8m currently access some or all of their TV via Freeview. This number will only increase post switchover once all analogue homes have made the transition to digital and households have converted additional sets. Industry forecasts suggest that, by the time DSO is completed at the end of 2012, Freeview will be in 90% of the UK's homes⁷.

Consumers have bought into Freeview with enthusiasm and in good faith and through the process of switchover have made significant investment in Freeview equipment (receivers and aerials). Our consumer research demonstrates that they not only expect continuity of service, but believe this to be the fairest outcome. 86% of Freeview main set homes expressing an opinion say they would be unhappy if the service were no longer available. A significant proportion of second set Freeview homes who expressed an opinion would also have reservations about no longer being able to access the service - 75%.⁸

Based on Government's current proposals however, continuity of service is far from guaranteed. Many homes will be left with insufficient support to address interference problems and some will lose access to Freeview altogether. Our particular concerns are set out below.

Consumers who are least likely to benefit from the development of 4G mobile services will be the most affected by 4G interference

Freeview's research shows that 4G services are much less appealing and relevant to Freeview homes than the population as a whole. Over two thirds of Freeview homes do not find 4G services appealing. Furthermore, over 70% do not own a smart device. Smart device penetration is significantly lower for older age groups⁹. This is important because Freeview homes tend to be older - almost 40% of Freeview's viewers are over 65 and 55% are over 55¹⁰. The people most likely to be affected adversely by interference to the existing Freeview television services they enjoy are therefore those who have the least interest in 4G mobile broadband services. Furthermore, whilst special provision is being made to support those aged over 75, there will remain a substantial number of older consumers who will be left to fend for themselves.

⁷ 3 Reasons Ltd., Spring 2012 iteration

⁸ Kantar Media, April 2012

⁹ Kantar Media, April 2012: Penetration of smart devices in Freeview main set homes is low - 71% of do not have a smart device, rising to 88% of those aged 55+ and 94% of those aged 65+.

¹⁰ BARB Establishment Survey, Q4 2011

Consumers must receive the right type of filter to suit their TV and receiver configuration

It is essential that all affected households receive the right type of filter to prevent interference for their particular television and receiver set-up. As the proposals stand, we believe there is a risk that this will not be achieved.

Of the homes likely to be affected by interference, almost one million are multiple dwelling units (MDU) - likely to include many among the older and poorer sections of society. We are particularly concerned about this cohort as adequate provision does not seem to have been made to support them. Identifying the residents in MDUs and establishing who is the person (or persons) responsible to ensure that appropriate measures are taken to mitigate the effects of interference on behalf of all the households in an MDU is particularly challenging. We note that despite its best efforts, even Digital UK did not succeed 100% in this area. [Ofcom should publish proposals on how this will be achieved by Mitco and measures to assess Mitco's performance in meeting consumers' expectations of continuity of service in these circumstances should be included in Mitco's KPIs].

Consumers are being made to bear substantial installation costs

Government has decided not to provide installation support for affected households unless they qualify as vulnerable consumers (i.e. those who meet the same eligibility criteria as those for the Digital Switchover Help Scheme). This is based on Ofcom's research into the self-installation of filters with a standard domestic television and aerial arrangement, which suggests that consumers would find the process relatively easy.

We would make two observations here:

1. Standard installations only account for 17% of all households affected¹¹ and it is likely that the remaining 83% of homes using an amplifier or reliant on a communal aerial system would need professional installation support involving considerable cost.
2. Given the limited sample size of Ofcom's research into self-installation, we do not believe its findings can be conclusive. Factored into the results are the findings from only 39 interviews with people aged 65+¹². This is not a robust enough sample size to conclude whether the majority of people within this age bracket would find installing a filter themselves straightforward or not. Even if they have a standard installation (and based on the analysis above, many of them won't), they may find they need professional help, which could be in the region of £100 or more.

Estimates of the overall installation costs that could end up being borne by consumers are difficult to make precisely, but, based on the cost assumptions for installation support modelled by Deloitte, and annexed to the Second Consultation Document, these could be as high as £200million.¹³

¹¹ Ofcom Second Consultation Document, Feb 2012, p26, table 5.1

¹² <http://stakeholders.ofcom.org.uk/binaries/consultations/949731/annexes/DTTinterference.pdf> p 47

¹³ <http://stakeholders.ofcom.org.uk/binaries/consultations/949731/annexes/Deloitte.PDF> p81

The public estate

It is not clear to what extent the public estate is covered by the Government's plans and whether hospitals, local authority care homes and other public buildings will be eligible for support. Likewise private companies and voluntary sector organisations providing accommodation also seem to be outside of the scheme. Funding for installation of filters, even if the filters themselves are provided free of charge, will be hard to find at a time when cuts in public spending in these areas are prevalent. [Ofcom should publish plans for the distribution of mitigation support to public organisations, and estimate its cost.]

Additional TV sets

The supply of free filters will only apply to main sets and not additional sets. According to Ofcom, there were 21m Freeview additional sets in Q1 2011¹⁴ and this number can only have increased in the last year due to more people converting sets through the process of digital switchover. A considerable number of these will be affected by interference. Over two thirds of homes with Freeview on one or more secondary sets do not want to lose the service. In these households, if viewers want to continue receiving Freeview on their secondary sets, they are likely to incur further expense for filters and/or installation. We appreciate that this thinking accords with that for the digital switchover help scheme, where second sets were not provided for. But there are clear differences with the case of the development of 4G, since the interference is being caused not in the interests of supporting enhanced television services, but in pursuit of separate policy objectives, which will not be of interest to the majority of Freeview homes.

Consumer and network filtering

Ofcom's analysis demonstrates that the combination of consumer and network filtering greatly reduces the numbers of homes that would require a platform change. 86% of DTT main set homes would be unhappy at losing the Freeview service and therefore having to switch platform. Given the choice between 4G and Freeview, the majority of people opt for the television service. Even 18-34 year olds, who tend to be higher users of technology, would prefer to retain Freeview over 4G¹⁵. DTT homes have made a proactive choice in opting for the digital terrestrial platform and do not want to give it up. We would like to see more incentives being given to the mobile operators to effect network based mitigation where possible. Setting a platform change cap early on should minimise the number of homes who will lose access to the Freeview service.

¹⁴ Ofcom Digital Progress Report, Q1 2011

¹⁵ Kantar Media, April 2012: If you had to choose between receiving 4G mobile broadband and retaining your current Freeview service, which would you choose? - 79% of DTT homes would choose Freeview, 63% of 18-24 year olds and 61% of 25-34 year olds.

3. Response to Ofcom's Consultation Questions

Question 7.1: Do you agree that it is best to seek to establish MitCo in advance of the auction for later transferral to 800MHz licensees?

We agree that MitCo should be established before the auction takes place. This will allow for adequate planning in terms of strategic and operational arrangements, such as appointing senior roles, further modelling of households affected and agreeing KPIs. We believe that the mitigation should be effected on a proactive basis so that when networks are switched on, consumers' television services are maintained and the numbers of people who actually experience interference is kept to a minimum. Establishing MitCo with as much advance notice as possible will provide the best chance of happening.

The rollout of digital switchover involved years of pre-planning and included several trials from which many lessons were learned. We think the same principle should be applied to the rollout of 4G services and that a pilot in at least one area of the UK should be put in place before a national rollout can proceed.

Question 7.2: Do you agree with our initial views on MitCo's constitution and governance?

In terms of MitCo's constitution and governance, our main concern as outlined above, is that MitCo is set up in such a way that interference is minimised as far as possible and that a proactive approach is taken to supporting Freeview homes. MitCo's objectives should therefore not only be around providing mitigation support to DTT consumers but also minimising the levels of interference in the first place.

7.2.1: MitCo's responsibilities

MitCo's responsibilities should focus on protecting the interests of DTT viewers and its objectives should be centred around minimising the effects of interference for homes at risk.

The following activities should be carried out in advance of the networks being switched on:

- information to be provided to all homes potentially affected
- engagement with consumers via the contact centre to establish type of installation so as to ensure the right type of filter is sent out
- engagement with industry to ensure a joined-up approach to consumer communications (see 7.2.2)
- the provision of filters to affected homes
- network mitigation in pre-identified areas

In relation to the provision of consumer communications, any materials should carry the MNOs' logos to ensure consumers are clear on where the accountability for the interference lies and to incentivise the MNOs to deliver against the higher order objective of protecting DTT viewers' interests.

7.2.2: MitCo's engagement with the wider industry

MitCo should be required to engage with key stakeholders of the DTT platform who also have direct contact with consumers. This includes Freeview, Digital UK, manufacturers, retailers and aerial installers. These stakeholders should be briefed on MitCo's consumer communications plan and provided with relevant materials so as to be able to effectively plan for their own communications and how they might deal with incoming consumer enquiries.

Question 7.3: Do you have any views on the proposed approach to the Supervisory Board?

The Supervisory Board will play a crucial role in shaping MitCo's responsibilities to consumers and therefore ensuring that the interests of Freeview homes are adequately protected. The Board will need to undertake regular and detailed reviews of MitCo's performance and for this we believe it needs to be appropriately funded and resourced. As such, we doubt that the proposed annual budget of £1.2million will be adequate to cover operational costs and the running of a robust monitoring function including the commissioning of independent research and consultancy.

Reviewing MitCo's performance should include commissioning research to monitor the mitigation programme including consumer feedback on the information and support received, the extent to which consumers are remaining with DTT or switching platforms voluntarily due to the inconvenience and/or expense associated with interference and the response to the mitigation itself - to what extent consumers are reactively requesting filters, installing filters themselves vs contracting professional services etc.

Question 7.4: We propose that the 50% gain share be split between 800MHz licensees based on the volume of spectrum they hold in the 800MHz band. Do you have any comments on this proposal?

We would question the extent to which the gain share mechanism outlined in the consultation would incentivise mobile operators to undertake network mitigation. Given the likely amounts involved, it is difficult to see how these would provide the necessary incentive to persuade the operators to carry out network based mitigation. This is why we believe setting a cap on the number of platform changes would be more effective in achieving network based mitigation. We do not think leaving the mobile operators to decide for themselves whether to undertake network mitigation will necessarily result in the effective protection of the interests of DTT viewers.

Question 7.5: Are the information parameters defined above and in Annex 5 sufficient to allow MitCo to accurately and reliably forecast the scale and scope of households affected by DTT interference?

No comment.

Question 7.6: Do you agree the KPIs related to MitCo's activities are appropriate and robust?

Freeview does not agree that the proposed KPIs are either appropriate or robust and is concerned that as such, DTT homes will be subject to unnecessary confusion, inconvenience and potentially cost. The KPIs should be designed in a way that ensures households affected by the interference are properly assisted and supported through the process of mitigation.

Consumers will need contacting on more than one occasion in order to raise sufficient awareness

The KPI for information supply is currently based on sending information at least one calendar month before switch-on of the 4G network. If consumers are only written to once, it is unlikely that they will a) fully register the issues and the action required of them and b) keep the information top of mind long enough so as to be fully prepared when the interference occurs. They will need more contact with MitCo than is currently proposed.

Supplying filters to only 90% of affected households is not in the interests of consumers

Providing filters for 90% of the households that are likely to be affected would mean up to 200,000 homes would have to request a filter only once they had already experienced the interference. This is unsatisfactory on a number of levels:

- 1) consumers experience the interference unnecessarily, it could have been avoided had a filter been sent proactively;
- 2) it requires consumers to be able to identify the issue and know how to source a filter reactively (when in fact they might spend unnecessary time and expense on trying to resolve the issue another way).

Platform change must be a last resort

The proposed KPI around platform changes only measures how quickly a platform change is implemented. The KPI should be focused on minimising the number of platform changes by addressing factors such as issues with installation (e.g. poor cabling), poor quality receiver equipment (that can be replaced with more up-to-date equipment) or the provision of an inappropriate filter. After measures have been taken to improve a viewer's home set-up, only then should a platform change be undertaken.

Measuring volumes of consumer complaints is not an appropriate measure of success

Depending on consumers to complain about the interference or loss of service is not a reliable performance indicator when we know that consumers do not tend to complain and if they do, it may well be to a retailer or manufacturer thereby further complicating the process. We do think the number of complaints should be monitored.

Question 7.7: Do you agree that the KPI for incentivising and measuring the proactive supply of DTT receiver filters to households affected by interference should be based on an assessment of the outcomes rather than the activities performed by MitCo?

Yes and no.

Measuring MitCo's performance on the extent to which it sends out filters will not necessarily result in consumers' interests being protected. For example, sending out filters to 100% of homes affected does not necessarily mean that for 100% of homes, the problem will be resolved (some may have further issues with installation for example).

The successful provision of filters should be the very minimum target that MitCo is tasked with achieving. It should also be measured on outcomes such as consumer awareness and understanding, number of successful installations, numbers of self-imposed platform changes etc.

Question 7.8: Do you agree with the approach we have outlined for incentivising KPI achievement and managing cases of non-compliance with KPIs?

No comment.

Question 7.9: Do you agree with our proposed approach for managing MitCo's performance against other elements of service delivery that are not captured by KPIs?

With regards to the Contact Centre, we think that the names and logos of the MNOs should be used in correspondence with consumers so as to limit any reputational damage to either Freeview or its shareholders. Consumers will not understand the technicalities of why the interference is happening or who is responsible and this must be made clear in all consumer communications. Based on our experience of running a call centre up to 2009 before Digital UK's call centre handled the majority of Freeview enquiries, activity and targets will need monitoring much more frequently than once a quarter. We understand that Digital UK is in continuous contact with its call centre provider and would suggest that mechanisms are put in place for more regular assessments.

For the design and content of information materials, both Freeview and Digital UK will be able to provide invaluable advice on communicating with DTT homes and it should be a requirement of the Supervisory Board to liaise with both these organisations.

As previously mentioned, it is paramount that the correct type of filter is sent to each household to avoid further complicating the mitigation process for consumers (with their installing a filter and its not resolving the issue). This is a further requirement that is not currently reflected in the KPIs.

Question 7.10: Do you think a hard or soft limit should be set in relation to platform changes? Do you have any other comments in relation to the platform change cap?

It is our view that platform changes should be kept to a bare minimum and we therefore welcome the proposal from Ofcom to set a cap on the number of consumers whose DTT service will be irretrievable. As highlighted in the introduction to our response, 86% of Freeview main set homes would be unhappy at the prospect of losing the service. DTT viewers do not want to change platform.

As set out in our response to Q7.6 regarding MitCo's KPIs, it is our view that platform changes should be a last resort and that all alternative mitigation solutions should be exhausted before a consumer is transferred to a different platform.

We are concerned that the issue of interference may lead to competitor platforms targeting Freeview homes with promotional offers leading to so-called 'voluntary platform changes'. For this reason, DTT viewers must be made to feel that they are being adequately informed and supported through the process and not that switching platform is a more appealing solution.

The cap should be set as low as possible and as early in the process of setting up MitCo as possible.

7.11: Do you agree with the requirements we propose to place on the licensees to address interference after MitCo closes?

Our main concern is that Freeview homes continue to receive the information and support they need for as long as they need. Once MitCo closes in 2017, who will provide and fund mitigation for homes affected by interference from 4G?

Question 8.1: Do you have any views on the nature or detail of the requirements we propose may be necessary as set out in this Section?

No further comments.

4. Concluding summary

Given that consumers will be faced with considerable upheaval and inconvenience through no fault of their own, we would urge Government and Ofcom to ensure that Freeview homes do not incur any further costs as a result of this process.

Freeview homes are the least likely to benefit from the rollout of 4G with only a minority expressing any interest in 4G services. Older, poorer and less technologically savvy households will be the most affected by 4G interference. They need proper support and should not lose out financially.

We would therefore urge the Government and Ofcom to revise their plans on both the levels of support offered to consumers and the ways in which the support is provided. In particular, to help with installation costs (in all households other than those with a standard television and aerial configuration) and address issues affecting multiple dwelling units where proactive mitigation is a more complex process.

The rollout of 4G mobile service should be accompanied by a guarantee of continuity of service for DTT viewers. This should be a priority for mobile network operators and Mitco should be designed to give effect to this guarantee. Anything less is manifestly unfair to consumers who have supported digital switchover and thereby enabled the development of 4G services on the 800 MHz band in the first place.