

Cover sheet for response to an Ofcom consultation**BASIC DETAILS**

Consultation title: Award of the 600MHz spectrum band

To (Ofcom contact): John Glover

Name of respondent: Freeview

Representing (self or organisation/s): Organisation

Address (if not received by email):

CONFIDENTIALITY

What do you want Ofcom to keep confidential?

Nothing

Name/contact details/job title

Whole response

Organisation

Part of the response

If there is no separate annex, which parts? Annex 1 and text highlighted as yellow should be redacted

If you want part of your response, your name or your organisation to be confidential, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)? Whole response is confidential

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Name: Liz Reynolds

Signed (if hard copy):



Response from Freeview to Ofcom's consultation

'Award of the 600MHz spectrum band'

1. Introduction

Freeview is the country's largest TV platform. Just over a week ago we announced an increase in the number of households using the service on main-set televisions to over 11 million¹ - the highest figure ever. Three quarters of the British population now watch Freeview in almost 20 million homes. In a post-switchover all-digital world, popularity for the UK's main free-to-air television service remains as strong as ever.

Freeview's ability to evolve its proposition in line with consumer needs and the competition is fundamental to the long-term sustainability of the platform. We therefore welcome Ofcom's commitment to allocating the 600MHz band for interim DTT use, which will facilitate the introduction of new services to Freeview and narrow the ever-widening gap with pay-TV platforms. Looking to the wider context of international harmonisation and the potential use of the 600MHz band for DTT in the long term, we are not convinced that the case for clearing the 700 MHz band has been made. As such, we would encourage Ofcom to carry out a full cost benefit analysis to fully understand the consumer and economic impact of such a move.

As always, our response to this consultation has been put together on the basis of Freeview's role as overall custodians of the country's biggest free-to-air platform and champions of free-TV viewers' interests. It has been prepared by Freeview's management team and does not necessarily represent the individual views of our shareholders. We have focused our response on how to deliver the best outcome for viewers through the award process.

A summary of our response is below, followed by answers to individual questions.

2. Exec Summary

We are greatly encouraged by Ofcom's undertaking to assign the 600MHz band to DTT in the interim period to c.2018 - a move that will enable the delivery of new services to Freeview homes, most likely in HD. These are a crucial part of a TV platform's offer and there is strong consumer demand for high definition on Freeview. In Q4 2012, the number of Freeview homes able to watch HD increased by 400,000 (versus 93,000 Sky HD acquisitions²). The number of main set Freeview HD homes now stands at 3.5 million³, making Freeview HD the second biggest HD platform in the UK.

¹ BARB Establishment Survey, Q4 2012

² 400k - BARB Establishment Survey, Q4 2012. 93k - BSkyB published results for Q4 2012

³ As above

Freeview homes are now enjoying the benefits of high definition on BBC One HD, BBC Two HD, ITV HD and C4 HD. However, they expect and want more:

- over half of Freeview homes (59%) say there is not enough HD content available on Freeview currently⁴
- almost three quarters of Freeview homes (74%) expect to receive most or all their channels in HD in the future⁵

Given the consumer appetite for further HD channels on Freeview, we are encouraged that Ofcom is looking to facilitate the launch of DTT services in the 600MHz band as soon as is practically possible. It is our view that a rapid rollout of new services is fundamental to ensuring 1) maximum consumer benefit given the short window of opportunity for use of the spectrum and 2) maximum competitiveness of the DTT platform.

The launch of additional multiplexes utilising DVB-T2/MPEG4 operating parameters will allow for additional HD services to be introduced, which will in turn encourage consumer take-up of DVB-T2 equipment and potentially lead to aerial upgrades. This evolution will enhance the long term sustainability of the platform.

Our main concern with the overall recommended approach in Ofcom's consultation is that the conditions set out may not necessarily guarantee an optimal outcome for viewers. Under the current criteria an operator could potentially only deploy one multiplex to deliver one video stream (not necessarily HD) to the minimum coverage levels of 10% in the first year and 50% in the second.

This outcome would not:

- deliver a range of high quality HD services that Freeview viewers expect and want
- deliver a sufficiently attractive offering to encourage take-up of DVB-T2 equipment
- achieve Ofcom's stated policy goal of promoting long-term viewer take-up of HD services
- support Ofcom's objective of efficient use of spectrum

Any outcome chosen by Ofcom must be one that ultimately benefits viewers and is consistent with the policy to use the provision of HD services as a means of incentivising take-up of DVB-T2. The ideal outcome for viewers is clearly one that results in a range of high quality free-to-air HD services that are delivered to as many homes as possible. The bar should be set high enough to achieve this even if the process takes slightly longer to implement.

⁴ Freeview/Kantar Media quant research, May 2012

⁵As above

3. Response to Consultation Questions

Question 1: Do you agree with our proposal not to include Channel 36 in the spectrum to be awarded?

Yes. We see no issue with the proposal for a possible propagation study using Channel 36.

Question 2: Do you agree that the 600MHz band should be awarded as a single 'lot'?

Yes. We support this approach on the basis that it would seem the most straightforward way to bring the band into use and give any potential licensee flexibility to implement the network, which should increase the likelihood for success.

Question 3: Do you agree that the licence should have an end date of 2026, with a minimum term until 31 December 2018 and a clause enabling it to be revoked after that date, subject to at least 12 months' notice having been given?

Yes. We agree with the proposed duration for the licence. This time period should provide enough opportunity for consumers to benefit from the new services (subject to adequate coverage levels).

Question 4: Do you agree with the proposed service obligations for the licence, including a roll-out and coverage obligations to ensure 50% UK coverage (and a minimum 25% in each UK nation)?

No. The proposed obligations could be enhanced, in order to ensure the optimal use of the 600MHz band for consumers. We set out below how the Interim Multiplexes could be enhanced to constitute the best outcome for Freeview homes:

1) *New services in HD*

Under the current obligations, the new services could be broadcast in standard definition. Consumer demand is for HD channels not SD. Freeview's conjoint research⁶ demonstrates that given the choice between more HD or SD channels, consumers would value any number of HD channels over the addition of a further 100 SD channels.

Freeview currently provides four channels in HD vs Sky and Virgin's offerings of 65 and 24 HD channels. The addition of a further 10 HD channels for Freeview would go some way to closing this gap and with three quarters of Freeview homes expecting most or all channels to be in HD some time in the future, would help future-proof the DTT platform for the long term.

2) *New services should reflect consumer viewing preferences*

The channels that Freeview homes will most value in HD will be those that receive the highest viewing figures.

3) *New services should be widely available*

The new channels should be available to as many Freeview homes as possible as soon as possible.

⁶ Freeview/Mindshare conjoint research, November 2010

Question 5: Do you agree with our proposals to apply a cost-based fee instead of AIP?

Yes. We do not consider AIP to be an appropriate tool to increase spectrum efficiency.

Question 6: Do you have any other comments on the non-technical licence conditions that are being proposed?

No.

Question 7: Do you agree with the technical licence conditions we propose to include in the licence?

Yes.

Question 8: Do you agree with our proposal not to restrict any party from participating in this award process?

Yes, but with reservations as it would be possible to achieve a compliant bid but not maximise the impact of the Interim Multiplexes in a way that will benefit viewers.

Ofcom considers the risk of a rival winning the spectrum for strategic purposes that are not necessarily in line with developing the DTT platform, to be low (as per paras 7.10-7.12 of consultation document). This may be the case but the risk remains all the same and there is nothing in the current award process that would preclude this happening. As already described in the Exec Summary, under the conditions set out in Ofcom's Notice of Intention to Apply a successful licensee could, in effect, broadcast a minimum number of services at minimum coverage levels. This would not be an acceptable outcome as previously explained. Further measures should be undertaken to avoid this situation arising – see response to Q10 for further detail.

Question 9: Do you have any comments on the proposed award process in the case of a single compliant Notice of Intention to Apply?

No.

Question 10: Do you have any comments on the proposed award process in the case of more than one compliant Notice of Intention to Apply?

In the event that there is more than one compliant application Freeview believes that Ofcom should further consider the extent to which any commitments made alongside the applications will enhance the long term sustainability of the DTT platform. As highlighted in our response to Question 4, Freeview has noted that there is scope for greater impact from the Interim Multiplexes and Freeview urges Ofcom to re-consider the licence commitments in line with any additional commitments made against the policy objectives set.

We therefore suggest that Ofcom should require the successful applicant by its licence to:

- (i) demonstrate that its proposal supports the long term interest of the DTT platform
- (ii) commit to maximise the coverage in a timely manner

- (iii) develop an attractive consumer proposition that will incentivise consumers to adopt DVB-T2 equipment (through the launch of a minimum number of free-to-air HD services)

- (iv) use the spectrum in an efficient manner by optimising the available spectrum through the introduction of two interim multiplexes rather than just one multiplex. All compliant applications should be required to commit to additional measures prior to progressing to the sealed bid phase.