

A7. Discussion of changes to the Code

Introduction

A7.1 In Section 5, we set out our proposed approach to determining appropriate prominence for the designated channels. We then summarised our proposals for changes to the Code. In this annex, we set out our reasoning in more detail, including additional material and evidence we used to support our assessment where applicable.

Main Five PSB Channels

Prominence for the main five PSB channels (BBC One, BBC Two, Channel 3 licensees, Channel 4 and Channel 5) on EPGs operating UK wide or outside of Wales

A7.2 Our full assessment for this category of channels is set out in Section 5.

Prominence for the main five PSB channels and S4C on EPGs for viewers specifically in Wales

A7.3 S4C was the fourth channel launched in Wales and has historically been located in slot 4. It initially provided a mixture of programming in Welsh language along with some Channel 4 programming. Following digital switchover,¹ Channel 4 became available across Wales and S4C became a 100% Welsh language channel. S4C retained the fourth slot on EPGs for viewers specifically in Wales (Wales EPGs), while Channel 4 has been located in slots further down these Wales EPGs (on page 3 on Sky; page 1/2 on Freeview² and page 4 on Freesat).

A7.4 In light of these channels' characters, the role they play in the PSB landscape in Wales and other relevant factors set out below, we consider that appropriate prominence for these channels for viewers in Wales means that the first three main PSB channels (BBC One, BBC Two, Channel 3 licensees) take the top three slots, with S4C in slot four, Channel 5 in slot five and Channel 4 guaranteed a position on the first page on Wales EPGs.

A7.5 Our reasons for proposing that the first three main PSB channels, plus Channel 5, take the top three slots and the fifth slot respectively are the same as our reasons for proposing these slots for these channels on UK-wide EPGs, and we do not set them out again here. The remainder of this sub-section sets out why we consider that our proposal secures appropriate prominence for S4C and Channel 4.

¹ In Wales digital switchover took place in 2009 and 2010.

² Note, this is dependent on the number of slots per EPG page. In testing for the report, both Freeview boxes we tested had seven slots per page. However some Freeview boxes do have six slots per page. In the remainder of this annex, we have assumed seven slots per page, but we note that this can vary for different boxes.

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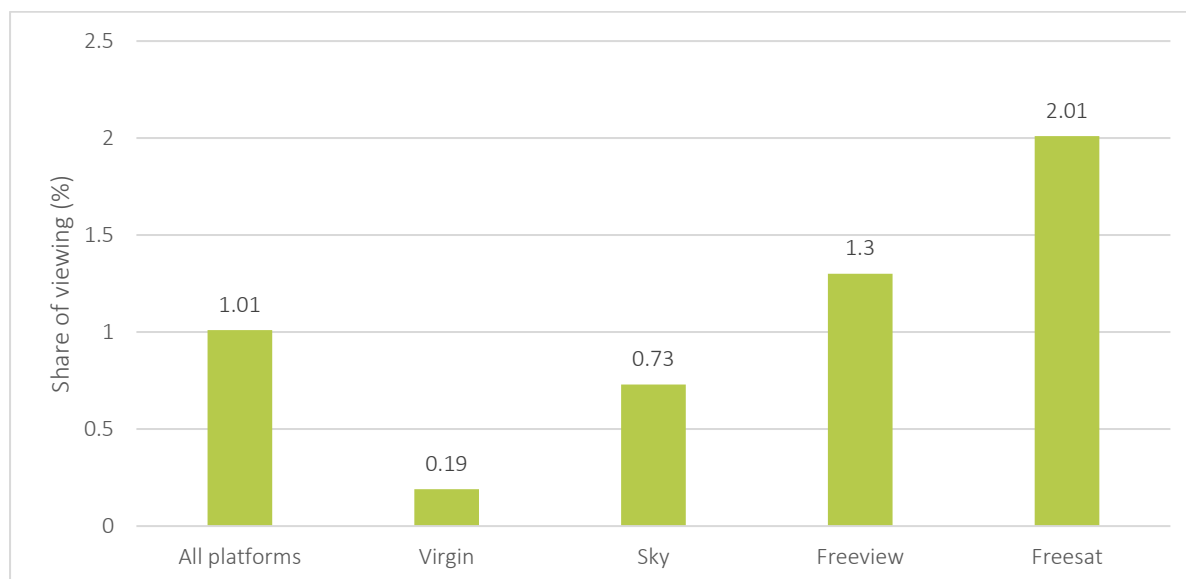
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- A7.6 First, we consider that this proposal would benefit citizens and consumers in Wales. S4C is an indigenous language channel broadcasting Welsh language programmes to Welsh speakers and learners and has an important role facilitating national and cultural identity, as well as encouraging the education and practice of the Welsh language. Retaining S4C's position in slot 4 on Wales EPGs should mean that it would continue to be easy to find on these EPGs, thus maintaining the personal and public value it delivers.
- A7.7 In addition, Channel 4 is one of the main UK PSBs. It is required, among other things, to deliver high quality, innovative content which appeals to the tastes and interests of a culturally diverse society.³ The Digital Economy Act 2010 also introduced a range of media content duties for Channel 4 (which it can deliver across its full suite of services, including the main channel), which include requiring it to provide news and current affairs content, content of appeal to older children and young adults, to support creative talent, and to inspire change in people's lives. It is commercially funded and operates a not-for-profit model whereby surplus revenues go back into content investment.
- A7.8 As such, a move up to the bottom of page 1 of Wales EPGs would be likely to increase viewing of Channel 4 in Wales and so deliver positive individual and social benefits to Welsh citizens and consumers. It would secure greater prominence for Channel 4 while ensuring S4C remains easy to find. This would maintain viewing and associated public value for S4C, whilst also increasing viewing and value created by Channel 4 in Wales. We have placed particular weight on the important role that S4C viewing plays in fostering Welsh national and cultural identity.
- A7.9 Guaranteeing Channel 4 a position on the first page of EPGs for viewers in Wales would result in it moving up from: page 3 on Sky in Wales; potentially from page 2 on Freeview in Wales;⁴ and page 4 on Freesat in Wales. Virgin Media operates a single EPG across the UK so the prominence of S4C on these EPGs is considered from paragraph A7.66 below, in the section headed "S4C, BBC Alba, BBC Scotland and Local TV on UK-wide EPGs".
- A7.10 We also consider that this proposal would offer benefits to both channels. For S4C, remaining in slot 4 should help it maintain its current share of viewing and advertising revenues, whilst Channel 4 would be likely to gain viewing and advertising revenues from a move to the first page of these EPGs.
- A7.11 The link between S4C's viewing and slot position can be seen in Figure 1 below. S4C's share of viewing in Wales on Virgin Media where it is allocated slot 166 is significantly lower than on Sky Wales, Freeview Wales and Freesat Wales, all of which place S4C in slot 4.

³ Section 265(3) of the Communications Act 2003.

⁴ Note, it would only be required to move up if there were six slots per page. In testing for the report, both Freeview boxes we tested had seven slots per page. However, some Freeview boxes do have six slots per page.

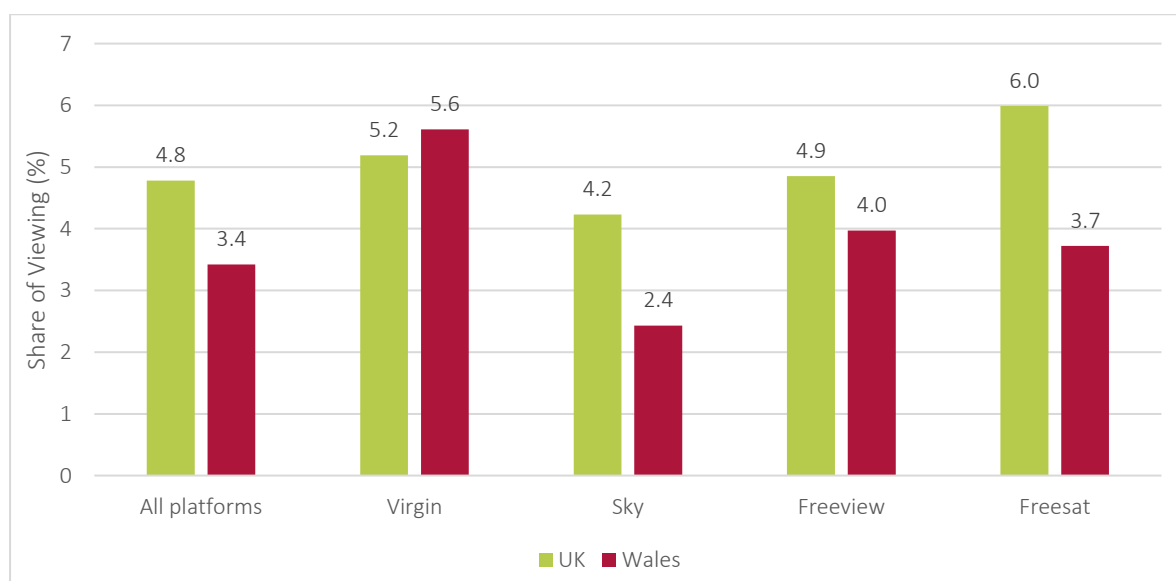
Figure 1: S4C's share of viewing in Wales by platform (%), 2017



Source: BARB, S4C total area, full weeks 02-01-2017 - 31-12-2017

A7.12 Figure 2 below shows how Channel 4's share of viewing is much lower on the platforms where it has slots on page 2, 3 or 4, as compared to Virgin Media where it is at slot 4. Hence, an upward move to page 1 on these EPGs in Wales, as we propose, is likely to increase Channel 4's share of viewing in Wales. As a commercial PSB, this may raise its advertising and sponsorship revenues to some degree, which may also stimulate a small increase in Channel 4's programme investment. Since Channel 4 operates as a publisher-broadcaster and does not have any in-house production capacity, it has an important role investing in content from UK production companies. As such, an increase in Channel 4's programme investment would benefit such producers and the broadcast of new programmes may drive a further small increase in viewing of Channel 4 across the UK.

Figure 2: Channel 4's share of viewing in the UK and in Wales, by platform (%), 2017



Source: BARB, network (UK) and S4C total area (Wales), full weeks 02-01-2017 - 31-12-2017

- A7.13 We recognise that this proposal would probably have some negative effects on those channels which would have to move down the EPG as a result of Channel 4 moving up to the first page, and possibly their viewers. These channels are likely to lose some viewing in Wales and, for commercial channels, this may lead to lower advertising and sponsorship revenues and so lower profitability. Their viewers may also experience some disruption and losses in personal value if they then consume this content less, and there could also be a loss in the social value these channels deliver.
- A7.14 Which channels would move down would depend on the decisions of the EPG operator (and potentially their contracts with channels on their platform).⁵ Our modelling (discussed in Annex 8 and published alongside this consultation⁶) estimates that our proposal could result in a total loss in profits for these other channels⁷ on Sky of around £0.4m as a result of reduced viewing. In addition, channels which move down may choose to spend greater amounts on marketing to help viewers find out about their new location.
- A7.15 Our proposal may also impose administration costs on the EPG operators, as well as potentially reduce future monetisation opportunities.
- A7.16 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to the designated channels is appropriate.
- A7.17 In developing our proposal, we also considered whether having the main five PSB channels in the first five slots and S4C on the first page (rather than in slot 4) would be appropriately prominent. Although this option might deliver greater viewing and potentially higher revenues for Channel 4, this would be at the expense of S4C which would move to a lower slot on page one of the Wales EPGs, and so probably lose viewing share and advertising revenues.⁸ In light of the important role that S4C viewing plays in fostering Welsh national and cultural identity, we consider that this option would not provide appropriate prominence for this channel on Wales EPGs.

Other National PSB channels

Prominence for BBC Four on EPGs outside of Scotland and on UK wide EPGs

- A7.18 BBC Four is a national channel which is broadcast across the UK. It has regulatory requirements⁹ to provide arts and music programming and a minimum amount of original productions. BBC Four is located in the general entertainment section of the different EPGs but at various slot positions. Currently it is located at:

⁵ In [Annex 8](#), we have assumed that when Channel 4 moves up to a slot at the bottom of page 1 of the Sky Welsh EPG, this will result in the channel currently in this slot and those below, shifting down by one slot each.

⁶ We have published [our model](#) alongside this consultation on the dedicated Ofcom [webpage](#).

⁷ Our modelling estimates the costs to the commercial channels of moving down the Sky Wales EPG. We have not modelled the costs to commercial channels moving down the Freeview Wales or Freesat Wales EPGs. See Annex 8.

⁸ We assume in our model that our proposal involves Channel 4 moving up to the bottom of page 1. This alternative approach effectively incorporates this move followed by a swap in positions between Channel 4 and S4C. The additional impact of the further swap between Channel 4 and S4C under this alternative approach would be a redistribution of viewing and advertising revenue (estimated at £0.3m, applying our modelling assumptions) between S4C and Channel 4 only.

⁹ In the BBC's Operating Licence, set by Ofcom.

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- Slot 9 on Freeview (page 2);
 - Slot 107 on Freesat (page 1);
 - Slot 116 on Sky (page 2 on Sky+, page 3 on Sky Q); and
 - Slot 107 on Virgin Media (page 1).
- A7.19 The position of BBC Four may be subject to change when the new BBC Scotland channel is launched next year. The appropriate prominence of BBC Four on EPGs specifically for viewers in Scotland is considered later in this annex. However, for the purposes of our consideration in this sub-section we also assume that after the launch of BBC Scotland, BBC Four would take channel number 163 on Virgin Media (page 9).¹⁰
- A7.20 In light of the channel's character, the role it plays in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for BBC Four on EPGs outside of Scotland and UK wide EPGs means that BBC Four has a slot within the top 3 pages of these EPGs.
- A7.21 Given its current position, BBC Four would not need to move on the Freeview, Freesat or Sky EPGs as its position is already compliant with our proposal. However, we note that the launch of BBC Scotland in February 2019 may mean that BBC Four moves down the Virgin Media EPG. Assuming it is at slot 163 after the launch of BBC Scotland, it would have to move up six pages on the Virgin Media EPG.
- A7.22 As such, our proposal benefits viewers who have Virgin Media. It would improve BBC Four's discoverability on the Virgin Media EPG after the launch of BBC Scotland. This may mean viewing of BBC Four could increase from what it would be if it were located at slot 163 on Virgin Media. A rise in the viewing of BBC Four would likely deliver higher personal value to viewers and deliver greater value to society more generally.
- A7.23 Any increases in viewing of BBC Four would also bring benefits to the BBC, helping it to achieve its mission and public purposes.
- A7.24 We recognise that our proposal may have some negative effects on other channels. On Virgin Media, these options would require a significant upward move by BBC Four after the launch of BBC Scotland, and so probably require a large number of channels to move down this EPG. These channels may benefit from lower EPG fees, although they would also suffer a loss in viewing and as such a loss in revenues. Their loss in viewing share would also therefore be likely to lead to a decrease in the individual and social value being received by viewers of those channels.
- A7.25 Our proposal would result in administration costs for Virgin Media to re-organise its EPG accordingly. Virgin Media may also lose potential future revenues which it could have received through monetising BBC Four's new slot. We estimate that this could be around £5.8m.

¹⁰ We have made this assumption based on the potential slots the BBC outlined in its Public Interest Test for the launch of the new BBC Scotland channel. See page 26 of BBC's Proposals for the launch of a new BBC Scotland TV channel: submission to Ofcom, November 2017:

http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/consultations/bbc_public_interest_test_submission.pdf

- A7.26 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to BBC Four is appropriate.
- A7.27 In developing our proposal, we also considered whether having BBC Four on the first four pages of the EPG would be appropriately prominent. Our view was that this would not secure appropriate prominence for this channel because it would deliver fewer public benefits from increased viewing for this channel.

Genre Specific Channels

- A7.28 Genre specific channels are those such as: News, Children’s, Sports, Shopping etc. There are currently four designated channels which are genre specific: BBC News, BBC Parliament, CBBC and CBeebies.
- A7.29 We explain in Section 5 that we propose that appropriate prominence for these genre specific channels should be considered within the appropriate genre section or grouping of genre channels within the general EPG, rather than their position overall.

PSB News Channels

- A7.30 The BBC broadcasts two UK wide news channels, BBC News and BBC Parliament. The Royal Charter and Framework Agreement describes these channels¹¹ as follows:
- “BBC News: a rolling news channel providing news, analysis and other informational programmes”; and
 - “BBC Parliament: a channel providing substantial live coverage of debates and committees of the UK’s Parliaments and Assemblies, and other political coverage”.
- A7.31 The current location of these channels is as follows:
- BBC News is in slot one and BBC Parliament is in slot two of the Freesat News and Sport genre;
 - BBC News is in the first slot and BBC Parliament is in the second slot of the news ‘area’ on Freeview (genre filtering is not available, so these channels may start at the bottom of a page);
 - BBC News is in slot one and BBC Parliament in slot five on the Virgin Media News genre; and
 - BBC News is in slot three and BBC Parliament in slot four of Sky’s News genre.
- A7.32 In light of the channels’ characters, the role they play in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for these channels mean that they have guaranteed slots on the first page of the News genre or genre area of the EPG, as applicable.

¹¹ BBC Framework Agreement, page 49:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/584329/57965_Cm_9366_Print_1_.pdf

- A7.33 We consider that viewing BBC News and BBC Parliament is likely to result in benefits to individuals (through greater knowledge of UK and world events) and society (as they promote a more informed, democratically accountable society). Our proposal, which would ensure that these channels retain their positions on the first page of the genre areas, would help ensure that viewing to these channels remains relatively stable, and so help maintain the current level of these benefits.
- A7.34 With regard to the impacts on the channels themselves, our proposal would not require any change to the channels' positions on any of the main EPGs, so is unlikely to lead to any improvements in viewing. However, by limiting the potential for change to their slot position, it should help ensure that the two PSB news channels maintain their current viewing levels. It would also reduce the risk to the BBC of these channels being moved in the future.
- A7.35 Our proposal is unlikely to result in channel moves, and so we consider it unlikely that there will be any negative impact on other news channels, their viewers, or any social benefits that they deliver.

PSB Children's Channels

- A7.36 The BBC broadcasts two UK wide children's channels: CBBC and CBeebies. The Royal Charter and Framework Agreement describes these channels¹² as follows:
- "CBBC: a mixed-schedule channel for pre-teen children"; and
 - "CBeebies: a channel providing a range of programming to educate and entertain very young children".
- A7.37 These channels deliver public value through providing a wide range of high-quality, original content to children, parents and carers. In 2017, Ofcom set conditions on these services as part of the BBC Operating Licence, including minimum hours of original UK hours and requirements to ensure a range of content. The two channels are currently located:
- in the top two slots in the Freesat children's genre;
 - at the top of the children's 'area' on Freeview (genre filtering is not available, so these channels may start at the bottom of a page);
 - in the second and third slots of the Virgin Media children's genre; and
 - around the middle/towards the bottom of the second page of the Sky children's genre.
- A7.38 In light of the channels characters', the role they play in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for these channels means that they have slots on the first page of the Children's genre or area of the EPG (as applicable). Our proposal would result in these channels moving up the children's genre on Sky. This upward move is likely to increase viewing of these channels. This would be likely to increase the value both children and their parents receive from these channels,

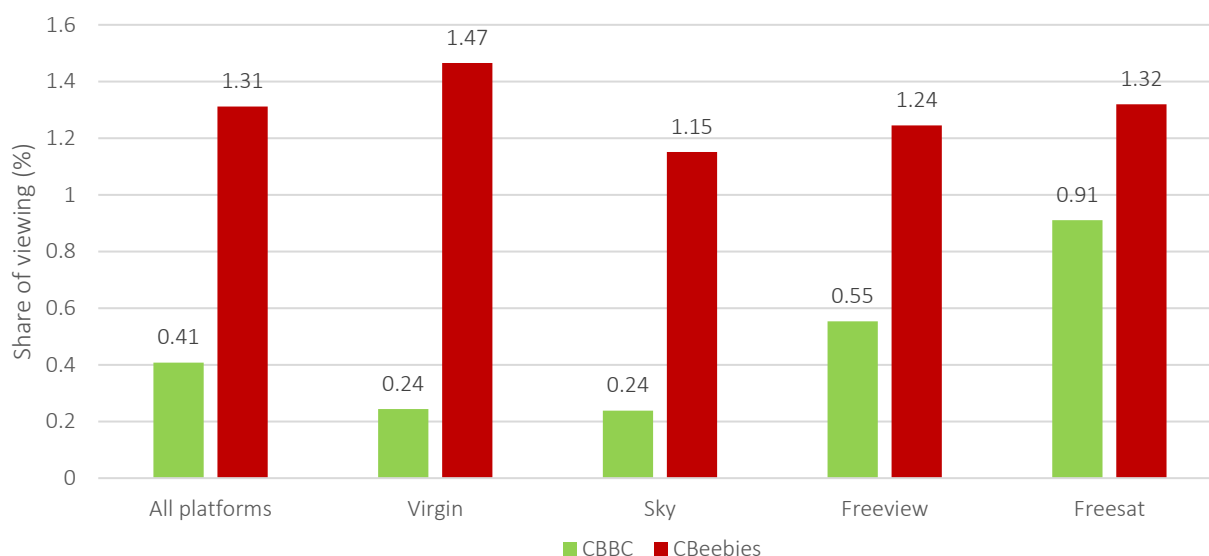
¹² BBC Framework Agreement, page 49:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/584329/57965_Cm_9366_Print_1_.pdf

as they would probably view more UK-originated educational and entertaining content aimed at their lives and interests. This could also increase any wider social value that these channels deliver.

A7.39 Evidence on the extent to which viewing may increase under our proposal is mixed. Under our proposal, the two channels would move up quite significantly on the Sky platform from page 2. While the evidence we have from EMP on estimated slot prices supports the hypothesis that upward moves would significantly improve viewing,¹³ data from BARB on the performance of CBBC on different platforms is less persuasive. As shown in Figure 3, while CBeebies seems to achieve slightly higher viewing share on platforms where it has a higher slot (in particular, on Virgin Media relative to Sky), CBBC's performance on Virgin Media is similar to Sky, despite its higher position. In these cases, it may be that viewing is affected by other factors such as the number of other channels available on the platform, the platform's subscriber base, brand association, and children's and parents' viewing behaviours.

Figure 3: CBBC and CBeebies' share, by platform (%), 2017



Source: BARB, network, full weeks 02-01-2017 - 31-12-2017

A7.40 On balance we consider that the evidence suggests there may be positive effects on the viewing share of the BBC's children's channels under our proposal. This could be beneficial to the BBC in helping to deliver its mission and public purposes.

A7.41 We recognise that our proposal may have negative effects on some commercial non-PSB children's channels. Our proposal would result in some commercial non-PSB children's channels moving further away from the start of the genre to accommodate the higher slot positions required for CBeebies and CBBC. Which channels would move down would depend on the decisions of the EPG operator, and potentially their contracts with channels on their platform.

¹³ [EMP report](#), Tables 1, 2, 3, 4, 5 and 6

- A7.42 In our modelling¹⁴ we have assumed that when the BBC Children’s channels move to higher slots, channels currently in those slots and below, would shift down by one slot each. On Sky, CBeebies and CBBC would each move up a page on the Sky children’s genre, the collective potential loss in profits would be £1.4m, all of which would fall on Disney.
- A7.43 These impacts on channel profitability are driven by the probable loss of viewing to the non-PSB commercial channels under our proposal and so their potential loss of advertising revenues. However, as noted above, we are conscious that the evidence about the likely effects on viewing is mixed. Therefore, the effects on non-PSB commercial children’s channels may be smaller, and the costs outlined may represent the worst-case impact for these channels.
- A7.44 The channels which move down the children’s genre may also increase their marketing spend to ensure that viewers know their new location. And, insofar as these non-PSB children’s channels see reduced profits, they may reduce their investment in content, including in UK originated content. Reduced viewing and investment may diminish the personal value their audiences receive, as well as any wider social value created by viewing that content.
- A7.45 Our proposal would also be likely to impose administration costs on Sky.
- A7.46 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to CBeebies and CBBC is appropriate.
- A7.47 In developing our proposal, we also considered whether having these channels on the first two pages of the children’s genre or area of the EPG would be appropriately prominent. Our view was that this would not secure appropriate prominence for these channels because it would deliver fewer public benefits from increased viewing for these channels.

Nation-specific channels and local TV

- A7.48 The nation and area specific channels comprise the indigenous language channels i.e. S4C and BBC Alba (which target the nations where these languages are primarily spoken i.e. Wales and Scotland respectively), the newly proposed BBC Scotland (an English -speaking channel aimed at Scottish audiences) and Local TV services.¹⁵
- A7.49 These channels are aimed at specific populations within certain areas of the UK and have an important role in facilitating national and local identity. We have focussed on ensuring the appropriate level of prominence within the areas these services target e.g. prominence of BBC Alba in Scotland. However, we recognise that this will mean more significant reorganisations for EPG providers that do not offer a regionalised service. We are not proposing to set any prominence requirements for these channels as regards EPGs which are regionalised for other areas.¹⁶

¹⁴ See Annex 8.

¹⁵ There is currently no Ofcom licensed indigenous channel in Northern Ireland; although TG4 is broadcast and available in Northern Ireland, it is not a designated public service channel under the Act and is regulated by the Broadcasting Authority of Ireland in the Republic of Ireland.

¹⁶ We discuss the situation of the UK wide EPGs in the next sub-section (see paragraph A7.65 onwards).

- A7.50 Our proposals for S4C on EPGs for viewers in Wales were covered earlier in this Annex alongside the prominence of Channel Four in Wales. We do not revisit the discussion relating to S4C and Channel 4 in Wales here. However, we note that the discussion of the impacts of our proposal for local TV in Wales is treated as additive, i.e. it assumes that our preferred option for S4C and Channel 4 in Wales has been implemented. This is discussed from paragraph A7.78 below.
- A7.51 BBC Scotland is expected to start broadcasting from February 2019¹⁷ and is likely to be in different slots on different EPGs for viewer specifically in Scotland (Scotland EPGs). Its launch may have an impact on the position of BBC Four on several Scotland EPGs. Hence, the position of BBC Four, the Scottish specific PSB channels and Scottish Local TV channels on Scotland EPGs have been considered together.
- A7.52 The next few sections are therefore organised as follows:
- BBC Four, BBC Alba, BBC Scotland and Scottish Local TV channels on Scotland EPGs;
 - S4C, BBC Alba, BBC Scotland and Local TV channels on UK-wide EPGs; and
 - Local TV channels on EPGs for viewers specifically in England, Wales and Northern Ireland.

BBC Four, BBC Alba, BBC Scotland and Scottish Local TV on Scotland EPGs

- A7.53 The current positions of BBC Alba and Local TV channels on the Scottish specific EPGs are as follows:
- Sky Scotland EPG – BBC Alba is located in slot 141 (page six); and local TV is located in slot 117 (page three).¹⁸
 - Freeview Scotland EPG – BBC Alba is located at slot 7 (page one/two) and local TV is in slot 8 (page two).¹⁹
 - Freesat Scotland EPG – BBC Alba is located at slot 109 (page two). Note Local TV is not broadcast on Freesat.
- A7.54 The BBC’s proposals regarding the positions of BBC Scotland and BBC Four on Scotland EPGs as set out in their Public Interest Test submission to Ofcom is taken as the starting point for discussion.²⁰ Hence, following the launch of BBC Scotland, we assume that these channels would be located in the following slots:

¹⁷ <https://www.bbc.co.uk/news/uk-scotland-44126219>.

¹⁸ Note that STV2 ceased broadcasting on 30 June 2018.

¹⁹ Note, this varies depending on the number of slots per EPG page. For seven slots per page, BBC Alba would be on page 1, for six slots per page, it would be at the top of page 2. In testing for the report, both Freeview boxes we tested had seven slots per page. However, some Freeview boxes do have six slots per page.

²⁰ The slots presented for BBC Alba and Local TV are where these channels are currently located. We have made the assumption about the slots for BBC Four and BBC Scotland based on the potential slots the BBC outlined in its Public Interest Test for the launch of the new BBC Scotland channel. See page 26 of BBC’s Proposals for the launch of a new BBC Scotland TV channel: submission to Ofcom, November 2017:

http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/consultations/bbc_public_interest_test_submission.pdf

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- BBC Four: slot 96+ on Freeview Scotland (estimated page 13+)²¹; slot 107 on Freesat Scotland (page 1) and slot 143 on Sky Scotland (page 6);
 - BBC Alba: slot 7 (page 1) on Freeview Scotland; slot 109 on Freesat Scotland (page 2) and slot 141 on Sky (page 6); and
 - BBC Scotland: slot 9 on Freeview Scotland (page 2); slot 110 on Freesat Scotland (page 2) and slot 116 on Sky Scotland (page 2 on Sky+, page 3 on SkyQ).
 - Local TV: slot 8 on Freeview Scotland (page 2); and slot 117 on Sky Scotland (page 3). It is not available on Freesat.
- A7.55 In light of the channels characters', the role they play in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for these channels means that BBC Four, BBC Alba, BBC Scotland and Local TV must be located in the top 3 pages of the Scotland EPGs.
- A7.56 Our proposal would lead to BBC Four moving up on Freeview Scotland and on Sky Scotland, and BBC Alba moving up on Sky Scotland. The proposed changes for BBC Four would be particularly significant, involving a move up from an estimated page 13+ on Freeview and page 6 on Sky.
- A7.57 These upward moves may increase viewing of these channels; although we recognise that for BBC Alba, any increases may be limited by the size of the Gaelic speaking population. Increases in viewing of BBC Four and BBC Alba in Scotland should increase the levels of personal and social value that they deliver to the Scottish population. We consider that the Scottish Gaelic language channel (BBC Alba) offers particular value in relation to maintaining and educating people in the Scottish Gaelic language. Some increased social value may also be delivered through greater viewing of Local TV. These channels aim to foster greater local knowledge and cohesion and have a remit to provide news focussed on their particular areas. However, the scale of any increase in social benefits is relatively limited given these channels have small geographical areas of operation.
- A7.58 Based on the assumptions about its position, BBC Scotland would not need to move up these EPGs and Local TV in Scotland would not need to move up the EPGs. Hence, the levels of personal and wider social value that they deliver to viewers in Scotland would be likely to be unchanged.
- A7.59 We also consider that our proposal offers benefits to all four of these channels in Scotland, as they would give each of them greater certainty about their slot position. Any increases in the viewing of BBC Four and BBC Alba in Scotland should help the BBC to deliver its mission and public purposes.
- A7.60 We recognise that our proposal would require some non-PSB channels to move down the EPGs on Freeview Scotland and Sky Scotland (no changes would be required on Freesat Scotland). Which channels would move down would depend on the decisions of the EPG operator, and potentially their contracts with channels on their platform. However, these

²¹ Note, this is estimated using channel slots and assuming 7 slots per EPG page. It will depend on channels available, which can vary in different regions and due to varying reception.

channels are likely to lose some viewing in Scotland and, if funded by advertising, this will result in lower advertising revenues.

- A7.61 Our modelling²² assumes that when any of these channels need to move to a higher slot, channels currently in those slots and below, would shift down by one slot each. On Sky, we have estimated that our proposal would result in a collective loss of potential profits for the commercial non-PSB channels which have to move down the EPG of £0.9m.
- A7.62 Further, those channels which move down the EPGs on Freeview Scotland and Sky Scotland may increase their marketing spend to ensure that viewers know their new location. And, insofar as these channels see reduced profits, they may reduce their investment in content, including in UK originated content. Reduced viewing and investment may diminish the personal value their audiences receive, as well as any wider social value created by viewing that content.
- A7.63 Our proposal would also be likely to impose administration costs on Sky.
- A7.64 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to these channels is appropriate i.e. BBC Four, BBC Alba, BBC Scotland and Local TV should be located within the first three pages of the Scotland EPGs.²³
- A7.65 In developing our proposal, we also considered whether a requirement that these channels should be on the top four pages would be appropriately prominent. Our view was that this would not secure appropriate prominence for these channels because it would deliver fewer public benefits from increased viewing for these channels.

S4C, BBC Alba, BBC Scotland and Local TV on UK-wide EPGs

- A7.66 The only major platform which currently operates a UK wide EPG is Virgin Media. As previously noted, the other EPGs are all regionalised/differ by individual UK nation or region. The area specific channels are currently located at the following positions on the Virgin Media EPG:
- a) S4C is located at slot 166 (page 10).
 - b) BBC Alba is located at slot 161 (page 9).
 - c) Local TV is at slot 159 (page 9).
 - d) BBC Scotland has not yet launched.
- A7.67 After the launch of BBC Scotland, we have assumed that these channels will be located at the following positions on the Virgin Media EPG and take this as the starting point for the assessment²⁴:

²² See Annex 8.

²³ In practice, this would mean a single UK wide requirement for BBC Four to be on the first three pages, as the requirement would be the same throughout all parts of the UK.

²⁴ The slots for S4C, BBC Alba and Local TV are the slots which they currently occupy on the Virgin Media EPG. Our slot assumption for BBC Scotland was outlined in the BBC's Public Interest Test for the launch of the new BBC Scotland channel. See page 26 of BBC's Proposals for the launch of a new BBC Scotland TV channel: submission to Ofcom, November 2017: http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/consultations/bbc_public_interest_test_submission.pdf

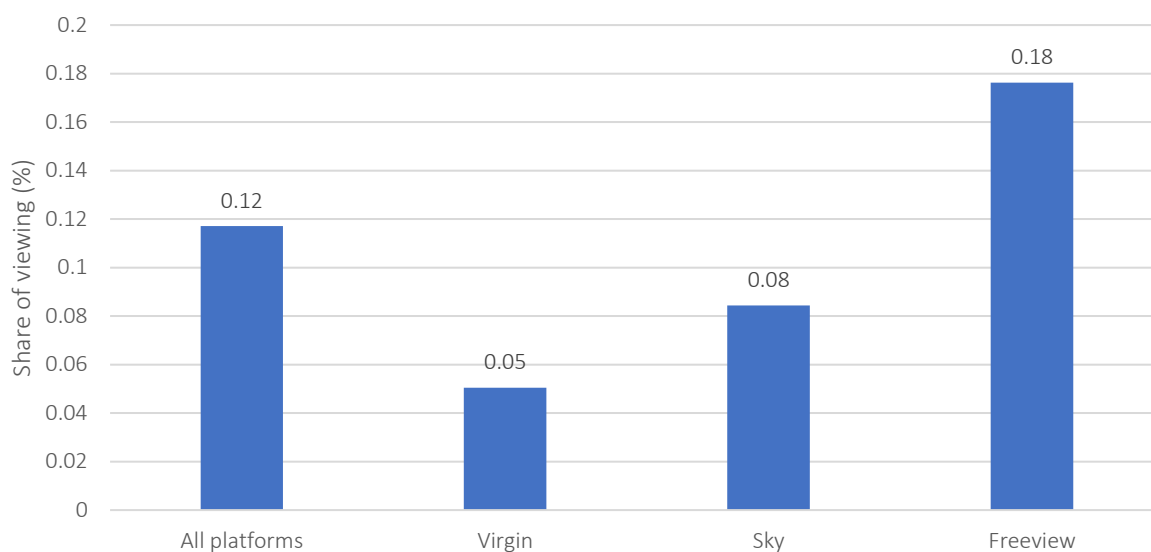
- S4C is located at slot 166 (page 10);
- BBC Alba is located at slot 161 (page 9);
- BBC Scotland is located at slot 107 (page 1); and
- Local TV is at slot 159 (page 9).

- A7.68 In light of the channels characters', the role they play in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for these channels means that S4C, BBC Alba, BBC Scotland and Local TV on UK wide EPGs should have slots within the top 3 pages. We believe that our proposal would be beneficial for consumers and citizens, as S4C, BBC Alba and Local TV will become easier to find on the Virgin Media EPG.
- A7.69 As outlined earlier, on the platforms which operate Wales EPGs, S4C is at slot 4/104. The viewing share of S4C in Wales on the Virgin Media platform (where it is located at slot 166 / page 10) appears lower than these other platforms (see Figure 1 from earlier in this annex). Hence, if S4C moved to page, 3 of Virgin Media's EPG, its viewing share on this platform would probably improve. However, we recognise that the improvements would probably be limited by the size of the Welsh speaking population and would probably be materially lower than its performance on regionalised EPGs, which place S4C at slot 4.²⁵
- A7.70 We also consider it likely that there could be increases in the viewing of BBC Alba²⁶, should it be moved from page 9 to page 3 of the Virgin Media EPG. Although, again, these increases are likely to be limited by the size of the Scottish Gaelic speaking population.
- A7.71 Figure 4 below shows how the viewing share of Local TV on the Virgin Media EPG is materially lower than on other EPGs where it has better slot positions. However, this data should be treated with some caution as not all local TV channels are measured on BARB and this may affect these results. Despite this, on balance, we think that if Local TV moved from a slot on page 9 to page 3 of the Virgin Media UK wide EPG, its viewing share would probably increase to some extent.

²⁵ We recognise that sports content shown on S4C may be appealing to non-Welsh speakers.

²⁶ BBC Alba is not measured using BARB, and so we have not been able to consider its performance across the different platforms.

Figure 4: Share of BARB measured Local TV channels on the main three platforms, 2017



Source: BARB, full weeks 02-01-2017 - 31-12-2017. Note the figures include STV2, Made TV Network, Local TV Network (note Local TV Network channels stopped being measured on BARB halfway through 2017) and London Live but exclude That's Media Network. See methodology section of Ofcom's Media Nations 2018 report²⁷ for the channels included. Also note that Local TV is not available in all parts of the UK, and not all local TV channels are carried on Sky and Virgin Media. Local TV is not carried on Freesat.

A7.72 Any increased viewing of S4C, BBC Alba and Local TV is likely to increase the personal value viewers obtain from these channels. Additional social value is also likely to be gained from increased viewing to S4C and BBC Alba as this viewing could help to further educate and entertain those who are learning, or are speakers of, Welsh and Scottish Gaelic. Additional viewing may further help foster to some degree the languages within these nations and sustain wider national cultural identity. Some increased social value may also be delivered through greater viewing of Local TV, although as set out earlier, the extent of this is likely to be relatively limited due to the small geographical area of coverage. Where BBC Scotland is concerned, we consider that no change to its position (based on our assumption about the position it would take post launch, as set out above) would be required.

A7.73 Our proposal is likely to deliver some benefits to S4C, BBC Alba, BBC Scotland and Local TV, as it would give each channel greater certainty about its slot position. Further, S4C, BBC Alba and Local TV would see significant moves towards the start of the Virgin Media EPG. As noted above, this should increase their share of viewing and, in the case of S4C and Local TV, their advertising revenues. In the case of BBC Alba, increased viewing should help the BBC to deliver its mission and public purposes.

A7.74 We recognise that our proposal is likely to lead to a large number of commercial non-PSB channels moving down the Virgin Media EPG (43 channel moves). These channels may

²⁷ Available here: https://www.ofcom.org.uk/_data/assets/pdf_file/0028/115993/media-nations-2018-methodologies-annex.pdf

benefit from lower EPG fees, although they would also suffer a loss in viewing and as such a loss in revenues. In addition, these channels may face extra marketing costs to inform viewers of their new slot number. Over the longer term, any reduction in profits could lead to a decline in programme investment by these channels.

- A7.75 Viewers of the channels which move downwards may also face some negative consequences as a result of the changes. They may find it harder to find these channels and it is possible that the reduction in viewing may reduce any personal and social benefits which were being delivered in their previous locations.
- A7.76 Virgin Media would also face administrative costs from the required re-organisation. In addition, our proposal would constrain its ability to increase its revenues through monetising particular slots on its EPG. Our modelling estimates that under our proposal Virgin Media would lose the ability to generate incremental revenues in the region of £19.3m. These financial impacts are calculated assuming that we would adopt our proposal for BBC Four on UK wide EPGs (i.e. that BBC Four has a slot within the top 3 pages of these EPGs), and are therefore over and above the financial impact associated with our proposal for BBC Four on UK wide EPGs (see paragraph 7.25 above).²⁸
- A7.77 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to these channels is appropriate i.e. BBC Four, BBC Alba, BBC Scotland and Local TV should be located within the first three pages of UK-wide EPGs.
- A7.78 In developing our proposal, we also considered whether a requirement that these channels should be on the top four pages would be appropriately prominent. Our view was that this would not secure appropriate prominence for these channels because it would deliver fewer public benefits from increased viewing for these channels.

Local TV on EPGs for viewers specifically in England, Wales and Northern Ireland

- A7.79 The current positions of the Local TV channels on these area specific EPGs are as follows:
- Sky England and Northern Ireland – slot 117 (page 3);²⁹
 - Sky Wales – slot 134 (page 5); and
 - Freeview England, Wales and Northern Ireland – slot 7/8 (page 1/2).^{30 31}
- A7.80 In light of the channels characters', the role they play in the PSB landscape and other relevant factors set out below, we consider that appropriate prominence for these channels means that Local TV should be located in the top 3 pages of EPGs for viewers in

²⁸ If instead we assumed that BBC Four is at slot 163 after the launch of BBC Scotland on the Virgin Media EPG, these financial impacts would be the same or lower.

²⁹ Note that local TV is not currently available on Sky in Northern Ireland

³⁰ The channel slots of local TV channels on Freeview vary in different parts of the country. In England, Local TV channels are located at slot 7 or 8; in Wales they are located at channel 8 (Channel 4 is at slot 7); in Northern Ireland, NVTB Belfast is at slot 7.

³¹ Although Freesat provides region and nation specific EPGs, this platform does not currently carry local TV channels.

England (England EPGs), Wales (Wales EPGs), and Northern Ireland (Northern Ireland EPGs).

- A7.81 Under our proposal there may be some beneficial effects for Sky viewers in Wales. This is because local TV would need to be moved up the EPG which may increase viewing and therefore increase the personal value and social value delivered by the Welsh local TV channels. However, as these services are of a targeted nature and the potential size of the audience is likely to be limited, which will tend to limit the extent to which viewing increases.
- A7.82 Our proposal would also offer some benefits to the local TV channels. It would require Sky to move local TV up its EPG in Wales. This move could increase the viewing and advertising revenues of local TV channels.
- A7.83 The current position of local TV on the Freeview EPGs in England, Wales and Northern Ireland and on the Sky EPGs in England and Northern Ireland would be compliant with our proposal.
- A7.84 In order to accommodate any changes on the Sky platform, a number of commercial non-PSB channels would have to move down the Sky EPG in Wales to accommodate local TV's higher position. These downward moves would be likely to have a negative effect on these channels' viewing and advertising revenues.
- A7.85 In Annex 8, we have attempted to estimate the costs to the commercial non-PSB channels of these downward moves.³² On Sky in Wales, we have estimated that our proposal would result in a collective loss of potential profits for the commercial non-PSB channels which have to move down the EPG of £0.2m. These financial impacts are calculated assuming that we would adopt our proposal for Channel 4 on Wales EPGs (i.e. Channel 4 guaranteed a position on the first page on Wales EPGs), and are therefore over and above the financial impact associated with our proposal for Channel 4 on Wales EPGs (see paragraph A7.1414 above).³³
- A7.86 Our proposal would reduce potential future monetisation opportunities for EPG providers, and would also likely impose administration costs on Sky due to the channels which would need to be moved.
- A7.87 Having had regard to the potential impacts of our proposal, we remain of the view that the degree of prominence it gives to these channels is appropriate i.e. local TV should be located within the first three pages of England EPGs, Wales EPGs and Northern Ireland EPGs.

In developing our proposal, we also considered whether a requirement that these channels should be on the top four pages would be appropriately prominent. Our view was that this would not secure appropriate prominence for these channels because it would deliver fewer public benefits from increased viewing for these channels.

³² In Wales the effects shown are additive i.e. they are on top of the changes which would occur if our preferred option regarding S4C and Channel Four in Wales is adopted.

³³ If instead we assumed that Channel 4 is on page 3 of the Sky EPG in Wales, these financial impacts would be the same or lower.