

Joint response by BBC, ITV, Channel 4, Channel 5, S4C, Arqiva and SDN to Ofcom call for input into the long term future of the UHF spectrum¹

1. Introduction and summary

The above-named organisations welcome the opportunity to respond to Ofcom's call for input into the longer-term framework for use of the UHF spectrum bands IV and V. As public service broadcasters and multiplex operators on the Digital Terrestrial Television (DTT) platform, we have a clear interest in decisions about the future use of spectrum. We recognise that such decisions are inherently complex, and will take up significant resource and time – hence, we recognise that it is necessary to begin now to think about the potential longer term strategic framework for spectrum use.

Indeed, in developing our own services on the DTT platform, we are constantly reviewing consumer demand and behaviour, their possible evolution and their implications for service and distribution strategy. We are therefore very keen to work with Ofcom and other stakeholders to develop a common approach to future spectrum use that enables the delivery of consumer expectations and interests.

Given the short time provided by Ofcom for responses to this call for input, we can at this stage only suggest some general principles and ideas for further work, on which we would be willing to expand as an input into Ofcom's thinking over the next six months or so. Overall, we consider that Ofcom needs to develop its longer term strategic framework before taking any short term decisions about new spectrum uses.

In particular, we believe that Ofcom's spectrum release programme – including the planned award of the 600 MHz spectrum – needs to take full account of potential future changes in spectrum use. Moreover, we note that Ofcom's spectrum release programme is progressing at the same time as other processes in Government – such as the public sector spectrum release process. We consider that there should be a co-ordinated rather than a piece-meal review of spectrum assets and we encourage Ofcom and Government to ensure that spectrum release is optimised to serve consumer and citizen needs.

2. The DTT platform delivers significant consumer and citizen benefits

DTT is a highly successful broadcast platform, which delivers very significant value to UK consumers. Importantly, all indications are that DTT will remain highly important to UK viewers for the foreseeable future:

- **Take-up of DTT:** DTT is the most popular UK television platform²:
 - As at the end of 2010, 92.5% of UK homes have digital TV on at least the main TV set
 - DTT is the most common digital TV platform, providing the primary means of receiving TV for 39% of UK homes – and almost three quarters of UK homes use DTT on a primary or secondary set

¹ Ofcom, Developing a framework for the long term future of UHF spectrum bands IV and V, Call for input published 20 April 2011 (referred to as the "call for input" in this submission).

² All data in the sub-bullets which follow are from Ofcom Digital TV Update, Q4 2010.

- More than 65 million digital TV Freeview devices have been sold in the UK
- **Key driver of platform competition and economic value**
 - DTT has brought with it a huge expansion of choice (via both the PSB and the Commercial multiplexes), with new services available for free to virtually all of the UK. Indeed, we note that, prior to DSO, DTT was considered so important that Parliament required the PSBs to build out the DTT platform to 98.5% coverage (the same as analogue television).
 - DTT drives significant consumer value and competition— particularly for households unwilling or unable to pay for subscription TV, and for the great majority of multi-set households. In the absence of a DTT platform of scale, platform competition would be weakened, to the detriment of UK consumers.
 - DTT is an open, gateway-free platform, offering both free and pay services.
 - DTT has created wider economic benefits, by stimulating a horizontal consumer equipment market. Further, in 2010, 40% or c.£1.3bn of the TV advertising market was delivered via DTT (enabling brands to reliably reach mass audiences and to drive product sales)³
- **Efficiency and innovation**
 - The UK's DTT multiplex operators are committed to investing hundreds of millions in the platform. The transmission contracts with Arqiva run significantly beyond the current multiplex licence periods, with the costs spread over a longer period in order to reduce risk.
 - The broadcasters and multiplex operators' investment in the DTT platform is creating a universally available free to air TV platform, and in so doing has enabled the release of 156 MHz of spectrum freed up by Digital Switchover.
 - The DTT multiplex operators have worked together and with Ofcom to introduce HD services in the existing spectrum, using the most advanced and efficient technologies (DVB-T2 and MPEG-4) to enhance the platform in the interests of viewers.
 - By innovating in this way, DTT has continued to drive platform competition – including helping to drive innovation by pay TV operators; has brought new technology to everyone in the UK (thereby addressing the digital divide); and has used new services to incentivise consumers to take up digital TV thereby enabling the freeing up of large amounts of analogue spectrum for new uses.

Looking to the future, all indications are that the DTT platform will be of enduring significance for the next decade and beyond:

- **Future DTT take up**
 - 3Reasons Limited forecasts that DTT will account for c.40% of primary set homes in 2020, and including secondary set connections will remain the single most popular TV platform (around two thirds of all television sets)⁴.

³ Based on an allocation of 2010 TV Net Advertising Revenues, by platform according to the volume of adult commercial impacts delivered

⁴ 3Reasons Limited 2011, Spring 2011 market model

- **Future content preferences**

- We expect that demand will continue to be strong for production and broadcasting of live news and events – such as the Royal Wedding and the General Election debates – and mass-audience event TV that brings the nation together. Linear broadcast of such events and programming will continue to be important, and DTT – as the key free to air platform of scale – will be central to enabling access to these events by viewers unwilling or unable to pay for subscription TV.

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3. Key principles for the future of the DTT platform

In light of the very significant benefits delivered by the DTT platform, we consider that any consideration of the future of the platform (and of the use of any spectrum associated with the platform) needs to be informed by the following five principles:

- i) **Meeting consumer expectations:** As set out above, consumers do (and will continue to) place significant value on DTT services, and indeed consumers have made significant investments in DTT reception equipment. They will therefore expect continuity of service, and it is in the public interest that these expectations are met.
- ii) **Securing platform competition:** In the absence of a DTT platform of scale, platform competition would be significantly weakened – thereby creating consumer detriment. DTT must retain the ability to compete with the predominately pay-TV platforms.
- iii) **Safeguarding infrastructure investment:** As set out above, the UK's DTT multiplex operators are investing hundreds of millions in the platform. These investments are of such a scale that the multiplex operators should have sufficient certainty that the investments will be safeguarded. This is in line with the Government's Principles for Economic Regulation, which state⁵:
 - *the framework for economic regulation should provide a stable and objective environment enabling all those affected to anticipate the context for future decisions and to make long term investment decisions with confidence*
 - *the framework of economic regulation should not unreasonably unravel past decisions, and should allow efficient and necessary investments to receive a reasonable return, subject to the normal risks inherent in markets*
- iv) **Enabling evolution of the platform:** We recognise that the DTT platform needs to evolve in order to continue to deliver consumer benefit – in order to enhance the platform going forward, this may involve improving spectrum efficiency over time and harnessing new technologies to deliver further HD and 3D services. .

⁵ Page 7 of BIS, *Principles for Economic Regulation*, published April 2011.

- v) **Supporting the delivery of public service content:** Public service content is of enduring value to UK citizens. Therefore, any decisions about the future use of DTT spectrum also need to consider the implications for the funding of PSB content – we consider that Ofcom should ensure that its recommendations seek to maintain and strengthen the quality of PSB in the UK.

In summary, we expect the DTT platform to remain very attractive to consumers – although it may need to evolve to offer enough HD services, some 3D opportunities, and an interactive complement. We therefore consider that Ofcom's longer-term strategic thinking needs to consider the future of the DTT platform in the light of the principles set out above.

4. Timescales and consumer complexity

We note that any further changes in the use of the UHF spectrum in the UK would involve a lengthy and complex process, and could create significant consumer disruption. Amongst other things, any such change would require:

- A series of multilateral and bilateral international negotiations to ensure equitable access to spectrum.
- A complete new re-plan and re-engineering of the UK DTT network(s), on the scale of the current DSO network build-out – and of much greater scale than the process adopted for the clearance of DTT from Channels 61 and 62.
- A similar level of public communication and support to vulnerable groups as for DSO (taking 4 years +) – indeed, a significant change to future spectrum availability for DTT would potentially be akin to a second switchover.
- Moreover, we note that DTT viewers have already made significant investments in DTT consumer equipment and aerials. There could therefore be significant costs to consumers in the event of a change in the spectrum plan, and it would only be reasonable to expect these costs to be borne by the companies who would benefit from such a change.

5. Developing a longer-term strategic framework for spectrum use

In light of the very significant benefits delivered by DTT, we consider that any consideration of the future use of the UHF spectrum needs to be informed by the five key principles outlined earlier, namely:

- i) Meeting consumer expectations
- ii) Securing platform competition
- iii) Safeguarding infrastructure investment
- iv) Enabling evolution of the platform

- v) Supporting the delivery of public service content

[Redacted]

We therefore believe that Ofcom should delay the 600 MHz spectrum awards until Ofcom has reached a clearer view of the longer term framework for the use of the UHF spectrum – this will maximise flexibility for Ofcom, and will ensure that any future UHF spectrum release (outside of the 800 MHz band) is carried out in a co-ordinated and strategically consistent manner.