Ofcom Call for Evidence

Future of television distribution

Submission from Mobile UK

1. Mobile UK, which represents the UK's mobile network operators BT/EE, Three, Virgin Media O2 and Vodafone welcomes the opportunity to provide an input to Ofcom's call for evidence on the future of TV distribution.

2. This is a timely and highly relevant review and points up the intersection of several public policy issues at its heart – such as digital inclusion, the future of public services content, the sustainability of the broadcast platforms, and the efficient use of radio spectrum. In summary, Mobile UK's main points are:

    -   Ofcom correcctly identifies viewers are rapidly switching away from linear broadcast TV platforms towards viewing content via streaming platforms such as BBC iPlayer, ITVx and Netflix.

    -   At some unknown point in the future, the small viewership for linear broadcast TV will make digital terrestrial television (DTT) unviable.

    -   As such, no firm commitments should be made now to extend digital terrestrial TV broadcasting beyond the end of the current multiplex licences (i.e. 2034).

    -   However, viewers' migration to streaming should be regarded as a 'once in a generation' opportunity for the UK to finally bridge the digital divide and, with appropriate support, achieve 100% adoption of on-line services by consumers.

    -   Switching off the DTT platforms will save many millions of pounds in transmission costs. These funds could be used to assist users to adopt broadband and also assist the fixed broadband and mobile networks to maintain a high quality viewer experience.

    -   High quality mobile networks, including 5G, represent a new opportunity for TV content providers to grow their market, enabling more viewing opportunities outside the home.

    -   Regulatory changes, such as the reform of Net Neutrality regulations will assist in this transition process.

    -   DTT occupies valuable radio spectrum. This could be put to a use that would be more economically valuable to the UK.

Background

3. Ofcom correctly identifies that viewers are rapidly switching away from linear broadcast TV (particularly the younger age groups) towards viewing TV (and audio visual content more generally) at a time of their choosing rather than in line with the broadcaster's schedule. Live sport, major public events and some interactive TV (e.g. where the public votes to eject/retain participants) remain almost the only formats where it is actually relevant to watch in real time, and these can be viewed on a broadcast platform or a streaming service, providing there is sufficient capacity

4. The transition to streaming is happening in part organically, and at some point in the future the numbers watching on realtime broadcast will diminish to the point where it is not viable for the number of viewers to cover the cost of distribution (either through licence fee or advertising revenue) on the traditional linear broadcast platforms (terrestrial and satellite).

5. As such, no firm commitments should be made now to extend digital terrestrial TV broadcasting beyond the end of the current multiplex licences (i.e. 2034).

Big opportunity to close the digital divide

6. Technological advance, though, is nothing new; viewers have given up their black and white TVs in the past, and they have had to give up their analogue TV services.

7. The switch to streaming is just another change and should be regarded as a 'once in a generation' opportunity to finally bridge the digital divide and to achieve 100% adoption of broadband services by consumers.

8. Governments have long been wrestling with the issue of how to achieve 100% adoption. It is clear that ALL viewers would recognise the need and relevance of having a broadband service (fixed, mobile or both) if it was the primary/most cost effective way of receiving free at point of consumption TV content (whether ad-funded or licence fee).

9. While a move away from the linear broadcast model may seem a huge leap for some, with timely public policy decisions, assistance with transition for less tech-savvy consumers, some regulatory reform and some assistance to broadband networks (fixed and mobile) to deal with the extra demands arising from, for example, large scale live events, 100% adoption by consumers of on-line/broadband services could at last be achieved.

10. Switching off the DTT platforms will save many millions of pounds in transmission costs. These funds could be used to assist users to adopt broadband and also assist the networks to adapt and maintain a high quality viewing experience.

11. Reform of the Net Neutrality regulations would also make it very much easier to enable two-sided markets and the provision of more ad-funded content over broadband networks to develop.

12. Indeed, TV content providers should regard high quality mobile networks as a new opportunity to grow their market, with new viewing opportunities outside the home (the fourth screen). Ads served to mobile devices are already the most prevalent form of advertising in the UK (see tables below), with 42% of all adspend going to mobile screens (an unthinkable development before the launch of 4G.

13. There is little doubt that consumers will continue to want access to 'free at the point of consumption' TV content and fixed and mobile broadband platforms represent very efficient ways of enabling that, providing the right market dynamics are in place.

14. Governments will no doubt also wish to see the continued provision of public service content and so there also needs to be a long-term plan in place now to set out how public service content will be funded going forward and how to ensure everyone will have access to it, if they want.

15. Policy makers have long been grappling with the issue of getting all to use on-line services. With sufficient lead-in time, information and support, this is undoubtedly an opportunity to deal with two public policy issues at once – the future of broadcast platforms and the universality of digital inclusion.

The mobile perspective

16. From a mobile operator perspective, consumers are increasing consumption of streamed video content (much of ad it supported short form content for mobile, but also long form TV/film/sport). As Ofcom is aware this has driven average monthly data consumption per user to 8Gb[1].

17. With the greater availability of 5G, overall data consumption is forecast to rise further. As mentioned above, this represents a new opportunity for TV content providers to develop ad-funded or subscription based made for mobile or made for all screen formats.

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[1] 2023 CMR

18. Mobile UK recognises that operators will have to invest in additional mobile network capacity, coverage and capability to meet this rising demand from viewers/consumers.

19. However, this will be handled much more easily if the regulatory framework supports the transition. Video traffic onto the ISPs' networks creates exceptional peaks for live events, resulting in avoidable network costs. This phenomenon will become more acute and more frequent as mobile and fixed broadband networks begin to play their part in substituting for traditional broadcast platforms.

20. This is particularly important for mobile networks where localised peaks may be harder to predict, giving rise to a higher risk of congestion, and where significant investment is already required to support 5G innovation.

21. Mobile UK urges that the regulatory framework evolve to incentivise efficient use of networks and stimulate investment in capacity. This would also support new services and innovation.

22. In preparation for the increased and unpredictable traffic load, this is another good reason to reform Net Neutrality regulations. We advocate that the Government accepts Ofcom's suggestion of replacing the prescriptive Net Neutrality regulation with a more principles based approach. This will give Government and regulators much more room for manoevre for using policy mechanisms to create incentives to deliver real-time TV traffic efficiently.

23. It should also be noted that DTT occupies valuable radio spectrum. Switching off DTT would allow the vacated spectrum to be put to a use that would be more economically valuable to the UK, including the provision of mobile services.

How are audience demands and expectations evolving, and how does that vary for users of different TV platforms and different demographics?

See submission from individual providers (and Ofcom's own extensive data on this topic).

What do audience trends mean for the financial prospects and sustainability of TV distribution platforms, and what are the key decision points over the next ten years?
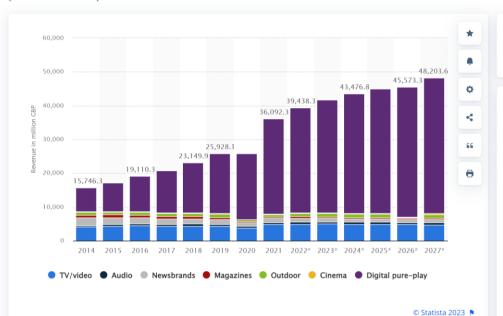
24. At some unknown point in the future, small viewership on the broadcast DTT platforms will make it unviable to sustain the costs of transmission. To assess the financial prospects, it is very instructive to look at the trends in advertising spend in the UK, as DTT free to air content is either licence fee or ad supported (rarely subscription based).

25. The first table is provided by Statista and the second by the Internet Advertising Bureau. The two (while not completely consistent) clearly show the rapid growth of spend on digital advertising (fixed and mobile), while spend on traditional TV advertising is flat/falling.

26. Mobile advertising now represents 56% of all digital advertising (about 42% of all). While not all of this revenue is generated against TV-like content, a significant proportion is and will grow further. The weight of money behind digital advertising, its ability to segment audiences very accurately, and its improved measurement of ROI is likely to erode the ability of traditional broadbast to TV to create its type of content (game-shows, lifestyle, chat etc.) leading to a downward spiral in viewership and revenue.

27. Eventually, small viewership numbers will make it very hard/impossible to sustain the cost of broadcasting. (And when this happens, the fixed and mobile broadband providers will need to be ready to absorb extra demand and the viewers will need to be equipped to use the on-line platforms ,both physically and skills-wise).
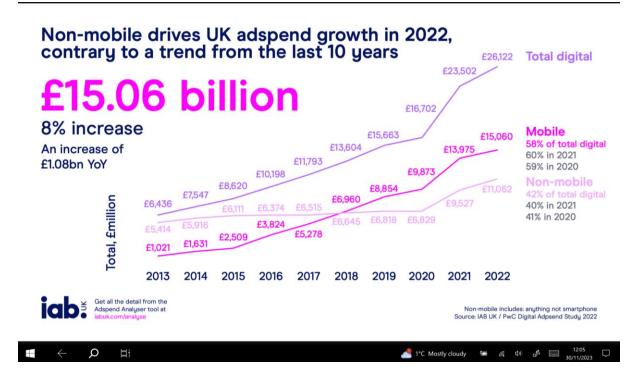

Advertising & Marketing › Advertising

Advertising media owners revenue in the United Kingdom (UK) medium

(in million GBP)

Non-mobile drives UK adspend growth in 2022, contrary to a trend from the last 10 years

£15.06 billion
8% increase
An increase of £1.08bn YoY

How do broadband networks and supporting infrastructure need to evolve to support resilient delivery of TV over the internet in the future?

28. The fixed and mobile providers are needing to invest in the coverage, capacity and capability to cope with the extra traffic that the migration from broadcast TV is causing. While one can expect the bulk of TV content will continue to be consumed over a fixed connection in the home, consuming TV content over a mobile connection on the move will also grow, albeit with much of this latter audience being additional viewership rather than a substitute for broadcasting, as 5G connections make it ever more viable to consume TV like content on the move.

29. As referenced above, though, coping with viewing spikes is particularly difficult for mobile networks where localised peaks may be harder to predict / higher risk of congestion.

30. Mobile UK urges that the regulatory framework evolve to incentivise efficient use of networks and stimulate investment in capacity. This would also support new services and innovation, which could benefit all actors in the connectivity chain, including the content and application providers and, of course, consumers.

31. In preparation for this scenario, we advocate that the Government accepts Ofcom's suggestion of replacing the prescriptive Net Neutrality regulation with a more principles based approach. This will give Government and regulators much more room for manoevre for using policy mechanisms to create incentives to deliver real-time TV

traffic efficiently. It may also unlock the potential for two-sided markets that could continue to enable free-to-air TV content.

32. Ofcom and Government will presumably also have to consider the future of Public Service Broadcast content (albeit not distributed over a broadcast platform).

33. Today, DTT offers a quality viewing experience, free at the point of consumption (albeit with a licence fee for the BBC). If good quality levels are to be maintained in an IP world, particularly for peak live events, then a significant level of broadband network investment will be required. Policy proposals therefore need to focus on addressing barriers to the achievement of a quality experience for all users *and* addressing the issue of accessibility for vulnerable customers which would extend to those who have thus far chosen not to consume broadband.

34. Changes to methods of distribution will create different costs rather than remove them. In determining such costs, industry will need a clearer view on what the scope of public service content should be and how it will be funded.

35. We assume that at some point in the future an impact assessment will be carried out on the cost benefit analysis assessment of alternative solutions. This will include collecting data from the public service broadcasters which will show the costs associated with DTT transmission and the costs associated with ensuring accessibility of services by all UK consumers. The cost benefit analysis will weigh up the continuation of these costs for a declining pool of regular users and intermittent increases during live peaks. The alternative scenario will be the transfer of transmission costs to network operators to carry out network upgrades to enable quality peak live event viewing and also the funding of costs that public service content providers will face in ensuring accessibility, potentially funding connectivity for customers who will not be online in the 2030s.

In what ways might different types of 'hybrid' terrestrial and internet services deliver benefits for audiences and what risks may arise?

36. As Ofcom notes, the multiplex licences currently provide for digital terrestrial TV to be available until at least 2034. There is no end date for Freesat. Policy should be geared towards an assumption that audiences will not sustain two free to air broadcast platforms once viewership falls below a certain level, and perhaps not even one platform.

37. In such a scenario, the clear risk is that consumers will not be equipped (with the right equipment and skills-wise) to consume TV over a broadband connection. The Government, though, should take this as a 'once in a generation' opportunity to create the public policy framework for the UK to get to 100% adoption for internet services, and, by eliminating the digital divide, ensuring that all can access not only TV but also

public and general on-line services, lack of which sets so many at a disadvantage in today's economy.

Given the sharing of infrastructure, what would the implications for other sectors be if there was a change to the use of digital terrestrial television (DTT)?

38. From a Mobile UK perspective, the change of use of DTT would potentially free up radio spectrum that could be put to very good use for wide-area mobile services and to meet the increasing demand for IoT services in rural areas and deep indoor locations.

What coordination and planning across the value chain might be necessary to secure good outcomes for audiences and key providers over the long term?

39. As discussed throughout, audiences are transitioning to 'consume at their convenience' viewing habits, lessening the viewership of broadcast TV and increasing the load on broadband and mobile networks. Undoubtedly, this transition will be much more successful if there is both good co-ordination between content providers and ISPs (and Mobile UK understands that some progress has been made in this regard but more is needed) but also:

- Regulatory reform to support investment in the networks (with net neutrality reform being part of this)
- Support for those currently not using the internet to gain the confidence to do so
- A wide range of affordable packages and schemes for the socially excluded. The mobile sector has made great progress in this regard in the last 2 or 3 years, but ultimately some Government support may also be needed to convert the 'hardest to reach'.