

## News Broadcasting's response to Ofcom's Call for Evidence on the Future of TV Distribution

### Section 1: Executive summary

- **News Broadcasting welcomes early engagement with industry on migration to IP.** Given trends in viewing habits, technology changes and the commercial realities of distributing across multiple platforms, we support the managed migration to IP-delivery sooner rather than later.
- **Developing a model that supports content investment should be at the heart of Ofcom's strategic thinking on migration.** Ensuring the IP-model works economically for all broadcasters - both commercial channels and the PSBs - will be key in supporting migration.
- **Migration to IP presents an opportunity to create a more open, competitive and innovative broadcasting market in which consumers have more choice.** It is important that market conditions in the linear environment are not merely replicated in the migration to IP-only distribution
- **However potential competition risks may arise from increased intermediation across the value chain and players at critical points may be able to impose unfair terms.** There may be a need for Ofcom to intervene to resolve such issues.
- **DTT switch-off will significantly impact DAB distribution, increasing DAB distribution costs to potentially unviable levels.** DTT and DAB switch-off points are unlikely to align, so there may be a need for intervention to support continued distribution via DAB during a transitory period.
- **We would welcome cross-industry coordination to plan ahead for migration,** led by government and Ofcom and including representatives of commercial TV broadcasters, particularly smaller broadcasters and new entrants, and commercial radio broadcasters.

### Section 2: Introduction

News Broadcasting welcomes the opportunity to respond to Ofcom's Call for Evidence on the Future of TV Distribution. News Broadcasting is the broadcasting division of News UK, home to the radio services talkSPORT, Times Radio and Virgin Radio and to the news and current affairs channel TalkTV, which evolved from our radio brand talkRADIO.

TalkTV broadcasts on the free-to-view services Freeview and FreeSat, Pay TV services such as Virgin Media and Sky, and on IP-delivered EPGs including Samsung TV Plus and Amazon Freevee. [CONFIDENTIAL: ∞]

All of our radio stations are available on DAB digital radio and online via owned and operated apps, third party apps, and connected devices (e.g. smart speakers). talkSPORT and Virgin Radio are available on certain DTT and DTH TV EPGs, and talkSPORT is broadcast across the UK on AM/medium wave.

## Our view on migration to IP

We chose to launch TalkTV as a live linear TV station in April 2022 because there is still an audience for DTT. But as Ofcom's Call for Evidence recognises, the market is quickly changing. As Ofcom's own research clearly sets out, audiences to live linear TV channels are in long-term decline as viewers - including older cohorts - increasingly view video content on-demand and therefore via IP-delivered platforms.<sup>1</sup>

Given the pace and scale of change in technology and viewing habits to date - and the likelihood this may accelerate in the latter half of this decade and into the next - broadcast-only DTT platforms may not be viable for any material length of time into the latter half of the 2030s - let alone into the 2040s. We therefore support the managed migration from DTT to IP-delivery sooner rather than later, with the necessary early coordination between government, Ofcom and industry to ensure a smooth transition.

We broadly see migration to IP as an opportunity for the UK's broadcasting sector; it could allow for a more open, competitive and innovative broadcasting market. But there are four key themes to highlight to ensure this opportunity is realised.

- **Ensuring the economics of IP-distribution support content investment:** Ofcom's Call for Evidence discusses the economics of DTT distribution as a push factor for broadcasters in migrating to IP. However, it will be equally important that the economics of IP-only distribution act as a pull factor for all broadcasters. It is essential that distribution costs and revenue opportunities in an all-IP world are at the heart of Ofcom's strategic thinking on migration. The best outcome for UK audiences is for broadcasters' ability to invest in content to be maximised.
- **Managing potential competition risks:** There are potential competition risks that may arise from increased intermediation and players at critical points in the value chain being able to impose unfair or discriminatory terms, which could have a particularly negative impact on smaller broadcasters and potential new entrants. It is therefore important that smaller broadcasters have a voice in discussions around migration, while there may also be a need for Ofcom to develop new step in or dispute resolution powers to protect against such competition issues in an IP-only landscape.
- **Considering knock-on impacts in an increasingly converged media market:** DTT migration will affect audio distribution. Firstly, DTT switch-off will have a significant impact on the costs of DAB distribution. Secondly, demand for DAB will likely continue beyond the point at which DTT is switched-off, so there may be a

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<sup>1</sup> Ofcom, [Media Nations: UK 2023](#), p. 9.

need for a policy intervention to support radio broadcasters providing DAB services during any transitory period.

More generally, the extent of technology change and convergence means that talking about the “future of TV distribution” alone in relation to migration to IP-only distribution may be reductive. We see ever more convergence in media formats (e.g. the visualisation of radio and podcasts) and in future we may see increased convergence in the devices and operating systems used to consume media. We may have a screen in our living rooms - as many people do today - but we may also have screens built into more devices in our kitchens (e.g. in fridges, smart speakers, radio sets), in our cars, in wearable devices and so on. Those screens could be used to stream audiovisual content, but also audio content, and they could share the same operating systems. This will mean that changes to TV distribution will not just impact TV, but impact the distribution of a wider range of audio and audiovisual content.

- **Developing a future-proofed regulatory framework:** As broadcasters increasingly adopt a hybrid distribution model as they transition towards IP-only distribution, it may be appropriate for Ofcom to consider harmonising regulations that differ across different platforms. This would help broadcasters to manage costs and compliance burdens as they transition towards IP-only distribution.

### Section 3: Responses to specific Call for Evidence questions

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

Like many other broadcasters, TalkTV has invested in distributing its content across a range of platforms in order to maximise reach. Audiences expect to be able to find our content wherever they are, and different audience cohorts use different platforms to engage with our content.

Over time, we anticipate that more of our audience will access TalkTV content from online sources. [CONFIDENTIAL: ⌘<]

While changes in viewing habits have influenced our decision to distribute TalkTV across a multitude of platforms, it has not been the only factor. Structural barriers facing new entrants to the broadcasting market have also impacted those decisions.

For example, in our experience traditional linear EPGs are not favourable environments for new entrants. There are sizable discoverability challenges for new entrants, with logical channel number allocations at the bottom of EPGs and very limited options to trade up the EPG. Traditional linear EPGs offer very limited - if any - opportunities to showcase new channels or content, which severely limits promotion.

In contrast, newer IP-delivered EPGs allow for different routes to market and audience discovery, supporting innovation and competition. There are more opportunities to negotiate channel placement on newer EPGs, as well as opportunities to showcase specific channels or programmes to audiences and provide personalised recommendations on user interfaces. Both prominence and promotion are vital to support new entrants in establishing themselves and building audience reach. We see our experience in these environments to date as indicative of the potential for innovation and dynamic competition in a world of IP-only distribution.

**Commercial impacts: 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?**

As Ofcom's Call for Evidence states, there will be a tipping point at which the cost of distributing via DTT will exceed the revenue generated from advertising impressions on that platform. [CONFIDENTIAL: ⌘<]

However, it remains unclear how the IP-only value chain will work and this may impact decisions to migrate. We are particularly concerned about the influence certain players may be able to exercise in an IP-only landscape and the potential for players at critical points in the value chain to impose unfair or discriminatory terms on broadcasters. [CONFIDENTIAL: ⌘<]

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

We understand Ofcom's concern with respect to universality in a purely IP-delivered world. However, we note that there have always been barriers to accessing DTT which impede universality. For example, there are financial barriers such as the requirement to purchase a TV set and pay for a TV licence. Ninety-nine percent of UK households have internet access, which is better coverage than any commercial DTT multiplex.<sup>2</sup>

Broadband networks currently do not have the capacity to deliver all TV viewing reliably, particularly given the unpredictability of live viewing peaks. However, multicast solutions are being developed (such as BT's multicast assisted unicast delivery solution) which may be able to handle these peaks and solve the technical challenges. Whether these solutions remain based on open-standards and available to be implemented and adopted on viable terms remains to be seen. However, we are reasonably confident that solutions will be found to any current resilience issues - and certainly between now and 2030.

The issue for broadcasters in an IP-delivered world is that technical transmission solutions are much more complex and require many more participants in the value chain. This increased intermediation increases the risk of value leakage, and the adoption of business

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<sup>2</sup> Ofcom, 17 October 2023, [Call for Evidence on the Future of TV Distribution](#), p. 11. In the UK, 99% of homes are able to receive a service which meets the specifications Parliament set for the broadband USO.

models that discriminate and disadvantage certain operators by making the economics unsustainable for them. [CONFIDENTIAL: ✕]

**Opportunities and risks: In what ways might different types of ‘hybrid’ terrestrial and internet services deliver benefits for audiences and what risks may arise?**

The move towards IP-delivered services offers significant benefits for audiences because it should be a more competitive and innovative market. We anticipate that there will be more choice available to audiences in terms of the range of content available and how they access that content.

If the costs of market entry and operation are lower in an IP-only world, there should be a larger range of diverse services and content available to audiences. To date we have seen how FAST channels have allowed for experimentation with new channel propositions, given the lower cost of entry and compliance burden. Content creators who are not traditional TV broadcasters, such as The Guardian and Condé Nast, have launched FAST channels.

There should also be more choice for audiences in how they access the content they want to watch. We see this in the case of newer, IP-delivered EPGs. There are more opportunities to showcase specific channels or programmes to audiences and provide personalised recommendations on the user interface, which can be shaped by user choices.

This increase in the range of content available, and the range of routes to reach that content, means there will be more fragmentation in viewing experiences. The Call for Evidence suggests that fragmentation is a “risk” of IP-only delivery. In contrast, we see fragmentation as the product of increased consumer choice, which is in turn a sign of a healthy and well-functioning market.

It is important that the right regulatory framework is in place to support the development of a competitive and innovative ecosystem. Rather than simply transposing the existing regulatory framework, migration to IP-delivery provides an opportunity to consider an approach that supports the whole UK broadcasting ecosystem, including the commercial broadcasting sector. There are several regulatory opportunities to help support broadcasters as the sector moves towards an IP-only world.

- **Supporting the economics of broadcasting:** As set out above, the costs of IP-distribution should allow for maximum investment in content. It will also be important that regulation evolves to support innovation and the development of broadcasters’ business models. New revenue opportunities may arise as technology evolves. For example, increased access to high quality, real time audience data would allow for increased content personalisation. To support this, we would encourage a more flexible approach to integrated commercial content and sponsorship, with appropriate conditions to ensure commercial arrangements are clear to audiences.

- **Supporting providers of UK-made news and current affairs content:** Migrating to IP provides an opportunity to take a more forward looking approach to prominence. As suggested in Ofcom's *Small Screen: Big Debate* review, a wider range of UK broadcasters producing public service content, such as news and current affairs, could be rewarded with benefits such as prominence on user interfaces.<sup>3</sup>
- **Reviewing where rules could be harmonised:** Before full migration to IP, broadcasters will operate increasingly hybrid distribution models. It therefore may be an appropriate time to consider harmonising regulation where rules differ across distribution platforms. This would help to reduce costs and compliance burdens.

For example, taking the regulation of commercial sponsorship, the exact same content is subject to different rules depending on whether it is broadcast on radio, as a livestream on YouTube, on live linear TV or as a catch-up audiovisual clip on an on-demand platform service. Broadcasting across all of these platforms is necessary to maximise audience reach. But because different rules apply to different platforms, there is a significant compliance burden to distributing content in this hybrid model. The rules regulating commercial integration on linear platforms are based on European legislation, and there is now an opportunity to review whether these rules are appropriate for the UK's modern broadcasting landscape.<sup>4</sup>

- **Being mindful of future innovation:** A future-focused regulatory framework should reflect the fact that the kind of operating systems and devices used to watch content today could be very different in future. We encourage Ofcom to consider the future of TV operating systems very broadly. It is likely that we will see convergence in devices and operating systems used to consume audio and audiovisual content, so regulation impacting TV operating systems could have a much broader dimension.

### **Broader impacts: 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)?**

DTT switch-off would have a very significant impact on the radio sector, given the nature of shared access to the infrastructure and the regulated pricing mechanics embedded within broadcast transmission network access arrangements. We are very concerned about what DTT switch-off would mean for the economics of radio broadcasting over DAB. While Arqiva will be able to calculate precisely what the impact to DAB radio multiplex users would be in the event DTT sharers left their towers, we expect it would result in price rises that would make DAB networks unviable.

A further complication is that the natural end-point for DAB will likely come much later than the natural end-point for DTT. There are a range of reasons for this, including that home

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<sup>3</sup> Ofcom, July 2021, [Small Screen: Big Debate Recommendations to Government](#), p. 35, para 6.13.

<sup>4</sup> For example, restrictions on the sponsorship of current affairs content on TV are based on the Television Without Frontiers Directive (since replaced by the revised AVMSD Directive) and the European Convention on Transfrontier Television (ECTT).

radio receivers have a much longer lifespan than TVs and that there is a very long lead time to upgrade in-car radio receivers. Therefore, there may be a need for regulatory or government intervention to support the continued distribution of radio via DAB on a sustainable basis in the transitory period between DTT switch-off and DAB switch-off.

We note that the Call for Evidence only refers to broadband in the home. While most TV viewing happens within the home, a significant proportion of radio listening happens outside the home; 25% of radio listening currently happens in vehicles.<sup>5</sup> When DAB is - in time - switched-off, radio broadcasters will increasingly rely on mobile broadband to reach listeners. Without regulatory intervention, the current mobile network services may not be sufficiently reliable to support the delivery of online radio listening in vehicles and other mobile environments. This issue was identified in the DCMS *Digital Radio and Audio Review*, and would need to be addressed as part of the work towards a DTT switch-off.<sup>6</sup>

Furthermore, as TV operating systems evolve, it will be important that radio stations remain easily accessible to audiences on TV sets. A small proportion of listeners use their TV sets to tune into radio stations: 4% of radio listening happens over DTV. As devices and operating systems used to consume media increasingly converge, it is important that access to radio is protected across devices so that audiences can easily access their favourite radio stations on the platforms they want to use.

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

We support early and active coordination and planning across industry, Ofcom and government on migration. It is important that commercial broadcasters are included in discussions about migration, to ensure the transition benefits the UK's broadcasting sector as a whole. It is important that these discussions include the voices of smaller, non-PSB broadcasters, those who can represent the experiences of new entrants in the TV broadcasting market, and commercial radio broadcasters.

We support the development of formal working groups on migration which draw on the expertise of a range of stakeholders including commercial TV and radio broadcasters, device manufacturers, Ofcom and government.

We would also welcome early engagement on the shape of a future regulatory regime, particularly on opportunities to harmonise different regulatory approaches across different distribution platforms, to support broadcasters as they move towards IP-only distribution.

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<sup>5</sup> RAJAR, 26 October 2023, [Q3 2023 results](#).

<sup>6</sup> DCMS, 21 October 2021, [Digital Radio and Audio Review](#), pp. 101-103.