

Response to Ofcom Consultation "The future use of the 700MHz band"

Response from Freesat

29 August 2014



1 About Freesat

Freesat is a subscription free satellite and IP TV service offering digital television to everyone in the UK. It is a key part of the UK TV platforms market and the free-to-air ecology. It offers more than 200 TV, radio and interactive channels; including free HD services from ITV, the BBC and Channel 4; Freesat+ to record, pause and rewind, BBC iPlayer, ITV Player, 4oD and Demand 5; all for free. Freesat is now in over 1.8 million homes.

2 Executive summary

We are responding to this consultation in our capacity as an interested third party UK TV platform. The direct impact of a re-plan of the 700MHz spectrum band on Freesat would be very limited. Indeed, Freesat could play a role in aiding viewers, and the industry, in the wake of a re-plan of the 700MHz, as it did with Digital Switch Over (DSO), where, at the end of DSO, over 30% of all upgrades were to satellite.

We also consider ourselves part of the wider free-to-air ecology in the UK, which also includes Freeview and YouView. Both of Freesat's shareholders - the BBC and ITV - are also shareholders of Freeview and YouView, although all three platforms compete with one another.

A strong mixed ecology, of which Freeview is a key part, has emerged in the UK free-to-air market. Freesat successfully serves viewers that have a satellite dish - as approximately two thirds of UK homes do - and want to access a subscription-free service. Freeview does the same for homes with a TV aerial. YouView is a third option predominantly for viewers that are happy to take a bundled service from BT or TalkTalk.

Freesat and Freeview are both clear and successful advocates of free-to-air broadcasting in the UK, and of free-to-air television being made available free at the point of delivery¹. Approximately 50% of the UK's population watches free-to-air TV on their main TV set. The five main PSB channels achieve a 70% share of viewing in the UK². There is very vigorous competition in the UK between the platforms with a free to air model and platforms based on a pay-TV proposition.

The UK's regulatory framework allows for universal access to television services that in turn has directly supported the ability for UK TV industry to be one of the world's most competitive, making a £17.5bn contributor to the UK creative industries in 2013.³

The existence of a strong free-to-air platforms market has been universally beneficial for the UK:

- Key public-service channels are available to all viewers, regardless of the transmission method they have access to.

¹ Following the one-off purchase of a piece of equipment

² BARB

³ Deloitte, RTS conference, Cambridge, Sept-13

- The UK was one of the first markets globally to achieve 100% Digital TV penetration, and has the highest proportion of homes using a Personal Video Recorder (PVR).⁴
- Free-to-air platforms have contributed to a £16bn CE market in the UK.⁵
- Competition in the free-to-air market has driven competition and reduced prices for viewers. The average cost of an HD set-top box has dropped 60% between 2008 and 2013.⁶
- The mixed ecology has made it easier for manufacturers to justify innovating for and investing in the UK - in a time when, globally, most manufacturers are striving for a global "one size fits all" for their products.
- The strong FTA sector has driven price competition in the pay sector. Ofcom research shows that UK viewers pay some of the lowest prices for basic-tier pay-TV services in Europe.⁷

3 Spectrum and the future of free-to-air television in the UK

Ofcom has proposed to remove DTT services from the 700MHz band to the 470-694MHz bands. This would require the DTT network to be re-planned and for some viewers to retune and/or replace their aerials or equipment in the home.

We recognise the need the mobile industry has to meet demand for mobile broadband, and the role that the 700MHz spectrum band might have in this.

However, any re-plan of the 700MHz band should not adversely impact the DTT platform or the wider free-to-air ecology in the UK, and should not alter the market dynamics set out above in Section 2. More specifically, we believe that:

- There should be no reduction in the number and range of services that can be provided via the DTT platform
- There should be no reduction in existing coverage of either the PSB or commercial muxes. A DVB-T2 switchover should not be ruled out as a method to achieve these goals.
- There should be minimum disruption and no cost to viewers as a result of a re-plan.
- The DTT platform is able to compete not just in the immediate aftermath of a re-plan, but that it can compete in the future (for example, by adding more HD channels as and when viewers demand this)

We believe that not adhering to these measures may result in a weaker and less attractive DTT platform. We do not believe that a weaker DTT platform is positive for viewers, or the UK TV market as a whole. A weaker DTT platform will make the UK platforms market less competitive. This could lead to less choice for viewers, a weaker retail market for TV equipment in the UK, higher prices and, overall, a weaker UK TV industry.

⁴ Ofcom International Communications Marketplace 2013, pp. 137-141

⁵ GFK

⁶ GFK

⁷ Ofcom International Communications Marketplace 2013, p. 118

4 Question Answers

Question 1: Do you have any comments on Analysys Mason's approach to quantifying the network cost savings and performance benefits?

Question 2: Do you have any comments on the other benefits we have identified including the likely magnitude or how they may be quantified?

Question 3: Do you agree with our assessment of the likely benefits of changing use of the 700 MHz band?

We are in broad agreement with the overriding approach Analysys Mason has taken to quantifying cost savings, but make the following observations:

- The order of magnitude by which demand for mobile broadband will increase is not certain. There is a significant difference between the two forecasts for demand presented by Real Wireless and Analysys Mason. It is extremely difficult to predict the emergence of technologies that may allow for a more efficient use of the mobile broadband network. We also note that many of the initial predictions of an "Exaflood" of traffic on fixed-line networks have also not come to pass.⁸
- We believe that the potential for WiFi offload to reduce demand to watch video on mobile networks has been underestimated. Video is the most "bandwidth heavy" mass-market Internet application. But most of this viewing is likely to happen within the home, where viewers watch most of their TV and video content. If most online video viewing does remain in-home, the need for extra spectrum will be lessened. The emergence of WiFi on public transportation, and municipal WiFi schemes - already seen in cities such as Bristol and Norwich - may also reduce demand.
- We do not believe it is inevitable that the use of the 700MHz band will lower consumer mobile tariffs. Mobile pricing has historically been driven by factors such as competition, consumer willingness to pay and regulation (such as the proposed EU-backed regulation to abolish roaming charges in Europe). While use of the 700MHz band may result in efficiencies for the mobile operators, we do not believe there is sufficient evidence to show that these cost savings will definitely be passed to consumers. We also note that, post the release of the 800MHz spectrum band, mobile broadband tariffs have not reduced.⁹

Question 4: Do you have any comments on our analysis of the implications change of use of the 700 MHz band would have for the DTT platform

Our main comment on this question is regarding coverage.

We believe that, in the event of DTT being cleared from the 700MHz band, DTT should support the same number of channels and services, as it does today, that it maintains the same levels of coverage, on both the PSB and commercial

⁸ <http://www.dslreports.com/shownews/So-Much-for-That-Exaflood-Huh-124430>

⁹ Ofcom International Communications Marketplace 2013, p. 118

muxes as it is today. We also believe that decisions taken about DTT today should not inhibit future growth and development of the platform, or limit the future competitiveness of the UK platforms market.

We welcome the commitment to ensure that the PSB muxes continue to reach 98.5% of the population, but also believe that, in the event of any switchover, the commercial muxes must continue to reach the 90% of the population that they do today. Reducing the coverage of these multiplexes will potentially make the DTT platform less competitive.

We also believe that HD channels will increasingly become a "hygiene factor" for all TV platforms, and that this should be taken into account when decisions regarding spectrum allocation are made. Some free-to-air viewers are already actively seeking out HD channels. The PSB versions of BBC One and Two, ITV and Channel 4 already take the top four slots on the HD section of the Freeview EPG and, in Freeview HD households (e.g. households that can access HDTV), they take a high share of viewing. Freesat viewers are now offered an on-screen prompt to tune to the HD versions of BBC One and ITV if they are watching the SD versions.

We believe that, in time, viewer expectations will shift towards HD being "the norm" in terms of TV quality. In this event, if DTT cannot support a higher number of HD channels in the future than it does today, it may make the DTT platform less appealing to viewers, and disadvantage viewers that cannot access TV via other means (cable or satellite), and viewers that don't want to pay a monthly subscription fee.

One possible option to alleviate capacity issues on the DTT platform is a DVB-T2 upgrade. We appreciate Ofcom's concerns over the potential cost of such an upgrade. But we believe that maintaining DTT's current and future capacity and service levels is of sufficient importance and public interest that a DVB-T2 upgrade should be retained as an option to meet these goals.

Question 5: Do you agree with our assessment of the likely costs of upgrading DTT transmission infrastructure?

For the reasons stated in Question 4, we believe that costs surrounding any loss of coverage or capacity on Freeview, including, potentially, a DVB-T2 upgrade if required, should be included.

Question 6: Do you have any comments on our assessment of the timeframes within which it might be possible to complete a DTT re-plan?

No comments

Question 7: Do you have any comments on our assessment of the loss of value from existing DTT services in case of change of use for the 700 MHz band?

We believe that loss of value for the wider free-to-air ecology, in the event of a reduction in the competitiveness of the DTT platform, should be taken into account. This could include:

- Potential loss of value in the UK TV equipment retail market

- Potential loss of value to channels if they could no longer broadcast on the DTT platform
- The potential impact of churn on the Freeview platform for its shareholders
- Any impact on the wider TV market

We also believe that a value should be placed on the potential loss of services for viewers, and that this should also be taken into account.

Question 8: Do you have any comments on our analysis of the implications of potential changes for DTT viewers and for the platform? Are there any effects that may be important to viewers that we should consider further?

We believe that any change to the DTT platform must be carried out at no cost, and minimal disruption, to viewers.

We agree that any change would likely be less disruptive than DSO. However, we make the following points with regards to this issue:

- It is likely to be more challenging to explain to viewers that their TV services are being changed in order to improve their mobile broadband services, than it was to explain the switchover from analogue to digital TV.
- A change in the usage of the 700MHz band will not deliver tangible (in the eyes of the viewer) benefits to their TV service in the way that DSO did.
- Less technically confident viewers will find a re-tune challenging, even if the process is straightforward for most.
- Most viewers will not be able to identify the type of aerial they have on their homes, making the pre-emptive upgrade of an aerial before a spectrum re-plan (and therefore a reduction in the number of people that actually lose their TV services post any re-plan) difficult.

We also welcome Ofcom's recognition in the role that satellite might play in minimising viewer disruption in the wake of any re-plan of the 700MHz band, as laid out in the "Future of Free to View TV" document. Satellite is almost universally available to UK homes. Our best estimate is that satellite coverage is around 98%, and instances of installers about being unable to install dishes for line-of-sight reasons are very limited. Installing a satellite dish - which costs from £60 - is also typically less expensive than installing a wideband aerial.

Question 9: Do you have any comments on our consideration of consumer information and support measures and on the factors we should focus on in the next stages of work?

As laid out in our response to Question 8, we believe that most viewers will not know whether they have a wideband aerial, or whether they need to upgrade it in order to continue receiving all their TV channels. This will make it difficult for viewers to pre-emptively upgrade their aerials before a spectrum re-plan.

This is very different to DSO, where it was relatively straightforward for viewers to identify whether they were watching TV via an analogue or digital service. This difference should be factored in to any consideration on viewer information.

Question 10: Do you have views on the activities that Ofcom and other stakeholders could undertake now to help ensure that DTT equipment that consumers might buy in the coming years is as future-proof as possible?

We believe the industry can mitigate the impact of a re-plan of DTT spectrum by driving volumes of DVB-T2 equipment in the market, even if a DVB-T2 switchover is not included within a re-plan of 700MHz.

Large volumes of DVB-T/Freeview SD equipment are still being produced and sold - in 2013, SD equipment made up 50% of sales.¹⁰ While larger "A" brand manufacturers (Samsung, LG, Panasonic, Sony) have embraced DVB-T2, smaller manufacturers have not to the same degree.

The industry should focus on encouraging and working with smaller manufacturers to develop DVB-T2 equipment, and to reduce the volume of lower-quality DVB-T equipment being produced in the market.

Question 11: Do you have any comments on our assessment of the impact change of use of the 700 MHz band would have on PMSE?

No comments

Question 12: Do you have any comments on the mitigations for loss of access to the 700 MHz band including whether we have correctly identified the replacement bands suitable for further study and whether we have correctly identified actions that the PMSE industry could adopt to improve spectrum efficiency

No comments

Question 13: Do you have any comments on our assessment of the impact of the change of use of the 700 MHz band on the TVWS availability?

No comments

Question 14: Do you agree with our use of the Spackman method for discounting both the costs and benefits of change of use?

No comments

Question 15: Do you agree with our approach of estimating the cost of early replacement or should we be considering the full cost? Do you have any comments on how we have estimated the costs of early equipment replacement?

No comments

Question 16: Do you agree with our overall assessment of the costs of change of use of the 700 MHz band?

Please see our responses to Questions 5 and 7, highlighting our views on the costs of change of the 700MHz spectrum band.

¹⁰ GFK, March 2014

Question 17: Do you have any comments on our assessment of the impact of earlier or later change of use of the 700 MHz band?

We agree with Ofcom's assessment, although we note that, in the event of any DVB-T2 switchover, more homes would need to upgrade their equipment if a re-plan of the 700MHz band was brought forward.

Question 18: Do you agree with our proposal that we should make the 700 MHz band available for mobile broadband?

We recognise the need for mobile operators to meet demand for mobile broadband. However, we believe that any changes to usage of the 700MHz spectrum band must not reduce the ability for all viewers to get a compelling free-to-air television service, via DTT. In practice, this means:

- There should be no reduction and range in the number of services that can be provided via the DTT platform.
- There should be no reduction in existing coverage of either the PSB or commercial muxes. A DVB-T2 switchover should not be ruled out as a method to achieve these goals.
- There should be minimum disruption and no cost to viewers as the result of a re-plan.
- The DTT platform is able to compete not just in the immediate aftermath of a re-plan, but that it can compete in the future (for example, by adding more HD channels as and when viewers demand this).

Question 19: Do you agree with our proposal that we should seek to implement this change at the earliest possible opportunity?

We recognise that there may be cost-savings and efficiencies to be gained from clearing 700MHz spectrum more quickly than the current proposed date of 2020. However, as highlighted in Question 18, we do not believe that implementing the changes at the earliest opportunity should happen to the detriment, of the DTT platform, and the free-to-air sector as a whole.

Question 20: If, as a result of this consultation, we decided to go ahead with the proposed changes, what factors and evidence should we take into account when considering whether to hold an auction near to the time of availability of the spectrum or earlier?

No comments