

## **FREEVIEW response to Ofcom's Mobile Data Strategy consultation**

**30<sup>th</sup> January 2014**

### **1. Introduction**

#### **1.1 About Freeview**

Freeview is the most popular TV service in the UK. It is used by 75% of all UK households (over 19 million) and is the sole television provider in 10.5 million homes (40% of TV homes)<sup>1</sup>. Furthermore, the DTT (digital terrestrial television) platform, of which Freeview is the cornerstone, is set to remain the country's largest platform for the foreseeable future, with over 12 million main set homes forecast in 2020<sup>2</sup>.

Freeview accounts for more viewing than any other platform, taking 44 per cent of all viewing hours<sup>3</sup>. It broadcasts over 95% of the country's most watched television programmes subscription-free<sup>4</sup>. With UK consumers spending an average of four hours a day watching television<sup>5</sup>, Freeview services - TV and radio - are a crucial part of millions of people's daily lives.

Access to free TV services is extremely important to UK citizens with nine out of ten people saying the Freeview channels should be free at the point of use<sup>6</sup>, a percentage equally high amongst pay TV subscribers. Over two thirds of consumers (69%) think that Freeview is a national asset and should be protected.<sup>7</sup>

#### **1.2 About this response**

Freeview's response to this consultation has been put together on the basis of the organisation's role as custodians of free-TV and champions of its viewers' interests. It has been prepared by Freeview's management team and does not necessarily represent the individual views of our shareholders. We have limited our response to a set of specific remarks relating to possible future demand for mobile data and the subsequent impact on spectrum allocation as opposed to answering each question in turn. Our comments are high level and consumer focused.

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<sup>1</sup> BARB Establishment Survey, Q3 2013

<sup>2</sup> 3 Reasons LLP, Autumn 2013 Market Model

<sup>3</sup> Ofcom Communications Market Report, 2013

<sup>4</sup> BARB viewing figures, Jan-Mar 2013

<sup>5</sup> Ofcom Communications Market Report, 2013

<sup>6</sup> YouGov online survey, June 2013

<sup>7</sup> Freeview/ICM research, October 2011

## **2. Response to consultation**

Freeview welcomes the opportunity to respond to Ofcom's consultation on mobile data strategy. Given the significant impact that any further re-organisation of spectrum could have on Freeview and its millions of viewers, it is important for us to engage in what is a critical debate for the future of the platform.

As already stated, our response to this consultation will be limited to the areas we feel are most significant to the debate and those we are most qualified to comment on, leaving others in the industry to address Ofcom's detailed questions.

The areas we will focus on are:

- Context: Freeview and consumer viewing behaviour
- Future demand for mobile data
- The role of Wi-Fi in meeting mobile data demand
- Ofcom's band prioritisation and the 470-694MHz band

### **2.1 Freeview and television viewing**

Consumer appetite for high quality television content is as strong as ever. And the choice of what to watch, when to watch and what device to watch on is greater than ever. Whether it's free catch-up services such as BBC iPlayer from UK broadcasters, OTT services from the likes of Netflix or LoveFilm, whole series in a boxset or stored on a PVR, downloaded or streamed live on to a tablet or smartphone, at home or on the go - consumers have never had so much control and flexibility over their viewing.

And yet, despite all this choice, 90% of all viewing is still live<sup>8</sup>. And almost half of that viewing is on Freeview. With so much content on offer, UK consumers still spend over two thirds of the time watching programming from the public service broadcasters. Freeview provides universal and free-at-the-point-of-use access to this content and broadcasts over 95% of the country's most watched television programmes subscription-free.

Clearly consumer behaviour changes over time. Ownership of devices that allow consumers to timeshift and/or watch content on the move has increased dramatically in recent years. However, so far live broadcast television and consumer appetite for high-quality PSB content remain incredibly resilient, and serially confound forecasts of their decline.

Whilst we recognise the importance of mobile services in delivering broadcast content to mobile devices and a trend towards content being delivered in a variety of ways including through IP via smart TVs and YouView, it is our belief that live broadcast television via DTT will remain of significant value to consumers for the foreseeable future. We note Ofcom's reference to possible alternatives to DTT such as IPTV and satellite in the long term and look forward to engaging in their work on the future of the free-to-air platform in due course.

### **2.2 Future demand for mobile data**

We agree that future increases in mobile data demand are likely and support Ofcom and Government in their objective to ensure that such increases are met through parallel developments

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<sup>8</sup> Ofcom Communications Market Report, 2013

in mobile infrastructure. However, we have a number of concerns about Ofcom's assumptions regarding future wireless data growth:

- the exact level of future growth seems to us highly uncertain and predictions of "80 times higher in 2030 than in 2012" need to be more suitably caveated given the uncertainties around the long timeframe. Nobody knows what demand will be in 2030 and to take decisions regarding spectrum allocation in the short term about highly uncertain long term scenarios could have damaging consequences for many different players as well as restrict options for consumers
- forecasts in Ofcom's Real Wireless report were heavily caveated by its authors at the time and since the report was published in 2012, the trend has been towards a reduction in short- and medium-term forecasts due, in part, to slower growth than expected in some markets and the emerging significance of Wi-Fi's role in meeting demand
- finally, laptops constituted a large part of the forecasts in the Real Wireless report despite the fact that the majority of that traffic would be carried over cables or Wi-Fi connections, not cellular. To include laptops in the forecasts would surely mean an assumption that cellular becomes the primary means of connecting laptops, which doesn't sound plausible.

### 2.3 The role of Wi-Fi in meeting mobile data demand

It is becoming increasingly apparent that a significant amount of mobile data is being downloaded via Wi-Fi and as such, it can and should play a major role in meeting future increases in mobile data demand.

Various reports and research sources confirm the importance of Wi-Fi:

- *'In the second half of 2012, c97.5% of video-on-demand was delivered via Wi-Fi to tablets (80% for smartphones)' - 3 Reasons LLP, Spring 2013 Market Model*
- *'More than half of all smartphone traffic appears to be routed over Wi-Fi networks, and this nomadic traffic is growing 4-6 times faster than mobile traffic' - European Commission's 'Promoting the shared use of radio spectrum resources in the internal market', September 2012*
- A WIK/Aegis report for the EU Commission in August 2013 stated that *'the extent of wi-fi infrastructure is far more prevalent than ever thought and 80% of mobile data is carried on it.'*<sup>9</sup>
- Mobidia estimated that 81.7% of mobile data for UK Android users would be offloaded to Wi-Fi as of January 2013, with cellular carrying just 18.3%<sup>10</sup>
- The majority of AV consumption on mobile devices is via tablets and 85% of tablet use is in the home according to research from Kantar Media. With 89% of those with broadband

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<sup>9</sup> 'Study on impact of traffic off-loading and related technological trends on the demand for wireless broadband spectrum', WIK Consult for European Commission, 2013

<sup>10</sup> 'Understanding the Role of Managed Public Wi-Fi in Today's Smartphone User Experience', Mobidia, February 2013

owning a wireless router<sup>11</sup>, the majority of content being watched at home would be offloaded to Wi-Fi.

Given the evidence, we would suggest that Ofcom carries out further work to reconsider the role of Wi-Fi in meeting demand for mobile data and assesses the consequences this may have on their approach towards future spectrum re-organisation.

#### **2.4 Ofcom's band prioritisation and the 470-694MHz band**

Consumers derive great value from Freeview receiving 95% of the UK's most watched programmes subscription-free on a near universal basis via a wide variety of equipment at a range of price points. Freeview also provides unmediated access to its content, regionality and guaranteed prominence for PSBs via the electronic programme guide. There is currently no other platform that delivers such choice, value for money or quality to consumers.

According to a report published by Digital UK on 20<sup>th</sup> January and commissioned from Communications Chambers, the DTT platform also creates £79 billion of economic surplus for the UK and delivers more value per unit of spectrum than mobile broadband.

Ofcom has identified the 470-694MHz band, spectrum on which DTT is reliant to continue serving consumers, as capacity that could potentially be released in the very long term and has provisionally concluded that such a release would be "hugely valuable" to mobile. We strongly disagree with this assessment on the following grounds:

- the high levels of uncertainty around future demand for mobile data;
- the increasing role of Wi-Fi in meeting future demand;
- and the fact that mobile data services are likely to have access to a significant amount of other spectrum, which will increase both capacity and coverage levels thereby reducing the need for further sub-1 GHz spectrum.

It is our belief that an outcome of co-primary allocation between mobile and broadcasting for the 470-694MHz band at WRC-15 could result in unintended consequences for Freeview and digital terrestrial television, which in turn would have a long lasting damaging effect on the availability of free-to-air television for consumers. Given the level of uncertainty we would urge Ofcom to adopt a position of caution at this stage so as to avoid irreversible decisions being taken prematurely.

### **3. Summary**

Whilst Freeview recognises the importance of mobile services both to consumers and the economy, and agrees that demand for mobile data is likely to increase in the future (though exact levels remain extremely uncertain), we believe this demand can be met by means other than re-allocating spectrum away from DTT, namely through Wi-Fi offloading and the release of non-DTT spectrum bands. In relation to the potential long-term release of the 470-694MHz band, we do not think Ofcom has put forward sufficient evidence to demonstrate why further sub-1GHz spectrum would be necessary to meet demand and are not convinced that it wouldn't be surplus to requirement.

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<sup>11</sup> Ofcom Communications Market Report, 2013