

Response to Ofcom consultation on spectrum pricing for terrestrial broadcasting

From the Commercial Broadcasters Association

May 2013



A VOICE FOR COMMERCIAL BROADCASTERS IN THE UK

Executive Summary

1. As a public asset, it is important to ensure that spectrum is used efficiently and delivers maximum public value. We believe AIP is in principle a way to achieve this: in our view, the introduction of pricing creates an incentive on incumbent broadcasters to release their spectrum, creating opportunities for new investment, competition and innovation in the market. Some of our members are currently on the DTT platform, but they and others would welcome increased opportunities to develop their businesses with greater access to terrestrial spectrum.
2. Our members are increasingly investing in UK content: COBA members invested £624m in 2012 in UK television content, an increase of 27.9% on 2009 levels.¹ It is possible that increased opportunities on the DTT platform would facilitate further investment of this kind.
3. At the same time, we have concerns that the introduction of AIP should not result in disproportionate charges for non PSB channels on the platform. COBA members on the terrestrial platform tend to be far smaller in audience levels and revenues than the PSBs, although they make an important contribution to audience choice. They already pay significant charges to multiplex operators for the right to transmit on the DTT platform. Any disproportionate charges resulting from AIP could represent a significant threat, not just to their ability to invest in UK content, but their very business models.
4. In our view, therefore, the regulator must be mindful of the market impact when considering AIP, which would be in line with Ofcom's statutory duties to promote plurality in the provision of broadcast services and a wide range of TV services. We see this as a critical point and ask Ofcom to consult publicly on this issue in due course, when there is sufficient clarity in terms of market development, in order to ensure that smaller, non PSB channels do not shoulder an undue level of charging.

¹ COBA 2012 Economic Impact Report, Oliver & Ohlbaum Associates for COBA, September 2012. Copy available on request.

Introduction

1. The Commercial Broadcasters Association (COBA) is the industry body for commercial sector broadcasters in the UK. Its members are Bloomberg Television, BSkyB, Chinese Channel, Discovery Networks, Fox International Channels, NBCUniversal, QVC, Sony Pictures Television, Turner Broadcasting System, Viacom International Media Networks, and The Walt Disney Company.
2. COBA members are significant investors in the UK. They contribute more than £4 billion a year to the UK economy in GVA, through content investment, employment and other expenditure.² In addition, the sector is growing strongly, doubling the size of its workforce over the last decade.³
3. As part of this investment, COBA members invest £624m per annum in UK television content, an increase of 27.9% on 2009 levels.⁴ This has helped drive growth in overall investment in new UK TV production in recent years from all sources. Funding for first-run national network originations has increased from £2.8 billion in 2009 (the earliest year available) to £2.9 billion last year, even factoring in relatively flat investment at PSBs.⁵
4. Additionally, COBA members, who include many of the world's leading multinational broadcasters, invest more in the UK than any other European market by some distance. This helps ensure the UK is a leading European media hub.⁶
5. **For further information please contact Adam Minns, COBA's Executive Director, at adam@coba.org.uk or 0203 327 4101**

² This figure is for broadcast operations only, so excludes activities that are part of wider corporate groups such as studio ownership and ISP divisions.

³ Skillset, Television Sector – Labour Market Intelligence Profile

⁴ COBA 2012 Economic Impact Report, Oliver & Ohlbaum Associates for COBA, September 2012. Copy available on request.

⁵ UK Commissioning Trends, Oliver & Ohlbaum Associates for COBA. Figure excludes commissioning specifically for Nations and regions.

⁶ Ibid.

Response to Questions

Q1 Do you agree that the principle of applying AIP remains relevant to spectrum used for broadcasting?

- 1.1 As a public asset, it is important to ensure that spectrum is used efficiently and delivers maximum public value. We believe AIP is in principle a way to achieve this, but have concerns about possible unintended consequences.
- 1.2 On this point, we note Ofcom's position that any potential impact on broadcasting output should be considered. COBA members on the terrestrial platform tend to be far smaller in audience levels and revenues than the PSBs, although they make an important contribution to audience choice. Any disproportionate charges resulting from AIP could represent a significant threat not just to their ability to invest in UK content, but their very business models.
- 1.3 In our view, therefore, the regulator must be mindful of the market impact when considering AIP, which would be in line with Ofcom's statutory duties to promote plurality in the provision of broadcast services and a wide range of TV services. We see this as a critical point and ask Ofcom to consult publicly on this issue in due course.

Q2 Do you agree with our revised proposals to delay the introduction of AIP based on opportunity cost for national DTT multiplex operators until we have materially progressed our proposals for the future use of the UHF spectrum?

- 2.1 Yes. We agree that introducing both so close to each other would be too disruptive for industry.

Q3 Do you agree with our proposals to apply a fee for spectrum used for national DTT, in the meantime, based on the cost of administration instead?

- 3.1 We reserve judgement until we have seen a transparent breakdown of proposed costs. We understand that this will be outlined in the consultation later this year.

Q4 Do you agree that charges based on the costs of managing the spectrum should be applied to DAB radio and to local TV broadcasting?

4.1 In principle, yes, providing any possible market impact is considered.

Q5 Do you agree that when full AIP is applied for spectrum used for national DTT broadcasting (once we have materially progressed our proposals for future use of the UHF spectrum) it should be applied gradually, rising over five years?

5.1 Without a full understanding of any market impact, based on a public consultation, we do not believe Ofcom should commit to a timetable. However, we agree that a gradual introduction is likely to help reduce the impact on industry and help businesses adjust.