

Submission to Ofcom's consultation on
spectrum pricing for terrestrial
broadcasting

pact.

May 2013

Introduction

- 1) Pact is the UK trade association representing and promoting the commercial interests of independent feature film, television, digital, children's and animation media companies.
- 2) The UK independent television sector is one of the biggest in the world. Despite the difficult economic climate, independent television sector revenues have grown from £1.3 billion in 2005 to nearly £2.4 billion in 2011.¹
- 3) Despite a welcome increased in programming budgets of the cable and satellite broadcasters in recent years, the UK public service broadcasters (PSBs) and their portfolio channels remain by far the largest investors in original UK content.
- 4) In 2011, the four main terrestrial network groups (the BBC, ITV, C4 and Five plus their spin offs) accounted for an estimated 82% of UK TV primary commissions to the independent sector, down from 86% in 2010.²
- 5) It is therefore crucial to the future health of the independent production sector that UK PSBs retain the ability to invest in original UK programming.
- 6) Pact is strongly opposed to anything which might reduce the ability of UK terrestrial broadcasters to invest in original content. We are therefore concerned that the introduction of AIP pricing for terrestrial broadcasting will have a negative effect on UK broadcasters' programming budgets, and therefore on their ability to invest in original UK content.
- 7) For further information, please contact Pact's Head of Policy, Emily Davidson, at emily@pact.co.uk or on 020 7380 8232.

¹ Pact Census Independent Production Sector Financial Census and Survey 2012, by Oliver & Ohlbaum Associates Limited, August 2012

² Pact Census 2012

Question 1: do you agree that the principle of applying AIP remains relevant to spectrum used for broadcasting?

- 1.1 Pact understands that Ofcom has a regulatory obligation to promote the efficient use of spectrum.
- 1.2 However, we are concerned about the principle of applying AIP to spectrum used for broadcasting.
- 1.3 This is because UK PSB programming budgets have been under significant pressure in recent years as a result of declining advertising revenues and the BBC licence fee being frozen.
- 1.4 UK independent producers have responded to this decline in investment by seeking alternative revenue streams to meet deficits and fund the production of their programmes.
- 1.5 However, any additional stretch on UK programming budgets would have a significant impact on the broadcasters' ability to invest in original UK programming.
- 1.6 Unlike other spectrum users, UK PSBs are unique in that they have to meet certain regulatory quotas and requirements in order to comply with their licence terms.
- 1.7 Pact considers that this should be taken into consideration by Ofcom with regards to AIP pricing and that if Ofcom was to introduce spectrum charging in this way, it should consider waiving the fees for PSBs in particular given their coverage obligations and quota requirements.

Question 2: do you agree with our revised proposals to delay the introduction of AIP based on opportunity cost for the use of spectrum by national DTT multiplex operators until we have materially progressed our proposals for the future use of the UHF spectrum?

- 1.8 If Ofcom is to proceed with introducing AIP pricing for terrestrial broadcasting then we welcome a delay in the process to allow for broadcasters to make the necessary adjustments to try to accommodate for the impact which this would have on their ability to invest in original UK content.

Question 3: do you agree with our proposals to apply a fee for spectrum used for national DTT, in the meantime, based on recovering our on-going costs in managing the licences?

1.9 If Ofcom is to introduce AIP for terrestrial broadcasting then we would support the proposal to keep these fees as low as possible.

Question 4: do you agree that charges based on the costs of managing the spectrum should be applied to DAB radio and to local TV broadcasting?

1.10 Pact is not in a position to comment on charges for DAB radio.

1.11 We note that local TV broadcasting is in its infancy in the UK. Revenues in this sector are likely to be limited. If local TV is to be successfully introduced in a sustainable way in the UK, we recommend that AIP is not introduced for these services.

Question 5: 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?

1.12 If Ofcom is to introduce full AIP pricing for terrestrial broadcasting then it should be introduced gradually so as to minimise the impact for broadcasters as much as possible.