



BT's response to Digital UK's consultation

Reorganisation of DTT LCN listing and changes to Digital UK's LCN Policy

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1 Executive Summary

BT TV is BT's digital TV service that combines digital terrestrial television (DTT) delivered Freeview channels with a comprehensive selection of IP delivered channels and on-demand programming. We broadcast 10 channels of sports content on BT Sport and offer a range of entertainment channels, including access to AMC.

BT is also a shareholder, an affiliate ISP and content provider of YouView.

BT welcomes this consultation which addresses some important issues we have been concerned about for some time such as consumer protection issues relating to the location of Adult channels.

However, this consultation is a missed opportunity as it does not address the convergence of IP and DTT LCNs. We also do not see there is a need, when reallocating LCNs, for DUK's two tabled proposals: the 'auction' and 'beauty pageant' options. Finally, the minimum 14 hour a week proposal is disproportionate as Digital UK is applying this per licensable content, rather than content shared on a LCN.

We are broadly supportive of the other proposed Policy changes but we request that any agreed changes take place at a time which is most convenient for viewers i.e. not at peak times and avoid key television spectacles such as sporting events like the UEFA Champions League Final and the Championships at Wimbledon.

Q1. Do you believe that Option A would be a suitable new LCN listing structure for the DTT platform?

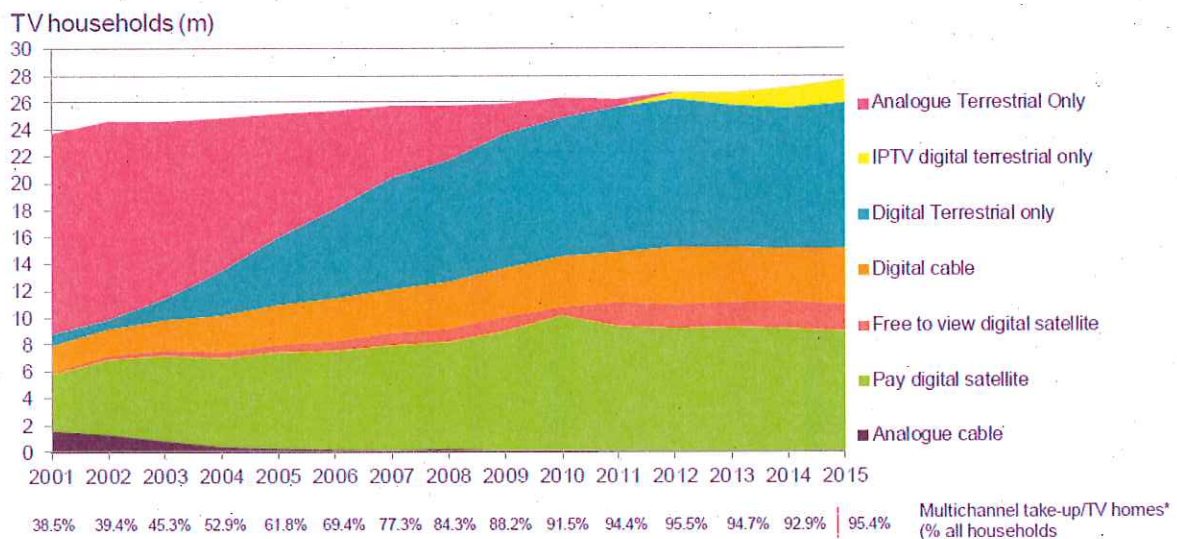
Option A is BT's preferred proposal of the two detailed in this consultation, as it meets the consumer protection issues we have raised in the past by separating the Adult genre from the Children's section. However, this consultation does not address IP channels' integration with DTT channels and, in our view, it should have done so.

We are also concerned that there seems to be no indication when Digital UK will consider this question in the future. So as to ensure that viewers continue to have a seamless viewing experience and are able to easily access content in a world where content is being distributed on a range of different platforms, BT considers that Digital UK needs to be looking to future-proof the LCNs so an alternative system of channel listings does not arise, thus fragmenting and undermining the existing structure.

The delivery of IP channels is becoming more mainstream and is increasingly understood and accepted by viewers. For example, NOW TV contains IP-streamed channels and in the US AT&T's DirecTV has recently launched an entire platform (DirecTV Now) containing streamed channels.

We understand that there are concerns about the robustness and reliability of IP channels and a question mark about the current take-up of the service. However, BT has continued to see a rapid take-up of IP channels with 11 channels launching over the last 7 months alone¹. Further, the number of homes classified by Ofcom as IPTV digital terrestrial only is also increasing, as shown in the chart below:

Figure 1: Platform take-up 2001-2015



Source: figure 2.34, Ofcom Communications Market Report 2016, p. 88

Consequently, we are concerned that the current time horizon for this consultation (2-3 years) may miss out on the significant advantages convergence of the LCN platform, in line with changing viewer behaviour, would bring: an easier, more intuitive viewer experience and a more attractive proposition to new channel providers to the platform. In terms of reliability and robustness, as we manage delivery rather stream over-the-top, our transmission quality is of a similar quality to DTT and availability is dependent on those consumers who meet minimum broadband thresholds.

¹ Channels launched in last 7 months: Universal, E!, H2, Good Food, Eden, Alibi, Dave, Watch, Lifetime (all HD) and Discovery Science & Discovery Turbo (both SD)

There is therefore no reason to prevent integration of IP channels with DTT channels on quality grounds, and whilst the continued separation of DTT and IP listings may reflect the current priorities of those companies who broadcast or transmit channels via DTT (including Digital UK's shareholders), we would suggest that it is no longer reflective of viewer expectations or behaviour.

In the Government's response to the balance of payments consultation, published in 2015, it stated a preference for industry to voluntarily find a way to deliver SD/HD switching, rather than increasing regulation in this area. This is an interesting parallel when considering Digital UK's reluctance to engage in the integration of DTT and IP channels. We, therefore, urge Digital UK to proactively explore this question as soon as possible to pre-empt any regulatory consultation or questioning.

Q2. Do you believe that Option B would be a suitable new LCN listing stricture for the DTT platform?

Option B would not be a suitable structure, as it does not address the consumer protection issues.

Q3. Do you have a preference for one option over the other?

Please see our answer to Q1.

Q4. Do you have any other comments on Digital UK's proposed changes to the LCN listing?

We have no further comments to make.

Q5. Do you agree with Digital UK's proposed approach to the timing of any changes?

As mentioned in our executive summary, any changes should take into consideration major television events such as sporting events, to limit viewer disruption. We would also expect to be consulted on Digital UK's intended marketing campaign, so that we and other broadcasters can ensure that our own marketing communications are aligned with those of Digital UK.

Q6. Do you agree with Digital UK's proposals regarding minimum broadcast hours?

After further clarification from Digital UK, we do not have any issues with this proposal.

Q7. Do you agree with Digital UK's proposed new launch process and timings?

We agree with the proposals concerning the new launch process and timings.

Q8. Do you agree with Digital UK's proposed approach to LCN sharing?

The proposal for relevant channels sharing LCNs seems sensible.

Q9. Do you agree with Digital UK's definition of 'common control'?

After seeking clarification from Digital UK we agree with this definition.

Q10. Do you agree with Digital UK's proposal regarding the 'public service rule'?

This proposal seems sensible.

Q11. Do you agree with Digital UK's proposal regarding the 'associated channels rule'?

As noted in our response below, we do not support Digital UK's proposal to revise the options for Stage 3 of the vacated LCN rules.

Consequently, we believe that the current approach of offering an LCN to five channel positions located alongside the vacated LCN remains appropriate at stage 2.

Q12. We would welcome stakeholders' views on the option for Stage 3 of the vacated LCN rules.

We do not agree with either of the alternative proposals put forward by Digital UK for revisions of Stage 3 of the vacated LCN rules: the transactional approach and the 'beauty contest'. As Digital UK state, there is a significant disadvantage with the beauty contest proposal as new channels would be excluded from this approach, thereby eradicating the main advantage with the current process. Also, subjective criteria would have to be established and agreed upon for each vacated LCN.

The transactional approach could be exploited by established channel providers to secure more prominent positions within the LCN listing. Both proposed approaches are inherently unfair and do not offer a better solution than the current approach.

As briefly mentioned in answer to question 11, given the benefit in bringing associated channels closer to each other, we propose the following alternative approach: (a) remove the limit on the number of LCN positions to be considered at stage 2, so that every LCN within the genre is considered until an associated channel is located; and (b) in the event the vacated LCN is still not filled, maintain the current Stage 3 process and allow the slot to be filled by a new channel which is associated with any other channel in that genre.

Q13. Do you agree with Digital UK's proposed timeline for channels to complete an LCN move following an allocation under the vacated channel rules?

The proposal requiring an LCN move within 8 weeks seems sensible.

Q14. Do you agree with Digital UK's proposals to amend the rules around the channel providers reordering channels within their channel portfolio?

BT agrees with these proposals.

Q15. We welcome stakeholder views on whether public service channels should be permitted to reorder the channels they control within a genre.

We do not have significant concerns about this proposal.

Q16. Do you agree with Digital UK's proposals around channels changing their name and/or content?

We welcome the flexibility this proposal would bring. However, we do not agree that this should be limited to one request in any rolling 12 month period. It is worth noting that YouView's user-interface policy doesn't have a limitation and we would encourage Digital UK to mirror this approach.

Q17. Do you agree with Digital UK's proposal to retain but reword the 'shuffle-up' rule?

We welcome this proposal but it should be restricted so as not to unduly affect the viewer experience. YouView's user-interface policy limits a reorder of its UI positions to no more than once a year.

Q18. Do you agree with Digital UK's proposals around the treatment of streamed services?

We agree with the proposals.

Q19. Do you have any comments on the proposed new wording and structure of the LCN Policy aside from issues you have mentioned in response to other consultation questions?

If, notwithstanding our previous comments in this response, Digital UK elects to continue not to integrate DTT and IP channels in its listing structure, we believe that Digital UK should commit, on fair, reasonable and non-discriminatory terms, to provide hybrid DTT-IP platform operators with all necessary technical data and other metadata to allow those operators to integrate DTT and IP channels effectively within their programme guides (even if those operators choose to adopt a different listing methodology to Digital UK's). This would help to support continued innovation and competition in the delivery of audio-visual content services, which is clearly in consumers' interests.