

Consultation on revised rules on the allocation of LCNs to public service channels

Response from COBA to Digital UK

July 2020

Introduction

1. COBA is the industry body for commercial broadcasters and on-demand services. COBA members provide a wide range of content on different types of platform, including pay, free-to-air, broadcast and online. Their content and services encompass news, factual, children's, music, arts, entertainment, sports and comedy. Members include household name brands and niche services, as well as domestic and multinational companies.
2. COBA members are one of the fastest growing part of the UK television industry, and are increasing their investment in jobs, UK content and infrastructure. They make this investment without public support, direct or indirect.
 - Scale: In the last decade, the sector has increased its turnover by 30% to more than £5 billion a year. This is rapidly approaching half of the UK broadcasting sector's total annual turnover, and has helped establish the UK as a leading global television hub.¹
 - Employment: As part of this growth, the multichannel sector has doubled direct employment over the last decade.²
 - UK production: In addition, the sector has increased investment in UK television content to a record £1 billion m per annum, up nearly 50% on 2009 levels.³
 - UK audience share: COBA members have a 30% share of linear viewing, achieved without benefits such as EPG prominence.
3. For further information please contact Adam Minns, COBA's Executive Director, at adam@coba.org.uk or 0203 327 4101.

¹ Ofcom International Broadcasting Market Report 2013

² Skillset, Television Sector – Labour Market Intelligence Profile

³ COBA 2019 Content Report, Oliver & Ohlbaum Associates for COBA

Response

1. The requirement to place BBC4 within the first 24 slots in Scotland will cause disruption to many channels, and therefore viewers. As Ofcom noted in its statement in July 2019 on this matter, this move will require ‘53 commercial broadcasters to be moved down and potentially reduce their viewing.’⁴
2. Ofcom estimated the combined annual loss in revenues as £0.4m. Crucially, the regulator also flagged additional one-off costs associated with the move, stating:

‘There may also be one-off costs for channels that are moved to a new position, for example marketing their new slot number.’⁵
3. At the time, Ofcom decided it could not reasonably model these one-off costs, but suggested the period between the decision and the move itself would be a mitigating factor. Clearly, recent months have been dominated by the unprecedented – and unforeseen - challenge of Covid-19. This has come at a critical time in the transition period, creating huge disruption and impact on revenues in the run up the deadline now being proposed by Digital UK in November.
4. While we appreciate Digital UK’s reasoning in seeking to avoid the Christmas period, broadcasters are still very much dealing with the impact of Covid-19, with staff working remotely, production only just starting to return, and advertising still uncertain. It is unclear what the situation will be in November, but asking channels to relocate just as they hope to emerge from the crisis and benefit from a period of stability is in our view highly damaging.
5. Along with a huge level of operational disruption, there has also been a severe impact on advertising and subscription revenues. The Advertising Association’s WARC report recently estimated that £1 billion would be lost from the broadcasting sector’s advertising revenues this year as a result. The sector is counting on a stable Christmas period in order to recoup some of these revenues.

⁴ <https://www.freeview.co.uk/corporate/platform-management/consultation-lcn-allocation-rules-public-service-channels>

⁵ https://www.ofcom.org.uk/data/assets/pdf_file/0028/154459/statement-on-changes-to-the-epg-code.pdf

6. The issue is exacerbated by the anticipated launch of BBC3. While the precise timing remains unclear, the launch is noted in the BBCs annual plan and in Digital UK's consultation. Unless BBC3 does not qualify for prominence, which we assume is highly unlikely, this will mean commercial channels will have to move twice, meaning the one-off costs and disruption identified by Ofcom will in fact be incurred twice. The second round of disruption and costs will also create additional confusion for audiences who may have only just become accustomed to the first change of LCN numbers. It is also worth noting that neither BBC4 nor BBC3 are impacted by the advertising crisis.
7. Given the unprecedented nature of the situation, we have asked Ofcom to consider extending the deadline for implementing this particular change to the EPG Code. Ideally, this would be long enough so that BBC3 can launch at the same time as BBC4 is moved and channels only have to market their new positions once. This would minimize disruption for both channels and audiences.
8. If this is not possible due to ongoing uncertainty over when BBC3 launches, then we have asked for a six-month extension to the January 4 deadline, so that Digital UK could potentially allow broadcasters to stabilise their businesses and take advantage of the Christmas period before relocating their channels.
9. On behalf of its members, COBA asks that Digital UK carefully considers this request, if it is granted by Ofcom.