

## **STUDIO BE**

Dear Digital UK,

I am writing to you today regarding your [consultation](#) surrounding LCN Policy changes, published on the 18th November 2020. I am writing on behalf of Studio BE Group Limited, a technology media and production company from Brighton, UK.

I express no concerns in regards to policy proposals 3.1 to 3.4 and the questions proposed.

Regarding the question proposed in 3.5.2, I strongly disagree with the proposed amendments because I feel they stifle innovation and competition - something I believe Digital UK should be upholding.

Although ownership changes have indirectly led to the buying and selling of LCN's with no detriment to the viewer, this is usually the case because that has not been the intended aim when acquiring an entire broadcast network. These have been much larger deals that have encompassed more than just an LCN.

LCN's are currently issued are given essentially on a first-come basis, which benefits large existing conglomerates and damages smaller new players. This change on trading would lock smaller players out of the room as they wouldn't even be able to see and attempt to access LCN's being offered.

If you still want to go ahead with trading, my suggestion would be to have open biddings for LCN's when a current broadcaster wishes to sell. These would be operated by Digital UK and available for all parties to see on the website. If a broadcaster agrees to sell, they might be able to set a minimum amount but cannot have influence over the final buyer, and must sell regardless. Digital UK would receive an administration fee initially from the seller for putting it up for sale and a set % of the sale - this should comfortably cover costs and de-incentivise companies from constant reselling. This should be a long and thorough process to stop channel providers using it to access cash quickly.

To allow new entrants to enter the space (that might be able to only contingent on the acquisition of a valuable LCN) a grace period should be implemented afterwards to allow for the application process to be completed with Digital UK. They may have already acquired a licence to broadcast from Ofcom and had initial conversations. In requiring them to do this prior, it would potentially lead to an unnecessary financial burden on a smaller company which a larger one could absorb.

Changing the rules around trading LCN's (even if my suggestion isn't implemented) indirectly makes them assets. Therefore changes should be made regarding vacant LCN's (5.5-5.9 in Version 6.1 of the 'Digital UK LCN Policy'). If channel providers are essentially able to 'move up' the list for free, they will be receiving a more valuable asset free of charge. This has been proven true if we look at Pay-TV providers like

Sky and Virgin who's higher EPG slots cost considerably more. This was detailed for Ofcom in this report from 2018:

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0025/116287/expert-media-partners.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0025/116287/expert-media-partners.pdf) These should be put through the open bidding system detailed above, with the proceeds going to Digital UK.

Advice should also be sought out by Digital UK and provided to channel providers about how these changes could affect accounting practises. If an LCN is brought it could become an asset as it has a cash value. This brings up questions if current LCN's, even those that aren't being put up for sale, should have a cash value added to accounts prepared by their occupiers, if they could make money from its sale. This is a complicated matter which I am not qualified to advise on but should be investigated.

Although I generally agree with provisions laid out in 3.6, I don't think they go far enough to stop channel providers from buying up LCN's to sell them on - for larger companies the cost of showing only 46 hours per week would be a minor inconvenience. The bidding system proposed (with the % fee taken by Digital UK) should de-incentivise lots of quick sales. Still, I also believe limits should be put in place on how many LCN's (mainly 'Lower LCN's') can be owned by a single parent company. This should limit anti-competitive practises and the consolidation of British TV. This shouldn't apply retrospectively but with future trades.

Overall, I think Digital UK needs to do a further consultation at the very least on changes specifically related to trading. Essentially it could be creating a new market with little restraints on it, which in its proposed state would not be in the public's interest. Sky's total EPG slots are estimated to be worth over £500m, with some individual slots being valued at over £20m+ by themselves, so it is very important Digital UK does this correctly and fairly. This could fundamentally change LCN's forever.

I believe transparency and openness will be better for the viewer in the long run and better for creating a diverse television experience for audiences up and down the country.

Thank you for hearing my concerns and feedback.

Many thanks,