Free-to-air in the media market: discoverability, partnerships and technology

BT and content

Across our three brands – BT, EE and Plusnet, we have a presence in approximately half of all UK households, and our ambition is to have a connection in every home in the UK by 2025

Content is central to achieving that goal. And we continue to invest in sport, and to work with other providers such as AMC, Netflix and soon Amazon and Now TV, to deliver great content to our customers.

But subscription services are only part of the story. Free-to-air, PSB content is also central to our strategy.

Giving people what they want

The reasons for this aren't complicated.

People want and expect to see our public service broadcasters in prominent positions on any TV platform – because they continue to deliver incredibly popular and high quality programmes.

So we make sure we give them that prominence.

As things stand, we don't have an obligation to promote PSB services on our platform, other than via the listings for linear channels. But we do. Because it's what our customers expect. Half of all broadcast TV viewing on TV sets in 2017 was to the main PSB channels, a share that has remained pretty much unchanged since 2012.

That's why our continuing partnership with the PSBs in YouView continues to make such good sense.

Partnership

Strong partnerships between UK companies are going to be central to the future health of our industry.

From BT's point of view that includes:

- Our work with Channel 4 Sales, who sell broadcast advertising space for BT Sport

- The value of our world-class production facilities in Stratford, which are now used by a number of other broadcasters, notably to film PSB content, such as ITV's EU referendum debate between David Cameron and Nigel Farage.
- And we are always looking for more innovative partnerships with the wider industry too, such as the deal we did with Youtube to deliver the UEFA Champions League Final free-to-air (in 4K), alongside our coverage on our BT Sports Channel, allowed us to reach over 8 million people in total and brought in newer (younger) audiences.

From the viewer's point of view, we are positioning ourselves as a "super aggregator". From 2019 we will be the only TV platform in the UK with all the Premier League (from Now TV, BT Sport and Amazon) and the only place to get all the boxsets from Netflix, Amazon, Now TV and AMC.

This is a vision that is dependent on building partnerships where in the past there might have been animosity – for example with Sky.

Again, it's an approach based on what we think consumers want. In a complicated world, they want technology to make life easier for them. In TV, that means putting everything in the same place and making it simple and straightforward for people to get to whatever they want to watch.

And it's a vision that continues to rely on free-to-air content as the foundation of the everyday viewing experience for millions of people.

Regulating prominence

In principle, therefore, we're supportive of the ideas being put forward by the BBC and Channel 4 to extend the rules about prominence for PSB content to cover on-demand platforms as well as linear EPGs.

This sort of prominence makes sense to us in any case from a commercial point of view – given audience expectations. And we therefore see regulation in this area as a backstop, rather than a starting point. The most important guarantee of future prominence is continued quality and innovation from the broadcasters themselves, to sustain audience appetite for their programmes.

Nonetheless, from a public policy point of view, it obviously also make sense to provide that backstop. If public money is being invested in content for society's benefit, then that content needs to be easy to find and watch.

Level playing field

But there are some qualifications to our support. A critical point is that if there are going to be new rules about prominence, those rules need to work across ALL the major devices and platforms that people use to get to content.

There's no value in a system that ties platforms like YouView up in over-complicated rules but ignores the menus and services provided by TV manufacturers or search engines. Worse, there would be a risk in such a system that savvy consumers are given perverse incentives to find ways of avoiding or ignoring regulated spaces, if they are made more complex and clunky than the unregulated alternatives.

For regulation to work in this area, it needs to make things easy, simple and consistent for viewers in all the different environments they might encounter. It needs to work with the grain of consumer expectations.

It's not an easy challenge to work out how to design such a system, but it's one we absolutely agree Ofcom and Government should be wrestling with.

The other side of the PSB compact

There are, two other issues that ought to be considered alongside prominence if there is to be a re-setting of the PSB compact for the next decade or so.

The first is the extent of any 'must offer' obligation on PSBs – the other side of any deal on guaranteed prominence. In our view, given the fluidity of the on-demand world, this should be extended to cover <u>all</u> PSB content, and shouldn't allow a carve-out, for example of a particular channel or HD service. For this, and for any new prominence rules, we need a better definition of what 'PSB' is – based on content rather than institutions.

The second is the nature of any future EPG code – which is also for consideration by Ofcom in the coming months.

The current version is anachronistic, and a source of complaints from BT customers who find it too rigid. Consumers are unable to customise the interface in any way – as they would expect to do from their experience of Netflix or Amazon. Platforms are unable to integrate linear broadcast and IP-streamed content in sensible and customer friendly ways. The opaque nature of the system for determining channel positions mitigates against newer and smaller channels, even if they are doing well.

All of these points could be addressed in a way that sustains prominence for public service content while also doing a better job of promoting competition and viewers' interests.

Those interests should be paramount – not the commercial interests of DUK members.

Longer term

Finally, we need to do more thinking about the longer-term path for PSB and UK content, and how to future-proof it.

That means confronting some realities. For example, a service like Freeview Play can undoubtedly help to some extent to give PSBs more prominence. But the sorts of sales numbers quoted – which bundle together all the relevant compatible TV sets – seem very unlikely to reflect the reality of the number of people actually using the service every day.

So the strategy to sustain the health of the UK system needs to be broader. PSBs need to work with and leverage the scale of <u>other</u> platforms to ensure they remain relevant.

A re-drawing of the regulatory boundaries around PSB is one important ingredient. But we also need to think about how to adapt as IP becomes increasingly prevalent as the delivery route for all content on all platforms. BT remains committed to DTT for the time being. But we think the time is approaching for the Government, Ofcom and industry to think about a process of switchover to IP distribution – and that should include setting a timetable for the switch. Without such a plan, that would allow the industry and regulators time to adapt, we will leave the playing field to the larger international operators and create a further, bigger risk to the long-term health of the PSB system.