

Digital UK Consultation on reorganisation of DTT LCN listing and changes to Digital UK's LCN Policy

YouView Response to Digital UK

December 2016

Executive summary

YouView welcomes the opportunity to respond to Digital UK's consultation on its reorganisation of the DTT LCN listing and changes to Digital UK's LCN Policy ("**Consultation**").

YouView was created to enable the evolution of free to air television in the UK. It is an open platform for content providers and consumers can connect a YouView device via any UK internet service provider. Devices are offered by BT and TalkTalk as part of a phone, broadband and TV package or are available for a one off cost from retailers.

YouView TV Limited does not own or retail content, produce devices or enter into contracts with the end consumer. Instead, it enables these relationships on behalf of its partners, which include content owners, ISPs, device manufacturers and retailers.

YouView is currently the UK's fastest growing TV platform, driven by the investment made in subsidised equipment by BT and TalkTalk. This is underpinned by the range of content it enables, the fact that it is free at the point of use (unless a consumer decides to pay for additional services) and its ease of use and set up.

YouView has had a positive impact on the UK digital TV market, providing the core free to air DTT audience with an easy upgrade path from Freeview.

In the following pages YouView has set out its answers to the questions posed by Digital UK in the Consultation.

We are happy to elaborate on any points contained within this response.

YouView's response to Digital UK's Consultation questions

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

YouView has been in discussion with Digital UK over recent months regarding the following issues: (i) the extent to which Digital UK should conduct a more strategic review of its LCN listing structure; (ii) the time horizon for IP channels' co-existence with DTT; and (iii) the ability for content partners to manage their channel families within genre groups. We had also expressed a concern about the prominence of the "Adult" genre within the wider listings.

We note that (iii) above is addressed in the Consultation and we have commented on the proposals. Notwithstanding consumer expectation, addressing all three of the above issues, would, we believe, improve intra-platform competition and YouView has discussed the importance of this at length with Digital UK. YouView are cognisant of the fact that Digital UK have stakeholder issues to contend with. However, in relation to the options proposed, neither of these reflect the full extent of YouView's ambitions in this area.

In YouView's opinion neither Option A nor Option B is the ideal listing structure for LCNs on the DTT platform, as neither: (i) delivers the results that consumers might expect; and (ii) results in a more compelling listings structure for content partners. Both options have maintained the duplication of "General Entertainment" within the listings, which in both cases results in three (3) sets of general entertainment listings for users who also have access to IP channels. In respect of Option A, users will also have to navigate through "Text" and through "Streamed services" before they are able to access additional programme channels in the IP delivered services range. In respect of "Streamed services" this is particularly pertinent as, with the exception of Freeview Play, not all of these services are supported across the range of Freeview devices.

YouView maintains that segmenting the "General Entertainment" genre in this way is not the right outcome for users and does nothing to drive intra-platform competition. Given the four (4) year period since the listings were last updated, this reordering by Digital UK was an ideal opportunity for the platform to consider: (i) the consolidation of "General Entertainment"; and (ii) the blending of DTT and IP channels – thereby presenting users with a more convenient route to relevant content and presenting potential content partners with a more attractive listings arrangement.

However, given the choice between Option A and Option B, Option A is preferable as it addresses Digital UK's consumer protection concerns by reducing the overall prominence of the "Adult" genre.

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

As we have already stated, neither option is ideal. Further, Option B is less suitable than Option A for the following reasons: (i) customers would have to navigate through an additional range of channels (Adult) before accessing those general entertainment channels available in the IP delivered services range; and (ii) this option does not address Digital UK's consumer protection concerns.

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

Please see answers to Q1 and Q2 above.

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

As already stated, neither option: (i) takes account of customers' expectations of finding channels in same place regardless of whether these are delivered by IP or through DTT; or (ii) provides a compelling listings arrangement for content partners. In both Option A and Option B, users have to navigate through "Text" and through "Streamed services" in order to reach the IP delivered services, arguably channels which users would expect to reach after the DTT channel range. Given that many devices do not support Streamed services, it is less than ideal to expect users to navigate through this range in order to reach the provision of IP channels.

With over 2.5 million connected set top boxes, the YouView platform represents a significant proportion of the active primary DTT user base – currently 25% and growing. In our view, ensuring content is provided to users in the most efficient way possible, drives both customer engagement and more importantly, provides a more compelling commercial proposition for future content partners.

As already noted, YouView was disappointed to see that the proposals were not more wide-ranging. Given that Digital UK's DTT listings are used on all free-to-air broadcast platforms, this was Digital UK's chance to reorder in such a way as to attract future content partners across the wider DTT base. Blended listings could offer potential partners an attractive shop window for their services, affording a degree of prominence that could justify on-boarding fees. However, any future services launched in the IP delivered services range, will launch at the end of the range, way down the wider listings – not a particularly attractive proposition.

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

Given that YouView represents a significant proportion of the wider DTT base and given that by the time the changes take effect in Summer 2017 we will be an even more significant proportion, we would expect to be consulted on Digital UK's intended marketing communications, in good time ahead of the anticipated change, to ensure that we can take an aligned approach.

We are less concerned with the timing than with ensuring that we have the opportunity to align with Digital UK with regard to consumer messaging of the changes.

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

In principle the proposed approach of a minimum of two (2) hours per day of fourteen (14) hours per week of audio visual content seems sensible.

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

In principle the proposed approach of reducing the overall timings for launch seems sensible.

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

In principle the proposed approach of Digital UK having the right to insist on relevant channels sharing LCNs seems sensible.

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

It would seem sensible to base any definition of "common control" on equivalent definitions as set out in the Companies Act 2006.

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

With regard to Stage 1 in the process, the proposal to clarify the current rule so that vacated LCNs are offered to multiple public service channels at higher LCNs until the gap is filled, seems a sensible approach to take.

Q.11 Do you agree with Digital UK's proposal regarding the "associated channels rule"?

YouView also recognises the benefit of bringing associated channels together as we believe that this meets customers' expectation of ease of navigation and of finding relevant channels.

However, YouView is not convinced that either of the options contained within the proposal for Stage 3 are any more effective at meeting customer expectation than the current Stage 3, which fills the vacant LCN slot with a new channel that is associated with any other channel in the genre in question.

For this reason, we do not see any benefit in reducing the limit on the associated channels rule from five (5) to two (2). Indeed, in our view, given the benefit in bringing associated channels closer to one another we would propose the following as an alternative approach:

1. Remove the limit on the number of LCN positions to be considered, so that every LCN within the genre is considered until an associated channel is located; and
2. In the event the vacated LCN is still not filled, maintain the current Stage 3 and allow the slot to be filled by a new channel which is associated with any other channel in that genre.

Even if the result of applying 2. above is that, as Digital UK have stated, a new channel is often placed quite a distance from its associated channel, it must still be preferable, in terms of viewer navigation benefits, to either Option A (beauty contest) or Option B (auction),

neither of which take into account the benefits of bringing associated channels closer to one another.

Q.12 We would welcome stakeholders' views on the options for Stage 3 of the vacated LCN rules.

As already stated, YouView does not believe that either option would improve the customer experience beyond the current arrangements. Both options have their drawbacks, as Digital UK have already identified in the Consultation – Option A (beauty contest) would exclude new channels from the process and therefore adds no value as against the current process; Option B (transactional model) would not necessarily result in an overall fair result if some channel owners have paid for a vacated slot and others have on-boarded without payment to a position close to the paid-for LCN and neither deliver the clear benefit of bringing associated channels closer together.

YouView appreciates that Digital UK are seeking to utilise the UI in the most effective manner possible. However, YouView does not believe that the proposed changes to either Stage 2 or Stage 3 deliver the desired outcomes in the context of customer expectation.

We look forward to reviewing and commenting in more detail on the forthcoming consultation on these particular changes.

Q.13 Do you agree with Digital UK's proposed timeline for channels to complete an LCN move following an allocation under the vacated channel rules?

In principle the proposed approach of requiring an LCN move to take place within a period of eight (8) weeks seems sensible.

Q.14 Do you agree with Digital UK's proposals to amend the rules around channel providers reordering channels within their channel portfolio?

YouView agrees with the first proposal whereby there is a presumption that Digital UK would be in favour of allowing the changes, unless, in its discretion, Digital UK believed such a change would be detrimental. In YouView's opinion, this approach is more likely to produce results which meet customers' expectation of ease of navigation.

In relation to the second proposal (increased changes for channel providers), YouView agrees that allowing channel providers to reorder their portfolio twice in a rolling twelve month period could benefit both channel providers and viewers and listeners, without causing any undue disruption. YouView also agrees that it is sensible to review this rule after eighteen (18) months in order to assess whether the rule should revert to a limit of one (1) set of changes per year.

With regard to the third and fourth proposals (reordering before launch and reordering and then leaving the platform), in principle the proposed approaches seem sensible.

Q.15 We welcome stakeholder views on whether public service channels should be permitted to reorder the channels they control within a genre.

In principle the proposed approach of allowing the BBC the flexibility to manage its current and future portfolio seems sensible. However, as Digital UK has already noted in the

Consultation, the proposal doesn't offer an advantage to any of the other public service channels, given that they each only operate one channel which is entitled to appropriate prominence. For this reason, it does seem slightly curious to propose a set of changes that only benefits one particular party.

Q.16 Do you agree with Digital UK's proposals around channels changing their name and/or content?

YouView is generally supportive of proposals that give more flexibility to channel providers as this tends to encourage investment in the platform in question. We do not believe, however, that this proposed new rule needs to be limited to one request in any rolling 12 month period and YouView's own UI policy doesn't contain an equivalent limitation. Digital UK's current policy already permits a channel to evolve by changing its name, content or broadcast hours, so long as it does not evolve to such an extent that Digital UK considers that the resulting changes mean that it should no longer be considered as the same channel.

We believe that if this guiding principle was applied in the context of the genre in which the LCN resides and if this principle was adequately policed by Digital UK, there would be no need to specify a limit.

However, in the event that Digital UK do intend to apply a limit to the number of requests to change a channel name and/or content, we believe that the limit should be the same as that applied to re-ordering within a portfolio, namely on no more than two (2) occasions in any twelve (12) month rolling period.

Q.17 Do you agree with Digital UK's proposal to retain but re-word the "shuffle-up" rule?

In principle the proposed approach of retaining but re-wording the "shuffle up" rule so that the process is clear seems sensible. However, we would add a further condition to the process such that shuffle-ups should not take place more than once per year, as this would certainly meet the requirement that disruption to the viewer and listener be minimised where possible. Such a limit would be in line with YouView's own UI policy which limits a reorder of its listing/UI positions to no more than once per year.

Q.18 Do you agree with Digital UK's proposals around the treatment of streamed services?

With regard to the first proposal to allocate an LCN to Children's and Adult streamed services within their relevant content genres, in principle this seems sensible.

With regard to the second proposal which would require that any supplementary content carried via IP be licensed by an appropriate regulatory authority and suitable for the genre of the DTT channel, this would also seem to be a sensible approach for Digital UK to take.

Q.19 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?

We have no further comments aside from those already set out above.