13th April 2018

Dear Sir/Madam,

Channel 4 welcomes the opportunity to comment on the new BBC draft distribution policy.

Channel 4 believes the conditions set out in the BBC’s draft policy are the right ones. As the largest PSB the BBC acts as a cornerstone of the UK’s world leading PSB system and has a leading role to play in setting the terms of engagement, not just for the BBC, but as a benchmark for other PSBs. Channel 4 believes that the principles laid out in the BBC’s conditions for distribution represent a sensible target baseline for all PSB platform relationships.

The UK’s world leading PSB system is supported by a series of enlightened interventions, including the PSB compact, under which PSBs receive a number of benefits in return for the delivery of a series of public service obligations. It is clear that over time the benefits of the PSB compact have reduced drastically, and the market power of platforms enables them to withhold or minimise many of the benefits which PSBs should be guaranteed as part of the compact. Chief amongst these is PSB prominence. Channel 4 believes PSBs should be guaranteed prominence, as Parliament intended, and should not have to give up commercial value to secure it. We believe that prominence should apply regardless of the user interface which platforms choose to use to enable users to access this content, and as viewing habits change the principle that PSB content should be given prominence should continue to apply.

As content is increasingly disaggregated, it is also vital that PSB content is appropriately branded and attributed and we support the inclusion of this in the BBC’s conditions for distribution. It is crucial that the brands of the UK’s PSBs continue to shine through as the primary supporters, funders and creators of great British content. For the BBC, branding and attribution plays an important role in demonstrating the value for money viewers get from the licence fee, but for commercially funded PSBs, who rely entirely on advertising revenue to fund the delivery of their public service obligations, and in Channel 4’s case a detailed statutory remit, branding and attribution is central in building and maintaining a strong brand and driving views to our content.

Similarly we support the inclusion of access to data as a condition of distribution. As viewing habits change access to data from platforms will also be crucial to ensure the BBC can demonstrate value, and commercial PSBs can both accurately measure the impact and reach of their programming, and
continue to maximise their investment in original UK PSB content. Channel 4 has accordingly invested significantly in its data capabilities, but is hampered from being able to make the most of this as a significant volume of linear and VOD viewing takes place behind the “data firewall” of closed platforms, which hold substantial viewing data but do not share this with PSBs.

Channel 4 notes that the conditions laid out by the BBC are often subject to tough negotiations with platforms, and that the BBC often has to compromise on one or more of these elements. This, despite the size and market power of the BBC, and Channel 4 would note that for smaller PSBs achieving these conditions, which, as above we believe should be a minimum baseline, can be even more challenging.

Sharon White recently called for PSBs to work more closely and “join forces to increase their bargaining power” to ensure our content can continue to have the widest reach and impact possible. Channel 4 would welcome the opportunity to work closely with the BBC to ensure the distribution conditions laid out in the BBC’s distribution policy become, as far as possible, the de facto norm for the distribution of PSB content.

Channel 4 notes that the BBC is not inviting views on its Distribution Strategy but given the BBC's unique position Channel 4 believes it is important that the BBC fully considers the wider impact its strategy could have on the PSB ecology. In particular Channel 4 notes the BBC’s comments regarding Universal Free to View transmission, and its intention to “deprioritise investment in technologies that it is confident will be superseded” in the context of an audience led transition to internet delivered services.

Channel 4 supports and invests in distribution platforms and technologies based on their individual merits. Like the BBC, Channel 4 wants to ensure its content is freely available to as wide an audience as possible, whilst maximising cost effectiveness and safeguarding our long term strategic interests. Currently we believe that continued investment in the development of Digital Terrestrial Television (DTT) remains a crucial part of meeting our distribution objectives. DTT provides a secure, reliable, high quality, free to view platform, accessible by the vast majority of the UK, which crucially has no gatekeepers. Its continued relevance through to at least 2030 justifies continued investment in the platform through improvements to DTT and continued work to develop and grow Freeview Play.

Despite the increase in uptake of internet delivered services Channel 4, like Ofcom, believes that DTT will continue to play a vital role in supporting the widespread delivery of PSB content for the foreseeable future. Therefore, Channel 4 believes the BBC should take a twin track approach; investing in innovative technologies which promise a more direct and personalised experience of the BBC, particularly for younger viewers, while also continuing to invest in the platforms and technologies which already achieve its objectives and do so without compromising the principle of the availability of PSB free at the point of use and without the pitfalls of installing gatekeepers.

Sincerely,

Sarah Rose
Director of Consumer Insight,
Channel 4