

## Written evidence submitted by Netgem

### Submission to DCMS Committee on the Inquiry: Pre-legislative scrutiny of the Draft Media Bill

#### Who we are

Netgem TV is a French headquartered company, with a significant presence in the UK, Netgem UK Limited, Company Number 04719079. We have a strong track record in innovation and engineering excellence. Netgem has over 25 years' experience innovating Internet-connected solutions for Telco operators, as one of the pioneers of IPTV, having launched one of the first Hybrid IPTV product in France in 2003 ramping up to 4 Million TV customers with French operator SFR, and now running IPTV services across 15 markets.

Netgem provides a comprehensive yet simple multiscreen TV experience at an affordable price in the UK called 'Netgem TV': any consumer with a superfast broadband connection can sign up for our TV and streaming service. Our service in the UK was named the "Most advanced TV service 2019" and built on the "The best 2020 Freeview Play set-top-box" in the UK. **More here:** <https://www.netgem.co.uk>

**Data points:** Netgem is a Hybrid TV platform operating a TV service on a Freeview Play certified 4K Set Top Box device with:

- one EPG and universal search
- 125+ IP only channels, available to any of our consumers who connect their STB to internet
- 40+ Games
- access to more than 40 Free apps (including Freeview Play Apps from the PSBs, Youtube 4K, TikTok) and Premium SVOD Apps (including Netflix, Amazon, RakutenTV, BT Sport, Britbox).
- access when connected to an aerial to all linear PSBs and their associated On-demand/Catch up services (over IP even if the aerial is not connected)

Netgem UK is currently marketed via 16 UK ISPs (including Talk Talk) and our reach is 7 million households. This reach is a combination of the TalkTalk customer base and the 'Altnet ISPs' TV base. Our offer serves some of the most price sensitive consumers in the UK. We believe that fast broadband and a choice of content should not be limited to those consumers who can afford a high-priced pay TV service, and that is why Netgem TV is built and constantly evolves on the core principles of 'Choice, Simplicity, and Value'. Our TV Platform positioning is 'Stream Big, spend small.'

The schedules to this Submission set out the usage data of our consumers and show where our consumers are based as at the end of May 2023.

As a company, we retained our significant presence in the UK following Brexit despite its challenges. Our office in London has been employing a number of highly skilled people since 2015 including some new apprenticeships every year, and the UK business also has other people from the Group based in other locations in France and the USA. We are fully committed to supporting the growth of IPTV in the UK, as our IPTV technology platform is available in 15 other countries.

### **What we support**

We agree and support the prominence for PSBs as set out in the Draft Media Bill with some caveats as set out below.

We have seen a considerable change in consumer behaviour, especially since the Covid pandemic. In April 2023, with respect to 27% of our active devices, those consumers did not connect their aerial largely because of:

- poor or no DTT reception in those areas
- no aerial socket in the room
- no expectation that they would be required to connect an aerial

A lack of an aerial socket and no expectation of connecting an aerial is increasingly the norm for second TV sets. These customers did however connect their STB to the internet and have become IPTV only viewers using Netgem TV devices to watch on-demand streaming services and IP channels extensively, but none of the PSB live channels. Some households served by our Fibre Broadband providers also decided not to adopt the service despite the attractiveness of the offer, since not having a TV aerial has been perceived as a barrier to enjoying the full range of channels.

We expect that these changes in consumer behaviour will continue and indeed accelerate. Companies like us can assist with the continued access and prominence of the PSBs by consumers despite this change in behaviour.

*We can ensure that households who do not have access to the aerial will continue to be able to access the PSBs offer (without the not insignificant cost of a Sky, Virgin or BT subscription).*

While not the size of Sky, Virgin or BT, we consider that Netgem TV is an important part of the ecosystem that delivers content, using different technical solutions, to consumers in the UK. Particularly to price sensitive consumers. As at April 2023, our Group across Europe (which includes the UK footprint), had 609,000 subscribers. We predict continued growth and view the PSB channel offering in the UK as being a vital part of our IPTV content offering.

**What we propose: *fair and equitable must offer access***

From our reading of the Draft Media Bill and accompanying notes, we think that the PSBs will be able to create the equivalent of a “walled garden” using the changes in legislation that the Committee is reviewing.

We understand that the PSBs are working together to develop a combined solution which is currently scheduled for launch at the earliest in the second half of 2024, for which the initial launch devices are not defined yet, so it is reasonable to assume that a mass-market distribution across most devices will not happen until 2025. We have no confirmed details yet about the availability or eligibility criteria for access to this possible solution, but we are told by PSBs that this combined solution via a Walled garden ‘App’ will be their preferred method of distributing their channels over IP.

This concerns us as we have made efforts to engage with the UK PSBs for over two years to have access to their channels and offer them to our consumers on an IP basis, whilst respecting all rules from the PSBs in terms of compliance, such as Parental control and accessibility, as well as Prominence. We have already implemented this in our current service via DTT Broadcast.

As set out above, 27% of our active devices in our base are unable to view the PSB’s channels as they are not connected to an aerial. To date, there have been numerous points that have been presented to us by the PSBs that have prevented us from concluding these discussions with the PSBs and to include their channels on an IP basis to our platform and to deliver their content to our consumers. These include meeting several pages of technical requirements and testing of our devices all of which we have been more than happy to facilitate.

We understand that we have now met all the BBC requirements (as of May 2023) and are now waiting to hear from the BBC about any further steps required, having completed development of all points related to the compliance to the BBC requirements. Our understanding of the BBC requirements that we have fully complied with are around the following areas: Regulatory, Service Quality, Channel Presentation, Linear Interactivity, Access, Data, Technical and Development Support, and Distribution Policy Compliance.

For reference, our Platform is one of the few that has achieved the integration and certification (in May 2023) of a critical technical enabler called ‘CLM’ (Channel List Management), required by the BBC to enable the automatic switchover to Regional HD channels early June 2023, and expected to allow the ‘IP fallback’ scenario as follows:



As you know, the PSBs are now available on an IP basis to Sky, Virgin and BT, which means that the ‘fourth quarter’ of the UK households we address with Netgem TV (7 Million across TalkTalk and Altnet ISPS) are under-served. The only way those consumers can access the Public Free-to-Air channels if they cannot have access to an aerial socket is to switch to an expensive Pay-TV package from Sky, Virgin, or BT.

Therefore, we recommend that:

- (a) the Media Bill ensures *fair and equitable must offer access* to the content offer of the PSBs for all providers;
- (b) amendments are made to the Media Bill so that the PSBs are not able to use the changes to legislation to create a situation where providers like Netgem are unable to access the PSB offer and therefore are unable to compete and provide an appealing offer to their consumers;
- (c) amendments to ensure PSBs offer the *IP channels on an open standard basis, allowing innovation from the Platforms*, and not forcing the adoption of one particular ‘walled garden’ solution; and
- (d) amendments are made to the Media Bill to recognise and anticipate further changes in consumer behaviour as people move away from accessing their content using an aerial to ensure access to PSB content for all consumers who want it.

We do not believe that the proposed new PSB combined solution should be the absolute solution to distribution of PSBs over IP. If this were the case, it would limit our ability to innovate our own consumer UI or consumer experience and would result in limited consumer choice, by creating at best a broken experience between the ‘Walled garden’ of

the PSBs and the other live channels and On-Demand content, making the service unusable and unattractive.

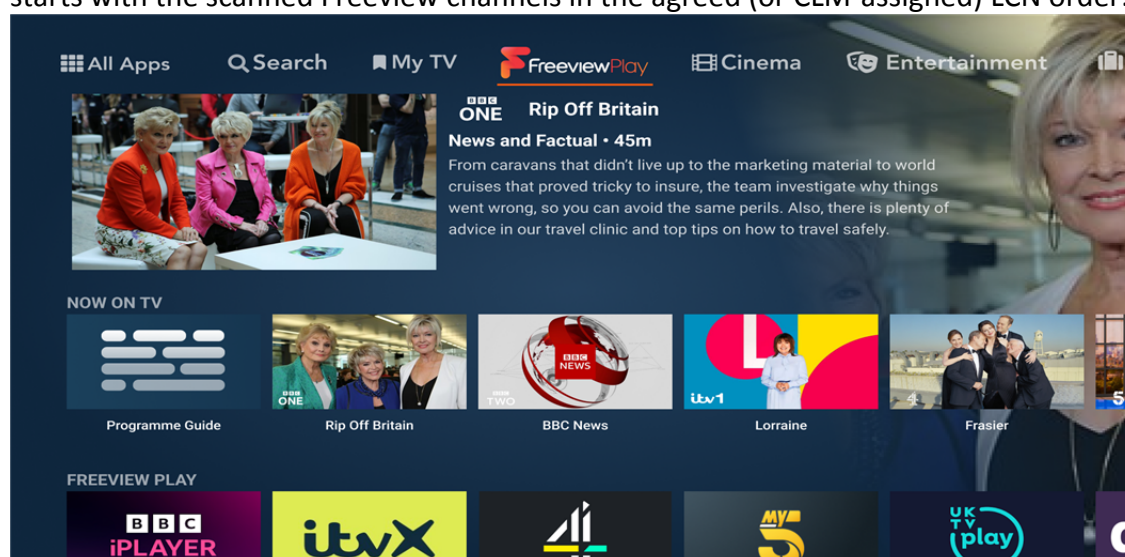
### What we are prepared to do

In terms of the access to the PSBs offer, we are prepared to do the following at our cost. Our commitment means that the PSBs will not be required to incur significant cost to ensure their offer is available on our TV platform:

- capture the HD quality streams from a trusted source ('Video head-end' already in place in the UK) or use an IP contribution feed or OTT stream provided by the PSBs
- ensure full compliance of those streams with technical and functional requirements (eg. Support Red-button triggers)
- meet the requirements if requested by the PSBs for Authentication, Dynamic Ad insertion, and Analytics (audience tracking)
- transport costs via CDNs

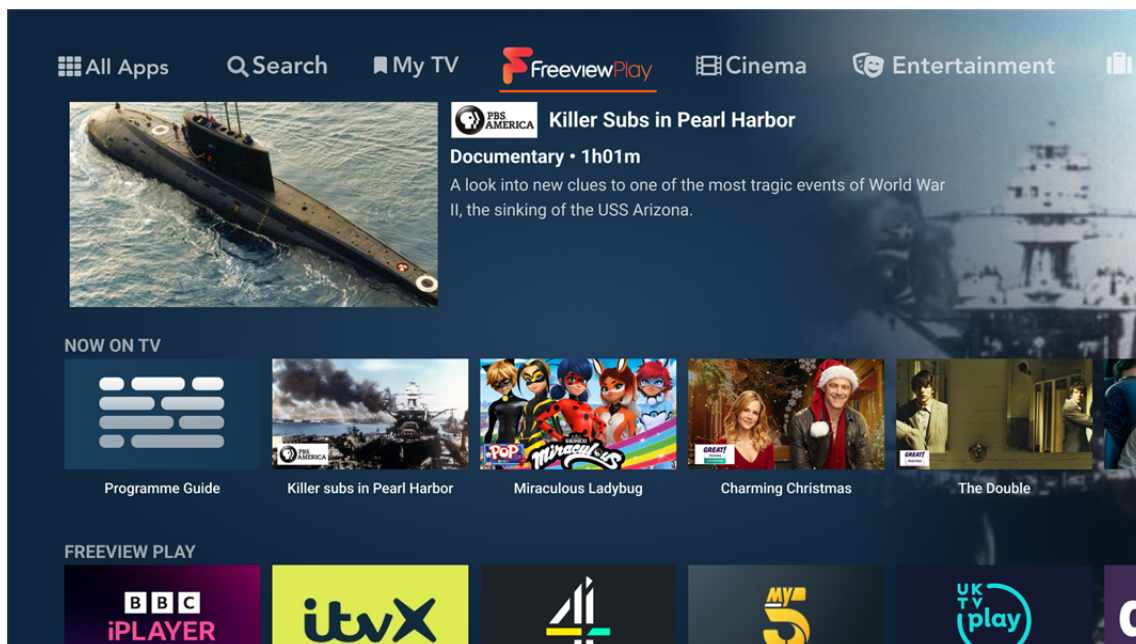
We will commit to the PSBs retaining EPG prominence on the IPTV version of our EPG, as well as Channel attribution when content is presented (all of which is already implemented in our current DTT service).

Currently, if the aerial is connected (the case in 73% of our customers' homes), the EPG starts with the scanned Freeview channels in the agreed (or CLM-assigned) LCN order:



If there is no connected aerial (27% and growing), the default setting of the EPG will show the first IP channels of the programme guide (125 available channels today) but the customer will not be able to watch live BBC, ITV, Channel 4, 5 and other Freeview channels. Those customers will be able to access the IP channels provided by Netgem (Football TV, Pop Kids, Great Movies, PBS America) will be available first.

As you would expect the usage of those other channels is increasing, and those homes without aerial represent a fair amount of viewing, a growing audience that the PSBs are losing by not offering their channels over IP on our platform.



### What we see in other countries

In France, all PSBs are provided on our Netgem devices and the terms are as follows.



All PSB channels are available on TV (via the Netgem TV box), Mobile Apps, and Laptop browsers - offering access to:

1. Live channels with Pause and Rewind (2 hours)
2. Catch-up (Replay)
3. Network based PVR (recording for each user shared across devices)



This has been the position since July 2019, see announcement below.

<https://www.digitaltveurope.com/2019/07/04/netgem-relaunches-videofutur-with-box-less-offering-and-ndvr/>

Our request for our UK service is that the PSB channels support at the start only the first of the list of features mentioned above.

**Our concern**

Our concern is that without *fair and equitable must offer access*, technical innovation will be stymied and consumers in the UK will not have the multitude of options that they deserve. And the stated aim, which we fully support, of PSB prominence will not be technically possible, because consumers without an aerial, and who are unable to afford a subscription to Sky, BT or Virgin, will be unable to access PSBs linear content.

However, PSB prominence does not necessarily imply implementing a fully controlled 'walled garden' limiting the integration of content outside of the PSBs for a seamless experience between PSB channels, their associated catch-up services, but also other IP channels and streaming services.

In conclusion, we believe that it is vitally important that PSB live channels are offered in a simple way on our Platform, a platform already compliant with PSB prominence requirements, in order that we can continue to serve a maximum number of households in the UK with PSB content.

Please let us know if you need any further information or data from us. We would be available to meet with the Committee if required.

June 2023

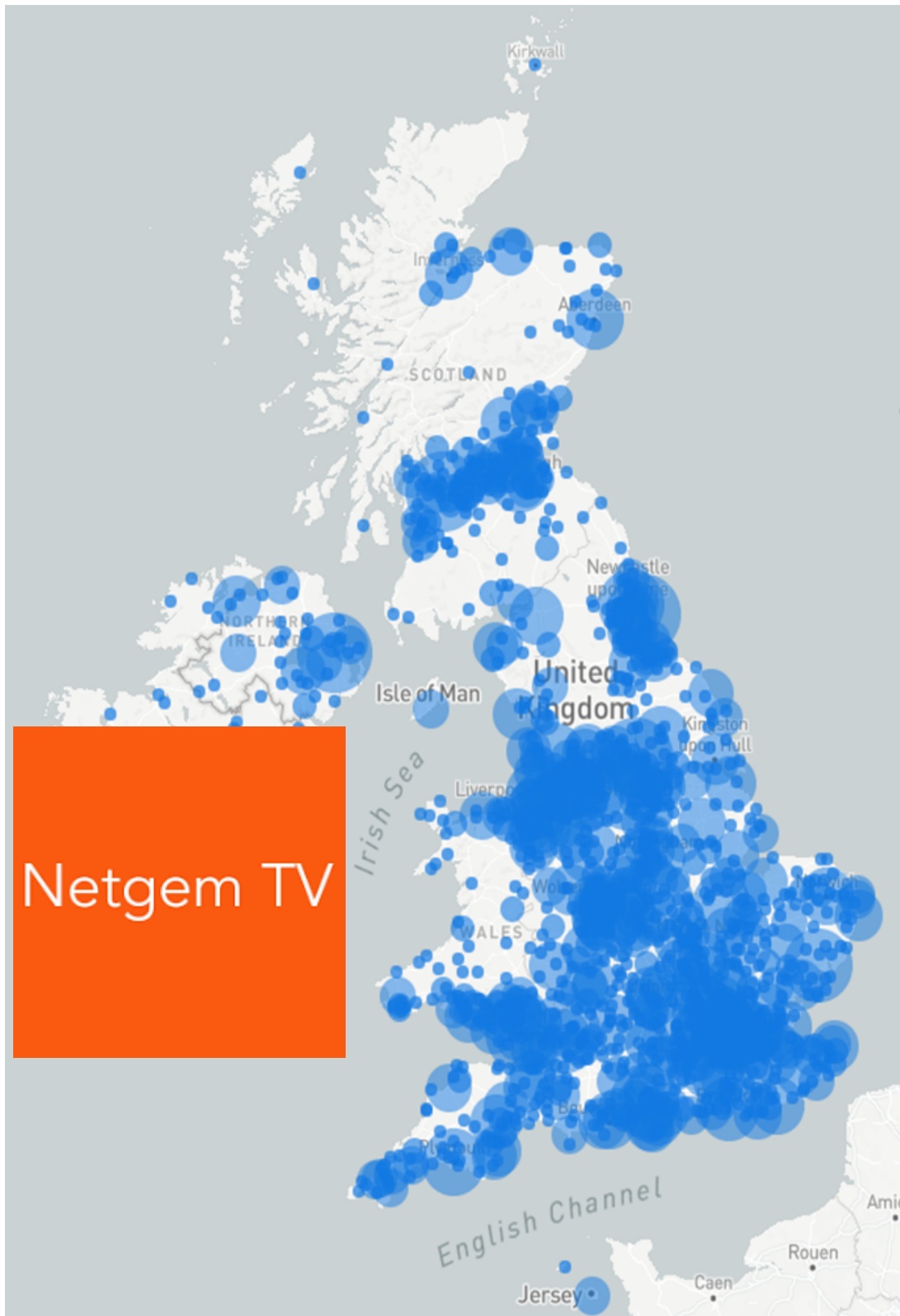
Sylvain Thevenot  
Managing Director  
Netgem UK Limited

**Schedule 1: Aggregated usage data on the Netgem TV service across the UK (2022)**

	<b>Ofcom Report 2022 UK Market average</b>	<b>Netgem TV Base Q1'23</b>
<b>Live &amp; Recording</b>	<b>172</b>	<b>246</b>
<b>Premium App</b>	<b>42</b>	<b>93</b>
<b>YouTube</b>	<b>23</b>	<b>39</b>
<b>FVP Apps</b>	<b>50</b>	<b>51</b>
<b>Other (IP)</b>	<b>14</b>	<b>12</b>
<b>Grand Total (mins)</b>	<b>301</b>	<b>441</b>
<b>Grand Total (hours per day)</b>	<b>5.0</b>	<b>7.3</b>

**Schedule 2: Active users across the UK (November 2022)**





<b>Region</b>	<b>% users</b>
<b>Belfast</b>	<b>2.53%</b>
<b>Berkshire &amp; North Hampshire</b>	<b>1.61%</b>
<b>Borders</b>	<b>0.12%</b>
<b>Cambridgeshire &amp; Bedfordshire</b>	<b>2.92%</b>
<b>Central Scotland</b>	<b>6.50%</b>
<b>East Anglia</b>	<b>4.40%</b>
<b>East Borders</b>	<b>0.16%</b>
<b>East Midlands</b>	<b>3.28%</b>
<b>East Sussex</b>	<b>3.18%</b>
<b>East Yorkshire &amp; Lincolnshire</b>	<b>2.65%</b>
<b>Gloucestershire</b>	<b>1.01%</b>
<b>Kent</b>	<b>0.99%</b>
<b>London</b>	<b>11.63%</b>
<b>North East</b>	<b>5.80%</b>

<b>North Scotland</b>	<b>2.25%</b>
<b>North West</b>	<b>15.89%</b>
<b>Oxfordshire &amp; Buckinghamshire</b>	<b>1.18%</b>
<b>South</b>	<b>4.70%</b>
<b>South Lakes</b>	<b>0.13%</b>
<b>South West</b>	<b>3.41%</b>
<b>South Yorkshire</b>	<b>0.61%</b>
<b>West</b>	<b>4.55%</b>
<b>West Borders</b>	<b>0.61%</b>
<b>West Midlands</b>	<b>11.65%</b>
<b>Yorkshire</b>	<b>8.24%</b>

**Schedule 3: Proportion of Netgem TV Users on DTT & IP Channels (Jan'22 to Mar'23)**

