Office for National Statistics

Programming and broadcasting activities
Discussant Remarks

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Introduction

- Australia correctly describe the measurement as a challenge !
- Some interesting issues raised across all papers
- Consistent theme on the price papers – quality adjustment for advertising services. Will try to avoid as already covered !!

The UK perspective

- Three distinct categories (problems !?) in the UK
  - Public Sector Broadcasters
  - Private sector part 1 (the rest)
  - Private sector part 2 (Sky)
- Public Sector Broadcasters – part of Government and measured using input method (employment)
- Funded by license fees

The UK perspective

- Private sector part 1 – the rest:
- Measured using deflated turnover (collected via monthly/annual business survey)
- Deflator is the UK SPPI for advertising

- Private sector part 2 – Sky
- Previously attempted to use deflated turnover – extremely volatile
- Underlying volume of subscribers is more stable and currently used

Issues

- Turnover – what is it we are collecting?
- New revenue streams for phone-ins, sponsorship, product placement etc.
- Do we need separate deflators for each of these new streams?
- Broadcasters v Telecommunications – is there a distinct separation any more.......

Issues

- For example, a typical bundled service in the UK:
    - Equipment (modem, dish, decoder etc.)
    - Line rental
    - Broadband (capped or unlimited)
    - TV package (many different combinations)
    - Phone calls
- Where does (and where should) this revenue be recorded?
- Industry v product deflators !

Issues

- Wholesaling now becoming more prevalent
  - For example the selling of sports events to other broadcasters
- Thinking more about measurement of price:
- We know quality change is a problem (Voorburg 2011, 2012, 2013........)
- Can we use CPI as a proxy (CPI typically measure the subscription price)
- Some analysis in UK suggests seasonal price hike

Issues

- Likely caused by new football season – hike in revenue at start of season (advertising, new subscribers and also price increase)
- But how do you maintain the quality in a subscription fee?
- New channels constantly being added, along with improvements such as High Definition
- Access to on-demand facilities at no extra cost
- Is this a change in quality?

Considerations

- Australia discuss ‘output v outcomes’ and quality adjustment for audience size
- Also raise issue of CPI as a proxy for pay TV and bundled services
- USA approach for advertising pricing is to derive an average spot rate (unit value). Is this data intensive and how reliable is the data supply?
- France – acknowledge different pricing methods required for different business types – can be expensive and time consuming

- Turnover:
- <u>Important</u> to identify and collect turnover at a product level given the blurred boundary of broadcasting and telecommunications.
- Do we think the international classifications are sufficient for this sector?

Summary

- Lets acknowledge that this is a difficult industry
- Still no consensus on quality change – but we are getting there !
- Much to be considered over the next few years as the industry continues to evolve.....
- Will current methods be sufficient?
- Broadcasting v Telecommunications