
Regulating TV services in converging markets

Consumer Protection in the Digital Age

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Peter Walop

International Telecommunication Union



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Presentation Overview

1. Market trends
2. Regulatory challenges
3. Concluding remarks



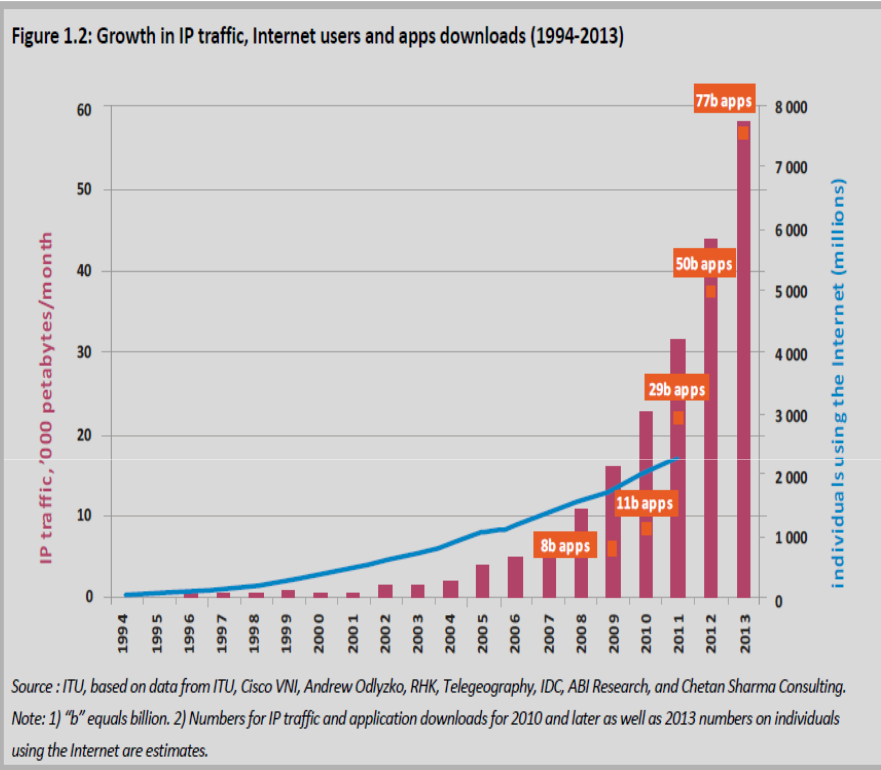
1. Market trends



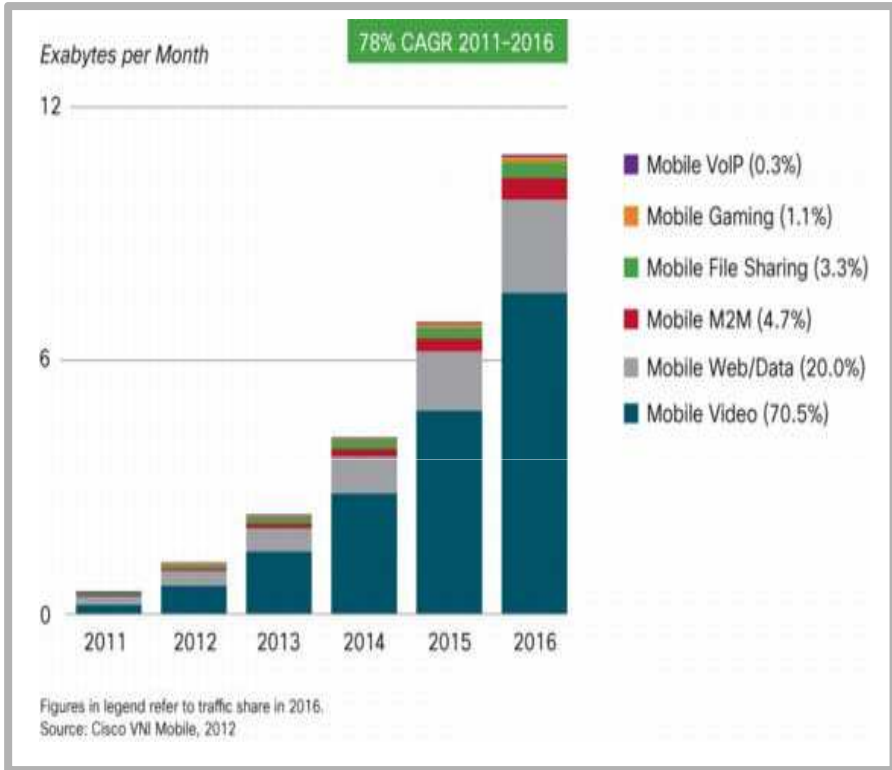
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'Hockey sticks' everywhere

Global Internet Traffic growth



Global Mobile Traffic growth



- Consumer traffic accounts for 80-90%
- Video is the volume driver (i.e. 'Youtube')

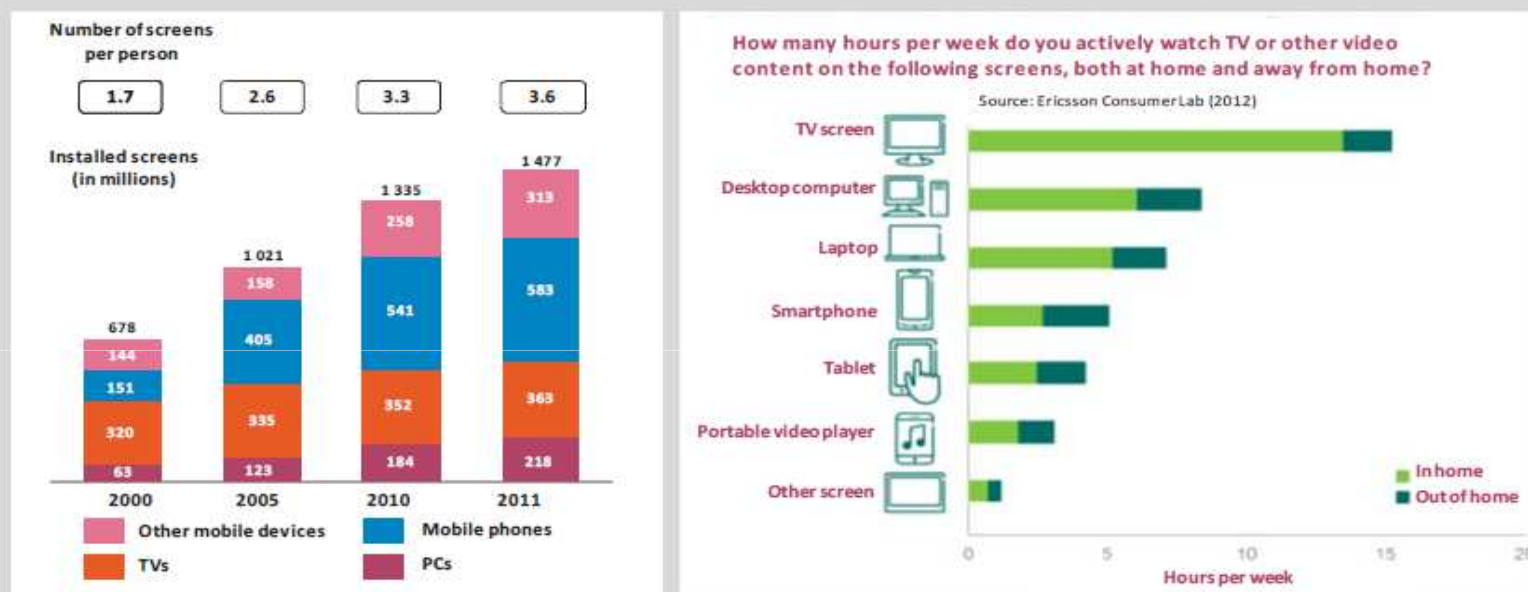


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Television anywhere and anytime

Number of screens and use volumes (per user)

Figure 1.5: Growth in the number of screens in Western Europe (left chart) and usage volumes of various types of screens in 12 markets (right chart)



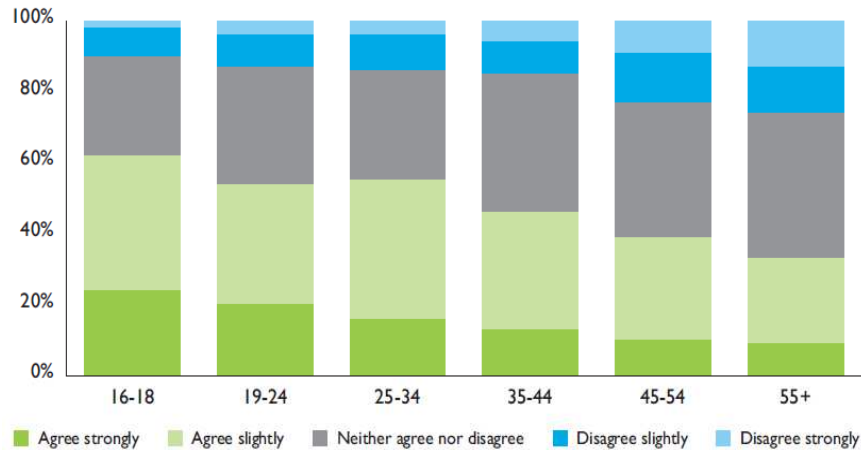
Source: Arthur D. Little, Exane BNP Parisbas estimates (left chart), and Ericsson Mobility Report 2012 (right chart).

Note: Right chart based on survey in US, UK, Spain, Sweden, Brazil, Taiwan (China), Rep. of Korea, Germany, Mexico, Chile and Italy.

Traditional viewing remains strong

TV Viewing behaviour

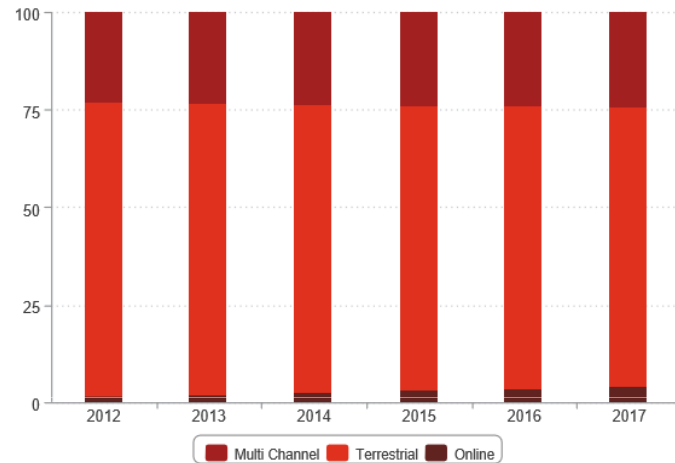
Figure 4: Spectrum of agreement with the statement: "Watching TV with others is much more enjoyable than watching on my own."



Source: Deloitte/GfK, June 2012. Sample: all respondents (4,006, nationally representative)

Global TV advertising revenue split

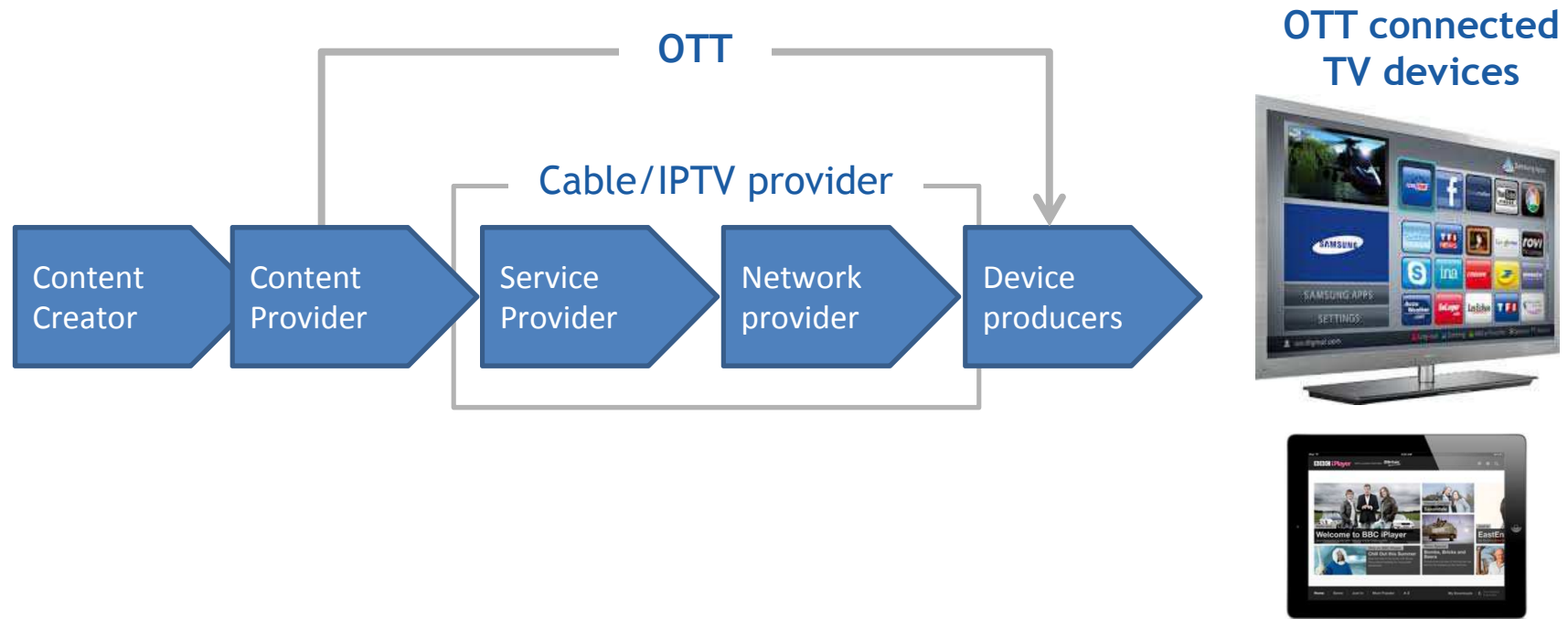
TV advertising revenues split by type (US\$ mn) 2012-2017



Source: PwC Global M&E Outlook 2013 -2017

- Traditional viewing remains strong also under youngsters
- TiVo research: "Netflix is not cannibalizing traditional viewing"
- Ad expenditure shifts to Internet but TV advertising remains strong
- 'Watching telly' remains a Universal Service

Distribution becoming a commodity



- Delivery of TV services over all-IP networks: from managed to open networks
- Content creators focus on (exclusive) content and brand/loyalty
- Gatekeepers change: OTT provider and/or device supplier
- Explosion of new services/business (models)

2. Regulatory challenges



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New regulatory challenges

OTT devices



Content Providers

Network (& Service) providers

Device producers

Market dynamics

- Inflict distribution costs on Network Provider
- Limit income of Network Provider
- Locally caching their content and peering
- Block/throttle traffic (& prioritise own service)
- Introduce pricing regimes with(out) volume caps
- Bundle TV packages and other services
- (Re)distribute linear TV services over IP
- Control EPG/Apps and access to Internet

Regulatory challenges



1. Copy rights infringements
2. Unfair bundling of services
3. Limit access to devices and Apps
4. Hamper net neutrality
5. Limit access and unfair pricing of network services



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The balancing act of net neutrality

- Net neutrality is a (new) regulatory point of attention:
 -  Madison River's blocking of VoIP (2005) and Comcast's throttling of P2P file sharing (2008)
 -  Mobile services: flat rate Internet data bundles drained income from text/voice services
- Net neutrality also important for **Broadcasting** services:
 - Video streaming can also be throttled or blocked
 - Connected TV developments may be hampered



- KCC set Guidelines on net neutrality and Internet Traffic Management
- KT blocked traffic from Samsung connected TV sets
- KCC warned for violation of users' interest (ref. Telecom Business Act)

- Balancing net neutrality & traffic management is complex due to:
 - (Changing) network architecture and arrangements
 - Business model arrangements
 - Vertically integrated companies and services



Access often boils down to pricing

- Open Network Provision (ONP) principles for providing access to network services (originating from ‘Essential Facilities’ doctrine) :
 - Non discriminatory access (for reasonable requests)
 - Fair and transparent pricing



- Cable penetration > 95%
- Dec 2013: Regulator (BIFT) sets wholesale tariffs for:
 - **Analogue** and Digital cable TV services
 - ‘Retail minus’ pricing



- Cable penetration > 90%
- Jan 2014: Court decides **Analogue** cable not open
- Network access for Digital cable still under review by NRA

3. Concluding remarks



Concluding remarks

- Technology advances (networks & devices) results in newly observed services, business models and (dominant) market positions and hence new regulatory challenges
- Basic (fair competition) principles are still valuable in evaluating regulatory cases, only the application becomes more complex
- Fair competition (in the Relevant market) is best for all stakeholders, including consumers

Thank You



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