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International Telecommunication Union

IPTV: New Challenge for Global ICT Sector Policies

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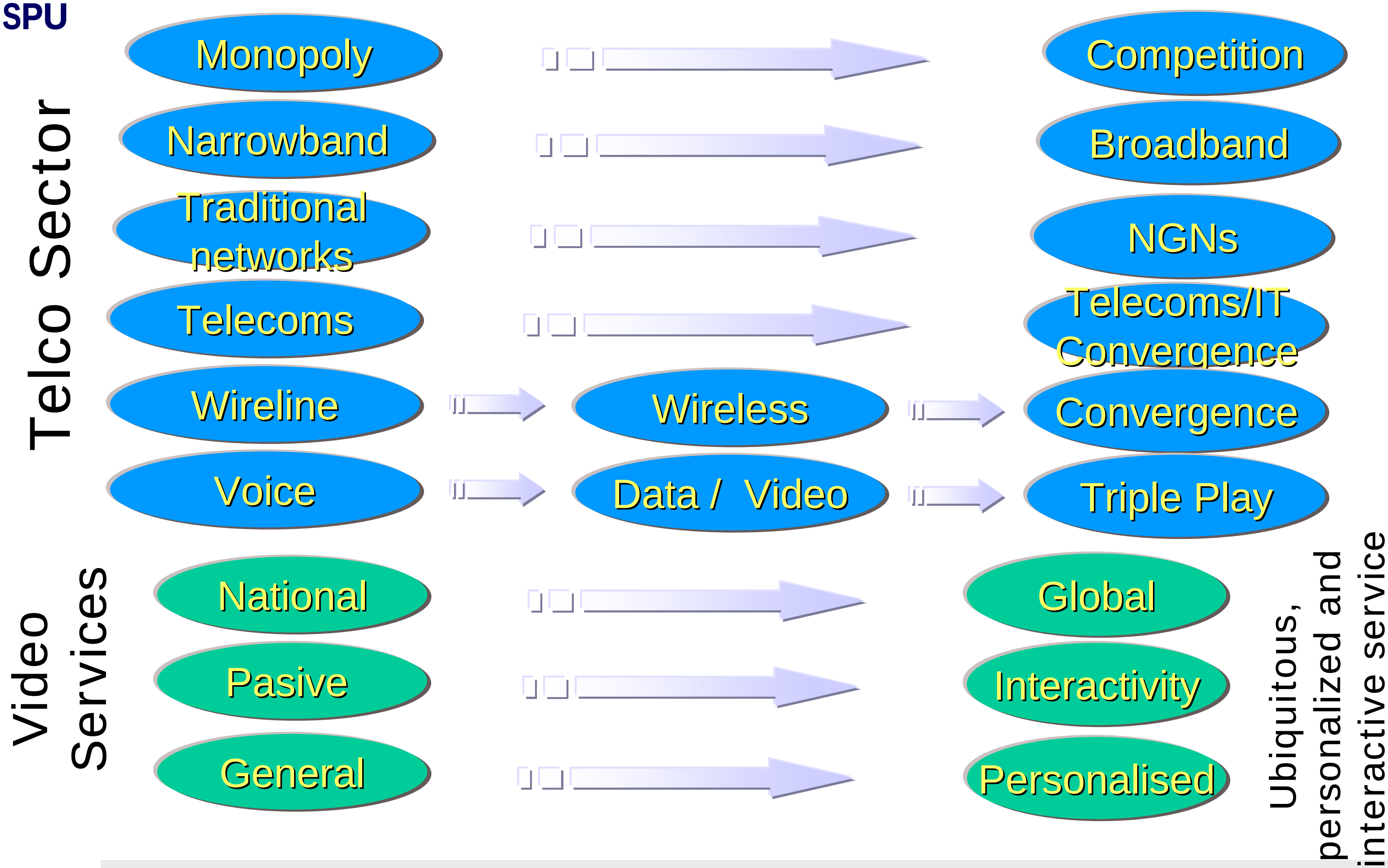
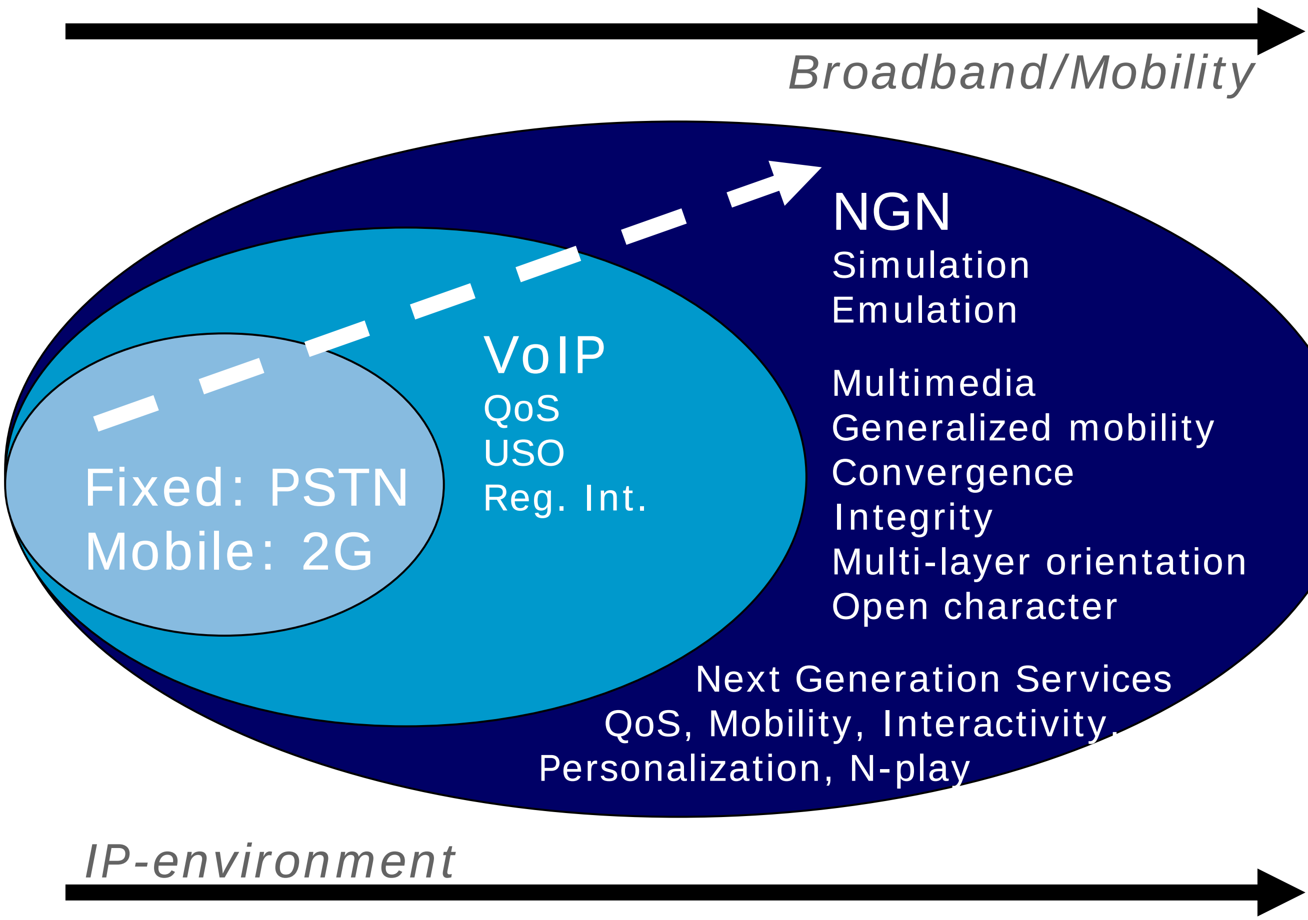
Agenda

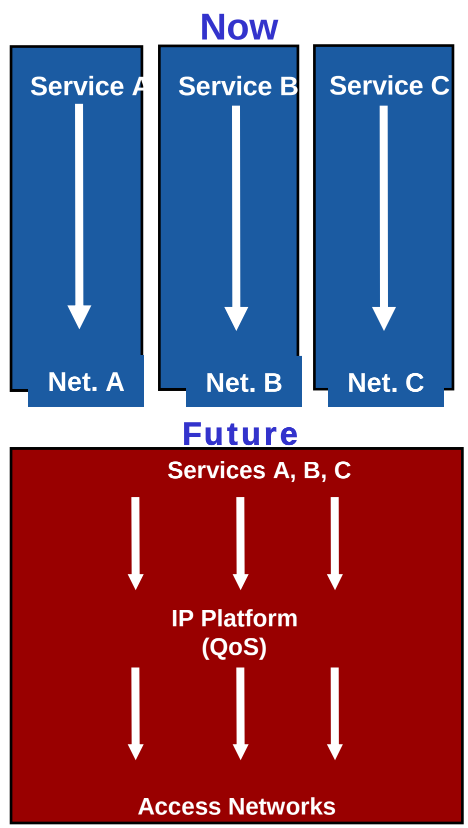
- Telecom and Broadcasting Sector
- Convergence Process
- IPTV Drivers and Obstacles
- Regulatory considerations
- Global policies
- Conclusions

Trends in Telecom and Broadcasting



Telecom Sector in Transition





Interconnection / Emerging markets / Universal services / Competition
Numbering / Quality of Services / Emergency Access / Consumer Protection

Converging Markets

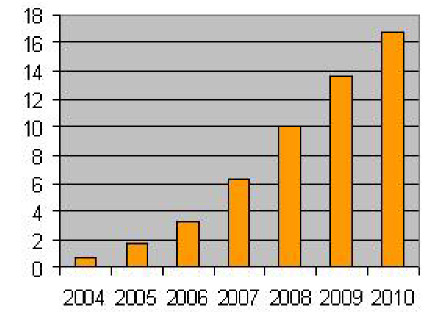
	Broadcasting/ Satelite	Fixed Telec.	Cable-TV	Mobile Telec.	Wire less	Infr. less s. prov.
Voice						
Internet						
Television/ Radio						
Services on Demand (VoD...)						

Note: historically, the main service provided over the access platform

IPTV: Market Trends

- Beijing RIC Information Consulting (2005): Global
  - 2006: the global revenue of IPTV service → $8 billion with over 8 million subscribers.
  - Users: 2004: 2.19 million → 2008: 20.44 million
- 21st Century Communications World Forum :
  - 2006: 2-3 Million U.
- Gartner (2006): Europe
  - 2006: 3.3 million users
  - 2010: more than 16 Million Users
  - Additional revenues generated will grow from 336 Million to 3 Billion

IPTV Users in Europe

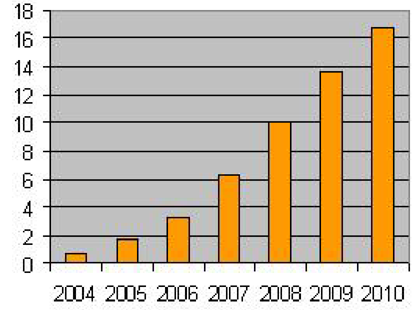


Source: Gartner (2006)

IPTV: Market Trends

- France
  - 2006: 1,7 mln / Revenues 141 mln Euro
  - 2010: 5 mln / Revenues 682 mln Euro
- UK
  - 2006: 75 tys. → 2010: 1,9 mln.
- Germany
  - 2006: 47 tys. → 2010: 2,8 mln w
  - 2010: Revenues: 465 mln Euro
  - Deutsche Telecom / Microsoft / Premiere
- Hong Kong's PCCW
  - 30% of the world's IPTV customers – and 61% of Asian subscribers – 2005: 500,000 subscribers
  - the churn rate has dropped by half
- China
  - Subject of special licenses
  - Shanghai Media Group (SMG)

IPTV Users in Europe



Source: Gartner (2006)

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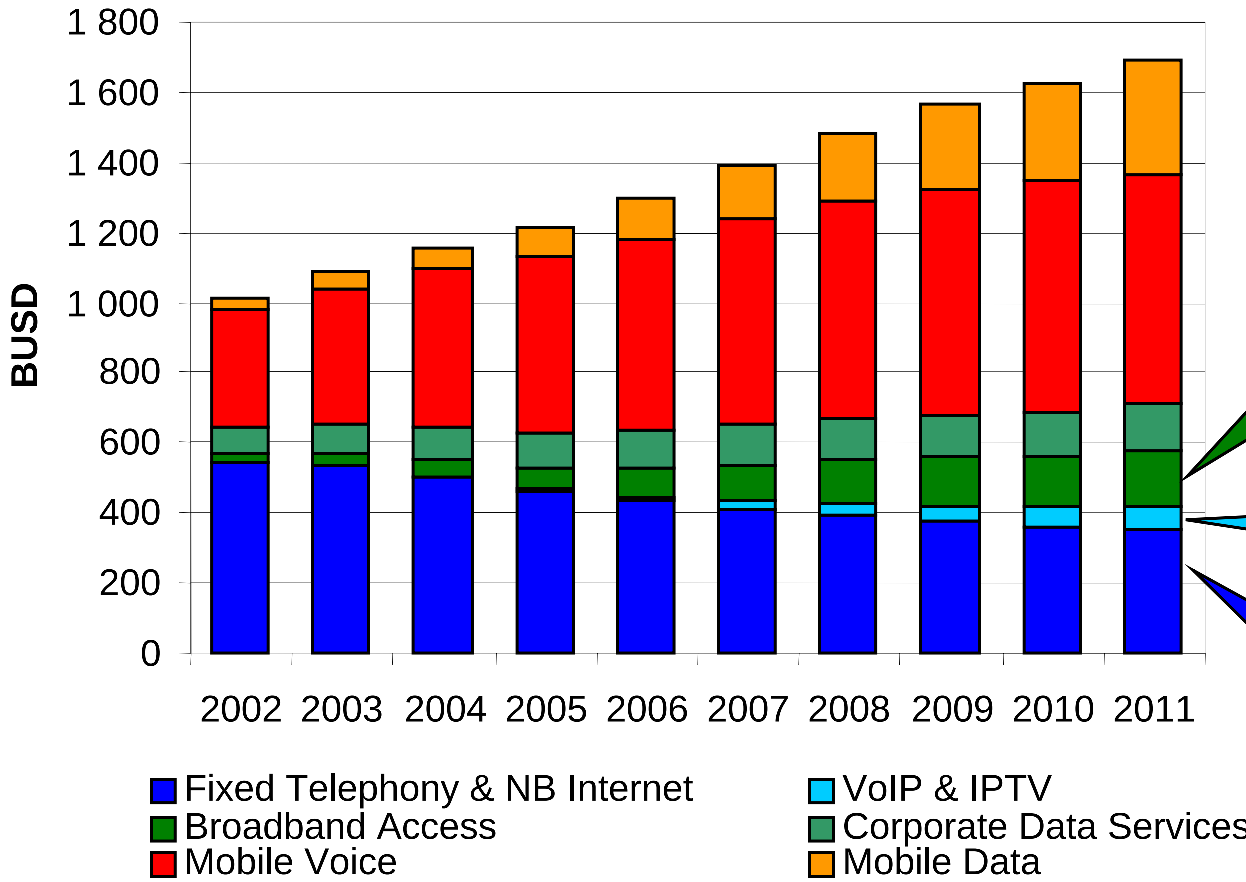
Fixed and Mobile Operators Revenues

Revenues Worldwide



More than 200 M. S. Broadband take-up faster than mobile Historic Growth R.
Broadband: 94% CAGR
Mobile: 32% CAGR

VoIP and IPTV strong growth dynamics

Traditional telephony revenues are rapidly declining

Source: Ericsson Estimates

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IPTV: Drivers and Obstacles

Drivers

- Telecom competition
  - Inter-modal comp.
  - Pricing and sell strategies
- Broadband deployment
- Content providers
  - New ubiquitous distribution platform
- Convergence
  - Bundling strategies
- User
  - Switching behavior

Obstacles

- Regulatory environment
- Standardization process
- Margin redistribution
- New form of service
  - Interactivity
- User
  - Cost of the STB / Hardware providers / Operators
  - Willingness to migrate
  - Willingness to pay for: TV Services / Video on Demand / Next generation services
  - Consumer protection

Customers Sensitivity

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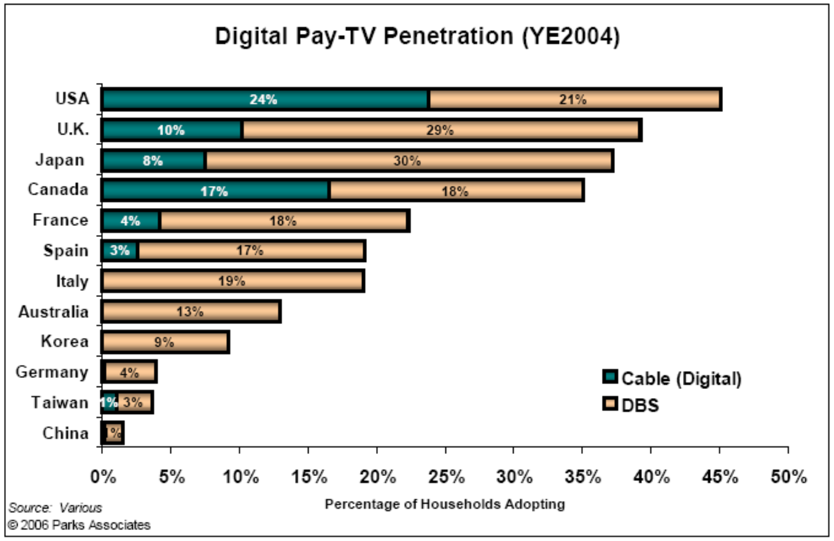
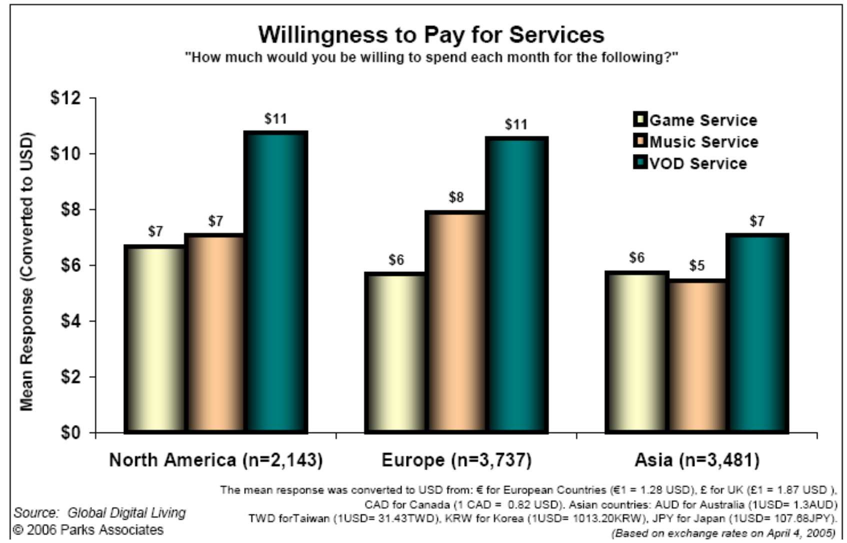
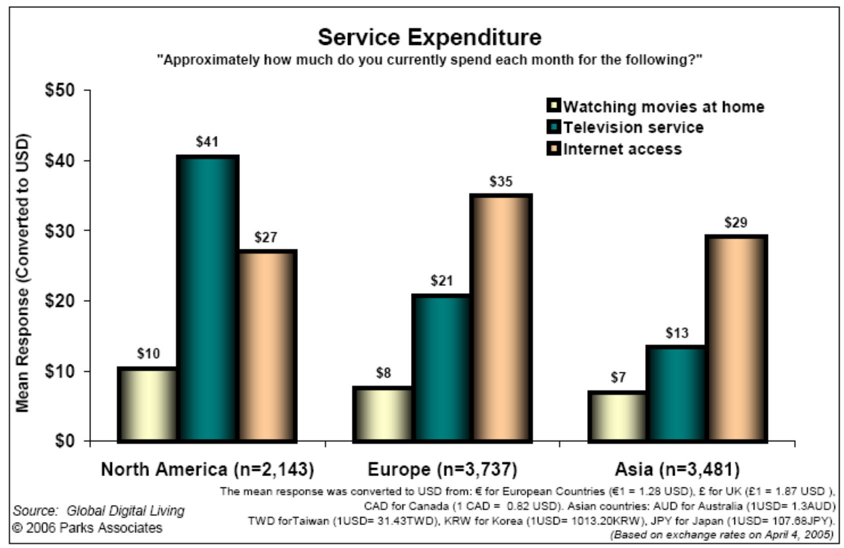
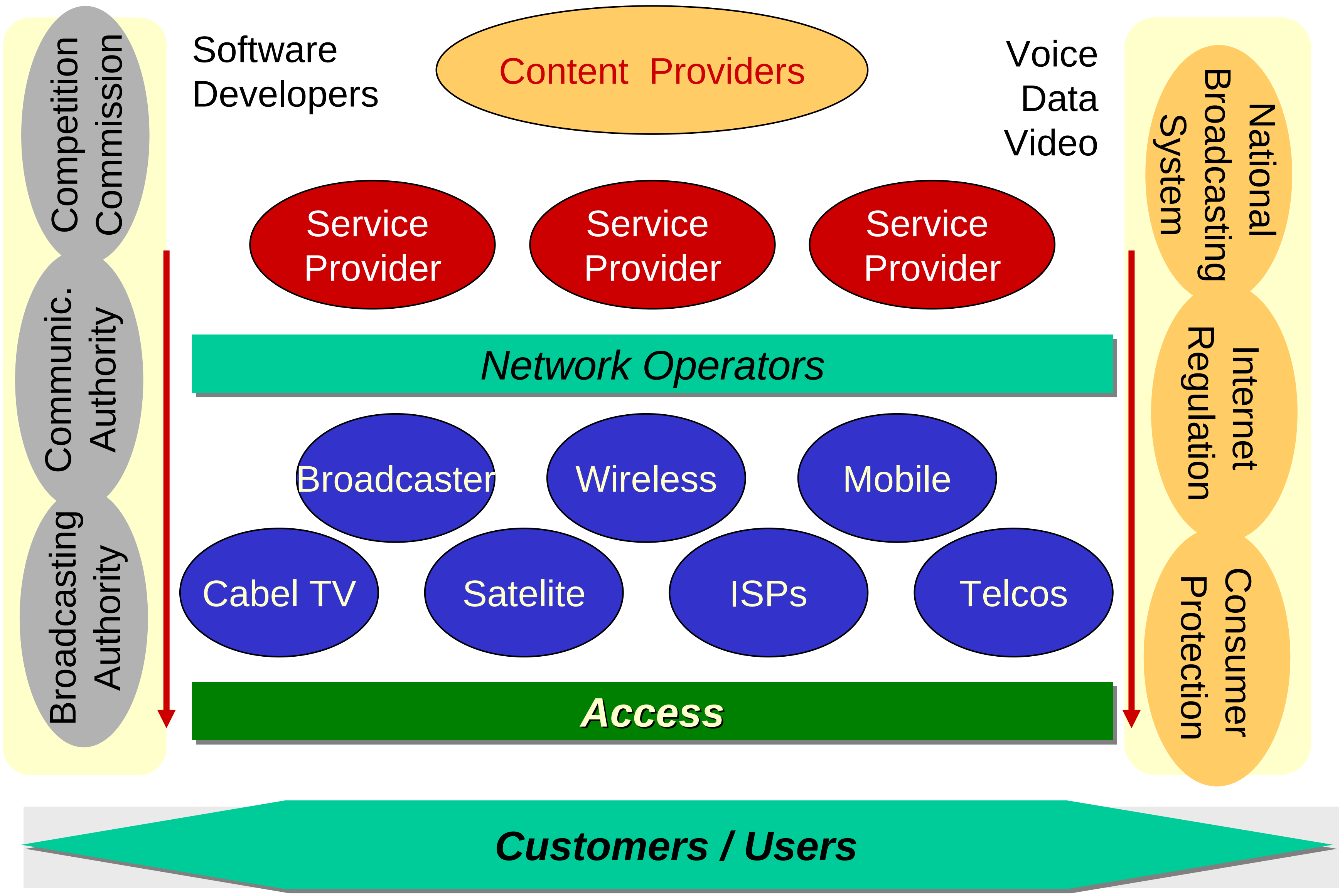






IPTV: Who has the power?



IPTV: Implications

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- Infrastructure requirements
  - 6-16 MBit/s for HDTV / Narrow Band TV
  - Bandwidth / Generalized mobility
  - ADSL2+/VDSL/FTTx/3G/4G/WiFi/WiMAX
- Standardization process (STB)
- Compression Methods
- Value Creation Chain
  - True margin redistribution
- Triple-play
  - Distribution platforms / Interaction
  - Broadcasting / One way communication
- Regulatory reform

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IPTV: Regulatory considerations

Policy/Regulatory Goals

- Socio-economic goals
- Investment
- Innovation

Regulatory Focus

- Static and dynamic efficiences
- Monopolistic bottlenecks
- Market failures
- Ex-post r. v. ex-ante r.

IPTV

- Application and service
  - New markets
  - Fosters competition
- New architecture and bottlenecks
- New cost models
  - Market analysis
  - Cross-subsidies
- Boundary: infrastructure and the content
- Cross-ownerships

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IPTV regulatory requirements

- Infrastructure
  - From legacy infrastructure to investment
  - Inter-modal competition
  - Local loop un-bundling
  - Net neutrality
  - Interconnection
  - Universal service
- Symmetric regulation
  - Quality of services
- Consumer protection
- Definition of IPTV in legal systems
  - IP Hybrid-service / Information service / Broadcast service / Linear versus non-linear services

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Global Agreements

- Global Agreement on Trade in Services
  - IPTV on managed networks: Cross-border service provision
  - IPTV in open environment raises similar concerns as for the e-services
- Basic Agreement on Telecommunications
  - Institutional issues
- Information Technologies Agreement
  - As an effect of the convergence more often updates required

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Conclusions

- Telecommunications converges with broadcasting industry very fast
  - Required strict distinction of transport and content regulation
  - Imposing old regulatory schemes to the new technologies may weaken growth dynamics
- Institutional issues
  - New dimension of regulatory reform
- Competition issues
  - All-IP environment fosters competition
  - By this complexity rapid move ex-post regulation is not possible
- Symmetric versus asymmetric regulation

Thank you very much for Your attention

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The Future of Voice

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- Research Programme
- Background Materials Page
- Three Background Papers
- Three Regional Studies
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  - Africa
  - South Eastern Europe
  - Latin America
- Workshop: January 2007

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