

ITU-ASEAN Forum on Over the Top (OTT) Services: Business, Policy and Regulatory Trends

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Session 5: Building Synergies between OTT players and ICT network operators



Agenda

- Exploring win-win scenarios among players in the digital value chain
- Potential Operators Responses to OTT
- Need for regulatory intervention? What regulatory issues need to be addressed?

Operators are responding by offering IP based services and are adopting multiple approaches

Blocking

Studies undertaken in the EU indicate that some network operators discriminate against traffic by competing OTT services: one in four internet users have experienced blocking or throttling of internet content.

Own OTT Apps

Other operators have developed their own services to compete with OTT services – eg Telefónica's 'TU go' or Orange's 'Libon' messaging apps

Fair usage

Some network operators have a 'fair use' policy that imposes data, voice and messaging usage limits.

Partnerships

By working with OTT providers – eg E-Plus's partnership with WhatsApp in Germany and Hutchison's partnership with Spotify in Austria.

Pricing

Some network operators have introduced new pricing models, either to limit customers from using OTT services - e.g. by relating prices to use of certain services

Bundling

By bundling their own services with other offers telecom operators may put OTT providers in a disadvantaged position

Potential response — Blocking

- Telecom operators can block or impose surcharge on certain OTT applications
 - Shortsighted, impracticable, potentially anti-competitive and risks a backlash from customers
- However blocking or throttling opposes the open internet “Net neutrality” principle, which asks operators to treat all data equally, and not intentionally slow down traffic that competes with their own services.

Regulatory investigations in Europe found blocking and throttling a common practice

- In May 2012 BEREC (an European regulatory advisory group) undertook an in-depth investigation* into traffic management practices in European markets
- The investigation found that specific practices, such as the blocking or throttling of peer-to-peer traffic or VoIP occur more often in mobile networks than in fixed networks, and that, while at least 60% of customers do not appear to face any such restrictions, at least 20% of mobile Internet users in Europe do experience some form of restriction on their ability to access VoIP services, while another 20% would require further certainty

* "Traffic management and other practices resulting in restrictions to the open Internet"



Potential response – Blocking

- Even if regulators do not yet recognise net neutrality as a regulatory concept, authorities have scrutinised network operator's attempts to restrict access to content
- Examples:
 - In 2013 the European Commission raided major network operators' offices over concerns these companies abused their dominant position to throttle data-heavy services such as YouTube and Skype.
 - AT&T blocked mobile VOIP following the release of the iPhone; lifted after pressure from FCC and consumers

Potential response – Fair usage policies

- Wind Mobile (Canada) Fair Usage Policy:
 - Data services (smartphone or mobile internet): “if you exceed the data usage levels in this policy for your type of plan or add-on, we may slow your speed..”
 - Voice services: may limit if used for example for “Voice services that are used for data transmissions, transmission of broadcasts, monitoring services, transmission of recorded material, or other connections which don’t consist of uninterrupted live dialog between two individuals” or “Voice usage that grossly exceeds the average typical consumer usage”

Source: <https://www.windmobile.ca/docs/default-source/default-document-library/click-here-for-data-fair-usage-policy.pdf>



Potential response – Fair usage policies

- However in 2013 Deutsche Telekom attempts to cap data speeds on flat-rate packages over fixed broadband lines in Germany were outlawed by a German court:
 - The district court of Cologne said that restricting download speeds would place an "unreasonable disadvantage to the customers" as they count on Internet for a fixed price at stable connection speeds.
 - Deutsche Telekom planned, for customers who signed up for flat-rate Internet deals and who exceed their monthly data download limits would see their surfing speeds capped at 2 megabits per second (Mbit/s).
 - The case was brought to court by a consumer lobby group Verbraucherzentrale NRW

Source: <http://www.reuters.com/article/2013/10/30/us-deutschetelekom-ruling-idUSBRE99T0NI20131030>



Potential response — Pricing policies (1)

- Mobile operators could adjust their pricing to make OTT less attractive
 - By reducing or restructuring their own prices
- Examples:
 - Yoigo (Spain) introduced tiered pricing of data services that charged more for subscriptions that enable mobile VOIP
 - Verizon (US) introduced a flat monthly fee for unlimited domestic voice and SMS
 - Bell Mobility (Canada) began charging for its mobile TV service based on the number of hours viewed (instead of MB downloaded)

Bell Mobility clients

Over 40 TV channels on the mobile network.

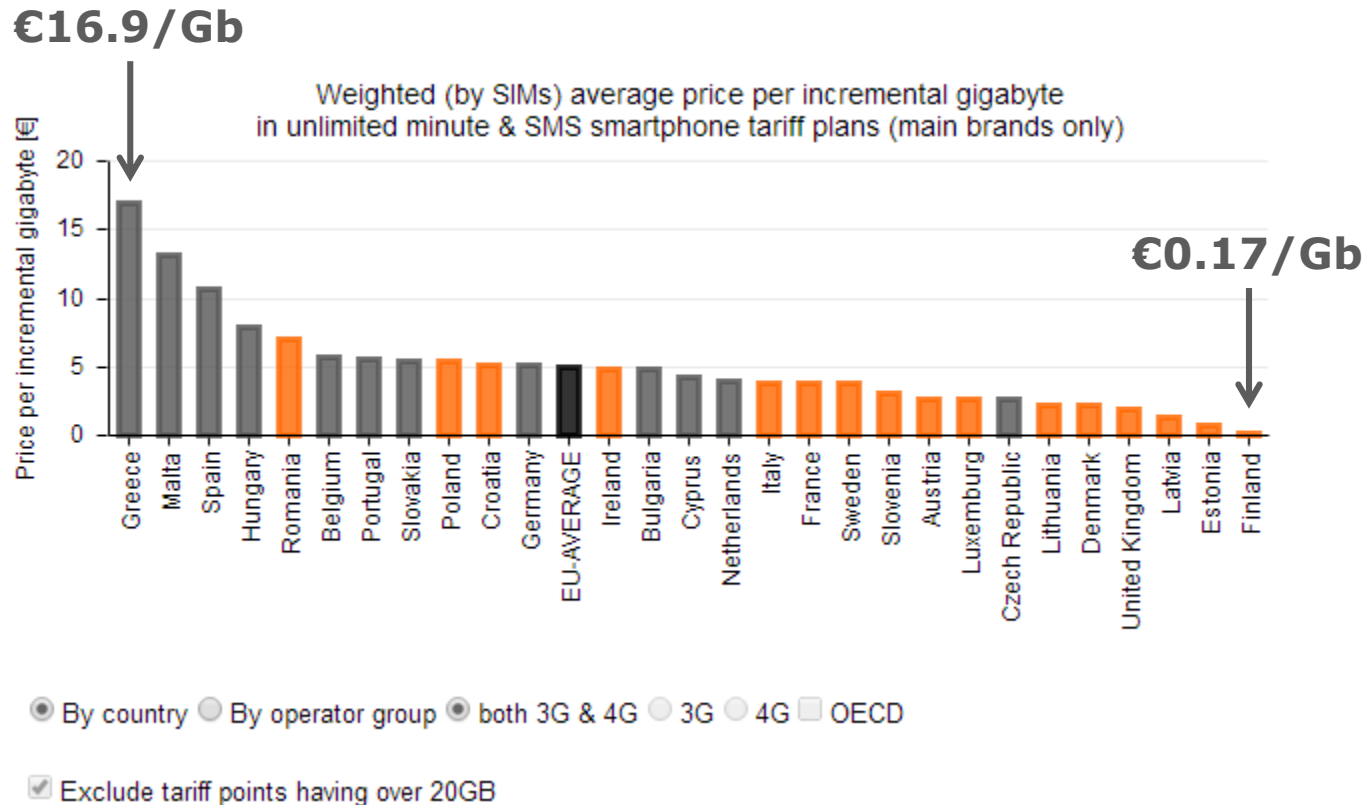
Watch over 35 live and 13 on demand TV channels on your Bell smartphone over the mobile network or using a Wi-Fi connection.

\$ 5/mo

for 10 hours of viewing, with no impact to your data plan



DFmonitor data shows significant variations in terms of the average marginal mobile internet access price across Europe



Source: Rewheel, DF Monitor: EU Electronic Communications Market Review, focused on telecoms: "A critical look into the uncertain future of open internet access in Europe"



Potential response – Pricing policies (2)

- Zero rating is a pricing mechanism that favors certain content or services delivered over broadband access networks in which the operators offer them as “free” i.e., their traffic does not count toward a customer’s monthly data allowance
- Examples:
 - As Digital Fuel Monitor shows, ISPs that zero-rated their own applications have either restricted the amount of bandwidth that users can pay to low bandwidth caps of 5-10GB, not allowing users to buy more, or increased the price of unrestricted Internet access
 - On the other hand, shortly after the Dutch regulator prohibited ISPs from zero-rating their own applications, KPN doubled its monthly bandwidth cap for mobile Internet access from 5 to 10 GB at no additional cost to allow usage of it’s own application

Source: <http://www.dfmonitor.eu/>



Potential response – Pricing policies (3)

- Zero rating in the developing world may need to be seen from a distinct perspective. For people that cannot access the internet today, cost is the main reason. A zero-rated program is a way to overcome financial barriers.
- Examples:
 - Operators in India, families purchase mobile subscriptions with zero-rated versions of WhatsApp to message with their relatives abroad.
 - Internet.org is a global partnership involving Facebook and other technology companies, local governments and NGOs. The internet.org app, which is offered in partnership with local mobile operators, allows subscribers zero-rated access to customized content from multiple providers, including Facebook, Wikipedia and local content producers. First launched in Zambia in 2014, is now present in Tanzania, Kenya, Colombia, Ghana and India
 - Chile after banning zero rating practices later on opened an exception to allow access to Wikipedia



Potential response – Partner to enhance (1)

- Mobile operators can partner with OTT service providers to retain traffic on-net, enhance service offerings and/or generate new revenues
 - The two most popular content partnerships today are those involving streaming music and video.
- Examples:
 - 3 (UK) and Verizon (US) partnered with Skype (circa 2009/10)
 - Ooredoo (Kuwait) partnered with WhatsApp
 - Vodafone (UK) 4G price plans include a free subscription to either Spotify or Sky Sports Mobile TV

Free on 3

Free calls, free chat -
to anywhere in the world



WhatsApp

A Service specially for
WhatsApp Fans!

Now you don't need to find a Wi-Fi
Zone to use your WhatsApp Messenger.
Get the new WhatsApp service from
Ooredoo for just 750 fils/month and stay
connected to everyone all the time.



Potential response - Partner to enhance (2)

- Negotiating a revenue share arrangement with OTT streaming music service provider creates a potential new revenue stream
 - Helps with differentiation and maybe churn reduction
 - Enables quicker penetration for the OTT service provider
- Still a risk that customers may be deterred by the higher data usage and charges that these services involve
 - Some mobile operators are not metering streaming music from partnering OTTs
- Examples:
 - T-Mobile (US) and iHeart Radio, iTunes Radio, Milk Music, Rhapsody, Slacker, and Spotify (all unmetered)
 - Telefonica (South America) and Rhapsody/Napster (equity stake)
 - AT&T (US) and Beats Music





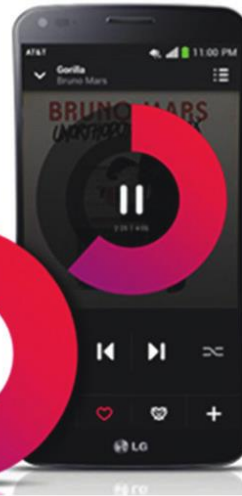
**T-MOBILE IS SETTING
MUSIC FREE.**

Music has never liked limits, and now with T-Mobile, music has no limits. On the network built for data, you can stream music as much as you want.

We're setting music free.



Music that's always right for you



Truly unlimited listening

With Beats Music™, you get

- Unlimited downloads and streaming*
- Access to over 20 million songs
- What you want, when you want across multiple devices

Family	Individual
\$14.99/mo	\$9.99/mo
First 90 days FREE!	First 30 days FREE!
Up to 5 users and 10 devices	1 user and up to 3 devices

See offer details below *Data rates may apply to downloading and streaming



Potential response - Bundling

- In markets such as Kenya and Uganda, late entrants offer bundles in order to gain market share.
- In markets such as South Africa where Vodacom has the largest market share (but does not offer bundled pre-paid packages), MTN and Cell C are the only operators to offer bundled pricing in order to increase their market shares
- But for example in Namibia the dominant mobile operator offers the best product: Namibia's MTC's Aweh Aweh Gig includes 100 any time minutes, 700 SMSs, 1GB data and 500MB social media-only data, for USD2.31 and worth 63.1 times the price.
- MTC's bundling strategy is not driven by local competition as its only rival, TN has less than 1% market share of outgoing calls. MTCs bundling strategy has been implemented to face increasing Facebook and WhatsApp usage.

Source: Research ICT Africa: Bundling up - new pricing strategies in the African prepaid market, November 2015.



Potential response – off-load certain traffic

- Mobile operators could off-load certain types of traffic (e.g. streaming video) onto Wi-Fi networks
 - ANDSF device software enables the mobile operator to control and define how, where, when and for what purpose a device can use a certain radio access technology
 - ANDSF = Access Network and Discovery Function; assists devices to discover access networks in their vicinity
- Would enable the mobile operator to:
 - manage its cellular network resources
 - Offer mobile data to customers at lower or no charge



OTT regulatory issues

- Vertical discrimination
 - Mobile operators have an incentive to discriminate against OTT competitors
 - e.g. by blocking access, imposing data caps, throttling demand, selectively degrading service quality
- One-way interconnection
 - Pricing should not enable monopoly rents from control of bottleneck facilities
 - Charges should be competitively neutral between competing OTT services (i.e. non-discrimination)
 - Pricing should not be a barrier to entry for OTT services
 - Charges should not enable double dipping, i.e. charging OTTs for the same traffic that customers are already paying for in their subscriptions/data plans

OTT regulatory issues

- Partnerships with OTTs
 - If zero rating is allowed there is a risk of telecommunications operators control of what you can access in mobile devices: the telecom and his (big) partners services
 - Small innovative start-ups cannot access the market: either lose or are bought by larger players
- Licensing of OTT players: difficult to implement a general authorisation could be better, for all?
- Definition of services: for example Voip

**Or-koon
Thank you**

