



Digital broadcasting and online content delivery

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Overview

- What impact has convergence had on content delivery?
- What new business models are emerging?
- What are the key trends in terms of regulation and what are the main issues that regulators face in the converged environment?



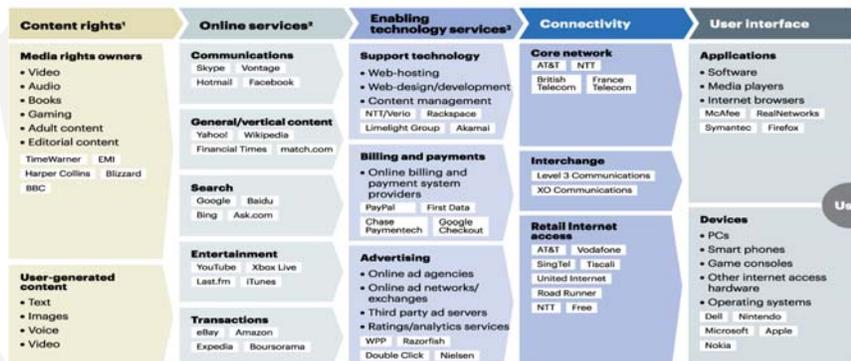
The impact of convergence (1)

- Increased range of players and blurring of traditional supply chains
 - various players moving into multiple parts of the value chain (e.g. Google) - all want direct channel to customer rather than being "disaggregated"
- Evolution in the way that content is delivered to end users
 - huge growth in delivery of content online - increased demand for bandwidth and discussions over payment for same
 - multiple platforms and devices (e.g. smart TVs, smartphones, tablets)
 - content distribution networks
- New types of content offering
 - move from "linear" services (traditional TV) to "non-linear" services (video on demand)
 - growth in user-generated content (e.g. YouTube)
 - bundled packages (e.g. triple- and quadruple play deals)

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The impact of convergence (2)



¹Content rights abbreviated to CR in subsequent value chains

²See online services categories list in methodology for details

³Enabling technology/services abbreviated to ETS in subsequent value chains

Source: A.T. Kearney analysis

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New business models

- Subscription-based models
 - monthly subscription fee or “pay as you go”
 - free v. paid content
- Online advertising
 - cost per click/pay per view
 - cost per action
- Hybrid models including telecoms operators attempting to branch out from pure pipe and capacity charges
- Other revenue sources
 - e.g. product placement



Key issues facing regulators (1)

- Do traditional regulatory models still work in a converged environment?
 - Is there a need for a converged regulator covering both telecoms and content regulation? - still relatively rare (e.g. Malaysia, UK)
 - What should the thresholds for intervention be and should these be the same for both telecoms and content?
 - e.g. EU telecoms regulatory framework largely based on competition law principles, but content is excluded
 - How to keep pace with technological change?
 - licences based on particular technology/service can act as a barrier to change
 - move towards technologically neutral regulation (e.g. Malaysia, EU) and/or principles-based regulation (e.g. as proposed in Convergence Review in Australia)
 - Whether/how should OTT services and online advertising be regulated?
 - ensuring level playing field with telecoms network operators
 - difficulty in enforcing compliance – global jurisdictional issues



Key issues facing regulators (2)

- Access bottlenecks
 - Well-developed rules on access to telecoms networks, but only limited understanding of how to deal with other access bottleneck issues
 - Issues in relation to premium content:
 - e.g. exclusive content deals, tying of content to a particular platform or device, bundling of services
 - some attempts at regulation (e.g. in the UK) but often intervention left to antitrust/merger control authorities
 - Is competition law sufficient to deal with these issues or is a more interventionist regulatory approach required?
 - difficulty in using competition law to achieve industrial policy objectives
 - need for certainty
 - New issues raised by next generation networks
 - balancing appropriate incentives for investment v. promoting competition
 - regulatory forbearance (e.g. draft EU Recommendation)

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Key issues facing regulators (3)

- Consumer protection
 - Divergent approaches in different countries:
 - little scope for standardisation on substantive rules, which reflect particular national sensibilities
 - but elements of good practice in terms of procedure, e.g. transparency of rules, due process and independent appeals framework
 - Should all types of content (offline and online) be regulated in the same way? What about user-generated content?
 - What role for self-regulation/co-regulation?
 - e.g. ATVOD (co-regulatory model for video on demand in the UK)

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Key issues facing regulators (4)

- Data protection and privacy
 - Personal data as a source of revenue, e.g. behavioural advertising
 - Investigations into Google and Facebook – the tip of the iceberg?
 - What is a legitimate use of personal data? Is it just a question of transparency and consent?

- Net neutrality
 - Whether/how to regulate the use of traffic management measures?
 - Range of approaches taken by regulators
 - Move towards a more interventionist approach? (e.g. European Commission's recent proposals on net neutrality)