

ITU/EBU/BNE/DVB: Assistance for DTT Implementation

Licensing and business models – overview, the importance of content and overall economic sustainability

Lluís Borrell • 27 October 2016

Key questions

Objectives and
strategy

Why to move to DTT?
How ensure its success?

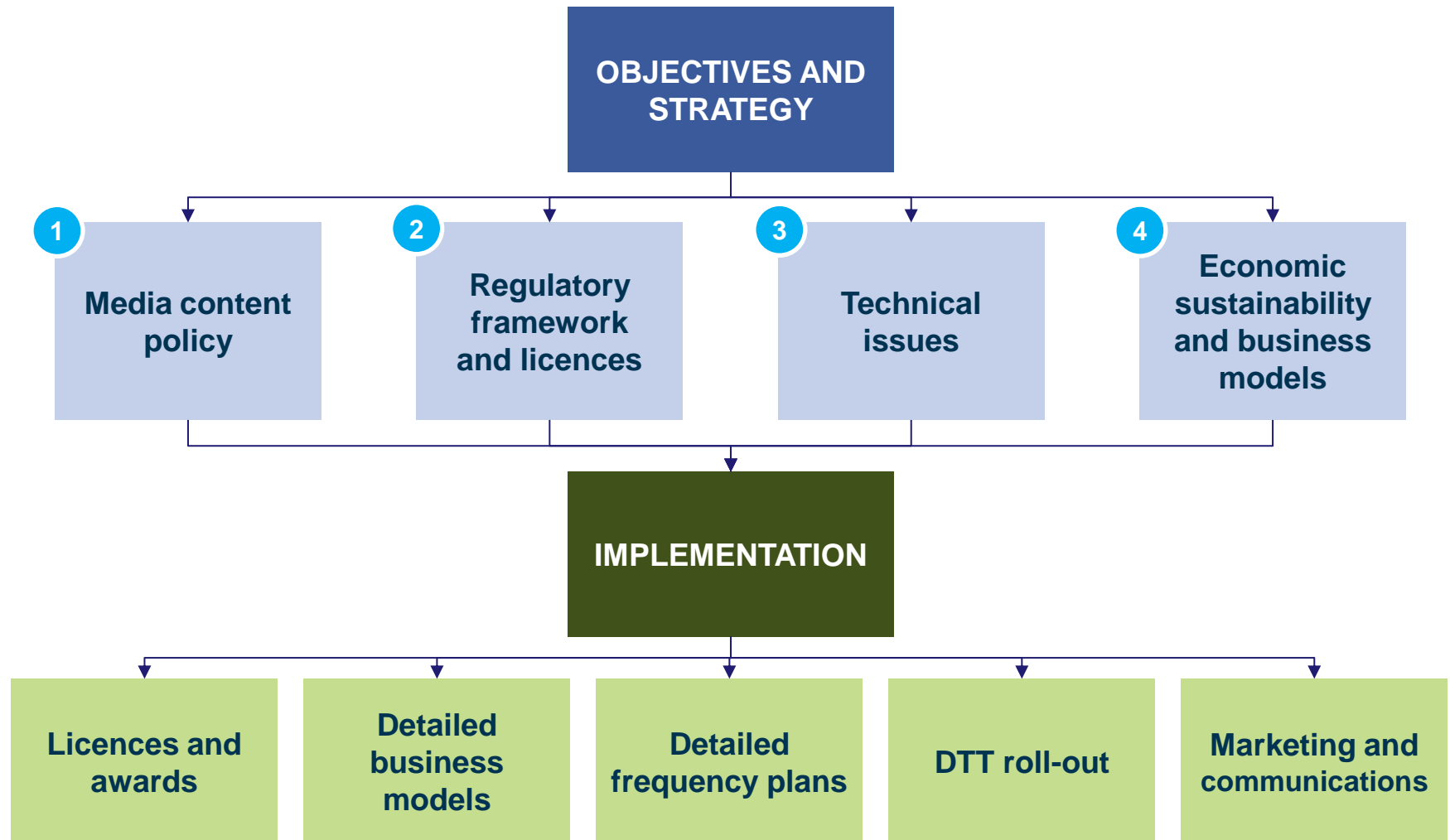
Business models

What are the potential models?

Licences

What are the alternatives for licensing?

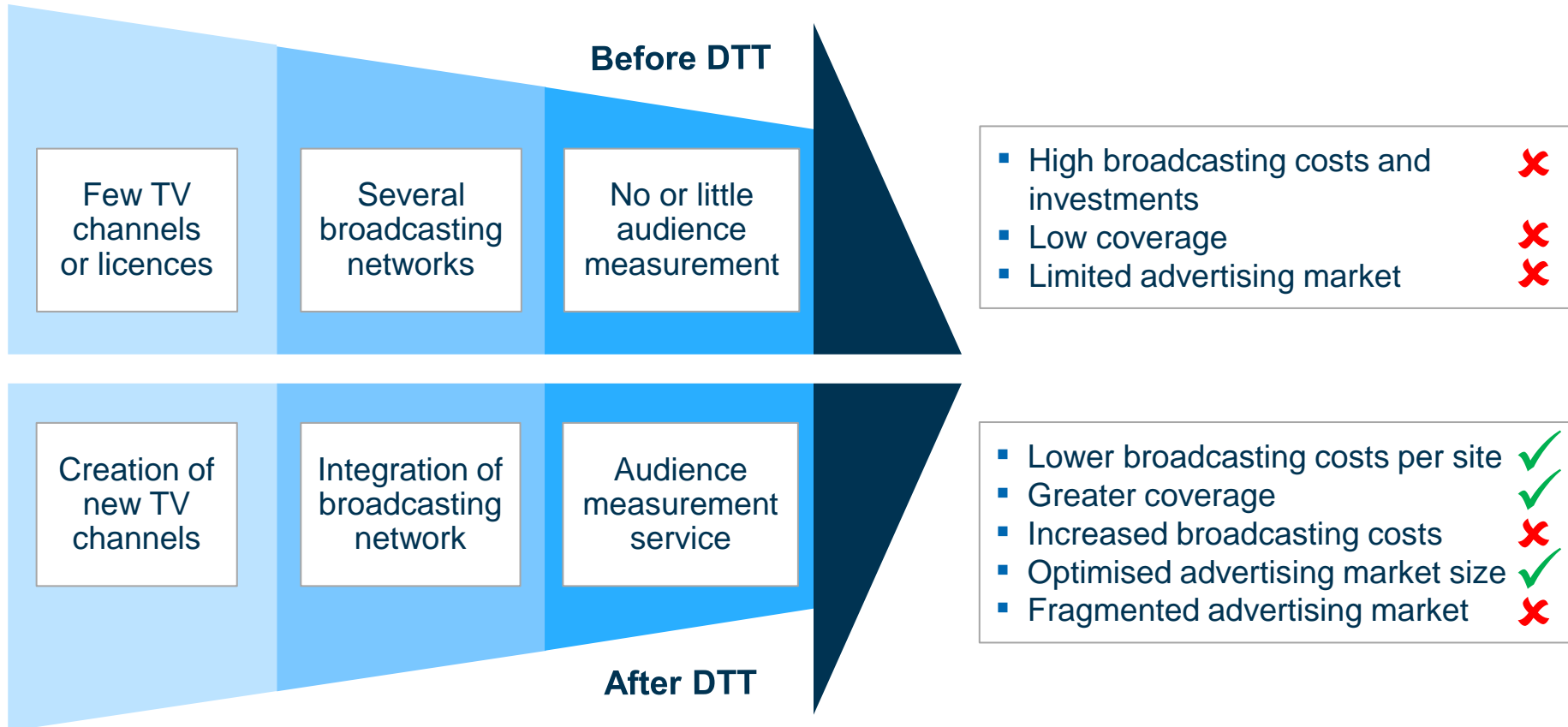
The DSO requires thoughtful objectives and strategy as well as careful implementation



Typically, content and economic sustainability are key issues behind DSO's public policy objectives

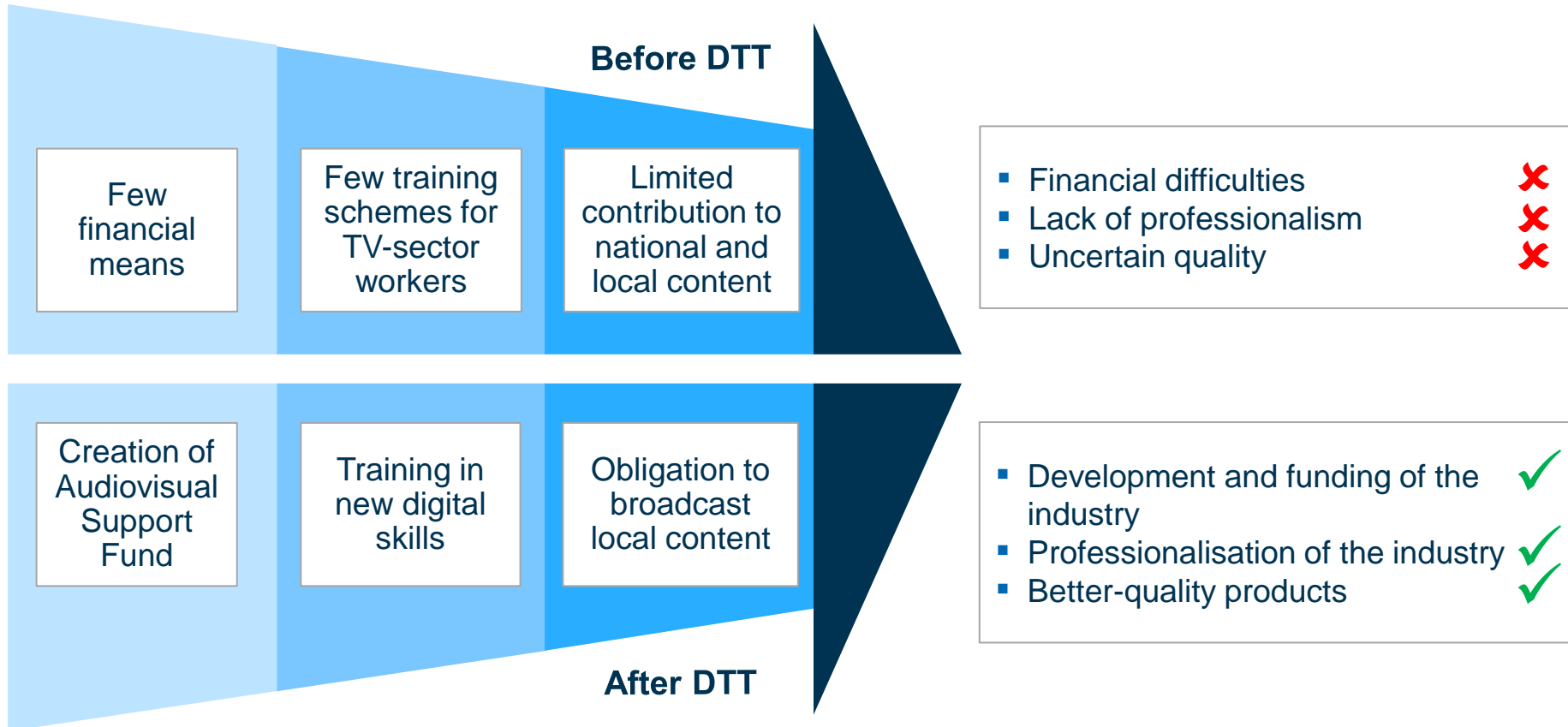
Public policy objectives	Key issues
Ensure DTT is free and accessible to all	<ul style="list-style-type: none">▪ What coverage for the DTT network?
Diversify the TV offer by increasing the number of channels	<ul style="list-style-type: none">▪ How many multiplexes for the DTT platform?▪ How many channels in the basic offer?
Promote the development of content at local and regional levels	<ul style="list-style-type: none">▪ How to create a local content market?▪ What tools to put in place to help production?
Involve the national TV industry in the transition, to reach a win-win outcome	<ul style="list-style-type: none">▪ How develop the funding of the audiovisual industry?▪ How increase advertisement revenues?
Protect and develop the national TV industry	<ul style="list-style-type: none">▪ Promote local and/or regional channels?▪ How professionalise the AV production sector?

1 DSO is an opportunity to reshape audiovisual policy and support the national TV sector



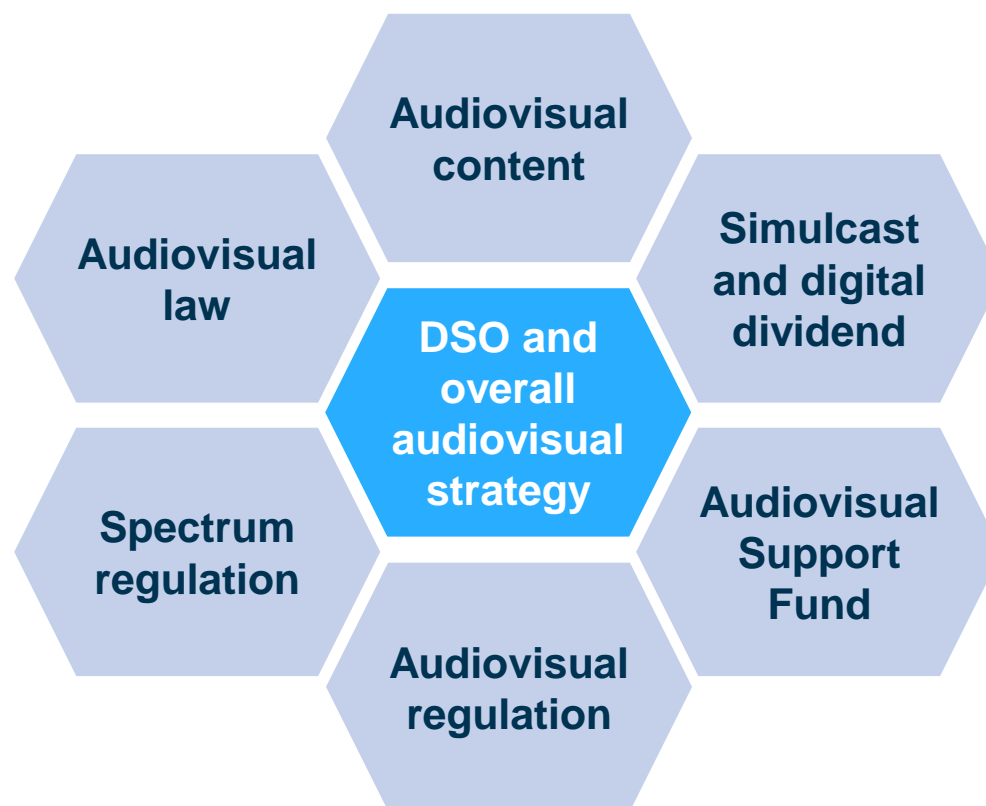
The government may wish to develop the local AV sector by encouraging the emergence of strong private players and dynamic public players and TV channels, to the benefit of consumers, viewers and the wider population

1 In particular, DSO allows governments to develop the national content production industry



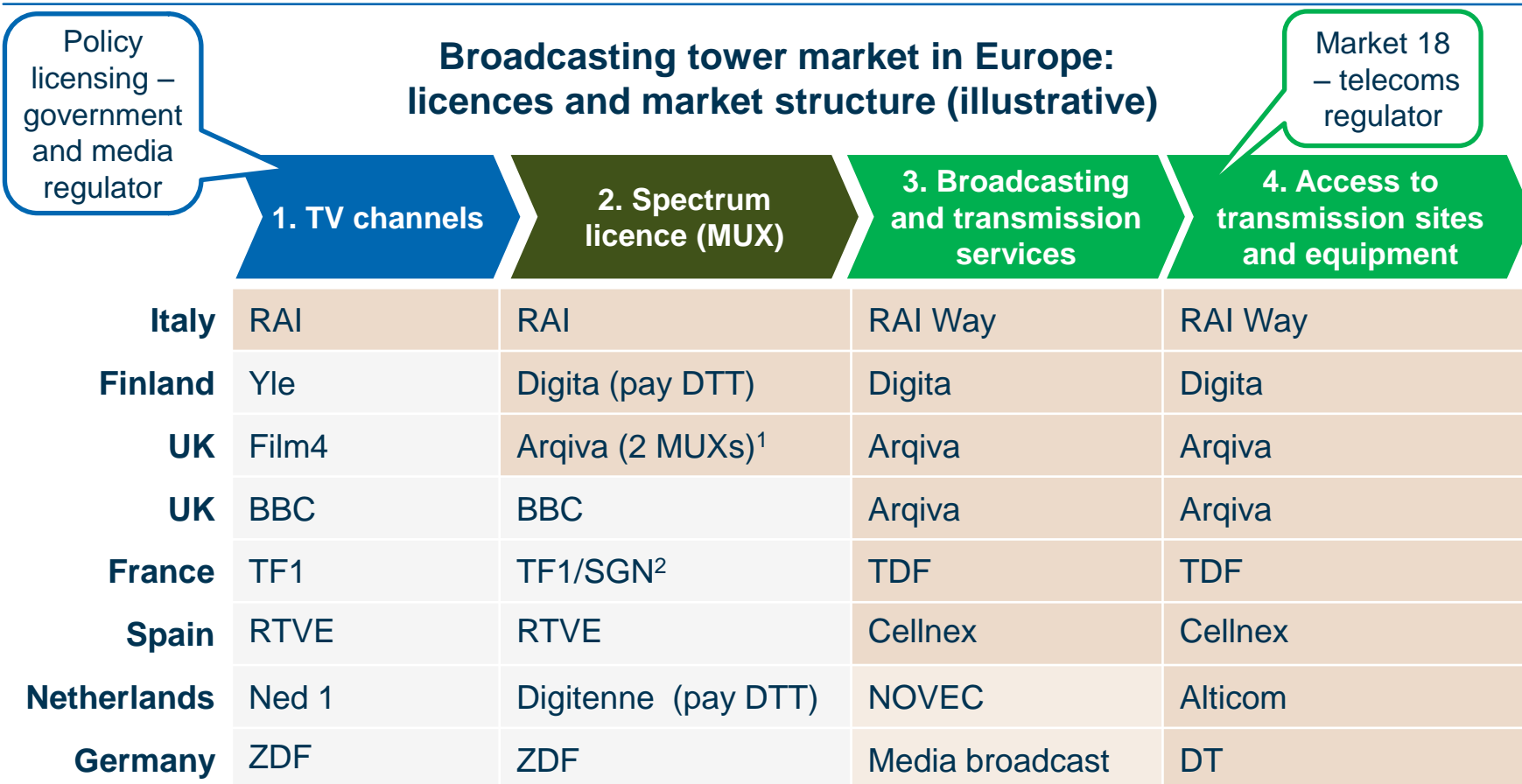
Important choices must be made – with the support of industry – to ensure DSO is successful and also strengthens national and local content. This requires a permanent dialogue to expand the sector's economic capacity and develop an appropriate regulatory framework

2 The regulatory framework is much more than a frequency plan and award of a DTT network licence



The legal framework is complex because DTT affects the heart of the AV sector as well as key aspects of telecoms, requiring the review of several laws

2 Moreover, DTT network licensing could involve several different types of licences

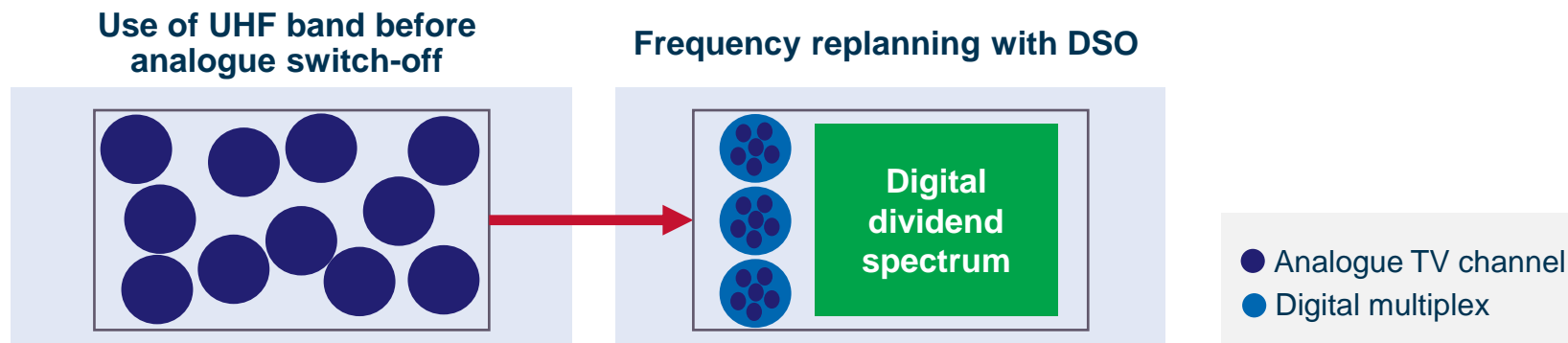


¹ Arqiva owns two of the six DTT MUXs available in the UK

² SGN: Societe Gestion de MUX

These licences can be awarded all in one or separately, depending on the nature of the market

3 The focus on spectrum is mainly driven by DSO spectral efficiency gains and the digital dividend

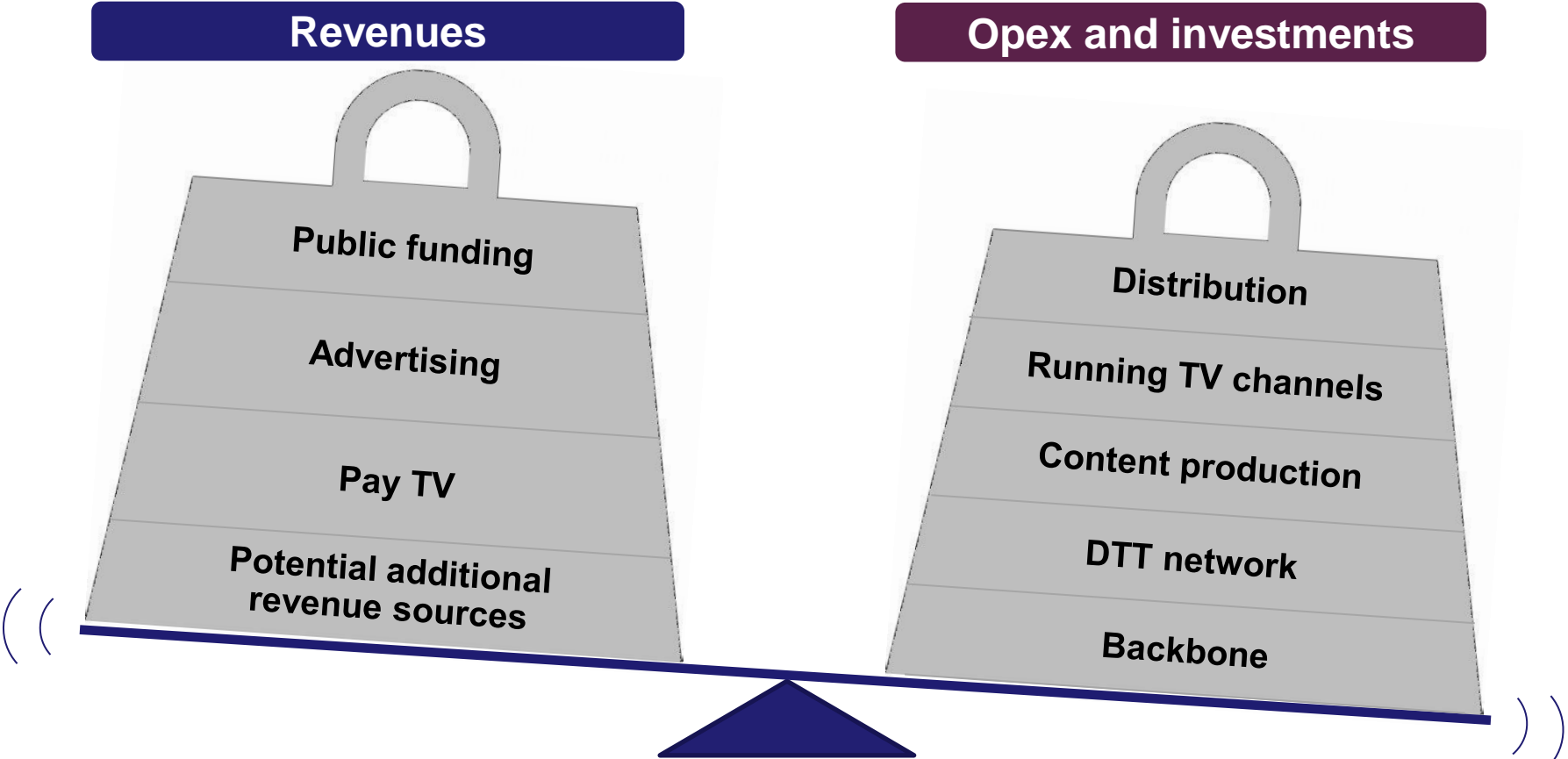


- Free 'good' spectrum: bands below 1GHz have better in-building penetration and more extended signal spread than those above 1GHz
- IV and V spectrum bands (470–862MHz) in UHF are useful for mobile broadband:
 - can help meet the growing consumption of mobile data
 - can be used for cheaper solutions to extend coverage of mobile broadband (rural areas)
- The 694–790MHz band is particularly valuable. In 2015 it was allocated to mobile in Region 1 (Europe, Middle East, Africa) by the World Radiocommunications Congress
 - benefits from the harmonisation of the 700MHz band worldwide
 - benefits from economies of scale for infrastructure and devices
 - facilitates roaming between countries

The digital dividend can also help countries to fund part of the cost of the DSO

4 The audiovisual sector needs to find a sustainable economic balance after the DSO

Revenues



Public funding

Advertising

Pay TV

Potential additional revenue sources

Opex and investments

Distribution

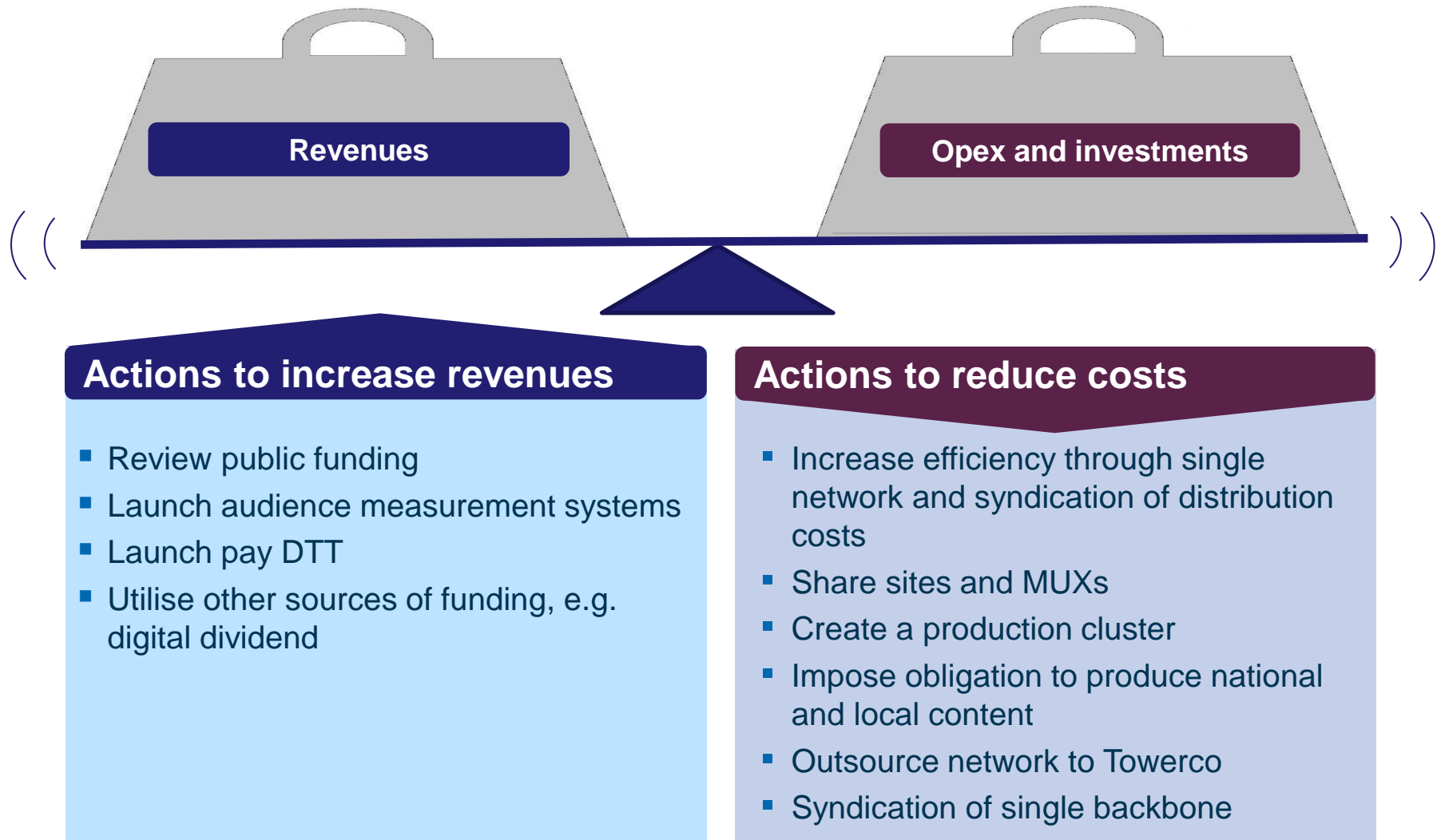
Running TV channels

Content production

DTT network

Backbone

4 A number of actions can be taken to help this rebalancing process



4 The long-term sustainability of DTT depends on a number of factors

Content

- Breadth and quality of content on DTT
 - number of channels
 - premium content
 - pay-TV offerings
- All this is determined by the willingness of broadcasters to join the DTT platform

Prices

- DTT is more affordable than other digital platforms
 - set-up prices (one-off cost of set-top boxes, plus other equipment such as dishes and connections)
 - recurring (e.g. monthly) fees

Quality

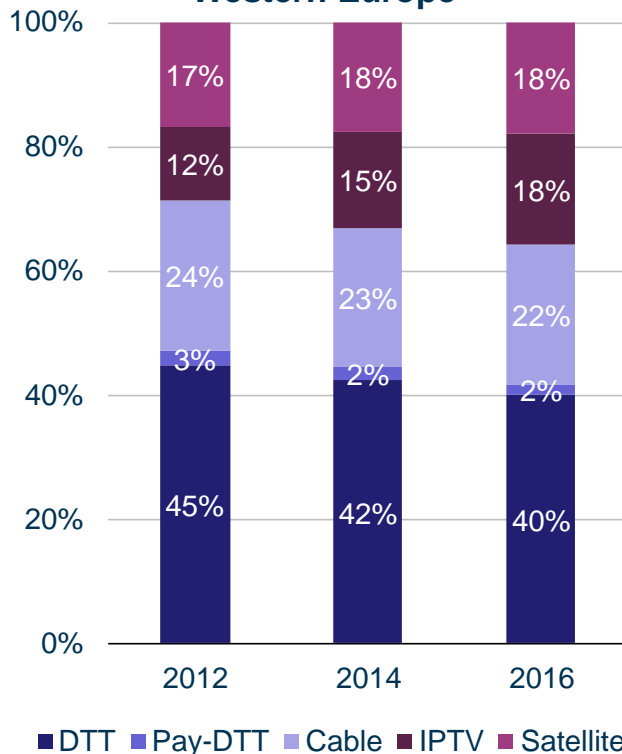
- Technology and quality of service of DTT compared to other platforms
 - coverage
 - possibility or need for a return path
 - quality of service

Platforms

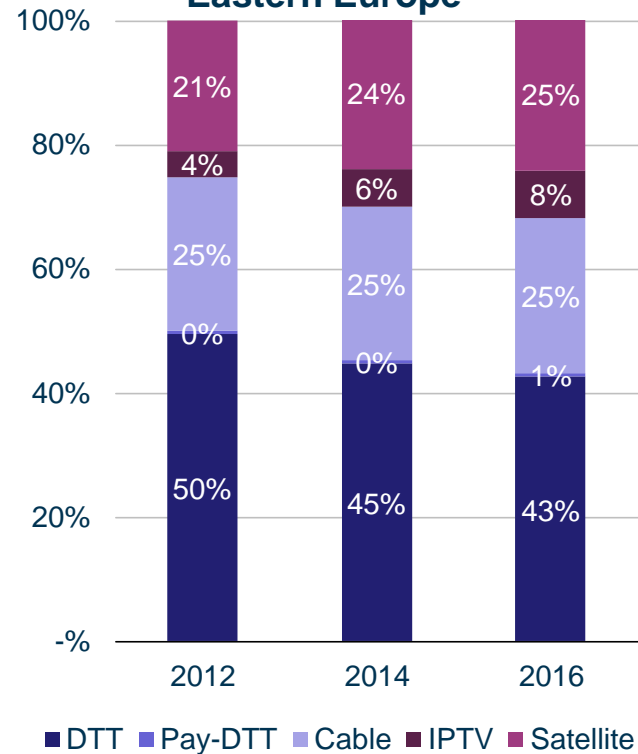
- Development of other platforms to maintain a competitive edge:
 - technological improvements to enable content-rich services
 - imposition of regulatory measures

4 In Europe, DTT is still the leading TV platform, followed by cable, IPTV and satellite

First TV set connections by platform:
Western Europe



First TV set connections by platform:
Eastern Europe



The free-to-air business model is the most common, but its economic sustainability requires a large take-up. Niche pay-DTT models also exist; their sustainability is based on a sufficiently large number of subscribers

Concluding remarks

1

Content is the most important aspect of DSO, but sometimes does not receive enough attention

- DTT networks and licences are a means to an end
- Greater focus should be on the desired TV and content production industry

2

DTT networks should favour an environment facilitating long-term sustainability of the wider TV ecosystem for all business models

- Generally, DTT networks should only cost broadcasters a small proportion of their revenues, irrespective of their commercial business model
- A mutualized network can provide cost efficient and support this aim

3

Governments should facilitate funding of the whole ecosystem, taking a holistic approach to the underlying legal and regulatory framework

- Potential co-existence of licence fee/state support, advertising and pay TV
- Potential for use of digital dividend to support network deployment
- Possible creation of content funds

Contact details

Lluís Borrell

**Partner & Global Head Media
Analysys Mason Limited**

lluis.borrell@analysysmason.com

