Motivation: television/video services in the era of convergence

• Two different worlds are converging towards one:
Scope of the presentation

- OTT and network neutrality
- Vertical integration
- Bundling issues
- Institutional framework

Traditional and new players…and a variety of devices

- Televisa
- BBC
- Netflix
- Variety of devices
Network neutrality issues

• Definition: “an Internet that does not favour one application (say, the world wide web), over others, (say, email)” (Wu, 2003)

• Possible types of discrimination:
  – “Fast-lane”
  – Discrimination/degradation:
  – How you count video consumption towards your data cap

• OECD position on traffic prioritisation (2007):
  ➢ Competition
  ➢ Transparency

How can NN affect competition in TV markets?

• Examples:
  – KT/Samsung in Korea (2012)
  – Free/Google in France (2013)
  – Comcast/NBCU and the Hulu “handcuff” (2009)

• Network neutrality “laws”: Chile, Netherlands, Slovenia

• Internet interconnection: current models works

• Important: competitive pressure from OVDs (online video providers) – key in some competition decisions News corp/BSkyB (2012), Comcast/NBCU (2009), Project Kangaroo (2009)
Vertical integration: industry structure

- Foreclosure of competing content providers
- Foreclosure of channels to downstream competitors
- Exclusivity deals
- In some countries: monopsony in content acquisition (e.g. sports, movies)
- Comcast/NBCU: guidelines for assessing vertical mergers
- DSL and OVDs: challenges for acquiring content
- Strong concerns have often been addressed with undertakings – difficult monitoring (e.g. CanalSat/TPS – France 2006).
Bundling: OECD report on bundling voice, data and video services (2011)

Comparison of minimum prices for video/voice/data if purchased separately and as a bundle, Oct 2009, USD PPP per month

Bundling: pros & cons

- **Benefits:**
  - “less expensive” when purchased together
  - Consumer surplus may subsidise less valued services
  - Unified billing/common customer care

- **Challenges:**
  - Lock-in
  - Obligation to purchase services customers don’t value
Institutional framework: convergent institutions for convergent technology?

• A number of questions are asked:
  – Role of regulation vs. competition law
  – Merger of telecommunications and media regulator
  – Is technology neutral regulation possible?
  – Content vs. infrastructure regulation, where do connected TVs lie?

Conclusions

• Network neutrality issues are at the heart of competitive developments in video markets
• Vertical integration – strong concerns addressed with undertakings, which have proven challenging to monitor
• Carefully assess the competition implications of bundling
• In an ideal world – convergent and technology neutral regulation should be the rule
THANK YOU