



CONVERGENCE IN TELEVISION AND VIDEO MARKETS

GLOBAL FORUM ON COMPETITION – SESSION 2

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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





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**

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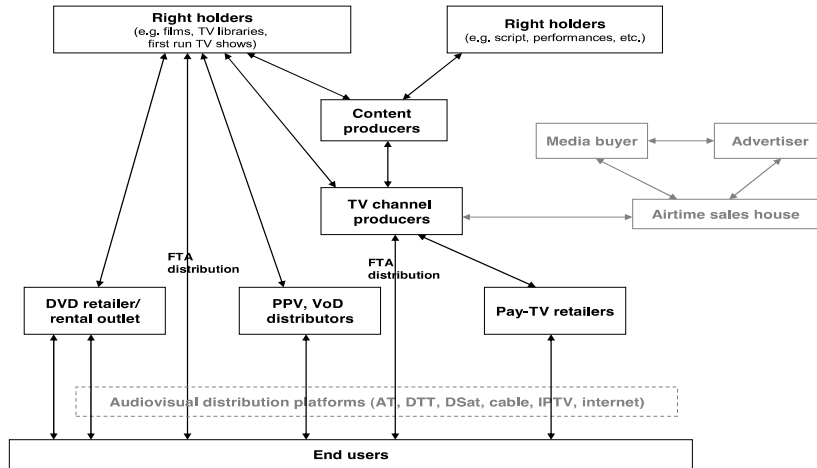
How can NN affect competition in TV markets?

- 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 Newscorp/BSkyB (2012), Comcast/NBCU (2009), Project Kangaroo (2009)

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Vertical integration: industry structure



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Vertical integration: issues

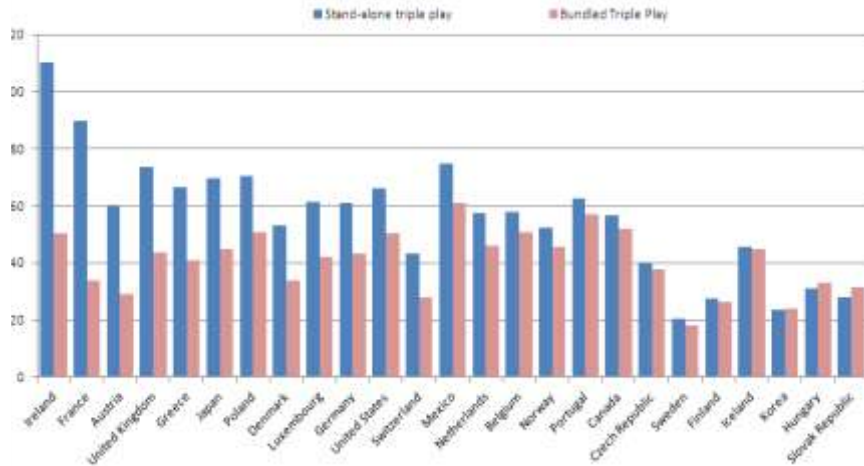
- Foreclosure of competing content providers
- Foreclosure of channels to downstream competitors
- Exclusivity deals
- In some countries: monopsony in content acquisition (e.g. sports, movies)
- Comcast/NBCU: guidelines for assessing vertical mergers
- DSL and OVDs: challenges for acquiring content
-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

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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?

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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

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THANK YOU