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Trends in Telco/Media Regulation

Date: 22nd March 2013

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Convergence

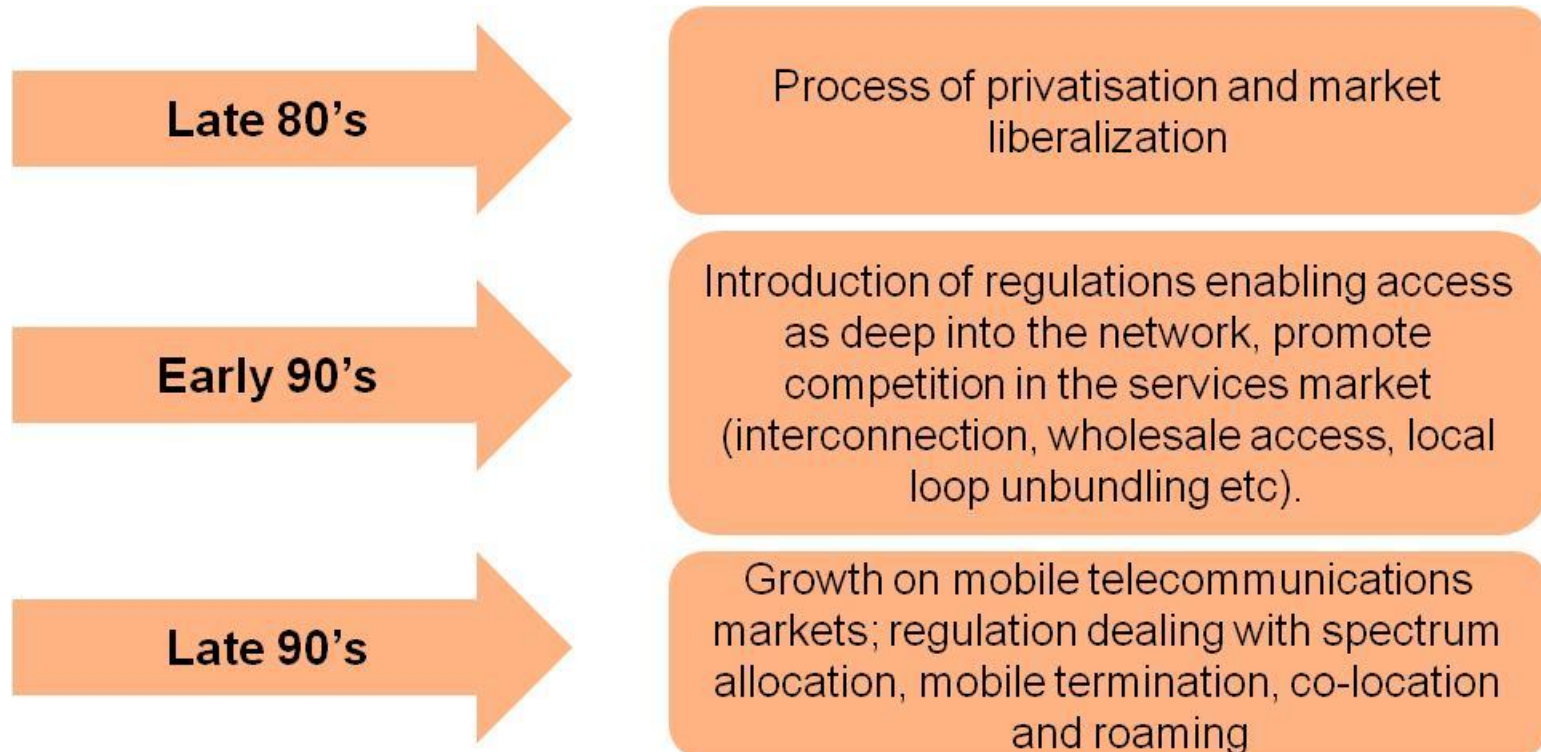
- Coming together of traditionally separate markets for telecoms and audio-visual services.
- Any service, any device, any network.
- Regulatory frameworks have not adapted fully to market developments.

Broadcasting

- Public interest concerns;
- Reputation of broadcaster;
- Content Standards;
- Local content obligations; and
- Advertising standards

Telecommunications

- Telecommunications regulation was economic in nature



Internet

- Unlike broadcasting or telecommunications, developed entirely in public sector, not subject to any significant national regulatory oversight.

The convergence challenge

- 40% of consumer packages involve triple play services (Ofcom, 2012).
- Inadequacy of old stand alone regulatory model exposed.
- No “level playing field”.
- Services & Suppliers are not treated equally.

The OTT challenge

- Services provided by OTT providers are not linked to the network over which they are provided.
- OTT providers cover all segments of the market:
 - Communications (e.g. Skype)
 - Commerce (e.g. eBay)
 - Information search (e.g. Google)

The OTT challenge

- Revenue for OTT providers will grow 40% between 2010-2015 (Nokia Siemens) but revenue for network operators will fall.
- Network operators complain OTT providers are “free-riding”.
- Pay TV operators complain they are subject to onerous regulations whereas OTT providers, providing an identical video stream, are not.

The Regulatory Response

- Significant changes to regulatory institutions in some cases to reflect technological and market changes.
- Changes in regulatory regime lag due to uncertainty and fear of unintended consequences.
- Convergence of institution does not necessarily mean converged regulatory regime.

Regulation of OTT providers

- Networks have advocated blocking or degrading traffic, or charging OTT operators for traffic over their network.
- Net neutrality principle requires all traffic to be treated equally.
- Sending party pays advocated by ETNO but rejected by European regulator.
- Change of direction required if governments were to adopt either approach.

Conclusion

- Regulation is unlikely to provide a solution to network operators' concern.
- Operators disagree whether OTT is a commercial or regulatory challenge.
- Technology moving too quickly & jurisdictional challenges too great for effective regulatory intervention to be realistic.

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