

Name and title under which you would like this response to appear:

Mr S.A.Smith

Representing:

Self

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Question 1: To what extent do you consider that DTT, DSat, cable and IPTV are in competition with one another for subscribers of pay TV services ? either at present or in the future?:

Currently pay TV services have a serious monopoly on DSat and cable in the UK.

Cable is obvious as the high installation cost would not support a model which did not guarantee a minimum income.

DSat can support FreeTV as this is already available but in the UK suppliers of Hardware are not well advertised and the technology not generally understood therefore customers in the vast majority use the Sky hardware distribution system to gain access for a fee. Not exactly Free as the Hardware offered is restricted thus controlling the use of items such as PVR's.

IPTV is able to support both FreeTV and pay TV services but due to restricted bandwidth availability this medium is currently very limited until the technology matures.

DTT replaces a free analogue system. The first attempt at DTT included a large payTV option but as the customers were not accustomed to this model having been previously used to the licence and advertising model, the system failed financially. There has been an attempt at some revival by "Top Up TV" but the customer base is very limited given the overall user base of DTT. I suspect that this is due to the previous analogue attitude of the public that paying a licence fee entitles them to a TV Service. gaining revenue by advertising is relatively invisible and therefore is accepted but paying directly again is not.

Therefore the answer is that payTV services are financially viable on the DSat, cable and IPTV medias and competition should be good but the supply of DSat equipment in the UK is currently monopolised by Sky and this needs urgently addressing and the public needs educating about the alternatives.

Limited availability and the fact that customers have transferred form the old analogue models makes it very unlikely that a payTV service is financially viable on DTT so although we might see some initial competition the result is likely to be negative.

Question 2: To what extent do you consider the Proposal is likely to deliver benefits to the consumer?:

Almost none at all. The subscription model provides enough income to supply the reception media and the available medias provide a far greater selection of channels than DTT can therefore customers will to subscribe to payTV will want to get the best value from their investment and will go for the media offering the greatest return. The exception may be in a small part of the UK where DSat and cable reception is not available but this is a very small proportion.

Question 3: To what extent do you consider that there is scope for sustainable competition in pay TV on the DTT platform and, more broadly, across all pay TV platforms?:

Answered this in Question 1 except that there is a danger of the initial attempt at a payTV service on DTT could seriously restrict the availability of FreeTV channels thus trying to force the public to take the payTV route. This cannot be fully viable since subscribers will soon realise that greater facilities are available on alternative medias and will move to maximise their investment. This can only eventually lead to financial disaster for the DTT platform which has already been proven in the past and lead to the formation of FreeView.

Sustainable competition is viable on all other platforms given that public access to DSat is made more easily available outside of Sky (yes Sky could be used for hardware distribution but the added cost they would pass on to the payTV providers would effectively make financial competition very difficult) and future technology makes IPTV viable for volume distribution.

Question 4: What are likely to be the key aspects of competition between providers of retail pay TV services on the DTT platform? E.g. what is the role of premium sports and movies content?:

There should still be a responsibility for the availability of public broadcasting which must include items outside of general interest which cannot be financed otherwise and some premium sports and movies to cater for the less well off.

The key aspect of allowing payTV on DTT would be to remove channel availability from FreeView. Given the restricted bandwidth available on the DTT band this might inflate the revenue available to the government but would certainly restrict the potential customer attraction of FreeView.

If as I suspect, the payTV model is not viable on DTT then the revenue gain would not last long and it may be difficult to persuade potential FreeView Broadcasters to risk exposure to this medium again.

Given the current role out of Broadband it shouldn't be too far in the future when this will offer a good secondary source of payTV content to DTT users without damaging the FreeView potential. This will certainly be cheaper and easier to install than the DSat or Cable alternatives.

Question 5: Do you consider that if Sky were to become the only provider of pay TV on the DTT platform it would be likely to have a significant detrimental effect on competition in the long term? How might this affect the development of other platforms for the delivery of pay TV services?:

Given the limited channel space, once Sky are in there isn't going to be much space for other competitors, so the answer is YES, very definitely.

Sky already has a financial monopoly in the payTV DSat area. Yes there are payTV providers but they all have to pay Sky for transmission and this cost is passed on to subscribers. This ultimately led the BBC to source an alternative DSat service and for a large organisation this resulted in financial savings but smaller Broadcasting companies may find the alternatives less attractive as they are unable to offer large revenues to alternative providers. PayTV users migrating from DTT as I suspect they will be likely to migrate to Sky if this is the only service they have experienced on DTT.

Question 6: To what extent, if at all, do you consider that the Proposal would be likely to lead to any of the public policy concerns outlined at Section 4?:

In section 4 you observe that the use of DTT channels would not affect DTT since they have apparently reached saturation. The majority of the DTT audience watch the main PSB's (BBC, ITV, Four & Five) and other channels suffer from reducing audiences. I would comment that the reason behind this is in fact that the licence model for the DTT platform is far too high. Broadcasters end up paying a fee which leaves them little to provide programmes, this leads to failing audiences and the channel fails. As long as your licence model relies upon highest bidder then the largest organisations and successful shopping and gaming channels are the only ones who can successfully survive.

PayTV brings in Sky who certainly have the financial means to become the highest

bidder and still have programme content from their current broadcasts. This will cost them very little extra, they have done nothing in the past to promote or support DTT and now they will step onto the platform only really needing to recover the licence fees. This will give them a very large advantage over smaller PayTV providers and reduce potential competition.

Your assumptions do NOT take into account the introduction of HDTV. Just about every main TV being sold today is HDTV compatible and the general public are going to want to use what they have paid for. HDTV must come to DTT eventually if the platform is to survive and the whole concept of Public Broadcasting is to be continued. This will require a real increase in DTT bandwidth requirement and payTV will be in conflict with this.

Question 7: Specifically, to what extent do you consider that the Proposal would be likely to lead to consumer confusion?:

DTT had to be re-marketed as FreeView in order to survive. It needed to survive in order to carry out the digital switchover. What is FREE about payTV? Of course there will be public confusion and if payTV is allowed on DTT and the financial model fails then there will be public anger as there was before.

Question 8: To what extent do you consider that it is beneficial for consumers to be able to obtain Sky and existing DTT pay TV content without having to purchase separate STBs?:

I suspect this question is aimed at asking whether we really need to move to the MP4 encoder standard.

MP4 is more efficient, capable of better quality and will have to be adopted at some time as you can't keep on using a dinosaur. Some time the bullet will have to be bitten and the general public will have to be informed that they must change their STB's but I am not sure that payTV should be the initiator.

This must happen eventually and the best initiator is HDTV. This would be a new addition and the public might expect that hardware needs to be updated to receive it. What is urgent is to make the decision to use MP4 in the future, now! This means that all new STB's produced can be made compatible and in the future it would be possible to switch all multiplexes to MP4 to gain extra bandwidth and performance without having to change all STB's.

Are the current STB's capable of supporting the payTV subscription cards that will be required? Can they be connected to the telephone? Perhaps I am wrong and now will be the time to have to purchase new STB's which will make the whole idea even less viable.

Question 9: Do you consider that the Proposal might lead to any additional public policy concerns:

If PayTV appears on DTT it is likely to be used for Sport, this will make it harder for the FreeView Broadcasting companies to source sport at an economical price. Sport should be part of Public Broadcasting and therefore this could impact the provision of public broadcasting.

Question 10: If Sky becoming the only provider of pay TV services on the DTT platform were likely to have a significant detrimental effect on competition, do you consider that it is possible to address this through a set of additional conditions and/or directions? If so, what form should those conditions/directions take?:

1. Limit the number of channels supplied to Sky and reserve some for the competition.
2. Abandon the "Highest Bidder" model of licencing and take into consideration the financial reserves of the bidding company.

In the end I am not sure anything can compensate for the lead and current payTV experience Sky already have.

Additional comments: