NETWORK INSIGHT

Broadcasting and Broadband

Session 1

1 October 2009

IMW Media Services

What Channels and Services will Flourish

- I don’t know
- Business models
  - Subscription and or advertising funded
  - Government funded or subsidised
- Genres
- Delivery platforms
  - FTA terrestrial and satellite
  - Subscription satellite and or cable
  - IPTV on line
- Sport anti-siphoning
- Consumer equipment domain

Business Models

- **Mostly the new channels and services will rely on subscription of some form**
- **Could be:**
  - **Direct pay as you go subscription as in current Foxtel model**
  - **Indirect subscription as in on line delivery via fast broadband and ISP subscriptions and download fees**
  - **Payment could be for complete linear real time channels and or for on demand selected program delivery**
  - **Advertising will be there but unless forced by regulation not likely to be the major revenue source for most new services**

Genres

- **Generally comprehensively scheduled channels are well catered for:**
  - **Nine + Go**
  - **7 + ?**
  - **10**
  - **ABC1 + ABC2**
  - **SBS1**
  - **Fox 8**
  - **Arena**
  - **TV 1**
- **Mostly new channels and services will be thematic, specialised or on demand**

Delivery Platforms

Platforms	Home Penetration (2013)
FTA Terrestrial Radiated	93% / 95%
FTA DTH Satellite	3% / 5%
Pay Satellite or Cable	27% / 30%*
IPTV On line (ADSL2 and above download speeds)	35% / 45%*

* Assumes sport anti–siphoning list remains in place and applies to IPTV

Free to Air TV
Freeview

- How committed to the digital terrestrial FTA platform
- All members provide their current channels to Pay TV
- Can they deny Pay TV access to the new FTA channels
- Cooperative developments for IPTV on line delivery of FTA content
- Probably between 3% and 5% of FTA homes will use DTH satellite
- Will set top box and PVR Freeview specs expand to satellite and on line delivery devices
- If so is Freeview a platform focussed organisation or just one based around its members' content

Free to Air TV

- Will new FTA digital channels diminish Subscription TV viewing in Pay homes
- My guess is that most will get between 0.5% and 2% of viewing in FTA only homes and around 0.5% to 1% in subscription TV homes
- Will the new FTA digital channels increase overall FTA viewing
- My guess is:
  - Not in FTA homes but it may decrease the rate of decline
  - Unlikely in subscription TV homes where new subscription channels will offset them
  - In my view the anti-siphoning list staying in place while allowing first exhibition on the multichannels is more significant than any new FTA channels

Subscription

- Growth in % home penetration has plateaued
- Subscription sector needs to sign up 720 home customers each day of the year just to stay at current 25% home penetration
- AGB Nielsen (OzTAM and RegTAM source) and Newspoll (digital uptake survey source) overestimate home uptake by around 13%
- Increasing ARPU may be more important than increased home penetration rates
- Those experienced in retail TV (the subs TV entities) may be better positioned than the wholesale TV operators (the FTA entities) to take advantage of all forms of subscription income
- The subs TV entities have more bandwidth and know the attributes of all their customer equipment
- The subscription sector has more retail service tricks to play like the “free IQ” PVR offer from Foxtel on Tuesday

IPTV On Line

- Over a year ago Telstra announced
  - More than 80% of homes had access to ADSL2+ download speeds
  - Homes <3 kms from exchanges 8 mbt/s. Homes <5 kms from exchanges 2-3 mbt/s
- TPG has 14 IPTV channels available to ADSL2+ subscribers. It is said to also retransmit 5 local free-to-air services in Sydney
- NBN will equip homes with access to 12 and 100 mbt/s downloads
- NBN may have a dedicated port for delivering FTA and Subs TV
- Most on line real time delivery of FTA and Subs TV channels may be “broadcasting” pursuant to the current BSA
- Delivery of select on demand content will not be

IPTV On Line

- The number of homes subscribing to broadband connections supporting linear FTA and subs TV channel delivery will be:
  - Price sensitive
  - Dependant on download caps and excess per mbyte charges
- The subs and FTA TV industries will use this platform as heavily as consumer experience allows
- For FTA, IPTV on line delivery is no longer FTA. There will be direct or indirect ongoing charges to viewers.
- The consumer experience of plugging in the broadband connection to the TV set will heavily influence take up and use
- The subs TV vertical structure, use of professional installers and readily available help desks and technical call outs will probably advantage this sector vis a vis FTA

Consumer Equipment

- Leisure TV is different from learn or work TV
- Consumers won’t work hard and suffer outages with leisure TV
- Consumers will work hard and suffer inconvenience if content is imperative to work, study, hobbies or earning money
- The true FTA environments require consumers to do the work, acquire and operate the equipment and fix faults
- How will Freeview on line IPTV delivery of FTA services and selected content deal with this
- Subscription environments, including IPTV on line versions will always offer some help desk and possibly installation and home call out assistance
- Generally connecting TV sets to computers via wireless routed broadband connections will not be a ubiquitous leisure TV model
- Legacy TV sets and recording devices may circumscribe some aspects of IPTV on line delivery for some time

Summary

- **Generally I see the following:**
  - **Subscription revenue of one form or another will play a bigger role in the success of most new services**
  - **Thematic or specialist genres are likely to become more prevalent**
  - **The FTA digital terrestrial platform will remain dominant but its total share of TV viewing will fall**
  - **Existing satellite and cable delivery of subscription TV will increase slowly. Increasing ARPU and reducing churn may be more important than increasing percentage penetration**
  - **IPTV on line delivery of both FTA and Subs TV channels and content will increase**
  - **A number of telco, ISP and new start up operators will enter this arena**
  - **The vertical structure of Subs TV entities and their installation, help desk and home visit assistance structures will be important in complex home TV systems environments**