

**“Telecoms , media at the convergence era.
A competitive /regulatory challenge”**

May, 2009

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4th International Conference on Broadband

ATHENS - DIVANI APOLLON PALACE, May 20 - 21, 2009



Broadband operators are positioned through the value chain

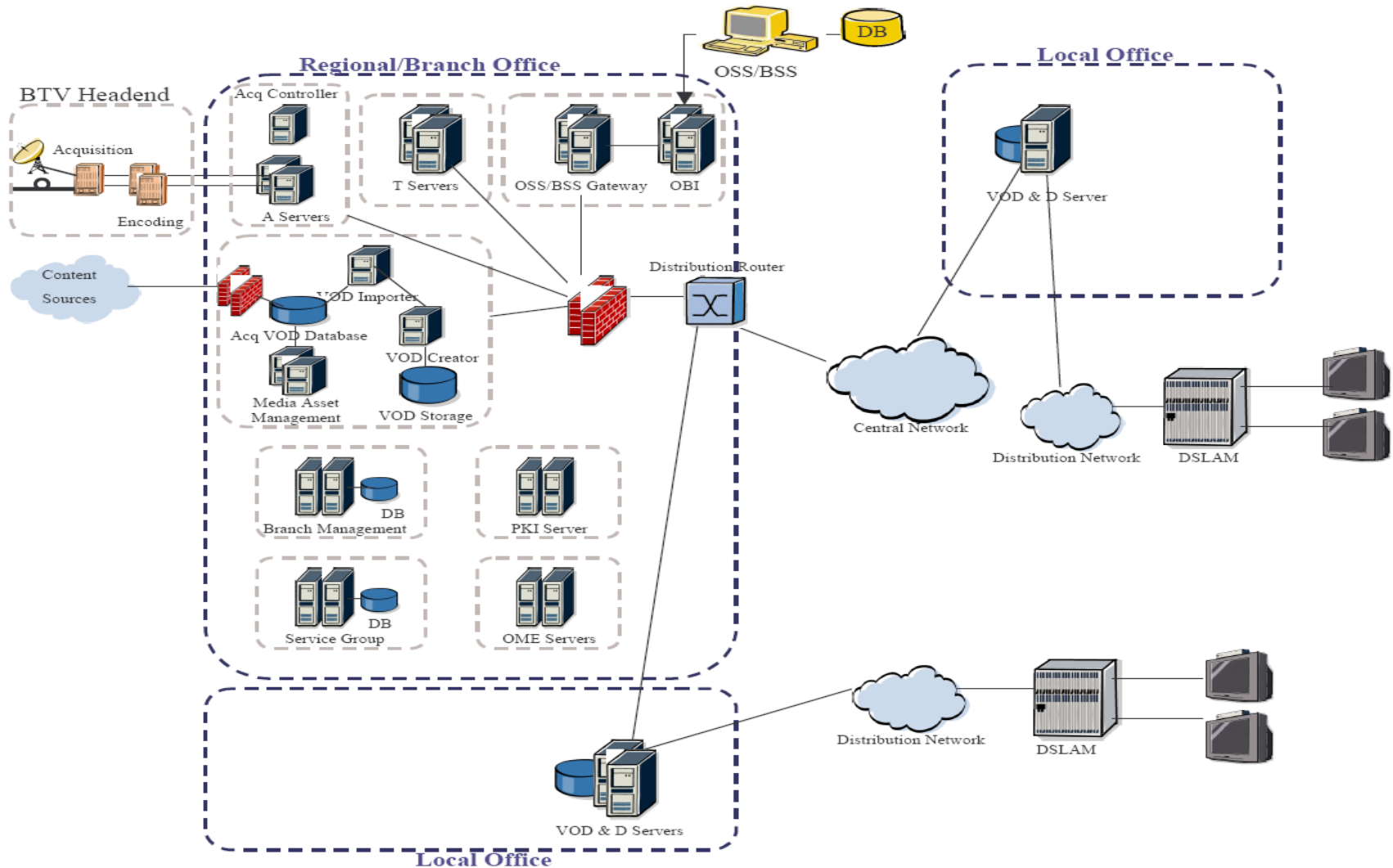


Specifying the Value Chain

<i>Value part</i>	<i>Type (indicative)</i>	<i>Role</i>	<i>comments</i>
ACCESS	xDSL , CABLE , WLL, FTTx	Incumbent , OLO	<u>The power is concentrated at the incumbent level</u> with a participation of OLO's mainly through LLU
BACKHAUL	Transmission lines (SDH , WDM, metroETH, Wireless)	Incumbent , OLO	<u>The main power is concentrated at the incumbent level</u> but OLOs develop own infrastructure
ISP SERVICES	E-mail , web access , services	OLO , ISP , ASP	The services provided are mainly Web services
CONTENT	Video , audio , data	Content providers , ASP	The role of the content providers on this part is getting stronger by the time through valuable content provisioning

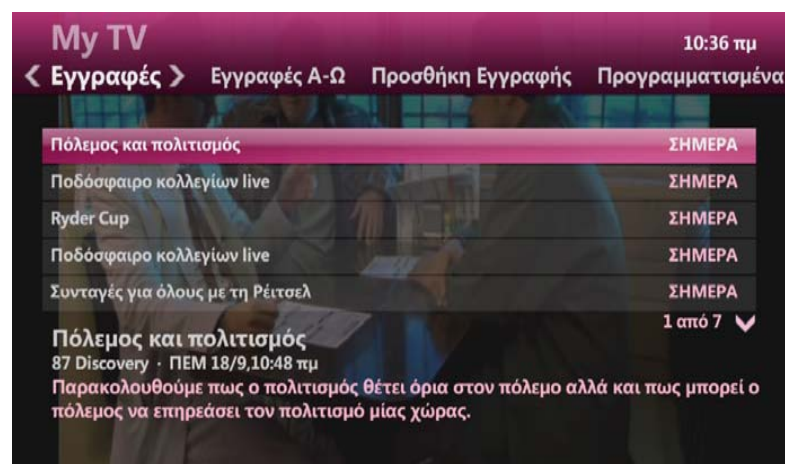
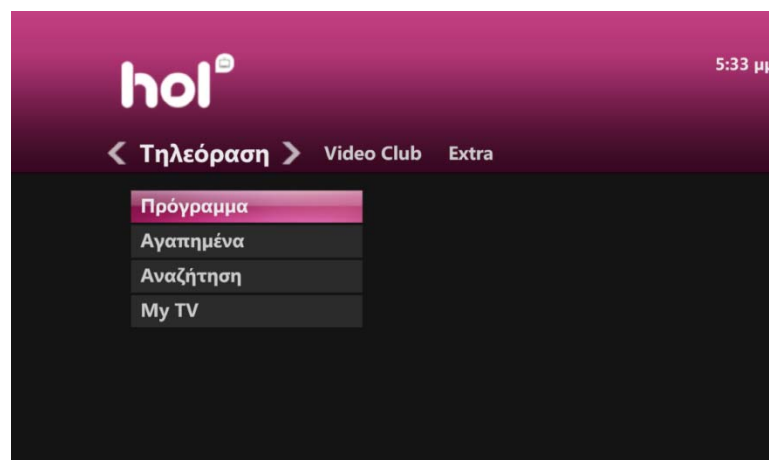
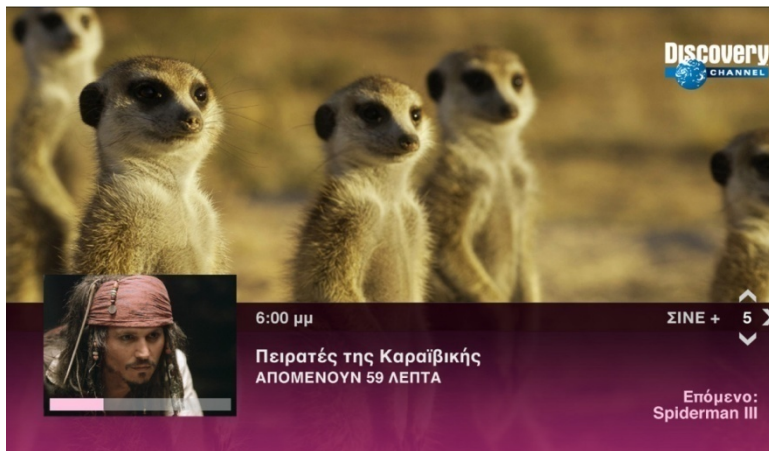
Telecom operators entering IPTV arena (1)

It is not about technology challenges...



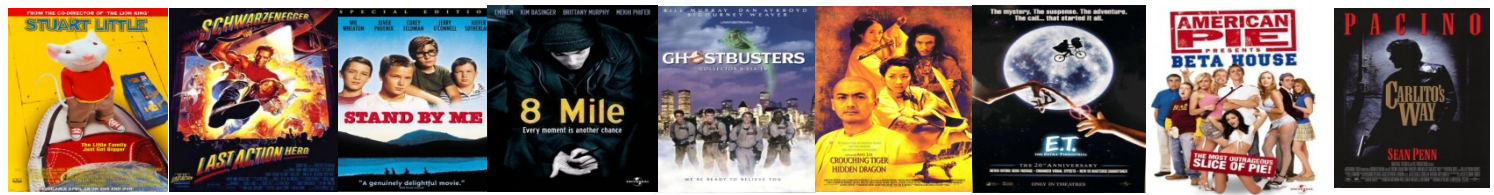
Telecom operators entering IPTV arena (2)

It is not about marketing challenges...

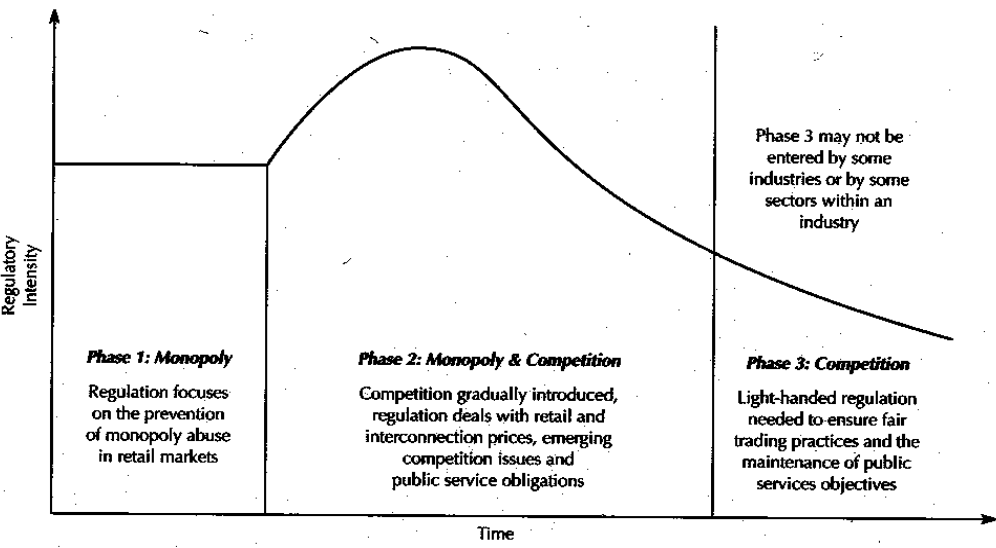
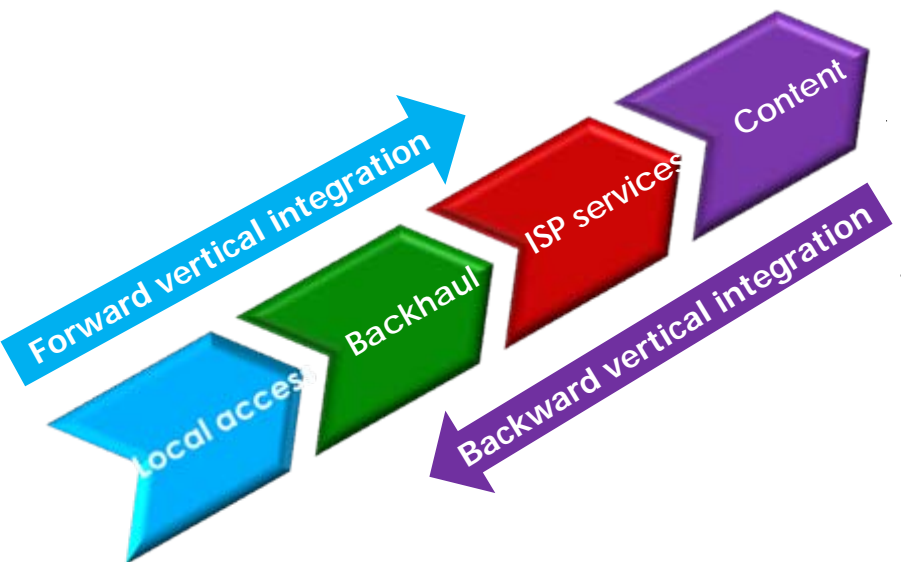


Telecom operators entering IPTV arena (3)

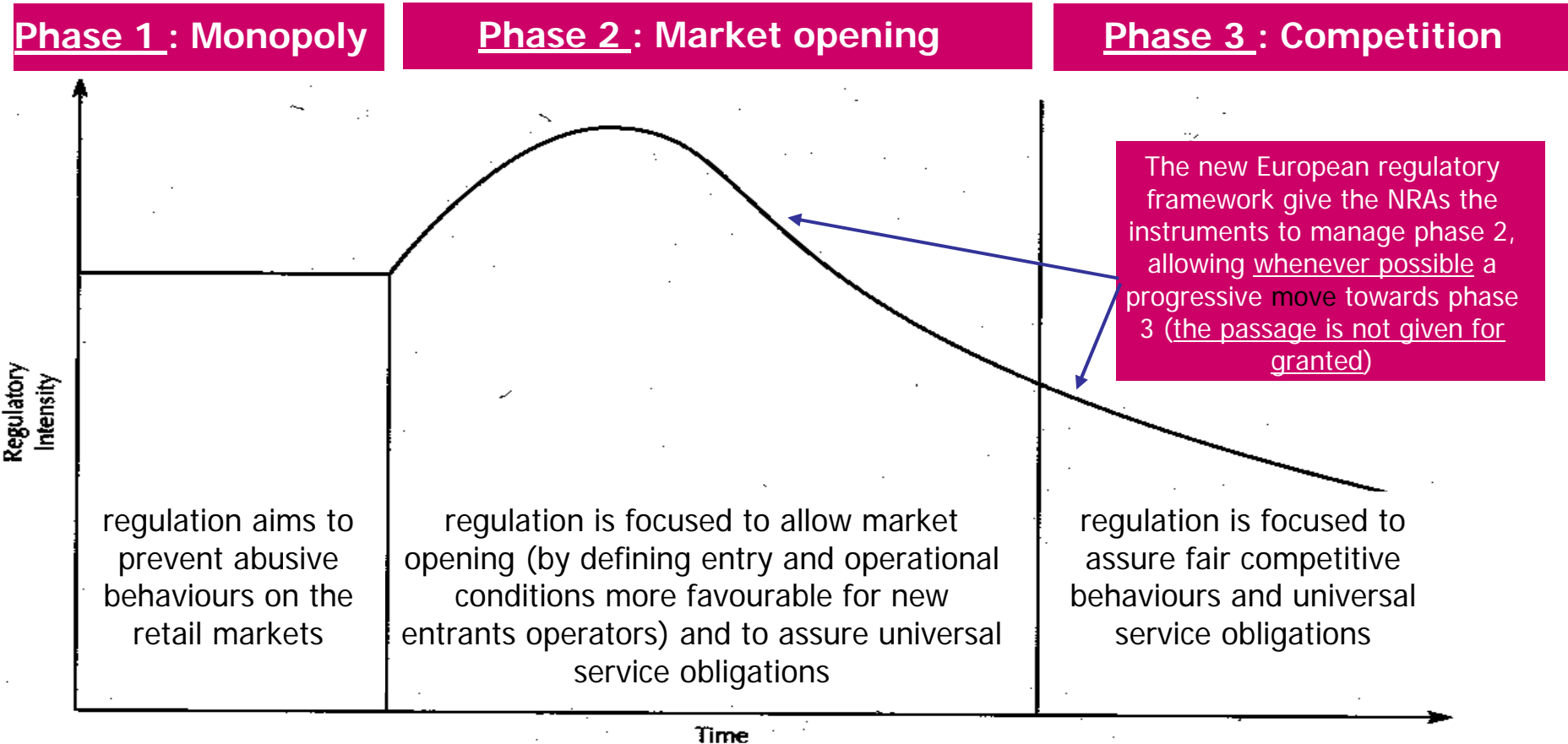
It is all about access to content challenges...

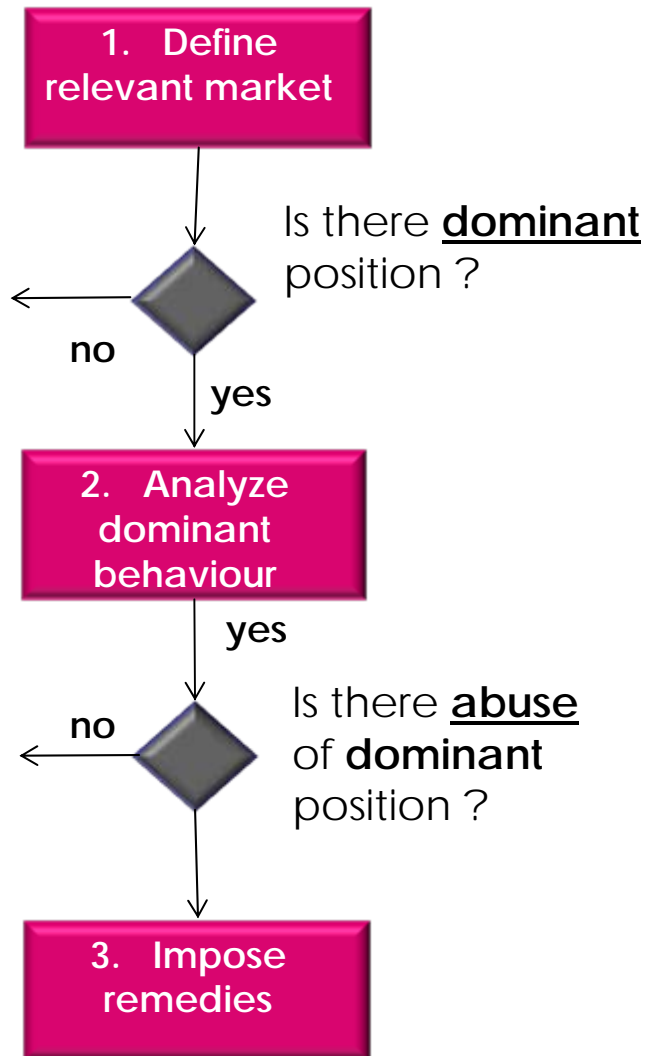


& competitive landscape challenges...



Mission of regulation is to efficiently manage all the ecosystem complexities and lead the market to competitive levels adjusting it's intensity according to market circumstances.





MARKET POWER

Market power can be thought of as the ability profitably to sustain prices above competitive levels or restrict output or quality below competitive levels. An undertaking with market power might also have the ability and incentive to harm the process of competition in other ways; for example, by weakening existing competition, raising entry barriers or slowing innovation

DOMINANT POSITION

A position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent **independently of its competitors, customers, and ultimately of its consumers**

ABUSE OF DOMINANT POSITION

- Predatory pricing
- Margin squeeze
- Tying/Bundling
- Barriers to entry

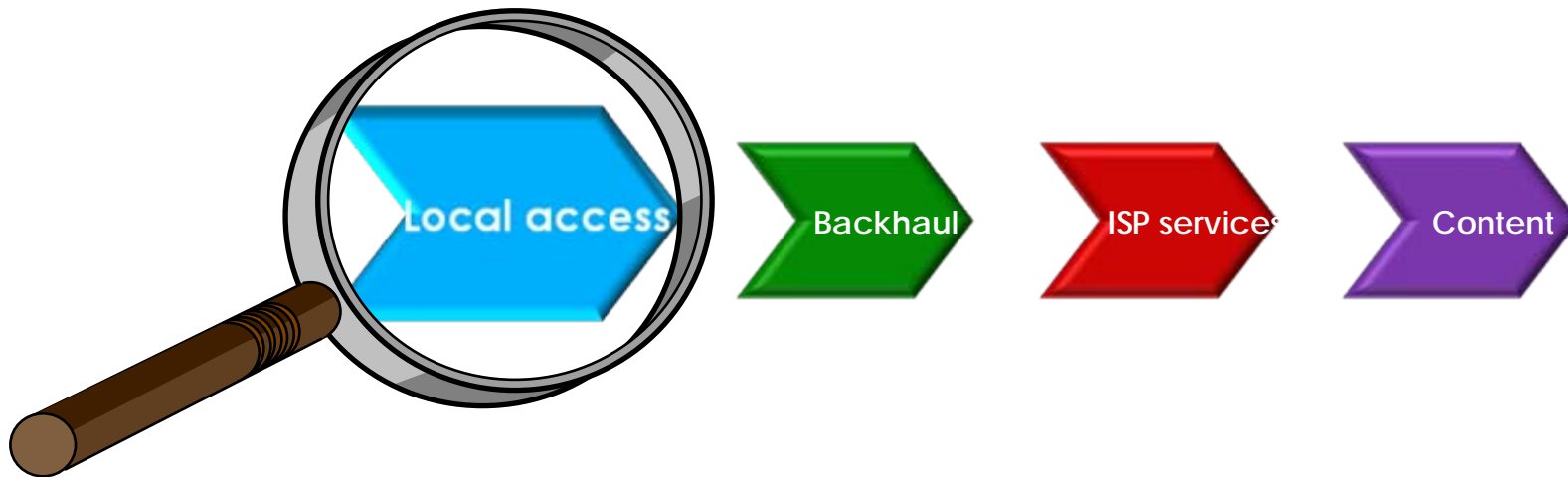
Porter's industrial economics' view

The analysis of a market / industry relies on industrial economics theory of Porter known as the "5 forces" .



- How competitive is the market ?
- What are the dynamics in an industry ?

Regulation in local access is one of the greatest importance – “ ex-ante ”

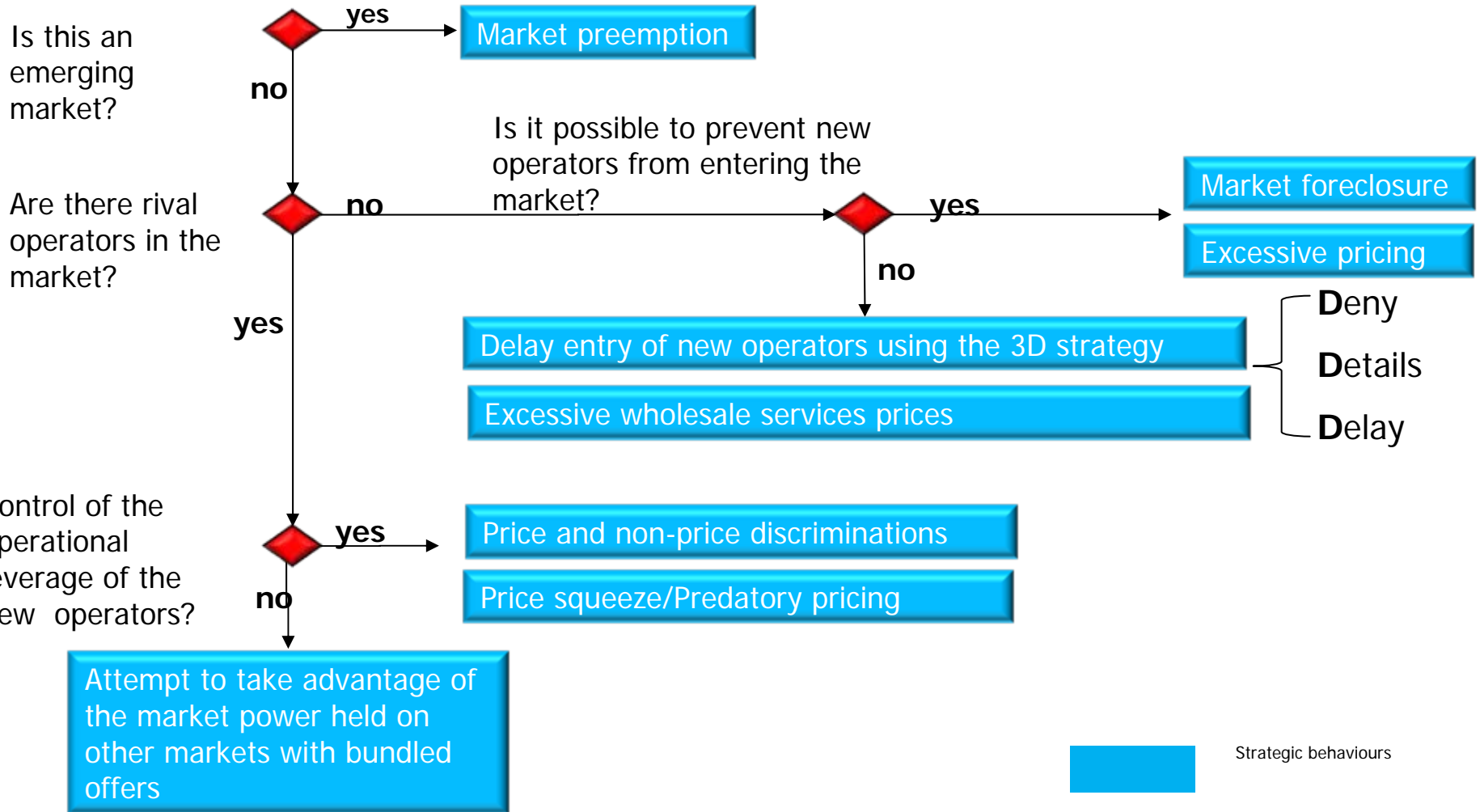


Incumbent SMP market.11

Remedies :

- Allow access (shared access , full LLU , collocation, e.t.c)
- Transparency (published RUO , minimum info provided , e.t.c)
- Non discrimination
- Account separation
- Cost orientation

Although Regulation exists anti competitive practices appeared to be strategic approach



Access to content may be proven as the new bottleneck for competition



Content competitive landscape

- Market power assessment
- How narrow is the relevant market ? Ofcom's consultation
 - the wholesale supply of FAPL – “core premium sports channel” .
 - the wholesale supply of channels including 1st TV subscription window for films of Hollywood Major's.
- Dominant position ? Efficiency or abuse ?
- Vertical integration ? Infrastructure – Services - Media
- Tying/Bundling ? Bundling products
- Barriers to entry ? Exclusive rights

Competition law - convergence



AOL/Time Warner - 2000

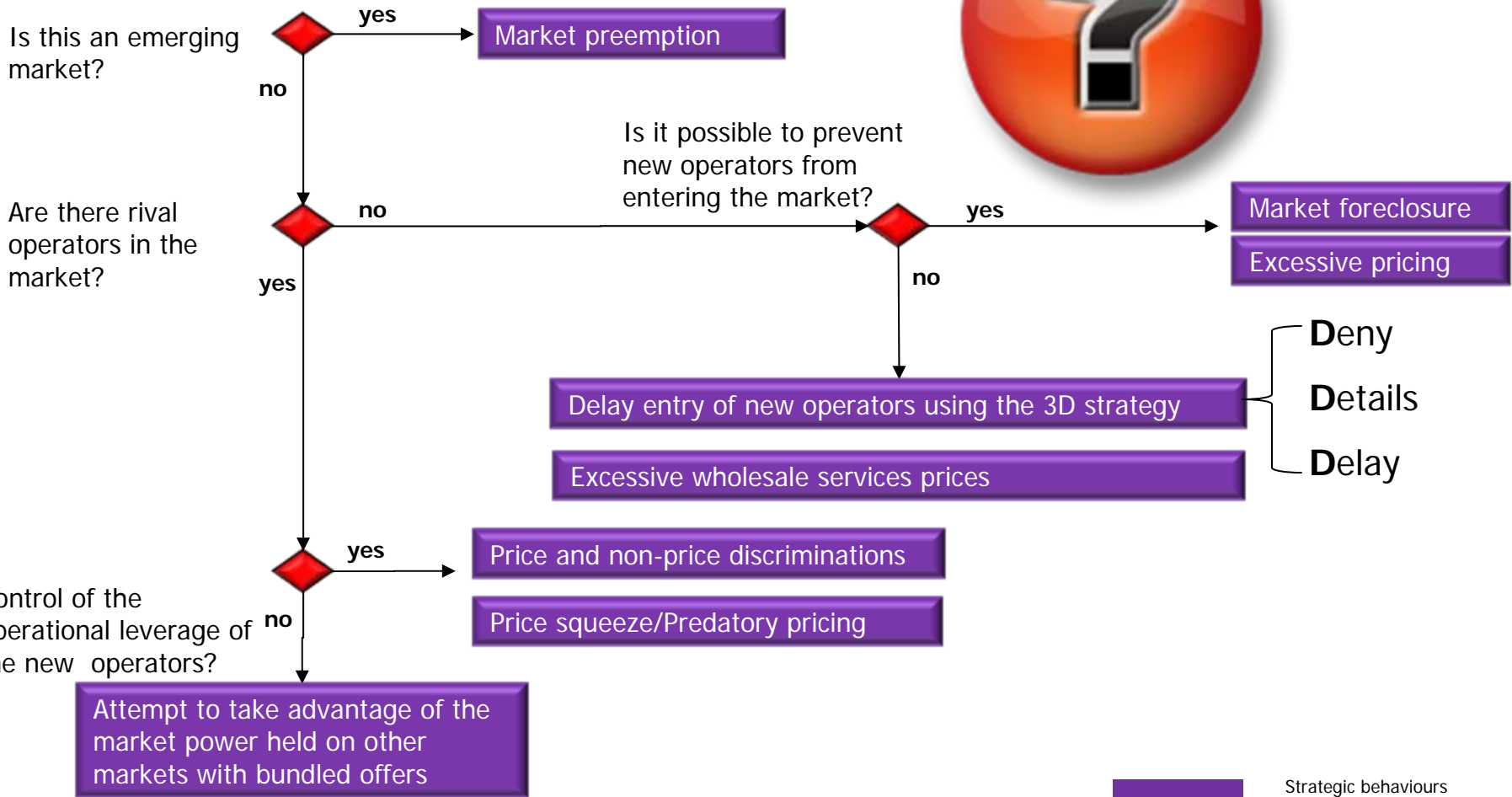
- Control the leading source of music publishing rights in Europe
- AOL is a leading ISP , T.W one of the biggest media/content producer
- Vertical Integration with T.W branded content exclusively through AOL access
- Relevant market of internet music delivery online
- Approve only with specific package of commitments- Loose Bertelsmann/AOL JV.



Vizzavi = Vodafone/Vivendi/Canal+ - 2000

- Services (portals , content) & infrastructure (mobile phones , set top boxes)
- National markets of TV based Internet portals & pan European markets of mobile phones internet portals.
- Approve only with specific package of commitments – allow 3rd party portals to be accessible through mobile phones or STB and have access to standard portals

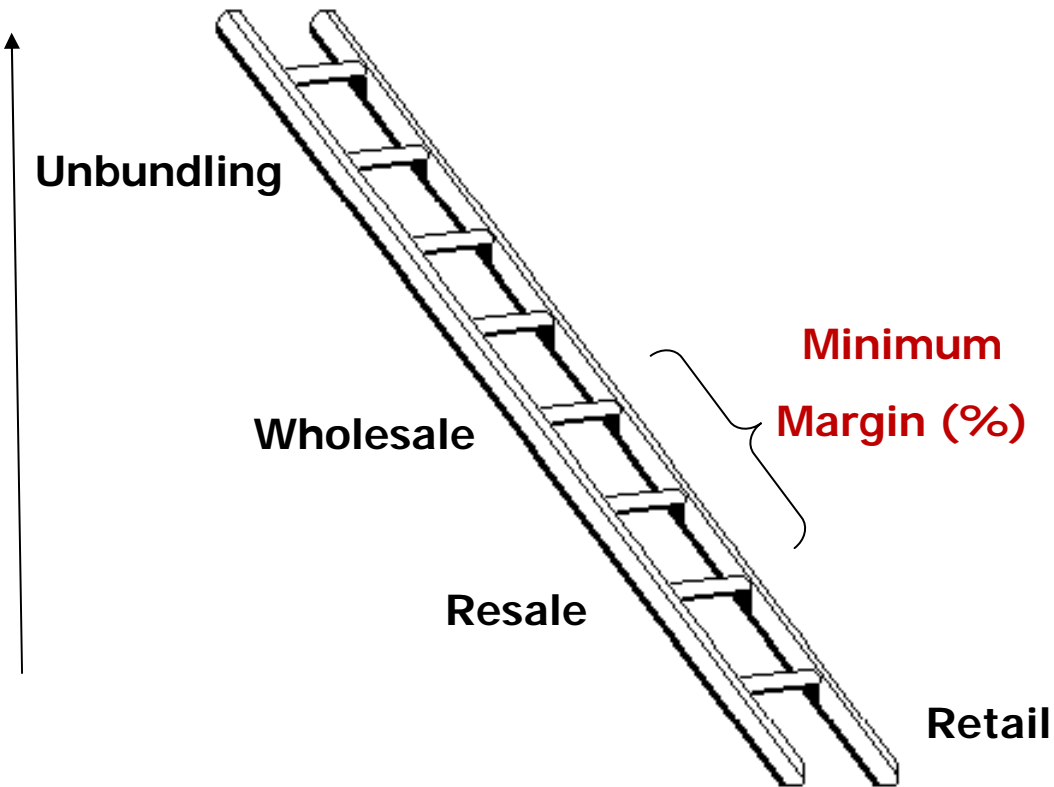
Modeling anti-competitive behavior



Strategic behaviours

Back up slides

Ladder of investments



- Both network and services competition are needed to achieve growth goals. A few closed networks will not deliver full choice and innovation. Successful broadband countries use mix of measures
- Ladder of investment concept can be used in all sectors to erode dominance from top down, but should be neutral to promote efficient build/buy decisions

Preventing incumbents' anticompetitive behaviours

Prevention of the dominant operator's strategic behaviours

