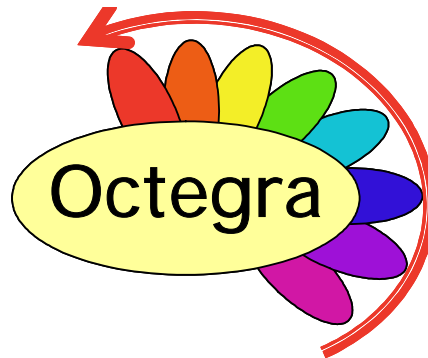


Market Analysis

Telcos and Broadcasters Join to Launch Public Service Broadcasting



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The Public Service Broadcasting (PSB) seminar, held in London on Friday 14 January 2005, addressed the question of how to develop PSB beyond television and into the new, rich, personalised media offered by devices, such as mobile phones. Both broadcasters and telcos are interested in taking part in Ofcom's proposal for a new PSB with an annual budget of £300 million. However, the way forward is unclear and the effect of this on current PSB, such as the BBC, is unclear. Now is the right time to consider what the UK should do after digital switch over, but we believe that Ofcom should:

- Strengthen the existing PSB brands.
- Regulate for the account separation of digital access and content services.



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Telcos and Broadcasting

In the later 1980's, telcos around the world began to see the possibility of offering TV services to the public, either by:

- Buying cable franchises, as the US RBOCs did, to enter the UK market as a test bed for the future US market.
- Upgrading their existing copper local loop to support broadband DSL services.

What the telcos learnt was that glamorous businesses, like cable TV, look attractive but are hard work and can leave you with a big hole in your pocket. It may seem surprising then that the recent seminar on Public Service Broadcasting (PSB) should be so well attended by both fixed line and mobile operators. Broadcasters and telcos now realise that digital convergence is happening and the barriers between their respective industries are crumbling. Consequently, they will both have to work together in order to remain competitive.

For Ofcom, the big question is what will broadcasting look like after digital switch over, or (to the less politically correct among us) "analogue shut down", which is due to happen in the UK around 2012. By this time, people will have access to a wide selection of new digital media in the form of broadcast TV and IP broadband services. The concern is that this mass of digital media will either decay into a morass of cheap soaps or open up a digital divide between the haves and the have-nots.

To address this issue, Ofcom has proposed to create a new PSB, based on IP digital services such as mobile phone TVs. The aim of this new PSB will be to act as a content publisher and to promote best quality services in areas such as:

- Culture.
- Democratic values.
- Education.
- Social development.
- Health.
- Government on line.

Ofcom has suggested a funding level of £300 million per annum for this service, which in broadcasting terms is a large amount of money. However, these aims begin



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to look like prenatal aspirations in a world without digital borders, rather than achievable goals. It leaves open two big questions that must be addressed by Ofcom during its review of its PSB strategy, these are:

- Can the market support yet another PSB?
- How will it manage access to IP based PSB services?

The PSB Market

It is true that a strong PSB helps to defend the quality of content along with cultural values. Currently, the BBC and Channel Four are regarded as the main PSB in the UK. Both offer digital services and the BBC has created a strong Online presence, with over half the UK population visiting its website. However, there is a feeling that neither of these organisations fully meets the Government's PSB requirements and that a third PSB is needed to keep them on their toes.

The power of the BBC comes from its brand name and worldwide recognition of its integrity as a broadcaster. Introducing another PSB may sound like a good idea, but it holds the inherent risk of diluting the brand recognition of all the PSBs, leaving the market open for commercially minded broadcasters to fragment the media.

Governments are able to control traditional broadcasting markets by restricting access to broadcast licences, but this cannot be done in the borderless world of Internet services. Thus the best means of defending standards and cultural values in the new digital era will be to strengthen the brand presence of PSB, rather than putting up alternatives to the BBC and Channel Four.

Managing Access

Whichever way this debate goes, the resulting PSBs will need to be provided with access to the viewer. In the traditional broadcast market, this would mean either access to a broadcast frequency or some provision of must carry. At the PSB seminar, concern was expressed that some form of must carry rule would need to be enforced with the mobile and cable operators. However, this does not make sense in the personal media world that the new PSB will address. These services will be based on store and forward IP protocols, rather than single channel broadcast technologies.



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It is the end consumer, who will select the channels from a choice offered by the service providers. As a result, the question really becomes one of “how should PSB be included in the service providers Walled Garden”. Most service providers will take the position of wanting to either charge for access to the Walled Garden or to exclude PSB altogether in the hope of increasing content revenues from their own services. This is an area where Ofcom can play a significant role in influencing the market by either:

- Making access to PSB services mandatory in any commercial online service

Or

- By requiring service providers, both cable and mobile operators, to separate the billing of content and access provision. This may sound like a radical idea, but it is the basis of NTT’s DoCoMo service and has led to the creation of one of the most profitable mobile services.

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