



The Effects of a Market-Based Approach to Spectrum Management of UHF and the Impact on Digital Terrestrial Broadcasting

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Economic and technical effects of the proposed market-based approach to spectrum management of the broadcasting bands (UHF) and the impact on digital terrestrial broadcasting

Consultants:

Oliver & Ohlbaum and DotEcon



Markets:

UK, Germany, France, Sweden, Italy,
Belgium, Poland, Czech Republic



Study Findings

Substitutability – DTT is unique

- ❑ No subscription and relatively cheap consumer equipment
- ❑ Universal and also regional coverage on a free-to-air basis

National Markets are different

- ❑ Terrestrial penetration varies (2.9% in Belgium, 70.8% in Italy)
- ❑ Platform mix varies (satellite/cable/terrestrial)
- ❑ Different national regulatory regimes/different funding models





- **Broadcasters invest €19 billion in original European TV programming annually**
- **EBU Members invest 10 billion Euros annually in new European TV productions**
- **Major PSB and commercial broadcaster: 87% of all investment in original European programming (excluding news programmes)**
- **Broadcasters employ 2.2 million people directly or indirectly**

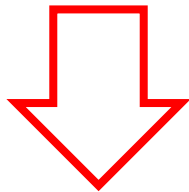
High public and consumer value

→ **broadcasters' broader contribution to society (not quantified):**

- **universality of access**
- **mostly free-to-air services**
- **social and cultural benefits**

Market failure

- ❑ Public and consumer value not reflected in broadcasters' revenues
- ❑ Most broadcasters do not directly monetise consumers



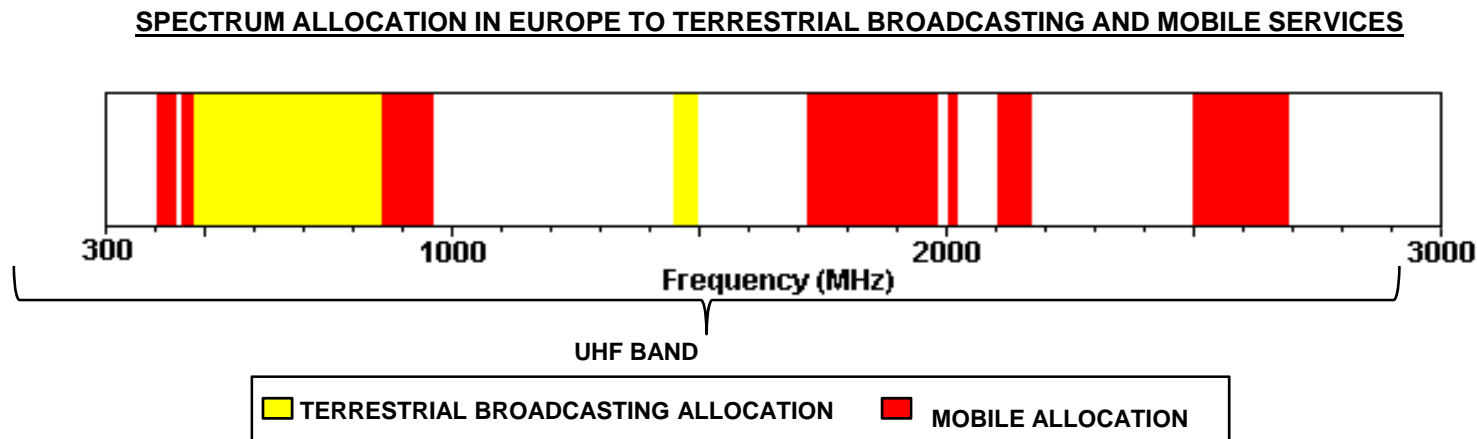
Likely market failure from any contest for spectrum involving broadcasters:

- under-provision of spectrum for terrestrial television
- reduced content spending
- audience fragmentation

The “mobile myth”

The economic case for mobile in the UHF band in Europe is dubious

- Large amount of spectrum available to mobile network operators



Findings – the “mobile myth”

- **Different terrestrial television planning regimes in different national markets**
- **Economies of scale can only be developed in harmonised spectrum**
- **Interference problems to digital terrestrial TV reception**

Rural broadband

The case for rural broadband is weak

- Available bandwidth in UHF not sufficient to deliver “true” broadband (e.g. 2 Mbit/s or more) to many simultaneous users
- Rural broadband will almost certainly need direct government subsidies

Recommendations

- Each national market needs a critical mass of Digital Terrestrial Television to ensure functioning TV market – competitive platform
- Broadcast markets are radically different – national regulators should be able to decide – centralised

Recommendations

- Any allocation of spectrum should have the flexibility to accommodate evolving broadcasting technical developments and the transition towards them
- Regulators should recognise differing business models of potential bidders, their overall value to society and their ability to monetise consumers to ensure a level playing field under any market mechanism

Calendar

Telecom Package

European Parliament	
Leading committees (ITRE/IMCO) votes	7 July
Plenary vote	Beginning September 2008

Council	
Progress report Slovenian Presidency	Telecom Council: 12 June
Political agreement Frency Presidency	27 November



Digital Dividend

European Parliament	
Leading committee vote (ITRE)	26 June
Plenary vote	7-10 July

Council	
Council conclusions	Telecom Council: 12 June

Commission	
Mandate to CEPT on clusters	8 April
Launch of impact assessment	June 2008
Proposal for binding instrument	End 2008

Broadcasters' messages



- Spectrum policy should reflect national media and audiovisual policies
- Better cooperation could lead to more efficient use but
 - ➔ difficult to harmonise at the European level
- Dynamic spectrum policy: enable broadcasters to use future technology and develop new services
- Consumer choice: DTT as competitive platform with attractive number of channels and services