

# AETN ALL ASIA NETWORKS



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Ms Eileen Ang  
Head (Competition & Market Access)  
Media Development Authority  
3 Fusionopolis Way, #16-22 Symbiosis  
Singapore 138633

(Attention: Ms Ruth Wong)  
Email: ruth\_wong@mda.gov.sg

**RE : Response to the Media Development Authority's "Cross Carriage Measure in the Pay TV Market Consultation on Preliminary Policy Positions" issued on September 1, 2010.**

AETN All Asia Networks Pte. Ltd. ("AAAN") continues to welcome being consulted in regard to the implementation of cross carriage measures in the Pay-TV Market.

We would like to make comments and suggestions on one specific issue set out for further consultation and then we would like to make an alternative proposal for how the Measure could be altered to better achieve its objectives and not undermine the interests of content providers.

## **Cross Carriage of Packages and Bundles**

While we welcome the attempt to preserve the integrity of the Supplying Qualified Licensee ("SQL")'s packaging arrangements, we are of the belief that the current Measure does not address some key issues and is still potentially biased towards an a la carte model of channel packaging.

To take a real life example, StarHub currently mandates that to become a subscriber, you must subscribe to no less than three basic programme groups. There is then an increasingly discounted price for each additional group to which you subscribe. There is therefore, not one price for any given group. So if a channel which was currently in one of the basic groups wanted to renew on an exclusive basis, therefore becoming qualified content, and remain in that same basic programme group, in order for StarHub to maintain the integrity of its packaging and pricing, they would have to make not just one basic programme group available to the Receiving Qualified Licensee ("RQL"), but every basic programme group.

Given the number of channels involved, the potential Cross Carriage Fee to allow StarHub to do this is likely to be high. Therefore, they would likely be encouraged to publish prices for individual channel groups, but to have to change channel packaging and pricing directly because of this Measure, is what we object to most.

Even if channel groups were made available individually, if other channels within that group were not willing to make themselves available to the RQL, then the only alternative for the contracting channel would be to be removed from the Channel group and made available a la carte.

So again, the likely effect of this Measure is to encourage one form of packaging and pricing philosophy over another, and it is our opinion that any measure should be entirely balanced and neutral, so as not to affect these commercial considerations one way or the other.

Therefore, to maintain current distribution in existing programme groups, a channel provider will be forced to renew non-exclusively. We wish to be extremely clear that while we have no objection to

the concept of non-exclusive deals, we believe it should be left entirely to market forces whether our channels or any other content for that matter, are contracted exclusively or non-exclusively. To be put in a position where effectively our channels or content have to be made available non-exclusively, diminishes our ability to derive fair value for our channels from a freely operating market.

### **Observations and Suggestions**

As we understand from the last meeting between content owners and the MDA, the intention of the Measure is to:

1. Create convenience for the consumer
2. Manage the ancillary costs associated with multiple suppliers of pay TV
3. Create a vibrant pay TV market
4. Increase the level of innovation

and the Measure is specifically not designed to reduce content costs.

We are supportive of all of the above mentioned aims of the Measure, but we contest that in its present form, there is still the likelihood of our ability to derive market value for our channels being diminished. Given the huge investment which goes into producing our channels, we are naturally disinclined to favour any measure which will curtail our ability to maximize our revenue.

We are ultimately of the opinion that there is no need for intervention by the regulator at this juncture, and subject to the sound business planning of pay TV operators, the number of exclusive carriage deals will naturally decline as channel providers seek the largest addressable audiences.

However, if the regulator is intent on achieving its objectives despite the many difficulties, then we would like to suggest an alternative structure that we believe would not only better achieve the existing aims of the Measure, but would also be acceptable to a content provider such as ourselves.

We recommend that rather than regulating individual channel deals, the MDA allows the status quo to continue with freedom of content owners to contract exclusively or non-exclusively with whichever licensed pay TV operator they so wish. Instead, mandatory cross carriage would apply to the entire service offering of any given Pay TV operator (cross-carriage of retail services), such that, to give an example, StarHub's entire pay TV service could be subscribed to through Singtel and vice versa. The pricing, packaging, and minimum requirement to become a subscriber would be no different were you, for example, to subscribe to Singtel using a Mio set top box, or using a StarHub set top box.

The cost of cross carriage under this proposal is likely to be higher than the existing Measure since the effect of the existing Measure will likely mean very few channels do exclusive deals. However, the cost should be more balanced on both sides and should be able to be borne by the pay TV operators.

The advantages of cross carriage of retail services would be as follows:

1. Consumers would need only one set top box, and would only pay for one set of installation charges. Under the current Measure, with major content deals locked up exclusively for many years to come, there is little end in sight of the need for two set top boxes in Singapore to enjoy the full breadth of available content.
2. The benefit of this proposal to consumers would be far-reaching from the moment it is adopted, allowing any pay TV subscriber in Singapore to sign up for any available content. Again, under the existing Measure, the impact on consumers being able to access more content is going to happen very slowly over quite a number of years.

3. There would be no artificial regulatory pressure resulting in pay TV operators having to change their existing pricing and packaging strategies. Pay TV operators would maintain complete freedom of economic action.
4. It would allow competition and innovation to flourish. By having equal access to all pay TV subscribers, operators would be under pressure to price and package their services competitively and the functionality of the set top box would become increasingly important, allowing innovation in this area. We are of the opinion that the existing Measure will actually stifle innovation and competition in packaging and pricing because eventually both operators will end up with the same channels and any innovation in set top box services will be far slower under the existing Measure.
5. It is our individual opinion that the level of opposition from content owners to this proposal would be considerably less than the existing Measure, because they would still have the freedom to contract with whomever they like, under whatsoever terms the parties agree, and there would still be healthy competition between the operators.
6. Most of the other areas where the MDA are still soliciting feedback with regard to the Measure would become moot.
7. The costs of cross-carriage of content would likely be modest if it was decided to pass them on to the consumer, and would be seen to be a fair trade for the added convenience.
8. Such a measure would allow Singapore to continue to vaunt its free market credentials since it would be seen to be fostering competition and not stifling it.

### Conclusion

We continue to believe that the Cross Carriage Measure will have a deeply negative effect on the pay TV market of Singapore. While it may not be intended, we believe the Measure is prejudicial to the bundling of channels as value propositions to consumers, and instead favours a la carte business models. We believe the market should be left to decide which business models consumers want.

We continue to believe any intervention is premature, and left to its own devices, the market will naturally regulate itself. However, we appreciate that the MDA does not share our opinion on this point and consequently, with the aim of being constructive, we wish to make our proposal which maintains the spirit of what the MDA have set out to achieve, but we believe would actually be more effective in addressing the stated concerns while at the same time being less interventionist.

Our proposal would allow a completely free market in the contracting of content to persist. There would be greater convenience for the consumer than under the existing Measure by more rapidly making more content available to all; the necessity and costs associated with having to have multiple set-top boxes would be obviated; the market would become more innovative and vibrant; and from our perspective, there would not be as much pressure on us when we conduct our negotiations for carriage of our content.

We thank the MDA again for the opportunity to provide our views. We hope that in light of the points which we have raised above, the MDA will reconsider some of the key points of the Measure. We would welcome the opportunity to discuss our proposal with you in person and would do anything we could to help aid its implementation.

Please do not hesitate to let us know if we may provide further information.

Yours sincerely,

Louis Boswell  
General Manager  
**AETN All Asia Networks Pte. Ltd.**  
11C Mount Sophia, #03-16 Old School  
Singapore 228467  
Tel: 68378911  
Email: [louis.boswell@aetnallasia.com](mailto:louis.boswell@aetnallasia.com)

AETN All Asia Networks Pte Ltd is an international media company incorporated in Singapore in July 2007 engaged in the business of distributing the channels History (Standard Definition), History (High Definition), Crime & Investigation Network and The Biography Channel in 5 languages to more than 4.2 million viewers throughout Asia. In Singapore, History (Standard Definition) and Crime & Investigation Network were launched in June 2007, followed by Biography in May 2008 and History (High Definition) in September 2008, all in various educational and lifestyle packages with StarHub Cable Vision Limited.