

MEDIACORP PTE. LTD.

**MEDIACORP PTE. LTD.'S
FEEDBACK AND COMMENTS ON
MDA'S PUBLIC CONSULTATION
ON ITS PROPOSED**

**POLICY AND REGULATORY FRAMEWORK
FOR MOBILE BROADCASTING SERVICES**

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Summary of Major Points

1. Generally, MediaCorp shares many views of MDA set out in its consultation paper with respect to its proposed policy and regulatory framework for mobile broadcasting services.
2. We also agree that MTVS is still in its infancy despite application overseas and notwithstanding such application, there is no single business model that could be emulated to ensure growth in this particular industry. As such, MediaCorp raises various propositions in this feedback which hope to address the foreseeable difficulties and barriers to the successful adoption of MTVS whether by the industry or the public at large.
3. Most importantly, while MediaCorp appreciates and supports MDA's vision, we strongly believe that the issuance of licences should be limited and staggered similar to how the subscription / cable TV industry developed and grew in Singapore. In this respect, we submit that given the nature of the industry, the size of Singapore, observations and studies from overseas experiences, MDA should award **ONE (1) multiplex licence and One (1) broadcasting service licence ONLY.**
4. Additionally, MediaCorp takes the view that:
 - a. standard(s) should be mandated;
 - b. there is no need for a two tiered framework and that a single nation wide licensing framework is sufficient;
 - c. a direct award approach should be taken with respect to the multiplex licence;
 - d. multiplex licensees are to offer capacity on fair, reasonable and non-discriminatory conditions only if there is only one singular multiplex licensee.
5. The above only sets out the general view of the matters identified by MDA. MediaCorp's views are fully explained and expanded in the commentary hereafter set out.

Statement of Interest

1. MediaCorp is providing its feedback and commentary to MDA for and on behalf of MediaCorp TV Singapore Pte Ltd, MediaCorp TV12 Singapore Pte Ltd, MediaCorp News Pte Ltd, TVMobile Pte Ltd and MediaCorp Technologies Pte Ltd.
2. Currently, MediaCorp TV Singapore Pte Ltd operates the free-to-air terrestrial television stations Channels 5, 8 and U; MediaCorp TV12 Singapore Pte Ltd operates the free-to-air terrestrial television stations, Central (which comprises the Arts Central, Kids Central and Vasantham time belts) and Suria; MediaCorp News Pte Ltd operates the free-to-air terrestrial television Channel NewsAsia; MediaCorp Technologies Pte Ltd is the technology and transmission arm of the MediaCorp group; and TVMobile Pte Ltd operates the free-to-air terrestrially transmitted mobile (in vehicles) digital television TVMobile.
3. Presently, MediaCorp and its subsidiaries are undertaking studies and planning to explore the possibility, feasibility and the appropriate models for venture(s) into mobile broadcasting services. In this respect, as mobile broadcasting services are still in its infancy, the business models that are possible are much in a state of flux and MediaCorp is thus positioned to be at multiple points on the supply chain, from being the supplier of a full fledge mobile broadcasting services provider, either by itself or in collaboration with Telcos, to being just a supplier of content / channels to mobile broadcasting services provider(s), to being a technology / infrastructure service provider.
4. Accordingly, it is in MediaCorp's interest to provide feedback and commentary to MDA on the proposed licensing framework with a view towards promoting, encouraging, nurturing and developing the mobile broadcasting industry such that this infant industry can grow and develop into an economically feasible and sustainable business and industry.

Commentary

1. Preface

- a. As correctly identified by MDA, demand for MTVS is still uncertain even with a choice offering of 10 to 15 channels on an “anywhere anytime” basis without time limitations in terms of costs in relation to viewing time. At this present point in time, MediaCorp is not aware of any commercially successful business model for MTVS operated in any part of the world.
- b. For example, based on our discussions with MTVS operators, Japan is still searching for a revenue model for its MTVS. While Korea is also cited by MDA, reviewing the numbers quoted, the take-up is a little over 10% only.
- c. In this respect, any operator of MTVS (whether as multiplex or broadcasting service operators) will have to be prepared to invest heavily, substantially and take a long-term view of the MTVS before it can even hope to reach an operational break-even point.
- d. Accordingly, from a public interest point of view, development of a made-for-mobile audio-visual content industry and the offering of economically useful services in Singapore, it would be in all stakeholders’ interest to nurture the MTVS industry and prevent a premature death.
- e. In this regard, while we appreciate and support MDA’s vision to award multiple licences to multiple parties, we strongly urge MDA to review this presently and err on the side of prudence in limiting and spacing out the number of MTVS licences (whether multiplex or broadcasting service licences) awarded at the onset. This will allow the industry to develop more gradually, avoid competitive bloodbaths and ensure a higher chance of success for future MTVS operators. This would be similar to how the subscription / cable TV industry developed and grew in Singapore, with only one cable operator at the start and other players coming in later as the industry matured.
- f. As such, we strongly feel that given the nature of the industry, the size of Singapore, observations and studies from overseas experiences, MDA should award only **ONE (1) multiplex licence and One (1) broadcasting service licence ONLY**. We submit that a *laissez faire* market based free-for-all approach would be detrimental. A controlled deployment and development would be the only approach that will ensure the possibility of survival and growth of the MTVS industry.
- g. Further to our point in (f) above, we would submit that, over and on top of the singular licences for the multiplex and broadcasting service, both the multiplex and broadcasting service licensee should be the same party or related parties.
- h. Considering the various market configurations, the scenario in which only one multiplex licence but multiple broadcasting service licences are issued looks like a viable option, but only at first glance. It will likely lead to a situation where the single multiplex operator has a better chance of financial success (at least in the short to medium term) than the broadcast service providers (which will have to compete for customers and content in a small and uncertain market). Issuing only one multiplex licence and one broadcasting service licence would make more sense - but if the licences go to two separate entities, it may lead to an unlikely and unstable equilibrium. The proposition of having a single entity as both the sole content aggregator and sole multiplex operator at the start makes the most sense for the MTVS industry. It ensures better cost control and efficiency, as investments in transmission network capacity and technical service standards will be fully coordinated with the roll-out of channels and services. As infrastructure and distribution

costs are a significant expense, this will enhance both the short-term and long-term commercial viability of a nascent industry.

- i. Outside of the immediacy of the issues facing the uptake and growth of the MTVS industry is the issue of mobile telephone companies. While this is not a point raised by MDA, the mobile telephone companies will also play a role in the development of the MTVS industry and they can help and ensure the growth or contribute to the death of the MTVS industry. This is another issue which MDA should consider under the market structure, the role of mobile telephone companies and MDA's regulatory authority over these mobile telephone companies. For both the DVB-H and DMB platforms, receivers for subscription-based services are mobile devices, mainly phones. Hence the current 3 telcos play a critical role in the MTVS matrix in Singapore. They hold the key to mobile phone subscribers and are likely to be the resellers (or 'retailers') of mobile TV services provided by the MTVS operator (which may play the role of a 'wholesaler'). MDA may need to have a role in enabling MTVS operators to gain fair access to the telcos' customer bases and their billing and distribution capabilities. Please consider if this is an issue / area which requires more study. We would be pleased to share our experiences with MDA in this respect.

- 2. Not to mandate any particular standard for MTVS in Singapore (Section 2.3)**
- 2.1 We take the view that a single particular standard for both UHF and VHF frequencies **SHOULD BE** mandated.
- 2.2 A single particular standard would be beneficial to the industry and particularly to the public at large as well. A single particular standard would reduce the likelihood for confusion and would also go a long way towards the allowance of smooth switching of service providers – which is an area experienced by the telecommunications industry, which had to deal with issues such as number porting, PCMI / GSM confusion, all of which did not serve the public interest element.
- 2.3 In this regard, we would also like to point out that the European Union is trying to mandate a single standard through its member states. The efforts to mandate a single standard in the EU given the sheer size and disparity amongst its members is testament to the advantages and benefits of a mandated single standard.
- 2.4 In this respect, we request that MDA seriously consider adopting DVB-H for UHF band as the common standard. We request that MDA consider adopting T-DMB for the VHF frequency band. Both standards are international standards and are “open”. Good availability of handsets is another key factor for the preference.
- 2.5 That said, we would also submit that MDA should consider staggering the timing of issuance of licences for the two frequency bands. Specifically, given the limited amount of bandwidth available, we would strongly recommend that MDA consider only issuing the licence for the UHF frequency band (in DVB-H) as a start.

3. To impose minimum network coverage requirements of 95% (outdoor coverage) on multiplex operators (Section 2.4)

3.1 MediaCorp does not object to the imposition of a minimum network coverage requirement of 95%.

3.2 MediaCorp shares MDA's views with respect to mandating requirements on picture quality and customer service as the laws of supply and demand will quickly let the stakeholders determine an equilibrium.

- 4. Not to impose any quality of service on picture quality and indoor coverage at this instance but will reserve the right to do so when necessary (Section 2.4)**
- 4.1 MediaCorp shares MDA's view that objective inputs to picture quality and performance indicators for picture quality and customer service should not be mandated at this stage and that the market should and will decide the pictures quality required for different types of contents carried by MTVS provider.
- 4.2 MediaCorp also recognizes MDA's need to reserve for itself the right to do so in the future particularly when it comes to ensuring the public interest and would urge MDA to (i) allow for some time for MTVS' take-up and stabilization; and (ii) consult with the stakeholders, before it adopts any such mandates.
- 4.3 With respect to indoor coverage, MediaCorp submits that MDA should not use indoor coverage as a factor for evaluating licence applications because there is no standard method of interpreting indoor reception. It is even difficult to ascertain the extent and scope of the indoor coverage in itself. For example, would reception in all parts of a room be taken into consideration or would you count the entire apartment / residence or would you count the totality of the estate? It is evident that all measure of wireless transmission would have issues with indoor coverage and that is something is commonly accepted standard as well. Similarly, road and MRT tunnels should be excluded from the definition of coverage as well. As such, we strongly submit that indoor coverage should not be a factor in evaluation.
- 4.4 While we take the view the multiplex licensee and the MTVS licensee should be one party, we nonetheless recognise the possibility that MDA may not award the licences as we have contemplated. In that regard, in the event that the multiplex licensee isn't the same applicant as the MTVS licensee and is instead a multiplex service provider to the MTVS licensee then accordingly, indoor coverage could be a matter of commercial demand and supply depending on the needs, requirements, affordability and expectation of the MTVS licensee(s) and consumers. This in turn will ensure that the multiplex licensee provides appropriate indoor coverage.
- 4.5 MediaCorp further submits that in using indoor coverage as a factor for evaluation, MDA may in turn be pre-determining how the market and industry will play out opposed to or without regard of economic realities.

5. To require both MTVS and cellular mobile TV service operators to obtain broadcast services licences before transmitting TV services over their networks (Section 3.1)

5.1 MediaCorp shares MDA's views on this respect and strongly believes that there are no compelling reasons why cellular mobile TV service providers, who operate a much more personal service that reaches out even to children and young users, should not be licensed in the same way as other broadcasters.

5.2 For illustrative purposes, consider the situation where the MTVS provider and the cellular mobile TV service operators are both playing out the exact same content but because of the differing regulatory regime, the public may be able to access different versions of the same content simply because of the TYPE of service they chose over the same platform of receipt, This would only add on to the conundrum of differing standards.

5.3 Further and in addition, the licensing regime aside, has MDA considered the impact, implication and/or effect of the application of new technology in this MTVS has on other legislative requirements? For example, does the rights regime translate equitably in this new technological venture?

6. **To adapt the two-tier IPTV framework to regulate the MTVS operators and cellular mobile TV operators and to license the service providers under the niche broadcasting service framework (Section 3.1)**
- 6.1 Unlike the IPTV licensing framework that adopts a two-tier approach, MediaCorp takes the view that the considerations relating to the IPTV licensing framework requiring a two-tier approach are not necessarily applicable in the present consideration and accordingly suggest that MDA consider the merits of a two-tier approach.
- 6.2 Notwithstanding what we said in 6.1 above, MediaCorp does take the view that insofar as it is applicable to the MTVS operator, there should only be **ONE SINGLE TIER, i.e. the nationwide tier only**, adopted. This would be consistent given the background and considerations set out and described in our preface above.
- 6.3 In this regard, we reiterate the fundamental point that market studies and the relative size of the Singapore market has indicated (and also against the backdrop of experiences of operators in other countries) that the industry is not likely to be able to support more than one MTVS operator. Given the large amount of investment and capital required to infuse this new industry, we strongly urge MDA to adopt an approach that would actually benefit the industry and all stakeholders in reality as opposed to perceived benefits of multiple licensees right off the bat.

7. To issue 10 year multiplex licenses, with an option to renew for a further five years, via a comparative tender process and to issue five year niche broadcasting service licence (Section 3.2 and 3.3)

7.1 Multiplex Licence

7.1.1 MediaCorp agrees with MDA that the auction to select licensee(s) for the multiplex licence is not appropriate under the circumstances and further given the infancy of the MTVS industry, the uncertainties with respect to its viability and the large amount of up-front investment required, a pre-specification may make such a licence unattractive for any take-up.

7.1.2 As between a comparative tender and a direct award, MediaCorp takes the view and would urge MDA to consider awarding the multiplex licence through a direct award instead of a comparative tender because:

- (i) the cost of building and maintaining the infrastructure is extremely high and despite the perceived benefits offered by competition, the economic reality is that Singapore is an extremely small country with a limited consumer base and the best way to ensure compliance with the necessary conditions to provide fair and non-discriminatory services would be by direct award instead of a comparative tender which may result in a destructive competitive environment;
- (ii) in this regard, separate and distinct from awarding licences to MTVS operators, taking a long term view of the industry as a whole and looking at the possibilities of a future more mature industry, a single multiplex licensee would also go a long way towards fulfilling the objectives of “fair and non-discriminatory services” in that:
 - (a) a single common multiplex operator can ensure that the transmission coverage of all MTVS is uniform as different multiplexes can be transmitted from a common antenna at the same site which guarantees the uniform service quality and coverage;
 - (b) by sharing common infrastructure, it creates economics of scale on investment and operating costs (e.g. space, hardware, distribution cost and manpower). The savings will eventually be passed to the MTVS operators;
 - (c) like cellular mobile phone infrastructure, MTVS requires many repeaters to be built on top of buildings. Shared antenna/sites operated by a single multiplex operator can reduce the unsightly antenna structure as well as improving maintenance disruptions;
 - (d) a common multiplex operator will deploy similar service management and middleware for the MTVS operator. This ensures interoperability of devices across MTVS providers as well as providing non-confusing user experiences on operating the devices;
 - (e) VHF and UHF MTVS require higher transmission power levels as compared with the cellular network. A common network infrastructure operated by the single multiplex operator can

manage the radiation level to a safe level (affecting the neighborhood) more effectively than many different networks;

- (f) as a single common multiplex licensee can provide a uniform service quality for all the broadcasts service licensees, there is no need to compete in technology and infrastructure. These operators should compete in a fair and level playing field based on quality of contents and service packaging, etc. The single multiplex operator model is similar to the operating model of the Next Generation National Broadband Network (NGN), which consist of the organisation who construct and operate the infrastructure – “NetCo” versus many service operators “OpCo” which eventually provides the switches and telecom services.
- (iii) Obviously, in order to accomplish the above ideal condition, the industry must be nurtured from birth to growth such that it has a chance to mature to be placed in a position where such issues relating to “fair and non-discriminatory services” actually become relevant;
- (iv) Unutilized bandwidth/infrastructure costs shall also be shared and therefore it encourages the on-board operators to fully use up the capacity. The multiplex licensee will build up the second phase of capacity if there are new entrants to the MTSV industry. This scheme somewhat protects the first phase players who take the earlier risk as the second phase operators will have to share the cost of the second network which may not be fully utilized. However, the second phase deployment still brings some benefits to the first and second phase operators by sharing spare common facility/operating costs (e.g. space & manpower);
- (v) In this respect, MDA should select a reliable multiplex licensee where it has proven track record and excellent quality of service. By tendering, cost becomes an essential element in evaluation and quality of service is not something which can be objectively assessed. If MDA considers that a single common multiplex licensee is important to ensure good service delivery which is of public interest, appointing a capable and professional service provider is more important; and
- (vi) Though MTSV is regarded as commercial service, government departments may rely on it to obtain the latest news or updates especially if the MTSV also broadcast the FTA channels. The multiplex licensee should ensure that any national security/emergency information can be broadcast through its network without any delay, interference or blockage due to commercial reasons.

7.2 Evaluation Criteria

- 7.2.1 MediaCorp repeats its comments above in Paragraph 4.3, 4.4 and 4.5 above with respect to using “Indoor Coverage” as an evaluation criteria.
- 7.2.2 Regardless of the submission that the MTSV and multiplex licensee should be the same party / group party in view of the market dynamics, MediaCorp also proposes to differentiate between the MTSV operator and the multiplex licensee and remove the first two items in the “consumer interest requirements” from any evaluation criteria with respect to the multiplex licensee as set out in Figure 3.2 in MDA’s public consultation paper. This is primarily because the multiplex operator

is a technical service provider and isn't the party who would be dealing with the programming content nor with safeguarding content as these are matters that should rightly be within the purview of the content provider, i.e. the MTVS operator.

- 7.2.3 In this regard, MediaCorp would strongly suggest that MDA be clear in its application of its objectives in both the multiplex and MTVS licensing regimes and ensure that there is no "overlap" between the two.
 - 7.2.4 Taking into consideration the desire to grow an industry, encourage public take-up of this new initiative, the costs of capital towards entry and the public interest element, we strongly believe that the evaluation criteria **should not** include the "lump sum money bid".
 - 7.2.5 The licensing fee arrangement should address issues relating to licensing fees and the financial strength of the applicants should be testament of their commitment to the licence applications. These and the other factors identified in the evaluation criteria should also render the "lump sum money bid" moot.
- 7.3 Licence Duration
- 7.3.1 MediaCorp believes that the 10-15 years licence period proposed by MDA is fair and reasonable particularly given the level of investment that the licensee will be injecting and would need time to recover its investment.
 - 7.3.2 That said, for the same reason, MediaCorp suggests that all licence fees (for both the multiplex and broadcasting licences) be waived for the first 5 years and that MDA, depending on the market conditions at that time, be prepared to consider the continual waiver of the licence fee thereafter as well.
 - 7.3.3 For broadcasting service licences, in line with MediaCorp's view that there not be a two tiered approach, there should be no difference between the licence duration and accordingly, all broadcasting service licences should be 10 years in duration.
 - 7.3.4 Any concerns with respect to viability of MTVS or returns on investment may be addressed through the scheme of payment of the licence fees and the structure of fees payable as well (for example, a waiver of payment for the first few years, as suggested in 7.3.2 above).

8. To require multiplex licensees to offer capacity to third parties on fair, reasonable and non-discriminatory conditions (Section 4.4)

- 8.1 MediaCorp takes the view that this is possible (a) given the nature and size of the Singapore market, industry and economy, if the multiplex licensee is one organisation; (b) because the Media Market Conduct Code already addresses access to essential resource and given the past experiences of such issues arising from the industry, the question of delay or entrenched market position does not necessarily arise.
- 8.2 In terms of access to multiplex capacity, we suggest that any obligation on a multiplex operator to provide access to capacity must not compromise its longer-term business plan. Hence it should apply only to spare capacity for which the operator has no present or future deployment plan.

9. Not to impose an advertising revenue cap (Section 4.5)

- 9.1 As a general comment, MediaCorp takes the view that MTVS is a wholly different broadcast and business model from the models adopted for Singapore thus far. The thinking behind FTA, cable and IPTV need to be reconsidered in view of the application and applicability of the MTVS model. Further, the views, perspectives and practices of international players, for example, the US studios, need to be considered and factored into any study of the MTVS business models.
- 9.2 As MDA has rightly pointed out and as opined above, the mobile viewing environment will be very different, with its own challenges, e.g. different peak viewing periods, shorter viewing duration and demand for new types of content. It may also offer opportunities for new services and advertising / funding models not available in the fixed. Accordingly, MediaCorp is agreeable with MDA's proposal that a cap on the share of revenues earned from advertising by MTVS operators should not be applied.
- 9.3 Extending from the reasoning above, while MediaCorp agrees to the 14 minutes per hour limit, MediaCorp would also urge MDA to provide a mechanism for waivers or exceptions to be applied to the 14 minutes per hour limit on advertisements such that it is possible, on a case-by-case basis, for this limit to be lifted or reviewed. Again, as MDA has rightly pointed out and as studies demonstrate, the viewing habits and patterns between MTVS and the traditional television models are significantly different and not necessarily a close substitute for traditional fixed television. The type and nature of programming content offered on MTVS are short, instant and are often served up in bite-size (news, sport, music videos and popular soap operas (often abridged) attest to the nature of MTVS programming) and the traditional and usual considerations of advertising on traditional television models may not be equally applicable to the MTVS model.

- 10. To apply MDA's programming codes for fixed TV services (FTA content, subscription content, VOD and other kinds of content) (Section 5.2)**
- 10.1 MediaCorp agrees with MDA's proposals to apply the programming codes for fixed TV services to MTVS.
- 10.2 That said, MediaCorp would also suggest that MDA considers easing restrictions on sponsored content and infomercials on a case-by-case basis, to encourage the growth of new varieties of content on MTVS.

11. Not to impose public service broadcasting obligations (Section 5.3.1)

11.1 In line with MediaCorp's submission in Paragraph 9.1 above, we agree with MDA's views.

12. Not to impose must-carry obligations (Section 5.3.2)

- 12.1 In line with MediaCorp's submission in Paragraph 9.1 above, we agree with MDA's views not to impose must-carry obligations.
- 12.2 This is because the principles of must-carry on other television platforms in view of the peculiar and unique nature of the development of the television industry in Singapore is just not applicable to the MTVS industry. Based on feedback that we have obtained from content distributors and owners, it would be virtually impossible to obtain rights for MTVS in like vein to the must-carry rules for traditional television.
- 12.3 We would be happy to discuss this further with MDA if MDA requires further information on this.

- 13. To require mobile TV operators not to block access by their users to any local FTA channels offered by MediaCorp using compatible technologies (Section 5.3.2)**
- 13.1 MediaCorp also agrees in principle with the proposition of imposing a “must enable access” **PROVIDED** that any such “must enable access” does not impose any additional obligations on MediaCorp to ensure the ability of the MTVS operators to “must enable access”.
- 13.2 However in practice, simulcasting MediaCorp’s FTA channels on the mobile TV platform will incur significant costs. These include transmission costs and content licence fees. In some cases, a full simulcast may not be feasible if licence fees are too high or where rights cannot be cleared. More costs may have to be incurred in replacing programmes or repackaging a channel.
- 13.3 As MDA has suggested, for MTVS, “subscription-based services are significantly more likely to be commercially viable than advertising-based FTA services in Singapore”. Therefore we hope MDA would allow access fees to be charged, for consumers to receive MediaCorp channels as mobile services carried on TVMobile’s spare capacity. These fees can be charged either directly to consumers, or via a reseller such as a mobile phone company.
- 13.4 This solution balances both business and consumer interests - consumers are given the choice of accessing local channels on mobile TV, while MediaCorp has a better chance of providing the service in a commercially viable way.
- 13.5.1 For the smaller MediaCorp channels, the audience base may be too small to justify carriage on mobile TV whether on a pay-for-access or free-to-air basis. MDA should allow MediaCorp to roll out its channels on the mobile platform in stages, based purely on commercial considerations. If there is further spare capacity on the TVMobile platform, MediaCorp should also be given the flexibility to use it for other channels besides its current slate of channels.
- 13.7 We hope to explore further with MDA how we can utilize any spare capacity on the TVMobile multiplex to offer our local channels to mobile TV consumers.

14. To apply the current framework for advertising regulation (as specified in the MDA TV advertising and sponsorship codes and voluntary SCAP code) (Section 5.4)

14.1 MediaCorp agrees with MDA's proposal in this regard.

Conclusion

1. For all the considerations and concerns set out above and with a view towards encouraging the growth and of this nascent industry, we would strongly urge MDA to consider rolling out the licences in a limited and staged / staggered process.
2. A long term view should be taken so that stakeholders, which include the public, will not be placed in a position of loss.
3. As we have conducted various studies into the industry and are also considering adoption of this business, we would be more than happy to discuss and share the results of our studies and discussions with MDA further.