Sustaining competition, promoting investment

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Agenda

• Economics of the broadcasting industry
• Implications for investment in content and infrastructure
• Ofcom’s changing approach to regulation
Ofcom: promoting competition to drive innovation...

- Addressed economic bottlenecks in fixed line telecoms
- Opened up access to spectrum
- Aligning cost of ITV’s / Five’s obligations with licence benefits
... and supporting investment

• Promoting competition is no longer enough alone

• Looking ahead, Ofcom will focus on
  – Sustaining and developing effective competition
  – Promoting investment
FTA broadcasting faces cyclical and structural challenges...

- Unprecedented decline in TV ad revenues
- FTA broadcasters cutting programming budgets
- Increasing audience fragmentation
- Tools and behaviours with scope to reduce impact of spot advertising?
....but remains a viable commercial proposition

- TV advertising is pro-cyclical
- Claims of reduced ad effectiveness are unproven
- PSB spin-offs continue to perform well
- ITV is a powerful player with a strong record
Regulators must recognise the need to balance key regulatory outcomes against commercial pressures

- Clear strategy for ITV / Five → focus on news and UK content
- Approval of overnight teleshopping, gaming
- Independently Funded News Consortia for high quality news
- Recognition of case for easing burden of Contract Rights Renewal
UK pay TV: competition may not be working effectively

- Sky: delivers innovation, consumer choice; but scope for more in market
- Does Sky’s limited premium distribution restrict choice on other platforms?
- “Wholesale must offer” requirement proposed to address this concern
- Pay TV proposed next steps to be set out this month
Infrastructure and content will align in an interactive world

- Significant investment in fibre is a clear and credible business strategy:
  - Future content will need high-speed networks
- A less porous value-chain will help
- Creation of a new rights and distribution regime is key
But content must be compelling enough to merit payment

- Content will drive broadband take-up → encourage innovative services
- Network economics may shift from “pure access” to “access and carriage-based”
- More sustainable content creation can be supported by
  - Behavioural advertising and rights management techniques
  - Implementation within industry-led regulatory frameworks
Ofcom: focused on promoting competition and investment

- Media economics are changing rapidly: shaped, accelerated by recession
- FTA television will remain an attractive investment
- Pay TV: set out case for stronger competition to stimulate innovation
- Ofcom’s job: keep the sector innovative, open, competitive and able to invest
Q&A