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Competition Assessment Pay Television Services

Submitted by: Vietnam Chamber of Commerce and Industry



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for Improved Market Efficiency in Viet Nam
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Competition Assessment Pay TV Services

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Content

- Overview Pay TV Market
- Law regulating Pay-TV market and impact on competition
- Conclusions and recommendations

Overview

Paid TV market

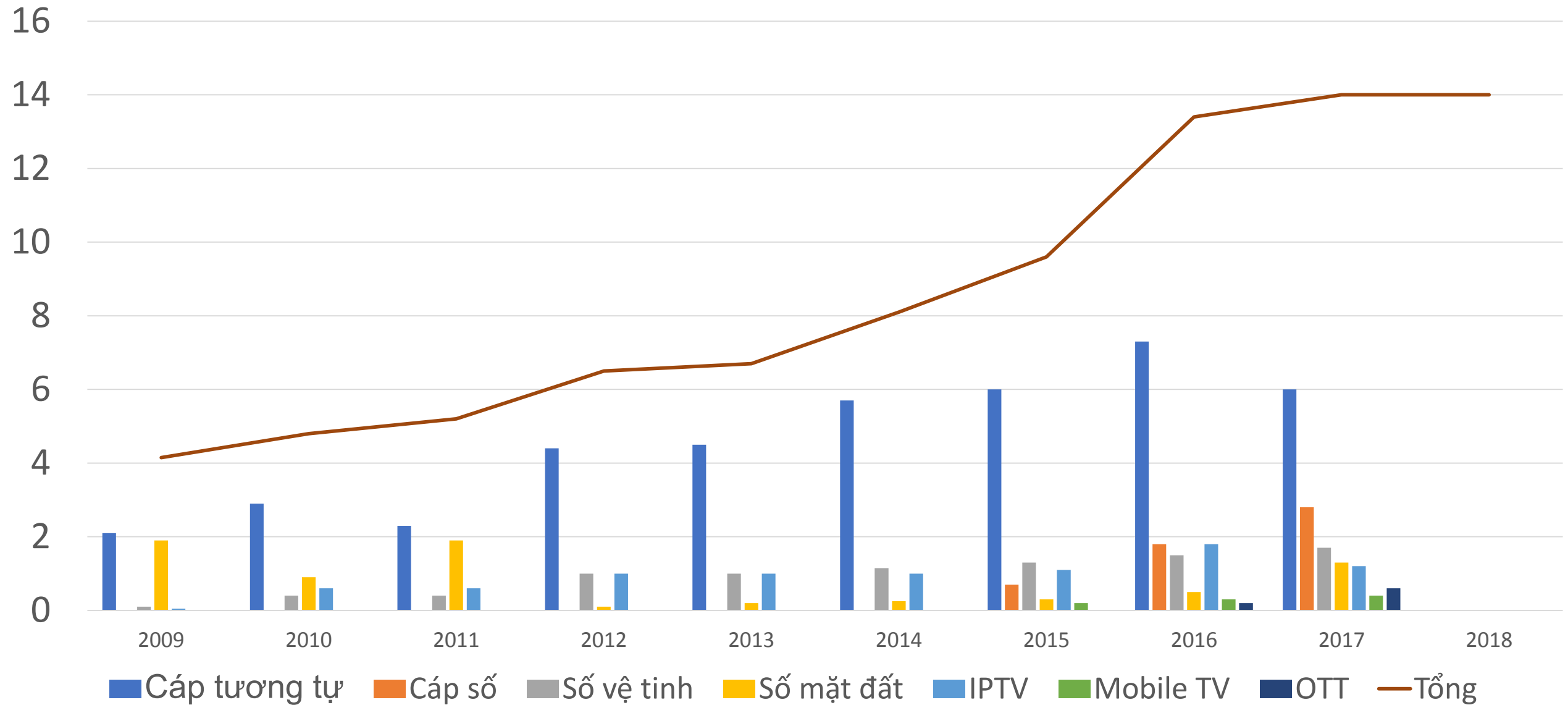
Demand

- A population of 93.7 million
- Household: 24.1 million
- Number of households with TV: 22.5 million (93.21%)
- Average incremental income, increased entertainment needs
- Classification of demand:
 - Content: Fashion, film, music, gameshow
 - Image and audio quality
 - Level of interaction: non-interactive/interactive
 - Type of device: Phone, TV, computer, tablet

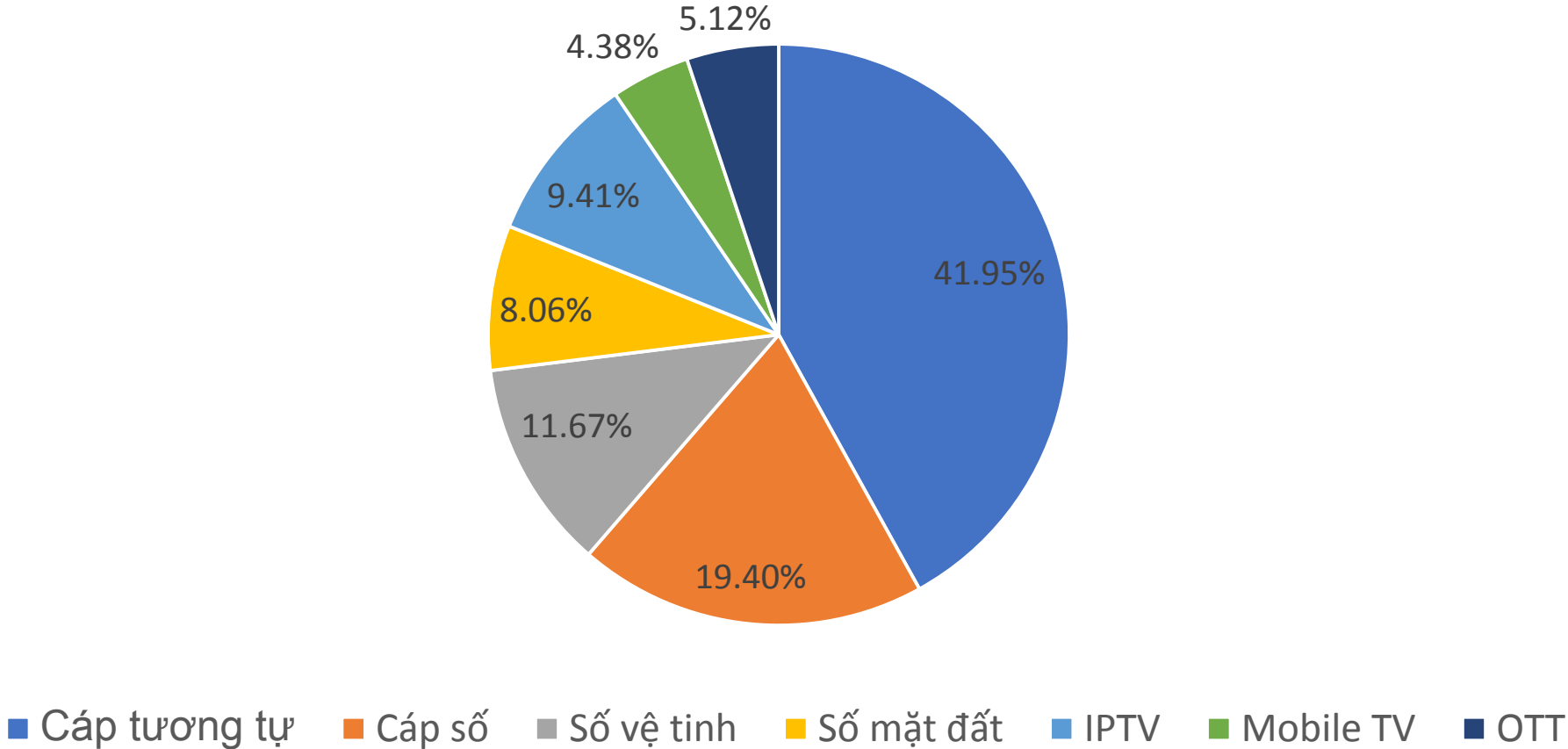
Classification Pay TV services

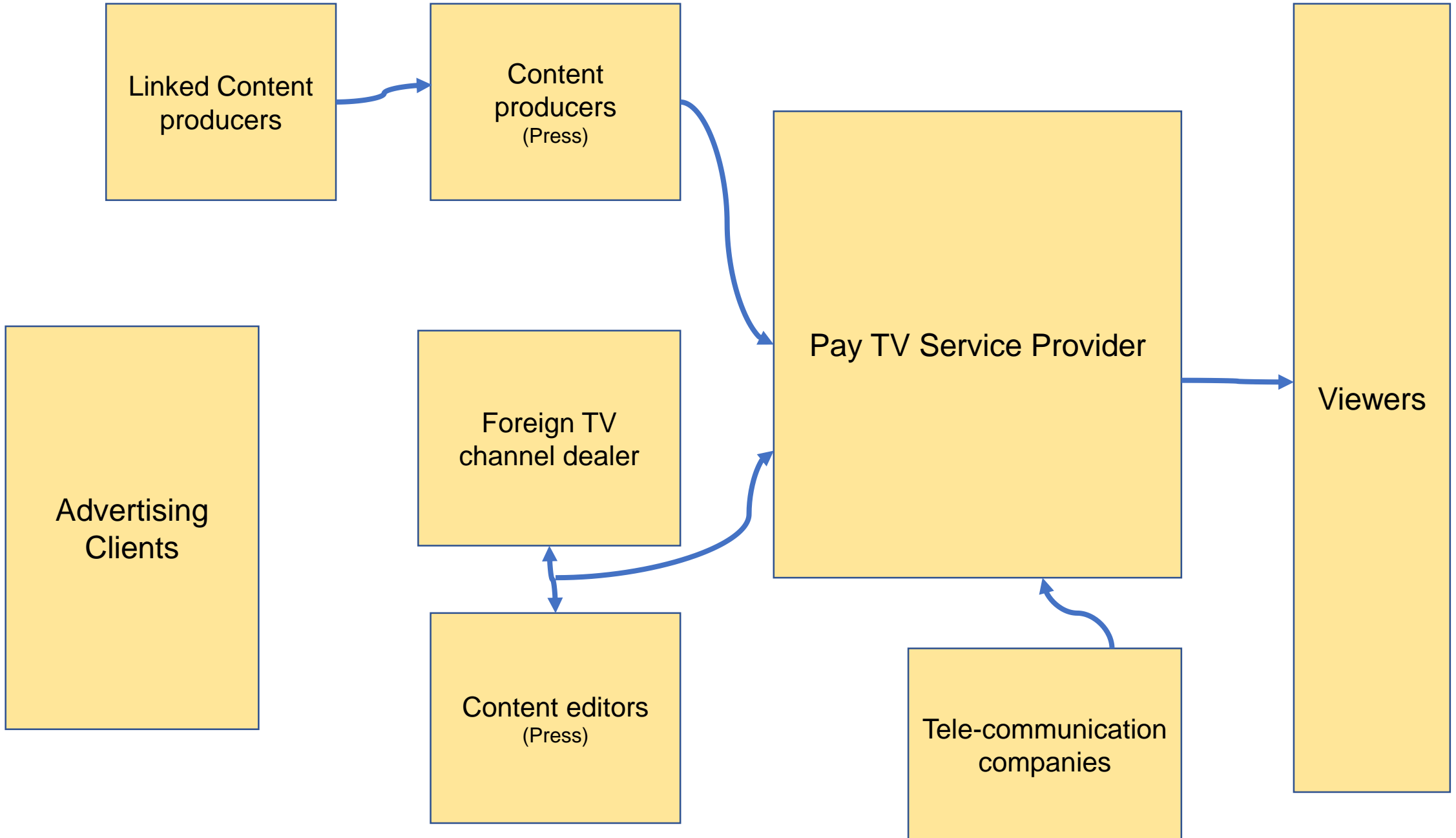
- Digital terrestrial television (DTT)
- Direct to Home (DTH)
- Analog Cable
- Digital Cable
- Internet Protocol TV (IPTV)
- Over the top (OTT)
- Mobile TV (Mobile TV)

Paid TV market

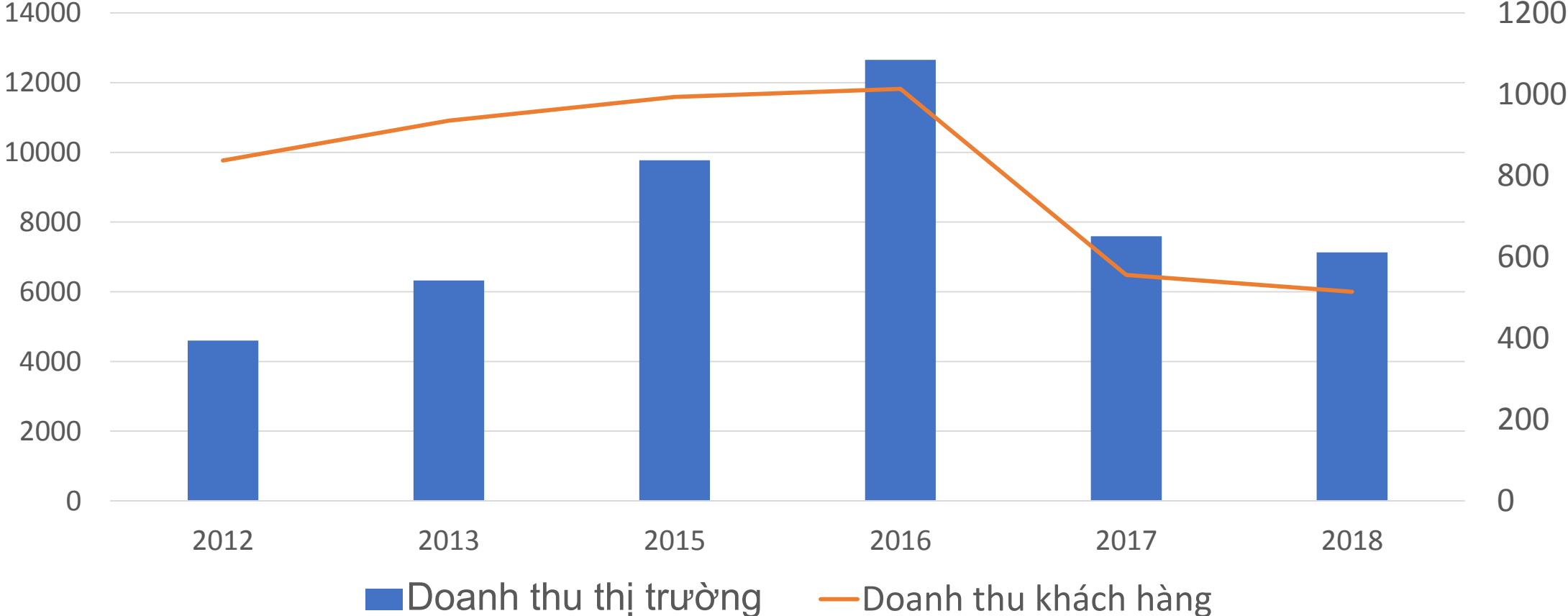


Market share by type of Pay TV services

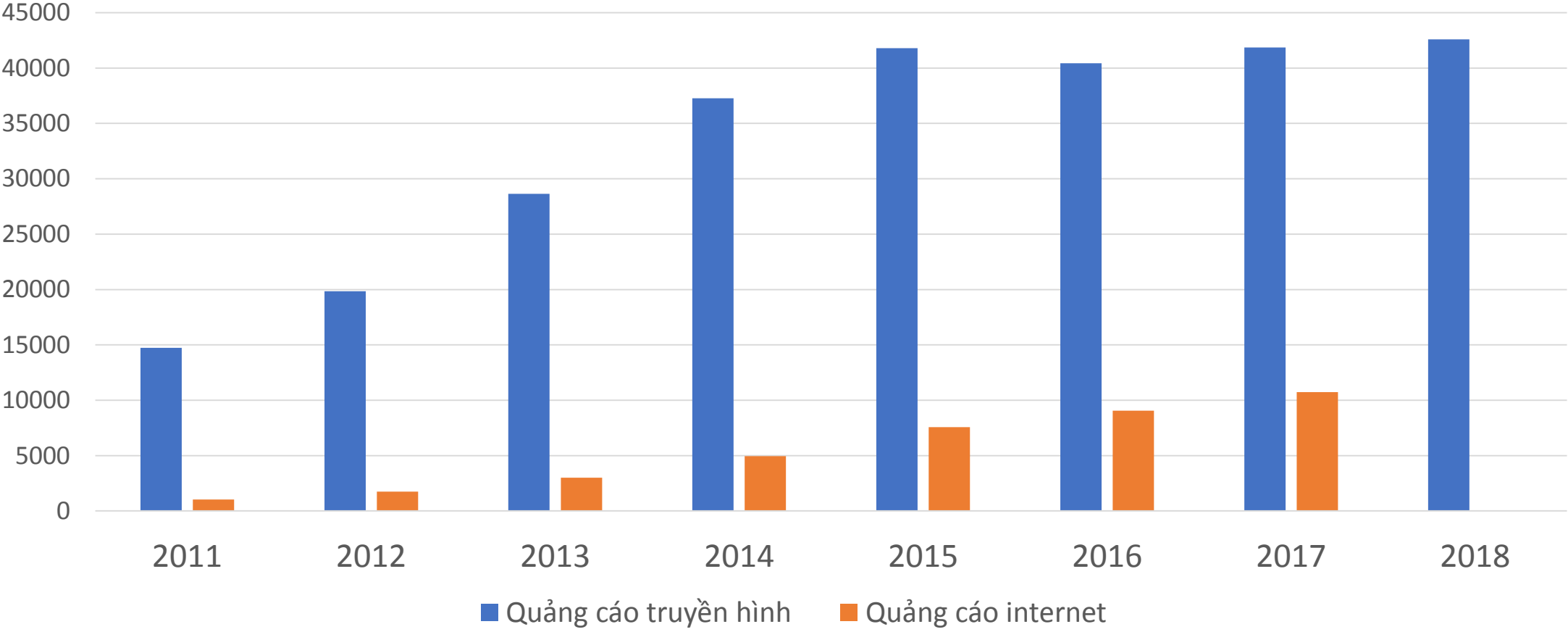




Paid TV revenue



Advertising revenue TV



About TV Content

- There are 194 channels
- 125 local channels:
 - 70 mandatory channels
- 69 foreign channels, 64 are Pay TV
- In the 10 most viewed pay channels, there are 5 foreign channels

The legal framework PayTV market

Subjects

- Press which are permitted in TV operation
 - Linked Content Producers
- Dealers of foreign TV channels in Vietnam
- TV Service suppliers
 - Telecommunication Companies

TV stations – Press Agencies

- TV station or other press agencies that permitted in TV operation
 - Owning TV channels
 - Self-produce programs or co-produce programs
 - Responsible for the content of the programmes produced by themselves or co-produced.
- Press Agency
 - Must under a State bodies, the Party or Social Organization
 - There are 67 TV and radio stations
 - Many other press agencies are allowed to operate the television

Domestic channels and programs production

- Content Producers:
 - TV stations, Cat Tien Sa, BHD, Dat Viet, Song Vang,...
- The regulations that impact the competition:
 - All content must go through a media agency
 - Licence to produce the channel (for 10 years)
 - Co-produced Programs must register with a State Agency
 - The co-producers must be a legal entity
 - Co-Produced Program duration no more than 30% of the mandatory channels and general channels
 - Ads: Duration restriction, number of Ads interruption, time, text size at the screen bottom.

All content must be through a media agency

- Purpose:
 - Censorship for ethical, cultural and political appropriate.
- Impact on Competition
 - Increase the cost of content production
 - Prolonged time to broadcast
 - Market Entry for individuals, small organizations
- What should be done?
 - Should producers be self-responsible for the content?
 - Guideline for self-censorship
 - Apply risk management

Registration co-produced programs with the State

- Purpose:
 - To censor co-produced programs
- Impact on Competition
 - Inequality between producers in TV Stations and external businesses
 - Risks for co-producers when the program is not approved
- What should be done?
 - If still TV station censorship, let the TV station be responsible, remove this license
 - If no need TV station censorship, apply risk management and guideline self-censorship

Co-produced Program duration no more than 30% of the mandatory channels and general channels

- Purpose:
 - Limited Co-produced Program
- Impact on Competition
 - TV stations have to maintain program production team
 - Inequality between producers in TV stations and in external businesses
- What should be done?
 - Remove this rule.

Foreign channels

- Editors
 - Must be a licensed press to operate the television
 - Responsible for editorial content, translations
 - Responsible for the advertising
- Dealers
 - Representative of the foreign channel owner in Viet Nam
 - Selling copy-rights of channels

Imported Foreign Channel Competition

- Dealer
 - 70 licensed channels, 60 channels are broadcasted
 - Qnet is licensed for 30 channels, broadcasted 23 channels. Many of them are most viewed. Qnet is a dominant players.
 - 40 remaining channels are under 9 dealers: Thao Le, BHD, Fox...
- Some regulations that affect the competition
 - Editor must be a Press agency.
 - Foreign channel no more than 30% of channel list
 - Must edit 100% of the movie, 100% documentary
 - If the foreign channel owner sell copyright, there must be a dealer in Vietnam, as a Vietnamese business.
 - Must have a channel editor licence for 10 year, channel registration certificate for 5-year

Editor must be a Press Agency

- Purpose:
 - Similar to the above, to censor content, including programs and ads
 - May be protection of local channels from imported channels
- Impact on Competition
 - Increase the cost, time for broadcasting

Editing License and Channel Registration

- Purpose:
 - Censorship by a State Agency
 - May be aimed to protect local channels
- Impact on Competition
 - Increases costs, time to import channels
- Comment?
 - 2 censorship layers: The channel is censored by Licence and Registration. The program is censored by Press Editing and Translation.
 - How about only one level of censorship by Press Agency?
 - How about TV service provider is responsible for the content of imported channel?
 - Guideline censorship and risk management

Foreign channel no more than 30% of channel list

- Purpose
 - To protect local channels
- Impact on Competition
 - Restrictions on the number of imported foreign channels

Dealer in Vietnam – Must be Vietnamese business

- Purpose:
 - To collect tax on copyright revenue
- Impact on Competition
 - Foreign channels cannot be sold directly to Vietnam television, which increases the cost of
- Comment?
 - Tax can be collected by the contractor tax, similar to when purchasing the program

Realm in the Import channel market

- Qnet
 - Large number of channels: 30/70
 - Many channels have large revenues: HBO, Star Movies, Fox Sports, Discovery, Disney Channel, Cartoon Network...
 - 80% of the cost of TV service providers is for copy-rights of imported channels and programs
- Comment?
 - Should investigate abuse of dominance?
 - Should divide direct competitor channels into other companies (movie channels, sport channels, children channels...)

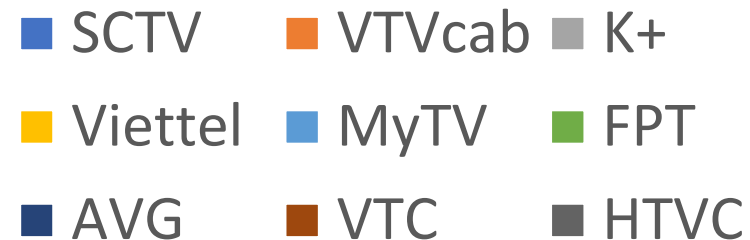
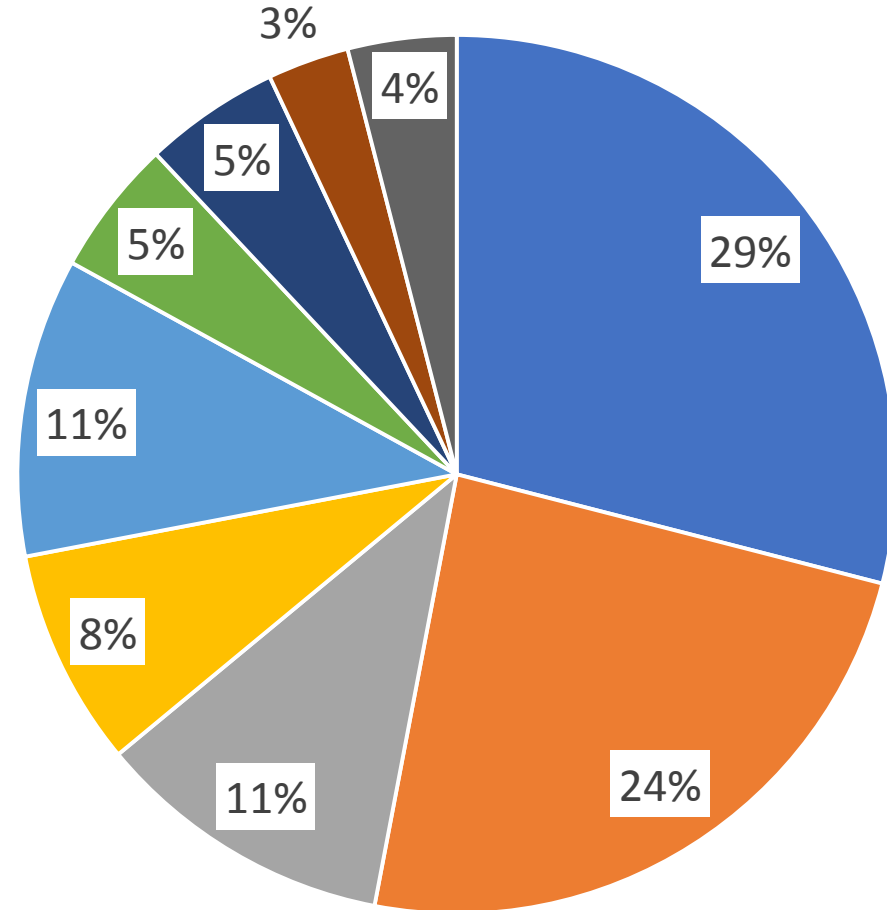
PayTV Companies

- Number of companies reduced:
 - 2011: 47 companies
 - 2013: 33 companies
 - 2016: 27 companies
 - 2018: 15 companies
- Small businesses are eliminated due to expired licenses, not affecting the market structure

Business	Analog Cable	Digital cable	Iptv	DTH	DTT	OTT	MobileTV
Hanel			X				
VNPT (MyTV)			X			X	X
Viettel	X	X	X			X	X
Fpt	X	X	X			X	X
HTV-TMS	X	X					
VTV-Cab	X	X	X			X	X
Sctv	X	X	X			X	X
AVG (An Vien – MobiTV)				X	X	X	X
QCATV (Quy Nhon)	X	X					
HCA TV (Hanoi)	X	X					
Vstv (K +)				X		X	X
Vtc						X	X
VNPT-Tech						X	
Mobifone							X
Icom						X	

8 major
businesses
account almost
the entire market
share

4 large
businesses
account for 75%
market share



Competition in PayTV market

- The same channel lists (70%-80%)
 - VtvCab dropped Qnet on 01/04/2018
- Low Price Competition for previous 2 years, race down to bottom
- Switching to OTT
- Competition Pressure:
 - Telecommunication Companies
 - The development of Social networking
 - The development of the OTT
 - Allowed, copyrighted
 - Unauthorized, copyrighted
 - Not allowed, copyright

The provisions that impact the competition in the market

- License for PayTV Service Provider
- Must be a Vietnamese, non-foreign invested company.
- Full broadcast of political channels: 7 Channel TW and 1 of 63 local channels
- Channel list must be at most 30% foreign channels
- Plan to eliminate analog signal
- Proposal: Floor Price
- Proposal: No new license for the telecommunications companies

PayTV Service License

- Goal
 - Pre-screening of business conditions for pay-TV services
 - Meet the Planning on TV services
- Impact on Competition
 - Unclear provisions on business conditions that create barriers to market, increase risk to investors
 - Limit the number of PayTV companies in the market
- Comment:
 - Change from License to Notification and Inspection
 - Abolish the Planning on TV services

Must be a Vietnamese Companies

- Regulation:
 - Must be a Vietnamese business
 - If there is foreign capital, must be approved by the PM.
- Purpose
 - Market protection
- Impact on Competition
 - Reduce competition levels, especially for high-quality service, demanding technology or high level of management
- Comment?
 - Expand room for foreign capital

Mandatory channels

- Broadcast at least 8 channels: 7 national channels and 1 provincial channel where service provided
- Goal:
 - Public Information and propaganda
- Impact:
 - Increase the cost of Pay-TV business
- Comment?
 - Decrease the number of mandatory channels

List of channels with up to 30% foreign channels

- Purpose:
 - Protect domestic producers
- Impact:
 - Increased costs for the Pay-TV companies when to buy and connect with domestic channels almost without viewers

Plan to remove Analog TV

- Goal
 - Utilising frequency resources
- Impact on Competition
 - Reducing consumer choice
 - Increasing the cost for consumer in difficulties
 - Increase the cost for enterprises when converting
- Comment
 - Depends on the frequency demand, may be no need to abandon the TV analogy.

Proposal: Floor Price Policy

- Cause:
 - Prevent competition by low price in the last 2 years
- Impact on Competition
 - Very negative impact similar to the price-fixing agreement in cartel
 - Consumers huge lost.
- Comment:
 - No floor price policy

Suggestions: Non-licensed TV service to pay for Enterprise telecom infrastructure

- Context
 - Business Telecom businesses to television arrays
 - Very low prices due to the use of telecommunication infrastructure.
 - There are cross-subsidy signs
- Comment:
 - Technological advances factor considerations
 - If you want to fight cross-subsidies, use competitive law instead of using non-licensing or floor-price measures

OTT

- Transmission:
 - Use of public Internet (advantageous for TelCo such as Viettel, VNPT, FPT,...)
 - Do not use a private TV cable
- Advantages:
 - High level of interaction, Video on demand (VOD)
 - If there is an Internet connection, the cost is very low
- Differences:
 - No Channel
 - Current regulations do not match
- Tested from 2013, commercialization from 2016
- No foreign enterprises are licensed
 - Some foreign companies provide cross-border services, but do not gain market share, except Youtube

OTT

- Unknown mechanism management OTT
 - Decree 06 include OTT as radio-television services via the Internet
 - Businesses in PayTV, when expanding to OTT, adjust the license
 - Businesses that only in OTT shall not asked for permission
- Proposal:
 - All OTT must be considered as radio and TV services
 - However, it is unclear the scope, as if such, all websites and apps of music, movie and clip will have to censor the content (and may also ask for permission)

Businesses that provide OTT

- Group 1: Pay-TV businesses expand to OTT (K +, SCTV, VTV...)
 - Good content
- Group 2: TelCo expand to OTT (Viettel, VTC, Mobifone,...)
 - Infrastructure, low-cost
- Group 3: Content producers expansion to OTT (Cat Tien Sa, BHD...)
 - Advantages of certain copyrighted programs
- Group 4: Internet Platform Enterprise extended to OTT (FPT Play, Zing TV, Clip TV)
 - Advantage of application links, ecosystem, good marketing
- Group 5: The Foreign OTT (YouTube, Netflix, Iflix)
 - Advantages of foreign content
- Group 6: Non-copyrighted film websites
 - Very low cost advantage

Copyright TV on OTT

- Piracy in a very serious issue
- Very low cost, mainly server costs
- Revenue by Ads
- A problem to other OTT (both domestic and foreign)

Suppliers	All four cities	Hanoi	Danang	HCM City	Can Tho
Youtube	87.3%	86.5%	98.4%	86%	97.2%
Phimmoi.net	28.9%	30.7%	37%	29.1%	14.8%
Zing TV	26.4%	23.6%	14.5%	26.5%	45.5%
FPT Play	8.2%	8	4.2%	7.3%	18.1%
Immortalized films	7	10.9%	23.5%	3.9%	2.8%
Hdviet	5.1%	4.4%	8	5.5%	4.8%

The conclusion

- Market of Program Production:
 - There is competition between some of the major businesses
 - Signs of Market dominance
 - Entry Barriers can be lowered
- Market of foreign content
 - Signs of abuse of the dominance
 - The dominant position is mainly due to market, not regulations
 - Entry Barriers are substantial but mostly for protection
- Pay TV Market before 2016 (OTT)
 - There is competition, but the level is not high
 - There are enterprises and group of enterprises has a dominant position
 - Regulation limited number of providers significantly reduce competition
- Pay TV Market after 2016
 - Competition on price
 - Cross-subsidies
 - The copyright issue leads to inequality

Recommendations

- Businesses that self-censor content
- Guidance and risk management for content censorship
- Abolish the duration of the co-produced programs 30%
- Reduce layer of censorship foreign channels
- Considering applying competitive law to import foreign channel market
- No TV service Planning
- Transfer from the authorization procedure to the notice and post-inspection of payTV Companies
- Expand room for foreign investors
- Reduce number of mandatory channels
- Loosen the time switch to digital TV
- Should not regulate OTT as radio, TV
- Use competitive law to handle cross-subsidy (if any)
- Strengthening of copyright rules

Thank you.

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