Free market a win-win for all operators

BY LIM YEE FEN
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CONTROVERSY broke out when new pay-TV rules were announced in March, forcing providers to share any exclusive content they acquired with their competitors.

This cross-carriage measure was aimed at making content more widely available and reducing inconvenience to consumers, but might otherwise be forced to switch providers to watch programmes such as English Premier League matches.

But the Cable & Satellite Broadcasting Association of Asia (Casaab), which represents some 130 members, including HBO Asia and Sony Pictures Television, declared that the move violated Singapore's commitments in various international trade and intellectual property agreements and would hurt the media sector here.

In a statement last month, it said the ruling by the Media Development Authority (MDA) here deprived content owners and creators of their freedom to negotiate contracts in a competitive market. But does it?

Take a hypothetical market of three pay-TV retailers – A, B and C. A has the highest number of subscribers at two million; next is B with one million; and C has only 100,000 subscribers.

When competing for exclusive high-value content, such as sports programmes and movies, C would estimate the number of new customers who would sign up for a lengthy contract just to be able to view the content, then add the number of its existing subscribers who would be prepared to pay the extra fees. C's bid for the premium content would be based on these calculations.

Logically, C would not bid too high as it might gain no new customers. And even if its entire existing subscriber base was willing to pay more for the new content, this might not be enough to make it worth its while.

However, under the new ruling, C would be able to sell premium content to the subscribers of A and B at the same price it offers its own subscribers.

This means that if it were to secure the highest winning bid for, say, the US Open tennis broadcast, it would automatically have a much larger ready market to sell to. This would make C more inclined to put in a higher bid for the broadcast rights.

The incentive to become the winning bidder has, in fact, increased and with it will come greater competition for high-value programmes. The result: higher bids.

So why would content providers want to withdraw from the Singapore market, as Casabaa claims?

Casaab must be careful not to confuse the new rule with what has happened in other parts of the world.

For example, in Britain there has been a long-running saga between Ofcom, the media regulator, and the alleged monoplist, BSkyB. This culminated in Ofcom's contentious ruling on March 31, when it ordered BSkyB to cut the wholesale price it charges rivals to offer Sky Sports channels by more than 20 per cent. This has ramifications for potential bids placed by pay-TV retailers for premium content.

But the situation in Britain is very different from that in Singapore. In Britain, one pay-TV retailer is required to sell to another retailer at a discounted wholesale price. In Singapore, the system has been changed so the pay-TV retailer sells directly to the consumer.

Secondly, in Britain, the wholesale price one retailer charges another is set by Ofcom – and it reduced the price in March.

Nothing of the sort has been suggested by the MDA. Typically, the successful bidder for a programme will charge all consumers the same amount. There is no indication that the MDA will be involved in any price setting.

In my view, the cross-carriage rule will increase competition in Singapore's pay-TV market rather than the opposite.

The writer is a visiting professor at the Faculty of Law, and a visiting professor at the Information and Innovation Policy Research Centre, Lee Kuan Yew School of Public Policy, National University of Singapore.