DIGITA
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NEWS AND DATA ON DIGITAL TERRESTRIAL TV FROM ITALY AND EUROPE

2010: THE YEAR OF THE DIGITAL TV RECORD. NEVERTHELESS…

In Italy, penetration of DTT stood at 20 million, or four in five, households at the end of 2010, with up to 3 million digital receivers sold in December alone (a historic high for Italy). Furthermore, DTT accounts for over 60% of total TV viewing, with analogue-only viewers representing less than 25% of TV households. Time spent watching TV grew in all digital regions, mainly due to the new digital offers. Therefore, Italy's digital TV market boasted record figures in 2010. Nevertheless…

Despite those achievements and the looming strategic challenges – see the mini dossier on the first the Over-The-Top TV initiatives – there is still perceived uneasiness over the final conclusion of the digital transition in the country. This comes from the difficult tender in allocating the 800 MHz band to telecoms operators and the subsequent need for local stations to vacate those frequencies in conjunction with the final switch-off. Yet, on the other hand, this could be a historic opportunity for local TV stations to provide the market with a new structure to make it more competitive, more enjoyable and based not only on the required pluralism, but also on the effective business size and the quality of the offer. So, the reorganization of the sector brought about by the transition to digital TV could result in a positive, rather than a negative outcome.

We firmly believe that the institutions and operators' commitment will be able to overcome this challenging transition, just as it was able to overcome the other, equally difficult, transitions faced previously.

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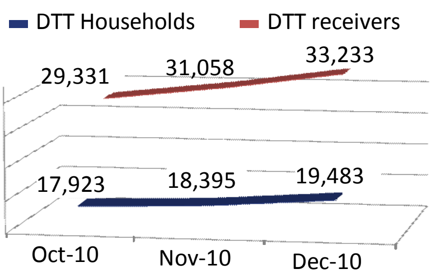
DTT PENETRATION

79% OF HOUSEHOLDS HAVE DTT

According to the latest E-res data, the number of households with at least one DTT receiver in the main family home rose to 19,483,000 as of December 2010, up by approximately 1 million on November 2010 and by nearly 3.8 million since January 2010. DTT penetration of total households thus grew to 79.1% by late December.

In December 2010 the number of DTT receivers in Italian households surged to 33,233,000. The Christmas sales peak aside, the growth was mainly due to completion of the Northern Italy switch-offs.

DTT households and DTT receivers
(in thousands)



Source: E-res

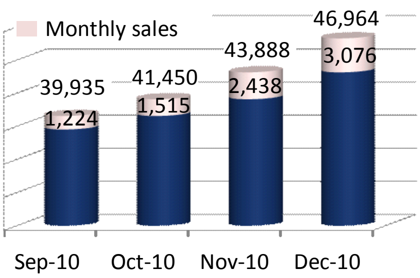
SALES OF DTT RECEIVERS

ALL-TIME HIGH IN DECEMBER

In December 2010, due to the effect of the Northern Italy switch-offs, sales of DTT receivers stood at 3,075,998, growing by 630,000 month-on-month and reaching a historic high. Out of these, nearly 39.5% are integrated receivers (1.2 million), 52.2% are zapper and 5.3% are STB MHP.

The cumulative number of DTT receivers sold since February 2004 stood at 46,964,000 at the end of December 2010. Of these, 19.9 million (42.4% of the total) are integrated and the remaining 27.1 million (57%) are external STBs. Nearly 18 million DTT receivers were sold in 2010.

Monthly and cumulative DTT receiver sales in Italy (in thousands)



Source: Gfk

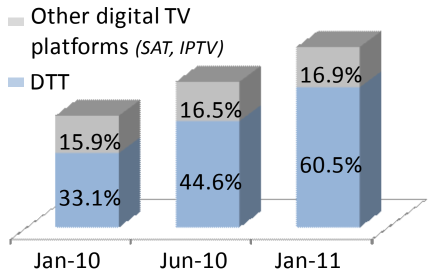
DTT AUDIENCE FIGURES

DTT AUDIENCE SHARE UP TO 60%

The beginning of 2011 saw DTT pass the threshold of 60% of total TV viewing. DTT audience share also grew in those months without scheduled switch-offs: between December 2010 and January 2011, DTT rose by 3%, with a year-on-year increase of 82%.

Due to the effect of DTT growth, the digital satellite platform – free and pay – rose, too, by 8% to reach 16.4% of total TV viewing, experiencing the most consistent growth in the last four months. Total Digital TV (DTT+ SAT + IPTV) hit a new historic high at 77.4% of total TV viewing.

Monthly audience share of DTT and other digital platforms (in %)



Source: Frasix Observatory -Studio Frasi on Auditel data

DIGITAL TERRESTRIAL TV VIEWING

(by Studio Frasi)

TIME SPENT WATCHING TV RISES IN THE NEW ALL-DIGITAL REGIONS

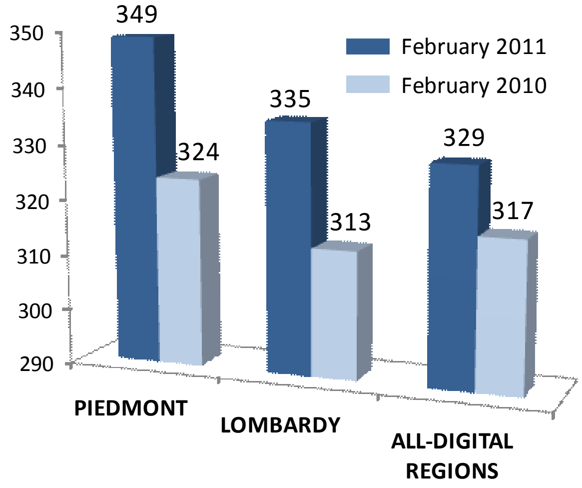
In the last issue we focused on the time spent watching TV in the new all-digital regions. Now in order to complete the analysis we focus on Lombardy, Piedmont and on the average consumption in the all-digital regions as of February 2011, compared with February 2010.

Males and especially females in Piedmont who watched TV for at least 1 minute in February 2011 spent an average of 349 minute per day watching TV, increasing their consumption by 25 minutes year-on-year, equal to 7.7% y-o-y growth. The gain was partly driven by curiosity to access the new digital DTT channels.

In Lombardy, too, TV consumption grew by 7.1% to reach 5 hours and 30 minutes a day. Time spent watching TV rose from 317 minutes in February 2009 to an average of 329 minutes per day in the all-digital regions a year later.

TV consumption in the new all-digital regions

Minutes per day – February 2011 vs. February 2010



Source: Studio Frasi on Auditel – Nielsen TV data

NEW IN ITALY

COMITATO NAZIONALE ITALIA DIGITALE: THE NEW 2011/2012 SWITCH-OFF SCHEDULE HAS BEEN BROUGHT FORWARD

Comitato Nazionale Italia Digitale (Italy's National Digital Committee) met on Tuesday, 1 March chaired by the Minister of Economic Development, Paolo Romani. The minister set out the proposed new schedule for completion of the national analogue switch-off.

The Committee has proposed bringing it forward by six months and altering the original scheduled switch-off time, which was originally fixed for the end of 2012. The new schedule is as follows:

- ✓ second half of 2011 – the Liguria, Tuscany, Umbria, Marche, Abruzzo and Molise regions;
- ✓ first half of 2012 – Apulia, Basilicata, Calabria and Sicily.

The DGTVi association and AIRES (Association of the Consumer Electronics Distribution) expressed a favorable opinion on advancing the switch-off date by six months. During the meeting, the Minister mentioned the availability of the resources needed to address the transition to digital TV, with €30 million assigned by the "Milleproroghe" decree, while the offices of the Ministry are still working on the harmonisation of frequencies with Slovenia and Croatia.

The Communications Regulatory Autority (AGCOM), represented by the Commissioner Roberto Napoli strongly suggested completing the switch-off by the end of 2011 in order to make fully available the 61-69 MHz frequencies for the consequent tender, as stipulated by the Law of Stability.

The local TV trade associations (FRT and Aeranti Corallo) stressed the need to clarify the criteria and procedures for establishing the compensatory economic measures provided for local broadcasters in the Law of Stability, before finalizing any decision on the new schedule.

Taking into account the discussion held during CNID consultation and, in particular, meeting the demands of local TV stations and regional associations, the Ministry prepared a plethora of technical discussions to be held shortly. He decided to reconvene CNID in two weeks' time to finally approve the proposed schedule.

FIRST STAGE OF OVER-THE-TOP-TV INITIATIVES

Being at the end of what may be regarded the "first phase" in digitalization of the TV landscape, we are now facing the opening (and therefore still chaotic and poorly defined) stage of the "second phase". At the core of this new phase of TV evolution there is the progressive integration of traditional digital TV and the Internet, which has gradually established itself as an audiovisual medium since 2005-2006 (YouTube was launched in 2005).

The broadcast-broadband integration, usually known as Over-the-Top TV (OTT TV), translates into the opportunity to integrate traditional linear TV programming with a wide range of content and services from the Internet, which may be available directly on the TV set via "hybrid" connectable devices. OTT TV constitutes one of the main areas of development, not only for the legacy broadcasters, but also for a wide range of new players, such as consumer electronics manufacturers (TV set, Set-Top-Box) and video game producers, as well as technology and Internet players.

Looking more closely at the platforms and the various agreements between the parties in the development of OTT TV services, it is possible to discern two different strands:

→ **Horizontal platforms** are developed as consortia through the involvement of various stakeholders, including most major broadcasters in the relevant national market. These are based on common specifications and open to both consumer device manufacturers and service providers.

→ **Vertical platforms** are based on proprietary specifications and are therefore managed by a single stakeholder who works as a "packager". The service provider selects and offers a set of Internet-delivered content and services including audiovisual, social networking, news, etc. This group of initiatives includes TV manufacturers' OTT TV platforms as well as those by games console manufacturers and telecoms operators.

Concerning the horizontal cross-industry platforms, the major European initiatives are:

✓ **YouView**, jointly developed by the main British Free-to-Air broadcasters (BBC, ITV, Channel 4 and Five) in partnership with the telecoms operators BT, Talk Talk and Arqiva. The initial schedule has encountered several delays. So the launch of YouView receivers, able to receive content and services from the Internet (including the major broadcasters' catch-up TV services) together with DTT and satellite programming, will presumably be scheduled for 2012.

✓ **HbbTV** is a pan-European project that aims at defining and harmonizing content and service delivery standards as well as technical specifications (already approved by ETSI) over broadband and broadcast. Some of the German and French main broadcasters, which support the initiative with nearly 50 other stakeholders, have already launched the first services on HbbTV. For example, Arte and ZDF offer their catch-up TV services (on-demand weekly linear programming) on HbbTV.

✓ **Bollino Gold DGTVi** is an initiative developed for the Italian DTT platform based on the evolution of the MHP standard. Italian DTT households can access several advanced Internet-delivered services, including RAI, Mediaset and La7's catch-up TV services via their Bollino Gold certified receivers (STB or TV set).

Focusing on the vertical-proprietary platforms, it is possible to draw up the players' taxonomy:

✓ **Consumer electronics (TV set, Set-Top-Box etc.) manufacturers.** Starting in 2010, the main consumer electronics manufacturers made their devices fully integrated with the Internet and started offering a wide range of content and services through their proprietary OTT portal, on a country-by-country basis. Generally, these platforms provide direct access to some Web audiovisual services (such as YouTube, Dailymotion or, in certain cases, the broadcasters' catch-up TV) as well as to other Web services. Players in this sector include Sony (Internet TV platform), Philips (Net TV), Samsung (Internet@TV) and LG among others.

✓ **The videogame market operators**, including Sony, Nintendo and Microsoft. Their "new generation" videogame consoles (respectively PlayStation 3, Wii and Xbox) are equipped to surf the Web and to provide interactive services (downloads, online multiplayer gaming etc.) as well as online audiovisual services (including YouTube, broadcasters' catch-up TV and video rental operations such as Netflix, available on the three major consoles in the US). Due to several factors (user target, high market penetration), videogame consoles are showing their suitability for OTT TV. For example, 12% of the total video watched on iPlayer, the BBC catch-up TV service, are requests via game consoles, equal to more than 8 million views per month (as of January 2011) in the UK.

✓ **Telecoms operators** aim at integrating the new Internet-delivered services directly via their IPTV platforms (this strategy is widely adopted by the major French operators) or at developing and marketing platforms / ad hoc OTT TV offers, available through proprietary STBs or directly integrated within other connectable devices. These include Vodafone's OTT TV offer (available in Italy and Spain), Telecom Italia's CuboVision platform (accessible via proprietary STB or via Samsung's devices with a library of on-demand movies, applications and Web-TV services) as well as Fastweb's Chili offer.

- ✓ **Pay-TV operators** recently launched OTT TV offers strictly related to their core linear TV services. For example, the British satellite Pay-TV operator BSkyB launched its Sky Anytime+ offer, making available more than 1,000 on-demand videos to their subscribers via a proprietary Sky+HD STB. More recently, the Italian Pay-DTT operator Mediaset launched a new offer, Premium Net TV, with over 1,000 hours of video content, including HD, and a catalogue of more than 200 films.

- ✓ **Newly born packagers in the video—broadband market**, such as the French Cezzer (on-demand movie catalogue).

- ✓ **Operators from the IT sector** (like Apple) **or from the Internet market** (Google *in primis*). Apple's OTT TV offer, Apple TV, was re-launched in October 2010 after discontinuing the first generation device due to limited success on the market. As for their portable devices (iPod, iPhone and iPad), Apple relies on an integrated system based on hardware + software (iTunes) + content catalog (iTunes Store). In the US, the Apple TV offer includes a movie and TV show library and provides access to the video rental service Netflix and to a selection of Internet services including YouTube. Apple TV sales reached 1 million units as of the end of December 2010.

  Google TV's approach is significantly different from that of Apple and the other operators', which rely on a "walled garden" model where users can access only pre-chosen content and services offered by the packager. On the other hand, Google TV is working on a so-called "open sea" model, with the aim of making accessible all available Web content. Google TV has been integrated into various devices including TV sets and STBs (agreements with Sony and Logitech). It can therefore be characterized as a technology platform (an operating system, a browser and a processor) that integrates linear broadcasting as well as Internet content and services. Furthermore, the catalog is fully searchable via a search engine. Google TV development and market penetration have been hampered by the major US networks such as ABC, NBC, CBS and Viacom, who strictly prevented Google TV users from searching their content through the Google TV search engine.

From the broadcasters'perspective, OTT TV is a major strategic challenge. The rise of new packagers-enablers tends to push them back in the value chain. At the current stage of market development, it is difficult to identify any unique strategy adopted by the broadcasters.

On the one hand, traditional TV operators are among the main promoters of horizontal cross-industry initiatives, including the aforementioned YouView, HbbTV and Bollino Gold DGTVi. These initiatives can be seen as the broadcasters' attempt to offer their content directly to the users avoiding the intermediation of a content aggregator / packager.

On the other hand, agreements between the new OTT TV distribution packager (consumer electronics manufacturers, video games operators, etc.) and the broadcasters themselves have proliferated, especially in 2010. This approach shows that broadcasters are eager to leverage their content (mainly catch-up TV) also on third party OTT TV portals (see table below).

OTT TV / Video on Demand initiatives of selected European FTA broadcasters

OPERATOR		WEB VIDEO OFFER	PLATFORMS / THIRD PARTIES DEVICES	PROPRIETARY OTT TV OFFERS	HORIZONTAL OTT PLATFORMS
BBC	UK	iPlayer	DTT (some Freeview models), cable (Virgin Media), IPTV (BT Vision), satellite (Freesat); PS3, Wii, Xbox 360; iOS (Apple), Android, Symbian, Blackberry; Fetch TV, Chello, Sony, Samsung		**YouView** (expected launch 2012)
itv	UK	ITVPlayer	cable (Virgin Media), IPTV (BT Vision), satellite (Freesat); PS3		
4	UK	4oD	cable (Virgin Media), IPTV (BT Vision); PS3		
francetélévisions	FR	France TVOD	IPTV (Orange, Free-Alice); iOS (Apple)		**HbbTV** (some apps and services already launched)
TF1	FR	MyTF1 / TF1 Vision	My TF1: IPTV (Orange, Bouygyes, SFR). TF1 Vision: cable (Numericable), IPTV (Orange, SFR, Bouygues, Free-Alice); iOS (Apple), Android (some), Symbian, Blackberry; Samsung, Cezzer		
rtve	ES	TVE a la carta	PS3; iOS (Apple), Android (EPG, some prgs); Vodafone Internet TV (RTVE.es)		
Antena3	ES	Antena3.com / Antena3.mobi	PS3; iOS (Apple), Symbian (EPG, some prgs); Sony, Samsung		
Rai	IT	Rai.tv	iOS (Apple), (EPG, some prgs); Sony, Samsung		Catch-up TV offers on DTT (Bollino Gold DGTVi receivers)
MEDIASET	IT	VideoMediaset / Premium Net TV	Video Mediaset: iOS (Apple)	Premium Net TV(DTT)	
LA7	IT	La7.tv	iOS (Apple) (some programs); Cubovision, Samsung (Cubovision Connected TV)		

Source: e-Media Institute on various sources — Traditional digital TV platforms; Videogame consoles; Mobile; Other OTT TV offers (Connected TV, STBs etc.)

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