



Photo courtesy of Philips Electronics.

Finally coming of age

Philippa Smyth, Correspondent of Satellite Evolution Asia (SEA), casts a roving eye on what is without a doubt one of the hottest topics in broadcasting: Internet Protocol Television (IPTV).

He had said he would relinquish his executive position within Microsoft to focus on his charitable work he carries out with the 'Bill & Melinda Gates Foundation', which is dedicated to bringing innovations in health and learning to the global community. And yet, the man himself made an appearance at the 2007 Consumer Electronic Show (CES) in Las Vegas, where he delivered a keynote speech on the topic of digital lifestyle.

In his speech headlining the world's largest electronic convention, Bill Gates highlighted how Microsoft's latest creations and partnerships aim to make it easier for people to navigate, consume, share and manage different kinds of content, whether they are games, movies, family photos, sports or work. The reason for his appearance? While it is true that even a man as famous as he is would still get some pleasure from being in the limelight, he certainly had two

major reasons to be in Las Vegas. Firstly, of course, the launch of the long-awaited Vista operating system, due to replace Windows XP. However, there was a second announcement in his speech that also deserved special attention. Sharing the stage with Gates was Robbie Bach, head of the company's entertainment and Xbox division, who highlighted how the machine is becoming a home entertainment hub that does more than just play games. For example, Microsoft has also teamed with the Nickelodeon and Showtime television networks and Starz Entertainment's Vongo subscription movie service so their Web-based content will be directly available through Vista. Besides, movies downloaded from Vongo can also be played on the TV using Microsoft's Xbox 360 game console. More than 10.4 million Xbox 360 consoles have been sold since the system launched in November 2005. The Xbox Live online marketplace now sells downloadable movies, and features more than 1,000 hours of TV and movie content.

In other words, the Xbox 360, supported by Microsoft's new operating system, is seen as a kind of a Trojan horse to enter what promises to be one of the most lucrative markets in the world: that of the digital home. But while the Xbox can be described as the Trojan horse sitting at the centre of the living room and connecting to the rest of the house and other mobile devices present in the area, the vehicle that allows the multi-function electronic device to be connected to the rest of the world is Internet Protocol Television (IPTV).



This is, in fact, the true enabler of that digital lifestyle in which digital content can move across devices throughout the home and be taken on the go. In this sense the signs are clear: it is not just Microsoft that is making a move on this marketplace; several other players are also taking part in the race of the century.

A crowded marketplace

As Gates pointed out in his keynote speech at CES in Las Vegas, companies from a wide array of backgrounds are interested in this market: not only computers, but also cell phones, portable media players, home media centres and even cars – naturally, Gates is hoping to supply them all with Microsoft's Vista operating system, while Steve Jobs, his arch-rival, is looking at launching the revolutionary iPhone.

In the industry at large, in the meantime, companies are ready to embrace IPTV, in a clear sign that the technology is finally come of age. Sony Corp has recently said it would now enable most of its new televisions, including High Definition (HD), to play video from the Internet. Talking at the CES in Las Vegas, representatives from the company said the drive to converge Internet and other digital video with traditional devices was key for its four strategic growth areas: video gaming, digital imaging, high definition and mobile products.

Starting early in 2007, Sony will equip its TVs with an attachable module that can stream broadband high-definition and other Internet video content such as programmes with the push of a remote control button. Sony also introduced an icon-based user interface, called Cross Media Bar, that is similar to a system already found on its PlayStation 3 and PlayStation Portable gaming devices.

As we saw earlier, these kinds of deals are not limited to the living room environment. Recently Motorola, the giant US mobile phone manufacturer, has signed a definitive merger agreement with Tut Systems. This is a company that provides carrier-class end-to-end digital video encoding, processing and distribution products. Their solutions support MPEG-2 and MPEG-4 AVC video compression, local ad insertion, forward error correction, and real-time conditioning of video and audio. Today, more than 160 service providers worldwide deliver IPTV powered by Tut Systems digital video distribution technology.

The integration of Tut Systems' solutions with Motorola's digital video delivery solutions will expand Motorola's ability to help service providers deploy advanced video services over IP, ATM, or RF-based network architectures. Motorola currently has deployed 2060 digital

video networks and over 50 million digital video set tops worldwide.

Sal D'Auria, President and CEO of Tut Systems, said that Motorola's financial resources and customer relationships would enable the company to address larger customer opportunities that were challenging as a smaller company. Upon completion of the transaction, Tut Systems will become a wholly-owned subsidiary of Motorola and will be integrated into the Motorola Connected Home Solutions business.

The list of examples of companies taken initiatives of all kinds in this area could go on and on. But one question only comes naturally: what is the size of the marketplace? How much is IPTV really worth?

Not an exact science

Predicting with accuracy the size of a marketplace is not an exact science by any means: too many factors should be taken into consideration when such a feat is to be performed. However, one thing is for sure: IPTV is one of the fastest growing industries at the moment, as the many research papers in this field clearly indicate.

New analysis from Point Topic shows that IPTV subscriber numbers doubled during the 12 months to 30 June 2006. The total number of people worldwide paying for TV services supplied via Internet Protocol increased from just under 1.5 million to almost 3 million.

Europe is the most important region for IPTV, with the strongest growth in subscriber numbers during the period. There have also been a large number of service launches. This growth reflects the developed and competitive pay-TV market in many European countries.

Hong Kong's PCCW remains the largest IPTV operator, with 444,000 paying IPTV subscribers, and a total of 654,000 TV connections (not all TV services require a paying subscription). France Telecom had over 300,000 paying customers, whilst Telefónica in Spain grew strongly to 267,000 TV subscribers.

But what can we expect in the future? Predictions are extremely buoyant in this sense. The Diffusion Group's latest report on IP media says the number of broadband-enabled TVs is expected to exceed 162 million households globally by 2011. Colin Dixon, senior analyst and author of the report said: "As the Internet finds its way to the primary home TV - and it will - incumbent Pay TV operators and established broadcasters will gradually lose control over the types of video consumers can watch. In the next few years, a growing number of consumers will look to the Internet as a means of expanding the variety of content to which they have access, much of which will be available on-demand and specifically suited to their tastes."



Starting early in 2007, Sony will equip its TVs with an attachable module that can stream broadband high-definition and other Internet video content such as programmes with the push of a remote control button. Photo courtesy of Sony.



IPTV in the Asia-Pacific region

Considered the next big thing in the consumer telecom space, IPTV is fast making headway across the entire Asia-Pacific region. The deployment of IPTV in the region has been further hastened by the explosion of broadband in various high growth markets across the Asia-Pacific region, even as service providers across the region have invested heavily in the network infrastructure required for offering these services. Besides, IPTV has generated a new revenue stream, amidst dwindling fixed line revenues, and rapid advancements in compression, transmission, and watermarking technologies have enabled more and more service providers to jump onto the IPTV bandwagon. In line with these trends, the Asia-Pacific IPTV market is set for considerable growth over the forecast period, with the number of IPTV subscribers expected to increase from the existing 1.47 million to 27.4 million by 2013.

However, poor broadband infrastructure in key growth markets such as China, India, and the Philippines coupled with lack of quality content have restrained the growth of IPTV in the region. Furthermore, access to quality content has been a common challenge for service providers. "While partnerships with content providers and broadcasting companies go a long way in securing access rights, the cable TV providers or the IPTV market leaders already have exclusive access to this content," notes the analyst of this research service. "This arrangement makes it difficult for other service providers to scale their service to meet the users' requirements."

With respect to individual regional markets, Hong Kong is already a mature market for IPTV services, and is expected to be heading toward saturation by 2009. China and India are perceived as high growth markets for IPTV by 2009. By 2013, China along with Hong Kong is expected to contribute nearly 60 percent of the total Asia-Pacific IPTV revenues. With 47.8 million subscribers, China had the largest broadband subscriber base in the Asia-Pacific in 2006, out of which nearly 70 percent were residential subscribers. In Australia, IPTV is entering a crucial stage in its development, moving away from a technology under trial, into full commercial deployment. While it could take another three years for IPTV to enter the growth stage, service providers' early adoption of IPTV services and aggressive pricing strategies are expected to contribute to the success of the technology in Australia.

Presently, IPTV is deployed in China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan, and Thailand. The service is expected to be introduced in India and the Philippines in 2007, and despite the lack of bandwidth in most markets, the demand for interactive entertainment has lured service providers to offer IP-based content in the form of Video on Demand (VoD) and channel-based offerings. "As the service providers take the first few tentative steps, response from IPTV users has been positive in most markets," says the analyst. "Service providers need to look beyond immediate revenue opportunities to understand the long-term importance of IPTV as a carrier distribution platform, over which many consumer communi-

China orders crackdown on online TV broadcasts

(SARFT) has issued a circular ordering a crackdown on companies illegally broadcasting TV programmes on the Internet.

The SARFT circular prohibits cooperation between SARFT-affiliated institutions and "online TV stations" that have been broadcasting TV programmes including news programmes without legal permission. Some of the illegal "online TV stations" even forge government permissions to recruit reporters, set up branch stations, and profit from advertising revenue, reports Radio Netherlands Media Network. According to China's Regulations on the Management of TV and Radio Stations, TV and radio stations can only be established by government departments and government-affiliated radio and TV groups. China's Management Measures for Transmitting A/V Programme over Internet and Other Information Networks, which took effect in October 2004, also stipulate that online broadcasters of audio and video programmes must obtain permission from SARFT before broadcasting. Online programme broadcasters are not authorised to make their own programmes.

cation and entertainment services can be offered simultaneously."

The Chinese case

China presents a very special case for IPTV in the Asia-Pacific region. China's IPTV market is expected to go through a gradual but solid increase from 2006 to 2010, according to high-tech market research firm In-Stat. The industry environment for IPTV has improved, but the outlook is still not completely positive. Two more IPTV licences have been issued in China, and licence holders have achieved some progress with more local telcos. However, the government agency SARFT maintains tight control over content supervision and is using government policies to level the competition between IPTV and digital cable TV.

"China's IPTV ecosystem is still shaping itself," suggested Rebecca Tan, In-Stat analyst. "The ecosystem participants, centralised around telcos, are trying to find an effective model for co-operation. Telcos currently have to rely on content providers for programming while trying to gain content licences of their own, while content providers, represented by Shanghai Media Group, are managing to control end-users through IPTV."

Conclusion

While IPTV is yet to even get near the numbers reached by other TV platforms such as Direct To Home (DTH) or cable TV, there is no doubt that it has a bright future all over the world, and in the Asia-Pacific region in particular.

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