



**homeTV**

Experience with IPTV in Germany  
Berlin, 20.04.2007

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# Agenda



- HanseNet – background
- The German broadcasting market – a demanding start up environment for a Telco
- Alice HomeTV: First IPTV in Germany
- Regulatory issues



## HanseNet – a brief look into history

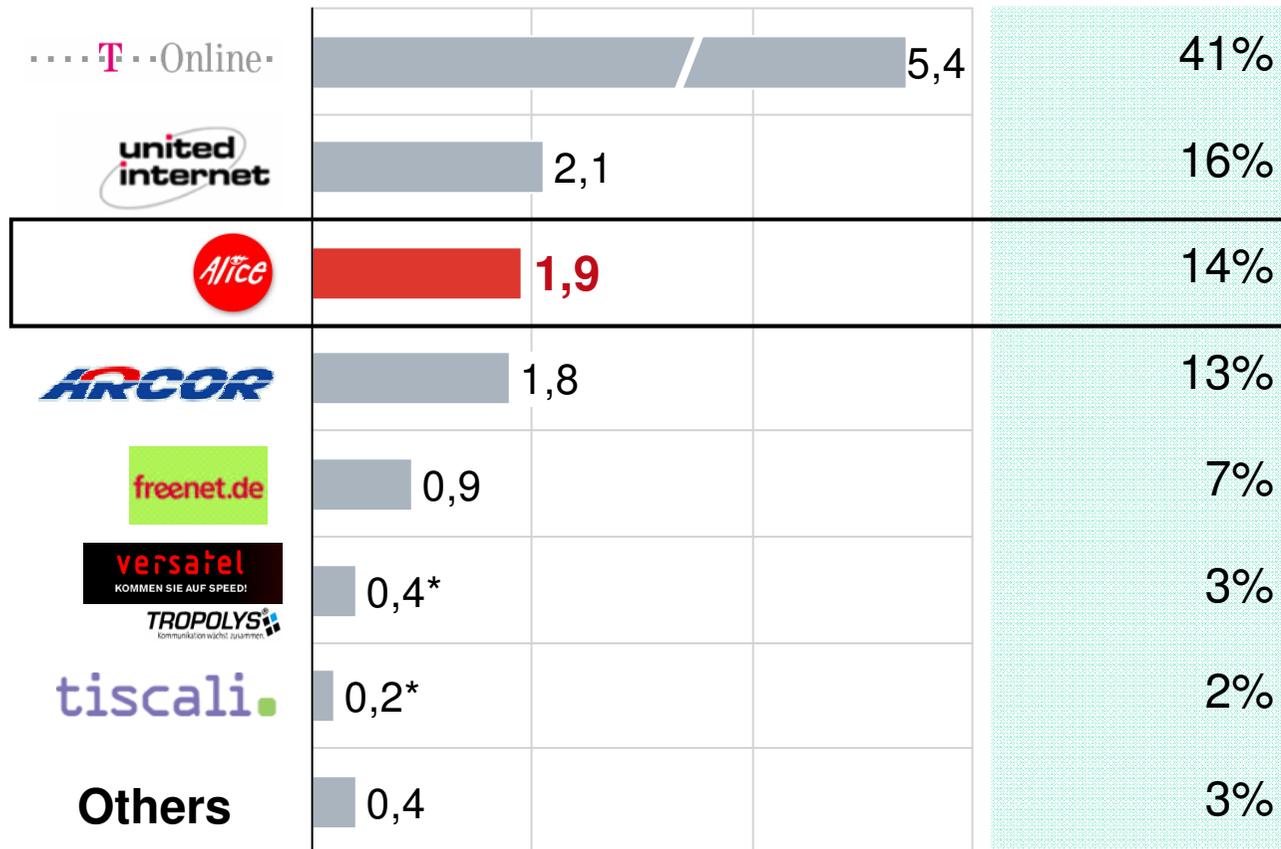
- 1995 December: Foundation of HanseNet Telekommunikation GmbH as 100% subsidiary of HEW (Hamburgische Elektrizitäts-Werke)
- 2003 100% take over of HanseNet by Telecom Italia. HanseNet offers telephone and DSL bundle products, reaching 80.000 customers in Hamburg area
- 2004 Re-branding of product portfolio with introduction of “Alice“  
As the first alternative carrier, HanseNet in Hamburg reaches a DSL-market share of more than 50%
- 2005 Alice starts selling outside of Hamburg in Lübeck, Berlin, Frankfurt, Munich and Stuttgart; later in the year in Rostock, Ruhr-area, Offenbach and Karlsruhe as well  
Alice starts a germanwide resale offer based on T-DSL “Alice 2000 flat“ mid of 2005  
Launch of 16.000 kbit/s ADSL 2+ offer in all sales areas in October
- 2006 Alice confirms it’s leadership in innovation, being the first Telco in Germany launching IPTV
- 2007 Completion of merger with AOL’s German access business

# HanseNet within the German DSL market



DSL customer (Mio.) Q3 2006

Market share



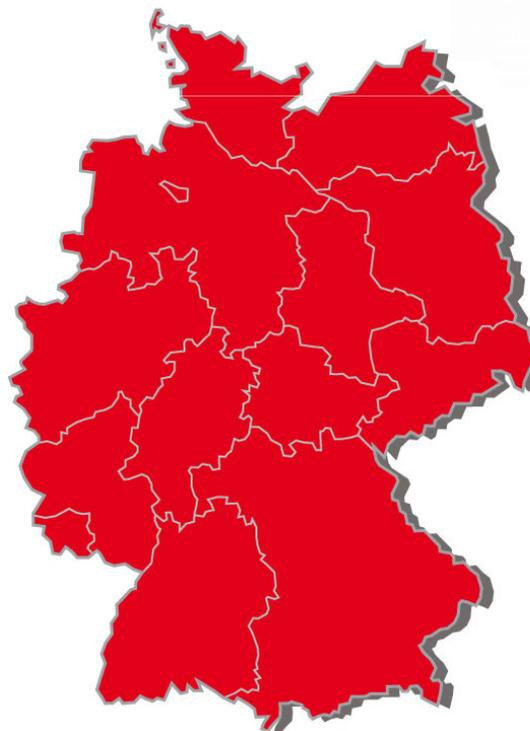
- Actual more than 2,1 Mio. DSL customer
- In total more than 3 Mio. customer (incl. narrowband)
- Nr. 2 ISPs in Germany

source: Press releases of companies, HanseNet Analysis; \*estimated figures



# HanseNet: Geographical coverage

- 3 types of access:
  - Connection to MDFs´ by own infrastructure
  - Connection to MDFs´ by Telefonica/QSC
  - Resale/Wholesale DTAG
- IPTV is offered in selected areas





# IPTV: An option on top of phone and internet services

## Best offer

## Options

### Professionals

49,90 €/month  
*Alice Deluxe 16.000 Kbps*  
telephone and DSL access incl.  
voice und DSL flat rate

Alice homeTV: 9,90 €  
Up to 60 Free- TV channels  
and 40 pay tv channels incl.  
Set-Top-Box

### Lifestyle/ Entertainment

39,90 €/month  
*Alice Fun 4.000 Kbps*  
telephone and DSL access incl.  
voice und DSL flat rate

Voice flat rate offer: 14,90 €  
*Talk4Free Europa & More*  
*39 countries in Europe +*  
*Australia, USA, Kanada,*  
*Japan, China*

### Family

29,90 €/month  
*Alice Fun 4.000 Kbps*  
telephone and DSL access incl.  
voice flat rate; minute based  
charge of DSL usage

*Talk2Mobile: 9,90 €*  
60 free min./ month in all  
mobile networks  
afterwards 4,9 Ct/ min.

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# IPTV in Germany

## Business opportunity or non calculable risk?



### Thesis 1:

After the privatisation of broadcasting in the mid 80ies, IPTV is part of a second media revolution which will ultimately change consumers' attitude towards common broadcasting.

### Thesis 2:

From a consumer perspective xDSL and FTTx solutions including IPTV as part of a triple play offer will turn out to be true alternatives to cable.

### Thesis 3:

If regulators prevent entrenchment of dominant positions in the access market by bundling with exclusive content, infrastructure based competition will emerge to the benefit of the consumers.



# Why IPTV ?

German network operators, representative survey I\*

- New revenue streams 55%
- Improve sales of broadband connections 31%
- Reduction of churn 22%
- Acquisition of new customers 20%
- Increase profit 20%
- Reaction on other competitors 18%
- Cross - selling 11%
- No interest in IPTV at all 08%
- Improve internal skills and competences 03%

\*Accenture, 2006





# How to increase revenue by IPTV?

German network operators, representative survey II\*



\* Accenture, 2006



# What obstacles might prevent market penetration?

German network operators, representative survey III\*



• Other competitors too strong	31%
• Content too expensive	16%
• Lack of attractive content available	13%
• Network- and other technical cost too high	11%
• Problems with quality and other technical issues	10%
• Market saturation/ Satisfaction with Free-TV	08%
• Customer Care and technical Hotline not adequate	07%

•Accenture, 2006



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# IPTV – More than television



## 100 TV channels with EPG

- More than 50 **free TV channels**
- Electronic program guide: comfortable TV program information up to 14 days in advance
- Optional **pay tv-packages** e.g. entertainment

## Video-on-demand

- Access to the **online video store** with more than 1.000 titles
- New appealing movie packages, also from majors

## Internet & eMail

- Time unlimited internet access via set-top-box (independent from the main product)
- TV screen fitting web mail client

## Hybrid set-top-box

- MPEG4 AVC decoder
- Crypting system with smart card protection
- Including DVBT tuner

# Up to 100 TV-channels...



## Free TV

Das Erste  
ZDF  
RTL Television  
SAT.1  
ProSieben  
RTL2  
KABEL1  
VOX  
Super RTL  
n-tv  
N24  
KiKa  
3sat  
arte  
NDR Fernsehen  
WDR Köln  
MDR FERNSEHEN  
Bayerisches Fernsehen  
Südwest Fernsehen RP  
hr-fernsehen  
rbb Berlin  
Phoenix  
Viva  
Viva Plus  
MTV Germany  
9Live  
BR-alpha  
EinsPlus  
EinsExtra  
EinsFestival

ZDFfokanal  
ZDFdokukanal  
ZDFtheaterkanal  
1-2-3.tv  
Al Jazeera International  
Astro TV  
Bahn TV  
BBC World  
Bibel TV  
Bloomberg TV  
CNN International  
Das Vierte  
EuroNews  
Gems TV  
HSE24  
K-TV  
K1010.tv  
Nick  
QVC (Germany)  
RTL Shop  
Sportswin.TV  
Traumpartner TV  
TERRA NOVA  
Trace TV  
TV Travelshop  
TV5 Europe

**9,90 €/Monat**

## Pay TV

**BIG ENTERTAINMENT**  
13th Street  
AXN Deutschland  
BBC Prime  
Body in Balance  
Boomerang  
Extreme Sports Channel  
Fashion TV  
G.TV (Games TV)  
History Channel  
Kinowelt TV  
MCM Top  
Mezzo  
Motors TV  
MTV Music  
National Geographic Channel  
Planet  
Sailing Channel  
SciFi  
SKY News  
tv.gusto  
VH 1  
Wetter Fernsehen  
Wine TV  
Zone Club

**14,90 €/Monat**

**Türk Premium**  
LIG TV (Soccer)  
NTV Türkiye (News)  
Sinema Turk (Movies)

**22,90 €/Monat**

**MTV Tune-Inn**  
MTV 2  
MTV Base  
MTV Dance  
MTV Hits  
VH 1 Classic

**2,90 €/Monat**



# ... and attractive on demand content from Majors with up to 600 movies



- 3 Strikes
- Tortilla Soup
- Agent Cody Banks



- The Grudge
- From Dusk till Dawn
- Crocodile Dundee



- Flightplan
- Die Chroniken von Narnia
- Cinderella Man



- Das Reich der Azteken
- Geheimnisse der Pharaonen
- Zauber der Inkas



- Live-Concert Paul Simon
- Live-Concert The Corrs
- Live-Concert Peter Gabriel



- Der Unhold
- Jana und Jan
- Die Spur des Bernsteinzimmers



- Alexander
- Lost in Translation
- (T)Raumschiff Surprise



- Kinderfilme:
- Little Amadeus
  - Max und Molly
  - Hallo Spencer

**Cost per movie,  
Documentation etc.:  
0,90 € to 4,90 €**



# Keyboard as a handsome alternative



## Why is it useful?:

- Very smart measures
- Faster for search functions (e.g. Movies)
- Comfortable internet browsing
- Writing e Mails as fast as on pc

All main functions are accessible by the keyboard like on the remote control



# Easy access and navigation via remote control



## Information:

Short / detailed information of

- Channel
- Current program
- Current movie

## Internet:

Direct access to:

- Internet
- E Mail

Info

Internet

EPG

Movie

## Electronic Program Guide:

- Information overview of all tv channels with timeline up to 14 days in advance
- Short version just for selected channel

## Portal (Alice/AOL):

- Advertising platform
- Access to main settings
- Management of favorites, parental control, pay TV bouquets etc.

## Alice MovieThek:

- Direct access to the VoD-area
- Variety of trailers, movies etc.

# Alice homeTV: Technical solutions state of the art



- Network: Alice IP-Network
- Network technology to Customer: ADSL (6 Mbit/s) and ADSL2+ (16 Mbit/s)
- Alcatel Video-Platform; used by Telecom Italia i.a.
- Harmonic TV-headend (Satellite-receiver-station) with MPEG4 AVC Encoders
- CPE: HDTV-compliant Set Top Box (manufacturer: ADB). DVB-T Tuner embedded.
- Scrambling: Smartcard-based Conditional Access-System (Nagravision), Free-TV-Channels are broadcasted without scrambling.

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# Legal and regulatory environment I

## State treaty on broadcasting (RStV)



<b>Main scope of RStV</b>	<ul style="list-style-type: none"><li>• Regulate all distribution of public and private broadcasting (<i>Rundfunk</i>), sec. 1.</li><li>• Provide population with necessary information and content<ul style="list-style-type: none"><li>• transmission of main events, sec. 5a; European productions, sec. 6;</li><li>• (right of free short report in listed areas, sec. 5;</li><li>• rules for advertising &amp; sponsoring, sec. 7, 8)</li></ul></li><li>• Broadcasting includes scrambled distribution and paid content, sec. 2. <i>It may also include IPTV.</i></li></ul>
<b>Main points of interest for HanseNet</b>	<ul style="list-style-type: none"><li>• Maintain space for advertising &amp; sponsoring (sec. 7; 8)</li><li>• Obtain freedom to allocate capacity voluntarily (sec. 52)</li><li>• Obtain space to implement and use without constraint:<ul style="list-style-type: none"><li>• conditional access systems, sec. 53 (1) Nr. 1</li><li>• user interfaces (EPG), sec. 53 (1) Nr. 3</li><li>• models of payment, sec. 53 (1) Nr. 4</li><li>• models of bundling, sec. 53 (2)</li></ul></li></ul>



# Legal and regulatory environment II

## Broadcasters ./ operators

- Scope of rights to be granted by broadcaster
- Delivery of signal, feed in and transmission
- Bundling of programs & distribution
- Electronic Program Guide (EPG)
- Advertising and Sales
- Security of transmission & scrambling
- Reimbursement
- Liability
- Termination rights

# Legal and regulatory environment II

## Broadcasters ./. Operators



Issue	Network operators	Broadcasters
<b>Scope of rights to be granted by broadcaster</b>	<p><i>Freedom to use program by all economic means.</i></p> <p><i>Linear and non linear digital distribution incl. on demand.</i></p> <p><b>Distribution by using all CPE incl. STB's, PC's, Handhelds.</b></p> <p><b>Free pricing towards customer (Free-TV; Pay-TV; Pay per view).</b></p> <p><i>Storage allowed.</i></p>	<p><i>Rights only as contractually granted, revocable, non exclusive and non transferable.</i></p> <p><i>Only linear distribution maintaining addtl. revenue streams.</i></p> <p><b>Exclusion of all CPE not explicitly listed.</b></p> <p><b>Right only as agreed upon. Broadcaster remains owner for all other models.</b></p> <p><b>Storage and replied play forbidden.</b></p>



# Legal and regulatory environment II

## Broadcasters ./ Operators *continued*



Issue	Network Operators	Broadcasters
<b>Delivery of signal, feed in and transmission</b>	<p>Principle of economic freedom with respect to „if“ and „how“ applies.</p> <p>Cost to be split.</p> <p>Full control over customer relationship.</p>	<p>Obligation of network operator to broadcast 24 hours per day 7 days per week if feasible.</p> <p>Network operator bears cost of feed in and broadcasting.</p> <p>Sole or at least joined relationship. Right to influence contract with network operator.</p>
<b><i>Bundling of programs &amp; distribution</i></b>	<p><i>Program may be part of bouquet. Right to bundle with own and third party offers.</i></p> <p><i>No packaging constraints.</i></p>	<p><i>Bundling restricted by contract. No bundling with foreign media groups content or explicit content.</i></p> <p><i>All programmes of a broadcaster must be included in one package which allows for maximum coverage.</i></p>

# Legal and regulatory environment II

## Broadcasters ./ Operators *continued*



Issue	Network Operators	Broadcasters
<b>EPG</b>	<p>Broadcaster to supply all data for creation of EPG.</p> <p>Free use of data.</p> <p><i>Freedom to position program within EPG.</i></p>	<p>Discretion to deliver.</p> <p>Use of data restricted by interest of broadcaster (public reception).</p> <p><i>Programs must be included in all overviews incl. EPG. Top position to be guaranteed.</i></p>
<b>Advertising &amp; Sales (IPTV)</b>	<p><i>Broadcasters brand and label may be used for own campaigning and promotion.</i></p> <p>IPTV campaigning sponsored by broadcaster.</p> <p>Freedom to distribute STB's with free Pay-TV offer.</p>	<p><i>Use limited to contractual targets and subject to approval. IP-rights shall be ensured.</i></p> <p>Obligation to promote at own cost.</p> <p>Obligation to provide broadcaster with free STB's for promotion.</p>

# Legal and regulatory environment II

## Broadcasters ./. Operators *continued*



Issue	Network Operators	Broadcasters
<b>Security &amp; scrambling</b>	<p>Broadcaster responsible for:</p> <ul style="list-style-type: none"> <li>• Signal availability</li> <li>• Protection against hacking</li> <li>• Data manipulation.</li> </ul> <p>Freedom in multiplexing and scrambling, cost to be shared.</p> <p>Own discretion whether smartcards are offered free to end customer.</p>	<p>Sole responsibility of operator once signal has passed.</p> <p>Highest security standard available to be used. No cost sharing.</p> <p>Obligation to provide customer with free smartcards (maximize coverage).</p>
<b><i>Reimbursement of broadcaster</i></b>	<p>Broadcaster fully paid on a cost per subscriber model.</p> <p>Exclusion of further (legal) claims by broadcaster.</p> <p>Broadcaster responsible for authoring rights ( 20 II UrhG).</p>	<p>Subscription risk to be borne by network operator solely: fixed payment or minimum guarantee + CPS quota.</p>



# Thank you!

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