

Country focus



Popular chef Jói Fel features on PPV channel STÖ: 2

This September saw the incumbent Icelandic telco Síminn celebrate its 100th anniversary. Founded in the same year that telephone technology was introduced on the island, the company has since played a key role in developing a media and telecom market in which the penetration rates for network products and services are today amongst the highest in the world.

Indeed, despite its small size – 300,000 people and 114,000 households – Iceland prides itself on being an early adopter of new technology, with 90% of homes already owning a PC and 80% connected to the Internet. Pay-TV services were introduced in the country as far back as 1986 and even IPTV, though available for only the last two years, is already well established.

According to Thor Jes Thorisson, VP, ICT Síminn, the company first entered the TV market in May 1998 with the launch of an analogue cable service and introduced a digital offer four years later. However, its infrastructure is “far from comparable” to that found in Europe or the US, being a ‘PON’ (Passive Optical Network) capable of supporting Síminn’s Next Generation Network (NGN), which will probably be based on GPON (Gigabit PON). Trials have already started using GPON technology and this infrastructure could also support VDS2+.

SERVICE AREAS. He adds that while Síminn’s cable network provides around 8,000 subscribers (out of some 40,000 that can receive its service) in the Reykjavik area and one town in the north of the country with about 60 TV channels and a PVR product, it cannot cover the entire country. It was therefore decided in 2004 to use ADSL –

already available to 93% of the population – to offer an IPTV service. Given that ADSL penetration in Iceland now stands at over 70%, such a move clearly made sense.

However, in introducing IPTV Síminn “decided we did not want to go the way that we saw happening in South Korea, and in some cases in Japan, where there was a spiralling effect of more bandwidth and less dollars. So we decided early on that we would try to maintain the prices but offer a lot more services.” In practice this included providing such extras as VoD.

Thorisson stresses that despite its relatively late launch, Síminn has been “working on IPTV for a long time.” In 1994, for instance, the company was involved in the EU Amuse project, and in 1998 it undertook IPTV trials. The latter made it aware of the limitations of ADSL and helped decide that for now, “the right way to go was Internet and not TV.” Indeed, “while some companies took the decision to go for TV over ADSL”, in Thorisson’s view, “that was a little bit early.”

SHOPPING LIST. This was no longer the case in 2003, when Síminn went through its plans again and “saw that (IPTV) was starting to be a service that was not as technically challenged as it used to be. Specifically, the prices were going down.” Once it had decided to introduce IPTV, the company found itself having to select a vendor. After considering several options, it eventually went for France Telecom, which was “the largest platform available to buy”, and seven months after making its choice in March 2004 launched a service.

Although this initially consisted of 15 TV channels and was only

Iceland

One hundred years after telephony arrived in the sparsely-populated North Atlantic island, Iceland’s incumbent telco is active in the IPTV market, but faces strong competition from existing media players, Chris Dziadul reports from Reykjavik.

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available in rural areas, a fully-fledged operation covering the entire country was rolled out in October 2005. Consisting of 60 TV channels, VoD and a number of interactive features, it has since been changed only slightly in order to “iron out the kinks.”

The most important change, Thorisson believes, was upgrading the Thales middleware employed by the service from version 1.5 to 2.0. This has allowed the “waiting time” in launching an ordered movie to be reduced from 15-20 seconds to a much more acceptable four seconds.

PROGRAMME PACKAGES. To receive Síminn’s IPTV service currently requires a set-top box typically costing around IS4,000 (€46.30), including installation. Programme packages meanwhile vary in price from IS1,500 to IS4,000 a month, and there are both free and paid-for VoD elements, with the former including news and selected movies, sitcoms and children’s programmes. Movies are also available on an individual pay-per-view (PPV) basis.

According to Thorisson, the “advanced” version of the service consists of 60 TV channels and VoD and can be received in the south-west corner of Iceland and two locations in the north, which together encompass around 80% of the population. The remainder of the country is offered between 15-20 TV channels and no VoD.

Take-up to date has been impressive, with just over 23,000 homes now receiving the service. Of these, around 20,000 have VoD capabilities and 80% choose to use them.

Much of the success of Síminn’s IPTV service can be put down to a TV channel named ScreenOne. A free-to-air (FTA) service launched by the Icelandic Television Company (ITC) in 1999, it has since become the country’s third most popular station, reaching almost 90% of TV households. Síminn began acquiring shares in ITC in 2004 and eventually bought the company outright, re-branding it Skjarinn. Whilst this was taking place, ITC secured the rights to the English Premier League and went on to launch a pay-TV sports channel named EB in late 2005.

OFF SIDE. ScreenOne is currently responsible for handling all the content distributed by Síminn’s IPTV service, and English Premier League matches – offered up to five at any one time – have proved to be a strong driver. However, this may soon start to change following a ruling by Iceland’s Competition Agency. In effect since September 15, it withdrew the exclusivity hitherto attached to content such as the English Premier League – and indeed, the Champions League, the rights to which are held by Síminn’s rival 365 – and in Thorisson’s view “took out the incentive to buy very expensive content.”

Síminn has been a privately owned company since July 2005, when the government disposed of its 98.8% stake for IS66.7 billion. Now listing Exista B.V. (43.6%) and Kaupthing Bank (29.1%) as its main shareholders, it continues to be perceived as the dominant player by both the Competition Agency and National Regulator for Telecoms. As a result, it is prevented from bundling its services, which include broadband, mobile and VoIP, as well as IPTV, and could effectively constitute a quadruple-play offer.

And yet the telco is anything but a monopoly. A company named Hive, for instance, already has between 8,000 - 10,000 ADSL subscribers – Síminn accounts for 80% of Iceland’s 60,000 total – and

offers VoIP. It may also soon introduce an IPTV service.

Opkuveita Reykjavíkur, the municipally owned utility company, has meanwhile begun testing IPTV in around 50-100 homes in the capital, and Thorisson believes it could eventually secure a market share of 10-15%.

CHALLENGE TV. However, by far the biggest challenge to Síminn is posed by 365, a subsidiary of the investment and holding company Dagsbrun Communications and the largest media corporation in Iceland, its interests include three UHF pay-TV channels, a digital terrestrial platform (Digital Island) and an online streaming service (Visir VefTV).

Channel 2, 365’s flagship pay-TV channel, made its debut in 1986 and is today Iceland’s most popular commercial station, being watched in almost 50% of TV homes.

Syn is its sports pay-TV channel, offering live football (Champions League, UEFA Cup, World Cup, FA Cup and European Championship qualifiers), golf (PGA), boxing, NBA basketball and NFL football and being watched in around 20% of TV homes. Channel 2 Movies, on the other hand, is a 24-hour film channel received mostly by Channel 2 subscribers as an add-on service.

365’s three pay-TV channels have national coverage, with the cost of receiving Channel 2 and Syn being around €59 and €52 a month respectively. The company in addition operates two FTA commercial channels – Sirkus, offering entertainment and targeted at young viewers, and music-based PoppTV.

LICENCE FEE. 365’s head of communications Skarphédinn Gudmundsson says that the main challenge the company faces comes from “possible government intervention and unfair competition from (the publicly owned) Icelandic National Broadcasting Service.” Unlike its counterparts in the UK and Scandinavia, the latter is funded by both commercials and receiver licence fees. He adds that the challenge posed by Síminn is also increasing, mainly because of its ADSL and broadband distribution. However, 365’s distribution has also been rising over the last few years and given the company a “clear advantage over Síminn”. Its service is, he claims is “more user friendly and accessible”, while the programming it offers is, in his view, superior to Síminn’s.

Gudmundsson expects the Icelandic market to become increasingly competitive in the future, with 365 “putting even more effort into Channel 2 and Syn, and introducing more technological advantages like exploring further online TV and offering quality programming online on demand.”

He also believes it will be difficult for Síminn and others to provide a “full and sufficient” broadcast service using ADSL technology, with UHF and DTT likely to prove more suitable distribution methods – at least in the short term – for Iceland’s topography.

Síminn’s Thorisson also expects the Icelandic market to become increasingly competitive in the next few years, with the regulatory sector being “a little behind” in terms of developments. He also predicts that the Icelandic-owned company Novator, which has interests in the Central and Eastern European telco sector, may soon enter its home market.