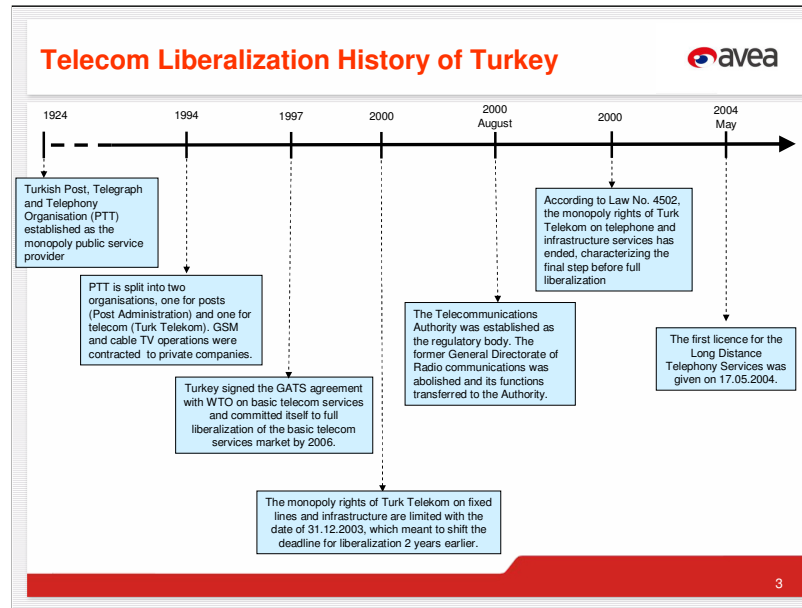**Digital Media Investments in Turkey**
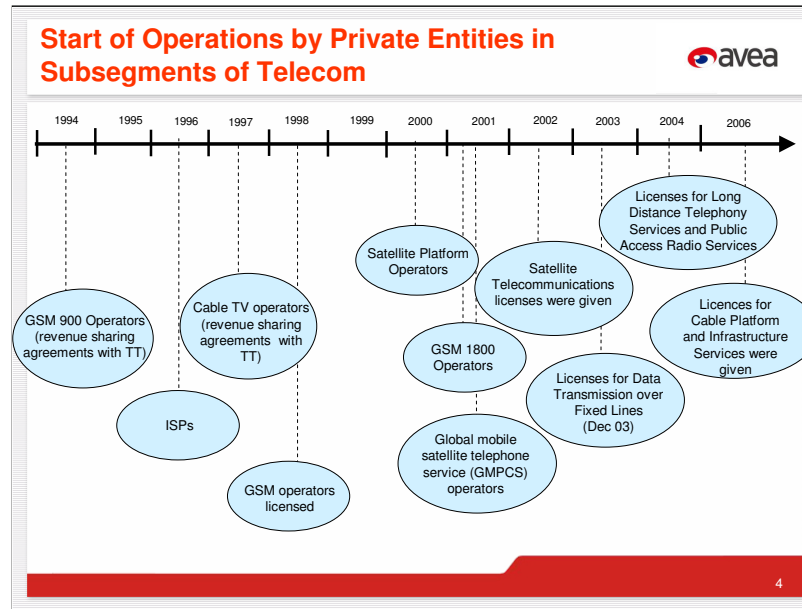
Cüneyt Türktan

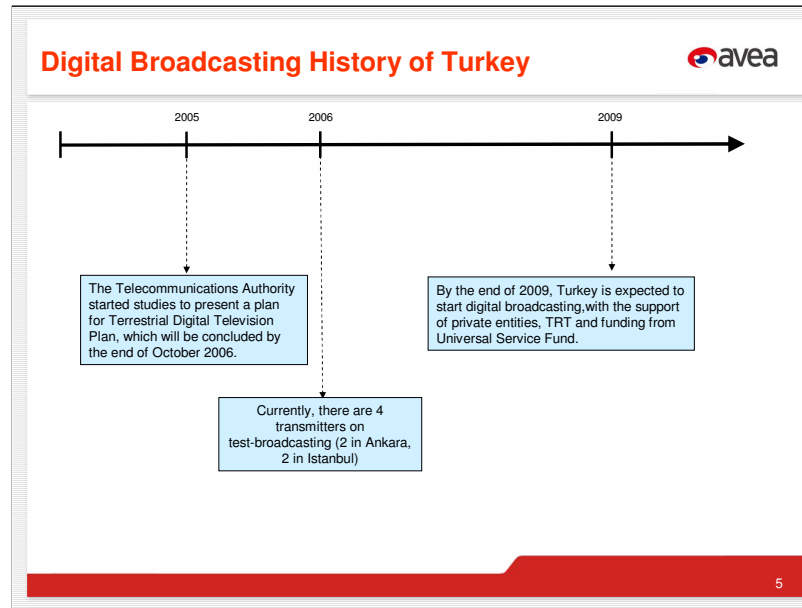## Content

- Liberalization of Telecommunication Sector in Turkey
- Start of Operations in Subsegments of Telecom
- Digital Broadcasting in Turkey
- Licenses
- Laws & Regulations
- Opportunities and Risks
- Current Status and Ensuing Trends
- Comparison of Business Models
- Evolution and Adoption of User Generated Content
- Road Map for Competitive Market
- Conclusion

2

Telecom Liberalization History of Turkey

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| 1924 | 1994 | 1997 | 2000 | 2000 August | 2000 | 2004 May |

Turkish Post, Telegraph and Telephony Organisation (PTT) established as the monopoly public service provider

PTT is split into two organisations, one for posts (Post Administration) and one for telecom (Turk Telekom). GSM and cable TV operations were contracted to private companies.

Turkey signed the GATS agreement with WTO on basic telecom services and committed itself to full liberalization of the basic telecom services market by 2006.

The Telecommunications Authority was established as the regulatory body. The former General Directorate of Radio communications was abolished and its functions transferred to the Authority.

According to Law No. 4502, the monopoly rights of Turk Telekom on telephone and infrastructure services has ended, characterizing the final step before full liberalization

The first licence for the Long Distance Telephony Services was given on 17.05.2004.

The monopoly rights of Turk Telekom on fixed lines and infrastructure are limited with the date of 31.12.2003, which meant to shift the deadline for liberalization 2 years earlier.

3

Start of Operations by Private Entities in Subsegments of Telecom

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Timeline: 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2006

- GSM 900 Operators (revenue sharing agreements with TT)
- Cable TV operators (revenue sharing agreements with TT)
- ISPs
- GSM operators licensed
- Satellite Platform Operators
- GSM 1800 Operators
- Global mobile satellite telephone service (GMPCS) operators
- Satellite Telecommunications licenses were given
- Licenses for Data Transmission over Fixed Lines (Dec 03)
- Licenses for Long Distance Telephony Services and Public Access Radio Services
- Licences for Cable Platform and Infrastructure Services were given

4

Digital Broadcasting History of Turkey

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2005   2006   2009

The Telecommunications Authority started studies to present a plan for Terrestrial Digital Television Plan, which will be concluded by the end of October 2006.

By the end of 2009, Turkey is expected to start digital broadcasting, with the support of private entities, TRT and funding from Universal Service Fund.

Currently, there are 4 transmitters on test-broadcasting (2 in Ankara, 2 in Istanbul)

5

Licenses

❑ **Authorisation Agreements**

❑ **Concession Agreements**

❑ **Telecommunication Licenses (TR)**

   – 1st type TR

   – 2nd type TR

      • Satellite Telecommunications Services (30)
      • Infrastructure Operation Service Operators (3)
      • Satellite Platform Services (3)
      • GMPCS Mobile Telephony Services (8)
      • Telephone Message Services (Audiotext)
      • Data Transmission Services Over Fixed Lines (22)
      • Long Distance Telephony Services (45)
      • PMR/PAMR Services (52)
      • Cable Platform Service Operators (3)

❑ **General Authorisations (GI)**

   – ISP Services (128)

   – Message Services Over Mobile Networks

6

Laws and Regulations

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❑ **Laws**
- 4502, 4673, 5070, 5397, 5453, 5392, 406, 5369, 2813

❑ **Communiqué**
- Communiqué on the Determination and Measurement of the Criteria Regarding Quality of Service Obligations of GSM Mobile Operators
- Communiqué on the Standards Referred to in the Radio and Telecommunications Terminal Equipment Regulation
- Price Cap Communiqué
- The Communiqué That Changes Price Cap Communiqué
- Communiqué on Principles and Procedures for Identification of the Dominant Operators
- Communiqué on Principles and Procedures for Identification of the Operators with Significant Market Power
- The Communiqué On Procedures And Principles Regarding Unbundled Access To The Local Loop
- Communiqué on Processes and Technical Criteria Regarding Electronic Signatures
- Communiqué On Principles And Procedures Regarding Numbering Fees
- Communiqué On Principles And Procedures Regarding Co-Location And Facility Sharing
- Communiqué Regarding the Residential Area provided in the Regulation on Determination, Measurement Methods and Supervision of the Limit Values of the Electromagnetic Field Force
- Communiqué Regarding the Implementation of the Regulations on Determination, Measurement Methods and Supervision of the Limit Values of the Electromagnetic Field Force

❑ **Spectrum Management**
- Short Term Wireless System Using

7

Laws and Regulations

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❑ **Regulations**

– Regulation on Administrative Monetary Penalties to be Imposed by Telecommunication Authority on Operators and Other Sanctions and Measures
– Regulation Amending the Regulation on the Devices with Electronic Identity
– Regulation on the devices with Electronic Identity
– Regulation on the Principles of Assembling and Using the Short Range Radio Devices
– Regulations on Determination, Measurement Methods and Supervision of the Limit Values of the Electromagnetic Field Force
– Regulation on the Imposition, Notification, Accrual, Collection Procedures and Principles of the Revenues of Telecommunications Authority
– Regulations for Cryptographic Wireless Systems
– Regulation on Principles and Procedures for the Detection, Interception, Evaluation of the Signal Data and Recording of Communication via Telecommunications, and Organization, Duties and Powers of Telecommunications Head Office
– Ordinance on Personal Information Processing and Protection of Privacy in The Telecommunications Sector
– Ordinance On Quality Of Service In The Telecommunication Sector
– Ordinance On The Consumer Rights In The Telecommunications Sector
– Ordinance on the Procedures and Principles Pertaining to the Implementation of Electronic Signature Law
– Authorization Ordinance on Telecommunications Services and Infrastructure
– Regulation for Numbering
– Ordinance Regarding The Principles of Assembling and Using the Short Range Radio Devices (SRD)
– Tariff Ordinance
– Ordinance on Principles and Procedures for Making National Roaming Agreements
– NATIONAL FREQUENCY ALLOCATION TABLE
– Ordinance on Access and Interconnection
– Assigned Short Numbers

8

Turkish Sector : Opportunities and Risks

Opportunities:

➢ A young population (29 million under 22 years of age)
➢ Internet use and PC ownership doubled in last 5 years
➢ Low penetration rate of Internet use
➢ 40 millions of GSM users provide a big potential

Risks:

➢ Turkish population spends less for technology because of low income rates.
➢ High taxes in mobile services/communication hinder market growth.
➢ Copyright clearance is cumbersome.
➢ Due to fast technological changes, many investments become obsolete before breakeven.
➢ Competition is stiff but rules are not well-defined/applied

9

Current Status and Ensuing Trends

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Current status and ensuing trends in music, video and other copyrighted content consumption:

Pros:
- Conventional music sales have a downward trend, whereas mobile music sales tend to increase.
- Advancements in technology such as DRM grow the market, allowing better content protection.
- Digital music storage and playing capabilities are becoming standard features of mobile handsets, fuelling the replacement sales.
- Convergence and interaction of multi access channels.

Cons:
- As content portfolio is becoming more and more important, competition to strike deals with content owners/providers (singers, producers etc) escalates costs.
- There is a need for greater bandwidth and this creates investment problems.
- High taxes in mobile services should be reduced to stimulate usage.
- Rules of copyright clearance process are not well-defined and centralized.

10

Comparison of Business Models

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Comparison of business models that best balance increased consumer expectations with those of content owners and their intermediaries

Operators' point of view:
- Operators prefer exclusive deals to be able to differentiate their services from those of competitors. Although it is prestigious to have such content, it hardly proves profitable/feasible, considering the high costs.
- Demand for branded content is usually higher than generic content and branded content is more expensive.
- Revenue sharing is preferred to upfront payments to minimize risks while launching services.
- Sometimes even a single content may achieve enormous sales figures. Therefore, operators would like to work with aggregators to efficiently work with small companies.

Content owners' point of view:
- In order to maximize their share from value chain, they would rather interface with operators directly. However, they lack the required technical skills to work with operators.
- They ask for guaranteed monthly payments.

11

## Evolution and Adoption of User Generated Content avea

The evolution and adoption of user generated content such as PODcasting, vlogging & blogging as a legitimate media choice and its predicted impact in the public domain.

Pros:

➢ As PODcasting becomes more popular all over the world, we expect this service to boom also in Turkey in the future due to the large youth population.

➢ Ability for users to generate content not only allows broader content selection but also increases involvement, leading to higher customer satisfaction.

➢ Content sharing and referrals help operators create communities, allowing for viral marketing and triggering repeat sales.

Cons:

➢ Difficulty of determining whether a user-generated content is legitimate (i.e., has no copyright implications). Therefore, operators have to trust the users.

➢ Availability of handsets that support PODcasting is limited for now and their prices are relatively high. However, the rise in sales of portable multimedia devices may point to a bright future for PODcasting.

➢ Some applications/services may require greater bandwidth. Therefore, 3G infrastructures may have to be awaited for Quality of Service.

➢ So far, not many media (music etc.) companies in Turkey offer such a service.

12
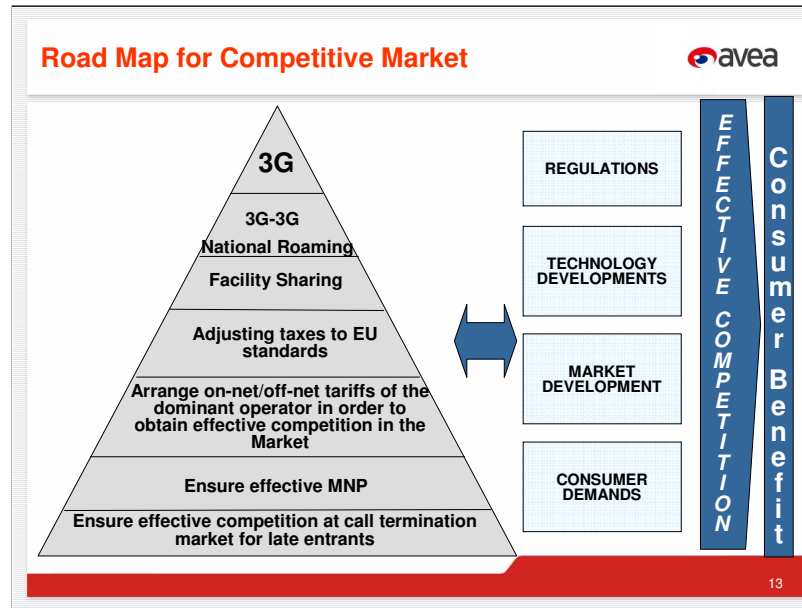
Conclusion

Lessons learnt from the experiences in developed nations and the strategies of industry players and governments in emerging markets can be put into use in order to facilitate a smoother transition to digital media for the end user

➢ A fair playground for competition should be provided by regulatory institutions.

➢ Taxes should be reduced to a reasonable level.

➢ Copyright clearance process should be well-defined to support growth of digital media market.

➢ Open platforms/standards should be supported.

➢ Operators should be able to invest in a single network infrastructure and share it to lower the costs and make sure the investments are feasible/profitable.

14