

Bundled: Subscription TV, Internet and Landline

An overview of the Subscription Packages of Jamaica's Two Largest Providers

By

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Introduction

Improvements in technology have propelled the subscriber TV (cable TV) market to new heights. Competition has intensified and the hope is that consumers will be the ultimate beneficiaries of this. The introduction of a fibre-optic cable network to Jamaica has caused increases in broadband Internet speeds, compatibility of HD pictures and an overall enhanced surfing and viewing experience. With increased Internet speeds there is also the alternative of watching movies, listening to music etc through online streaming¹. One of the improvements in technology is that of streaming which is now seen by cable TV providers as a threat to the industry.

While technology has caused significant developments in the cable TV industry in Jamaica, telecommunication providers have also been forced to make other changes that were not technology induced. Noticeably, there have been changes to cable TV packages due to copyright infringements. Channels previously enjoyed by consumers were shown without the correct authorization being granted by the content owners. This development has caused providers to reshuffle their offerings and invariably consumers lost some channels and also had changes to the price they paid for existing packages.

Overview: Competition Framework

Telecommunication giants Digicel and Flow are the two most significant providers of cable TV services in Jamaica. Both entities compete on price and the number of channels offered. Additionally, both entities offer bundles to their customers that also includes broadband Internet and/or landline telephone service.

A recent development in the industry saw Internet service providers Caricel being granted an all-island license to operate in Jamaica. Caricel promises “superfast LTE Broadband” speeds which will rival those currently in existence. The impact on Caricel’s entry on competition in the sector will be assessed at a later date.

The Flow Experience

Flow Jamaica started operating in Jamaica in April 2006. The company uses fibre optic cables,² which enables it to offer cable TV services and Internet broadband speeds that are superior in quality and speed to traditional copper wires that were being used by the competition at the time.

¹ *Streaming* means listening to music or watching video in 'real time', instead of downloading a file to your computer and watching it later.

² It is able to transmit data much faster over greater distances and because the cable is smaller in diameter and weighs less, it makes an ideal alternative for a wide variety of cabling solutions.

The acquisition of Flow by LIME's parent company, Cable and Wireless Communications, meant that instead of three large competitors in the market there were now two.

Digicel plays its hand

Digicel entered the market through its acquisition of Telstar Cable Company in 2014 and further states that plans are afoot for further expansion³.

There are 49 entities licensed by the Broadcasting Commission of Jamaica (BCJ) to provide cable TV services in Jamaica.⁴ Prior to the issuance of a license by the BCJ earlier this year⁵ Flow and Digicel had the widest reach – Flow having an island wide license and Digicel planning to build out its infrastructure island wide by next year⁶.

Unauthorized Broadcasting of Cable Channels and Modification of Packages

Cable operators have, for years, been showing content without the requisite authorization from content owners. According to the BCJ, this contravenes Jamaica's obligation to "comply with local and international copyright laws and regulations, particularly relating to channels and programmes that they sell to subscribers."⁷ The BCJ further stated this violation, should it continue, will result in either a suspension or non-renewal of some operators' licenses. To comply with this restriction cable TV providers opted to adjust their packages.

³ Gleaner article on July 17, 2014 entitled "Digicel Acquires Telstar," retrieved May 3, 2016

⁴ BCJ website: <http://www.broadcastingcommission.org/index.php/2014-12-06-07-23-07/radio-tv-cable-services/licensed-television-subscriber-operators/submissions-directory> accessed May 30, 2016

⁵ The BCJ has recently issued a second license that would allow the licensee, Digital Interactive Services Limited, to offer island wide cable TV.

⁶ According to the Office of Utility Regulation Flow's network passes approximately 310,000 homes. Gleaner article on September 12, 2014 entitled "Digicel to build Islandwide cable TV network within 3 years" retrieved May 3, 2016

⁷ Release on April 24, 2015 by the BCJ

Comparison of Triple Play Packages

Will consumers go with the Flow...

The table below summarizes Flow's old and new packages.

Table 1.1 Flow's Cable TV Packages before adjustments – Published April 2014

Flow (old - Legacy)				
Packages	No. of Channels ⁱ	Price ⁸	Fibre Speed	Home Phone
		\$	mbps (download)	
Flow Extend HD	92	4,077.50	N/A	Free Flow to Flow
Flow Extend 180 HD	92	4,310.50	N/A	180 anywhere mins
Flow Extend World HD	92	5,067.75	N/A	2,500 mins int'l calls
Flow Super HD	165	8,621	12	2,500 mins int'l calls
Flow Absolute HD	194*	10,951	20	2,500 mins int'l calls
Installation cost - \$3,490 standard; \$4,490 - non-standard				
*Absolute = Watch Premium HD + HBO Premium HD + Watch Sports HD + Watch Ultimate HD				
ⁱ Channels that have a HD version are counted as a single channel.				

Table 1.2 Flow's Adjusted Cable TV Packages – published May 2016

Flow (new)				
Packages	No. of Channels	Price	Fibre Speed	Home Phone
		\$	mbps (download)	
Essential	Over 50	4658.84	20	100 Free Flow to Flow mins
Plus	Over 100	5823.84	20	100 Free Flow to Flow mins
Max	Over 140	6406.34	20	100 Free Flow to Flow mins
Watch All	Over 170	8736.34	20	100 Free Flow to Flow mins
Installation cost - \$1995 standard; \$2,995 – non-standard				

The adjustments, for the most part, resulted in (i) changes in the number of channels, (ii) inclusion of broadband Internet, (iii) changes in the price and/or iv) changes in landline telephone minutes. Some of the changes were considered unfavorable by subscribers, some of whom requested compensation for the adjustments to their package(s).

The call for compensation was dismissed by the General Manager of Flow, Garry Sinclair, who declared that “We admitted that we were delivering service to customers that we weren't paying for, but customers have to then appreciate the fact that they were getting content that they weren't

⁸ All prices were calculated from the package prices advertised plus 16.5% tax.

paying for... If you were not paying for the content before, then having taken them away, there is going to be no rebate.⁹”

The following is a comparison of the packages before (OLD) and after (NEW) the adjustments based on Table 1.1 and Table 1.2¹⁰:

- 1) **Win or Lose?** Consumers get additional channels but in some instances are asked to pay more while in others prices are reduced. All NEW packages included 20 mbps Internet speeds while only one OLD package had 20 mbps Internet speed. NEW packages only offered 100 free Flow to Flow call minutes while the OLD packages called minutes were either unlimited and free, 180 anywhere or 2500 international.
 - a) The NEW package *Essential* is the package most similar to the OLD package *Flow Extend HD*. The NEW package is \$581.34 more expensive than the OLD package and has 42 fewer channels. Additionally, the NEW package has 20 mbps Internet download speed while Internet is not included in the OLD package. The OLD package has free FLOW to FLOW calls while the NEW package offers 100 Free Flow to Flow call minutes.
 - b) The NEW package Plus is \$1513.34 more expensive than the OLD package *Flow Extend 180 HD* but has 8 more channels. Additionally, the NEW package has 20 mbps Internet download speed while Internet is not included in the OLD package. The OLD package has 180 anywhere call minutes while the NEW package offered 100 Free Flow to Flow call minutes.
 - c) The NEW package *Max* is \$1338.59 more expensive than the OLD package *Flow Extend World HD* and has 48 more channels. Additionally, the NEW package has 20 mbps Internet download speed while Internet is not included in the OLD package. The OLD package had 2500 FLOW to FLOW international call minutes while the NEW package offered 100 Free Flow to Flow call minutes.
 - d) The NEW package *Watch All* is \$115.34 cheaper than the OLD package *Flow Super HD* and has 5 more channels to boot. Additionally, the NEW package has 20 mbps Internet download speed while the OLD package had 12 mbps. The OLD package had 2500 FLOW to FLOW international call minutes while the NEW package offers 100 Free Flow to Flow call minutes.

⁹ <http://jamaica-gleaner.com/article/news/20151005/why-Flow-will-not-rebate-customers-lost-cable-channels> retrieved May 25, 2016

¹⁰ Comparisons were made based on the similarities of the OLD packages to the NEW packages in terms of price, number of channels, internet speeds and landline. Nb. Flow changed the names of the packages but the analysis was done using the composition of the packages.

e) The NEW package *Watch All* is \$2214.66 cheaper than the Old package *Flow Absolute* but has 24 fewer channels. Both packages offer 20 mbps Internet download speeds. The OLD package had 2500 FLOW to FLOW international call minutes while the NEW package offers 100 Free Flow to Flow call minutes.

2) **Win.** There is a reduction in the price for installation.

It cost \$3,490 + GCT for OLD package Standard installation but it now costs \$1,995 + GCT for NEW package Standard installation. For OLD package Non-Standard installation it costs \$4,490 + GCT but now it costs \$2,995 + GCT for NEW package Non-Standard Installation.

Or have their way with Digicel Play?...

In December 2015 Digicel launched *Digicel Play* boasting that it had faster Internet speeds and a more pleasurable viewing experience.¹¹

The table below summarizes *Digicel Play* packages:

Digicel				
Packages	No. of Channels ¹²	Price \$	Fibre Speed mbps (download)	Home Phone
Play Fast	44	4,425.84	25	Unlimited (play to play)
Play Loud	56	5,474.34	25	Unlimited (play to play)
Play Bold	104	7,338.34	25	Unlimited (play to play)
Play Strong	112	11,648.84	50	1,000 anywhere
Play Big	148	17,473.84	100	1,000 anywhere

In comparing *Digicel Play* with Flow NEW packages, we observe that:

1) ***Essential vs Play Fast. – Flow wins number of channels; Digicel wins price, Internet and landline.***

Flow’s basic package (*Essential*) has six more channels than Digicel’s basic package (*Play Fast*) but Digicel has faster Internet download speed and unlimited landline calls to persons with Digicel landline (Play to Play) versus Flow’s 100 free minutes to call persons with a Flow landline using a Flow landline (Flow to Flow).

¹¹ Fibre optic cables that go directly to homes (FTTH) are superior to fibre to the curb (FTTC) technology as the latter uses copper wire from the curb to the home.

¹² Nb. Channels categorized as music were not counted (Galaxy Music and Radio); “coming soon” channels were also omitted

Essential is \$233 more expensive than *Play Fast*. Additionally, Digicel includes Internet download speeds of 25 mbps, while Flow offers 20 mbps

2) *Plus vs Play Loud – Flow wins number of channels; Digicel wins price, Internet and landline.*

Flow’s *Plus* package is \$349.50 more expensive than Digicel’s *Play Loud*. Flow however has 44 more channels than Digicel. Additionally, Digicel has 25 mbps Internet download speed while Flow offers 20 mbps Internet download speed. For on net landline to landline calling, Digicel offers unlimited calls while Flow offers 100 free minutes.

3) *Max vs Play Bold – Flow wins price and channels; Digicel wins Internet and landline.*

Flow’s *Max* package is \$932 cheaper than *Play Bold* and has 36 more channels as well. Flow offers download speeds of up to 20 mbps for its package, while Digicel offers up to 25 mbps download speed. For on net landline to landline calling, Digicel offers unlimited calls while Flow offers 100 free minutes.

4) *Watch All vs Play Strong. Flow wins price and channels; Digicel wins Internet and landline.*

Flow’s *Watch All* package is \$2912.84 cheaper than Digicel’s *Play Strong* package. Additionally, Flow offers users 170 channels while Digicel offers users 112 channels. Internet download speed for *Play Strong* is 50 mbps while *Watch All* offers 20 mbps download speed. Digicel includes 1,000 anywhere minutes in its package while Flow offers 100 Free Flow to Flow call minutes.

5) *Play Big. Description*

Digicel’s *Play Big* package is priced at \$17, 473.84. The package offers 100 mbps Internet download speed, 148 channels and 1000 anywhere minutes.

Digicel	Flow	Price	Channels	Internet	Landline
Play Fast	Essential	Digicel	Flow	Digicel	Digicel
Play Loud	Plus	Digicel	Flow	Digicel	Digicel
Play Bold	Max	Flow	Flow	Digicel	Digicel
Play Strong	Watch All	Flow	Flow	Digicel	Digicel

In all packages compared Flow offered more channels than Digicel. Similarly, in all the packages compared Digicel offered a superior Internet download speed than Flow. Additionally, Flow offered 100 free Flow to Flow call minutes for all of its packages while Digicel offered unlimited Play to Play call minutes for the first three packages and 1000 anywhere minutes for *Play Strong*

and Play Big. For the Play Fast and Play Loud Digicel had lower price than Flow's Essential and Plus respectively. On the contrary, Flow's Max and Watch All had a lower price than Digicel's Play Bold and Play Strong.

Conclusion

An examination of the changes in the packages of Flow from its old offerings along with an overview of Digicel's packages was done to provide consumers with some perspective. The overall impact on consumer welfare is ambiguous as we made no attempt to measure the value that each consumer places on the individual components of the packages. Understandably, some consumers may appreciate more channels to higher Internet speeds. Further, some consumers may prefer landline or overseas talk time over both channels and Internet speeds. As competition matures in the sector, we are hopeful that consumers will ultimately benefit.