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Discussion topic.

Pay tv. Two-sided market and market power.

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1. The Investigations Authority (“AI”) at the Mexican Federal Institute on Telecommunications (“IFT”) issued a Preliminary Report concluding that Grupo Televisa (“GT”) could be credited with Substantial Market Power (“SMP”) in the relevant market of pay tv programming distribution. (Ref. IFT, File AI/DC-001-2014).
2. Therein the AI takes the view that pay tv could be analyzed as a two-sided market whereby one side is programming distribution and other side is advertisement distribution. This last side was barely studied though.
3. Nevertheless, one should bear in mind that in a two-sided market prices in both sides (and costs) are **necessarily interlinked (i.e., are related to each other)**. This means that a full understanding of price (and cost) behavior in one side requires to take account of price (and cost) behavior of the other side. (Ref. D. Evans, “Antitrust Economics of Two-Sided Markets.” Platform Economics: Essays on Multi-Sided Businesses, CPI, 2011. Ch. 4).
4. A final resolution by IFT’s Board (Pleno) concluded that GT could not be credited with SMP.
5. Later on a judicial decision ordered such Board to review its resolution. In a reviewed final resolution the Board concluded that GT could actually be credited with SMP. Such final reviewed resolution implies the IFT can impose regulatory measures to GT.
6. **From my point of view, if the analysis of pay tv services as a two-sided market prevails, then as long as GT has SMP in programming distribution, it should also be credited with SMP over advertisement distribution. It follows that regulatory measures must cover both sides of the market.**

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