

Photo courtesy of CASBAA.

Asia: growing in confidence

Asia is confident and looking outwards, and the Cable and Satellite Broadcasting Association of Asia is looking forward to a healthy future in this dynamic region. Helen Jameson caught up with Simon Twiston Davies, CEO of CASBAA at this year's Satellite Industry Forum in Singapore to find out more.

Question: The theme of the CASBAA Satellite Industry Forum this year is 'Ahead of the Curve'. It says a great deal about the state of the industry in the region. Can you give us a summary of demand for satellite services in the region?

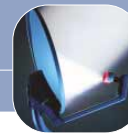
Simon Twiston Davies: The markets are finding new demand that we are constantly tracking - new demand for video services in particular. For example, the cable business in India is adding two or three million subscriptions on an annual basis, and it may be significantly more. Average Revenue Per User (ARPU) is creeping up. There are 70 million plus connections to cable and satellite in India. We have seen the DTH market

in India pretty much double in two years. There are now well over six million DTH subscribers. When you have those big numbers they begin to make significant differences.

Staying with India, in terms of the regulatory environment, we are seeing that the Regulator has finally (and some would say belatedly) begun to put together some regulations for IPTV. Regardless of what you think of IPTV, it is going to be big in India because the market is vast. It's not just because IPTV is the next big thing. Let's look at China. The media industry in China is still growing ahead of the economy, so the demand for video services continues. The deploying of Set Top Boxes in China is growing apace. The de-

mand for pay video, thanks to the Olympics, is already picking up. And we are going to see this enormous spike where the demand for paid content is going to go through the roof. The advertising spend has almost been made already. We will see that flow through the rest of this year and into 2009. There are changes afoot in the broadcast and telecoms markets in China where the next generation of officials are coming through. That in itself is very positive and is driving demand for content and demand for bandwidth generally. So that's the two mega-markets of India and China where great things are happening.

Let's now look at the developments in



Southeast Asia. We have recently conducted a study on Indonesia where the size of the Pay TV market again doubled in 12 months. Moving from two million subscriptions to five million subscriptions is quite staggering, and maybe in three years we will see that market hit five million DTH subscriptions. So it is all good news. We see continued growth in Malaysia, for satellite services. The DTH platform there has well over two million subscribers now. The Philippines is another satellite platform lurking in the background that again adds to satellite demand for backhauled video right across the region. All the different ways of distributing bandwidth to different services are all happening right here. In Taiwan, a high value market, we have high expectations of deregulation and that, in itself, will help with demand for international backhaul of content.

Korea is growing in leaps and bounds and again the video market and the cable market are being deregulated. Therefore, ARPU is rising, local content is delivered via satellite either by DTH or by IPTV, which is going to be very big in Korea. Japan holds the highest value ARPU in the region and we continue to see deployment of the infrastructure.

So things are looking pretty good! Of course, there are always issues out there. There are always incumbents that want to control distribution of content. There are always people who want to impose content controls for domestic or commercial regions. Politics does impose itself in certain markets. India is one that we have to watch. The world's greatest democracies can create the most challenging regulatory regime because the government, rightly or wrongly, believes that its god-given role is to keep ARPU low and to make sure that the distribution of video content is at almost zero cost to the consumer. We have the opposite view which is that video and satellite content has a real cost and value and must create revenue in some fashion. So we are in constant dialogues with these countries.

Question: So, are there any countries that cause you concern at the moment?

Simon Twiston Davies: There is plenty of investment going into most markets in terms of satellite services. We have just seen the launch of a new satellite for Vietnam. That is supplying new bandwidth to the Vietnam market. The big question we have is how are they going to cost that to the platforms and how are the platforms going to price that content into the market.

Now if the government is not careful, as a regulator, they will undercut other DTH platforms in the marketplace which will make other markets unviable as we do have regulatory problems with overspill in this part of the world which can be very damaging where you get almost zero cost deployment of DTH

with either hacked decoder cards or outright platforms that spring up in cities with no regulation whatsoever.

Last October we did an assessment of the cost of unauthorised distribution of content and we topped, to our dismay, one and a half million dollars in 2007. There is never a one-size-fits-all solution but clearly the ways to address this lie in technology. We have to stay ahead of those who want to steal from us and make it too hard for them to do so. Secondly we do have to make sure that there are regulations in place that make sense, are enforceable, and that are enforced. The final part is public education and that means for our industry and the entire value chain. If you are a satellite operator it is a matter of making sure that you understand along with your DTH or cable partners that revenue breach is a serious threat to their businesses. Some of these guys don't necessarily see this. All of these issues and points must also be made to the regulator in order to make sure that they feel that they have an interest in creating a healthy, thriving media market however you want to create revenue. It has to be economically healthy. On top of that, you need to make sure that the community at large understand that we, as an industry, have some value and do contribute to the general public good and that video and communications services are not free – they are something you do ultimately have to pay for through advertising, subscription or some kind of levy that is paid back to the content creator and the carrier. And even the banks want a return, oddly enough. We have investment banks that are looking to see if they can get some reassurance on how they can get a return on their investment.

Question: Last year there was a lot of buzz about new applications such as IPTV and Mobile TV. Do you still see these applications taking off in the region or has enthusiasm died down due to difficulties in bringing these to market?

Simon Twiston Davies: Let's start with Mobile TV. The model for Mobile TV has yet to be fully defined. There are a lot of tests being carried out. The Korean experience has told us that there is a market out there but the problem is how do you create revenue in that market? This is still not clear. It is technically very expensive to deploy fully efficient Mobile TV networks via satellite and integrated with terrestrial networks. With mobile you have then got to work out where your revenue is going to come from in terms of advertising. Is it fully supported by advertising? In all honesty I don't think that anybody really knows, but there continues to be an awful lot riding on it when you have these vast numbers of new subscriptions going for mobile services – for example, there are six million a month in India, just for voice mo-

bile. If you take the view that one or two percent of these subscriptions will be converted to Mobile TV, the argument for proceeding is pretty strong. Nokia, Motorola and Qualcomm are all anxious to make this one work. So there is a business. I couldn't tell you hand on heart how it is going to work, but the numbers tell us that it will.

With regard to IPTV, it's a long process for very large telephone companies to migrate their services so that they can carry video but we have seen the model, for instance in the UK, with BT. I believe that 40 percent of their revenues are now coming from video and IPTV generated broadband services. In Asia, a lot of development is taking place in Japan, in Korea and in Singapore where we have seen deployment of IPTV through SingTel. In China, capacity is being built into the networks and I think we will see that becoming a reality in the next couple of years. In Taiwan, it is a battle between the telco-driven video service provider at Chungwa versus the traditional cable business. One thing we do know is that if you do not have value added video services coming from your telco, you will probably see value added telco services like broadband coming from your cable operator. So IPTV is another of those technologies that is taking a little longer to deploy than one might have liked. Sometimes it is down to regulatory matters, like in Taiwan and India. We will see IPTV deployments probably taking place later in the year. We may see something out of the Philippines and something more aggressive from Malaysia – there are indicators of things happening there.

So it's all happening in terms of the investment opportunity. At CASBAA we are seeing more and more interest from peripheral telco-based suppliers of equipment – Microsoft, Cisco – these guys who are the enablers for IPTV services. You get a slow realisation that relationships with content owners and traditional cable satellite distributors are the future of the business.

Question: Last year we talked about regulation. We have now seen the ITU put their foot down and preserve C-band for satellite use, for the time being at least. What are your thoughts on this outcome and other regulatory challenges facing the region?

Simon Twiston Davies: On the surface, the WRC outcome was a good one for the satellite industry. We have won the battle but now we have to respond to the guerrilla attacks, as Andrew Jordan of Sat-GE put it. The satellite industry must be very focused on making sure that things are not left to slip. On the surface WRC was a success but when you get down to the detail, each jurisdiction will make its own calls on what it wants to do, so Australia has a big question mark over it, Singapore even has a question mark over



it. In keeping with the military analogy, there is definitely another front in India where we must continue to take a very firm position ready to place our arguments in front of the regulators and through communications with the media and the rest of the communications industry. We have to keep that pressure up.

We are putting together papers and further studies that we are going to present to regulators in different jurisdictions and we are also building alliances with groups such as GVF and APSCC to ensure that we have a single, useful voice. It's not a matter of turf wars between different industry bodies, it's a matter of making sure that we are fully integrated. We must be if we are going to win this battle and make this business grow effectively.

The other issue that remains on the table is access for India. The lack of satellite bandwidth remains a problem. We are of the view that Korea could grow much faster and more effectively if the market was deregulated. The same goes for Thailand. They are subject to the interests of the incumbent. We know that regulation works, we know that open markets do work and they have got to be encouraged. Every satellite operator would love to dominate their piece

of turf and to have a highly competitive market elsewhere. That's one of the great conundrums, I think. The future lies in competitive markets where we are going to have a really effective industry.

Question: The CASBAA membership is continuing to blossom. Is this connected to the huge demand for PayTV in Asia? What is driving this demand?

Simon Twiston Davies: Choice. PayTV creates choice. Multichannel television gives the consumer the power to decide what he is going to watch and what he is willing to pay to watch it. The word 'pay' is essential. We know that on-demand channels of various kinds are the future of the business and all of these things are good for the industry. The relative success of CASBAA is down to that change in demand and the change in technologies.

There are more companies coming into the region and more companies are developing in the region. CASBAA as an organisation is benefiting from a new self-assurance of the domestic market that is now starting to look outwards.

The onset of IPTV, Mobile TV and HDTV is also helping to drive local and international companies to want to participate in our mar-

kets. Asia is still at the cutting edge and is a pioneering technological nation which makes the theme of the event – 'Ahead of the Curve' so relevant.

Question: A report released by the SIA recently showed that worldwide, the satellite industry revenues have jumped 16 percent in 2007. Do you believe that this growth is sustainable and how does this relate to the Asian region in particular?

Simon Twiston Davies: If you just look at the growth in populations and connect that to economic growth and then connect that to media growth and then look at the efficiencies that are evolving, in terms of new technology, if it's not going to happen here, it will not happen anywhere. I think that a 50 percent, across the board, increase in economic activity within our sector is more than reasonable. As an industry body our task is to keep up with change and there is consistent revolution going on in the world of the delivery of content. If you listen to the futurologists about the amount of 'digital natives' out there, the industry needs to keep up with what those guys are demanding – the ones who have grown up in the digital world. CASBAA must keep plugged in and keep ahead of the curve! ■

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