

No slow in demand

ABS (Asia Broadcast Satellite) is constantly working to meet the growing demands of broadcast and telecommunications operators in the Indian Ocean region. Helen Jameson spoke to Tom Choi, Co-founder and Chief Executive Officer of ABS to discover what his thoughts were on the industry in Asia, regulatory issues and plans for the future.

Question: Can I just begin by asking your opinion on the state of the satellite industry in Asia as a whole?

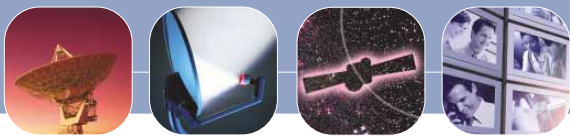
Tom Choi: From the period between 2002-2005 the Asia-Pacific market had a very bad downturn. A lot of satellites were launched in the mid nineties and you had a combination of the dot com bubble being burst and the telecom bubble being burst in 2001 to 2002. So there was almost no investment going into these countries. So the economies were bad, the telecom operators were not investing so most activity slowed down substantially. But what has happened since 2003 to 2005 has been that demand has started picking up and I would say that, for satel-

lites, there have been two major sources of growth.

The first is demand by cellular operators. Previously, there was little cable investment or no local loop infrastructure or long distance fibre. It is much more affordable for them to install BTS sites with satellite backhaul capability and that has been taking up a lot of capacity especially in high growth areas such as Indonesia, Philippines and many other parts of Asia. We also started to see some markets like India, the Philippines, Pakistan and Thailand expanding their cable systems and using a great deal more cable TV. This sector has been achieving double figure growth every year so that cre-

ated big demand for local cable TV channels whereas before for example, in India ten years ago, there were 20 or 30 channels and they now have close to 300 cable TV channels. So that has taken over a lot of capacity as well.

So cellular GSM backhaul growth and global cable TV distribution growth have been the underlying drivers for satellite capacity utilisation. But let's look at a market like China – Ku-band over China is seeing very little utilisation. It is a big market but China has a lot of cable capacity and infrastructure already in place so there's not much demand for VSAT capacity. However, contrast this with Ku-band over India, due to the rise in VSAT



networks and with DTH projects there is almost no available Ku-band capacity over India. C-band is being used up by GSM backhaul and local cable TV operations.

I would say that in the next three to four years there will be a lot of satellites launching over Asia. Indonesia will launch two satellites, ProtoStar will launch another satellite, ABS will launch one more satellite, Asiasat is launching, China DBSat will launch, so will Measat and some satellites are being replaced with new satellites such as those belonging to Intelsat. So as a result we will probably move into a period of softer demand due to the added capacity. So the market may be a little bit softer but the demand will not stop. In order to counter the effect of DTH business, the Indian market will have to invest in satellite delivered headend in the sky. All the major cable TV operators in India are going to try to double up as much C-band capacity as possible to run their platforms. Indonesia is also a huge market. It could be the biggest satellite market in Asia and they are predicting that they will need three hundred transponders over the next 8-10 years for cellular backhaul, telecom links, video channels. So the market may go a little soft but the demand will soak up all the capacity that will be available. I think it is a positive outlook for the future. We are not going to be in a situation like we were three or four years ago.

Question: You have expressed concerns about the regulatory environment and the fact that this is crucial in terms of capacity. What do you feel are the main regulatory issues facing this region?

Tom Choi: I think there are two perspectives that the satellite industry worries about. The first is the perspective of the international operator trying to operate in any one domestic market, as well as what is happening in that domestic market in terms of licensing flexibility in order to create a viable satellite ecosystem.

If you take a country like India, ISRO gets a lot of criticism for not being totally open but no country in Asia is absolutely wide open with open skies. Even though ISRO does control the distribution of satellite capacity for VSAT and DTH services, the country of India has really liberalised ownership of cable TV channels and cable TV network ownership. So that's the reason why you have 300 TV channels and 70 plus million cable TV households and that is soaking up a lot of the demand in terms of C-band distribution as well as DTH. It is not a criticism – it is just stating the facts.

If you look at China, all the cable networks are state-owned or companies are state-owned, satellites are state-owned and TV channels are more or less controlled. So you don't have such an open, vibrant market. You don't have 300 Chinese cable TV

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channels being distributed but if that was the case the Chinese operators would have a much more vibrant business, and I don't think that it would be necessary to have consolidation in the Chinese satellite operations.

Then if you look at Europe, it is a continent with 500 million people with over 20 satellites that are serving the continent, close to 2,000 channels. The most profitable satellite companies today are based in Europe. If you just compare that to what is happening in India where people are allowed to create their own channels and own their own Pay TV networks, it's the underlying demand for satellite capacity consumption. So, aside from the regulatory area, which I believe is a minor issue for satellite operators, the bigger issue is that we should be going into the media regulators and telecom regulators of every country in Asia and asking them to liberalise the ownership of Pay TV and cable TV networks and DTH operations. This will fuel the investment in the media channels and cable TV infrastructure which will ultimately drive the demand for and consumption of satellite capacity. I believe that this is the bigger issue rather than one country trying to prevent one satellite operator from coming in. If there is no underlying demand, who cares?

In the case of India, ISRO has been wise enough to open up its market to foreign satellite operators because the demand is so big. So even if a market is controlled, if the demand is too big, they are going to support the local industries, local businesses so that they can get the capacity that they need. I believe that the focus should be on the further liberalisation of Pay TV assets as well as broadcast channels.

Question: Can you tell us which regions of Asia ABS is doing most business in at the moment? Are there any countries that you would like to be more active in?

Tom Choi: We are doing what we can do. We would love to be in a market like China and selling our capacity in India but those economies are more or less controlled so we have to go into other countries that have more of an open skies policy. We do a lot

of business in south east Asia. We also do a lot of business in central Asia. But most of our business is in the Middle East, the CIS countries and in Africa. Although we do have a lot of Asian customers, it is actually big Asian telcos who are buying capacity to do business in those markets. We see big growth in south east Asia, Russia, Middle East and Africa. Because we are located in the Indian Ocean we can easily see all those markets so we pretty much cherry pick the customer base that we want to serve.

Question: When do you believe that the new satellite will be launched?

Tom Choi: Our aim is to have ABS-2 up and running by the first quarter of 2011. It could be slightly sooner than that depending on the vendor that we choose and the ultimate satellite configuration. But we have done 80-90 percent of the work that is necessary to secure the financing of ABS-2 as well as the anchor customers. We have been working on ABS-2 for almost as long as I was working to close the ABS-1 deal, so we have had at least half a dozen iterations of our satellite design with a range of manufacturers as well as lengthy discussions with our customers. We think we know what ABS-2 should look like. We have overwhelming demand where customers have already given us pre-launch agreements.

Question: What are your immediate areas of focus for the coming months?

Tom Choi: After ABS-2 is more or less concluded I will personally be splitting my time between business development and service development. In a couple of the key markets in Asia we're going to be leasing capacity from private satellite operators or operators that we have good relationships with and we will be utilising this capacity to offer value added services as a locally licensed VSAT or satellite infrastructure provider. We are planning to do something in Indonesia and we may expand services to other countries but we have selected Indonesia as it is one of the largest satellite countries in the world and there are a lot of growth opportunities there. We will begin this towards the end of 2008 and we will become aggressive in terms of investing in that market. We are also partnering with other satellite operators, both Asian and global to offer a combination of C and Ku-band and telecom infrastructure services. We are also looking to secure additional orbital slots because in the key markets of the world we have relationships with customers and their demand is actually bigger than we can meet with ABS-2, so we are looking for at least one more orbital position where we can launch either a small or large satellite a year or two after ABS-2. We need to do that early development and planning but we are pretty hopeful that we can make ABS-3 happen as well. ■