



Still flying the

'jolly roger'

According to CASBAA and CLSA, Asia's pay-TV piracy losses are set to hit US\$970 million in the current year. The 2004 'Asia-Pacific Cost of Pay-TV Piracy Report' shows how piracy not only remains endemic in the region, but also keeps growing where appropriate action is not taken.



▶▶ **The Cable and Satellite** Broadcasting Association of Asia (CASBAA) and CLSA Asia-Pacific Markets (CLSA) have recently announced the results of CLSA's independent assessment of the cost of pay Television (pay-TV) piracy in the Asia-Pacific region for 2004, conducted in collaboration with CASBAA and its member organisations.

The cost of pay-TV piracy in the Asia-Pacific region is predicted to rise 11 per cent from US\$874 million, as estimated in 2003, to \$970 million as estimated in 2004. The report reveals the impact of piracy across all sectors of the Asia-Pacific pay-TV industry, from platform operators to independent suppliers of programming.

This is the second annual 'Asia-Pacific Cost of Pay-TV Piracy Report' covering all forms of cable and satellite pay-TV piracy and spanning Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam. The report highlights the impact of unlicensed pay television opera-

tors and illegal system subscribers on regional economies.

Cost to governments

According to PricewaterhouseCoopers, which contributed to the report, the cost to governments in lost taxes, license fees and other revenues is estimated to be at least \$152 million.

The cost of piracy in India (\$565 million) continues to dominate regional piracy numbers, contributing 58 per cent of total revenue leakage. The Philippines (\$70 million) suffered a dramatic surge of 345 per cent in net revenues lost to the industry driven primarily by a jump in the number of detected unauthorised cable subscribers as compared with the 2003 Report. The loss in Indonesia (\$21 million) soared by 183 per cent.

Hong Kong (US\$25 million loss) has suffered a 66 per cent increase in revenues lost to pirated cable subscribers, but the piracy cost associated with satellite overspill has fallen by 16 per cent, due in part to industry de-liberalisation efforts (reported subscribers in Hong Kong have jumped 58 per cent year on year), and in part through the success of anti-piracy measures undertaken by CASBAA on behalf of its members during the past 12 months.

Thailand's loss (\$141 million) is up 23 per cent year on year. The report concludes that 1.1 million subscribers access unlicensed pay-TV services in Thailand. Singapore and Vietnam experienced worsening situations, while Taiwan's signal theft figures remain similar to 2003.

"The report clearly demonstrates the severity of the cost of piracy around the region."

Simon Dewhurst, Director and Head of Media and Entertainment Investment Banking at CLSA Asia-Pacific Markets



Early indications

Early indications suggest that efforts to counter a breach in the systems designed to counteract piracy in Malaysia during the Third Quarter (Q3) of 2004 have been successful, providing a standout example for other regional markets.

South Korea is the only market with no material piracy reported. Australia and China are not covered by the survey in 2004.

"Yet again the results are alarming," said Simon Twiston Davies, Chief Executive Officer (CEO) of CASBAA. "Pay-TV piracy in Asia-Pacific is not a matter of small-time individuals who make a part-time living from trading in pay-TV decoders and smart cards. The culprits have direct links to, and funding from, organised-crime syndicates investing large sums of money in breaking encryption systems and collecting illicit cable subscriptions.

"These characters are often involved in drug running and prostitution. In some markets these guys have relationships with terrorists. The offenders are far from nice people and the perception that pay-TV theft - and the theft of other types of intellectual property rights - is a victimless crime must be clearly rebutted," added Twiston Davies.

"The report clearly demonstrates the severity of the cost of piracy around the region," said Simon Dewhurst, Director and Head of Media and Entertainment Investment Banking at CLSA Asia-Pacific Markets.

"The governance and protection of intellectual property rights will play an increasingly important role in economic growth across Asia, and will continue to form one of the criteria used by the international investment community to determine which markets receive foreign direct investment. Government ministers must realise that pay-TV piracy presents a direct and high profile attack on efforts to promote a robust approach to intellectual property rights protection."

CLSA noted that the global pay-TV industry is larger than the global recording and filmed entertainment industries combined in terms of revenue. It is vital that all industry participants in Asia join forces to address the problems and overcome the challenges of piracy.

"Piracy continues to undermine growth and investment across the regional pay-TV industry, in spite of the fact that the sector is expected to grow by up to 10 per cent in 2005," emphasised Twiston Davies. "That is why CASBAA's top priority is to stamp out pay-TV piracy. We will continue our work with governments, regulators, law enforcement bodies and industry players across Asia-Pacific to combat the problem, enact laws, and develop educational programmes that promote a vibrant multi-channel TV environment."

Second Report

The second Asia-Pacific Cost of Pay-TV Piracy Report was released at the CASBAA Convention 2004 held on 27-29 October 2004 in Hong Kong. A separate session on the piracy issue titled "Piracy - Another Billion Dollars Burned!" also took place at 11:30AM on 27 October at the Hong Kong Academy for Performing Arts.

About CLSA Asia-Pacific Markets

CLSA Asia-Pacific Markets is widely recognised as a leader in brokerage and investment banking services. Headquartered in Hong Kong and actively supported by over 1,000 staff globally, its client-focused operation is complemented by comprehensive research which has long been accepted as the benchmark for excellence amongst institutional investors, brokers and investment banks throughout Asia-Pacific markets.

Year after year, independent surveys show that CLSA's research is ranked among the best in Asia. The accolades, however, are by no means restricted to CLSA's research products. Its equity capital markets team has gained market leadership in Greater China deals, while its corporate advisory team has been awarded mandates in many markets across a variety of sectors. CLSA provides innovative financing solutions for emerging Asia-Pacific media and entertainment companies under the leadership of its Media & Entertainment Practice professionals.

For further information visit: www.clsa.com



Now Broadband TV scoops CASBAA Chairman's award

The Cable & Satellite Broadcasting Association of Asia (CASBAA) has announced the winner of the prestigious CASBAA Chairman's Award 2004 for the outstanding contribution to the Asia Pacific multi-channel cable, satellite and broadband pay-TV industries in the previous 12 months.

The inaugural award went to Now Broadband TV of Hong Kong 'For the innovative and pro-active marketing of a secure and advanced pay-TV platform and for growing its interactive capability resulting in a stellar subscriber take up.'

The CASBAA Chairman's Award 2004 was made at the conclusion of the CASBAA Pay-TV Advertising Awards held on the first day of the CASBAA Convention 2004 in Hong Kong.

The Chairman's Award was decided by a ballot of the CASBAA Council of Governors who made their selection to recognize an individual or corporation that had contributed most effectively to the Asia Pacific pay-TV sector.

About CASBAA

The Cable & Satellite Broadcasting Association of Asia is the region's leading non-profit trade organisation for the promotion of multi-channel television and data transmission via cable and satellite networks. CASBAA represents some 130 Asia-based corporations, which in turn serve more than 3 billion people. Member organisations include ABN AMRO, AsiaSat, Bloomberg Television, Discovery Networks Asia, Galaxy, IBM, ASTRO, Motorola, MTV Networks Asia Pacific, PCCW, STAR Group, SPE Networks - Asia, Sony Pictures Television International, Turner International Asia Pacific, UBC, Arianespace, ESPN STAR Sports, Encore, BBC World, Boeing Space Systems, CNBC Asia, i-Cable, JSAT, Mediacorp, PricewaterhouseCoopers, StarHub, Walt Disney Television International and Time Warner.

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