

Open skies

The Cable & Satellite Broadcasting Association of Asia is an industry-based advocacy group dedicated to the promotion of multi-channel television via cable, satellite, broadband and wireless video networks across the Asia-Pacific. CASBAA represents some 110 Asia-based corporations, which in turn serve more than three billion people. Helen Jameson talks to Simon Twiston Davies, CEO, about a wide range of topics affecting the Asia-Pacific region.



Simon Twiston Davies, CEO, CASBAA.

Question: Can you give us an update on the situation in India regarding the satellite Pay TV market?

Simon Twiston Davies: Yes, well first of all the satellite market in India, in terms of demand is going great guns. We're seeing, in the DTH market, two million subscribers to the new TaTa Sky platform and don't forget, this is comparing satellite with cable, satellite is a real premium over cable. So there's two million to TaTa Sky, two million to the Dish TV platform which is ZE TV and then of course there's the Doordarshan platform already up. We understand that at least two more platforms will be launched in the foreseeable future. It's always a little tricky to predict when these are going to happen but they are going to happen – there is a great deal of untapped demand within the Indian market for high quality video services.

Cable is largely an analogue environment in India and we speculate on the other side of things that broadband is going to be launched in India as a serious contender to the cable market and the digital cable market and all in all that is pushing the demand for channels which are ultimately delivered via satellite. I think the Indian market is even surprising the domestic players themselves on how it is beginning to take off. With rising demand and an economy that is growing at close to 10 percent a year it's one of the most exciting markets there are. The downside in India, is that there is a tendency on the regulatory side to be highly intrusive and that means that despite all of the good things that have been happening in India it remains fragile in terms of its potential future. If you have price caps imposed, you have content code that, for instance, potentially could move Indian news channels into the late night slot – there is talk within government circles of creating a watershed where certain types of news cannot be carried until 11 o'clock at

night. Worrying. It's a mindset that is not helping the Indian market to grow as well as it should do.

There is of course also the issue of open skies and making available international content and international satellite services without having to put them through a gatekeeper who is keeping a very narrow opportunity for entry. That's the Indian Space Research Organisation (ISRO) that is the exclusive gateway for satellite services into India. That is making pricing unrealistic, the demand when it comes is not necessarily being met, and the VSAT services industry is being held back and in DTH, while there's huge demand, it may not be, that we, as an industry can meet that demand.

So, good things are happening, a lot of good things are happening in India, but there are a number of areas where we are under performing as an industry and would like to see some more liberal and informed positions taken.

Question: Is it a matter of lobbying?

Simon Twiston Davies: It's a matter of lobbying, it's a matter of public education, it's a matter of making it clear to the industry itself the benefits that can come from a rather more enlightened view of the marketplace.

Question: Now, I want to talk about C-Band. It's a huge issue for the satellite industry at moment, especially in Asia. What is CASBAA doing to take a stand against what is happening? What are you doing as an organisation?

Simon Twiston Davies: As an organisation, I think it is an almost unique issue in that there's been a real call to arms by the Asia-Pacific industry where we have been working to create a collective voice on a Pan-Asian basis. It is very, very important of course that we all stand together. But very

interestingly, it is the WiMax-related organisations that have been taking this on a case by case basis, on a national market to market basis and lobbying for essentially what we are referring to as a 'spectrum grab' – and it is – it is taking spectrum that the satellite industry has invested in for forty years, has built up a great depth of demand and supply for equipment within the 3.7 to 4.2 GHz.

What that's done is create cheap equipment that the satellite industry has created. It has created demand and has spent forty years, as I say, operating services ... and we could lose the lot. The whole business could be put at risk. And on top of that, the demand for 4G services depending on how you define that, is a huge threat to the future of billions of dollars of investment. CASBAA is an organisation that represents 22 satellite operators in the region. Those are individual operators – we're not talking about the size of the fleets. It's a staggeringly large number.

The good news is the message is beginning to get through and we're moving from jurisdiction to jurisdiction where for instance while it's at least a year since we opened a dialogue with the Indian regulators, having the Chairman of the Telecommunications Regulatory Authority of India here at CASBAA today, we must therefore be having some real resonance with them. We may not be able to roll back everything in India but we may be able to save a certain amount of the business. In fact I'm sure we will. India, Hong Kong, the Philippines, Malaysia, Taiwan to an extent – all are taking on board the messages that this is a threat, not only to the satellite industry, but to the communications environment and, rather belatedly, I think we are beginning to move the dial in our direction. I think this is going to be a potentially dilatoriness impact on the marketplace. We will find solutions because you do



always need to find solutions but it's going to be painful, long and potentially costly to reconfigure. We have suggested in some jurisdictions that one solution could be moving to S-band. S-band traditionally of course is a military piece of spectrum. However, in some markets S-band is available and that could be a partial solution. We don't want to get into a fight to the death on either side and it's very interesting that the WiMax guys want to compromise where at all possible, we want to compromise where at all possible, and any of the other players in the 4G environment want to compromise because it's damaging to all of us if we're blocking out other players.

Question: Moving on to the issue of TV piracy in Asia. I believe it is quite significant. Can you tell us a bit about it and what the industry is doing to counter it?

Simon Twiston Davies: Yes. First of all, on an annual basis, CASBAA and its 125 member organisations plus different stakeholders in individual markets do some estimates on the size of the problem on a market-by-market basis. Just about 12 months ago we completed our survey for 2006-7 and the conclusion was that there is signal theft of an estimated value of 1.1 billion US dollars that is a lot of gold by any standards.

It's a huge problem in the marketplace. There is the issue of people who have set top boxes that are just busted with smart cards that are just cloned smart cards. There are entire cable systems in some parts that are unlicensed carrying up to 40-50 unauthorised pay TV channels and that can be high value sports channels like ESPN or Eurosport or it can be movies or news or whatever and that's a major regulatory and enforcement problem. That is an issue that is very prevalent in the Philippines, in Thailand, to a certain extent in India and in other jurisdictions.

We have commercial premises in Hong Kong which are a generally well-regulated environment, where public venues in particular have got overspill signals coming in where you've got ten thousand commercial outlets which are quite happily distributing the World Cup where people are making huge sums of money out of it and the broadcasters and the legitimate distributors are losing out big time. That's another definition of piracy. Another definition of theft or revenue leakage is the loss of revenues where cable operators who are sort of legitimate, under report the size of their subscriber base so for every hundred subscribers they have they may only report to the channel provider - 10.

Don't forget that we have 220-240 million connections to the Asia-Pacific cable environment. When you start to stack up those numbers they are very scary indeed. It's okay today to some extent to say that the market is expanding by 10 percent a year - who feels



Growing Pay-TV in Vietnam: Enhancing Revenues and Protecting Contents (co-organized by CASBAA & the Copyright Office of Vietnam) – Ho Chi Minh City, 10 Jul 2007.

the pain? Well a billion dollars is painful for anybody. What is very worrying is that potentially we all operate in a dual revenue stream. When that fragile advertising stream starts to decline, because it does. Advertising is the first thing to go when there is any economic bump in the road. Be it a magazine or a publication of any kind. We're in the media business and if you haven't got a subscription base or if the subscriber base you do have is being stolen, you have some big problems.

Now, what are we doing about it? We're going round from government to government thumping the table, explaining the negatives for the domestic market. While we work largely with multinationals but not exclusively, it is the domestic players who find that their content is also being stolen. A broadcaster like CTV in India is a member of our organisation because they are losing revenue in markets including their own from signal theft. These are not just small broadcasters - these are now Asia-Pacific broadcasters - big guys - and they are beginning to feel the pain and what we're doing is we're going with our domestic partners to see governments to explain a) that the regulations should be put in place and b) that once those regulations are in place they need to be enforced. And that's as tough a one as any. Enforcement is always tricky because it often involves domestic interests like the brother-in-law who happens to be the cable operator's friend in

the police force or regulator or the judge or whatever.

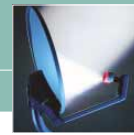
So it's a political, it's a social issue where the understanding that pay TV doesn't come from the sky for free, it is not a human right that comes from God, it has a value. It's a long-term issue. You don't just stand up and say 'signal theft is bad' and everyone will roll over and say 'yeah yeah yeah...we'll do something about it'.

Question: What kind of response have you been getting from the governments?

Simon Twiston Davies: It's a long-term project. We've had a much better response in the last couple of years than we would have had five years ago and that's all part of the public education process. It's part of the process of putting out the data and saying 'do you know the value of this theft? Do you understand how this is affecting your people in the Philippines or in Thailand or in India or in Taiwan?'. It's not all about HBO or Star TV Newscorp's distribution platform in Asia. It goes far, far beyond that.

Question: How are you educating people on a social level? Do you go through newspapers, TV etc?

Simon Twiston Davies: Yes. Newspapers, magazines - a constant drip of messaging. Also through taking legal actions against really overt pirates and taking them to courts and getting publications to run apologies to



get stories in the media to say how damaging this is. Pay TV piracy is damaging to your health. It's your economic health as much as anything. One other thing about piracy is that these are not nice guys. They are often related to organised crime. They are heavy duty guys and they don't get the joke because it is so profitable for these heavies to get into the business.

Question: The Asian mobile TV market is growing and growing. Can you explain what's driving it?

Simon Twiston Davies: I think it's an Asian social need to be at the cutting edge of these things. I think that in Korea, for example, there are situations where investment has been made into a system like TU Media. There was a determination by a telco who says we want to do this. There has then also been a realisation that there is demand in Asia for mobile TV be it for specialist mobile TV content or sport which is the usual content which we all understand.

Sports content is the killer application. Sport has not necessarily always been presented as well as it can be. Cricket would be great. Soccer, high value EPL type stuff which obviously has done very well but took off slowly – it's not been a big sports market for a very long time. It's been less than ten years that sport has really been a big deal. So, I think there is the demand in the marketplace and a willingness to take a punt on the enormous penetration that we have for mobile.

The fact that the Philippines, I think, is still the second largest texting market in the world tells you something about the appetite for mobile. China is the biggest mobile market in the world and India is adding six million mobile subscribers each month. Absolutely stunning. Just take a small percentage of those numbers and do a few adjustments and think well, what could this mean to a mobile TV provider operation at 10 / 11 bucks a month? That's just 10 dollars a month, six million new subscribers in a month and you think that you could take a small percentage of that and convert that into a mobile video service – you've probably got a business. I think it's just the sheer numbers are really enormous. And we have a tech savvy environment in this part of the world where people do really want to be early adopters of new technologies.

Question: Do you think it will be a flash in the pan?

Simon Twiston Davies: I don't know. Nobody knows. I don't think anybody including those from the manufacturing side, the suppliers of the terminals or whatever, knows. I think there are huge bets being taken but you don't know. The sheer size of the market suggests that there will be a market there. So, as I say, if you have 130 million subscribers

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to mobile TV services. You've got more mobile subscribers in India than fixed line, you've got more mobile subscribers in China than fixed line and in China there are 128 million cable subscribers. The numbers are mind boggling. And if you reduce those numbers down to a certain percentage you've still got a huge number. I think the dice are weighted in favour of it becoming a success.

Question: What has the impact of the development of HDTV been on the Asian market?

Simon Twiston Davies: I think it's early days. We were just talking with a couple of the players in the last few days and it's still, in the pay TV environment in particular, unproven. What we do know is that HDTV has been a driver in just about every other market. Parts of Asia are PAL and that means that it will be more difficult in some markets because they are already used to a high quality signal than an NTSC signal that you see in the Philippines or Taiwan for instance where HDTV could do really, really well. One of the things favouring HDTV in this part of the world is the cable infrastructure is not particularly good, but when you're deploying HDTV you build new networks in order to get your signal to the subscriber.

HD is here, it's digital and there is no

turning back from digital and HD is a logical extension of all digital broadcasting. HDTV will not surprise us in any way in the next five years. And that is a forecast. I think you will just take it as a given and HDTV will be a value add to digital.

Question: We have found in the UK that more education is needed for the consumer because they are buying HD ready plasma screens and are taking them home expecting the high definition to be there not realising that you need equipment to make it happen. Do you find the same thing happens in Asia?

Simon Twiston Davies: This is no more surprising for digital audio people who have for years been buying high value audio systems, taking them home and then plugging them into their really poor quality network. You buy your top of the range CD player and all it needs is one wire, one part of the system and you're back with the analogue, crackly sound - so yes, it's education. As I say the audio world sorted that out and now almost everybody has a great system which was unbelievable compared with ten years ago. I think it's going to take that kind of education and expectation so that you will have a digital signal and a HDTV signal and it will just be the norm. ■



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