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An industry like no other

John Balding, Correspondent of Satellite Evolution Asia (SEA), offers a review of some of the latest developments in the Direct-To-Home (DTH) sector of the Asia-Pacific region.

For years, Direct To Home (DTH) television has been one of the principal 'transponder fillers' (and therefore source of income) for the satellite industry.

All over the world, DTH platforms are considered to be amongst the most valuable clients for satellite operators, as companies such as Eutelsat and SES Astra have built their fortune around analogue

and digital satellite broadcasting.

Today, with the introduction of High Definition (HD) television and the multiplication of broadcast channels around the world, DTH is strengthening its position as the satellite industry's best customer.

DTH services to drive Asia-Pacific pay-TV growth

DTH is now become one of the main drivers in pay-TV in the Asia-Pacific region. Asia-Pacific pay-TV revenues will increase from last year's US\$19.24 billion to \$45.2 billion in 2012, driven by the rollout of DTH platforms, according to a report from consulting company Frost & Sullivan. Satellite DTH services alone will account for approximately 46.3 percent, or \$20.91 billion, of the total pay-TV revenues in 2012.

Frost & Sullivan Research Analyst James Lye said: "The reality of the next decade for DTH service providers is convergence: "To create new revenue streams, providers need to shift beyond indi-



Asian pay-TV stations to lose US\$1.13 billion to piracy

The cost of pay-TV piracy in Asia is expected to increase from US\$1.06 billion in 2005 to US\$1.13 billion in 2006.

The study by the Cable and Satellite Broadcasting Association of Asia (CASBAA) and Standard Chartered Bank (Hong Kong) Limited says that the number of illegal subscriptions across the Asia-Pacific is estimated to have increased by 20 percent in 2006 to 5.2 million connections.

The report also highlights that pay-TV piracy will result in an estimated tax revenue loss of US\$158 million to the region's governments in 2006.

According to CASBAA, the rate of growth in the dollar value of pay-TV revenue leakage has slowed slightly, while the number of illegal connections across the region has jumped 20 percent and more markets are demonstrating worrying signs of serious revenue loss.

"As a result of this, pay-TV piracy is possibly the number one issue facing the entire industry in the Asia-Pacific," said Simon Twiston Davies, Chief Executive Officer (CEO) of CASBAA.

The new study estimates that the cost of pay-TV piracy in Hong Kong for 2006 will be US\$32.4 million, a hike of 29 percent over last year. It also said that India's pay-TV revenue leakage has reached a massive US\$685 million in net losses.

Other markets facing an uphill pay-TV piracy battle include Thailand, Vietnam and the Philippines.

Singapore is the only market covered by the report that brings good news to the industry this year. As a result of the ongoing digitalisation of the cable network, the number of pirated pay-TV subscriptions remains low. The piracy issue appears to be under control, with a 15.8 percent decline in pay-TV piracy cost.

"Nevertheless, more action is required from governments – even the good ones – to counter the corrosive effects of piracy on the pay-TV and related industries," said Twiston Davies.

vidual technology and service platforms towards a Multisystem Operators (MSO) model, reaching consumers through any efficient medium.

"Consumers are increasingly looking to a single provider for integrated solutions - offering voice, data and video services. By using video content as the flagship offering, DTH providers can gain a strong position in the market and uncover ways of tapping into the lucrative voice and data demand."

In addition, Lye said: "The lack of local language content often limits the potential customer base. Premium content will drive initial growth, but content relevant to the local or regional scene will sustain interest and customer loyalty." Local sports, news and entertainment are all crucial offerings, he added.

The growth experienced in satellite broadcasting, though, has not come devoid of free problems, as several Asia-Pacific broadcasters seem to be experiencing satellite interference. The issue is well known: the interference is caused by broadband wireless access operators using the same C-band spectrum used by the broadcasters. During a meeting of the World Broadcasting Unions' International Satellite Operations Group (WBU-ISOG), it emerged that C-band satellite transmissions all over the region, (Indonesia, Iraq, Pakistan, Australia, New Zealand, Fiji and the Philippines) are being

affected. A great deal of pressure was being put on administrations to release this spectrum for broadband wireless services. Exclusion zones are thus needed around earth stations to combat the problem.

But let us take a look at recent developments in the DTH sector in the Asia-Pacific region.

China

With over 1.2 billion inhabitants, of whom millions still live in underdeveloped and underserved areas, China is one of the most promising markets for satellite broadcasting in the Asia-Pacific region. The numbers are quite simply staggering. According to a report published in the South China Morning Post, almost 300 million mainland households are set to gain access to cable-quality TV services that have so far been restricted to China's more urban areas with the launch of DTH satellite TV. This comes after years of uncertainty on the issues, as Chinese authorities hesitated to take a final decision whether to allow the development of a DTH platform in the country.

Unfortunately, the country's march towards the establishment of a domestic satellite DTH platform received a blow when SinoSat-2, a 5.1 tonnes spacecraft developed for broadcasting and equipped with a total of 22 transponders, failed to reach its orbital position. According to Xinhua news agency, the satellite's solar array and antenna failed to deploy fully, thus reducing the satellite to the status of space junk. Designed to be China's first DTH satellite providing services such as broadcast TV, digital TV, live broadcast TV and



A direct line with... Gregg Daffner, President of Asia Broadcast Satellite (ABS).

Asia Broadcast Satellite (ABS) was founded in September 2006, when Thomas Choi and Gregg Daffner with major shareholder Citigroup Venture Capital International (CVCI) and the financial backing of Asia Debt Management (ADM), successfully acquired the Lockheed Martin Intersputnik (LMI) satellite operator from Lockheed Martin.

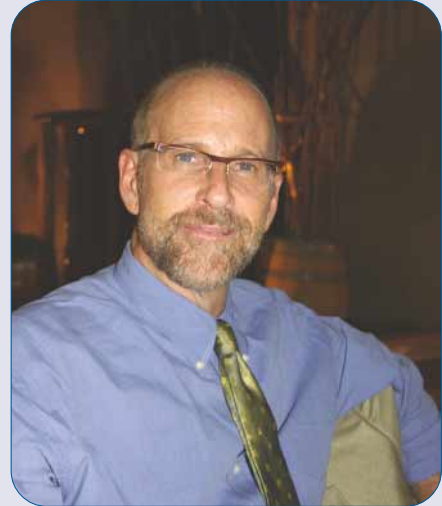
Since the acquisition, the LMI-1 satellite has been renamed ABS-1 – the satellite is still located at 75 degrees East.

Question: Congratulations for the launch of ABS, the newest satellite operator in the world. Would you be so kind to tell our readers about your plans for the future?

Gregg Daffner: Our satellite, the ABS-1, is equipped with a dual C- and Ku-band payload. Naturally, as far as broadcasting applications are concerned, the Ku-band payload remains the main vehicle.

In particular, ABS-1 satellite features two Ku-band beams. The transponder capacity dedicated to the northern Ku-band beam is almost full and is mainly used for video distribution to cable head-ends.

On the Southern beam, however, the signal is far stronger and Direct-To-Home (DTH) television is possible.



Q: What are your plans for launching a DTH platform?

GD: Our intention is to launch a free-to-view satellite platform for the Asia-Pacific region. The plan is to create a distribution platform with a number of in-country programmers that will work as local partners.

Q: Did you say a free-to-view platform?

GD: Yes. Our Set Top Box (STB) will have a Conditional Access (CA) system built-in, but, crucially, one that is going to be given away for a nominal fee.

We have decided to take this route to keep track of viewer numbers and therefore provide advertisers with credible data on audience figures.

Q: And why did you decide to link up with local partners in each country?

GD: The idea is to have anchor tenants in each individual market in the Asia-Pacific region, who will create a series of distribution platforms. The key is to have local programmers onboard, as not only do they supply the platform with content, but they also contribute with the knowledge of the local industry.

Q: How are things going so far?

GD: We have had a terrific response to our proposition of a DTH platform on ABS-1's southern beam. Currently, this has eight transponders, but we anticipate that over the next 12 months we will run out of capacity.

Q: Have you signed up any customers yet?

GD: I can say that we are in discussion with 100 channels, and that we have already signed up a first series of customers, most notably programmers from Thailand that are migrating from a pay TV platform to ABS' free-to-view platform.

Q: So what is in the future for ABS?

GD: We are already working on ABS-2, a satellite to be co-located at 75 degrees East with ABS-1, which we are nurturing as a kind of 'hotbird location' for Asia.

We are finalising a design for ABS-2, which will have a more flexible payload than ABS-1.

Q: Why a second satellite, and why a newly-designed one?

GD: We anticipate we will run out of capacity pretty soon, and we want to be prepared for that moment. Besides, a second satellite is needed to overlay a pay-TV platform on the free platform we are developing. There is content that cannot go on free-to-view, but that by its very nature needs to be sold on pay-TV.

As to the second part of your question, we need a newly-designed satellite because the new platform has to be compatible with ABS-1. Maybe for other locations a used satellite could be more of an option.

digital broadband multimedia services to the Chinese mainland, Hong Kong, Macao and Taiwan, satellite SinoSat-2 was launched on 29 October.

But while China's plans to become a regional satellite broadcasting superpower have been delayed for a few months as a result of SinoSat-2's launch failure, the country's broadcasting industry

keeps moving at an incredible rate.

China Central Television (CCTV) has renewed a multi-year contract with Intelsat for the global distribution of its programming. Intelsat currently provides full-time programme distribution services for CCTV via its PAS-1R Atlantic Ocean Region satellite, PAS-9 Atlantic Ocean Region satellite and PAS-10 Indian Ocean Region satellite. Intelsat



also provides CCTV with capacity on its Galaxy 3C satellite for DTH services in the US.

This renewal contract also expands CCTV's C- and Ku-band capacity agreement. He Zongjiu, Vice President of CCTV, said: "With the increased demand for regional programming distribution, CCTV is pleased to continue growing its relationship with Intelsat.

"Intelsat has long partnered with us in the expansion of our services, and we are confident that its network will continue to support us as we develop programming platforms."

Malaysia

Malaysia is one of the region's most active countries in satellite broadcasting, as the recent launch of the Measat-3 satellite has tripled the country's satellite communication capacity. The new high-powered satellite, which introduces bandwidth-intensive broadcasting applications such as High Definition Television (HDTV) and Video On Demand (VOD) services, will also improve communications network ten-fold.

One of the companies that will benefit from MEASAT's recent addition to its fleet is the country's DTH pay-TV operator, Astro All Asia Networks. The company has recently signed a deal with MEASAT for Ku-band transponder capacity on the recently launched Measat-3 satellite.

Both companies signed an interim Transponder Lease Agreement (TLA), in which ASTRO will lease an initial five Ku-band transponders from the Measat-3 satellite, which is expected to commence commercial operations on 1 February.

This would enable the DTH service provider to roll out new services and products for 2007, said ASTRO TV's Chief Executive Officer (CEO), Rohana Rozhan. "Viewers can look forward to refreshingly new and entertaining programmes as we consolidate our position as the number one choice for total home entertainment," Rohana said.

Paul Brown-Kenyon, Chief Operating Officer (COO) of Measat, said: "Measat-3 has been designed in part to support the aggressive growth plans of our existing customer base.

"We are delighted to effectively double the capacity used to support the Astro DTH service in Malaysia from the start of commercial operations of the Measat satellite, allowing this dynamic company to begin to expand its Malaysian services."

Astro recently named a new CEO and posted a 21 percent jump in Third Quarter (Q3) net profit, led by more subscribers and higher advertising sales.

The group has appointed Robert Odendaal as the CEO, effective 1 February, who will take over all responsibility for strategy implementation and work closely with the respective heads of the operating and regional entities, as well as group support units, to optimise returns and enhance earnings and shareholder value.

ASTRO's net income for the three months ended 31 October was RM68 million (US\$19 million), compared with RM56.6 million (US\$15.9 million) a year ago. Revenue rose nine percent to RM553.83 million (US\$156.1 million) from RM507.54 million (US\$143 million).

ASTRO's pay-TV service added 56,500 residential customers in the period under review, bringing the total to 1.97 million customers representing 36 percent of Malaysian homes. Cumulatively, its net earnings for the ninth-month period amounted to RM231.57 million (US\$65.2 million) on RM1.65 billion (US\$465 million) revenue.

Recently, the company was also cleared to continue offering its services in Indonesia. Early in 2006, ASTRO's Indonesian unit, PT Direct Vision, hit a bump when the Indonesian government said it could not use a foreign satellite to offer its programmes.

But the governments of Malaysia and Indonesia recently worked out a deal, which allows ASTRO to continue operating in Indonesia. According to Indonesia's Post and Telecommunications Ministry, broadcasters from the two countries are now allowed to operate in each other's market according to the respective country's regulations and without any discrimination. This deal offers ASTRO the

opportunity to tap into a huge market with more than 30 million households and a low penetration rate of 0.6 percent (about 200,000 subscribers). Direct Vision has about 12,800 subscribers currently, and is targeting 150,000 by the end of the year.

Vietnam

While a home-grown satellite broadcasting sector is already well established in Malaysia, in Vietnam is still about to move its first steps. The country's first satellite, Vinasat-1, is due to be sent into orbit in May 2008. The spacecraft is set to have 20 transponders with a 15-year life span.

Vietnam Telecoms International (VTI) official Nguyen Quang Hung said television broadcasting options will be the satellite's main service following world trends. The number of local television stations will increase in the future, while foreign television stations will also have the opportunity to broadcast their programmes in Vietnam through Vinasat-1, he is reported to have said.

Vinasat-1 will cover Japan, China, Korea, India, the ASEAN region, Australia, the South China Sea and a part of Myanmar.

A satellite control station will be established in Hoai Duc district, northern Ha Tay province, and a standby facility will be built in southern Binh Duong province's Ben Cat district. ■



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