

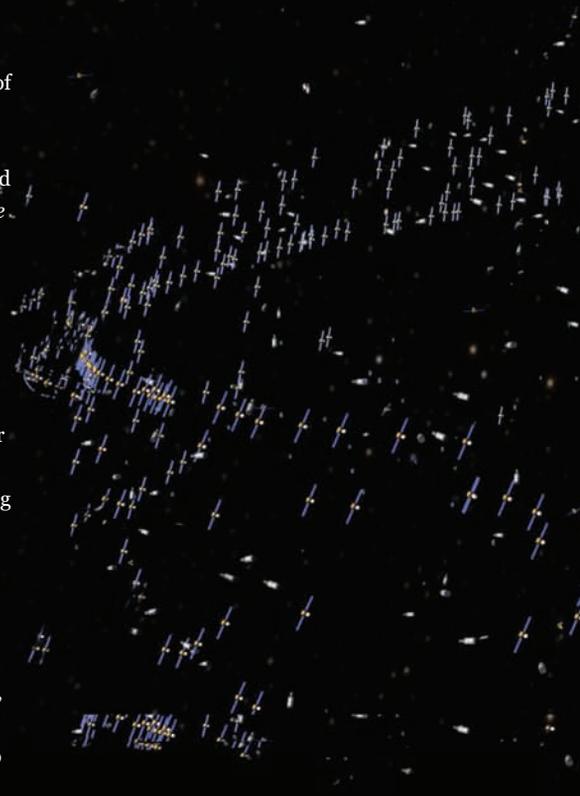
Mid-East broadcasting grows, but faces challenges

Middle East broadcasting is booming reports Chris Forrester, who also warns of satellite jamming problems facing the region.

Last year, in anticipation of the upcoming CABSAT 2012 trade show, we used the opening words of a Charles Dickens classic novel, written in 1859, as one of our headlines. Of the Middle East, post Arab Spring, we quoted Dickens, saying it was “*The best of times, the worst of times*”.

The Dickens headline is just as apt this year. Without doubt, the Middle East is enjoying the best of times in that broadcasting is booming. Channel numbers are up, HDTV is – at last – making an impact and revenues are improving for the most popular channels.

However, the Middle East is also suffering some huge challenges in terms of deliberate and invasive satellite jamming and signal interference. Throughout 2012, signal jamming got worse and worse. Jamming means that national viewers cannot watch broadcasts that originate from their country, and many viewers to international channels beaming into a territory are denied access to those services.



MENA: The numbers

The MENA region currently remains primarily a DTH satellite television market, and mostly free to air. Pay-TV penetration remains low, at around 8% of DTH viewers according to the 2012 *Arab Media Outlook*.

The key MENA Pay-TV Networks are:

1. Al Jazeera Sports

With 16 channels of sports and sports news, Al Jazeera Sports controls the majority of international and regional sports rights, (including UEFA Champions League, and the Italian, French and Spanish football leagues), and has the largest Pay-TV subscriber base in the region.

However, its active base cannot easily be measured accurately because:

- It is a smart card-only network
- Subscribers pay annually upfront for subscriptions
- Smart cards are sold pre-enabled
- DTH ARPU is low (circa \$80/year)

Many subscribers will simply buy a new card every year, distorting the active base figures. Arab Media Outlook estimated 1.4m subscribers in 2011, so a reasonable current estimate might be 1.5m active cards or approximately 3% to 5% of MENA TV households. Local

estimates suggest a gross DTH revenue of perhaps \$150m.

However, a significant proportion of this gross revenue goes to distributors (who purchase smart cards from Al Jazeera in bulk and sell them on to dealers).

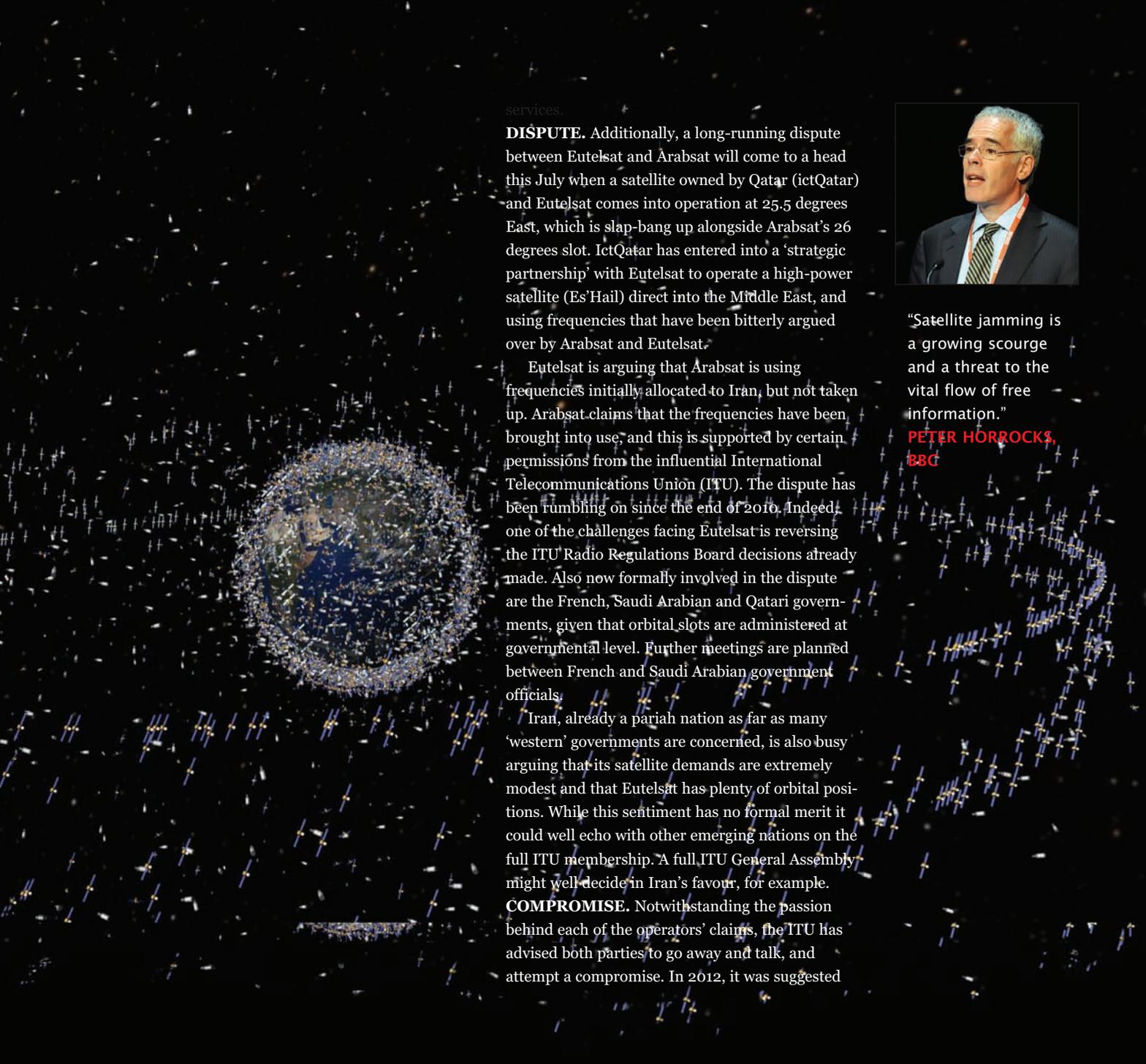
The annual programming rights outlay for Al Jazeera Sports comfortably exceeds \$200m, as it controls the rights to almost all international and regional football leagues. After considering staff, production and operational costs, the AJ Sports DTH network is therefore running at a significant annual loss. As a network, its primary aims appear to be achieving

maximum audience penetration and controlling access to premium sports on TV in the MENA region.

Al Jazeera Sport's card-only 'maximum penetration' strategy means it is not a platform as such. The majority of its channels are carried in standard definition in order to make them accessible to as many open-market Irdeto and Viaccess (encrypted) set-top boxes as possible.

2. Abu Dhabi Media – Abu Dhabi TV Network

The Abu Dhabi TV Network, launched in summer 2010, is best known for its carriage of premium sports in HD, in particular the English Premier League,



services.

DISPUTE. Additionally, a long-running dispute between Eutelsat and Arabsat will come to a head this July when a satellite owned by Qatar (IctQatar) and Eutelsat comes into operation at 25.5 degrees East, which is slap-bang up alongside Arabsat's 26 degrees slot. IctQatar has entered into a 'strategic partnership' with Eutelsat to operate a high-power satellite (Es'Hail) direct into the Middle East, and using frequencies that have been bitterly argued over by Arabsat and Eutelsat.

Eutelsat is arguing that Arabsat is using frequencies initially allocated to Iran, but not taken up. Arabsat claims that the frequencies have been brought into use, and this is supported by certain permissions from the influential International Telecommunications Union (ITU). The dispute has been rumbling on since the end of 2010. Indeed, one of the challenges facing Eutelsat is reversing the ITU Radio Regulations Board decisions already made. Also now formally involved in the dispute are the French, Saudi Arabian and Qatari governments, given that orbital slots are administered at governmental level. Further meetings are planned between French and Saudi Arabian government officials.

Iran, already a pariah nation as far as many 'western' governments are concerned, is also busy arguing that its satellite demands are extremely modest and that Eutelsat has plenty of orbital positions. While this sentiment has no formal merit it could well echo with other emerging nations on the full ITU membership. A full ITU General Assembly might well decide in Iran's favour, for example.

COMPROMISE. Notwithstanding the passion behind each of the operators' claims, the ITU has advised both parties to go away and talk, and attempt a compromise. In 2012, it was suggested



"Satellite jamming is a growing scourge and a threat to the vital flow of free information."

PETER HORROCKS, BBC

Formula One and Wimbledon. It also carries other genres of HD channels (19 in total), such as the MBC HD channels, National Geographic and Sky News Arabia.

AD TV Network controls its platform, as its channels are only available on proprietary Humax set top boxes embedded with Irdeto's latest encryption system. About half of the \$200+ AD Sports package price in year 1 is the cost of the set top box.

The *Arab Media Outlook* report suggests the 2011 subscriber base of AD Media is 670k, although this figure is not directly referenced (and seems high to many). This would

suggest annual gross subscription revenue (excluding the cost of set-top box) of \$50-\$70m.

In the two years or so since launch, AD TV Network has marketed itself as the home of English soccer (EPL) but now appears to be moving towards a broader marketing strategy highlighting the range of its HD content. ADM reportedly pays over \$100m per year for EPL rights alone. Its current three-year licence agreement will end in summer 2013, and the English Football Association expects to award the licence for 2013-2016 seasons in the New Year of 2013. As this is written, the Tender is issued but the EPL does not

expect to make a decision until January at the earliest. A bidding war is anticipated between Al Jazeera Sports and ADM.

Al Jazeera is expected to try to consolidate control over premium international football in the region, even if the move costs a great deal and does not generate significant incremental revenues. After two years of trading built on EPL, it is questionable whether AD TV Network would continue to exist if it lost the EPL. The success of Manchester City FC (owned by Abu Dhabi) in 2011-12 provides further incentive for Abu Dhabi to renew its licence. Competition could therefore be fierce. Nick

Grande at ChannelSculptor argues that the two networks should bid jointly and probably save \$400m or more.

The preoccupation with EPL rights means the value of the AD TV Network platform itself is often overlooked. A subscriber base of (say) 300k to 400k with HD and using secured IP-enabled boxes all acquired within two years is an exceptional achievement in the fragmented and chaotic MENA TV market. It took OSN almost 20 years and a merger to achieve this.

3. OSN

Following the initial disruption of the merger between Showtime and Orbit in 2009, the network

date there has been little visible progress. At one stage Arabsat proposed that each party (Arabsat, Eutelsat and Iran) each had one-third of the available 24-transponder capacity (eight transponders each).

Last autumn, a further variation was proposed whereby the two parties would set aside their 24-transponder claim. Iran would have to significantly modify their demands, which would then lead to a 50/50 deal as far as the slot's rights are concerned, but 66.6%/33.3% in terms of access to commercial capacity. In other words, Arabsat and Eutelsat would claim 12 transponders each, but four 'Arabsat' transponders would go to Eutelsat in terms of capacity, and these four would be subject to a commercial deal between the parties. This proposal was first discussed at CABSAT in Dubai last year, and as this is written, remains under discussion.

As mentioned, it doesn't help that for most of the world Iran is a pariah nation, and by common agreement guilty of deliberate satellite jamming. At a November 2012 conference in London, hosted by the BBC, broadcasters and satellite operators condemned the sharp increase in jamming of broadcasts, and considered what steps can be taken to address the growing threat of intentional blocking of international broadcasts and Internet services.



JAMMING. Article 19 of the *Universal Declaration Of Human Rights* states that individuals should have 'the freedom to seek, receive and impart information and ideas through any media and regardless of frontiers', but this right is not universally respected. Eutelsat reports that jamming incidents doubled between 2010 and 2011. The number of incidents has increased three-fold from 2011 to 2102. From January 2012 to November 2012, 340 incidents have been recorded.

Arabsat has recorded a three-fold increase in incidents of deliberate jamming of between 2011 and 2012. Eutelsat estimates that between 30 per cent and 50 per cent of jamming in 2010 originated in Iran. In 2011, the source was mainly Iran with some interference traced to Syria and Bahrain. By 2012, with the Syrian internal conflict, much of the interference has been traced to Syria, but jamming also continued from Bahrain and Iran.

YahLive finds its feet

YahLive, the Abu Dhabi-owned HDTV service broadcasting over the Middle East, is now carrying more than 40 HDTV channels. In October it added Russia Today's English-language and Arabic (Rusiya Al-Yaum) channels, both in HD. Also in October, it added six Saudi channels to its line-up.

The 40+ channels means that the service is now the region's market-leader in terms of the number of high-def channels carried. Mohamed Youssif, YahLive's CEO, said the addition of the channels further strengthened the position of YahLive as the hotspot for High Definition television in the region.

has now consolidated its HQ in Dubai, rationalised its management and staff, and established a consistent and secure platform using NDS encryption. OSN has kept clear of the price war for premium sports rights, concentrating instead on:

- Leveraging what is now effectively a MENA monopoly on encrypted Western entertainment, to renegotiate its deals with Hollywood studios and 3rd party networks
- Securing its platform against card piracy and against wire piracy (through deals with local cable operators)
- Developing an OTT/online

version of its platform (OSN Play) to future-proof its content rights deals and prepare for challenges from the likes of Amazon, Netflix and Google

- Developing some original Arabic content

The result, says Grande, is a platform that continues to deliver high ARPU (probably \$50+ per month across DTH and IPTV subscribers) and a stable subscriber base. The claim of 600k subscribers in 2011, as quoted in *Arab Media Outlook*, seems high to many and probably refers to viewing points (which includes hotel rooms and the like). It is

reasonable, however, to assume that subscriber revenues exceed \$200m per annum, and OSN may well now be EBITDA positive, a first for Orbit.

Perhaps more importantly, this consolidation of its platform and content licensing positions has given OSN a degree of protection in an industry plagued with irrational commercial behaviour (such as bidding wars for sports rights) that constantly undermines the underlying MENA market potential.

OSN always maintains that its main competitor is piracy. The MBC group of channels, although free to air, is also a

rival. MBC's English Language channels contain premium Hollywood output, in some cases (for example Warner) buying out the pay TV window. MBC, like OSN, has also developed an Online/OTT platform (Shahid.net), and through its massive DTH audience reach has created a potential platform for future growth.

4. Al Majd

Al Majd provides Arabsat viewers with religious programming and culturally appropriate entertainment - partially FTA and partially in a pay-TV package. Its primary audience is Saudi Arabia, where it has successfully established a high

The current regulatory process offers no direct sanction against countries that allow jamming to originate from within their borders.

Michel de Rosen, Eutelsat CEO, condemned the “polluting of the airwaves” by jamming, and called for decisive action to combat it. Conference keynote speaker Jamie Saunders, director international cyber policy at the UK’s Foreign and Commonwealth Office, said: “The FCO is a strong supporter of freedom of expression, and we believe that the existing framework of international human rights law is as equally applicable in the digital environment as it is on the off-line world. Specifically, we believe that efforts to block and suppress broadcasting are wrong and are bound to fail over time: we need to understand what more can be done to address deliberate interference, and what part the Government should play.”

SCOURGE. Peter Horrocks, director of global news at the BBC, said: “Satellite jamming is a growing scourge and a threat to the vital flow of free information. Throughout its history the BBC World Service has countered the efforts of jammers, whether on old shortwave or new satellites. We always called on the guile of the best editorial and technical minds to overcome jamming. Today we do that again to help tackle the menace of jamming.”

On the Internet, BBC Chinese has been blocked in China since its launch in 1999. BBC Persian has been blocked intermittently from 2006 onwards, and routinely since 2009. The BBC has run pilot services with Psiphon (a Canadian corporation that develops advanced censorship circumvention systems and

technologies specifically designed to support users in countries where access to the Internet is restricted) to deliver content into China, Iran, Kyrgyzstan and Uzbekistan so that people who want to read BBC news are still able to do so. Over one million pages are viewed weekly through the BBC’s Psiphon web proxies. In a study commissioned by BBC in Iran, 97% of respondents believed that unmonitored and uncensored access to the Internet is a universal right. Chairman of the Foreign Affairs Select Committee, Richard Ottaway MP said: “Gunboat diplomacy is history. Soft power is the future. We live in a globally networked world where human rights abuses cannot hide.”

The International Broadcasting without Barriers Conference brought over 100 delegates from a variety of satellite operators, broadcasters and stakeholders together to consider what political and technical steps could be taken to make the distribution of media less vulnerable to interference. They face the challenge that jamming is becoming more frequent and there is currently no viable technical solution that can protect direct to home broadcast satellites.

BLAME. NileSat has blamed “institutions”

Iran: The opposite view

“The Islamic Republic of Iran Broadcasting (IRIB) has contracts going back 20 years with Eutelsat, which were renewed for five- or 10-year periods,”

IRIB vice president Mohammad Sarafraz was cited by state television as saying, “The contract was still valid, and the decision to stop broadcasting 19 Iranian channels is political. Eutelsat broke the contract between us unilaterally and without legal justification,” he said, adding that IRIB lawyers planned a formal complaint.



for sat-jamming. NileSat’s MD Salah Hamza is firmly blaming “major institutions”, and not individuals, for the heavy bout of satellite jamming being suffered by Middle East and European satellite operators. NileSat has suffered jamming from Syria, Libya, Bahrain as well as Iran recently.

Speaking on Egypt’s *Good Morning Egypt* TV show on Channel 1 in November, Hamza said the jamming was being tackled and

ARPU package and (according to *Arab Media Outlook*) has in excess of 500k subscribers. It does not compete with any of the other MENA Pay-TV networks, and as yet has not seen any players replicate its model. As a result, it is probably the most profitable pay-TV network in the region!

Others

ICHHD was established in 2011 as a platform carrying the MBC HD channels. The idea of the network was to sell a pay-TV box offering premium encrypted HD content at a near FTA price, and use rapid growth as the basis to establish a pay-TV platform. The network encountered pricing, technical and distribution issues during its first year of operations, and has not yet achieved significant

market presence.

MyHD was established in 2012, and also offers premium encrypted MBC HD content on a high definition box at a near FTA price. It anticipates further premium content to follow, and aims to establish an independent platform.

Players such as ICHD and MyHD recognise the price sensitivity of the MENA consumer, and the need to have a low-cost compelling basic offering in order to achieve significant market penetration for a new platform. They also recognise the commercial potential for new low cost Pay TV bouquets, once a platform has gained a strong foothold in the market. The GCC (Gulf Cooperation Council) in particular has many of the key ingredi-

ents for a successful pay-TV market (large population, high GDP per capita and high TV consumption).

IPTV Players

There are also a growing number of IPTV-based players, either using fibre or DSL lines. The UAE’s ‘Du’ is the largest of these with more than 100,000 subs, and helped by having distribution rights with almost all the major pay-TV operators.

Whilst IPTV consumption remains small relative to DTH in the region (less than 500k subscribers in total), there are several reasons why it is strategically important for Pay-TV:

1. Global shift towards content delivered over IP
2. Rapid growth of fibre

networks in the GCC

3. Packaging of basic tier IPTV content as standard in broadband offerings
4. Enormous financial and political strength of telcos in the region
5. The potential for GCC governments to establish and enforce satellite dish bans in future
6. The inability of pan-regional FTA DTH delivery to serve the various countries in the MENA region individually according to their respective demographics

**Data, and comments on the local broadcasting aggregators compiled by Nick Grande, Channel Sculptor, Dubai [nick.grande@channelsculptor.com]*

analysed in order to locate the source of interference, noting that this process might take “one or two days”. One could say, “if only!” Hamza added that the source of interference came from a “big institution” and was most probably an “immobile” source, in other words from government-backed facilities. “We have emphasised that the interference came from an outside [transmission] station, but we cannot determine whether this was for political or technical reasons,” he said.

“We have been suffering from this problem for four years and want to prevent this interference via international agreements,” Hamzah said. He added that his company was strengthening transmission to overcome this jamming, but all these attempts were useless because the “interfering signal was stronger”. He noted that the jamming must have come from a “big satellite [up-link dish] of up to nine metres radius”, suggesting that no private individual could own such a dish.

BAN. Last year, Eutelsat stopped carrying channels from Iranian state broadcaster IRIB (Islamic Republic of Iran Broadcasting). UK-based Arqiva was the service supplier and held the formal IRIB contract, which it terminated. 19 TV and radio channels are affected, mostly transmitting from Eutelsat’s popular ‘Hotbird’ satellites. French media regulator the Conseil supérieur de l’audiovisuel (CSA) started the ball rolling and confirmed that the Iranian channels violated human rights in its transmissions. Earlier last year, the EU placed the head of IRIB, Ezzatollah Zarghami, on a list of people ‘sanctioned’ on human rights grounds. Eutelsat says it is duty bound to obey the CSA ban. Intelsat, as well as AsiaSat, also subsequently barred all the IRIB channels, which included English-language propaganda station Press TV.

The prospects of IRIB getting its channels onto international satellites in the near future now look very slim. Satellite operators themselves, were they to carry the channels, would be facing problems from the USA and its tough regulations covering the supply of goods and services to Iran.



“We want to prevent this interference via international agreements.”

SALAH HAMZA, NILESAT

In November 2012, Iran TV started up a Facebook petition to ‘save’ its channels over Europe, although some of its other statements border on the ridiculous. For example, Press TV described its banning as hypocritical: “Never there was freedom of expression in US or EU, only selective loose talk is branded as Freedom of Expression.” Another – equally ridiculous note - in a non-stop flow of rhetoric out of Tehran, described Eutelsat as “actually Israeli” and that “French-sounding ‘Michel de Rosen’ who heads up Eutelsat, is an Israeli citizen, and the company has Israeli stockholders [and is] a company long dictated to by extremist groups within Israel, the militant ultra-nationalists of the Likudist regime of Netanyahu.”

GOOD NEWS. But set against this list of very real problems there is plenty of good news out of the Middle East. Nabil Kazan, president/CEO at Beirut’s K & Partners TV Services, said the ‘Arab Spring’ series of political revolutions had made some positive – and negative - differences in the broadcasting mix. The upside was clear, he said: governments were toppled and allowed a flood of new channels from newly-liberated voices. Kazan says that 154 new Arabic-language channels had launched covering news and politics as well as new drama and cultural channels.

The new channels had flowed from Egypt, Libya, Tunisia, Yemen, Sudan, Jordan, Lebanon and from expat Syrians. New channels had also come from within the Gulf Cooperation Council (Saudi Arabia, Bahrain, UAE, Kuwait, Oman and Qatar). He explained that the core audience now numbered some 80 million Arab households, with 95% watching free to air TV. Twelve years ago

there were just 50 satellite channels. Now that number is more than 650 and growing weekly.

The downside of the changes is that despite claiming freedom of expression, in many countries the new-found freedoms were not quite so free! Kazan said that some new governments were even tougher than their predecessors. “They’re happy enough for

criticism, provided that criticism doesn’t affect them! They only want criticism of a neighbouring country.”

BENEFITS. However, on the benefits side he said the Middle East was again finding its feet in terms of production. “We produced 160 drama series in 2012 compared to just 81 in 2011,” said Kazan. And ad-revenues, always a major grumble from broadcasters, were slowly improving. At Rate Card ad-expenditure was up 35% during 2011 to some \$14.3 billion, and more again this year. “Television represents 67 per cent of total media spend in the MENA region,” he stated, and the winners were the pan-Arab stations, taking about half of the expenditure. Of course, it must be remembered that not all this cash actually flows into the broadcaster’s coffers. The numbers quoted are gross at Rate Card, and the Middle East operates its own ‘net-net’ system of discounts, severely trimming this total to nearer \$5.5 billion at ‘net-net’ rates.

Nevertheless, the increased local productions were to some extent countering the dominance of well-produced but imported Turkish melodramas and telenovelas. More cash is going into local efforts and some were gaining considerable viewer acceptance. Overall, said Kazan, these efforts must continue.

Kazan is right, and everyone knows that viewers watch good programming, and Middle East viewers are as savvy as any other. As local production output is improved the eyeballs will follow. Other than the question of sport - and sport is hugely important to the whole region – it is this boost to local production, whether in the form of telenovelas, comedy, drama, or factual programming that will see further maturity achieved.