

The Price of 'Free-to-Air' Satellite TV

by Bruce Elbert
President, Application Strategy, Inc.
with Michelle Elbert



Satellite TV is the biggest money maker for the overall satellite industry, creating investment,

subscriber base and wealth. It rests on the solid revenue footing from a food chain that ranges from the end user paying for subscriptions to networks that collect from advertisers and affiliates like TV stations and cable systems. However, we are witnessing a new business model that provides a free service to end users who only need to buy reception equipment consisting of a dish with a digital set-top-box. This is not unlike C-Band backyard dishes of the US from the early 1980s, before HBO began to scramble their signal.

Today, Free to Air (FTA) satellite TV is the legitimate successor to the 3-meter



backyard dish. It relies on the same digital TV platforms that made DIRECTV, DISH and BSKyB into mega-businesses, but allows viewers to watch the programming without

paying programming charges. Markets appeared primarily in Asia, Central Europe, and the Middle East; but, the size and participation in the FTA segment has yet to be appraised in scope and monetary terms. The purpose of this article is to review the nature and appeal of FTA as a first step in rendering it a true business opportunity.

Payment for satellite capacity comes from the program or network provider, who leases bandwidth and arranges for the uplink. The source of their money depends on the region and content, which can be derived from advertisers, governments,

(Continued on page 4)

Contents

| | |
|---|----|
| Executive Interview with Intelsat CFO Michael McDonnell | 12 |
| From the Editor | 3 |
| Calendar of Events | 7 |
| NAB 2009 Products Spotlight | 8 |
| News Briefs | 10 |
| Vital Statistics | 13 |
| Featured Event: ISCe 2009 | 15 |
| Satellite Markets 25 Index | 14 |

// Global Satellite
Network Solutions //



Free-to-Air Satellite TV...from page 1

religious groups or other organizations that wish to transmit a message.

Asia

Nineteen years ago this month, the launch of AsiaSat 1 gave the start for STAR TV, the brainchild of Hong Kong billionaire, Richard Lee. The initial set of analog TV channels gave Asia its first regional broadcast and adopted the FTA model as the means to gain eyeballs. The service achieved quick popularity and, even though not financially rewarding in revenue terms, did make Richard Lee richer through the purchase by Rupert Murdoch's News Corporation in 1992. STAR then moved aggressively to expand and ultimately converted to digital by 1997.

AsiaSat and other satellite providers established the vehicle for FTA in India and China, the biggest markets for satellite

TV. The Indian model of Cable-Walla, wherein satellite dishes pull down FTA signals and distribute them within a community, has today facilitated over 200 channels of services to Indian households. A similar trend is evident in China, although the quantity of channels is about half that of India.

Subscription services were established in Thailand, Indonesia and Malaysia, but FTA services are definitely prevalent from satellites that cross borders. The presence of FTA services on Ku band satellites encourages locals to install Ku band dishes, which are much less obtrusive than their C band counterparts.

It was stated by a satellite executive of the region that families have responded to tough times by cutting back on

satellite subscription services. This is a problematic trend for these services. At the same time, FTA services can reduce financial pressure on the consumer.

Middle East

The power of FTA in the Middle East and North Africa (MENA) was summed up by Jawad J. Abbassi, founder and general manager of Arab Advisors Group: "In other parts of the world, the 'Information Revolution' was played out on the Internet, but in the MENA region, it took place over Satellite TV." During the early 1990's, a media organization wanting to broadcast via satellite to the Middle East would need to do so from London. There were already satellite communication service providers in the Middle East at this time, but they were still relatively

*When it comes to World-Class Satellite Solutions...
The SPACECONNECTION is The Industry Pacesetter*

- International and Domestic space segment
- Media, Enterprise and Government solutions
- Occasional Use, Special Event, Fractional or Fulltime Services

First Mile, Last Mile, The Extra Mile



The
SPACECONNECTION, Inc.

For more information, please contact:

The SPACECONNECTION, Inc.
P.O. Box 6067
Burbank, CA 91510-6067
Tel: (818) 754-1100
Fax: (818) 754-1108
info@thespaceconnection.com

The SPACECONNECTION, Inc.
1601 Telesat Court
Suite B1.07
Ottawa, Ontario K1B5PA
Tel: (800) 565-1471
Fax: (613) 737-0377
opscanada@thespaceconnection.com

www.thespaceconnection.com

Free-to-Air Satellite TV...from page 4



young companies. The Middle East Broadcasting Center (MBC) in the UK became the first free-to-air broadcaster over satellite to the Middle East. Most of the content on MBC was licensed or syndicated media of both Arabic and international origin.

Currently, there are over 450 FTA channels broadcasting on NileSat, ArabSat and Eutelsat. For the price of a low cost receiver, Arab households can tune into good quality FTA services. Operating costs are covered by various governments and private groups who are entering the market strategically; as a result, they may currently not be viable from a financial point of view. This may partly explain why there hasn't been a major consolidation or "shake out" amongst satellite TV providers in the region.

As a result of the plethora of FTA services in MENA, the adoption rate for satellite TV is upwards of 90%. Like Cable-Walla in India, viewership increases because the satellite signals also are picked up by local providers and distributed to homes over ad-hoc terrestrial networks. The adoption

"..Free-to-Air satellite TV is potentially a powerful disruptive force in coming years, primarily because of the allure to the viewer in developing and developed regions..."

rate for satellite TV systems in Lebanon and Egypt appears to be lower than other parts of MENA, due in part to the more densely populated parts of these countries.

The number of FTA channels in the MENA region has grown at a staggering rate; however, advertising revenues are relatively minor and may represent an untapped potential for new formats and operators.

Europe

Satellite-delivered free TV channels are very popular in Europe, particularly among expat communities. There are approximately 40 million installed units in the European market, broken down into

the set-to-box (STB) that is generic and those that are specific to the service provider. Under the former, a viewer purchases the unit from any distributor and can watch FTA channels delivered by a number of satellites. With regard to the latter, the viewer must obtain the STB from the service provider, who maintains overall control of delivery. This variant is called Free To View (FTV). Complicated copyright issues in Italy and Austria restricted a sizable chunk of programming to FTV rather than FTA. FTV STBs are equipped with SIM cards, needed to unscramble the signal, which are illegal to export outside these countries.

The UK is something of an anomaly as the pay service, BSkyB, is the dominant player in that market with nearly 10 million satellite subscribers. (There are another four million subs indirectly subscribed through terrestrial cable systems.) FTA could very well see a boost in the UK market with the introduction of Freesat, a joint venture between the BBC and ITV that began in the spring of 2008. It's interesting that both BBC and ITV have independently been providing FTA programming for roughly 5 years now, but licensing and approval delays have kept them from launching a combined brand until last year.

The FTV move by BBC and ITV is a good example of how copyright issues are faced by European providers. Previously, the bulk of those channels were broadcast over the Astra 2A satellite, which has a large footprint providing a strong signal not only to the UK but to most of Europe. Most, if not all, of the channels were moved to Astra 2D, whose beam is focused on the UK market.

The challenge in Europe is that the satellite spectrum is rather crowded and not every potential FTV, FTA and pay service (in its associated language) can be accommodated. Even with the extremely focused footprint of Astra 2D, you can still receive a signal throughout all of France and Iceland as well as parts of Spain, Italy, Germany, Denmark, Norway and Greenland with a dish that's still reasonably small.

North America

Despite having potentially 500 FTA satellite channels available, the US has been slower to catch on to this platform than the rest of the world. The one area where the FTV model is provided is by World TV, an offering by GlobeCast. World TV has a split of approximately 2/3 FTV and 1/3 premium subscription services. There is a flat monthly charge for the FTV portion, in addition to equipment expenses. FTA development is practically limited in Canada because satellite spectrum that is committed to pay subscription services.


There are a number of FTA services provided by US public institutions wishing to deliver information and a message to segments of the US population. This includes the Public Broadcasting Service, NASA TV, Pentagon TV, and various religious

services from the LDS Church, the Catholic Church and the long-standing Christian channels from Trinity Broadcasting.

Latin America

A very visible feature in large cities in Latin America of the early 1990s was the big C-band dishes seen on roofs of apartment buildings and hotels. At the time, there were 1.5 million of these satellite master antenna TV (SMATV) dishes in service. This is giving way to more common use of Ku-band DTH services from DIRECTV, SKY and others. However, SMATV and wireless cable TV services are still popular in the larger cities in Latin America as these promote the payment of subscriber fees to investors. FTA hasn't caught on as well over South America, although Mexico and Brazil seem to be strong purveyors of FTA with approximately 83 and 150 channels, respectively.

Summing Up

FTA satellite TV is potentially a powerful disruptive force in coming years, primarily because of the allure to the viewer in developing and developed regions. If a third party is willing to pay for the content and transmission, the receiving end is going to be there in ever-increasing numbers. 



Bruce Elbert has over 30 years of experience in satellite communications and is the President of **Application Technology Strategy, Inc.**, which assists satellite operators, network providers and users in the public and private sectors. He is an author and educator in these fields, having produced seven titles and conducted technical and business training around the world. During 25 years with Hughes Electronics, he directed major technical projects and led business activities in the U.S. and overseas. He is the author of *The Satellite Communication Applications Handbook*, second edition (Artech House, 2004). Web site: www.applicationstrategy.com Email: bruce@applicationstrategy.com

Michelle Elbert is the Director of Marketing for **Satellite Markets and Research** and a consultant with Application Technology Strategy, Inc. She can be reached at michelle@satellitemarkets.com

Calendar of Events

April 18-23, 2009 **NAB 2009** Las Vegas Convention Center, Las Vegas, Nevada, USA
Tel: +1 (202) 429-5300 e-mail: register@nab.org web: www.nabshow.com

June 2-4, 2009 **ISCe 2009** San Diego Marriot Hotel and Marina, San Diego, California, USA
Tel: +1 (562) 901-9191 Fax: +1 (562) 901-9192 e-mail: info@isce.com
web: www.isce.com

June 16-19, 2009 **CommunicAsia 2009** Singapore Expo Convention Center, Singapore, Tel: +65- 6233-6638
web: www.communicasia.com

September 7-10, 2009 **World Satellite Business Week 2009** Paris, France Tel: +33-(1) 49 23 75 2 4 E-mail: mandeng@euroconsult-ec.com
web: www.satellite-business.com

September 10-15, 2009 **IBC Conference and Expo 2009** RAI Exhibition Center, Amsterdam, The Netherlands Tel: +44-(0) 20-783-24100 e-mail: show@ibc.org
web: www.ibc.org/

September 29-October 1, 2009 **APSCC 2009 Satellite Conference and Exhibition**, Kuala Lumpur, Malaysia. Tel: +82 31 783 6246 e-mail: info@apscc.or.kr
web: www.apscc.or.kr

October 7-11, 2009 **CeBIT Eurasia Bilisim International Trade Fair for Information Technology, Telecommunications, Software + Services**, held in conjunction with **CeBIT Broadcast, Cable+Satellite Eurasia**, Istanbul, Turkey Tel: +90 (212) 334 69 69 Fax: +90 (212) 334 69 70 e-mail: info@cebitbilisim.com
web: www.cebitbilisim.com/index.html and www.cebit-bcs.com/en/index.html

October 13-14, 2009 **Satcon 2009**, Javits Convention Center, New York City, USA, Tel. +1-203-371-6322 E-mail: info@jdevents.com
web: www.satconexpo.com 