

The Middle East: Contrast and opportunity in TV still exists

The Middle East appears to be a lucrative market which is attracting international content players with a number of local providers fighting it out over distribution. Chris Forrester reports on the realities of how new and established players are grasping the opportunities of the new media age.

The Middle East is a complex region of massive TV contradictions. From the super-wealth of Kuwait, to the 'go-go', no-expense-spared vision of places such as Dubai and Abu Dhabi, to the massive population and cultural influence of Egypt, the emergence of post-Saddam Iraq and the sophistication of the Lebanon.

Each has a significant part to play in the broadcasting explosion that has seen the number of TV channels expand to some 600 stations over the past 15 years, and now the emergence of HDTV and even 3D transmissions. While established production centres such as Cairo, Beirut and Tunis have maintained their impressive output, new production centres have also emerged notably in Dubai and Abu Dhabi, but in truth, just about every Middle East city is backing new 'media production zones' and with attractive taxation and licensing temptations thrown in for good measure.

Indeed, this drive towards attracting fresh talent is accelerating as nations seemingly outbid one another to 'prove' their importance in media terms. Al Jazeera News kicked off the process, and helped put Qatar on the map. Dubai's huge commitment to media has resulted in it being the new domicile for thousands of – largely imported - new staff. Near-neighbour Abu Dhabi is going one better and pouring billions of dollars into media, and

helping to capture some heavyweight international



players in the process, not least the likes of CNN and Sky News (see separate panel).

NEW CASH. Against this avalanche of new cash, it was tough for the established players to fight back. Cairo had started its expansion back in 1992 with the opening of its now giant Media Production City which today has capacity to produce around 10,000 hours of studio production and perhaps re-invigorate Egypt's once-dominant Arab film output. Public broadcaster Egyptian Radio &

Typical media temptations

Ras Al Khaimah* Free Trade Zone

- 100% tax exemption
- 100% foreign ownership (no local sponsor required)
- 100% capital & profit repatriation
- Strategic location with access to over 2.2 billion consumers
- State-of-the-art communication facilities and simple and fast application procedures
- Industrial and Technology Parks are close proximity to the sea port and international airport
- Promotion centres in Dubai and Abu Dhabi
- Liaison offices in India, Turkey, Germany and the United States
- Office spaces at competitive prices within the Business Park

*A fast-expanding Emirate/city in the United Arab Emirates

Television Union (ERTU) is also in the middle of a 'back to basics' reorganisation led by its chairman Usama El-Sheikh, which will see the privatisation of its 'Nile' thematic channels in an attempt to trim over-manning, cut costs and boost productivity.

ERTU is also a 40% investor in NileSat, situated nearby at 6th October City on the famous Giza

plateau, and now with a new addition to the family; Nilesat 201, launched on August 4 2010. Moreover, Nilesat is reporting more than 572 channels are now transmitting from its 7 degrees West position, making it the hottest of 'hot spots' for Arab viewers. It is also seeing – at long last – a steady stream of HDTV channels flowing onto its satellites, currently numbering 24 and targeting around 35 by the Spring of 2011. Even better perhaps, the 7 degrees West spot has won back the 'Orbit' portion of the now merged Orbit Showtime pay-TV network (Nilesat always carried the Showtime pay-TV channels).

Nilesat's own transmission facility is a hive of new buildings, first for the tracking and control of the new satellite, but also fresh expansion of its ground control segment to handle fresh uplinking contracts, new channel launches and the like. A new management building is also under construction which will provide office space for broadcasters themselves – but not studios. Studios are firmly under the control of Cairo's giant – and very busy - Media Production City a few miles away.

HD GROWTH. The growth in HDTV is meaningful. Two transponders are already used by Abu Dhabi Sports for its HD transmissions, and another three allocated to Orbit Showtime Network (OSN). More will follow, says Nilesat's chief engineer Salah Hamza. "Other HD players are coming. Everyone is transmitting using MPEG-4, but there's a standards problem. For example, Abu Dhabi is using DVB-S2 for its transmissions, but OSN is using DVB-S. DVB-S2 is more efficient, but unfortunately there is a shortage of DVB-S2 receiver boxes in the market, but they will come and the market will then converge."

Nilesat, at least with its 201 craft launched,



"In our region, people watch on the same dish from seven degrees West to twenty-six degrees East."

**SALAH HAMZA,
NILESAT**



is now soaking up all its allocated frequencies from 7 degrees West. That could change, suggests Hamza. "It is a challenge to plan and launch a new satellite. A Nilesat 202 would be mainly a back-up to 201, but HDTV needs extra capacity, so perhaps a new orbital slot will be needed for our expansion. In our region, people watch on the same dish from seven degrees West to twenty-six degrees East. There are no limits to placing dishes on our homes, so a new slot is quite feasible. It costs just twenty dollars to install a dish and LNB. Finding another orbital slot is needed."

So far, so good. But on the debit side of the balance sheet, there have been more than a few challenges, not least a slew of satellite jamming problems that are a very real nuisance and a technical pain in the neck. There have also been highly controversial problems with contentious services, resulting in channels being removed from Nilesat. At the end of 2010 more than a dozen channels were affected.

JAMMING. The jamming problems came during the 2010 FIFA World Cup transmissions from Al Jazeera Sport – including signal jamming during the competition's final. The consequences were severe, with diplomatic relations stretched to the limit between Qatar, Jordan (allegedly the source of the jamming) and Egypt, more about which below. Similar problems have occurred on Arabsat, with the Ethiopian government being accused of interfering with signals from an opposition political movement in Ethiopia. Eutelsat transmissions have also been affected over the region (and Europe) with targeted signal jamming of BBC Persian services.



The successful launch and healthy state of 201 is one load off Hamza's mind, as it would be for any operator. His other problems are potentially a very real diplomatic and commercial challenge. In October 2010, Nilesat took down four so-called 'religious channels', and the news later emerged that more than a dozen others were warned to get their acts together, or risk being removed from their massive potential audience of some 40m viewing homes.

"We have no formal regulator covering satellite transmission. There is no Ofcom, no FCC, no CSA. We had always hoped that the market, perhaps with a little help from us, would regulate itself," said Hamza. "A poor channel or a channel with bad ideas would close. It has been said that some channels have powerful and wealthy backers, but I can tell you that the channels we have removed are all profitable channels. They are making very good revenues. Unfortunately some of their material is very naïve."

REMEDIAL ACTION. He explained that, in the main, the channels were broadcasting 'medical' remedies, usually with little or no foundation as to any practical benefit, and

YahClick – for broadband-by-satellite

Abu Dhabi-backed YahSat is nothing if not ambitious. With its first satellite now readying for launch in March 2011 the operator has a very wide portfolio of services lined up. YahClick, a satellite broadband service; YahSecure, a government satellite service; and YahLive, a satellite broadcast service, and YahLink, a satellite connectivity service.

"Yahsat is the first company in the Middle East and Africa to offer multi-purpose satellite services to the region," says Shawkat Ahmed, CCO at YahSat. "It will offer voice, data, video and Internet connectivity solutions customised for TV broadcasters, telecom operators, internet service providers, government agencies and business enterprises," Ahmed says. "Yahsat will also offer satellite broadband services in twenty-six countries to home users and public and private enterprises."

frequently based on plant extracts. "They would promote these plant remedies and say they would cure this or that disease or problem, or boost someone's sexual performance. All our advice is that the claims are quite untrue." Further adding to the complications is the fact that in some Middle



“We will be the only satellite operator in the region and possibly in the world that only has HDTV channels on board.”

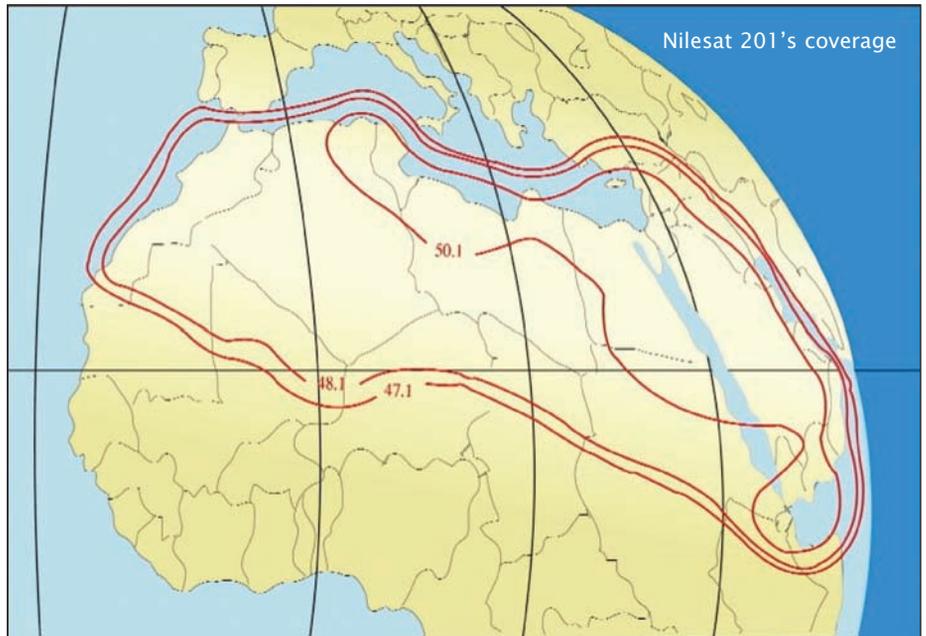
**MOHAMED YUSSIF,
YAHLIVE**

East countries, the products being sold are reportedly licensed as medications, but not in others.

Hamza spoke enthusiastically about the new prospects for HDTV, and even 3DTV. “We already have Abu Dhabi using HDTV, and we know there are other major channels coming. We hope to see more than 30 high-def channels

on air by early 2011.” Two full transponders have been contracted for an all-IPTV service which will take a portfolio of Nilesat channels, adding a pay-per-view service, and beaming the result into residential compounds and gated communities in the region. By taking an IPTV-based service, the operator can more easily supply the programming directly into his customers.

Nilesat 201 also has four Ka-band



The Nilesat fleet*

| | |
|-------------|--|
| Nilesat 101 | Launched July 1998, end of life 2013 |
| Nilesat 102 | Launched August 2000, end of life 2015 |
| Nilesat 104 | Leased capacity from Eutelsat |
| Nilesat 201 | Launched August 2010 |

**Also operating from the Nilesat orbital spot is capacity from Eutelsat (operated as Atlantic Bird 4A from 8 degrees West) and some capacity from Noorsat 2, which is itself leasing capacity from Eutelsat)*

Mid-East channel growth

Not every Arab television channel can boast of a launch party at the Armani Hotel in Dubai. Indeed, the star-studded launch of the MBC Drama channel at the Burj Khalifa was something of an exception. For this is an industry populated by an increasingly vast array of satellite TV channels, and an equally vast array of funding levels. Of the 500 people on the guest list, 100 or so were stars of showbiz.

The Saudi broadcasting giant MBC Group is behind the new channel, which made its first broadcast on December 1 2010. MBC Drama marks the 10th channel launched by the network, which is now approaching its 20th anniversary. Yet the understated glamour of the Armani Hotel is not exactly the venue of choice for most channels in the region. At the other end of the scale from the dominant MBC, there are small, independent TV channels, only a few of which are commercially viable. Many of these are run on a shoestring, or as vanity projects, or at a great loss.



For if MBC is an Armani-brand chaise-longue, many other regional channels are like an old chair held together by bits of gaffer tape. Consider the

words of one executive based in the UAE, describing a visit to an independent news channel in the Middle East: “The set was, at best, rickety.”

The frenetic growth of the sector, driven by rising advertising spending during boom times, partly explains this scenario. According to Amman-based research firm Arab Advisors Group, there were 100 free-to-air satellite channels in the Arab world at the beginning of 2004. This had doubled by November 2005, and reached 370 less than two years later. “The rapid increase in the number of free-to-air channels has been mainly due to the growth of the advertising market that resulted in a large number of low-cost channels emerging,” says Hadi Raad, a principal at the consultancy Booz & Company. “More flexible regulations in the Arab region have allowed the creation of channels (for example, call-TV channels) that did not previously exist.

Moreover, a number of political channels, fully sponsored by political parties have emerged. But since the advertising downturn, several analysts predicted the closure of underperforming TV stations. The reasoning for this is that the dominant channels attract the lion’s share of the audience - and therefore advertising revenue - while the smaller players miss out. “The 80-20 rule applies: eighty per cent of the audience follow twenty per cent of the stations,” says Jawad Abbassi, the founder of Arab Advisors Group. “Some of the channels get very little audience share.”

Yet despite the warnings of some analysts, the total number of free-to-air satellite channels has continued to rise. There are almost 600 channels in the Arab world, of which about 80% are broadcast in Arabic. The rate of growth is, admittedly, slowing: more than 100 new channels emerged between August 2007 and March 2009. According to Mr Abbassi. “I don’t foresee a drop in the free-to-air channels. I think it will stabilise at around 540 or 550,” he says.



transponders on board, and will be kept for wholesale clients as well as backhaul and Occasional Use clients. Hamza says Nilesat will not be itself subsidising receiving units for broadband by satellite. This is different from the Ka-band business model being applied by YahSat from Abu Dhabi, see below.

HD FIGHTBACK. While Arab and international broadcasters can choose from a number of satellites, including Arabsat, Nilesat and Eutelsat (along with 'virtual' satellite operator Noorsat, which leases Eutelsat capacity), there's about to be a new kid on the block in the shape of YahSat. YahSat is scheduled to launch in March 2011. "We are very excited, and want to see our craft flying," says Mohamed Yussif, CEO of the YahLive operation on YahSat. YahLive will be looking after 23 transponders on the craft and Yussif and his team are helped by SES Astra. "Our joint-venture partner is SES Astra, and we are concerned only with the broadcasting portion of the satellite. There are multiple missions on board, including a military cargo. YahLive is a joint-venture between YahSat (65%) and Astra (35%). Part of the agreement is that YahSat will transfer ownership of those 23 transponders to YahLive. In other words YahLive will end up owning those transponders."

Yussif says it has three spot beams, covering the Persian Gulf states plus the Iran/Pakistan region (East beam), a typical MENA beam and a European beam that also covers Central and Eastern Europe. "We like to think of ourselves as a boutique satellite. Our proposition is simple, and is based on a considerable amount of market research looking at what we can do that is different. We believe our proposition is compelling, and looks at a number of fronts. We are very much focusing on high definition. This means we will be the only satellite operator in the region and possibly in the world that only has HDTV channels on board."

YahSat's scheme is predicated on them being a new satellite operator, keen to make its mark and win clients, and with – at least for most Middle East viewers – a new portfolio of high quality HDTV offerings. It is fair to say that HDTV has had the toughest of times in getting accepted in the Middle East. While high-def channels are now on air on YahSat's rival 'hot spot' satellites (notably Nilesat, Arabsat, and Eutelsat) consumer progress has been painfully slow, not helped by the lack of momentum and take-up from the region's pay-TV operators.

HD-READY. Yussif believes that with

BSkyB's Sky News to launch in Arabic

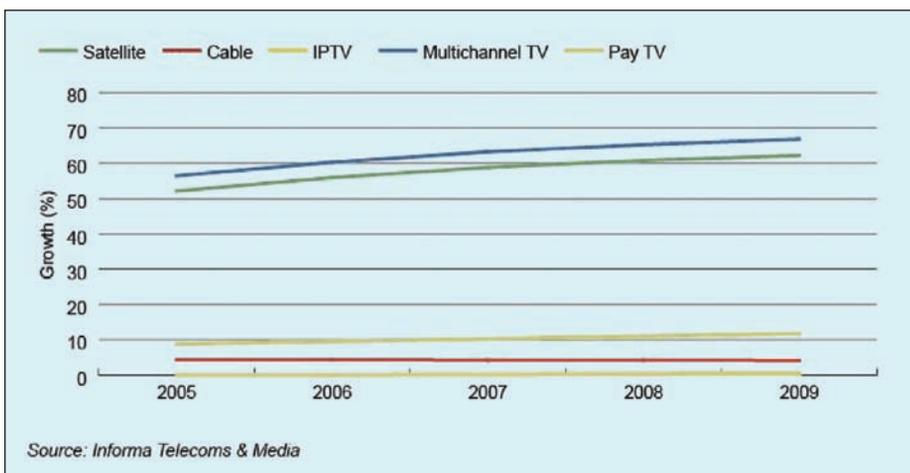
Sky News is to launch an Arabic-language version. Backed 50:50 by the wealthy Abu Dhabi Media Investment Corp, the new operation will be based alongside CNN's new Abu Dhabi news bureau at twofour54, the fast-growing facility company. However, while CNN's bureau has just a handful of local staff while Sky News' Arabic service will have some 180 journalists, including multimedia staff, plus other technical and operation support.

Sky News is far from the only Arabic-language service. The market is led by two well-established and powerful news channels, MBC's Al Arabiya and Al Jazeera. Additional Arabic-language news comes from Nile News and others from the BBC, EuroNews and Russia's Al-Yaum. There are more than two dozen other news channels available to viewers in what is a hugely competitive market.

Adrian Wells, previously Sky News' Head of International News, has been appointed to work with the ADMIC team to launch the new channel, and a Director of News will be appointed in due course to lead the venture on a permanent basis. "The joint venture with ADMIC provides Sky News with an opportunity to enter the large and fast-developing MENA marketplace with the support and expertise of a respected local partner," said a Sky statement.

Dr. Sultan Al Jaber, Chairman of ADMIC and of the new venture, said: "The new channel will be an important, independent voice for the Arab world, providing accurate and in-depth reporting of all the interesting developments in the region. We intend to set a new standard for broadcasting in the Middle East and North Africa by combining the best practice, expertise and reputation for impartiality of global news leader Sky News with our regional knowledge and the world class infrastructure offered by Abu Dhabi and the twofour54 media zone."

The bigger question perhaps is whether this Sky News deal is a natural extension of News Corp's increasingly robust commitment to the Middle East. News Corp is already extremely active via its partnership with Prince Al Waleed's Rotana channels, for example, and News Corp's Fox channels have widespread distribution throughout the region.





“Yahsat is the first company in the region to offer multi-purpose satellite services.”
SHAWKAT AHMED, YAHSAT.

flat-panel HD-ready TV set ownership now making real inroads in the region, the time for HD transmission and market take-up is now right. “We are talking to broadcasters now. Some of them are not yet ready for HD, but we have said to them that YahSat will place their channel onto the satellite in HD quality, that is a minimum of 8Mb of bandwidth and rising to 15Mb per channel. Our proposition is very easy, and our Rate Card is simple. For the price of a standard definition channel the broadcaster can have HD,” he explained.

“We find that broadcasters like this simplicity. Our market research across all the main MENA markets, conducted by Nielsen, pointed out what we needed to know. The data showed that people are confused. It is the old anxiety that the industry has long had, which is that people buy a flat-panel TV and think they’re getting high-def. The industry, including broadcasters, needs to do much more to educate the market. But the research also showed that there are about 10m HD sets in our market at the end of last year. We can confidently expect that number to be at least tripled, or even quadrupled in the next year or so. That then becomes an interesting market.”

Mid-East/Nth Africa TV platform growth

MENA: by the pay-TV numbers

| | | |
|-------------------|-----------|-------------|
| 1: Multichoice | DTH/Terr | 2.7m subs |
| 2: DigiTurk | DTH | 2.1m subs |
| 3: ART | DTH | 1.08m subs |
| 4: HOT Israel | DTH/Cable | 0.908m subs |
| 5: Orbit-Showtime | DTH/IPTV | 0.603m subs |

Source: Informa

Yussif says their hope is to air the most popular channels in HD. “The broadcasters are telling us that they cannot yet think about switching off SD. What we are saying to them is to stay on Arabsat and Nilesat in standard-def, but come to us with HD. We recognise that the initial audience will be modest. To compensate, we will permit a free period for the broadcasters, waiting for the market to build. We know we are small, a young operator. We are prepared to get involved in the broadcaster’s business, offering a great deal of broadcasting expertise to these channels. This also includes making a start on 3D. If a broadcaster comes with us, embracing our concept, then we’ll even include occasional free 3D transmissions if that’s what they want. We want to experiment, as partners, with our broadcasters.”

PIRACY KILLS. Pay-TV, at least for DTH viewing, has had the toughest of tough times establishing itself in the Mid-East. Piracy, one way or another, has been pay-TV’s downfall, other than in Israel, where it has blossomed. There’s widespread signal piracy in the Lebanon and Egypt, significant card-sharing piracy just about everywhere else from devices such as Dreambox receivers.

The vast number of FTA channels, and their huge choice of ‘free’ entertainment, makes it difficult for legitimate pay platforms to establish themselves. Their rise has also

promoted a cultural mindset that expects to receive a wide range of TV services without payment. This perception has also assisted the rise of piracy in the region. While most countries are at least making cursory attempts to tackle the problem, anti-piracy body the International Intellectual Property Alliance (IIPA) believes problems exist across the majority of the region.

Signal theft is a major problem in several countries, including illegal redistribution, decoder piracy, smart card piracy and the grey market. Other piracy problems include optical disc replication and Internet downloads – especially of TV programmes that are yet to air. Saudi Arabia is one of the worst transgressors. It has widespread pirate distribution of pay-TV via both cable and DTH. The problem is particularly evident in compounds, where a DTH smartcard is acquired centrally then used by the management of the compound to provide pay-TV services to hundreds or even thousands of homes via internal cable systems. The problem is difficult to tackle because the “owners of the compounds are very influential”, meaning there is little government action against piracy. In its 2010 report, the IIPA noted that the piracy problem within compounds “continues to be a very serious problem in Saudi Arabia.” The country is also home to most of the region’s illegal disc replicators.

ORBIT SUCCESS. Orbit-Showtime (OSN), which merged in July 2009, is attempting to fix this core problem which they estimate to have cost them about five million potential subscribers. On December 19, just ahead of the end-of-year, they initiated an improved conditional access encryption system designed to disable the illegal users, many viewing on the Dreambox receivers. Owners of Dreambox units use the Internet to update the latest pirate software to view encrypted programming.

OSN says viewers are being told via an on-air campaign to upgrade to the new OSN Showbox-HD to avoid disrupted viewing. David Butorac, the recently-appointed CEO of OSN says, “From the 19th we have switched our signals to a form that is not pirated and will not be pirated [in the future]. In so doing, the illegal reception of our signals to receivers such as the Dreambox ceased,” he said.

“It is a great opportunity to welcome customers who enjoy watching us but who... resist the opportunity to pay us.” Butorac said the five million estimated pirates could be a very conservative estimate. Helping tempt the pirates back to legitimate viewing is a portfolio of 12 HDTV channels, plus a promised 3D VOD channel which also launched at the end of 2010.

Arabsat: still powering ahead

Riyadh-based Arabsat is the grand old man of Middle East broadcasting.

Founded in 1976, the organisation is one of the oldest satellite operators on the planet. It is fair to say that for a considerable period of its life, it was operated as a somewhat sleepy near-cartel. That has changed over the past half-dozen years, as more than \$1 billion has been invested



in new orbiting hardware, bringing capacity, operations and sales strategy bang up to date.

CEO Khalid Balkheyour (below, left) is behind this new business-focused thrust and despite a few painful set-backs, not least a damaging launch failure back in 2006. That is now old news, and today’s focus is very much on HDTV, developing new markets, and adding fresh capacity. Two new satellites were positioned at 26 degrees East and 30.5 degrees East last year, and later this year Arabsat 6A is scheduled to go to 20 degrees East. Two more orders are in the pipeline, Arabsat 5C (for 20 degrees East) and Badr-7 (26 degrees East).