

Executive Summary

The Asia Pacific region has so far ridden out the financial difficulties associated with the so-called sub-prime mortgage crisis. But as the US continues to exhibit an economic slowdown, there are concerns emerging of a knock-on effect to the region. Greater trade between Asian countries and the emergence of China and India as serious economic forces in their own right, have served to reduce reliance on the US, but this will not totally mitigate any effects if the US falls into recession.

Informa Telecoms & Media assumes there will be a minimal negative impact from the economy on the TV sector. Net TV advertising revenues of US\$25.9 billion in 2007, for example, are forecast to rise by more than 34% over the forecast period to reach US\$34.7 billion in 2013.

Asia Pacific: TV advertising revenues summary

	2007	2008	2013
Gross TV Advertising Revs (US\$ mil.)	50,094	54,376	69,855
Net TV Advertising Revs (US\$ mil.)	25,857	27,706	34,682
Net TV Ad Revs per TV HH (US\$)	1,841	1,916	2,230

Source: Informa Telecoms & Media

Most of the region's broadcast sectors continue to advance although, in the cable sector in particular, subscribers are taking some convincing of the need to upgrade from analogue to digital. China's recent more conservative approach to media reform has also continued, meaning that the market will take some time to reach its potential. While the Chinese government has become more cautious on some issues, such as DTH roll out, its proactive approach to converting analogue signals to digital is more positive. It is also experiencing significant IPTV growth.

While there are some difficulties in convincing customers as to the benefits of digital, cable remains the region's dominant platform, but there has also been progress in DTH rollout. Broadband network upgrades in some territories make IPTV well-placed to become a significant rival to both, although it will not be a ubiquitous success. A lack of compelling content, plus insufficient network capacity, will hold back IPTV from greater growth.

One of the advantages of a relatively slow conversion to digital is that the region has not had to take risks with untried technologies or business models, allowing nations elsewhere to learn these lessons for it. However, several Asian countries have well-established electronics manufacturers and these companies are keen to develop proprietary hardware and software not only for their domestic markets but also for the lucrative export sector.

Summary of media regulation reforms

- Foreign-ownership limits abolished. No new limit
- Two unused DTT multiplexes to be used for digital channels
- Consolidation will be accepted down to five independent voices in metropolitan areas
- Public broadcasters able to launch digital channels from 2007. Commercial networks able to follow from 2008
- A fourth commercial network will not be created before 2010
- Analogue switch-off set for 2012, delayed from the previous 2008 target (since revised again to 2013)
- The anti-siphoning list, which restricts some sporting rights to free-to-air, to remain in place

Sources: Australian Ministry of Communications, Information Technology and the Arts, AsiaCom, Informa Telecoms & Media

Free-to-air broadcasting is dominated by three networks – Seven, Nine and Ten. For more than 20 years Nine has been the ratings leader. However, a strong performance by Seven in 2007 resulted in a reversal of positions with Seven overtaking Nine.

Release Windows

(Months after Theatrical Release)	
Video Rental	4
Video Sale	4
PPV	8-Dec
Pay TV	16-18
Terrestrial TV	18-36

Source: Informa Telecoms & Media

Pay TV

Subscriber numbers to pay TV services via cable and satellite continued to grow steadily during 2007 and into 2008. In contrast to many developed territories, IPTV is not yet in a position to present a significant alternative, although activity continues in the niche content-to-PC sector.

Foxtel is the leading pay TV service with more than twice the number of subscribers of its main rival Austar. The small size of the pay TV market has always fuelled talk of a merger between the two. However, although talks have taken place, no resolution has ever been established, reportedly because of Austar's heavy valuation.

Satellite

SARFT regulates satellite broadcasting and draws a strong distinction between domestic and foreign broadcasts. Broadcasts from Hong Kong and Taiwan are classed as 'foreign' as, for SARFT's purposes anyway, they are not considered part of China. It permits satellite TV services to be broadcast via two satellites, Chinasat-6B and Sinosat-3. It restricts the areas of China in which these signals are available and strictly enforces which channels are broadcast.

Foreign channel signals are limited to a set of authorised destinations: 3 star hotels and above; residential compounds with foreigners living in them (this includes residential compounds where the majority of inhabitants are local Chinese); embassies; foreign news agencies and business offices; the offices and associated residential quarters of all government agencies dealing with international issues (Foreign Ministry, Sports Commission...etc); the offices and residences of all military officers; and all tertiary educational institutions.

Significantly, the restrictions also do not apply to the 15 million homes in the Pearl River Delta Economic Zone region of Guangdong Province, which has been designated an open economic zone - making it one of the country's most dynamic financial regions.

Against this background, a restructuring of the local satellite industry has potentially taken China nearer to its first national commercial DTH operation. Having been established in 2006, China Direct Broadcast Satellite (China DBSAT) is a satellite operator that launched on a commercial basis in December 2007. It is a joint-venture between state-owned operators China Satcom and Sinosat. The firm also absorbed the assets of a third satellite operator, China Orient.

China DBSAT operates four satellites – Chinastar-1, Sinosat-1, Sinosat-3, and Chinasat-6B – with three more planned for launch in 2008. It is only when two of these other satellites (Chinasat-9 and Sinosat-4) come online that it plans to offer what it calls "DTH services". Chinasat-9 is scheduled for launch in 1H08, with Sinosat-4 following in late 2008/early 2009. Once Chinasat-9 becomes operational, China DBSAT will reach 98% of the country's territory.

According to a report commissioned by SARFT, and reported in the local press in December 2007, more than 15 million households are expected to adopt satellite TV by 2010. However, it was not clear whether this represented a policy change regarding a national DTH service – or was simply a reference to the limited zones already allowed to receive DTH signals.

According to China DBSAT, TV provision will be its main business, although it also provides satellite Internet and telecoms services. From December 2007 it has provided cable operators - and smaller numbers of authorised satellite receivers - with 169 TV channels and 40 radio stations.

Chapter 6

Indonesia

Market movements

- The Astro-N DTH service is underperforming due to ongoing uncertainty over its ownership structure
- As of 2H07 MSO Kabelvision has relaunched under the name PT First Media
- The government cancelled WiMAX tests in the C-band spectrum in 2H07 after CASBAA warned of interference with satellite services
- Telkom has completed an IPTV trial and aims to have one million subscribers by end-2011
- The commercial launch of mobile TV is set for 1Q08
- Indonesia has been identified as the seventh fastest-growing advertising market globally.

Overview

The government increased control of broadcast media in 2006 with the introduction of regulations which give it the sole authority to issue broadcast licences. Critics claim this further threatens the already limited freedom of the media. It also adds to the sense of frustration for potential investors, aware of the country's rich promise, which is seemingly permanently compromised by regulatory and political problems.

The new regulations also allow the Indonesian Broadcasting Commission (KPI) to report to the police any broadcaster airing programmes that it considers contain gratuitous sex or violence. Even more controversially, they ban local broadcasters from showing news stories from foreign networks, without first gaining the approval of government censors. The clause does not affect satellite and cable channels or live foreign news.

The regulations took effect in February 2006, and cover the allocation of frequencies, limits on foreign ownership and the licensing of channels. The regulations served to reduce the powers of the KPI. In January 2007 the KPI took the government to the constitutional court to reinstate its powers to issue licences. The case was rejected, although the KPI is seeking a judicial review from the Supreme Court of all regulations it believes contravene the 2002 Broadcasting Act.

PT Media Nusantara Citra (MNC), a holding company of Global Mediacom (formerly Bimantara Citra) completed its IPO in June 2007. The firm sold 30% of its equity which raised US\$417 million. The largest single stake, 6.5% was purchased by Singaporean group MediaCorp which also took a 4.9% stake in Global Mediacom. The shares cost the

Domestic shipments of TV equipment in Japan 2007

TV Type	Screen size/aspect ratio	Units (000)	% increase on 2006
Colour TVs	All	625	33.7
	Less than 15 inches	315	42.8
	16-21 inches	272	35.5
	22-29 inches	38	10.7
Plasma display panel (PDP) TVs and monitors	All	966	125.6
	Less than 43 inches	829	125
	44 and above	136	129.1
Liquid crystal device (LCD) TVs	All	7,411	132.5
	10 inches and above	7,378	133.9
	16:09	6,826	150.5
	Less than 29 inches	2,434	148.9
	30-36 inches	2,537	134.8
	37 inches and above	1,856	181.9

Source: JEITA

DCI was created in 2002 as a JV of Disney, Fox, Paramount, Sony Pictures Entertainment, Universal and Warner Bros. Studios. According to the organisation, its primary purpose is to establish and document voluntary specifications for an open architecture for digital cinema that ensures a uniform and high level of technical performance, reliability and quality control.

The DCI-developed format specifies 4K resolution and a 12-bit grey scale with XYZ colour space. In addition, it uses Motion JPEG200 for video compression and has a data transfer rate of 250Mbps. There are two display technologies that deliver video based on the DCI standard – SXR by Sony and D-ILA by JVC.

Until 2006 Japan had followed most other territories in developing display technology that followed those in broadcast and packaged media. However, the progress in Japanese display technology has now overtaken that of broadcast progression.

In April 2006, NHK agreed a development and co-production deal with Discovery Channel Canada to focus on HD content. The agreement has resulted in the development of ‘mutually beneficial’ HD documentaries and other HD specials. It also covers co-operation on technology and distribution via all platforms.

Satellite operator Sky offers 24-hour HD channels for its 3.5 million subscribers and carries networks such as ESPN and Star Channel. Star Channel, which operates two movie channels on the platform, switched to broadcasting in HD in 2004. Star Channel operates three channels in total – Star Channel BS (broadcast via BS Digital), and two via CS, Star Channel Plus and Star Channel Classics.

With the commencement of HD broadcasting, Star Channel Plus was renamed Star Channel Hi-Vision (HV) and the movie package, Star Channel BS/CS Cinemax (three channels), was updated to the Star Channel BS + HV + Classics service. Sky’s coverage of the 2006 football

It expects to close its analogue cable service by end-2009. UBC was formed in 1998 following the merger of International Broadcasting Corporation (IBC) and UTV Cable Network (UTV).

True Corp. secured a takeover of UBC in January 2006, when it bought out MultiChoice International Holdings' (MIH) 30.6% stake in the operator for THB6 billion (US\$150 million). The transaction boosted True's holding to around 70%, which eventually rose to 91%. The pay TV service has since been re-branded as True Visions.

In order to significantly improve subscriber numbers in the longer term, True will have to overcome the widespread piracy that has plagued UBC since its inception. Concern over extensive cable piracy was the primary reason behind MIH's decision to sell its stake in UBC.

True has made some promising progress since it took over in early-2006 although failed to meet its target of 600,000 subscribers by end-2006. It added 75,000 subscribers in 2006 but this slowed to 59,000 in 2007. Subscriber growth stood at 15.5% for FY06 and 10.7% for FY07. The company continues to aim for a highly ambitious eight million subscribers by end-2010.

True Visions/UBC subscriber growth

Year	Subscribers	+/- change (%)
1998	301,309	-
1999	324,537	7.7
2000	380,956	17.4
2001	406,589	6.7
2002	437,845	7.7
2003	434,815	-0.7
2004	457,542	5.2
2005	483,816	5.7
2006	558,860	15.5
2007	618,228	10.7

*Year-on-year.

Source: True Visions, Informa Telecoms & Media: Broadband Subscriber Database

Improved subscriber growth in 2006/7 has been achieved through a more aggressive mass-market approach. A major part of this has been the repackaging of UBC pay TV as part of a quadruple-play option, now bundled with True's fixed-line telephony, mobile and DSL products to provide greater value to subscribers. Under the 'True Move Free View' campaign, subscribers can buy a True Life membership card for THB300 (US\$9.50) per month for access to 38 UBC channels, and a new mobile SIM with THB300 worth of calls on True's GSM network. Subscribers signing up for the campaign get a True Visions satellite dish installed for free. The number of subscribers migrating from Free View to the full True Visions platform has been very small.

The acquisition of key content rights is also set to drive subscriber growth over the next few years. True Visions' most significant deal in 2007 was its investment of THB1.8 billion (US\$61 million) to secure the exclusive rights for three years of English Premier League (EPL)