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Little to be gained from DTH without prior industry regulations

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LITTLE TO BE GAINED FROM DTH **WITHOUT PRIOR INDUSTRY REGULATIONS**

This Project Report is submitted to the Faculty of Business Administration as partial fulfillment
Masters of Science in Journalism degree

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Institute of Business Administration (IBA), Karachi

Spring Semester 2019

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Little to be gained from DTH without prior industry regulations

In absence of proper legislation prohibiting monopoly & vertical integration of satellite companies and TV channels, DTH TV will cause more harm than good to media in Pakistan

DTH might finally come to Pakistan – legally. It seems a possibility now, a far-fetched one but nevertheless a possibility. It might be noteworthy, that it is already on its way out in our neighboring India, being taken over by mobile apps. Bangladesh also has DTH services but it has also experienced a somewhat similar trajectory as Pakistan in terms of the market. Our northwestern neighbor, however, is at the same or similar stage with us when it comes to providing direct-to-home television to its citizens.

What is DTH?

DTH stands for ‘Direct-to-Home’ television and is defined as the reception of satellite programmers with a personal dish in individual homes. DTH does away with the need for the local cable operator and puts the broadcaster directly in contact with the consumer (viewer). As opposed to analog cables of traditional TV viewing, DTH brings a broadcast center, satellites, encoders, modulators and DTH receivers together to enable much higher picture and sound quality, interruption free service, and far more independence in choice of which channels to watch.

It differs from cable TV also in ways that it does away with the need of long, tangled cables and therefore can reach the remotest areas as well. As per the data available from Indian DTH service, a user can access approximately 700 channels.

What is the DTH situation in Pakistan?

The process of introducing and running DTH TV in Pakistan is progressing as slow as molasses. The idea of DTH in Pakistan has been developing since 2003, but the services supply is yet to begin. That is not to say that Pakistanis never experienced this form of broadcast despite its formal absence. Some denizens of the country chose to bypass the ‘formalities’ and bought Indian dish TVs from the black market.

According to a statement by the Cable Operators Association of Pakistan, more than five million illegal DTH connections are, or at least until recently have been, sold and operated in Pakistan. More reliable information on this came from the Federal Investigation Agency, when in November last year, illegal DTH equipment worth Rs 78.3 million was seized from all over the country.

On April 19, this year PEMRA torched Indian DTH and Cable-line equipment in Raja Bazaar in Rawalpindi. PEMRA Chariman Mohammad Saleem Baig spoke to a newspaper saying that according to an estimate, millions of illegal Indian DTH decoders of Dish TV, Tata Sky, Airtel, VideoCon, SunBig, Reliance and more have been smuggled into the country. He said this was an illegal activity and a major source of money laundering that was causing losses to the exchequer. (Baig, 2019)

Although no documented record is available, but there is another widely perceived theory on why officially DTH is still in a limbo in Pakistan, apart from availability of Indian equipment. According to an official from Pakistan Broadcasters Association, speaking on the condition of anonymity, the regime change from PMLN to PTI also became a factor for the continued delay in DTH becoming operational in Pakistan. “Mushahid Hussain was the information minister before PTI came to power and under him the DTH licenses and the Chinese operators bringing the required infrastructure were decided. However, when Fawad Chaudhry took over, and the PTI government shifted focus from more infrastructure to more job creating investments for CPEC, the DTH progress got discontinued again.”

However, that still does not sum up why still there seems no certain end to the problems for DTH becoming operational in Pakistan.

Why is DTH such a contentious issue in Pakistan and why is it taking so long for DTH to enter the Pakistan’s market? What are the advantages to be gained from it and what are the potential pitfalls if cable TV is replaced by DTH? And what can be expected about the state controls over viewing content? We will discuss all these in the following paragraphs, but first a history lesson.

The roots of DTH in Pakistan

According to a report published in The Express Tribune on January 22, 2014, the then official spokesperson of PEMRA's Public Relations and Media Department said that Pakistan was the pioneer in introducing DTH technology in South Asia. "We initiated the project back in 2003. The biggest media giants of our country – ARY and Geo TV submitted the bids. But both these groups could not pursue the project due to the extensive working and enormous budget that it required. According to the law, the license would be withdrawn if it did not become operational within a year. Eventually the case went into court and now after 11 years, PEMRA has submitted the bid for which various companies have shown interest. Very soon some good news will emerge," he said on record. (Asif, 2014)

Then there had been some legal complications too. As all this Pakistan's courts – this case also took forever to bring out a ruling.

The idea of introducing DTH, however, had been circulating in the high offices since 2003 – the year when the first DTH service bill was drafted. But it was not until 2016 that things were actually set into motion. On November 24, 2016, PEMRA auctioned three licenses for combined Rs 14.69 billion. It was primarily done to control the illegal airing of Indian content and the resulting loss of money to the national exchequer. 11 private and semi-private companies took part in the bidding, namely IQ Communications Karachi, Skyflix Islamabad, Smartimes Communications Islamabad, Sardar Builders Islamabad, Smart Sky Islamabad, Parus Media and Broadcast Islamabad, Nayatel Islamabad, Shahzad Sky Islamabad, HB DTH Islamabad, Orient Electronics Lahore, and Mag Entertainment Lahore.

However, soon after, Lahore High Court issued a verdict against PEMRA on the grounds that the authority has "violated several rules" and "broke its own ordinance" while holding DTH bids. The controversial condition of this licensing was that no broadcaster will be allowed to enter the DTH market without prior approval. Lahore High Court agreed to the idea that since the cost of entering DTH market would likely be huge, only the bigger broadcasters will be able to afford it, which in turn will give them significant control over this market.

Later when PEMRA and several media companies challenged this verdict in the apex court, the Supreme Court overturned the LHC's verdict and PEMRA was granted permission to hold the auction, on the condition that DTH contract will be offered after the case concludes in the LHC. (Hassan, 2018)

Challenges so far

As to what are the reasons behind this persistent failure to bring DTH to Pakistan, there are multiple reasons for this. Firstly, the government has not been so keen on this issue. The DTH website launched at the beginning of 2018, mentions that there have been multiple applications filed to PEMRA and by PEMRA since 2003 that have demanded the permission of operating DTH in Pakistan, yet none resulted in realization. Secondly, Indian DTH has been easily available in the market until recently. In October 2018, PEMRA launched an official campaign against Indian DTH products being sold and operated in the Pakistan's market. As of November 2018, Indian DTH equipment worth Rs 78.3 million had been seized, Dawn newspaper reported. And thirdly, the all-so-powerful Cable Operators Association of Pakistan (COAP) has been strongly lobbying against DTH as it will be a direct hit to their profits. This particular reason has become common knowledge yet there is no solid document or record to prove the outright opposition from the cable operators. However, the argument holds water as the only obvious loser in the race to replace cable with DTH, will be these cable operators. Another big challenge, not to mention, is the initial cost that subscribers will have to incur to start using this service.

The situation in other countries

Let's start with India. The Direct-to-Home television was first proposed in India in the mid-nineties, and like Pakistan, initially it was discarded owing to the concerns over national security and negative cultural influence. In 1997 when the Rupert Murdoch-owned Indian Sky Broadcasting (ISkyB) was about to launch the very first DTH services, the Indian government put a ban on it. It took three more years of deliberations and bills to finally permit DTH services in India in November 2000. During this time, several laws were put in place to regulate this technology, that included: no single entity, either private or state-owned, should be permitted a monopoly in DTH services, the vertical integration of DTH and cable television services should be monitored in order to prevent the formation of a monopoly in television distribution, and the vertical integration of DTH operators and television channels should be avoided in order to ensure fair competition among TV channels. Three more years later Zee-owned Dish TV launched India's first DTH service in October 2003. Currently there are seven big DTH operators in India, namely Dish TV, Sun Direct, Tata Sky, BIG TV, Airtel, and D2H.

Bangladesh has had a somewhat similar trajectory to Pakistan in DTH industry. Firstly, it hasn't been very long that the country finally started these dish TV services. Secondly, the Indian technology has also been rampant in Bangladesh, and despite same or similar legal barriers as Pakistan, a large number of Dish TVs were and are being sold in the black market. According to Bangladeshi Newspaper Daily Sun, approximately \$1 million is being laundered to India from Bangladesh every year, and that is on top of the fact that the Indian satellites sold and operated there do not offer any Bangladeshi channel. "Due to the poor services of the Bangladeshi DTH operator, people are using Indian DTH devices, many television viewers said," the newspaper wrote. (Indian Satellites-Money Laundering, 2019) Such equipment is openly sold in several cities of Bangladesh including the capital, Dhaka. The only legal DTH operator in Bangladesh is RealVU. S Group international investment and industry holding company launched RealVU in April 2016 and began the country's first DTH services the same year. Since then it has been the de facto monopoly player in the industry.

The primary reason why Indian satellites are popular and effective in both Pakistan and Bangladesh is the basic service mechanism of DTH. Since there is no requirement of a cable network, and these satellites have a strong and wide connectivity and reception area, the Indian operators can easily transmit signals to its neighboring countries. There is no technological control to stop such services from geographical transcendence, and the only potential solution to put an end to this illegal activity is to provide better, or at least comparable, services within the countries.

Pakistan's industry dynamics on DTH

The latest update on the issue of DTH coming to Pakistan is a positive one. The latest information, as obtained through PEMRA circulars and Pakistan DTH website, it is expected to be officially launched in February 2019, and is likely to contain more than 200 HD and SD channels. So far three providers have been licensed for this service in Pakistan, namely Mag DTH, Sky Shahzad, and Star Times. According to the website, the initial cost of Pakistan DTH Box is minimum Rs 10,000, with the packages ranging from Rs 500 to Rs 1,500, depending on the wishes of the customers.

On November 7, 2018, as the apex court heard a case pertaining to the smuggling of Indian DTH boxes in Pakistan, the attorney general requested the court for a tax exemption on

the Pakistan DTH boxes. In response to this, Justice Ijazul Ahsan said that “tax exemptions come under the mandate of the Federal Board of Revenue (FBR) and added that local DTH boxes should be introduced at affordable prices,” – as was obtained through media reports. (Pakistan Today, 2018)

As far as the financial side of DTH Vs Cable is concerned, the *Sahafi* Summit organized in Karachi in May this year brought the information to light that the revenues for TV channels from advertisements is comparable to the fees earned by cable operators. So the monetary loss of cable operators out of business will be evened out by the money contributed by DTH services to the overall economy.

What is the future of DTH?

What to expect: The good side

Let’s look at the positive potential results of this first. According to a media marketing manager, Saman Asif, as of 2014 the importers and distributors of illegal dish sets from China and India have been making around \$20 million monthly, out of which 98 percent was remitted back to the home country. According to an India newspaper, Economic Times, Videocon chairman Venugopal Dhoot said that geographical proximity of India and Pakistan mean that it is impossible to stop the satellite signal from being downloaded in Pakistan. He said, “We are aware the setup boxes are smuggled to Pakistan and the Middle East, with registration done in Delhi or other Indian states. There’s no way for a service provider to fix this problem.” He explained that the Pakistani consumers pay locally in cash which is then transferred to the Indian counterparts through the hawala network – a parallel remittance system operating outside the purview of traditional banking system.

If DTH sales and usage is legalized in Pakistan, all this revenue will be kept inside the country and part of it will go to the national kitty in form of taxes. There will be no room for money laundering and one off-the-bank payment system might also lose its viability for the Pakistani diaspora.

For government, it will also be easier to regulate the media content and avert the illegal competition from channels from the other side of the border. This may lead to problems with

ensorship, but PEMRA already controls the content of the local TV channels so that impact may not be very different to the current scenario.

For the general public, however, there is a plethora of benefits to be reaped. Firstly, the current influence of cable operators on which channels to air and which to block will be completely eliminated. Secondly, the service of DTH will be consistent and constant, independent of the electricity shortage and other utility issues. Thirdly, the viewers can only spend as much as they want for these packages, and receive only the channels they wish to watch. Fourthly, and most obviously, there will be a lot more channels with higher video and sound quality for people to choose from. Fifth, with digital payments replacing cash as this piece is being written, the customers will also have more independence to choose their mode of payments for this service. And finally, there will be no waiting periods for the installation as they are with the cable TV, and there will also be lesser time requirements to fix broadcasting issues, since the customer and broadcasters will be in direct contact without a third party.

On the macroeconomic level as well, there are quite a few advantages to be gained from DTH over cable. Most importantly, the outdated and inefficient model of TRP ratings, and consequently advertisement allocations will significantly improve. There will be no confusion in the popularity of a channel or the lack thereof and the dummy channels that are only causing losses and spreading fake news will be wiped off. Another significant advantage will come from the employment market, where by a new technology introduced in the Pakistan's market will mean job opportunities for technical experts, distribution experts, and sales executives and so on. And finally, having solid local content spread through a legal official medium will mean strengthening of the local media industry, both in entertainment and news.

The other side

However, it will not all be good news. The first among those disadvantaged by this proverbial leap in technology will be the cable operators. And they will lose a lot more than just control over the airing of channels. According to Muhammad Siddiq – a cable operator having operations in the Real cottages housing society of Lahore, there are a minimum of twenty local brands that turn to these advertisers instead of mainstream channels. “People like marriage hall owners, local milk sellers, wedding card printers come to us. We have our own channels too, songs, movies, translated English movies, and most popularly local stage comedy channels.

Since we are not bound by any other channel to show their ads on these cable channels, we earn from them too. Our association earns from them.” Although it is difficult to get an accurate estimate of the money that circulates through this channel, it is still significant for these players of the industry. DTH is likely to wipe off this mode of advertisements, causing problems for cable operators as well as these small entrepreneurs who cannot afford to air advertisements on main stream channels.

Secondly, the manufacturing industry sub-sector producing boosters, modems, and wiring for cable TV will also slowly die down. Considering that approximately 23 million people in Pakistan have access to Cable TV (number of televisions: Statistica.com) as of 2018, this will be a tangible impact as well.

Thirdly, a massive disruption will follow in the advertisement rates as there will be a much more accurate measuring tool available to count the eyes for the ratings of TV channels. With increasing movement towards websites and mobile applications – at least in the urban centers of the country – this might be of worrying concern for mainstream channels as well. The competition will likely get even more fierce, and drive out to a significant number of channels from the market altogether. Although it will be an undeniable benefit for the removal of ‘dummy channels’ but some quality channels with more information than entertainment might also end up losing this war of ratings.

Whatever the case maybe, one thing that is certain is that the entire model of TV channels broadcasting will undergo an enormous transformation – advertisement, marketing, broadcasting, licensing, registration, and all else in the bucket will have to adjust to the DTH model, leaving the comfort of age-old cable operated TV.

The Big Question

Perhaps the biggest challenge for the current broadcast media in Pakistan is censorship – implicit or explicit. There is no denying the fact that there has been crackdown on certain popular news channels, and cable operators have instrumental in allowing that crackdown to take shape. Although no cable operator is willing to come on record in this case, one particular person currently serving in the management of the Cable Operators Association of Pakistan, speaking on the condition of anonymity said that they have their own business and they need to look for that too. “We also get advertisements and then there is also the issue of licensing, taxation, and

everything that comes with running a cable operator business. If our seniors and superiors tell us that we need to shuffle the channels, we have to.” However, he also said that it is not always because of some order or influence that they change channels, and it is not always because of some governmental or security forces’ implicit or explicit command. “Sometimes the very TV channels come to us and request us to air their channels at the top numbers, or add more than one number to a single channel. We don’t know how or how much it benefits them, but if we wouldn’t listen to them, they wouldn’t let us air their channel at all and that is bad for business, particularly considering that people are already moving away from regular cable to PTCL TV, and internet. Internet has caused us the most damage anyway.”

Comparing this situation to our neighboring countries, we get starkly different responses from their too. Business journalist at The Economic Times (India) Kiran Somvanshi said that DTH services in India only serve as the medium for airing of channels and “We typically don’t have censorship of that sort where the government can pull off a channel or its content.” (Somvanshi, 2019) Additionally, since the legal restrictions on monopoly control and information airing are strictly enforced, the satellite service has almost nothing to do with the quality or extent of information, she said.

Business Journalist and editor at the Dhaka Tribune (Bangladesh) Esha Aurora, however, had a different story to tell. “Our DTH is a mix of Tata Sky and local channels. It’s entirely monopolized by one company and the government here has always had access in terms of pulling content.” (Aurora, 2019)

For Pakistan’s media industry then, the question does not end on whether or not DTH will be beneficial for the viewers in terms of access to information, and unhindered availability of the channels that they wish to subscribe. It becomes more about the legal framework that is put in place before DTH services start airing. Without proper controls on monopoly and power of the government, as well as media houses themselves, the situation might not improve beyond the picture quality, when compared to cable TV.

The one law that was made in Pakistan ages ago about not letting the same entity own more than one medium of media was sacked by the authorities, and it ended up creating inevitable and extremely powerful media companies in Pakistan. If lessons are not learned from that experience and the potential of rectifying the media industry shortcomings with DTH entry

in the country are also squandered, then there might not be another chance to set things right, not any time soon at least.

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