

# TRANSITION TO DIGITAL BROADCASTING

## KEY CHALLENGES FOR NATIONAL AND REGIONAL BROADCASTERS



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## **Challenges Faced by Regional Broadcasters**

As mentioned already, transition to digital broadcasting is a change which will affect practically all individuals throughout the country. Even though the process brings new opportunities, it also raises new risks. It should be noted, that regional broadcaster is one of the primary targets of increasing risk in terms of operation.

Some experts consider that without state assistance, regional televisions will be closed and will disappear. Unless the decision on the manner and resources of forming economic basis of regional televisions is made at the initial stage of transition, the customers may be deprived of the opportunity to receive interesting for them regional and local information in the conditions of the new, digital broadcasting. The new channels will emerge in the transition process on digital technologies, which might restrict regional televisions.

Regional channels may maintain their profile and spectators, yet they will need generation of additional financial resources for creation of own production or for procurement of others' production. Competitiveness will increase considerably.

It will be difficult to generate and cover financial expenses that should be borne by regional televisions. In addition, it should be decided whether the funds will be raised by them or will the state render assistance?

Financial eligibility of the regional television in terms of covering the fee established by multiplex operator is one of the significant issues. It is important to determine the entity which shall impose the payment.

As already reported, cost for procurement of the multiplex and construction of the net should be covered by the state. As for the second and the third multiplex, expenditures might be borne by the private company (multiplex operator). It should be determined if the multiplex operator will include, in case of payment, in its multiplex the regional operator, which has limited audience, incomes and solvency.

Firstly, principle decision should be adopted in terms of regional channels and afterwards the technical problems should be solved, specifically the way of operating specific broadcasters and who will pay the cost of broadcasting?

This is a serious challenge for regional broadcasters. The state should assist them in finding their place in the new digital reality.

It is true that while transmitting to digital broadcasting national broadcasters will find their place (will occupy the channel) in multiplexes (in one or several, free or paid, it is subject of examination and discussion so far). What shall regional televisions do? How should they find their place?

It is possible to include one regional channel from each region in the first multiplex. Regional televisions may also request funding from the regional budget.

Moreover, regional broadcasters will have to procure modern technique, which requires great resources. It shall possess high quality equipment with a view to bring high quality content to its customers. How can the companies afford such technical changes? Experts consider, that majority of broadcasters will not be able to cover such expenses with their resources.

Now it is difficult to analyze the technical and human resources of regional televisions. It will be improper to judge about them in general. Their situation varies according to regions. The issue needs to be examined in details in terms of each regional broadcaster. Moreover, regional opportunities, requirements and needs in terms of information submission and on the existence of information in general should be studied. Human resources of regional televisions and their inclination to meet revolutionary changes in their business acquire decisive role in the process. It is possible to think about unification within the region (merging and so on.) They may also discuss strategic partnership with other regional televisions. Selection of any way depends on development of their business and strategic view; therefore giving of recommendations from our side, will be incorrect. It is, however, clear that firstly they should realize what is meant under transition to digital broadcasting and how their business will be affected (the essence of the business in general would be revised). They should understand that it will be unknown environment. In view of this, special educational trainings need to be conducted for heads of regional televisions.

Along with examination of technical resources, it is important which regional/municipality information/program is broadcast by certain television. It is also decisive to figure out how much time is dedicated to own products by each regional television and which other product (product of other regional televisions) is applied.

Now we are not discussing the number of regional televisions functioning in each region. We think that it will be difficult to maintain

the format and status of these televisions in parallel to development of digital broadcasting. We doubt that they will manage to sustain separately. In view of this, their unification into one, large regional television or conglomerate will be the only way out. The manner of their unification (the principle television, applied principle) should be decided by them and will have to be discussed separately in each specific case. The second key issue is the role of common national broadcaster (financially, economically and structurally far stronger businesses.) Should the state interfere at this stage (should there be special regulations), or should the market regulate issue independently? In case of market regulation, there is high probability that common national broadcaster will “swallow up” regional broadcaster (or the conglomerate of broadcasters). In view of this, we think that introducing of certain regulations is important and necessary at least during the initial phase. Yet, the report does not address how the state should interfere in the process and what kind of regulations should be established by the state. The topic will be examined separately.

One of the ways for developing the business of regional broadcasters may be undertaking of the function of information provision by the common national broadcaster (for instance, regional broadcaster’s resource may be applied instead of having Kakheti regional bureau).

## **Recommendations**

In the first and the second parts of the report we attempted to review briefly international experience, while in the third part we will specify the key topics that have to be fulfilled by the state with a view not to leave certain part of citizens without broadcasting.

Supreme authority of the state should determine a body in charge to coordinate the process. In view of the current situation, specially established commission or Georgian National Communications Commission should take the lead in the process.

The state agency shall be owned by public broadcaster, broadcasters or a multiplex operator, which will fund it respectively (the case of the Great Britain).

### **Recommendation:**

**Establishment of a special institution for transition to digital broadcasting**

Prior to adopting any other decision, interested entities should be determined and meetings should be organized with their participation. In this process the level of their influence should be analyzed and specific functions of each entity in terms of promoting or hindering the process should be determined. NGOs' role, in particular for public awareness raising, should be considered in the process.

**Recommendation:**

**To determine interested individuals, their role and significance in the process and to plan permanent meetings and consultations with them**

After determining interested entities and consulting with them, it is necessary to conduct detailed analysis and research of the broadcasting market.

We regret that there is no available research on the resources in the country. We consider that the document should at least address the following issues:

- License holder companies, their coverage and technical capacities;
- Regional televisions according to the broadcasting zones, their coverage and technical/technological capacities;
- The number of subscribers to the regional channel operator;
- The type of transmitters per region and per company;
- The period of operation of regional cable operators, the duration of broadcasting and the time dedicated to retransmission of other channels.

**Recommendation:**

**Research of the broadcasting market**

Transition to digital broadcasting, in general, is an expensive process. Various countries have paid different costs for the process, yet the amount reached some million USD (often hundred million USD). Therefore, covering of the cost from only one source (even budgetary) is difficult. In view of this, the amount is split among some parties (the state, private broadcasting companies and public broadcast-

er). In the process of planning anticipated expenses, firstly, purchasing power of the population, financial and technical conditions of the broadcasters and funds envisaged for information campaign should be taken into account.

**Recommendation:**

**While planning anticipated costs purchasing power of the population, economic conditions of the companies and public awareness in terms of the essence of digital broadcasting should be taken into account.**

In view of the number of principles, the country should decide and select applied standard while switching on digital broadcasting.

**Recommendation:**

**Selection of broadcasting standard.**

Along with conduct of the research on broadcasting marker, it is decisive to analyze purchasing power of individuals according to regions. It is necessary to know the number of needy residents in the region that require state assistance. We should also consider type of TV Park in Georgia. It will provide information on the necessary financial resources for assistance of the families which will require procurement of special receivers and to determine the type of receivers.

**Recommendation:**

**Examination of individuals' readiness to receive digital signal.**

In view of Georgia's reality it is better for a country to apply the phased approach and to start the process from big cities. The number of indigent families in the region should be taken into account.

Furthermore, it should also be considered that all countries try to protect their borders from frequency signals from bordering countries. Therefore attention should be paid to problematic frontier regions in terms of frequency spectrum dissemination.

**Recommendation:**

**To determine the phases of transition to digital broadcasting according to specific regions.**

Correct planning of the first phase and analyses of its outcomes is decisive while applying phased approach. Mistakes made during the first phase may always be considered at the second and the third phases. Therefore, certain interval should be made between the first and the second (and the following) phases. Since Georgia has already lost a lot of time on preparatory activities, great work should be done swiftly for ending the process on time by June 16, 2015. On the other hand, however, the terms should be realistic, rather than optimistic, based on the outcomes analyses of specific researches. Alteration of the final date set for transition to digital broadcasting, is impermissible.

**Recommendation:**

**Fixing of the phases and the final date for transition to digital broadcasting**

As mentioned already, the value chain changes and therefore, the new market player(s) occur. This and other following process should be reflected in legislation. The necessity of certain legislative amendments is also incorporated in international acts. As demonstrated already one entity can fulfill certain roles, in particular:<sup>1</sup>

<b>Type of right</b>	<b>DTTB and MTV Value Chain</b>					
	<b>Content Creator</b>	<b>Content Aggregator</b>	<b>Multiplex Operator</b>	<b>Service Provider</b>	<b>Content Distributor</b>	<b>Device Creator</b>
<i>Spectrum rights</i>			X	X	X	
<i>Broadcast rights</i>		X	X	X		
<i>Operating rights</i>				X	X	

<sup>1</sup> International Telecommunications Union, Guidelines for the Transition from Analogue to Digital Broadcasting, 2010,p.



This scheme of division of functions should fully be incorporated in law.

**Recommendation:**

**Initiation of legislative amendments.**

In this value chain, the most important amendment concerns the multiplex operator. Therefore making of decision thereon requires examination of number of issues. Within the format of the report it is impossible to decide about the number of necessary multiplexes in the country. We would only list the key topics that should be examined with attention:

- The number of required multiplexes in Georgia;
- Capacity of multiplexes;
- Who should own multiplex(s)?
- Who determines the number of channels in one multiplex?
- How should the multiplex be taken for bidding and how should be the license issued on its operation?
- How are the prices regulated for including the channel in a multiplex?
- How will the issue of commercial channels be regulated?
- Will regional broadcasters face any risk (those being in unfavorable financial conditions)?

Supposedly, one multiplex will be owned by a public broadcaster and it will transfer free to other channels. In this case, the coverage will be practically 100% and population throughout the country will have chance to receive the channels.

**Recommendation:**

**To determine the number of multiplexes, the channels included there, their cost and imposition of other regulations.**

In the transition period to digital broadcasting, in particular after transition process, the role of public broadcaster increases. Firstly, it is connected to the fact that public broadcaster already owns the

relevant net, transfers free channels and possesses at least one multiplex. Obviously, the decision on the channels to be admitted is not taken only by public broadcaster individually. Yet its readiness to admit other channels in “its” multiplex, to share owned technological good with population of the country and to submit various specialized channels of different context, is extremely important.

**Recommendation:**

**Active involvement of the public broadcaster from the initial phase of the process.**

In the transition period, everything is done for maximal benefit of population and for better service provision. Therefore, effective planning and implementation of public awareness campaign bears key importance. International experience suggests many successful examples of information campaign. All/each customers should know what digital broadcasting is. Everyone should possess opportunity to receive the signal and should be informed on the date of transition to digital broadcasting.

**Recommendation:**

**Awareness raising campaign is directed to informing each citizen on the essence of digital broadcasting, how he/she should prepare for receiving digital signal and when they will receive improved service.**

In all countries, including Georgia, license is issued on analogue broadcasting. The cost of license is high and various companies have acquired (or prolonged) the right to apply relevant frequencies for 10 years. Consequently, operation of the license will expire after 2015. What will happen with these licenses and paid sums? How should the state distribute funds, that entered the state budget, among companies and was it correct from the side of the Commission to issue license on the companies when it was already aware that the license would turn invalid from June 16, 2015? The issue needs to be examined.

**Recommendation:**

**Converting analogue broadcasting license into digital broadcasting license.**

What will happen with regional broadcasters? In Georgia, where regional broadcasters do not possess strong financial capacities, transition to digital broadcasting will be a great challenge. How many regional broadcasters are in Georgia in general? What is their broadcasting net and period?

Supposedly, regional broadcasters will have lots of issues for negotiating among each other and for stating before state authority. They will be unable to overcome this challenge separately. If incorrect steps are carried out, regional broadcasters might disappear from the market and may be “swallowed up” by more economically powerful channels.

It should be noted that if after June 16, 2015 the analogue signal will hinder the digital signal of the neighboring country, the holder of the analogue signal will be obliged to switch off the transmitter. On the other hand, if the digital signal of the neighboring state covers the analogue signal applied by the country, the analogue signal applier can adapt with the obstruction or switch off the transmitter. This stipulation enables regional broadcaster not to switch off the transmitter after June 16, 2015. Therefore, frequency of neighboring countries should be determined and the possibility of hindering operation of analogue signals on the territory of Georgia by them should be defined.

**Recommendation:**

**Complex examination of the regional broadcasters’ issue and discussion of the problem in one context. Otherwise, they may disappear from media market.**

Supposedly, in the current form, regional televisions will not stand competition. Their attitude to business process needs to be changed.

**Recommendation:**

**Considering the challenges and opportunities that will accompany the process of transition to digital broadcasting, regional broadcasters should revise their business and plan future activities in view of the reality.**

Firstly, heads of regional televisions should realize well the essence of anticipated change and take decision on continuation of operation either independently or in conglomerate with other regional televisions (division of resources, expenses and so on). In parallel to the process, staff of regional televisions should be trained so that their future products were interesting not only for small scope of regional population, but also for the whole country.

**Recommendation:**

**Special trainings should be conducted initially for the heads of regional broadcasters and afterwards for other employees with a view to adapt their future activities with anticipated changes.**

It should be noted that on November 13, 2012 the Ministry of Economy and Sustainable Development of Georgia informed the chairperson of the Georgian Young Lawyers' Association that "European experts, with the assistance of EBRD and the government of Finland have prepared policy and implementation draft for transition to digital broadcasting in Georgia with a view to provide transition to digital broadcasting in the country. Advisory body – the council for transition to digital broadcasting will be set up within the Ministry of Economy and Sustainable Development of Georgia with a view to ensure participation of the representatives from broadcasters, state agencies, National Communications' Commission, NGOs, interested entities and leading specialists in development of draft documents of state importance". With the same correspondence, the Ministry suggested GYLA to participate in the activities of the Council.

GYLA welcomes the decision of the Ministry of Economy and Sustainable Development of Georgia on establishment of advisory body and hopes that activities of the Council will improve and speed up the process of transition to digital broadcasting considerably.