

## **NAB 2004: Get Big, Get Focused, Think "IT"**

By Robert Bell

NAB is an unusual show for the satellite communications industry. Most attendees are focused on producing, broadcasting, managing rights to, or keeping the FCC from fining them over content. In our corner of the exhibition hall, satellite focuses elsewhere — on content contribution, storage, origination and distribution — but billions in revenue depend on the quality and reliability of our services and products in the media distribution chain.

During NAB 2004, New Corporation announced that it was selling PanAmSat to Kohlberg Kravis Roberts, the merchant bank known best for its 1989 buyout of RJR Nabisco. This was one in a series of developments that highlight an important trend. It has been called consolidation, but there's more to it than that. The real story is about how satcom service providers are responding to market pressures by either getting big or getting focused.

### **Getting Big**

In the months before its sale to KKR, PAS bought the assets of fiber carrier Sonic Telecom to add to its satellite fleet and teleport network. SES Americom acquired the assets of Verestar, the teleport and terrestrial network operator, from American Tower. Intelsat has also moved into terrestrial services with the purchase or construction of teleports and its strategic alliance with Level 3 for fiber connectivity. The company also bought Loral Skynet's domestic fleet and is forging ahead with its Congressionally-mandated IPO.

All three of the top operators are now vertically-integrated hybrid carriers. Those capabilities will make them powerful competitors in the wholesale end of the business and give them unprecedented scale to open new markets. During a panel session we produced on "The Evolving DTH Business Model in the US Market," Vice President Sergy Mummert discussed SES Americom's plan to bring the European "bouquet" model for DTH to the US. Rather than being a sole-source gatekeeper that controls every part of the chain, the company will create a neutral platform on which DTH providers can deploy channels. It expects to support the creation of new forms of programming using the broadband capacity of the platform, from VOD using a DVR-equipped set-top box to IP-based entertainment.

### **Getting Focused**

Innovation on this level takes scale, which is the whole point of efforts by the big to become a even bigger. Regional satellite operators, independent teleport companies and terrestrial-only fiber carriers can all expect to feel the heat.

The more nimble of them are responding by getting focused as never before. Getting focused means driving deeper into niches they already serve and finding new ones. At another session, Keven Cahoon, Vice President of GlobeCast North America, described the company's deployment of the CNN "On the Go" network. Partnering with Turner Broadcasting, GlobeCast sells a CNN feed to enterprises where customers typically have to wait to be served, from doctors' offices to banks. GlobeCast uses a DVR-equipped set-top box to give its clients control over commercial insertions. By switching on cue to content stored on the set-top box, a bank can substitute its own commercials or customer advisories for spots appearing in the original CNN feed. Since GlobeCast already has production and post-production facilities, it also creates opportunities for add-on sales to clients lacking their own video material.

What really grabbed my attention was the way in which "CNN On the Go" builds on GlobeCast's existing infrastructure. Last year, I interviewed GlobeCast's CEO, Christian Pinon, and learned how the company became one of the USA's largest DTH players almost by accident. A couple of foreign broadcasters asked the company to help them make channels available to citizens who had emigrated to the USA. To meet their needs, GlobeCast North America not only had to provide the usual teleport services but also create a call center, fulfillment and installation service. Today, its WorldTV unit carries more than 100 channels of "ethnic" programming on a completely turnkey basis. And when GlobeCast launched its CNN service, it already had most of the capabilities in place and could extend them to a completely new market.

GlobeCast is not alone. Kingston inmedia, a hybrid teleport-fiber operator in the UK, displayed its sharp focus in our "How to Start a TV Channel" panel discussion. According to John Dunlop, Head of Broadcast Marketing, the company has created a one-stop-shop for the program producer seeking to produce content for and launch new channels on DTH and cable, whether on BSkyB or to new markets in Africa, the Middle East or the "Stans" of eastern Europe. BT Broadcast Services has unveiled a fully digital content management system called BT Mediahive, according to Bill McNamara, General Manager for North America. Encompassing distribution to traditional media outlets, BT Mediahive also extends to newer Internet and mobile markets — for example, offering media content as screensavers or brief clips for display on mobile phones, or creating a portfolio of Internet channels targeted at specific audiences or short-term events.

### **Victory of the Nerds**

The modern broadcasting, satcom and computer industries grew up together. But video people have always done things their own way and built distribution networks exclusively for video content. Taking a different approach, IT people try to consolidate everything on a single network.

The message I took away from NAB was that, for better or worse, the IT people are winning.

PBS announced its new ACE digital system for automating the broadcast operations of member stations. PBS created ACE in partnership with eight leading companies, including Microsoft, Intel, Omnibus, and Broadview Software, with SES Americom providing the satellite connectivity. In a panel titled "The Future of Broadcasting," Andre Mendes, Chief Technology Integration Officer for PBS, described the IT orientation he brought to developing an integrated system that will reduce local station costs while improving program delivery. A uniform software interface unites PBS with member

stations that choose to participate, allowing video content to move in file transfer mode via satellite direct from PBS to member stations, which can control play-to-air with much greater efficiency. Expected cost savings will free up funding for more programs.

An IT-based, single-network, single-standard approach will increasingly become the norm in the satcom, driven by the end-to-end digitalization of television, plummeting costs of storage and the escalating power of compression. Fred Fourcher, CEO of BitCentral, described how broadcasters have typically recorded content at the highest-possible quality — resulting in enormous digital files— because they expected degradation through repeated edits, encoding and decoding. In his view, those days are over. It is now possible to generate MPEG-2 right in the camera, and to move the files through post-production, distribution and broadcast without decoding them. To disbelievers, Fourcher points out that MPEG-2 files are already an entertainment staple. A DVD is nothing but a set of linked MPEG-2 files being decoded and streamed to the television. BitCentral's Mediapipe system uses this philosophy to simplify and streamline the jobs of content distribution, scheduling and broadcast control.

This is an exciting time to be in satcom for the media, whether you work in space segment, ground segment or technology. Take interactive TV. With DirecTV now owned by News Corp., NDS Americas President Dov Rubin predicted that the interactive services BSkyB has deployed so successfully in the UK — from viewer feedback to gaming and shopping — will be available in the US in two years or less. If anything, the pace of innovation is likely to accelerate in the days ahead, as the industry continues to respond to customer demands for “better, cheaper, faster” in everything we do. Moore's Law no longer applies just to microchips. Increasingly, it is becoming the law of the land.



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