Digital Broadcasting Switchover: Challenges and Problems in Georgia

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The responsibility for the content of this strategy lies with the Institute for Development of Freedom of Information (IDFI). It does not necessarily reflects the opinion of Open Society Georgian Foundation.

CONTENT

1. Introduction

July 17, 2015 is the deadline by which Georgia is required to switch off the analog broadcasting in line with the Geneva Convention, though situation in Georgia in this regard compared to other countries of the region is not beneficial. Unfortunately, least efforts were implemented in Georgia in this direction compared to the post-Soviet countries and until not it was not considered as an object of study for digital process based organizations.[1]

The issue should be addressed by the Government of Georgia, namely Georgian Ministry of Economics and Sustainable Development, though no pro-active actions were undertaken till the end of 2012. The Georgian National Communications Commission implemented certain actions but a lot is to be done in terms of frequency licensees, market research/analysis and accessibility of information.

The OSCE Representative on Freedom of the Media Dunja Mijatović called on the Georgian authorities to stay on the path toward media freedom as she ended her visit to Tbilisi on November 13, 2013. "Media freedom is high on agenda of the Georgian authorities, and I am grateful for their readiness to continue co-operation with my Office," Mijatović said. Mijatović also urged the authorities to outline a timeline for and take practical steps for the upcoming digital switchover with involvement of all stakeholders, including civil society.[2]

The digital broadcasting switchover process in other post-soviet countries that are our neighbors also started several years ago. Similarly to other countries in the region, the analog broadcasting is anticipated to be switched off in Georgia in 2015. Irrespective of practical steps undertaken by the neighboring countries and existing problems, freedom of expression and media diversity is endangered there through a monopolization of information distribution and a lack of political will.

In addition to freedom of expression and media diversity, one of the key challenges faced by our neighbors in terms of digital broadcasting switchover is financial problems that reduce chances to low-budget regional and local media to rescue.

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[1]Comment: IRIS *plus* 2013-1Digital Switchover*Digital Plans and Reality: Switchover in Russia and other CIS Countries.* http://www.obs.coe.int/oea_publ/iris/iris_plus/2013-1.html

[2]http://www.media.ge/ge/portal/news/301726/

Due to the limited time necessary for the digital broadcasting switchover, diversity of actions to be implemented by suppliers and consumers, and a big number of stakeholders, we believe that the existing information on actions implemented by the State is not sufficient. The official information that is posted on the official webpage of the Georgian Ministry of Economics and Sustainable Development provides data on optimization of frequency resources but scarce data is available for other priorities. The above won't be alarming if there exists the approved state strategy and action plan. It is not clear what the volume and content of activities to be undertaken by consumers will be.

After approval of the state strategy and action plan that should be completed in November 2013 it is necessary to make amendments in the Georgian Law on Broadcasting, Georgian Law on Communications and other related laws by end of the 2013 autumn parliamentary session. Review and the relevant registration of normative acts regulating competition terms and other issues related to the digital broadcasting switchover can be completed by April 1, 2014 by the best scenario taking into account importance of the issue; as to announcement of competition to select a multiplex operator and selection of the relevant winner cannot be completed by June 1, 2014. In addition to development, making up, and optimization of the final network, addressing issues related to the analog broadcasting, provision of information and distribution/subsidizing receivers to the end consumers, there is a number of important directions that require time and resources.

In case the required legal changes are not made and actions to hold a competition are not completed by the above timeline, it will not be feasible to switch off the analog broadcasting by June 17, 2015.

The present survey provides key recommendations that are suggested to the Georgian Ministry of Economics and Sustainable Development to consider in the policy document related to the digital broadcasting switchover. These recommendations will make it possible to minimize risks that may endanger **development and freedom** of media, its diversity and generally, media democracy in the transition to the digital switchover and the analog broadcasting switchover period.

2. Situation in Post-Soviet East European and Caucasus Countries

2.1 Belarus[3]

In Belarus, the digital broadcasting channels became available on July 1, 2005. In Minsk the test regime was performed in the DVB-T and MPG2 standards by which a 1 kilowatt transmitter covers a territory with 60 km radius. On December 8, 2005 the Government approved the state program and action plan related to the digital broadcasting switchover[4], according to which 45% of the territory was to be covered in 2010, and 75% of the territory- by 2015. As of 2009, 51%of the territory was covered. The Belarus action plan was adjusted several times due to challenges and problems arisen in the working process. In accordance with the information provided by Sergei Dudarev who is a head of State Digital Broadcasting Supervision Council, 82% of the country is covered by the digital broadcasting network and 93% of the population is able to receive digital programs as of 2013.[5]

Majority of Belarus population depend on the common platform, though in cities there is a big concentration of cable broadcasting platforms. The switch off of the analog broadcasting is scheduled for 2015. The negative factors of Belarus practice are insufficient information campaign and inadequate state subsidy fund as well as quality of dependence of network on broadcasting network operator established with the state participation.

2.2 Moldova[6]

The digital broadcasting platform became operational in Kishinev in September, 2003 that transmitted four channels. This network with one transmitter covered 90% of the population. The second test multiplex was constructed in Slobodia. In 2007 Moldova

[3]Note: The territory of Belarus is 207,600 km² , its population is 9.7 mln. There are 3.7 mln. Households and number of TV sets is 4.5 mln.

[4] The DTT switchover experience in Ukraine, Belarus and Russia, http://109.237.83.117/_files/new/NMD_Workshop_DigiTAG_Bucharest_25-26_March_2010.pdf

[5]Belarus brings forward switchover to 2012 . July 22, 2011

http://www.digitaltveurope.net/8864/belarus-brings-forward-switchover-to-2012-2/

[6] Note: Moldova –territory: 33 846 km², population: 3.6 mln, households: 1.2 mln, number of TV sets: 4 mln.

presented the state digital concept[7], whilst DVB-T and MPEG-4standard were approved by the Parliament in the same year. Starting 2009 it was planned to operationalize regional digital broadcasting multiplex. The relations were regulated in line with the law on electronic communications and the Moldavian digital broadcasting switchover action plan.[8]

In Moldova, a proportion of the analog cable platform is high, in particular, it totals to 70%, digital cable- 1%, satellite broadcasting- 8%, whilst the rest 21% is occupied by the analog broadcasting platform.

2.3 Russian Federation[9]

The first test digital broadcasting network was operationalized in Nizni Novgorod in 2000, in some weeks in Sankt Petersburg. In 2003, the test digital broadcasting network in a mobile regime was operationalized in Moscow; in particular, it was possible to receive broadcasting in cars. Starting April 2007, the commercial mobile DVB-H standard test platform in Sverdlovsk region (central part of country). In 2009, 1% of the country territory and 1% of the population was covered by the digital broadcasting network. In 2009, the DVB-H test network to be transmitted in a movable regime was activated in Moscow. The digital broadcasting switchover strategy[10]was approved by Government on September 21, 2009[11].The switchoff of the analog broadcasting was scheduled for 2015,[12]though the total transition to the digital broadcasting platform is likely to be completed in 2017.

In accordance with the November, 2009 data, the broadcasting platforms are distributed as follows[13]:

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[7] digitag 2009. The status of digital terrestrial television (DTT) in the former USSR republics http://www.digitag.org/MembersOnly/Reports/Post-Soviet%20Report%20Version1.2.pdf

[8] Organization for Security and Co -operation in EuropeOffice of the Representative on Freedom of the Media ANALYSIS OF THE PROGRAMME ON THE TRANSITION FROMANALOGUE TERRESTRIAL TELEVISION TO DIGITAL TERRESTRIAL TELEVISION IN THE REPUBLIC OF MOLDOVA, 2012.http://www.osce.org/fom/92575

[9]Note: Russia: territory- 17 mln. km^2, population- 142 mln., households- 45 mln., number of TV sets-100 mln.

[10]The Concept of Federal Special-Purpose Program of TV and Radio Broadcasting Development for 2009-2015 in Russia, 2009.

[11] Development ofDigital Terrestrial Televisionin Russia and Ukraine © 2010, European Audiovisual Observatory, Strasbourg, France . http://www.obs.coe.int/oea_publ/iris/iris_plus/iplus1LA_2010.pdf.en

[12]Russia to complete analogue switch-off in 2017, November 14, 2012, Andrew katolo. http://www.screendigest.com/news/2012_11_russia_to_complete_analogue_switch-off_in_2017/view.html

[13] digitag 2009. The status of digital terrestrial television (DTT) in the former USSR republics http://www.digitag.org/MembersOnly/Reports/Post-Soviet%20Report%20Version1.2.pdf

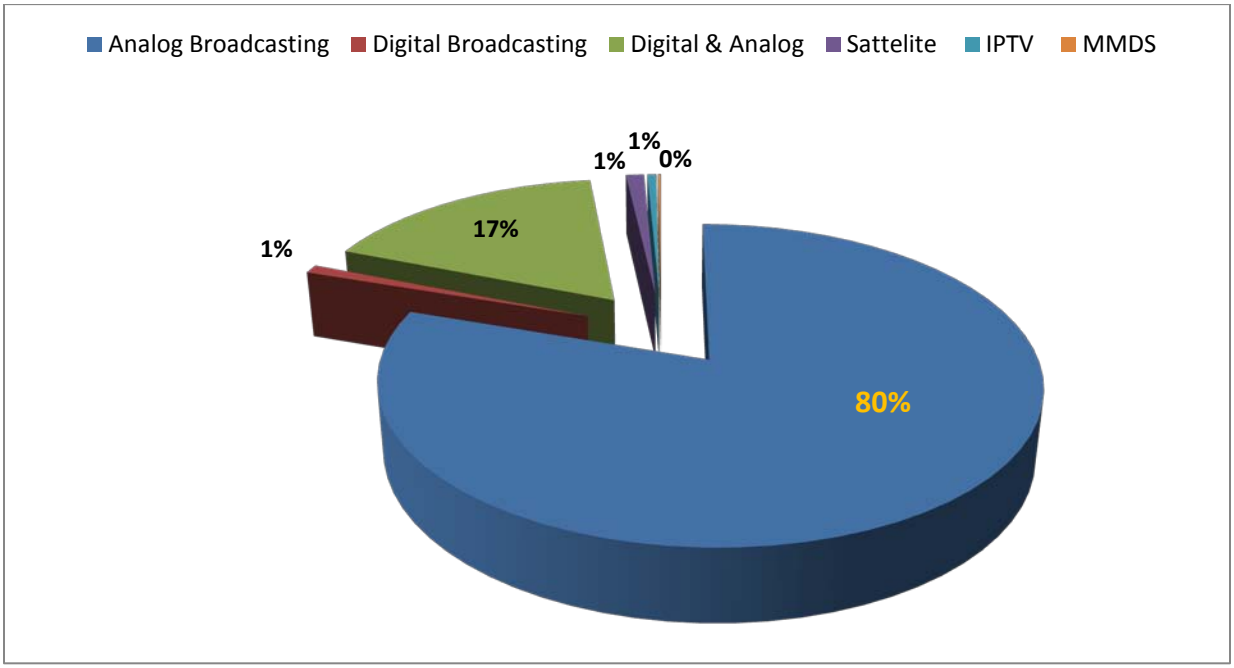


Figure 1. Data of Union of European Broadcasters

It should be noted that about 1.5 mln of population (in approximately 10 000 villages) do not have a possibility to receive any analog broadcasting signal, whilst 3.7 mln of the population have a possibility to watch only one broadcasting channel.

In accordance with the plan approved by Russian Federation, there are 4 stages of works related to network: at the first stage (2009-2010), 12 regions should be digitalized, 2324 transmitters were to be installed to cover 7.7% of the population; at the second stage (2011-2012), 39 regions and 39.4 % of the population were covered through 1566 transmitters; at the third stage (2012-2013), 79 regions and 94% of the population via installation of 1552 transmitters; and the fourth stage (2013-2015) all 83 regions, i.e. 100 % of population, is to be covered through 6530 transmitters. 62% of funds necessary for the state program are covered by the State, whilst the rest – by commercial structures and investors.

Funding according activities is distributed as follows :

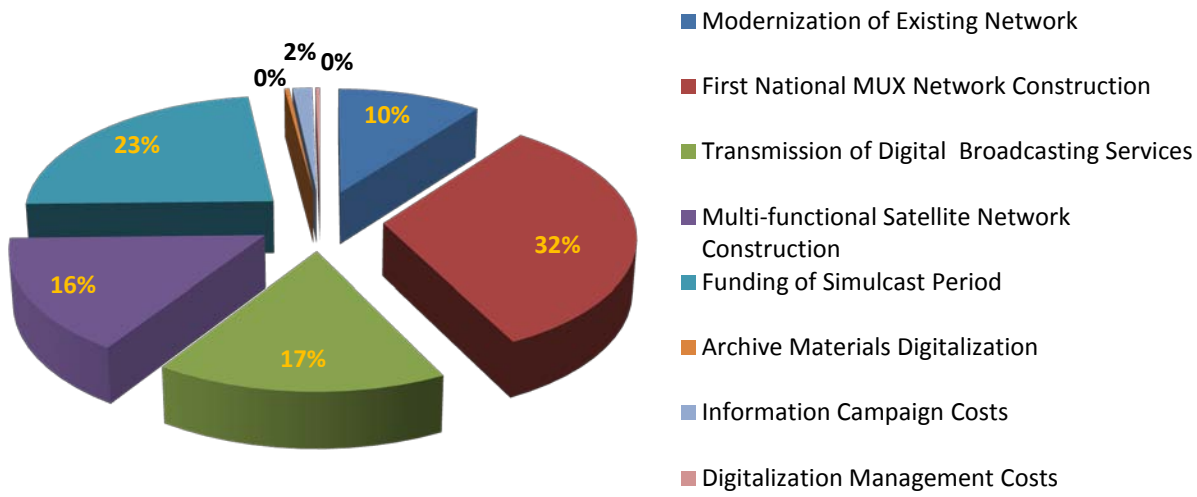


Figure 2. DIGITAG Data

The main problems of the Russian Federation related to digital broadcasting switchover are:

- 80% of the Russian digital broadcasting network is owned by the company "Russian TV and Radio Broadcasting Network". The 100% share of this company is owned by the State.[14]Most of the rest 20% is owned by the companies founded by "Russian TV and Radio Broadcasting Network";
- The June 24 2009 Act of the President of the Russian Federation that defined a list of channels to be mandatorily transmitted by the first national multiplex;[15]

2.4 Ukraine[16]

In Kiev the first text digital broadcasting multiplex became operational in 2002. In 2006 (their number increased to four) their modernization was undertaken. In December, 2007 the National Television and Radio Broadcasting Council of Ukraine (NTVCU)[17]introduced

[14]Federal State Enterprise,Russian TV and Radio Network,.http://www.rtrn.ru/

[15]http://www.comnews.ru/node/70907

[16] Note: territory- 603 thousand km^2, population-46 mln., households- 16 mln., TV sets- 23 mln.

[17]http://nrada.gov.ua/en.html

the MPEG-4 compression technology, whilst in 2009 the State Program for DTT Introduction in Ukraine became operational.[18]Starting 2008 the multiplex was introduced in Odessa region through which 9 TV channels were distributed in the digital regime. The analog broadcasting is switched off scheduled in2014-2015, whilst there is a number of problems in many spheres.

In accordance with the November 2009 data, the broadcasting platforms is distributed as follows[19]:

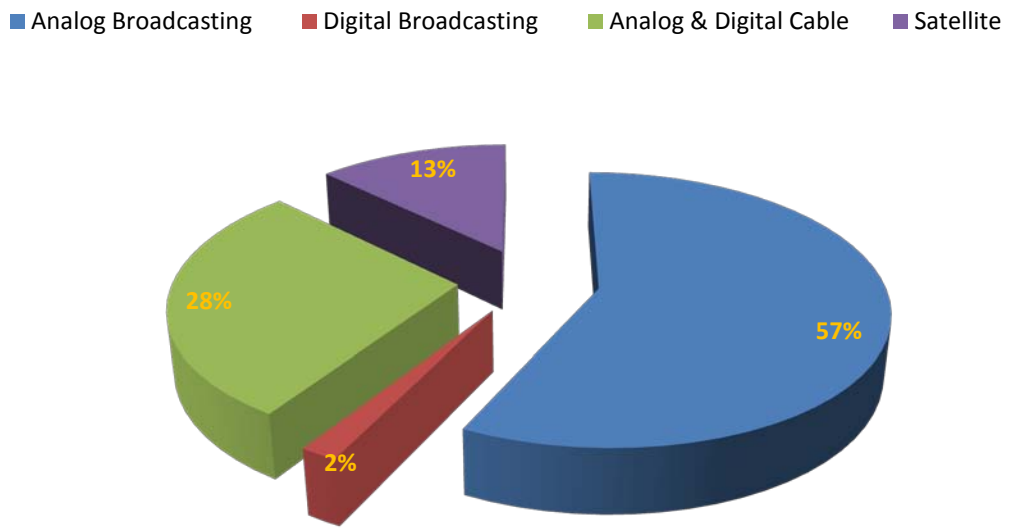


Figure 3. DIGITAG Data

The Government of Ukraine analyzed a concentration and types of receiving antennas. A concentration of house individual antennas is 30%,a number of individual roof antennas is 27 %, a concentration of collective roof antennas is 20%, other types of antennas is 23%.

Similar to the Russian Federation, the digital network construction plan in Ukraine includes four stages. The 8 multiplexes in Ukraine are distributed as follows:

Mux 1 –for paid DTT services
Mux 2, Mux 3, Mux 4 – for free DTT services
Mux 5 – for local DTT services

[18]http://archive.nbuv.gov.ua/portal/natural/Zvjazok/2011_1/gofay.pdf
[19]digitag 2009. The status of digital terrestrial television (DTT) in the former USSR republics http://www.digitag.org/MembersOnly/Reports/Post-Soviet%20Report%20Version1.2.pdf

Mux 6 – for mobile DVB-H standard services
Mux 7 and Mux 8 HDTV – for TV services.

In Ukraine the digital broadcasting switchover process started several years ago, though despite the practical steps undertaken, a problem related to delivery of regional and local broadcasters via digital network that depends on amount of transmission fee still needs to be addressed. In accordance with local media and NGOs, these problems are caused by a lack of political will. The existing circumstances reduce chances for rescue of low-budget regional and local media facilities. There are issues to be addressed in terms of tariffs related to access to multiplex. The established tariffs are **high enough, whilst multiplex owner companies agree to grant an 80% discount to certain broadcasters discriminatory and without any justification. There exists a certain risk faced by the multiplex owner as a big part of its network capacities is still free.**

Irrespective of the owner of the Terrerial broadcasting network, without any competition the company will be in a privileged position to establish an exclusive network and have liabilities to successfully negotiate with the State especially in terms of socially sensitive issues as funding of receivers and their distribution/installation. This issue becomes more important in context of local authorities election.[20]The Ukranian officials distributed the state-funded receivers among population themselves to get their political support.

2.5 Armenia[21]

In 2009 Parliament of Armenia approved the digital broadcasting standards and compression format. The Ministry of Economics of Armenia determined its Concept of DTT Switchover in Armenia.[22]
The TV content transmission platforms as distributed as follows:[23]

[20]The Digital Broadcasting Switchover Strategy: Ukrainian case, IDFI, 2013 http://www.idfi.ge/?cat=news&topic=423&lang=ka
[21] Note: territory- 29,800 km² , population- 3.2 mln., households- 785,000, number of TV sets – 880,000, out of which 300-400,000 TV sets have DVB-T tuner.
[22]http://www.ypc.am/upload/15_OSCE_analysis%20on%20Concept%20Paper_arm.pdf
[23]TVRBN, Armenia

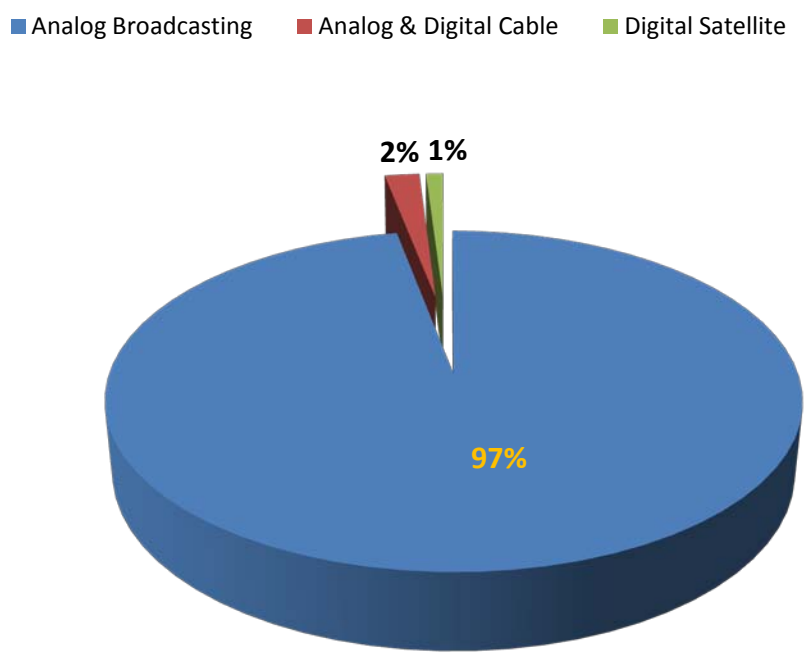


Figure 4. DIGITAG Data

The State owns the existing analog broadcasting network and associated infrastructure that consolidates 203 points. In addition to, there are two private networks of local importance, though total number of their transmitters does exceed 30 transmitters.

On September 10, 2008 Parliament of Armenia made the relevant amendments to the Law on Television and Radio in terms of the digital broadcasting switchover. In line with these amendments, issue of licenses to use radio frequencies was terminated starting July, 2010 and validity period of operational licenses was extended to January 21, 2011.[24][25] In accordance with the Concept of DTT Switchover in Armenia, the analog broadcasting was to be switched off in 2012, though this process is currently at the competition process and relevantly, it was completed. In line with the above plan, budget of the digital broadcasting transition project is 100 mln USD dollars but it does not consider funds necessary for support of end consumers; though the State plans to provide assistance to socially vulnerable groups. [26]

[24]The above moratorium of the Government of Armenia was perceived as a restriction to freedom of expression and Strasbourg Human Rights Court made a relevant decision.

[25]TRANSITION PROCESS TO DIGITAL TV AND RADIO BROADCASTING IN ARMENIA. www.partnership.am/res/...Eng/Recom-Digital-(eng)-2010.doc

[26] TV MARKETS : GEORGIA , ARMENIA, TURKMENISTAN AND BELARUS. 2013 BY ARTEM AKALUYCK , http://www.prensario.tv/docus/PDFs/10TVMarkets.pdf

2.6 Azerbaijan[27]

Azerbaijan is a leader among Caucasus countries at this stage. In Baku test digital broadcasting was activated in September, 2004 via which 4 TV programs were transmitted in the MPEG-2 compression format. The compression MPEG-4 format became operational in July, 2009 through which 10 TV channels were transmitted. This network covered 18 % of the population and 15% of the territory of Azerbaijan. The analog broadcasting is to be switched off in Azerbaijan in 2015,though it should be stated that similarly to Armenia and differently from Georgia more than 95% of the population depends on the broadcasting platform. The transportation network company Teleradio is 100% owned by the State. The broadcasting network includes 233 transmitters.

The Program of DTT Development and Introduction in Azerbaijan[28] was approved by Government of Azerbaijan in 2008 and includes three stages of digitalization:

1st Stage(2007-2010): 2 multiplexes with 4 TV programs. The HD quality content is to be transmitted only in Baku, Ganja, and Nakhichevan. One multiplex is to cover 60-70% of the population.
2nd Stage (2011-2013): The third multiplex only in Baku, Ganja, and Nakhichevan. 3 multiplexes are to cover 90% of the population.
3rd Stage (2014-2015): The network is to cover 98% of the population and transmitters should be added to the relevant antennas in low-quality transmission zones.

[27] Note: territory- 86,600 km², population- 8.9 mln., households- 1.8 mln., number of TV sets- 2 mln..
[28] http://www.dvb.org/news/worldwide/list/country/azerbaijan

3. Brief Overview of Georgia's Broadcasting Market

In accordance with IPM survey commissioned by the Georgian National Communications Commission[29], the technological platforms used for transmission of Georgia's broadcasting content are distributed as follows: broadcasting network- 41 %, satellite- 40%, cable analog and digital IP platform – the rest 19%. [30]

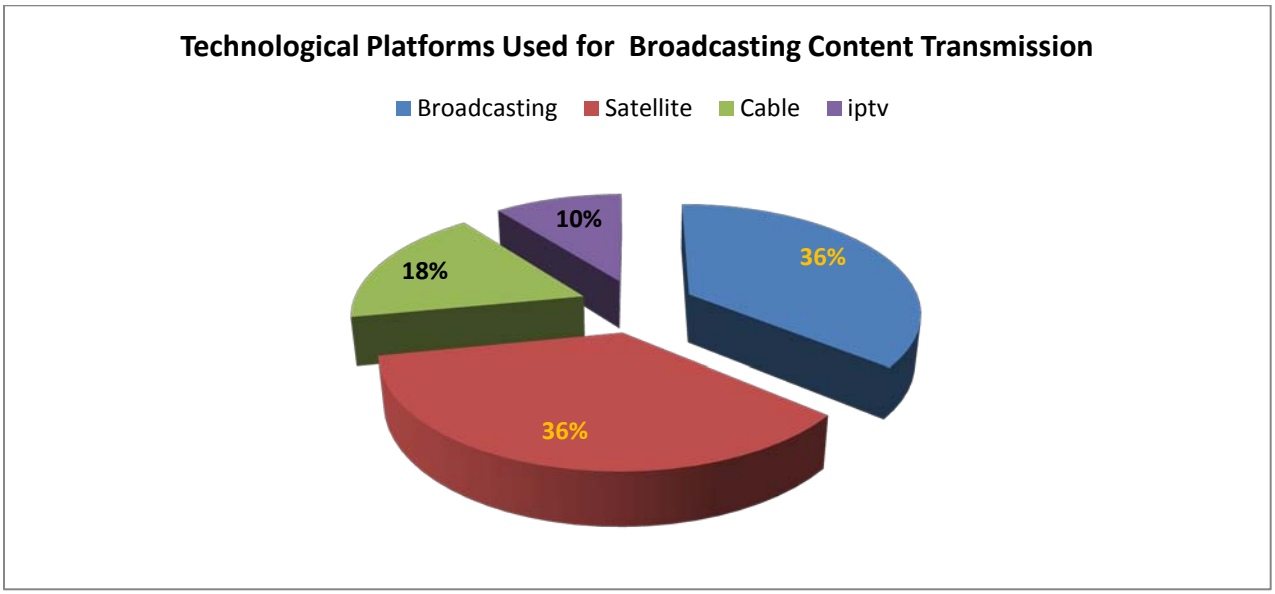


Figure 5. Source: IPM Data .[31](*There is a mistake in the survey, namely: percentage indicators are distributed as follows: broadcasting 41%, satellite-41%, cable -20%, and IPTV- 12%).*

It should be also stated that the situation in the so-called Kvareli and Zugdidi broadcasting zones situation is different and in terms of population, these geographical zones are rather concentrated (See Diagrams N2 and N3). The same situation is in the Shida Kartli digital zone.

[29] Survey on Priorities of TV and Radio Broadcasting, 2013, IPM. The survey was commissioned by the Georgian National Communications Commission.

[30] Note: It is not clear how digital cable platform that transmits content to consumers via IP technology is categorized , though this does not change a full picture.

[31] Note: The above data are obtained from IPM survey (page 31), though they are to be verified.

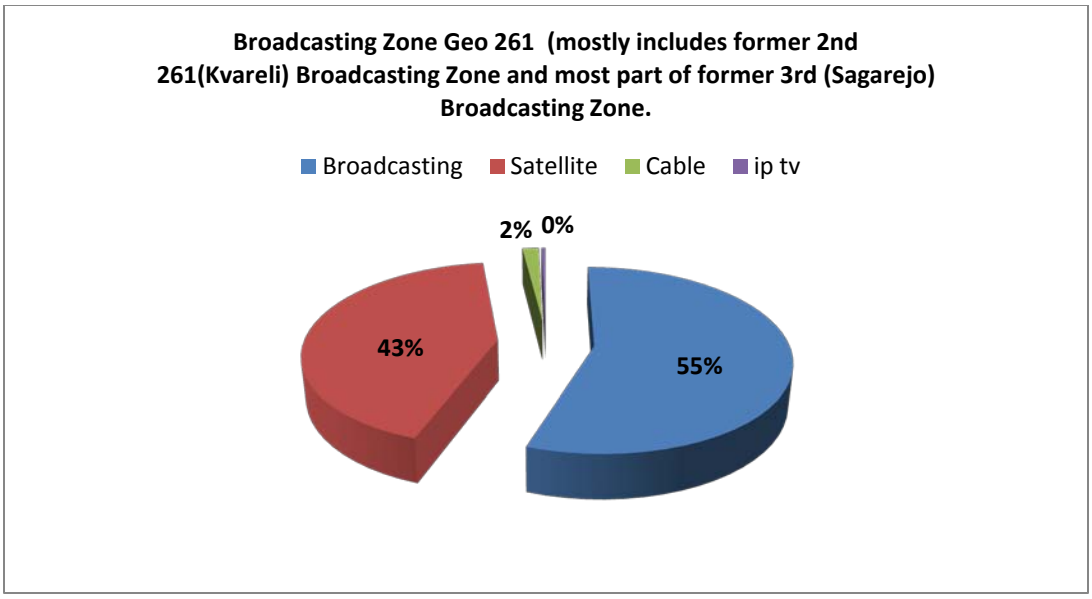


Figure 6. Source: IPM Data

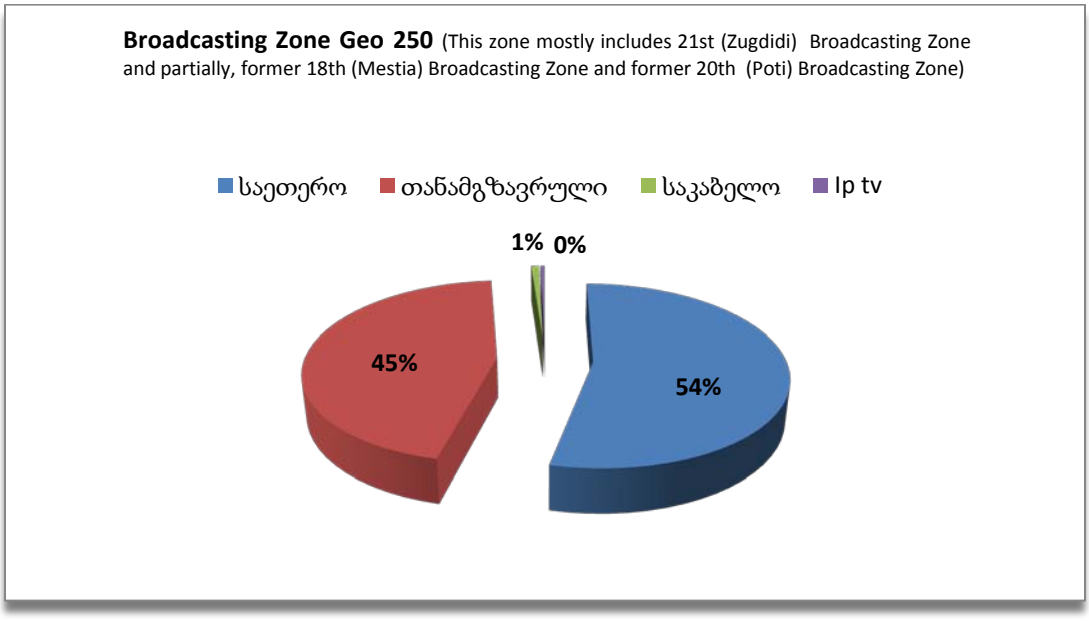


Figure 7. Source: IPM Data

The below information on distribution of the population in 10 digital zones is obtained from official web pages of the relevant municipalities. Despite of certain inaccuracies as these are the 2002 data, it is necessary to consider them to determine actions to be implemented by end consumers and network construction.

Digital Zone	Municipality	Population	Population Density (man/km²)	Territory (km²)
255	Keda	21 000	46.4	452
	Khulo	35 500	50.2	710
	Shuakhevi	22 600	38.4	588
	Adigeni	20 400	25.9	800
	Akhaltsikhe	46 900	46.4	1 010
	Akhalkalaki	62 300	50.4	1 235
	Aspindza	12 700	15.3	825
Total		**221 400**	**39.3**	**5 620**
250	Mestia	14 270	4.6	3 044
	Zugdidi	177 000	259.5	682
	Poti	47 700	733.8	65.8
	Tsalenjikha	40 300	62.2	647
	Chkhorotsku	32 660	52.7	619
	Gali	29 200	29.1	1 003
	Khobi	47 700	72.3	659
	Ochamchire	24 600	10.3	2 400
	Martvili	47 333	53.7	880
Total		**460 763**	**46.0**	**9 999**
252	Khelvachauri	62 100	174.4	356
	Kobuleti	92 900	129	720
	Batumi	160 000	2 462	65
სულ		**315 000**	**276**	**1141**
253	Lentekhi	8 619	6.4	1 344
	Tsageri	16 500	21.8	756
	Oni	8 370	4.8	1712
	Ambrolauri	15 000	13.1	1142
	Senaki	48 800	93.6	521
	Abasha	28 500	88.2	323
	Samtredia	60 300	165.6	364
	Lanchkhuti	37 800	70.9	533
	Ozurgeti	84 100	124.5	675
	Chokhatauri	22 900	27.7	825
	Khoni	31 200	72.7	429
	Vani	33 800	60.6	557

	Zestaponi	75 400	178	423
	Kharagauli	27 500	30	914
	Tskaltubo	73 600	116.4	632
	Bagdadi	28 700	35.2	815
	Terjola	45 000	126	357
	Tkibuli	30 100	62.8	479
	Kutaisi	197 000	2 557	70
Total		**873 000**	**67.8**	**12 871**
249	Sokhumi	39 100	105	372
	Gulripshi	20 000	10.8	1 835
	Gagra	37 000	47.9	772
	Gudauta	34 900	21.2	1 640
Total		**131 000**	**28.4**	**4 619**
256	Gori	149 000	64	2 327
	Borjomi	32 600	27.4	1 189
	Khashuri	61 800	105.6	585
	Kaspi	52 100	64.8	803
	Kareli	51 200	46.8	1 092
	Akhalgori	7 600	7.5	1 011
	Tskhinvali region	42 000	1 400	30
	Java	25 000	17.2	1 448
	Sachkhere	47 300	48.6	973
	Chiatura	55 000	101.4	542
Total		**523 600**	**52.36**	**10 000**
257	Dusheti	33 400	11.2	2 981
	Stepantsminda	4 900	4.5	1 081
	Tianeti	13 400	14.7	906
Total		**51 700**	**10.4**	**4 968**
258	Dmanisi	35 000	29.2	1198
	Tsalka	21 750	20.7	1050
	Ninotsminda	34 600	25.7	1354
	Tetritskaro	25 370	21.6	1174
	Bolnisi	78 700	97.8	804
Total		**195 400**	**35.01**	**5580**
	Tbilisi	1 170 000	3 342	350
	Rustavi	122 500	2 041	60
	Gardabani	99 700	76	1 304

259	Marneuli	117 700	125.8	935
	Mtskheta	65 200	80.9	805
	Sagarejo	60 400	40.2	1500
	Kvareli	40 660	40.66	1000
	Telavi	68 000	62.1	1094
	Gurjaani	73 200	86.5	846
	Akhmeta	44 100	20	2200
Total		**1 861 460**	**539.5**	**3450**
261	Signagi	42 650	34	1251
	Dedoplistskharo	30 250	11.9	2530
	Lagodekhi	50 300	56.5	890
Total		**123 200**	**26.3**	**4671**

The above approximate data clearly show that population of most Georgian cities and regions depend on the analog broadcasting. The high fee of cable TV services and poorly developed and low-quality network in the regions as well as limited number of programs transmitted by satellite broadcasting and initial costs are factors that may influence decision of consumers for the benefit of free terrestrial broadcasting service (especially in families with the 2nd and 3rd TV consumers of free digital broadcasting service).[32]It should be also noted that in IPM survey cable TV industry is a leader of the negative ranking.[33]

Despite the actions to increase a number of satellite platforms, the broadcasting platform is rather attractive to investors in regions where a half of the country population lives due to geographical, technological, financial situation of the population and underdevelopment of cable network.

[32]Digital Switchover in Broadcasting A BIPE Consulting Study for the European Commission (Directorate General Information Society) Final Report April 12, 2002

[33]Consumer Statisfaction Level in Georgia**. Information is as of November 5, 2013,**IPM. http://ipm.ge/index.php?option=com_content&task=view&id=30&Itemid=1

4. Position of Georgian Ministry of Economics and Sustainable Development and Important Indicators of Digital Broadcasting Switchover Policy

Georgia started to take practical steps in November, 2012.In December 2012 the Digital Broadcasting Switchover Consultation Council held a meeting. Based on the above working meeting and other available information, the Georgian Ministry of Economy and Sustainable Development presented their strategic vision related to the digital broadcasting switchover to the Prime Minister at the March 7, 2013 meeting. [34]In accordance with this project, a license to construct the digital broadcasting network was to be issued to the state-owned company Teleradio Center on a non-competitive basis due to a lack of time, whilst owners of broadcasting licenses should have granted a free access to this network till 2017. The project envisaged allocation of 18 mln EURO from the state budget for construction of broadcasting network and modification of network of Teleradio, LTD and 15 mln EURO for social subsidies.

Different views were expressed in terms of the above issues but all the parties involved agreed to approve the European digital broadcast standard DVB-T2 and MPG4 compression format.

On March 7, 2013 a number of critical considerations were expressed in terms of the vision of the Ministry that in our opinion, led to important changes to the strategy presented by the Georgian Ministry of Economy and Sustainable Development.

In July 2013 the Georgian Ministry of Economy and Sustainable Development submitted a new strategy in terms of transition to the digital broadcasting that was based on additional survey of experiences of EU Member States and analysis of Georgia's broadcasting market as well as presentations and recommendations provided by NGO sector. The Ministry presenters stated that challenges of Austrian broadcasting market[35]were relevant and to be considered in selection of a sustainable business model for Georgia.

In accordance with the new vision, license is to be issued on a competitive basis that is obviously a positive trend. The license is to be issued to a commercial operator (MUX operators) and the State should not interfere in this process. For establishment of a sustainable business model and attraction of investors it is planned to present 6 licenses of

[34] http://www.government.gov.ge/index.php?lang_id=GEO&sec_id=269&info_id=36256

[35] Note: In accordance with the Austrian business model, the network monopolist pays for content distribution and not visa verse.

multiplexes in one lot at the competition. Once the winner operator meets requirements of public broadcaster and existing license holders (with the viewpoint of a long-term perspective, 2 MUX for public broadcasters and 4 for commercial broadcasters), it has a right to offer paid TV programs to viewers. All the six multiplexes should be tentatively activated in 2017. It is important to mention that subsiding of receivers is considered to be liabilities of the winner operator.[36] To consider interests of regional and local broadcasters, for consortium of existing license holders it is planned to issue frequency resources necessary for one multiplex. A proposal to transfer one multiplex is being developed for the existing license holders, if they will be able to get united in one consortium.

This vision of the Georgian Ministry of Economy and Sustainable Development is based on the main objective that is establishment of attractive and sustainable business model for investors with minimum financial state participation. The above operator would have had a possibility to offer about 90 TV channels in its retail package in case of sufficient frequency resources (including free and paid content) that was creating a real opportunity to compete with services provided by cable and satellite digital and analog platform operators in a short- and long-term period (to ensure competition among different platforms).

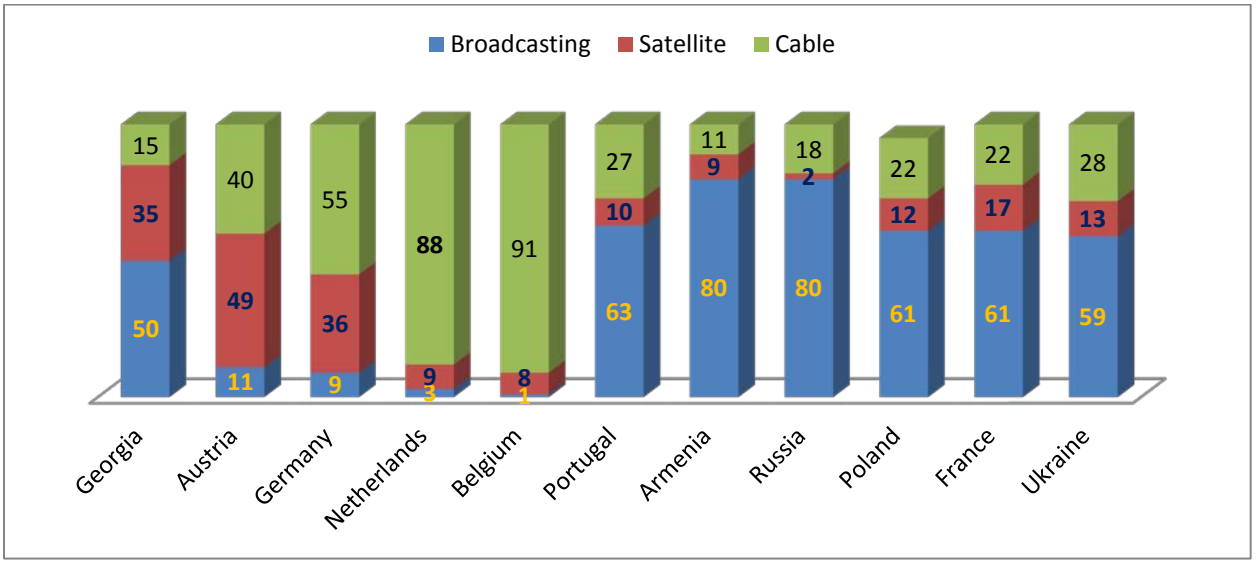
The Georgian Ministry of Economy and Sustainable Development stated that their strategy was aimed at avoiding a situation that took place in Austria where the multiplex operator offered a fee to a content owner to transmit content and not vice versa. At the same time we should mention that despite important new approaches stated in the updated strategic vision of the Georgian Ministry of Economy and Sustainable Development, the Ministry did not properly assess the country's investment risks and the reason of this is important differences existing in broadcasting market. **In addition to the above objective, another important objective is freedom of media and its diversity that should be achieved as a result of the transition to the digital broadcast[37]as well as consideration of interests of all media actors. It is also important to properly regulate issues related to monopolization of media distribution facilities.[38]**

[36] Note: In accordance with the presented vision, the State will provide minimum subsidies to population, will fund only that part of population that will not be considered in the best offer.

[37]Declaration of the Committee of Ministers on protecting the role of the media in democracy in the context of media concentration. *(Adopted by the Committee of Ministers on 31 January 2007 at the 985th meeting of the Ministers' Deputies).* https://wcd.coe.int/ViewDoc.jsp?id=1089615

[38]EU Resolution 1636**2008)Indicators for media in a democracy**http://assembly.coe.int/Main.asp?link=/Documents/AdoptedText/ta08/ERES1636.htm#1

In the first place, we should review a situation established at the Austrian broadcasting market. In accordance with the 2005 data, Austria (11 % of terrestrial broadcasting) together with Belgium (8%), Germany and the Netherlands (9-9%), has a least developed terrestrial broadcasting platform compared to satellite and cable platforms and the current challenges of the media market of these countries do not exist in Georgia or are insignificant in terms of competition between different platforms.



Therefore, a situation is radically different from that in Austria in terms of size of broadcasting market and interests of investors. One of the key orientation indicators of the digital broadcasting switchover is establishment of a sustainable business model in compliance with the EU recommendations.

On the other side, Georgia's digital broadcasting switchover strategy is not available. To successfully implement a process it is necessary to consider the following stages:

1. Proper planning of a process;
2. Information campaign accessible to all groups of the society;
3. Refinement and development of legal base;
4. Selection and licensing of multiplex operator;
5. Subsidizing and funding of the components necessary for process;
6. Close control and adjustment of all phases of of establishment of the digital broadcasting system.

Unfortunately, it was not possible to complete a planning process during one year; in the best scenario case, this stage is likely to be completed in a three-month period before the relevant decisions made by the Government.

5. Recommendations Related to Georgia's Digital Broadcasting Switchover Process

In the first place, it should be stated that the society was not updated on the current status since July, 2013 as information on internal activities is not widely accessible.

The State did not develop and publish a project related to their strategic visions and orientation indicators that would enable NGO sector and other stakeholders to present their suggestions and to more actively get involved in the process. It goes without saying that the Government of Georgia as a national policymaker is to approve the digital broadcasting switchover strategy as a key implementation and guidance document of this process.

As of today, the Georgian National Communications Commission is required to announce a competition in case of submission of applications providing there are available frequency resources. Despite the fact that the 2006 Geneva Convention provides a list of recommended frequencies, Georgia did not or was not able to legally institutionalize a digitalization process transferable to issue of frequencies. Transparency of information on free frequencies is not ensured via a webpage of the Regulatory Commission or at least, its annual report as determined by the Georgian Law on Broadcasting.

5.1. Lack of Information on End Consumers

Another big problem is a lack of relevant information on end consumers. Despite the fact that there exists certain information on socially vulnerable groups, it will not be feasible to properly and fully determine financial liabilities related to subsidizing receivers withoutaccurate and verified data (that should be as minimum determined for investors as a

competition requirement)[39], as well as to define costs and procedures on how to distribute these receivers among population. Lack of this information should be viewed as a negative factor in terms of attraction of investors.

When developing the state assistance strategy, Georgia, similarly to most of European countries, should more actively work in the following two directions:

a) Consumers as social condition of most of the population is difficult, especially in regions where dependence on the broadcasting platform is higher than in cities[40].The middle class consumers should also buy TVs that are compatible digital broadcasting network, or receivers to get digital signals. It is likely that most of the end consumers will need to update receiving antennas to meet the required quality as well as associated cables. The State should also become more active in terms of providing the relevant information to the population as well as installation/setup services. Without existence of the above procedures, it is necessary to maximally reduce any possibility of mistakes and non-effective use of resources especially in that time period that Georgia has till spring 2015.

b) No information is provided on any state assistance to be provided or beneficial regime to be introduced to local and regional service providers operating in the regions in the strategy presented by the Georgian Ministry of Economy and Sustainable Development.

The situation at the market of terminals was not analyzed, in particular, what concentration of the relevant TVs is in the country and which kind of activities are planned to increase concentration, to protect interests of investors, and to increase accessibility to these products at the retail market.

In accordance with the Georgian Ministry of Economy and Sustainable Development, the network should be focused on outdoor rooftop antennas and not on indoor antennas that will make this service less attractive to city dwellers in terms of competition between platforms.[41]The State should pay more attention to this direction.

To further stimulate the digital broadcasting process it is recommended not to include broadcast terminals and related receivers/antennas into a category of non-agricultural

[39]Note: Without a detailed determination of the existing data, an investor may face a risk of paying costs that are unclear and vague that may create certain problems to success of a competition.

[40] European Union State Aid, public subsidies and analogue switch-off/digital switchover. Mark Wheelers. International Journal of Digital Televison, February 2012

[41]Note: Thw digital broadcasting platform is more important to persons who own the 2nd and 3rd TV sets as it is necessary for internal network and indoor antenna is enough to receive signal. It is more appropriate to focus on indoor and not rooftop outdoor antennas in case of cities.

property in assessment and ranking of the vulnerable people that will make a process more transparent and provide incentives to this category of the population to buy TVs (they may be second-hand items).

No decision was made on how assistance will be provided, it will be through vouchers to fund either receiver or TVs of the required standard, or direct distribution of receivers that will certainly damage retailers engaged in trade of receivers.

5.2.Non-transparent and Unregulated Market

Despite the IDRI requests and warnings sent to the Ministry and Regulatory Commission by Coalition for Media Advocacy in writing[42] to conduct a survey and analysis of the markets that are directly or indirectly related to the digital broadcasting infrastructure, no actions were implemented in this direction.[43]The above process is being delayed by the Georgian National Communications Commission due to unknown reasons. Lack of this information and/or its non-transparency **may delay and hinder the digital broadcasting switchover process in Georgia in terms of network planning, determination of costs, and attraction of investors**.

In accordance with information submitted by the representatives of the Georgian Ministry of Economy and Sustainable Development, a survey of free resources of the network is conducted by a company selected by the Georgian Ministry of Economy and Sustainable Development. The Georgian National Communications Commission sent questionnaires with technical data to the relevant operators. In addition, technical experts get familiar the situation on sites. Based on the analysis of the above information, a technical project and action plan is to be developed; though it should be stated that despite these actions, it is not clear how the risks related to imposition of high tariffs to access passive infrastructure or network and introduction of unfair and discriminatory conditions will be prevented at the segments of market where monopolies (both of national and local importance) operate (even if a optimal and long-term digital broadcasting switchover technical project is developed). To ensure the above, it is necessary to timely conduct a survey of those segments of market to

[42] Note: In case of the request sent submitted at the beginning of 2013 the Georgian National Communications Commission stated that there were no claims from market players and therefore, did not initiate a market survey and analysis. At the same time, the Georgian National Communications Commission rejected request of the Myanmar Regulatory Commission to conduct a survey and analysis of market segments important for introduction of digital broadcasting.

[43] Note: The English language questionnaire was sent to network infrastructure owner 2 weeks ago to gather information.

define monopolies and to establish minimum competition conditions (in the first place, liabilities related to transparence and non-discrimination).

At this stage accessibility to the process-related information by population-at-large and non-surveyed markets where monopolies still operate is also a problem. The situation is more aggravated by the fact that these companies are likely to become applicants to obtain multiplex license or partners of companies that will participate in the competition.

5.3 Non-existence of Assistance Strategy and Policy Related to Regional Broadcasters

The Government of Georgia should fully understand importance of regional and local broadcasters as a tool to control local and regional authorities and to ensure media pluralism and therefore, should determine their vision in terms of support and development of regional media. Georgia should use criteria defined in EU Operational Directive.[44]No less important is a role of regional media in terms of network security.

5.4. Initial Model to Determine Tariffs

In case the State will not provide an opportunity for 6 multiplex licenses, it is of utmost importance to calculate tarrifs stated in competition terms in accordance with priorily defined tariff regulation normative document. In this regard, it is appropriate to introduce the relevant normative act that will be used by competition participants in development of their offers. The guidance document developed on the basis of EU Directives, recommendations obtained, positive and negatives experiences of Finland and other countries was published and sent to the Georgian Ministry of Economy and Sustainable Development.[45] At the further stage, it is necessary to regularly monitor market players in

[44]Orientation Indicators and Beneficiaries of State Subsidy Policy Related to the Georgia's Digital Broadcasting Switchover Process (March, 2013), Institute for Development of Freedom of Information (IDFI),http://www.idfi.ge/uploadedFiles/files/DSO-%20%E1%83%A1%E1%83%90%E1%83%AE%E1%83%94%E1%83%9A%E1%83%9B%E1%83%AC%E1%83%98%E1%83%A4%E1%83%9D%E1%83%A1%20%E1%83%A1%E1%83%A3%E1%83%91%E1%83%A1%E1%83%98%E1%83%93%E1%83%98%E1%83%A0%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%20%E1%83%9E%E1%83%9D%E1%83%9A%E1%83%98%E1%83%A2%E1%83%98%E1%83%99%E1%83%90%20%282%29.pdf

[45] Institute for Development of Freedom of Information , Guidance Document to Define Tarrifs Related to Access to Digital Broadcasting Network Multiplex, April, 2013. Author: Giorgi Khishtovanihttp://www.idfi.ge/uploadedFiles/files/DTTV%20-%20Tariff%20Calculation.pdf

terms of classification of costs and rules to determine value of capital. The so-called network external monitoring mechanism (especially in case of one supplier) should become an important instrument to determine efficiency of an operator and if needed, to impose the relevant sanctions by the Georgian National Communications Commission.

In case if there will be any sign of oligopoly deal at the market, the Georgian National Communications Commission can introduce the so-called price cap as an extreme measure when the Commission shall establish the threshold tariff to operators in line with the existing instructions, though this should happen after the network is constructed. To avoid a non-regulated period prior to establishment of price cap, it is advisable to meet the procedures stated in the above paragraph.

5.5. Competition

One of the important problems of the strategic vision and business model presented by the Georgian Ministry of Economy and Sustainable development presented in June,2013is a lack of competition within a platform that puts at risk the Georgian broadcasting market and its independence.

The first objective to be accomplished to ensure competition between platforms as stated in previous surveys of the organization is existence of at least two operators on the market that should be achieved by distribution of capacities of 3-3 multiplex in 2015-2017. Later on, allocation of additional capacities will happen through freed frequencies (if requested).

Different from the analog broadcasting business model where all broadcasters manage their transmission network themselves, regulation of issues related to competition are more important in introduction of the digital broadcasting technologies as if accessibility, transparence and other problems are not regulated there exist risks in terms of restriction of competition that will hinder the digital broadcasting process and existence of media companies. There are pending problems at the Georgian network wholesale market; market survey and administrative proceedings are not initiated or are completed without any concrete decision. The situation related to the so-called peering clearly illustrates the case.[46]It

[46] http://www.gncc.ge/files/7070_114298_736514_%E1%83%92%E1%83%90%E1%83%93%E1%83%90%E1%83%AC%E1%83%A7%E1%83%95%E1%83%94%E1%83%A2%E1%83%98%E1%83%9A%E1%83%94%E1%83%91%E1%83%90%20176-9,%2020.03.13.pdf

is also necessary to consider situation of other segments of the wholesale market. The Ukranian case should be also paid attention where the tariffs to access the multiplex resources are not regulated despite is strongly demanded by the public and this issues "travels" between the state institutions.

No less important is the fact that the existing analog transmission network is owned by the state company with a 100% state participation. The above circumstance may entail certain risks in terms of restriction of competition especially for low-budget local and regional TV stations.[47]

The policy to properly regulate competition and properly and timely planned actions should ensure maximum transparence and non-discrimination of access conditions, and cost-efficient and reasonable tariffs to access all necessary elements of the network. These actions will create competitive and fair conditions for broadcasters that will develop the market and ensure a wide array of services to be provided to end consumers.

It is not clear why the Georgian National Communications Commission does not meet requirements of the 2003 EU Regulation.[48]**The EU Member States were recommended to initially regulate segments of the broadcasting wholesale market to develop the digital broadcasting between them,** that will create conditions for companies willing to offer broadcasting services. In addition, the above recommendations provide to consider a possibility for companies to offer services that are willing to provide services within a platform in a form of additional services. The market segments to manage the digital broadcasting and to access network elements should be selected from the so-called EU recommended 18th market and regulated in the first place.[49]

It is important to ensure that programs are placed in the digital broadcasting network in a fair manner, serve the public and state interests, and do not violate any competition principles at the market. The position of the State is not clear in this direction.[50]

[47] Guide to the Digital Switchover, OSCE, Vienna 2010

[48] COMMISSION RECOMMENDATION of 11 February 2003. on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communication networks and services. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:114:0045:0045:EN:PDF

[49] Response to Consultation: Market Analysis - Wholesale Broadcasting Transmission Services . COMREG. 2004 http://www.cullen-international.com/cullen/exdocs/xd7140.pdf

[50] Recommendation of the Committee of Ministers to member states on measures to promote the democratic and social contribution of digital broadcasting COUNCIL OF EUROPE COMMITTEE OF MINISTERS Rec(2003)9. https://wcd.coe.int/ViewDoc.jsp?Ref=Rec(2003)9&Language=lanEnglish

In our opinion, it is needed to urgently regulate and survey the following directions:

1. The issues related to access to infrastructure that may hinder its access to concrete resource should be closely regulated;
2. In the context of the initial regulation, the Commission should regulate competition based on the so-called 18th market regulation, „ via introduction of special liabilities for market players that provide broadcasting content to end consumers at the wholesale market. The cable and terrestrial broadcasting network monopolists should be imposed special liabilities to ensure transparence and discrimination and to establish cost-efficient tariffs. The liability related to accessibility in a transition period should be defined similarly to article 19.3 of the Georgian Law on Electronic Communications (this norm may be in force till a full liberalization of the market);
3. In the context of the initial regulation, competition should be determined in all segments of the market that should be used by broadcast signal distribution providers, including access to antennas and co-location spaces;
4. To ensure effective competition and efficient regulation, it is necessary to legally regulate issues related to joint construction and use of existing physical infrastructure in accordance with the relevant EU recommendations;
5. The Commission should be granted the relevant authority to review appeals between broadcasters and network operators, whilst review deadlines should be maximally short (especially, at a transition period);
6. The right to terminate agreements on access to multiplex capacities should be executed by permit and agreement of the Commission similar to telephone interswitch procedure;
7. To protect interests of all broadcasters, a liability to distribute standard signals should be determined at the digital broadcasting switchover period and its initial phase of operations; whilst once the existing analog frequences are freed, capacities are increased and/or alternative broadcasting network is developed, the Georgian National Communications Commission should agree to transmit HD channels and paid TV services. In terms of issue permits for new services, the Georgian National Communications Commission should have debates based on access conditions existing at the market;

8. At the digital broadcasting transition stage the following principle related to access to multiples capacities" first came, first should get access" should be restricted by the Commission. In evaluation of accessibility issues, it is necessary to guide essential criteria defined by the law as well as conditions identified on the basis on survey of priorities of a broadcaster;
9. If a broadcaster can become a broadcasting network license holder at the same time (if the above is appropriate),at the digital broadcasting transition stage this broadcaster should be required to separately record costs and expenditures in terms of network and broadcasting content production. If a risk related to restriction of competition, the broadcaster should be imposed a liability of structural separation in a context of special liability;
10. At the digital broadcasting transition stage, it is necessary to regulate a liability related to the so-called mandatory transit by the Georgian Law on Electronic Communications;
11. To retain a low price on the equipment (receiver), the State should ensure a competition on the retail market of imported equipment and guarantee interchangeability of imported receivers and their compatibility with other networks;
12. The right to provide paid TV content envisages distribution of closed program type receivers that may become a factor to block income at the market for content producers and service providers. The interests of existing local and regional media and newcomers should be maximally protected by the tender conditions and license agreements;
13. The switchover from the analog to digital broadcasting should not cause any negative results for end consumers and broadcasters or worsen the existing condition. To evaluate achievement of this objective, it is necessary to apply the below-listed criteria: access to digital signal as compared to analog signals and to have an opportunity to receive public broadcasting programs via digital TV network;
14. If during a direct planning of additional infrastructure, it is revealed that assumption of the universal right to cover 95% of the population and related necessary infrastructure will not significantly increase costs, a coverage percentage indicator may be increased from 85% to 95%.
15. It is important to consider reservation issues in tender conditions and technical assignment. The service distribution data may change in accordance with period of time or programs. To avoid long-term deficiencies of supply of necessary services, the critical elements of the transmission chain should have certain reserve resource,

for example passive reserve for codification equipment with n+1 configuration, or active reservation principle. The advantage of passive reservation models high bandwidth capacity that is most optimal in case of malfunction operations, though is more expensive. This issue is very important for synchronization of SFN transmitters as if a synchronization system is put out of operation, transmitters will interfere with each other and relatively, reservation in these networks will be needed.

16. The most effective use of spectrum is one of the important issues. In other words, the most effective and minimal use of the allocated frequency spectrum to achieve objectives defined by the license issued and technical approach used foe network construction should be considered as a positive factor when defining tender conditions and their evaluation.

5.6 Consideration of Regional and Local Media Interests

It is of utmost importance to determine access conditions to multiplex capacities by the relevant legal act. It should be stated that at the transition and further periods the person authorized by the State should evaluate priorities in terms of accessibility in accordance with the following criteria:

- The priority in this regard should be granted to broadcasters that were broadcasting license holders before the analog broadcasting was switched off;
- The priority should be assigned to non-commercial broadcasters as well as local and freely transmitted channels in placement of channels in the first two multiplexes;
- The priority should be granted to broadcasters that should transmit priority content.

No less important is development of the state position in terms of concession agreements that is a stimulating and alternative mechanism for consideration of interests of analog broadcasting license holders in a transition period. The conditions should be established in a manner not to hinder interests of license holders, to protect them from the state pressure and to consider interests that a license holder has in a concession period.

It is also important to allocate at least one frequency within a country for regional and local broadcasters that are not members of consortium as this is proposed by the Georgian Ministry of Economy and Sustainable Development to consortium of broadcasters, in certain points if there is a request of the existing broadcasting license holders. The

broadcasters will contract small–capacity multiplex network in a broadcast zone defined by their license in force. The network minimal parameters may differ from parameters determined for national multiplex. The DVB-T and MPG2 shall be determined as a minimum standard; a possibility to receive a signal will be enjoyed by the State or DVB-T2 receivers subsidized or distributed by the State.

In our opinion, existence of a vertically integrated monopolist operating in a non-competitive environment is not appropriate at the wholesale market on which fate of all media facilities of the country depend that is clearly demonstrated by negative practices in Ukraine. If there is no alternative available, the content producers may be restricted in other ways, for example via discriminatory and non-transparent conditions but the most important problem is related to the amount of tariff to access multiplex. The good example is Tanzania case where despite different types of pressure the regulation commission managed to reduce tarrifs established by the multiplex operator to ensure cost-efficiency. This has not happened in Ukraine yet where the issue is not addressed despite a lot speculations and arguments. [51]

[51] The Digital Broadcasting Switchover: Ukrainian case,IDFI, 2013 .http://www.idfi.ge/?cat=news&topic=423&lang=ka