

The introduction of digital terrestrial TV in Georgia: Moving forward

Transparency International Georgia¹
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This document is meant to provide input and recommendations to the Georgian government for the next steps in the process to replace analogue terrestrial television with digital terrestrial television by 17 June 2015. Since coming to power, the government has organized several round-table discussions and initiated working groups on the switchover, but nonetheless the process has made limited substantial progress. In order to meet the important deadline, to which Georgia has committed in an international agreement, the government will need to allocate more resources and step up its efforts to move the process forward.²

Transparency International (TI) Georgia supports efforts to carry out a transparent, fair, competitive and well-managed process to award the operation of digital broadcasting networks, to establish an amended regulatory framework and to ensure that the audience is informed and receives assistance, so that everybody will be able to benefit from the advantages of digital TV.

The switchover process should aspire to

- create a broadcasting sector that is sustainable, pluralistic, diverse and largely driven by market forces rather than government intervention;
- provide universal and easy access for consumers to a pluralistic portfolio of free-to-air channels, with targeted assistance being provided to vulnerable groups such as households below the poverty line, to elderly, and those living in remote communities;
- establish non-discriminatory and transparent access to network operators for all content providers, with low barriers for market entry;

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² International Telecommunication Union (2006): Digital broadcasting set to transform communication landscape by 2015, http://www.itu.int/newsroom/press_releases/2006/11.html.

- make efficient use of existing infrastructure and encourage cooperation between market actors.

What does the digital switchover mean in practice?

- The analogue terrestrial TV signal that is currently broadcast from about 36 TV towers across Georgia will be replaced by a digital terrestrial TV (DTT) signal. Transmission infrastructure will need to be upgraded, and new transmission towers might need to be built;
- TV channels will be transmitted in groups, a so-called multiplexes (MUX),³ using the state-of-the-art “Digital Video Broadcasting - Second Generation Terrestrial” (DVB-T2) standard.⁴ A multiplex consists of a stream of digital information that includes a mix of sound, images and data of other services.⁵ One multiplex will have the capacity to include approximately 15 TV channels in standard definition or 7 channels in high definition quality.
- One or several companies will be awarded licenses to operate multiplexes. The operator(s) will have to invest in the transmission infrastructure, negotiate with TV channels to include their signal in a multiplex (a service for which it can charge transmission fees), carry out a public information campaign and ensure that the audience obtains the needed decoder boxes. While receiving DTT will continue to be free for consumers, the MUX operator(s) will also be able to provide paid services, including pay-TV packages;
- Every older TV that receives the signal via antenna (those receiving the signal via cable/IPTV or satellite will not be affected) will need a set-top box, a device that decodes the digital signal into an analogue one. Some new TVs are “DVB-T2 ready”, meaning they can process the digital signal without an external decoder. Households may also require a new aerial to receive the digital signal. Those who do not have set-top boxes after the analogue signal is turned off (scheduled for June 17, 2015) will no longer be able to watch TV.
- TV channels will need to upgrade their transmission equipment, if they have not done so yet, to transmit the digital signal;
- For a period of several months, the analogue signal and the digital signal will be transmitted in parallel during the so-called simulcast period, to ensure that households without and with the new decoders can watch TV;
- After the analogue switch-off, the frequencies used by the old signal will become available and can be used for additional MUXs or for other purposes.

The benefits of digital terrestrial TV (“digital dividend”)

- The audience will be able to enjoy better sound and image quality, including channels in high-definition (HD) and new features, such as an electronic programme guide (EPG). Channels will be able to offer additional services, such as optional subtitles, additional information on their programs, or sounds in various languages.

³ See: [https://en.wikipedia.org/wiki/Multiplex_\(TV\)](https://en.wikipedia.org/wiki/Multiplex_(TV)).

⁴ See: <https://en.wikipedia.org/wiki/DVB-T2>.

⁵ http://www.radioandtvhelp.co.uk/interference/rtis_tv/whatismux_digitalTV.

- Consumers will be able to have access to more free-to-air channels via antenna than are currently available and will likely also be able to subscribe to DTT pay-TV packages.
- Broadcasting frequencies will no longer be a scarce resource, TV stations will be able to more freely enter the market and rent transmission capacity from a MUX operator, resulting in less necessity for government regulation of content providers.
- DTT will make more efficient use of airwaves. Frequencies currently used for analogue TV broadcasting will become available and can be allocated to other purposes. The switchover will enable the GNCC to auction off licenses for 4G/LTE mobile broadband operations, generating significant income for the government and contributing to the development of high-speed mobile Internet access.

Key recommendations to move forward:

- The Ministry of Economy (MoE) should finalize and publish a digital switchover strategy with a timeline and specific actions required by various stakeholders;
- The MoE and the Georgian National Communication Commission (GNCC), which should be more closely involved in the process, should settle on policy approaches for key issues, including the topics outlined in this document;
- The MoE, the GNCC and the Ministry of Justice (MoJ) should draft all required legal amendments (eg to the Law on Electronic Communication) that are required for holding a beauty contest to select operators of the digital network (MUX), including defining relevant policies and regulatory approaches;
 - Draft amendments should then be published and made available for a public consultation process, allowing stakeholders to submit comments;
- The MoE should ensure it has sufficient staff, resources and expertise to move the process forward;
 - The government should set up a task force consisting of individuals with relevant expertise and experience who would be able to ensure consistent progress, coordinate tasks and responsibilities between various government and private sector stakeholders and launch a public information campaign to inform and prepare citizens and stakeholders, such as importers and retailers of equipment, for the switchover;
- Instead of seeking to identify only one private operator for the operation of 6 multiplex networks, the MoE should seek to allocate 3 multiplex networks, each to two private operators (both being required to allocate 1 multiplex each to free-to-air channels), to achieve the highest possible level of competition;
- The government should set up and pay into a Digitalization Fund, from which costs for subsidized decoder boxes, a public relations campaign and other switchover-related efforts could be covered in a transparent manner. Instead of mandating private network operators to carry the full burden of providing and distributing set-top boxes, as is currently envisioned, network operators could be asked to contribute to the Digitalization Fund.
- Immediate government funding would also allow launching the crucial process of informing the general public in the near future, rather than only after one or several operators have launched their activities at some point next year. Consumers need to

become aware of the switchover, so that households that consider buying a new TV set can make better informed decisions and buy one that is fully DVB-T2 compatible;

- The government should take responsibility to ensure that all people, especially those who are highly vulnerable for social or economic reasons, will be able to receive a pluralistic portfolio of TV channels after the analogue switch off – either through DTT or other platforms: cable/IPTV or satellite. Thus, strong and coordinated efforts are needed to plan and launch a timely public information campaign, to provide targeted assistance in the form of subsidized set-top boxes and technical consultations to households.

Digital switchover: the proposed plan by the Ministry of Economy

On July 26, the Ministry of Economy (MoE), the government entity leading the switchover process to introduce digital terrestrial television (DTT), presented to stakeholders its provisional plans.

Ministry representatives stressed that

- the switchover-process aims to take into account the interests of broadcasters, the audience and national interests;
- the MoE remains open to feedback and suggestions from stakeholders, and plans for one more stakeholder meeting will be held “in the near future” before the next steps in the process are taken;
- it aims to ensure there is no undue state interference in the sector;
- it is committed to facilitating the development of content production in Georgia;
- it wants to achieve a high degree DTT coverage, so that the technology is able to compete with other platforms (cable, satellite);
- more terrestrial channel capacity for Tbilisi and surrounding areas will become available as a result of successful negotiations with Azerbaijan.

The MoE stressed that the proposed approach is shaped by the goal of keeping budget contributions to the switchover to a minimum, while also ensuring that the state has ownership or control of at least one digital network. One digital network (a so-called multiplex – short: MUX) can carry approximately 15 TV stations in standard definition or up to 7 channels in high definition.⁶

Based on the presentation to stakeholders and conversations with people involved in the process, it appears that the MoE envisions the launch up to 7 MUX networks. All networks will use the state-of-the art DVB-T2 standard with MPEG 4 compression, maximizing the number of channels and services that can be transmitted.

MUX 1

⁶ For more technical background, please see [https://en.wikipedia.org/wiki/Multiplex_\(TV\)](https://en.wikipedia.org/wiki/Multiplex_(TV)) and <https://en.wikipedia.org/wiki/Multiplexing>.

One multiplex will be controlled or 'owned' by the state, but might be maintained by a private company that will also operate MUX 3 to 7 (see below). This MUX 1 will be directly awarded to the Georgian Public Broadcaster to carry its channels (Channel 1, Channel 2 and eventually also Adjara TV).

The MoE has yet to clarify whether MUX 1 might also carry private channels with must-carry status – if current definitions were applied, must-carry stations would include all current holders of a general broadcasting license, including Rustavi 2 and Imedi TV – or how the unused capacity of this MUX would be used and allocated. MUX1 shall cover 95% of Georgia's population.

MUX 2

The MoE says it is considering to allow a consortia of national and/or local broadcasters to apply for the operation of MUX 2, which will be allocated through a competitive beauty contest. The presentation suggested that MUX 2 would be developed using frequencies that would be used for the simulcast period (several months, during which both the digital and the analogue signal are broadcast) and that would become available only after the analogue switch-off (ASO). Thus, MUX 2 would be developed from mid-2015 and would probably go on air only in 2017. If a consortium of channels were to develop and operate this MUX, its members would have to be carried by the operator of MUX 3 to 7 (see below) from 2015 until the launch of MUX2.

Beauty contest vs auction

A beauty contest is a transparent and competitive process in which the government publishes a call for Georgian and international companies or consortia to express their interest in becoming a MUX operator. The government defines certain terms, conditions and minimum goals operators would have to fulfill, for example setting deadlines by which the network has to be fully operational, and defining the percentage of the population that needs to be able to access the network. Interested participants can then submit their proposal and business plan, and the GNCC awards the operation to the applicant(s) with the best overall proposal, based on transparent evaluation criteria (for example relevant managerial experience, technical capacity, timeline of implementation, committed contributions to a Digitization Fund and accepted penalties for failure to comply).

In an action, the government would define all terms and conditions in detail and award the MUX operation license to the company or consortium that is willing to pay the highest price, which could result in a company with insufficient experience and capacity to win that might then not be able to fulfill its commitments.

A number of broadcasters have firmly stated that they want to control their own transmission equipment and operate their own multiplex, including Tbilisi-based Kavkasia and the Georgian Association of Regional Broadcasters (GARB), which represents some 25 local channels. However, the MoE appeared to oppose the idea of allowing individual channels – many of which

have very limited financial and organizational capacity – to operate their own transmission equipment.

MUXs 3 to 6/7

The multiplex networks MUX 3 to 6/7 (the MoE's presentation suggested 6 MUXs, other sources told TI Georgia of a total of 7 MUXs) will be awarded to a private operator through a competitive process. The MoE stressed that the operator would be allowed to offer free-to-air channels and pay-DTT in order to allow the operator to develop a sustainable business model – with significant revenues coming from end consumers, as transmission fees from channels would not be sufficient to sustain operations. It appears that the MoE will hold a beauty contest, instead of auctioning the license to the highest bidder under terms and conditions set by the government.

The MoE wants this operator to provide set-top boxes (converting the digital signal to an analogue one) for about 500,000 households of socially vulnerable people, and stressed that it is not planning to allocate funds for this effort, while putting the expected cost to deliver the DVB-T2 set-top boxes at EUR 18 million. At the same time, the MoE said that if no provider would be able to provide the set-top boxes, it might be able to show some flexibility.

In case no suitable private operator were to apply, the MoE said it had budgeted GEL 100 million for a Plan B scenario, under which the government would undertake the development of the infrastructure and the procurement of set-top boxes.

Georgia's proposed switchover plan in the European context: options and recommendations

Selection process of private MUX operator(s)

The MoE has indicated that it plans to hold a so-called beauty contest to select the private MUX operator(s), an approach that is in line with best practices, as recommended by the OSCE/ODIHR and the European Platform of Regulatory Authorities (EPRA).⁷

The MoE plans to allocate the operation of up to 6 MUXs to one private operator (one of these would be controlled by the Georgian Public Broadcaster), and potentially another MUX to a consortium of broadcasters after the analogue switch-off. However, this scenario might not produce a sustainable model: most broadcasters do not have the financial resources or organizational capacity to develop and maintain a multiplex. If a consortium of stations were to move from one MUX to their own in 2017, the MUX operator would lose a significant share of its revenue from transmission fees, which might undermine its sustainability.

⁷ http://www.oscebih.org/documents/osce_bih_doc_2013041709281795eng.pdf, p.14; https://epra3-production.s3.amazonaws.com/attachments/files/1873/original/WGII_DigitalTV_final.pdf?1328690072.

Recommendations

Instead of seeking to identify only one private operator for operating 6 multiplex networks, the MoE should seek to allocate 3 multiplex networks to two private operators each (both being required to allocate 1 multiplex each to free-to-air channels, 2 could be used for pay-TV), to achieve the highest possible level of competition between network operators. Only if no interested bidder is willing to bid for only 3 MUXs, then the MoE could still opt to award 6 MUXs to a single private operator.

In order to ensure a competitive, open and transparent selection process, the MoE should

- Ensure that the request for letters of intent and the selection criteria are well publicized within Georgia and abroad;
- That interested companies have sufficient time to evaluate the Georgian market conditions;
- That interested bidders have sufficient information about the terms, conditions and the regulatory environment the successful bidder(s) will operate in;
- To ensure that financial obligations on the successful bidder are not unreasonable, in order to attract several bidders to participate in the beauty contest;
- Establish the necessary legal framework, including by amending the Law on Electronic Communication to allow for a beauty contest.

Multiplex operators – examples from Europe

Looking at smaller European markets, one can see a variety of MUX operators. In terms of ownership, one can differentiate between state-owned companies, privately owned companies and companies that are public-private joint ventures, with the state often holding more than 50% (see case studies below).

In several smaller European markets, MUX operations have been licensed to either one or two operators. In terms of ensuring a highly competitive market, it would be preferable to have two privately controlled MUX operators that would compete with each other, both for content providers and for end-consumers. With two private operators, the GNCC might be able to reduce its role to that of an observer and only intervene when actors file complaints or when indications of abuse of market power surface.

While Georgia has plenty of TV channels, approximately 35 stations with terrestrial broadcasting licenses and about 20 cable/satellite channels, the market remains fairly small.⁸ In 2012, private TV stations reported a turnover of GEL 82.7 million (approx. EUR 38 million).⁹ It remains to be seen if the operation of two private MUX operators could be sustainable – with revenues of pay-DTT, it might be.

If only one private MUX operator were to operate on the Georgian market, more power would be concentrated in the hands of this company, thus requiring the GNCC to play a bigger role in

⁸ http://gncc.ge/index.php?lang_id=ENG&sec_id=50623.

⁹ http://www.gncc.ge/files/3100_2949_681569_ANNUAL%20REPORT%202012.pdf, p.51.

monitoring operations and ensuring that all actors have non-discriminatory access to the platform.

- In **Latvia**, Lattelecom (51% owned by the Latvian state and 49% by Sweden's TeliaSonera group) has remained the only operator of DTT platforms, no other operator applied for a license in a beauty contest held in May 2013.¹⁰ Lattelecom also offers telephony, Internet and IPTV services and holds 23% in a mobile phone operator.¹¹ The competition authority investigated Lattelecom in March 2010 for abuse of its dominant position on the pay-TV market, but stopped the investigation in September 2011. Some local terrestrial channels continue to transmit in analogue, arguing that they cannot afford the costs of digital transmission.¹²
- In **Estonia**, Levira (owned by the Estonian state 51% and French telecom and broadcasting group TDF 49%¹³) owns and operates the digital broadcasting network and transmits 6 free-to-air channels;¹⁴ Starman, a privately owned cable TV and Internet provider, operates a pay-DTT platform, ZuumTV.¹⁵
- In **Lithuania**, Teo LT (88.15% controlled by TeliaSonera¹⁶), which also provides IPTV, cable and Internet, operates the country's main pay-DTT platform called Gala on 2 MUXs.¹⁷ Broadcasting towers are owned and operated by Lithuanian Radio and Television Centre (LRTC), a state-owned company that also operates 2 MUXs, providing DTT transmission services to free-to-air and encrypted channels.¹⁸
- In **Croatia**, the state-owned transmission company OiV, operates 5 MUXs.¹⁹ In 2012, HP Produkcija, a joint venture between OiV and the Croatian Post, won the license for an additional 2 MUXs to operate a pay-DTT platform, offering HD channels and premium content.²⁰
- In the **Czech Republic**, 3 MUXs are operated by Ceske Radiokomunikace (100%

¹⁰ "Lattelecom" the only bidder for terrestrial digital TV broadcasting in Latvia from 2014, Latvian News Agency, 29 May 2013.

¹¹ Lattelecom Annual Report 2011, http://www.lattelecom.lv/images/modules/fckeditor/File/temp/2012_01/IFRS_2011_ENG_final_internetam.pdf.

¹² <http://mavise.obs.coe.int/country?id=21>.

¹³ <http://www.levira.ee/dyna/site/353eng.html>.

¹⁴ <http://digilevi.ee/tasuta-tv/teleprogrammid/>; <http://digilevi.ee/abiks-tv-vastuvotul/organisatsioonid/>.

¹⁵ Starman is majority owned by a Swedish investment group East Capital Explorer (51%), with the company's founders remaining minority shareholders.

http://www.screendigest.com/news/2013_05_estonias_largest_cable_tv_operator_with_new_ownership/vjew.html.

¹⁶ <http://www.teo.lt/en/facts>.

¹⁷ Teo LT AB - Business Description GlobalData Company Profiles 10 July 2013.

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http://www.telecentras.lt/paslaugos/radijas_ir_televizija/skaitmenines_antzemines_televizijos_siuntimas/tinklais/; http://www.telecentras.lt/en/About_the_Company/; <http://www.rtt.lt/en/for-business/resources/broadcasting/digital-terrestrial-tv.html>.

¹⁹ http://www.oiv.hr/broadcasting/terrestrial/dtv/dtv_en.aspx.

²⁰ HP Produkcija launches DTT pay-TV offering with Irdeto, 21 February 2013, www.telecompaper.com/news/hp-produkcija-launches-dtt-pay-tv-offering-with-irdeto--926425.

owned by the investment fund Macquarie Infrastructure and Real Assets Europe), which acquired Czech Digital Group CDG, a MUX operator, in 2011.²¹ Another MUX is operated by Digital Broadcasting s.r.o.²² There is no pay-DTT, operators offer free-to-air programs only at this point.²³

- In Slovakia, the operator of all 4 MUXs is Towercom, owned by Slovak Telekom, which is majority owned by Deutsche Telekom (51%), and 49% by the Slovak state.²⁴ The monthly price for recently introduced pay-DTT is EUR 6/GEL 13 per month.²⁵

In most European television markets, there is a clear separation between content providers and network/MUX operators.

Noteworthy exemptions are:

- **Denmark**, where the larger MUX operator, BoxerTV (owned by Swedish state-owned Teracom) carries commercial free-to-air and pay-DTT; two MUXs are operated by Digi-TV, owned by the public broadcaster DR (66.6%) and TV2 (33.3%), that carry free-to-air public service channels.²⁶
- In **Austria**, which has been named by the MoE as a role-model for Georgia, one operator, ORS (owned by the Austrian Public Broadcaster ORF (60%) and a subsidiary of Raiffeisen (40%)),²⁷ operates the DVB-T MUXs A and B. It recently was also awarded MUXs D, E and F to launch a nationwide DVB-T2 network (“Simpli TV”) that offers HD versions of the public broadcasters’ and commercial national and local Austrian channels (free to air), while offering an additional package with international channels for a subscription fee of EUR 10 (GEL 21)/month.²⁸
- In **Italy** – not a best practice in terms of pluralism – the public broadcaster RAI and the private, dominant broadcasting group Mediaset, owned by the family of former Prime Minister Silvio Berlusconi, were both allocated the operation of 5 MUXs. To strengthen competition, both operators were barred from participating in a recent auction.²⁹

Several Georgian channels, including the Georgian Association of Regional Broadcasters (GARB) and Tbilisi-based Kavkasia TV, have been demanding the right to operate their own

²¹ <http://mavise.obs.coe.int/country?id=9>; <http://www.radiokomunikace.cz/en/about-company/company-profile.html>.

²² <http://www.multiplex4.cz/>.

²³ <http://www.broadbandtvnews.com/2013/04/24/czech-republic-ripe-for-pay-dtt/>.

²⁴ <http://mavise.obs.coe.int/country?id=28>; <http://www.towercom.sk/en/televizne-vysielanie.php>.

²⁵ <http://www.broadbandtvnews.com/2013/04/23/slovak-pay-dtt-details-emerge/>.

²⁶ http://www.digi-tv.dk/In_English/.

²⁷ Raiffeisen bank has maintained business relations with Prime Minister Bidzina Ivanishvili for a number of years – it manages parts of Ivanishvili’s private assets and acquired Ivanishvili’s Russian Impexbank for USD 550 million in 2006.

²⁸ <https://www.rtr.at/en/m/MUX>; <http://www.simplityv.at/>; <http://ors.at>.

²⁹ Reuters: UPDATE 1-Mediaset, RAI to be barred from Italy frequency auction-EU source, 7 November 2012, <http://www.reuters.com/article/2012/11/07/italy-frequencies-idUSL5E8M7EI620121107>; Reuters: Italy broadcast authority approves digital TV auction rules, 11 April 2013, <http://www.reuters.com/article/2013/04/11/italy-frequencies-idUSL5N0CY3XG20130411>.

multiplex. Similarly, Rustavi 2 has hinted that it is potentially interested in forming a consortium to bid for MUX 2.

The strong desire of content producers to directly control the broadcasting infrastructure is the result of a lack of trust in the state and the regulator's ability to ensure a free broadcasting sector and fair, non-discriminatory access to the network infrastructure. A number of operators also seem to be concerned that a private MUX operator would charge unreasonably high fees and believe that operating a MUX themselves would lower their operating costs. The MoE and the GNCC should seek to address these concerns by providing guidance and a draft regulation.

OSCE/ODIHR has stressed that if broadcasting network owners and content providers are also MUX operators, it leads to an increased risk of monopolization and demands a high level of vigilance from the regulator to ensure that the operator does not stifle competition.³⁰

While the MoE should not exclude any company or consortium from participating in the beauty contest, it appears to be preferable to maintain a clear separation between network operators and content providers in Georgia. The reasons for this are outlined as follows:

- If a content producer (or a company with beneficial shareholders that also have significant shareholdings in a content producer) were to become a MUX operator, this would create a strong risk for conflicts of interest and would require extensive monitoring by the GNCC to ensure that all broadcasters have access under non-discriminatory terms. This could be ensured by, for example, mandating the MUX operator to maintain transparent price lists.
- There are no recent examples in Georgia of various broadcasters being able to successfully cooperate in a consortium over a longer period of time (there is no national association of broadcasters or any other functioning industry body).
- Many smaller operators have neither the management capacity nor the financial resources to install and maintain technical equipment. Allowing local channels to build their own infrastructure might be related with an increased risk of broadcasters' bankruptcy.

The European Platform of Regulatory Authorities (EPRA) has observed that public service broadcasters have frequently been granted entire MUXs, which has allowed them to launch digital services and additional channels.³¹ According to the current plans by the MoE, it remains unclear what the GPB's plans to make full use of the frequency capacity of the MUX it will receive are.

Having a taxpayer funded public operator compete with a private MUX operator can lead to market distortions if the public operator is allowed to provide services to commercial stations.

³⁰ http://www.oscebih.org/documents/osce_bih_doc_2013041709281795eng.pdf.

³¹ https://epa3-production.s3.amazonaws.com/attachments/files/1873/original/WGII_DigitalTV_final.pdf?1328690072.

- In **Slovenia**, Norkring (owned by Telenor³²) was operating MUX B, while the Public Broadcaster operated MUX A (covering the whole country), which also carried several private channels. After two years, Norkring shut down its operations due to a lack of interest that had made its operations unsustainable.³³ The EU Commission issued a warning to Slovenia for non-competitive market conditions that were caused by allowing the public broadcaster to host commercial programs by underbidding the private competitor.³⁴ The Parliament later banned RTV Slovenija, the public broadcaster, from hosting commercial programs on its multiplex, but due to the lack of a private alternative operator, RTV continues to carry private operators.³⁵

Universal Service Obligation

The MoE should aim at maximizing the coverage zone of MUXs 3 to 7 and make the percentage of the population that will be covered by the network (and the deadline when this penetration is reached) one of the criteria for the award. The MoE and the GNCC should also seek to ensure that a pluralistic package of channels is available free of charge to households through either DTT or satellite.

Duration of the MUX license

In a number of European countries, the timeframe for which MUX operators have received licenses is 10 years (e.g. Austria, Croatia,³⁶ Slovenia, Spain, Finland). In some countries, the license period is longer: 12 years in the UK,³⁷ 15 years in Portugal and the Netherlands;³⁸ In Slovakia, MUX licenses have been awarded for as long as 18 years.³⁹

The MoE has yet to define the duration for which MUX licenses will be awarded. The higher the expected start-up investment of the operator is, the longer the license period will have to be in order to allow the company to recoup its investments and have the opportunity to generate enough profit so that investors see the engagement as an interesting opportunity.

Must-carry and access to MUX platform

General broadcasting licenses in Georgia have typically been awarded for a period of 10 years, including licenses that have been renewed in recent years. Thus, several stations hold licenses

³² Owned by Telenor, a publicly listed telecommunication company, majority owned by the Norwegian government, which operates multiplexes in Norway and Belgium. <http://www.telenor.com/investor-relations/major-shareholdings/>.

³³ <http://www.sloveniatimes.com/norkring-moving-out-too>.

³⁴ European Commission warns Slovenian on digital multiplex: Telecompaper Europe, 5 March 2012, via Factiva.

³⁵ National Assembly Confirms Changes to Digital Broadcasting Act, Slovenska Tiskovna Agencija, 12 June 2012, via Factiva.

³⁶ <http://igorfuno.com/dvb-t/croatia/>.

³⁷ <http://media.ofcom.org.uk/2013/01/28/ofcom-awards-local-tv-multiplexlicence/>.

³⁸ EPRA: <http://epra3-production.s3.amazonaws.com/attachments/files/747/original/EPRA0203.doc>.

³⁹ Towercom Wins License for 4th Multiplex Operation, SITA Slovenska Tlacova Agentura, 15 Dezember 2011.

up to 2022.⁴⁰ After the switch to DTT, broadcasting licenses awarded by the GNCC may no longer be necessary for a channel to be on air, as the MUX operator will be able to directly negotiate with channels the terms of carriage.

Across Europe, there are two regulatory approaches regarding access to MUXs: In a number of jurisdictions, regulators select the lineup of channels through public procedures, similar to the practice during analogue broadcasting, according to EPRA. In these countries, including France, Belgium's French Community, Germany, Sweden, Finland and Slovenia, the regulator acts as the primary gatekeeper.⁴¹

Other countries allow MUX operator(s) to manage their capacity and portfolio themselves and select the channels they carry without interference from the regulator, thus taking on a gatekeeper function (e.g. Czech Republic from 2012, Latvia, Slovakia, Denmark, Italy, UK, Norway, Portugal). In these cases, channels and operators must negotiate and agree on terms of access and distribution.⁴² The regulator only steps in if there is discrimination and/or misuse of market power.

Pricing of carriage

The pricing of DTT services is a tricky issue, especially in cases when there is significantly less demand from broadcasters than MUX operators have in capacity, requiring the few channels on a MUX to pay enough fees to sustain its operation.⁴³ Such a scenario does not seem very likely in Georgia, given the high number of channels.

IDFI has suggested an approach whereby the regulator is closely involved in setting prices MUX operators can charge based on their estimated operating costs.⁴⁴

A more lenient pricing approach (used for example in Austria), which Georgia should consider, would allow the GNCC to set clear rules requiring a MUX operator to be transparent and non-discriminatory about its pricing, while allowing channels and the network operator to negotiate and agree on the detailed terms and conditions. Only if a market actor calls on the regulator to intervene, the GNCC would then study the situation and, if necessary, step in to ensure a fair and competitive environment.

OSCE/ODIHR has observed: "It may be tempting for the regulator or the state to directly set prices and conditions to use the network as a shortcut to achieving a desirable market situation.

⁴⁰ For a table with current license holders and the duration of their license, please see <https://docs.google.com/a/transparency.ge/spreadsheet/ccc?key=0AqsbzT5Sdy6PdGRkVmR2SjgtTm50bjVnbnVRYVpNVE#gid=2>.

⁴¹ EPRA: https://epa3-production.s3.amazonaws.com/attachments/files/1873/original/WGII_DigitalTV_final.pdf?1328690072.

⁴² EPRA: https://epa3-production.s3.amazonaws.com/attachments/files/1873/original/WGII_DigitalTV_final.pdf?1328690072.

⁴³ https://epa3-production.s3.amazonaws.com/attachments/files/1873/original/WGII_DigitalTV_final.pdf?1328690072 pp.3, 4.

⁴⁴ [http://www.idfi.ge/uploadedFiles/files/DSO%20Strategy%20IDFI%20-%20English\(1\).pdf](http://www.idfi.ge/uploadedFiles/files/DSO%20Strategy%20IDFI%20-%20English(1).pdf).

However, this would be excessive interference into the free market, and the usual benefits of a free market, such as competitive prices and higher quality, would be lost. Prices and conditions should be set by the market, and the regulator should step in only if the market fails. Initially, when digital broadcasting is new, much responsibility falls on regulators, since there are no existing market conditions to uphold. Close cooperation between the different players in the sector is needed.⁴⁵

Recommendations

- The GNCC and the MoE should finally develop a policy clarifying how the issues of licenses will be dealt with: i.e. if broadcasting licenses will be withdrawn and if and how holders will be compensated. Broadcasters – many of which have experienced undue government interference in the past – also need to be reassured, by providing draft legislation, that the process will not be abused to take them off the air.
- Under the recently amended Law on Broadcasting, de facto all general broadcasting license holders, i.e. all channels that air current affairs content, can obtain must-carry status. The question of how must-carry status will be reflected on the DTT platform and who will be able to obtain and maintain must-carry status has yet to be addressed and resolved.
- MoE and GNCC also should give strong consideration to a regulatory model where the regulator plays a restrained role and only interferes in the relationship and negotiations between a MUX operator and a content provider if there are indications of market failure.

Assistance to vulnerable people

To ensure that all people will be able to enjoy the benefits of the digital switchover, the government needs to ensure that vulnerable groups are not cut off from access to television after the ASO.

Only those people who currently receive their television signal via antenna – approximately 41% of households, according to a recent GNCC/IPM survey – will be affected and are thus vulnerable. Most vulnerable households, however, fall in this category, as households that have a satellite dish or a cable TV connection usually no longer qualify for social assistance.

Who is vulnerable?

- **Economic vulnerability:** People may be vulnerable because of a lack of disposable finances that may prevent them from buying a set-top box (and, if needed, a new aerial antenna) that is plugged between the antenna and the TV set and converts the digital signal into an analogue one. In this regard, targeted assistance to recipients of social assistance is a reasonable approach, whereby the government will need to ensure that any support effort would ensure that no groups are left behind, i.e. people that would qualify for social assistance but do not receive it for whatever reasons.
- **Social vulnerability:** Socially isolated people, including elderly people with limited social contacts, people in remote areas, people with disabilities and people who do not speak

⁴⁵ http://www.oscebih.org/documents/osce_bih_doc_2013041709281795eng.pdf.

Georgian, are also a vulnerable, as they might not learn about the technical upgrade they need to make in order to be able to watch TV after the ASO, or they may be dependent on assistance to install a set-top box.⁴⁶

How do you receive television signal by broadcasting zones?⁴⁷

	Georgia	Tbilisi	Batumi	Kutaisi	Other
Antenna (analogue terrestrial)	41%	33%	31%	55%	12-69%
Satellite	40%	26%	40%	44%	26-84%
Analogue cable	20%	33%	30%	9%	1-9%
Digital cable/IPTV	12%	19%	17%	12%	0-3%
Shared satellite dish	1%	1%	1%	2%	1-2%

Number of TV sets in a household by broadcasting zones⁴⁸

	Tbilisi	Kutaisi	Batumi	other
1 TV	57%	70%	64%	67-87%
2 TVs	30%	24%	30%	11-25%
3 and more TVs	13%	6%	6%	1-8%

Under current plans, the MoE wants to require the successful private MUX operator to be solely responsible for providing free set-top boxes to approximately 500,000 households that are below the poverty line and receive social assistance. The MoE estimates the cost for half a million set-top boxes to be EUR 18 million (EUR 36/GEL 80 per box).⁴⁹

This significant financial burden – in addition to costs for the development of infrastructure and a public information/marketing campaign – might deter a number of potential bidders. In most European countries, governments provided funds to assist households in need with the

⁴⁶ See: Ofcom Consumer Panel (2004): Supporting the most vulnerable consumers through digital switchover, www.digitaltelevision.gov.uk/pdf_documents/publications/cp_dso_report_webv.pdf.

⁴⁷ Georgian National Communications Commission/IPM (July 2013): Teleradio Broadcasting Priorities survey, http://www.gncc.ge/files/110_114425_295711_TV-Radio%20communication_IPM_Report_2013.pdf.

⁴⁸ Georgian National Communications Commission/IPM (July 2013): Teleradio Broadcasting Priorities survey, http://www.gncc.ge/files/110_114425_295711_TV-Radio%20communication_IPM_Report_2013.pdf.

⁴⁹ As DVB-T2 is a new technology that only recently has been brought to market in Europe, a limited selection of DVB-T2 set-top boxes is available at this point but the selection is likely to increase in the coming months. Current European retail prices start at EUR 50 for a basic DVB-T2/MPEG 4 decoder model. Boxes with smart-card encryption start around EUR 80. http://compare.eu/?cat=satrecv&xf=273_DVB-T2&sort=p.

transition. In addition to providing set-top boxes, the operator would also have to establish a distribution system and a support network that helps households to receive and install the boxes and new antennas with their old TV sets.

The Digi.TV project, which focuses on facilitating the digital switchover in South-Eastern Europe, found that personalized vouchers are the best way of delivering subsidies for set-top boxes. Such vouchers should allow consumers to purchase any digital receiver – digital terrestrial TV, cable or digital satellite⁵⁰ – to avoid market distortions and ensure that people in areas that were covered by analogue terrestrial signal but are not covered by DVB-T2 can receive the signal through other platforms.⁵¹

Provision of alternative access in areas not covered by DVB-T2

Receiving the TV signal via satellite will be the only alternative access in remote and mountainous areas where the DVB-T2 signal is not available, as cable/IPTV providers usually cannot provide services in these areas either.

Currently, three satellites carry Georgian TV stations:⁵²

- Turksat 3A is the only satellite that offers a range of Georgian TV channels free to air, meaning that no subscription to a pay-TV provider is required to watch these channels. Its portfolio currently includes the GPB's Channel 1, Adjara TV, Imedi, Rustavi 2, Maestro, TV3, TV25, Kartuli TV and 5 Georgian radio stations, including the GPB's Radio 1.⁵³
- Turksat 2A offers Rustavi 2 and Objektivi as free to air channels.⁵⁴ It also carries the pay-TV package of Black Sea Sat, which includes some 30 Georgian channels, including those of the GPB, Imedi, Rustavi 2 and Maestro, with a basic package starting at GEL 10/month.⁵⁵
- Astra 1E carries MagtiSat's pay-TV package, starting at GEL 10/month, which includes numerous Georgian channels, including the GPB's Channel 1 and 2, Imedi, Rustavi 2, Maestro and others.⁵⁶ All Georgian channels are encrypted, and thus only accessible to subscribers.⁵⁷

With both pay-TV satellite providers, in addition to the GEL 10/month for the basic package, additional costs may arise for the purchase or rent of the decoder box and installation of the service.

⁵⁰ Additional criteria could require that subsidized set-top boxes have to be based on an open application programme interface (API) and ensure interactivity, which would allow users to take advantage of services like video on demand.

⁵¹ See: Digi.TV (2011): Guidelines for the Funding Framework for the Digital Switchover, p. 17 on the Croatian subsidy model, http://www.see-digi.tv/shared_files/wp3/wp3a5.pdf.

⁵² With two exemptions: the music channel Stereo+ is on Eutelsat 16A, the pay-TV package of GDS is on Eutelsat 36B, <http://www.lyngsat.com/freetv/Georgia.html>.

⁵³ <http://www.lyngsat.com/Turksat-3A.html>.

⁵⁴ <http://www.lyngsat.com/Turksat-2A.html>.

⁵⁵ http://bssat.ge/index.php?lang_id=ENG&sec_id=22.

⁵⁶ <http://www.magtisat.ge/index.php?page=packages>.

⁵⁷ <http://www.lyngsat.com/Astra-1G.html>.

Recommendations

- The government has a responsibility to ensure that no economically or socially vulnerable groups are excluded from access to television after the transition. Thus, the government should be prepared to take on a bigger role in providing subsidies, information and assistance to vulnerable households than it is currently planning to do. There is a risk that if the role of informing and educating consumers about the switchover is delegated only to the MUX operator, it might be too little, too late.
- Rather than requiring the MUX operator(s) to provide hundreds of thousands of free set-top boxes, a **Digitalization Fund** should be set up, into which the government (which may later receive significant income from the auctioning of 800 Mhz frequencies for 4G/LTE mobile broadband internet that become available as a result of the digital switchover) and other major actors that benefit from the switchover should contribute, including the MUX operator(s). Digi.TV has highlighted this approach as a best practice in South-Eastern Europe. The Fund, which could be administered by the MoE or the GNCC, would be used to pay in a transparent manner for projects and efforts that are directly connected to the digital switchover, including for vouchers for set-top boxes, a public information campaign and possibly for innovative pilot projects that promote digital television.⁵⁸ An example for such an approach is the Austrian digitalization fund.⁵⁹
- The MoE and GNCC should consider how subsidized set-top boxes can be delivered in a technology-neutral way so that the audience is not locked into one provider, also ensuring that households in remote areas that currently receive an analogue terrestrial signal but will not be covered by DTT will have access to free to air channels via satellite. Personalized vouchers for receivers appear to be the best option.

⁵⁸ Digi.TV (2011): Guidelines for the Funding Framework for the Digital Switchover, p.8, 12 to 14, http://www.see-digi.tv/shared_files/wp3/wp3a5.pdf.

⁵⁹ <https://www.rtr.at/en/df/Digitalisierungsfonds>.