

The coming contenders

There are 487 free-to-air (FTA) Arabic satellite TV channels broadcasting on Arabsat, Nilesat and Noorsat, in addition to the dozens of ailing terrestrial channels.¹ The region's media landscape has become saturated, as indicated by the drop in the number of new channels going on air, from 104 between August 2007 and March 2009 to just thirteen during the financial year to April 2010.²

When it comes to pan-Arab satellite news channels, there has been no major entrant into the broadcasting arena since the Saudi-backed Al Arabiya, part of the MBC Group, went on air in 2003 in response to the Qatari-owned heavyweight, Al Jazeera.

There have certainly been attempts to contend with the two big players, yet the numerous Arabic-language news channels launched by governments in recent years to win hearts and minds, such as by Britain (BBC Arabic), Russia (Russiya Al Yaum), Iran (Al Alam), China (CCTV) and the United States (Al Hurra), have not drawn the same audience figures.

The Arab world's news duopoly is set for a shake-up, and it is to come from two ventures that are connected to one of the world's biggest media organizations, Rupert Murdoch's News Corp. The common thread is Saudi Arabia's Prince Alwaleed Bin Talal, head of Kingdom Holdings Company (KHC)³, which owns the entertainment group Rotana.

The Rotana tie-up

It has not been good times of late for KHC, with the value of the firm's overall assets slumping 44.4 percent in the fourth quarter of 2008, a \$8.26 billion net loss. This year the investment firm reported gains, netting profits of \$20 million. But the Rotana Group, which has six TV channels⁴, radio stations, a digital media group and is the world's largest producer of Arabic music⁵, has reportedly been struggling in the changing media landscape, a reason analysts believe Prince Alwaleed is mulling the option of selling stakes in the group through an initial public offering (IPO) sometime in the next two years.⁶

It has also been suggested as a factor behind the Lebanese Broadcasting Corporation's (LBC)

1 Satellite TV in the Arab World 2010 Report, April 2010, Arab Advisors Group

2 *Ibid*

3 Kingdom Holding is 95 percent owned by Prince Alwaleed, the nephew of King Abdullah. The firm most prominent stake is in Citigroup, hotel chain The Four Seasons, Movenpick and News Corp.

4 Cinema (movies), Clip (music clips), Moussica (contemporary music), Resala (religious), Tarab (classic music) and Zaman (classic movies)

5 Faced with widespread piracy in the region, Rotana has lowered the cost of music CDs to retain sales, from 45 Saudi Riyals (\$12) to 15 Riyals (\$4), the same as a pirated CD. Sales quadrupled. - "Rotana aims to sink pirates with low cost for content", Keach Hagey, The National, February 3, 2010.

6 Alwaleed moots Rotana Holding IPO", April 27 2010 - www.ameinfo.com/230862.html

decision to lay off 140 staff earlier this year.⁷ LBC-SAT is 85 percent owned by Prince Alwaleed, a stake the mogul has gradually increased since buying into the channel in 2000 with a 49 percent stake.⁸ LBC SAT and Rotana merged in 2007.

On the other hand, the shake-up at LBC is attributed to a need to improve content and coverage on LBC, while Prince Alwaleed said that the IPO is to enable Rotana to actively expand its operations in the Middle East.

The group has certainly been upping its offerings, launching channels Fox Movies and Fox Series in the Middle East while signing a \$26.7 million licensing content agreement in December 2009 with the Walt Disney Company to air the American entertainment giant's content under a four-year accord.⁹

The launch signaled the biggest entry into the Middle Eastern television landscape by global media powerhouse News Corp. since the company bought Turkey's TGRT TV channel in 2006 and renamed it Fox Turkey in 2007.¹⁰

It is no surprise that News Corp. - which has a global presence with the Fox network, Star TV Network, Sky News, dozens of newspapers and employs some 64,000 people – should enter into a production sharing agreement with Rotana, given that Prince Alwaleed has 7 percent, or 56 million shares, of News Corp's class B stock and is the largest shareholder outside of the Murdoch family.

But News Corp's move into the Middle East only really began when the Murdoch-led company acquired a 9.09 percent stake in Rotana in February for \$70 million. The deal led to speculation that Fox News will launch an Arabic version to compete with pan-Arab news rivals Al Jazeera and Al Arabiya, but Prince Alwaleed shot this down.

"I don't visualize a situation whereby Fox News would be broadcasting in Arabic," he said, adding that the partnership would help Fox News and the United States to "understand the Arab world better."¹¹

Four months later comes the bombshell that Prince Alwaleed is to launch, independently of Rotana, a 24-hour Arabic news channel "in partnership" with the Fox network. It did not faze

7 ["Lebanon's LBC TV Rides Layoffs Wave Ahead of Murdoch Buy-in, Arab Media Market Expansion," Magda Abu Fadil, Huffington Post, November 1, 2009](#)

8 Prince Alwaleed bought the shares off Saudi media mogul Saleh Abdullah Kamel for \$100 million. Prince Alwaleed also owns stakes in two daily Lebanese newspapers, 17% of Al Nahar and 25% of Al Diyar.

9 "Rotana signs \$26.7m TV deal with Walt Disney," Bloomberg, 13 December 2009. Rotana has also inked a deal with Yahoo Middle East that will provide free access to multimedia content from Rotana – including music, films, TV, radio and Ramadan features – through Yahoo's recently launched video channel. "Yahoo tunes in to Rotana for content in Arabic", Ben Flanagan, The National, July 8, 2010

10 This year strategic partnership was also struck between Fox International Channels and Abu Dhabi's twofour54.

11 *Ibid*

Prince Alwaleed that the region is inundated with satellite channels, or that the channel would have to compete with the Qatari and Saudi channels.

"We no longer have a void in the Arab world as it is now heavily occupied," Prince Alwaleed said in a statement issued by the KHC. "Therefore the new news channel is going to become an addition and an alternative for viewers. Our personal aim is to achieve this."¹²

An Arabian Fox?

The channel is going to be headed by the ousted former editor-in-chief of Saudi newspaper *Al Watan*, Jamal Khashoggi.¹³ No time frame has been given for when the channel will launch. Prince Alwaleed said that the channel's business model will follow those of Fox in the US and Sky News in Britain.

"Fox in the US is gung-ho, flag-waving American, so would an Arabic Fox reflect the attitudes of the Arab street? That would mean anti-American, anti-Israel, even perhaps pro-jihadi," said an Arabic news editor that wanted anonymity.

The closest model for the new channel could be Fox Turkey, which competes with Turkish news channels NTV, 24, Bloomberg HaberTurk and satellite channel CNN Turk.

"Fox Turkey is pro-government and popularistic. However, the channel depends more on its programming, with game shows and serials being the mainstays, while they have a few spin-off channels, such as Fox Life, FX, and Fox Sports, though most of these are just dubbed into Turkish and only available over satellite or cable. Just as in the US, Fox is more of a popular programming channel with little news focus," said Jason Nash, an Istanbul-based business analyst.

But while Prince Alwaleed had implied that the channel was linked to Fox, Khashoggi later denied this in an interview with the Saudi-owned website Elaph (based in Britain). "The news channel will [not] work according to the agenda of the media channels owned by Rupert Murdoch... [he] stressed that the channel will be professionally and technically independent."¹⁴

Khashoggi said that the channel "will not have a liberal direction as rumored, but it will express the needs of the Saudi and Arab public through a reformative, and developmental line that serves human development away from the futility of preconstructed ideologies and agendas."

In a further interview, in the *Financial Times*, Khashoggi said: "It's going to be an interesting

12 "Saudi tycoon to launch 24-hour news channel," AFP, July 7, 2010

13 Khashoggi resigned earlier this year after *Al Watan* published an opinion piece questioning Salafism in Saudi Arabia. The article, written by Saudi poet Ibrahim Al Almaee, was published while Khashoggi was out of the kingdom. Khashoggi later claimed that he did not agree with the points made in the article - "Prince opens channel with Fox," Ben Flanagan, *The National*, July 6, 2010

14 "Khashoggi to start a news television channel," Elaph, July 6, 2010 – translated Mideastwire.com

channel, pushing for reform, pushing for new ideas in the Arab world. There's a need for a channel with a Saudi mindset that is more aggressive, bolder, and our research shows people want that.”¹⁵ Khashoggi hinted that the channel may be based in one of the media cities in Dubai, Abu Dhabi or Manama.

Khashoggi's statement that the channel will not follow the agenda of Murdoch's media empire appeared somewhat strange at the time, given Prince Alwaleed and Murdoch's close relations and business ties. However, further news suggested that much has been going on behind closed doors.

In mid-July, British pay-TV company BSkyB - 39 percent owned by News Corp. - announced that it is in talks with a private Abu Dhabi investor to launch a free-to-air Arabic-language news channel under the Sky News brand. According to Abu Dhabi-owned *The National*, a senior source at Sky told the newspaper that a Saudi backer was also behind the new channel.¹⁶ Such news has prompted some to speculate that not two, but only one news channel will launch.

As media commentator Keach Hagey put it: “Could these channels actually be one and the same? Prince Alwaleed told Bloomberg TV earlier this year that he wants his channel to be based on the business model of Sky, and Fox is generally an entertainment brand, not a news brand, in the Middle East. For the moment, these appear to be two potentially competing ventures.”¹⁷

But two new players on the bloc may pave the way for consolidation, given the high costs of bringing out 24 hour news.

The Sky news announcement “brings the number of [major] pan-Arab news channels to at least four and there could be more on the way. That's more than most other TV markets can support so we're expecting it to open the way to consolidation,” Rob Beynon, the chief executive of DMA Media Middle East, told *The National*.¹⁸

How the channels will be funded is not clear, but to launch a channel will require tens of millions of dollars if the finances of other news channels are anything to go by. When the United States government launched Al Hurra in 2004, the initial budget was around \$60 million. Last year, it was \$128 million.¹⁹ In the case of Al Jazeera, which has struggled to survive on advertising revenues (largely due to Saudi pressure on advertisers not to cooperate with the channel or face difficulty marketing in the region's biggest consumer market), there are

15 “Tussle of Arab news stations set to heat up,” Andrew England and Robin Wigglesworth, *The Financial Times*, July 17, 2010

16 'Sky in talks over Abu Dhabi channel', Ben Flanagan, *The National*, July 14, 2010

17 “[Another Arabic news channel?](http://dyn.politico.com/blogs/onmedia/index.cfm/tag/SaudiArabia)” *Politico.com*, July 14, 2010 - <http://dyn.politico.com/blogs/onmedia/index.cfm/tag/SaudiArabia>

18 “Sky News in talks to launch Arabic TV station in Abu Dhabi,” Ben Flanagan, *The National*, July 14, 2010

19 “Al Hurra: Propaganda tool or voice of the people?,” John Parnell, *Digital Media Production Middle East*, June 23, 2009

reports that the Qatari government injects some \$400 million into the network every year.²⁰

Al Arabiya has also been a costly venture, with MBC admitting it has lost money since the channel launched, even though it claims to attract eight times more advertising revenue than Al Jazeera.

“If you take news stations standing on their own, they will definitely have big difficulties in the market,” said Abdul Rahman al-Rashed, Al Arabiya's general manager, to the *Financial Times*. “If you look at Al Arabiya, without MBC it is a loss; not just a loss, it will be another 10 years before it makes money on its own without the MBC Group.”

Media silence

While the launch of the new channels will no doubt spark much debate in the region whenever it happens, News Corp. buying into Rotana and the announcement of Prince Alwaleed's news channel have not provoked much reaction. Details of the deal and the new channel have been confined to the business pages of newspapers, magazines and online news outlets.

“Rotana is, by Arab world standards, a large media company, and the lack of any attempt at exposing the link between it and a company that has done so much harm to the image of Arabs and largely shaped US public opinion before the war on Iraq, till this day, shows [that journalists have experienced] a level of fear and intimidation,” said Ramzy Baroud, author, syndicated columnist and former Al-Jazeera producer to Arab Media & Society.²¹

“Those daring enough to expose the link might not have the kind of publicity, level of penetration and influence to even make a dent in public opinion in the Arab world. It is surprising that the leftist media is largely muted on this; but once again, it further demonstrates the lack of appreciation of the role of media in society. If this happened in many other parts of the world, it would've been a major topic for discussion, as has indeed been the case whenever News Corp made similar moves,” he added.

Indeed, when News Corp. bought Dow Jones, owner of *The Wall Street Journal*, in 2007, bloggers hastily started typing and opinion editors held back contributions to run a commentary. But when it came to the News Corp.-Rotana deal, it was if it had never happened and was of little significance. With a few notable exceptions, Arabic media has been quiet on the deal, despite its potential ramifications for Middle Eastern media.²²

Perhaps editors thought that the news channel will not make much of an impact when it

20 “Wadah Khanfar on a life and death struggle,” Claire Ferris-Lay, *Arabian Business*, July 8, 2010. Khanfar is the director-general of Al Jazeera. For more information on Saudi Arabia's pressure on advertisers see Hugh Miles' *Al Jazeera: The Inside Story of the Arab News Channel that Is Challenging the West* (New York: Grove Press, 2005).

21 Baroud is also the editor of *PalestineChronicle.com*, and author of “My Father Was a Freedom Fighter: Gaza's Untold Story.”

22 Fox News did not respond to questions sent by the author.

launches, given the number of satellite channels already broadcasting in the region. But one might have thought that in the Middle East, of all places, there would have been more than a muted response to the entry of a media empire that banged the drums of war louder than any other organization for the invasions of Afghanistan and Iraq, and, moreover, is ardently pro-Zionist.

Such connections were not lost on the independent leftist Lebanese newspaper *As-Safir*. In a commentary Sateh Nouredine argued that Prince Alwaleed will not be able to counteract News Corp.'s ideological reputation if he says that "American and western media as a whole are anti-Arab, anti-Muslim, and pro-Israeli" ... This [tie-up with News Corp.] does not serve the effort to move Saudi society and the Arab and Gulf societies in general towards the atmosphere of liberalism but might rather push them into the arms of Osama Bin Laden."²³

The region's media silence in many ways reflects the course Middle Eastern media have taken since their inception, from a nationalist, often pan-Arab bent in the first half of the twentieth century in tune with the post-colonial world, to one primarily government-owned in line with the interests of the state, the elite and in the cases of countries like Lebanon, politically partisan.²⁴ Then came private media and commercialization in the 1990s with the rise of satellite and cable TV, such as the Saudi Arabian-owned MBC network, the ART network owned by Saudi Arabian Saleh Abdullah Kamel, and Orbit, a member of the Riyadh-based Mawarid Group, which recently merged with Showtime Arabia, a subsidiary of Kuwaiti investment firm Kipco.²⁵

While in the West media ownership has become increasingly consolidated into a few major players, the Middle East's major media outlets have long been in the hands of just a few, and primarily Saudi, players that are connected to the ruling class with an interest in maintaining the status quo.

For instance, Prince Alwaleed has a dominant stake, as noted, in LBC-SAT, and stakes in Lebanese newspapers *An Nahar* and *Al Diyar*, while Saudi Prince Khalid bin Sultan is also a shareholder in LBC and owner of the pan-Arab newspaper *Al Hayat*.²⁶

Such tight media consolidation invariably means that journalists and editors do not want to rock the boat or endanger their future job prospects by critiquing the deal.

23 "The Rotana partnership with Murdoch," Sateh Nouredine, *As-Safir*, February 28, 2010 – translated by Mideastwire.com

24 Iraqi media has also followed this track in the post-2003 environment with dozens of channels launched and the majority connected to political and/or religious parties and governments. See "Iraq: A Diverse Media," David A. Rousu, *Arab Media and Society*, Issue 10, Spring 2010 and "The 'Lebanonization' of the Iraqi Media: An overview of Iraq's television landscape," Paul Cochrane, *Transnational Broadcasting Studies*, Volume 2, Number 1, 2006.

25 The Orbit-Showtime Arabia merger happened in 2009, to form the "biggest Pay-TV platform" in the region with some 70 entertainment and sports channels - "Showtime Arabia and Orbit merger is complete," Emma Goma, *Arabian Business*, August 11, 2009

26 See "Saudi Arabia's Media Influence," Paul Cochrane, *Arab Media and Society*, October, 2007

“Media tie-ups, buyouts and consolidations have grown to become the modus operandi of today’s media world; it is inherently dangerous as far as diversity of opinions, democracy – or potential democracy – and freedom of expression are concerned,” said Baroud. “However, in the case of the tie-up between Rotana and News Corp., the extent of the harm is much worse, and more pressing. The Arab world is yet to even appreciate the extent of the problem. It’s very unfortunate. Rupert Murdoch’s News Corp is more than a media company with an eye on profits. It has political and even ideological dimensions that are hardly hidden. By providing it with that opportunity under the guise of technology transfers, or whatever, Rotana has introduced a menacing new factor to scattered Arab media, which already lack true, authentic identity, and will have little chance standing up to a global giant like News Corp. And the latter doesn’t stop at 9 percent ownership of anything; its model is predicated on constant and rapid expansion. It is hard to imagine a good scenario emerging out of this tie-up,” he added.

Indeed, Prince Alwaleed gave an indication at the announcement of the tie-up that News Corp.'s acquisition is motivated by more than just profit. "This (News Corp) transaction values Rotana at more than \$800 million... But the transaction is way, way beyond finance... Rotana does not need to be financed. It has near zero debt," he said.²⁷

Murdoch echoed Prince Alwaleed when speaking at the Abu Dhabi Media Summit in March. “To be frank, Rotana does not really need our financing. We are partnering with Rotana for something more ambitious: to tap into Arab talent and ultimately produce original Arab content for markets here and abroad.”²⁸ The Rotana deal allows News Corp. to up its stake after 18 months to 18.8 percent for another \$70 million.

A lot of questions still hang in the air about News Corp.'s entry into the region's media landscape and how the upcoming news channels will fare. There is already talk that the Prince Alwaleed and Sky ventures will be seeking to poach journalists and anchors from Al Jazeera and Al Arabiya, while Al Jazeera has indicated that the network will up investment to be more than prepared for new contenders.

Two new channels may of course be beneficial for media freedoms in the region, making it harder for governments to restrict four channels rather than just Al Jazeera and Al Arabiya. Yet it may not make any difference given the provenance of the channels.

The channels may be used as tools to stoke tensions between Gulf countries – best exemplified by the spats between Saudi Arabia and Qatar over Al Jazeera and Al Arabiya – and over wider geopolitical issues, such as Iran, Iraq and Yemen. And crucially, will these new channels “objectively” cover stories in their headquarters' countries?

Both Al Jazeera and Al Arabiya have been banned in certain countries for reporting uncomfortable truths, yet do not apply the same journalistic ethos when it comes to airing dirty laundry in their home countries. But knowing which stories should run and others to be avoided is a compromise News Corp. knows how to make, having struck a Faustian bargain with

27 “Saudi Rotana bets on News Corp to lead Arab media,” Reuters, February 23, 2010

28 “The Greatest Resource of Them All”, Rupert Murdoch, Abu Dhabi Media Summit, March 9, 2010

China's censors and state broadcasters to be able to air in the world's most populous country.²⁹

Furthermore, Murdoch and Bin Talal are powerful and influential men; men that could stand up to power but more often than not go along with it, and shape the discourse of power. Murdoch after all had a hotline to British Prime Minister Tony Blair during his time in office, and the two talked three times in nine days in the lead up to the invasion of Iraq.³⁰

Ultimately, it is too early to tell what these new ventures will entail, but the region's news duopoly seems set for a shake up.

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29 "Murdoch's Dealings in China: It's Business, and It's Personal," Joseph Kahn, The New York Times, June 26, 2007

30 *The Independent* obtained the details of Murdoch and Blair's phone calls through a Freedom of Information request. "Planet Murdoch: is nothing out of his reach?" Stephen Foley, The Independent, August 2, 2007