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In the Land of the 'Coffeenet'

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Sitting down to write this article at a desk some 30 miles south of central London, and less than one degree west of the Greenwich meridian, I became immediately more conscious than usual of geography. The frequently interwoven use of such western-centric cartographic labels as Middle East, and Far East, with the geographically more precise terms of Western or Central Asia, and East and South-East Asia, sometimes causes us to confuse the actual proximity of Europe's, much larger, near-neighbour.

Commonly considered to fall within the, terminologically familiar, Middle East is Iran, one of a number of Western and Central Asian countries that continue to cause satellite sales executives to salivate at the prospects offered by a largely untapped, and in the case of Iran, rather complex, communications market.

Appreciation of the nature of those prospects rests on an understanding of the capriciousness of domestic policy and regulatory shifts which continue to affect Iran's Internet and satellite communications markets. The Iranian communications market is growing, and potentially very large. The GVF's local eyes and ears are comprised in our Iran-based members, one of which, the Iran ISP Association, itself represents many other individual commercial ventures bringing Internet access to Iran's private and public sectors. Noting this growth trend, the GVF, in partnership with the Iran ISP Association, has organised a satellite summit to address key commercial and regulatory issues affecting Iran and adjacent national satcoms markets. Terminological familiarity has led us to call this event the Middle East Satellite Summit 2003!

In a two-day programme, which immediately precedes the 4th International Telecommunications, Information Technology, Networking & Broadcasting Trade Fair - Iran Telecom 2003, the Summit will examine the perspectives of a range of players. From government to satellite operators, from network service providers to end-user case studies, the October 1-2 Summit will provide a forum to facilitate a wider understanding of current local market conditions. Such an understanding was recently aided by a report, 'Middle East Satellite Communications' # from UK consultant DTT.

This writer would like to formally acknowledge DTT's original, comprehensive, and extensive regional research, the Iran chapter of which having inspired much of this brief overture to the subject. However, whether concurring or differing in view from DTT's research, the expression of opinion here is mine alone.

Historically, conservative elements of Iranian society have sought to encourage a profound hostility to modern communications in all its forms, or at least those that cannot easily be monitored for compromising the territorial integrity of the Islamic Republic or causing the moral turpitude of its citizens. Those elements have centred on the Supreme National Security Council and have sought to oppose the modernising and reforming parliament. For this, and other, reasons the facility of Internet access in Iran has historically been somewhat precarious.

Yet, although Iran was a relative latecomer to the Internet, the liberalising policy impact of the reformers at the beginning of the decade was such that private sector companies were permitted to become ISPs. With web and mail servers often located beyond the domestic reach of conservatives, the new commercial service providers showed their sensitivity to the dynamics of policy change by, for example, coping with rulings that sought (in that oh so familiar way) to protect the sinecure of the incumbent telco, TCI.

But, stimulating such rulings was not either antipathy towards the evils of western web pornography or the need to protect the profits of a less than fully efficient telco, but a combination of the two, the precise emphasis depending on the cyclical predominance of conservative and reformist zeal.

Business Middle East, part of the Economist Intelligence Unit, reported that, in mid-May 2001, some 450 coffeenets - the local name for Internet cafés - were temporarily closed down by the Tehran police. Closed on the grounds of lacking permits to operate, the coffeenets in question all offered satellite broadband access, which was initially taken to suggest that the closures were inspired by censorship. However, according to the report, there may also have been commercial motives associated with potential future revenue streams into TCI, possibly linked to government claims about a new satellite bandwidth proposal.

The Iranian diaspora generates a great deal of voice traffic - a revenue stream jealously guarded by TCI. Incursions into the telco business model charging US\$1-a-minute by private ISPs offering satellite Voice over IP (VoIP) at US\$0.06-a-minute were bound to provoke a commercially orientated reaction. The May 2001 clamp down against mushrooming access to the Internet was just such a reaction. Quoting from DTT's research, a TCI official was reported as having said "his company was determined to regulate long-distance calls through the Internet" -

"TCI seriously plans to oversee Internet telephony because it is a source of company income, and tax revenue to the government from long-distance phone calls is US\$50 million (400 billion rials) a year,"

Not surprisingly, Iran's cultural conservatives do not encourage satellite antennas as roof top, balcony or back yard accessories. Yet despite the threat of heavy fines for having installed DTH equipment, many Iranians have become quite adept at

camouflaging antennas, the most obvious give-away of the capability to receive western TV programming. Moreover, installations that are confiscated somehow seem to fuel the second hand market on the streets of Tehran!

This is another reflection of the dynamics of the conservative vs. reformist balance of power, wherein the actual implementation of prohibitions on one-way antennas has been tempered by the liberalising agenda of a progressive President Khatami looking to enhance media freedom. As to whether the more liberal elements in Iranian society are likely to extend the parameters of their efforts to modernise and diversify the domestic economy - 80% of export revenues come from oil and gas; the terrestrial communications infrastructure is ageing; an inefficient high-tech sector lacks investment - to include relaxation of rules prohibiting two-way satellite systems, is doubtful.

Statements from successive Communications Ministers strongly suggest that two-way satellite-based Internet access for the mass consumer market will remain unlawful, a prohibition that will continue to extend to coffeenets. However, it is unlikely that the door to two-way Internet in Iran will remain completely closed to corporate interests, providing niche market opportunities for new players in the ISP market. Indeed, the Iran ISP Association reports healthy recent growth in its membership.

The Iran Internet and satellite market is surely in a state of constant change as a result of a complex interplay of market and powerful non-market forces. But, new ground is being broken, and new refinements to business models are being developed - the mood is bouyant. It is the interplay of these different forces, and the consequences for the satellite community, the Internet community and the end-users that the GVF/Iran ISP Association Middle East Satellite Summit will explore in Tehran.

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