



Your ref.: CB1/BC/11/02

CABLE TV

28 October 2003

Miss Polly Yeung
Clerk to Bills Committee
Legislative Council
8 Jackson Road
Central
Hong Kong

Dear Miss Yeung,

Broadcasting (Amendment) Bill 2003

Thank you for your letter of 9 October.

We say technological measures alone cannot combat unauthorized viewing because we and other members of the pay TV industry have experienced their inadequacy. As early as August 2001, HKCTV deployed the technology of "Intrusive Flashing Unit" (IFU) to interfere with the reception of HKCTV signals by analogue unauthorised decoders. The first version IFU was got round in only a few weeks time. HKCTV had to deploy second version IFU. Not surprisingly, this was hacked shortly after deployment and HKCTV had to change the version of IFU again. The repeats of such attack and counter-attack cycle created a lot of business opportunities for the sellers of unauthorised decoders. Such business was so lucrative that the illicit sellers could even provide their customers with dedicated after-sales service whereby the customers could have their defunct decoders *re-tuned* each time when HKCTV changed the IFU at merely dozens of dollars.

Given the inadequacy of IFU, HKCTV had no alternative but spend hundreds of millions dollars on digitization. Unfortunately, pirate digital devices became available in the market 18 months after HKCTV had installed its digital encryption system. As a result, HKCTV had to make further investment to disable the illicit digital devices. We anticipate that such cat-and-mouse game would become endless unless and until there is an effective restraint on the demand for such illicit devices.



Overseas subscription TV broadcasters have had the same suffering as ours, as detailed in the attached paper by Nagravision.

We trust the said experiences of the local and overseas subscription TV broadcasters are the best evidence that technology measures alone cannot combat unauthorized viewing.

Taking this opportunity, we would like to clarify an issue mentioned by OFTA in the Bills Committee meeting on 7 October 2003. OFTA said they had confiscated from their raids decoders which had the same appearance as the genuine boxes of HKCTV. We would like to underline that each time when we received (mostly from our subscribers) a report of loss of digital box, we would immediately disable the smart card of that digital box, thereby rendering that specific digital box useless. If that box became useful after it was transferred to the peddlers, the only explanation is that the peddlers had deployed a pirate smart card to resuscitate the defunct box. By law, the resuscitated box is still unauthorized despite its appearance.

Yours sincerely,

Eric Lo
Executive Director - Cable Subscription Services

Encl.