

Television Broadcasts Limited

Presentation Paper to

The Legco Panel on Information Technology and Broadcasting on The Second Consultation on Digital Terrestrial Broadcasting in Hong Kong For the Meeting on 8 March 2004

Honourable Members,

Television Broadcasts Limited (TVB) thanks the Panel for the opportunity to present our views on the Second Consultation on Digital Terrestrial Broadcasting in Hong Kong.

TVB strongly believes that the success of DTT in Hong Kong depends critically on the Government instituting policies which are designed to achieve the following objectives:

- ◆ *To maximise the benefits of DTT for the people and economy of Hong Kong, and*
- ◆ *To speed-up DTT adoption aiming for earlier analogue switch-off.*

Experience gained from the launch of DTT in other markets indicates clearly that the introduction of DTT would fail without well thought out policies and adequate consumer incentives. The Government's Second Consultation Paper does not contain enough such considerations.

TVB believes that the following recommendations are essential for the success of DTT in Hong Kong:

1. **TVB recommends that Hong Kong must have one single DTT standard.**

TVB strongly disagrees with the proposed "Market-led" – "Each-operator-to-decide" – approach to the decision on the DTT Standard for Hong Kong:

- ◆ *If different operators use different DTT standards, consumers would have to purchase one set-top-box (STB) or integrated*

digital TV set (idTV) for each standard. This would be costly and inconvenient for the public and would also lead to confusion.

- ◆ *Multi-system STBs and digital TV sets will not be available until market maturity and such multi-system appliances will cost considerably more.*
- ◆ *It would cost consumers even more to keep up with the changes if multiplex operators were to change standards due to market competition.*
- ◆ *The above inconvenience and costs would definitely slow-down DTT adoption and lead to the delay of analogue switch-off.*

2. *Hong Kong's DTT standard must be the same standard as the Mainland's, irrespective of whether the Mainland adopts its own newly developed standard or any other existing standard.*

- ◆ *Having the same DTT standard would mean inexpensive STBs and idTVs for the people of Hong Kong. This would be a tremendous incentive for DTT adoption.*
- ◆ *Mobile reception and good quality portable reception are important new consumer benefits of DTT. As two-way travel between Hong Kong and China is now an essential and important part of daily life, a common Hong Kong-China DTT standard would be of great benefits to both Hong Kong consumers and visitors from the Mainland. Indeed we expect more and more consumers would consider this a necessity because in the digital era, TV will be relied upon to provide not only entertainment but also vital information services.*

Failure to recognise such highly likely developments and thus the importance of a common standard is indeed short-term thinking.

- ◆ *Having the same DTT standard would mean that multimedia applications, middleware and standard-dependent devices*

developed for Hong Kong by our telecommunications, broadcasting and IT industries would find an additional huge market in China because of our language-compatibility. This would induce more investment in these industries and bring about great economic benefits for Hong Kong.

◆ *A common DTT standard will undoubtedly contribute to greater economic integration with the Mainland. The importance of this contribution cannot be under-estimated because digital technology is advancing and converging at an unstoppable speed.*

◆ *All the above benefits, in turn, will speed-up DTT adoption.*

3. *In order for Hong Kong to be assured of having a common DTT standard with the Mainland, we recommend that the Hong Kong DTT launch date to be set after the Mainland has announced its choice of standard. Hong Kong's DTT launch will not be rendered uncertain because Mainland China's launch of DTT is clear – It is tied to the objective of providing a world-class showcase for the 2008 Beijing Olympics.*

◆ *Hong Kong's decision would be seen as a wise and forward looking decision which maximises the potential of economic integration with the Mainland market and confers great consumer benefits, thus enhancing the confidence of DTT adoption in Hong Kong. We strongly believe that experts in DTT adoption strategy would unanimously concur with our view. After all, the success of DTT is not early introduction but rapid adoption.*

4. *We recommend that there should be guaranteed availability of high definition TV (HDTV) services so that DTT introduction truly provides a product benefit that is new and currently unavailable to the consumer. The vital importance of product differentiation as a tool for the adoption of new technology is proven and undeniable.*

The people of Hong Kong have been enjoying digital services with close to 200 SDTV channels on other platforms, such as Cable, Satellite and Broadband. Just providing more Standard Definition TV channels is insufficient to drive adoption.

5. Free TV can be a strong consumer incentive for DTT adoption as seen in the example of FreeView in the U.K. The Government must make provisions to enhance the Free TV business model in the digital era.

◆ *The provisions include the relaxation of programme and advertising regulations and the provision where necessary of bandwidth for high definition and enhanced TV Services.*

◆ *Only by making the advertising-funded business model of Free TV more robust in the highly competitive digital era, can the healthy provision of Free TV be ensured.*

◆ *We shall be making separate recommendations to the Government in this regard as part of the overall broadcasting and telecommunications review.*

6. As to the Government's proposed frequency plan, TVB agrees with the Government on the principle of no interference – there should be no interference on existing and future telecommunications and broadcasting services; and with services in neighbouring areas – to ensure coverage and good-reception of the DTT networks.

The speeding-up of DDT adoption should not be at the expense of the degradation of existing analogue services which are part of Hong Kong's emergency system besides being the people's major source for news, information and entertainment.

TVB, together with ATV, will be submitting a supplementary response at a later date to provide comments and interference assessment of the Government's proposed DTT frequency network plan after a more thorough study of extracts of the PA Consultant Group's report kindly provided by OFTA.

- 7. *The Government is an important player in the successful introduction of DTT in Hong Kong. The costs and efforts for the promotion of DTT take-up should be shared by the Government as well as all multiplex operators, programme service providers and additional services providers. And, TVB suggested that a committee should be set up for coordinating efforts in promoting the adoption of DTT in Hong Kong.***

The above are our primary recommendations on how Hong Kong could harness the opportunities offered by DTT for the benefits of the people and the economy. Our recommendations also help to define the Government's role in steering Hong Kong towards a world-leading pace of DTT adoption.

For TVB's response on other matters in the Second Consultation on Digital Terrestrial Broadcasting, Honourable Panel Members can refer to our forthcoming Response to the Communications and Technology Branch (CTB) dated 5 March 2004.

Thank you.

1 March 2004