

**Consumer Council  
Submission on  
Digital Terrestrial Broadcasting in Hong Kong**

**Introduction**

1. The Consumer Council welcomes the opportunity to express its views on the second consultation on digital terrestrial television (DTT) broadcasting in Hong Kong. The Council supports introduction of digital terrestrial broadcasting provided that consumers can have access to adequate television services.
2. The Council would like to respond to the following issues discussed in the consultation paper below:
  - Technical standard
  - Simulcast and transitional arrangement
  - Multiplex licensing framework

**Main Issues**

*Technical Standard*

3. The Council shares the view of the Government that introduction of DTT will enable Hong Kong to maintain its lead and competitiveness in the area of broadcasting and will allow for more competition in terrestrial broadcasting. The Council considers that delay in introducing DTT may impinge on the development of high definition television local content programmes with the result that choices to viewers/ consumers will be limited.
4. The Council also sees the benefits to consumers of DTT broadcasting in terms of improved picture and sound quality, reduced interference such as ghosting affecting particularly viewers in a hilly environment or areas with high-rise buildings.
5. Whilst the Council supports the Government's proposal to adopt a "market-led" approach, it has concern over the Government's decision to introduce DTT before a Mainland DTT standard comes onto the market. It is expected that mass production of consumer products such as set-top box and high definition television once the Mainland standard is promulgated will yield affordable prices. If the standard to be adopted in Hong Kong turns out to be different from the Mainland's DTT standard, Hong Kong consumers cannot enjoy the benefits of the result of economies of scale in manufacturing and will have to pay higher retail prices for the related products. From the perspective of operators and licensees, the potential for them to capture a larger market will be limited, hence a disincentive to new market entrants and less choices of network for consumers.

6. To address the problem of possible varying standards, the Council suggests the Government could introduce DTT without requiring the two analogue broadcasters, ATV and TVB, to start simulcast until the Mainland has promulgated its standard.

7. This allows Hong Kong's television viewers, when ATV and TVB starts simulcast, to capture the potential benefit of the economies of scale in manufacturing television sets and associated equipments by adopting the same DTT standard of the large market of the Mainland and hence consumers can access a wide variety of more affordable consumer products and digital content, particularly high-definition television programmes. The suggestion will not deny prospective new players market entry but rather will allow more competition in the terrestrial broadcasting market, both among new market entrants on the one hand and between new market players and the analogue broadcasters on the other. Moreover, the industry will gain experience in implementing DTT broadcasting and innovative services including digital transmission of specialized info-data to specified user groups may be launched to improve the quality of services to consumers.

8. Focusing on the Hong Kong market, the Council is aware of the fact that if different DTT broadcasters adopt different standards, consumers would need different TV sets, set-top boxes or remote controls in accessing different networks and this is of course inconvenient to consumers. However, with the "market-led" approach, it is believed that only those who subscribe to different networks will be affected in the initial stage. The Consumer Council hopes that as the market develops, manufacturers will have the incentive to make available multiple-standard reception devices to meet the growing consumer demand.

9. The Council is however mindful that broadcasters may use their proprietary rights to inhibit manufacturers from supplying multiple-standard reception devices in the market. The Council therefore considers it necessary for the Government to take active steps and measures to ensure interoperability and accessibility on a non-discriminatory basis to safeguard consumer interests.

#### *Simulcast and transitional arrangement*

10. The Council supports the Government's proposal that it will ensure smooth digital transition by guaranteeing the existing broadcasters adequate spectrum capacity to simulcast.

11. Nevertheless, the Council is concerned with an issue arising from digital transition, namely, whether a free-to-air service would continue after transmission is fully converted. The Council accepts that the existence of free-to-air broadcasting is largely dependent on the extent to which that service can attract an audience, and thereby attract adequate advertising revenue. Notwithstanding that, the Council believes that a basic, free television service is also considered to be an important medium in the community, providing not only entertainment services to the less advantaged, but also an avenue for

Government to disseminate, as widely as possible, information on emergency services and other important community announcements and information.

12. The Council therefore reiterates its plea, as stated in its response to the first consultation on DTT, that the Government should maintain an appropriate licensing regime to support the continued availability of free broadcasting service with basic features for the benefit of the under-privileged in the community, notwithstanding digital transition and regardless of the means to achieve it.

*Multiplex licensing framework*

13. The Council notes the proposal that multiplex licences be classified as carrier licences and as such will be subject to regulation under the merger and acquisition provisions of the Telecommunications Ordinance.

14. The Council supports the Government's proposal that there should be no restrictions on the type and number of licenses to be held by the services providers on grounds of promoting competition. The Council trusts that the Telecommunications Authority and the Broadcasting Authority will enforce the competition provisions in the Telecommunications Ordinance and the Broadcasting Ordinance to safeguard competition in the broadcasting market when there is consolidation amongst licensees or anti-competitive practices between licensees in the course of market development.

March 2004