

20 December 2005

Chairman of the
Panel on ITB
Present

Dear Sir

Further to your letter of the 22nd November 2005, we should like to submit the following for the consideration of the Panel on Information and Technology Broadcasting Meeting to be held on 9th January 2006, with regard to the pros and cons of DA Broadcasting in Hong Kong.

Firstly, it has always been CR's position that implementation of such technologies should be market-led. In other words, that the new technology solves a clear and present problem for the consumer in a method technologically and financially viable for both consumer and provider. Only if these criteria are met will the introduction of any new technology succeed.

The first and foremost question therefore is whether there is a clear need from the public that can only be fulfilled by DA Broadcasting.

In the past, two main advantages of DAB have been quoted; that it provides less interruption and a clearer signal for the listener and that it increases the number of channels and therefore volume of audio content available.

It is our view that an increase in the sound quality of audio transmissions is not a major concern for consumers. At the start of the information revolution, we believed, as did many others, that digital audio media would represent an across-the-board increase in sound quality. Over the last ten years however, it has become increasingly clear that for the vast majority of people, convenience, portability and ubiquity of content far surpasses technical audio quality as a plus. The vast up-take of Internet audio transmissions, compression technologies, MP3 as a standard music file type, portable MP3 players such as iPods and even cell-phone jingle downloads has been astonishing, despite the fact that the actual quality of the sound in all these cases is arguably lower than that of many analogue recordings played through quality equipment.

In the UK, where DAB has been the most enthusiastically introduced, the general perception by users of its advantages is that the increase in variety of programming outweighs the benefits of the increase in sound quality.

In the US, the introduction of satellite radio has been spearheaded, once again, by the advantages of the volume of different content that is available, rather than the comparative increase in reception quality.

Indeed, it would seem that for the average consumer, once a certain base standard has been attained, further increases in 'audio quality' are seen as much less important than comparative increases in the 'picture quality' of, for example, Digital Television and High Definition TV sets. This may explain why the rates of uptake for HDTV are so much higher than those of DAB.

If it is unlikely that DAB would appear vital to consumers due to an increase in perceived audio quality, the main justification for its implementation would seem to be an increase in the volume of audio media available and the related increases in 'variety' and 'choice'.

The next question therefore is to determine whether DAB offers the most commercially viable method of increasing the quantity of audio content available.

In this arena the competition is huge and growing constantly. The massive increases in Internet bandwidth and the introduction of various wireless technologies have created opportunities for companies in many different areas, not just those traditionally in 'media', to be able to offer content. These groups include ISP's, telephone companies, Internet portals and a whole range of subscription services offering downloads, MP3's RSS feeds etc.

The advantage that these companies have that is not shared by DAB, is that all this content can be offered over existing delivery infrastructures at little or no incremental cost, often by providers who already have subscription arrangements with customers for other products and services.

In addition, a DAB service in Hong Kong would offer a comparatively restricted quantity of additional content channels, or require providers to move into new areas, such as providing data and related services – again all of which can be offered via competing technologies and companies.

As a broadcaster, we know first-hand the fierce competition that exists for every advertising dollar. We also know that this competition is constantly increasing as new advertising outlets are created. We are not convinced that, in the current media and technology environment, requiring a brand new technology with its associated receiver costs on the part of the listener to be taken up and funded either through subscriptions or advertising would be commercially viable.

Our current position is that, while we support any technology that can improve the listening experience and augment our services, DAB is probably not viable as a business model in the current media and business environment of Hong Kong. Our prediction is that if allowed to be market-led, other technologies and delivery vehicles will naturally more than supply the additional media that could have been offered by DAB providers.