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# **POSITION PAPER**

**ON**

## **PROPOSALS IN THE ITBB CONSULTATION PAPER ON DIGITAL TERRESTRIAL BROADCASTING IN HONG KONG**

(Issued by the Information Technology and Broadcasting Bureau, 1 December 2000)

**Asia Television Limited**

**Television Broadcasts Limited**

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## **1. Introduction**

- 1.1 In this Position Paper, Television Broadcasts Limited (TVB) and Asia Television Limited (ATV) would like to restate our position on a few key Government proposals concerning the development of Digital Terrestrial Television (DTT) in Hong Kong.
- 1.2 Basically, our principal concerns and position on the Government's DTT proposals have remained the same as those outlined in our 26 February 2001 Response and 3 April 2001 Supplementary Response to the *Digital Terrestrial Broadcasting in Hong Kong Consultation Paper* (Consultation Paper) issued by the Information Technology and Broadcasting Bureau (ITBB), 1 December 2000.
- 1.3 Hong Kong's economy and world economic climate have changed considerably since the Government made the proposals and issued the Consultation Paper a year ago. We would like to take this opportunity again to express our views on key issues that could enable Hong Kong to harness the potentials of the future DTT industry.

## **2. The Fundamental Principle of Smooth Transition**

- 2.1 We believe that smooth transition is a fundamental principle in the introduction of DTT in Hong Kong. To cause the least inconvenience to the public and ensure that the least disruption to their TV services, whether digital or analogue, must be fundamental to policies and their implementation in the development of DTT.
- 2.2 There should be as little change to existing analogue frequencies as possible. Therefore, we have agreed to the proposal that Multiple Frequency Network Multiplexes (MFNs) should not be mandated to achieve territory-wide coverage to avoid disruption to existing analogue TV services (paragraph 4.7 of the Consultation Paper), if the Government insists on going ahead with the proposed frequency plan.
- 2.3 We would like to caution that the Government should not underestimate the problems of using Channel 35 and 37 for DTT. Asking or rather assisting video cassette recorder (VCR) users to make use of the audio-visual

input/output to replace the RF connection (4.9) is no easy task and would be quite costly. We urge the Government to consider taking up the responsibility of encouraging and/or assisting VCR users to do the switching rather than mandating the Single Frequency Network (SFN) operator to do so.

### **3. Pre-allocation of Existing Broadcast Services on MFNs**

3.1 We found the proposed pre-allocation of the digital simulcast of existing analogue TV programme services in MFNs (7.7), which could not achieve territory-wide coverage, MOST UNACCEPTABLE. Viewers not covered by these MFNs would be deprived of the benefit of our DTT services.

3.2 We proposed that instead of mandating the carriage on MFNs, we should be given the option to choose to be carried on multiplexes that would have territory-wide coverage.

3.3 We agree to the “ free must carry” principle in the Proposal in paragraph 7.7 of the Consultation Paper provided that the multiplex operators/licensees concerned do not charge viewers any fees.

3.4 It is also extremely unfair to mandate the concerned multiplex operators to promote the take-up rate of digital terrestrial television (4.23). This requirement is commercially unfair when compared with other multiplex operators. That would mean that these operators would be subsidising their competitors since, as proposed, they might have to supply or subsidise non-exclusive access Set Top Boxes (STBs) or integrated digital TV sets (idTVs).

### **4. The Role of Free Enhanced/Enriched TV in Hong Kong**

4.1 Again, we strongly believe that free terrestrial TV is a very effective driving force for the adoption of digital TV in Hong Kong if the domestic programme services are in a position to offer enough incentives. Merely offering more channels would not be attractive enough in encouraging mass adoption of the new technology. Besides, despite the advancement in compression technology, the capacity of the terrestrial radio frequency spectrum is still extremely limited until the current analogue broadcast can be switched off. It is not the most efficient way to use the DTT frequencies just for increasing the number of TV programme channels at least for the initial stage during the

parallel transmission of digital and analogue signals, particularly in light of the fact that there are other delivery methods such as satellite and cable systems which can offer multi-channel programming. After all, the Government must consider in a small market of only over 2 million households, how many TV channels, free and pay, can survive in Hong Kong.

- 4.2 It would be the addition of High Definition Television (HDTV) and enriched/enhanced informational and entertainment TV content that could attract more people to spend more to switch to digital TV.
- 4.3 Therefore, the Government should allow enough frequency capacity for existing terrestrial TV broadcasters to provide HDTV and other enhanced TV services. That would mean that the Government should not limit the take up capacity for programme service providers to a maximum of one multiplex (6.9). Taking into account of the 50% “ must carry” pre-location in another multiplex, the one and a-half multiplex capacity still would not be enough if ATV or TVB were to offer HDTV programme services for both of our respective Cantonese and English channels.
- 4.4 Furthermore, if the multiplexes were to be parcelled out to different programme and additional services providers for the sake of increasing the number of channels and services, it would be difficult to get them back for HDTV services at a later date. That means the Hong Kong public would be deprived of the benefits of the rich sound and visual experience enabled by HDTV.
- 4.5 The combined licensing approach (Option 1, 5.5) for existing free terrestrial broadcasters would be a most efficient way to encourage investment in the new technology and providing value-added content for its digital broadcasts. This would also be in line with the principle of enhancing smooth transition.

## **5. Technical Standard and Business Opportunities**

- 5.1 We would like to remind the Government of our suggestion to wait until the Mainland’s decision on the country’s DTT standard before finalising what system to adopt. Since we are not merely talking about the traditional TV

programme services, DTT holds the potentials of a multi-media communication, shopping and entertainment (MM) industry.

5.2 As we outlined in the 5 October Supplementary Information, the Mainland had mapped out the timetable for the development of DTT and a decision in 2003. Hong Kong could take this time to learn from experiences (business models and role out plans, etc.) of the pioneer adopters of DTT and minimise the chance of failure and become “the first guy to run off a cliff.”<sup>1</sup>

5.3 Furthermore, this is in line with the Government’s encouraging Hong Kong businesses and industries to look Northwards to the Mainland for business opportunities and expansion. Most recently, the Chief Executive’s Council of International Advisers had advised that Hong Kong “should continue to strengthen our economic links with the Pearl River Delta and capitalise on the business opportunities offered by China’s accession to the WTO.”<sup>2</sup>

If the technical standard adopted by the Mainland is technically feasible for Hong Kong and if we adopt the same system, the wider multi-media market would be more attractive to investments in DTT and open more business opportunities for Hong Kong, besides the obvious added convenience and consumer benefits.

We believe that the Government’s DTT policies should help and develop instead of curtail the potentials for business opportunities up north for the new industry at the start-up stage.

## **6. Conclusion**

6.1 For a summary of our position on the DTT proposals as outlined in the ITBB Consultation Paper, please refer to the Appendix section of the 26 February 2001 ATV-TVB Response Submission; and for details please see the above mentioned Response and 3 April 2001 Supplementary Response and the 5 October 2001 Supplementary Information to Responses.

6.2 We urge the Government to conduct another consultation before finalising the criteria for DTT multiplex, programme service and additional services licences.

6.3 Once again, we would like to urge the Government to hold further

consultations or set up an industry-Government advisory committee of industry experts, technical experts and legislators to ensure smooth transition from analogue to digital terrestrial television in Hong Kong.

6.4 The advisory committee could also serve as a consultative body when setting up licensing criteria for DTT network multiplexes and programme services.

6.5 We would welcome the Government's consultation at any stage of the DTT development process. We, TVB and ATV, would continue to do our best in providing constructive comments and practical advice and contribute to the success of the future DTT industry.

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#### Endnotes

<sup>1</sup> "Three's a crowd for UK pay-TV." (2001), TBI *Television Business International*, August/September 2001, p. 12. The article talked about the experience in the United Kingdom: "It's the first market to launch a digital terrestrial TV service. It's also the first to offer most people a three-way choice of cable, DTH or DTT. But it is now becoming apparent that in this case the pioneer might just be the first guy to run off a cliff."

<sup>2</sup> "CE's Transcript," Government Press Release, 8 September 2001. Government Homepage, <http://www.info.gov.hk/gia/general/200111/08/1108171.htm>.