

Submission by
Metro Broadcast Corporation Limited
On the
Consultation on Digital Broadcasting :
Mobile Television and Related Issues

Metro Broadcast Corporation Limited ('Metro Broadcast') welcomes the opportunity to participate in the Government's consultation on mobile television and other related issues of digital broadcasting.

Metro Broadcast does not have any particular concern over the introduction of commercial mobile television in Hong Kong, provided that the licensing of the new service does not jeopardise the growth opportunity of radio services in its new digital format. Thus, Metro Broadcast opposes the pro-mobile TV approach of spectrum allocation. In paragraph 32 of the Consultation Paper, it is proposed that digital audio broadcasting ('DAB') should only exist as ancillary service to mobile TV. In the consultation document, in fact, the prospect of development for DAB was presented in a negative manner in paragraph 16 by focusing on examples from the less DAB active countries. The Government should adopt a more balanced view in the assessment of DAB development by looking at the experiences of a wider range of countries.

In Australia, the government announced a framework for digital radio policy recently in 2005 and the Australian radio industry has planned for investment of \$400 million over the coming years to roll out digital radio across the country. A phased introduction is planned, beginning with 11 key cities which include Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra. Coverage reports for these areas are complete and services are expected to begin in 2008/09. Furthermore, Australian broadcasters have been airing DAB trials in Sydney on L-Band since 1998 and on Band III since 2003. A single high-powered Band III transmission and two L-Band cells to the west and north of Sydney provide around 80% population coverage. Currently there are two public broadcasters and seven commercial broadcasters providing 17 audio services on air by means of DAB trial in the Sydney area.

Similarly, DAB trials on Band III have been conducted in Beijing and in the Pearl River Delta area of the Guangdong Province for years. In Beijing, 20 radio services are being aired in the DAB trial. Trials of DAB services are expected to begin shortly in other locations across Mainland China, as one key driver for DAB rollout is to have services on air before the Beijing Olympics in 2008. As for the Mainland's regulatory regime, licences and standards of DAB services are managed by the State Administration of Radio, Film, Television ('SARFT'). SARFT has so far only approved DAB for service provision.

In the UK, the current DAB services are deployed on Band III and there has been substantial government support for the development of DAB. Analogue commercial broadcasters receiving a DAB licence have their existing analogue licences extended for an additional eight years. Also, DAB licences are awarded for twelve years with automatic renewal for a further twelve years. As of 2006, the population coverage of DAB in the country has increased from 85% to 90% and there are 172 stations providing 427 radio services out of which 234 are only available through DAB.

Having seen the positive DAB development around the world, Metro is of the view that DAB should continue to be pursued in Hong Kong. Free-to-air radio for the community at large provides a vital social service. According to a recent survey by ACNielsen¹, 35% of the Hong Kong population listen to the radio daily. Going forward, the matter of digital sound broadcasting should be considered on its own rather than incorporated into other topics such as mobile TV. Given its audio nature, it is different from and not substitutable by mobile TV, an essentially visual service.

Furthermore, DAB is a natural evolution of FM analogue radio service as a result of technological advancement. It renders significant benefits to the consumers through more stable and user-friendly transmission, improved sound quality, as well as better infotainment by means of vertical programming. The value of DAB to the public certainly warrants the Government's reserving to it distinctive and separate spectrum which ought then to be allocated for standalone digital audio broadcasting service in Hong Kong. The pro-mobile TV approach recommended in the Consultation Paper suggests that there is a preference for video/multimedia-based contents with respect to development of digital broadcasting services. It is also contrary to the policy made clear in the recent Spectrum Policy Framework that there will exist a mix of the

¹ ACNielsen 2006 Mid-Year Media Index Analysis

command and control approach and the new market-based approach in spectrum management.

In order to facilitate the launch of DAB in Hong Kong, we urge the Government to consider, in circumstances where substantial public interest and social needs prevail, granting existing spectrum assignees priority to use new spectrum to continue service delivery with new technologies. In this regard, the case of digital terrestrial television ('DTT') is being referred to whereby both existing broadcasters of Asia Television Limited ('ATV') and Television Broadcasts Limited ('TVB') are assigned the necessary spectrum in lieu of auction to provide DTT. We are of the view that incumbents in the sound broadcasting industry should be treated on the same footing as ATV and TVB. On this basis, the existing sound broadcasters which are interested in deploying DAB should be granted with the relevant multiplex for a period of, say, 5 years on an exclusive basis for introduction of DAB.

Paragraph 16 of the consultation paper rightfully cites that it took "more than 10 years of active promotion" for DAB to reach 11% of penetration in the UK. Consequently, to allow for healthy growth and development of DAB in the initial stage, we would suggest opening of market to competition after the proposed 5-year period during which growth potential of the DAB market may be properly assessed. After the proposed 5-year period, competitive entry should be by way of a "beauty contest" in Hong Kong with contestants committing to pre-set minimum requirements such as programming plans, rollout schedule and other eligibility criteria as deemed appropriate for the grant of a sound broadcasting licence. The same licensing principle has been followed by the UK's Office of Communications whereby DAB multiplex licences are currently awarded on a "beauty contest" formula rather than auctioned.

With respect to the licensing regime for mobile TV, however, we are of the view that programme services provided via the mobile TV platform should not subject to licensing under the Broadcasting Ordinance. We envisage that mobile TV is highly likely to be a subscription service which means that it is feasible for access to programme content to be controlled. This means that a more light-handed regulatory approach can be acceptable. Indeed, we also agree with the view that "the content of mobile TV services will still be subject to regulation by other laws of Hong Kong, notably the Control of Obscene and Indecent Articles Ordinance (Cap. 390)" as set out in paragraph 51 of the consultation document.

For the introduction of spectrum utilisation fee ('SUF') on the use of spectrum for sound broadcasting, Metro Broadcast would urge the Government to review and assess the proposal carefully. The terrestrial sound broadcasters do not charge the public for their service. The Government has already been compensated through the annual licence fee payment for any income (i.e. advertising revenue) generated from the spectrum use. The imposition of SUF for spectrum use of such nature is therefore a duplication.

We appreciate Government's consideration of our views in the evaluation of the introduction of mobile television and other digital broadcasting services in Hong Kong.

METRO BROADCAST

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