

Introduction

Gemstar Limited thanks the Government of the Hong Kong Special Administrative Region for the opportunity to respond to the “Second Consultation on Development of Mobile Television Services’.

Gemstar is a joint venture between locally listed company *Mobile Telecom Network Limited*, and Hong Kong based venture resource company, *Catalist Group*.

The DVB Project ¹ reported that 50 DVB-H trials have been conducted around the world, of which more than 14 are commercially operational in some 12 countries; using either the free-to-air, pay TV, or a hybrid business model.

In Hong Kong², over 40% under the age of 25 have shown interest in mobile TV and, of those who are interested, over 63% are willing to pay a monthly service fee of up to HK\$30.00. Various reports and analysts project the market size of mobile TV globally anywhere between HK\$43 Billion to HK\$210 Billion by the year 2011. Currently, the Korean market is the global leader in mobile TV with over 11 million users. However, mobile TV operators there are still working to become profitable.

As a regional hub for innovation in communication services and digital entertainment, we look to the Government of the Hong Kong Special Administrative Region to provide a framework to encourage and foster the development of the mobile TV industry in Hong Kong.

However, for the Hong Kong market to sustain a successful mobile TV operation and provide a healthy level of competition benefiting the public, necessary spectrum should be made available to enable sufficient number of mobile TV channels for each mobile TV operator to operate a viable business.

Gemstar’s view is that service types, technologies, and business models over the provided spectrum should be determined by market forces, rather than by a defined spectrum utilization floor or ceiling. Instead Gemstar would encourage coverage-based milestones. We view spectrum very much like real estate and, as such, it is up to the proprietor to decide how best to use the asset and maximize its value within the set parameters. That being said, Gemstar does agree that an auction is the best available mechanism to determine the market value of a public asset.

All rollout obligations and performance bonds associated with the auction should be entirely coverage related, rather than adhering to minimum investment amounts or operational expenditure milestones.

To encourage content diversity and service richness, mobile TV operators should be obliged to follow an agnostic approach for content and service sourcing.

To develop the necessary audience supported by the appropriate economics to operate a successful and going concern in mobile TV cross mobile networks, provisioning of mobile TV services by mobile TV operators should be allowed, thereby providing the ability to address a larger potential audience to be attractive to advertisers.

¹ <http://www.dvb-h.org/services.htm>

² KTM School of ICT

To encourage fair competition, all mobile TV and mobile TV-like services, whether provided through 3G, WiFi, MBMS, WiMAX, and any other emerging technologies or network access methods, should be regulated under similar frameworks.

Our views

Spectrum Availability

Comment – An overview³ of the 14 commercially launched mobile TV services based on DVB-H in Africa, Asia, and Europe shows that each mobile TV operator is providing an average over 10 channels of broadcast TV type programming.

The government has indicated that 1 multiplex in the UHF band and 2 multiplexes in Band III will be made available to the mobile TV industry in Hong Kong. Effectively, these multiplexes combined will support no more than a total of 26 TV-like channels. Considering that the average number of channels provided by mobile TV operator around the world is 10.4 channels⁴, the available spectrum will only allow for 2 mobile TV operators in Hong Kong.

We think that having only 2 mobile TV operators is not in the best interest of the public as there will be insufficient competition to provide a high level of service and content.

However, this need for competition must be balanced by the requirement of the mobile TV operator to operate as a viable business.

Therefore Gemstar would recommend releasing enough spectrum for at least 3 operators to manage at least 10 broadcast TV type channels each. This will allow for healthy level of competition with the existing incumbent mobile network operators as well with alternative media outlets and networks.

Spectrum Allocation

Comment – As there still isn't a clear and successful business model for mobile TV, and supported types of services, the policy framework should allow market forces to determine the kind of business models, the type of technology to be deployed, and the kinds of service welcomed by the public; be it digital audio, digital video, data-casting services, or other emerging services as business models and technologies evolve.

Gemstar would recommend that there should be no pre-defined spectrum utilization cap or ceiling should be imposed on any of the individual types of service.

³ <http://www.dvb-h.org/technology.htm>

⁴ <http://www.dvb-h.org/technology.htm>

Spectrum Assignment

Comment – Although we agree that an auction is the best available mechanism to determine the market value of public asset with competing demand; Gemstar also likes to recommend that all service rollout obligations and performance bond associated with the auction should be service and coverage related rather than CAPEX, OPEX, or investment related.

The rapid advances in technology coupled with market dynamics will not only impact the future cost of infrastructure and consumer electronics but will also impact the processes of operations, therefore an expenditure-related performance bond should not be a measure of performance or success.

In Hong Kong, most prominent free-to-air broadcasters are also some of the more sizable content producers and potentially mobile TV operators. To encourage content diversity and service richness for the consumer, Gemstar recommends that mobile TV operators should be free to source content independently and in accordance to the general laws.

Indicated in the current request for consultation paper, mobile TV spectrum winners are required to either hold a mobile network operator license or to have a relationship with one of the holder of a mobile network operator license, in order to provide mobile TV services in Hong Kong; and the nature of that relationship is to be one-to-one.

The mobile network operator license requirement will exclude new competing entrants with proven track record in content, broadcasting, advertising, and mobile value added services, not encumbered by existing and traditional business models from operating mobile TV businesses.

60% of commercially launched free-to-air mobile TV services around the world⁷ are advertising funded.⁵ The one-to-one nature of the relationship between mobile TV spectrum winners and holders of mobile network operator will restrict the total potential audience of the mobile TV in Hong Kong.

To ensure economies of scale in order to secure the advertising income with viable user numbers mobile TV operators should be allowed to provide mobile TV services in partnership with multiple mobile network operators in order to develop the necessary audience base and secure a percentage of the overall advertising media spend.

Therefore Gemstar recommends the government to relax this requirement for a one-to-one relationship between mobile TV spectrum winners and holders of mobile network operator license to that of a one-to-many.

Licensing Arrangement

Comment – Mobile TV-like services provided through 3G, and WiFi networks accessible through mobile phones and other connected devices are widely available. As business models and technologies emerge, similar services on MBMS and WiMAX will also be available to the public.

⁵ <http://www.dvb-h.org/index.htm>

If general laws, such as the “Control of Obscene and Indecent Article Ordinance” (Cap. 390 of the Laws of Hong Kong SAR) is deemed sufficient by the Government of the Hong Kong Special Administrative Region for the regulation of mobile TV-like content and services currently provided by the mobile network operators on their 3G networks, we recommend that mobile TV and any emerging mobile TV-like services should also be regulated under a similar framework to avoid discrimination among service providers.

Access to Hilltop Transmission Sites and Geographical Coverage for Broadcast-type Mobile Television

Comment – We concur with the current proposal that mobile TV services should provide the same geographical coverage as free-to-air broadcaster. But to safeguard the equal access right to premises, particularly hilltop transmission sites, we recommend when necessary discussion should be mediated and a conclusion encourage within acceptable timeframes by relevant licensing and regulatory bodies. We also suggest a “cost plus pricing”⁶ for resolution in leasing tower capacity. Cost plus pricing has the advantage of it is easy to calculate and requires little information. Cost plus pricing calculates the cost of the product, then includes an additional amount to represent profit.

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⁶ http://en.wikipedia.org/wiki/Cost-plus_pricing