



STAR Group Limited

**Comments on the Commerce and Economic Development Bureau and the Office of
the Telecommunications Authority's
Second Consultation Concerning**

Development of Mobile Television Services

INTRODUCTION

STAR Group Limited (STAR) welcomes the opportunity to provide comments on the Commerce and Economic Development Bureau and the Office of the Telecommunications Authority (TA or Government)'s second consultation on the Development of Mobile Television Services in Hong Kong.

STAR is a leading media and entertainment company in Asia, providing more than 50 television services in ten languages to more than 300 million viewers throughout the region.

STAR's parent company is News Corporation, a diversified international media and entertainment company with operations in a variety of industry segments including: filmed entertainment; television; cable network programming, direct broadcast satellite television; magazines; newspapers; and book publishing. The activities of News Corporation are conducted principally in the United States, Continental Europe, the United Kingdom, Australia, and the Asia Pacific.

In general, we support a regulatory framework for broadcast-based mobile TV services that encourages innovations and competition, is market-led, light-touched, and technology-neutral. Below are our specific responses on the key policy topics presented in the consultation paper.

SPECTRUM ISSUES

Spectrum Availability

We note that the UHF frequency band is particularly suitable for broadcast-based mobile TV transmission and we support the TA's proposal to release Frequency Channel No. 47 for broadcast-based mobile TV services (Mobile TV). In addition, we urge the TA to also consider releasing the remaining Frequency Channel No.62 for Mobile TV.

In our view, having two 8MHz multiplexes in the UHF frequency band for Mobile TV would generate significant benefits to further the development of this nascent service:

Firstly, it would encourage healthy competition between two licensees each with the ability to create its unique channel offerings to attract consumers. Secondly, more transmission capacity to offer a wide variety of channels would motivate content providers to invest in innovation and create content specifically for Mobile TV. Quality content is essential and it has been our experience that viewers react favourably to made-for-mobile content. Thirdly, the rationalization of investment that is necessary to build the network infrastructure to ensure a wide geographical coverage of Mobile TV services would be more justified with additional spectrum made available.

Given the high degree of uncertainty in the future demand of Mobile TV in Hong Kong at this point, we believe there is ample justification for allocating two UHF multiplex to provide additional incentives to the industry and thus making Mobile TV a reality in Hong Kong.

Spectrum Allocation

We support the Government's market-led and technology-neutral approach for allocating spectrum. It is also our view that decisions such as selecting a technology standard, and the quality-of-service requirements should be left to the market to decide.

Regarding the services to be provided with the spectrum to be released, we feel strongly that the pro-mobile TV approach is appropriate for Mobile TV. This approach will provide certainty and motivations for potential operators to invest, experiment, innovate and promote the still nascent and unproven Mobile TV service.

With respect to the requirement that at least 50% of transmission capacity should be used to carry mobile TV content, we would like to emphasize that flexibility is key to potential operators in the development of a nascent service. Recognizing the high degree of uncertainty in the future demand of Mobile TV at this point, it is premature for us to comment on whether the proposed threshold is appropriate. As such, we do not oppose to the proposal and recommend the TA to maintain an open mind in implementing this threshold requirement to ensure that it will nurture and not deter investment.

Spectrum Assignment

We applaud the Government's market-based approach in spectrum management. We agree with the TA that an auction is a fair and efficient method to assign spectrum. It is our view that the use of auction provides the highest latitude for a market-based approach that is straight forward, fair and efficient. We fully support the proposal that no ownership or cross-holding restrictions should apply to Mobile TV services.

LICENSING FRAMEWORK

We reiterate the importance of flexibility and the need of incentives for Mobile TV development where significant upfront investment in infrastructure and content is

required and given that the ability to quickly respond and adapt to changing business environment is crucial to the viability of the service. Hence a regulatory framework that is pro-competitive and light-touch would be most appropriate to foster the development of Mobile TV in Hong Kong.

Between the two proposals presented in the Consultation Paper, we therefore support the self-regulatory approach. This approach is superior as it will allow Mobile TV the ability to advance in a speedily manner free of the burden to go through legislative amendments while achieving the same policy goals. Viewers will be equally protected under this approach as content will be subject to regulation by general laws and the self-regulatory industry codes of practice. As noted in the Consultation Paper, this approach has proved effective in a number of jurisdictions in the world and we urge the Government to consider this approach for Hong Kong.

ACCESS TO HILLTOP TRANSMISSION & GEOGRAPHICAL COVERAGE

The economic viability of Mobile TV will in large part depend on its ability to access the hilltop sites at reasonable costs. This is particularly true for new entrants. We support the Government's proposal for the sharing of hilltop sites subject to commercial agreements and granting TA the power to intervene and adjudicate if mutual agreement cannot be reached.

We believe that the Government should not impose any geographical coverage requirements on Mobile TV. To subject Mobile TV to the same geographical coverage requirements as the free-to-air broadcasters is excessive and unreasonable for a new and unproven service. We recommend that the Government maintain its light-touched approach of regulation and allow the market to drive the appropriate level of coverage.

CONCLUSION

We would like to thank the Government for the opportunity to provide our views in this initiative. We look forward to working with the Government as this process moves ahead.