



H.K.E.I.A.

Submission to the
**Panel on Information Technology
and Broadcasting**
The Legislative Council of
The Hong Kong Special Administration Region

On
**Second Consultation on
Digital Terrestrial Broadcasting in Hong Kong**

By
The Hong Kong Electronic Industries Association Ltd.

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Second Consultation on Digital Terrestrial Broadcasting in Hong Kong

In response to the solicitation of public views by the Panel of Information Technology and Broadcasting of the Legislative Council on the Second Consultation on Digital Terrestrial Broadcasting (DTB) in Hong Kong, the Hong Kong Electronic Industries Association Ltd. (HKEIA) would like to submit the following as representing its general views on the subject matter.

The Hong Kong Electronic Industries Association Ltd., having discussed with its members who are engaged in the relevant trades, has come to the general consensus that we are **fully supportive** of the proposal to initiate digital terrestrial broadcasting in Hong Kong at the earliest feasible date.

Why we support DTB in Hong Kong?

1) New manufacturing and marketing opportunities

The Hong Kong electronics industry, particularly the manufacturing sector for television units, has long been hard hit by slow growth, falling prices and fierce competition. For many years the industry has not seen any major new developments that could stimulate new growth and manufacturers, distributors and retailers have been resorting to cut-throat competition in order to stay alive. DTB which effectively is a new chapter and an evolutionary change from analogue to digital broadcasting and reception, can and will provide that stimulus and create renewed demand in the new or replacement markets.

2) New drive to stimulate the local economy

Hong Kong's general local economy, hard hit by external and internal problems such as the Asian financial crisis, the sharp drop of property prices, SARS, high unemployment, etc. needs a new and exciting stimulus to kick-start domestic growth. TV watching is, undoubtedly, the most favourite past-time of the local populace, and we believe DTB can and will provide that exciting new stimulus. The benefits of a new round of consumer confidence in this sector will reward a wide range of commercial sectors, including distributors/retailers, entertainment software providers (TV programmes, TV advertisements, movies, etc.), multi-media producers, designers and artistes and so on. In other words, it creates new jobs and increases consumer confidence.

3) New dimension of technological development

The opening up of massive new market opportunities in DTB (and DAB) (in HK and China alone) will provide enough strong incentive to Hong Kong manufacturers and multi-media providers to invest in new digital technology in order to tap and excel in this new marketplace. We are confident that this will help propel Hong Kong onto a new stage of technological development, particularly in such areas as IC design and software development.

4) Re-positioning ourselves in Asia

If Hong Kong and China should be able to lead the way in DTB in the

region, Hong Kong stands a good chance to re-position itself back into the leadership role and enhance our status as the hub in this region. Although Hong Kong manufacturers have the technical capability and the Pearl River Delta region has the production capacity, the industry must also have the full backing of the government to move forward. Any serious delay or hesitation would simply mean that we lose our footing and any hard-fought advantage would be lost as others shoot ahead and take the lead away from Hong Kong.

The problem of choosing the right standard:

From the Government's numerous papers and reports during the first round of consultation, we understand that the various different standards available on the market and particularly the fact that our biggest market and neighbour, China, has yet to adopt its own unique standard, are the main stumbling blocks to the early adoption of DTB within Hong Kong.

Be that as it may, the HKEIA wishes to suggest or recommend the following:

1) Of the three general international standards available, i.e. the American ATSC-T standard, the European DVB-T standard and the Japanese ISDB-T standard, it is our recommendation that Hong Kong should initially adopt the European DVB-T standard.

(A) From our own technical undertakings and also based on the current market situation, many local manufacturers already possess the technical know-how to produce set-top boxes in the DVB-T standard. In fact, many units of this standard are already in production and are being sold. In other words, ready-made units are already available.

(B) It is our understanding from our discussions with our members, that whichever of the two proposed systems China plans to adopt, the technical know-how required to add or switch to either system would be manageable and this could be done within a reasonable period of time (say within around 6 – 8 months of development lead time).

(C) The DVB-T system can be readily adopted by Hong Kong today as signals can be easily carried and received by both the current cable broadcast system or even the household antennae system. Set-top boxes to receive such signals are also available on the market to make a switch over to digital TV a manageable solution.

2) It is our understanding the HKSAR Government is studying whether to adopt first the SDTV (standard definition television) or the HDTV (high definition television). It is our strong recommendation that the Government should start off with the HDTV standard.

From existing market demand, consumers (in China) are already adopting and accepting HDTV as the normal standard. It would be a great waste of money if consumers are first requested to adopt SDTV now and then switch to HDTV at a later stage. It could even lead to general discontent by the public and the government would get the blunt of the blame for its incorrect

decision.

(Note: (a) China today has around 400 million TV users, of which 3 million units of HDTV have been sold and adopted so far. There are now approximately 100 million subscribers of cable TV broadcast in China. Of these, those receiving digital broadcast in 2003 totalled only 300,000 but the total is estimated to grow sharply to 10 million by the end of 2004.

Note: (b) TV prices have been falling to unprecedented low levels in recent years and today's prices are well affordable to a vast majority of households. DTB comprises basically two parts: a TV (e.g. HDTV or LCD/plasma monitors) capable of showing high definition images and a set-top box (external or built-in) capable of receiving digital signals. At current prices, a 29-inch HDTV costs around HK\$3,000 or slightly more than double a normal TV while a set-top box costs between HK\$800-\$1,000. By 2005 or 2006, both sets of prices should be considerably reduced due to volume production and competition and certainly well within reach of most consumers.)

Conclusion and Summary:

The following are the conclusions and summary of the stand and recommendations of the Hong Kong Electronic Industries Association Ltd. on Digital Terrestrial Broadcasting in Hong Kong.

- 1) The HKEIA fully and strongly supports the early adoption of DTB in Hong Kong
- 2) The HKEIA recommends the HKSAR Government start off by adopting the European DVB-T standard initially and add the new China system when the Chinese Government finalises its decision.
- 3) Hong Kong should start off with High Definition Television (HDTV) broadcast and reception and not the SDTV standard.