

**PACIFIC SATELLITE INTERNATIONAL LTD.**

**RESPONSE TO THE SECOND CONSULTATION PAPER**

**DIGITAL TERRESTRIAL BROADCASTING IN HONG KONG**

This paper is in response to the Second Consultation on Digital Terrestrial Broadcasting put forward by the Government, and is in addition to what Pacific Satellite has submitted of response to the First Consultation on Digital Terrestrial Broadcasting in early 2001. Our responses in this paper focus on issues of the DTT technical standard, the allocation of the multiplexes and the licensing arrangement.

**DTT Technical Standard**

We don't support the idea that multiple DTT technical standards be used in Hong Kong, this will result in market confusion, duplication of investment, higher consumer equipment costs. We suggest the use of the European DVB-T standard for main reason that this standard is now the most widely adopted standard by different countries. Its technical soundness has been well proven by now. Due to its popularity, there is a large range of commercial available set top boxes or TV sets available in the market, results in lower costs for the consumer.

In case Mainland will make decision on the DTT standard before the Government makes the approval on the technical standard, this Mainland standard should be taken into consideration and may affect Hong Kong decision.

**Allocation of the Multiplexes**

We support to give TVB and ATV the MFN multiplex for simulcasting purpose, and welcome the two Stations to apply for additional multiplexes to roll out more service.

We strongly suggest OFTA to request the two stations to roll out HDTV services for the following reasons:

- 1) Hong Kong should maintain its leading position in the world market to roll out advanced technology like HDTV
- 2) HDTV has reached a status of variability in both technical and commercial aspects; there are countries already rolling out or rollout plan for HDTV service, like Australia, U.S.A., China, Japan, etc. Hong Kong should not miss out launching HDTV sooner or later
- 3) TVB and ATV are in the best position to roll out HDTV as they are existing broadcasters with the more technical know how and local market experience

However, we suggest allocating at least two SFNs to service providers other than ATV and TVB. This will encourage and provide opportunity for new comers to enter the market and stimulate service innovation and market growth. In case there will not have enough new comers to take up the remaining two SFN, the Government can consider to allocate more multiplexes to the two Stations after a fixed period, for example a three year “open” period.

### **Multiplexes Operator**

Although there may not be a prescribed cap on number of multiplexes operator, we suggest to encourage the interested applicants, including multiplexes operators and service providers to jointly forming just a few, preferably one to two multiplexes operators. There is an obvious economic and market benefit:

- 1) Save multiple transmission capital investment
- 2) Reduce unnecessary / unfair entry barriers for new broadcasters as they won't have the existing transmission spots and facilities that existing service providers like TVB, ATV and iCable are having now in various hill top positions
- 3) Avoid multiple transmission locations that might require consumers or buildings to install multiple receiving antennas in order to receive all signals

### **Single Set-Top Box**

In view of increasing numbers of digital TV services coming up, Hong Kong consumers will face even more problems of having multiple set-top boxes to receive these services. It is important or may be necessary for the Government to make it mandatory for the different

digital TV service providers, including cable, satellite and DTT (may or may not include broadband TV) to discuss and agree on common set-top boxes specifications while allow “common interface” for different conditional access and smart card technologies used by different service providers. This concept is very much possible since cable, satellite and DTT transmissions are/may be in DVB format. There are huge economic and market advantages and is a more open market approach. This approach is being implemented or happening in Europe, U.S. and some Asian countries.

### **Program Service Operator**

We support the view that the DTT service should be primarily for domestic and Putonghua TV programme services. Hong Kong is part of Mainland and should encourage the national language TV programme services to be provided locally to reach the whole population.

For foreign language TV programmes, there are other means for non-domestic programmes to reach different types of audiences in Hong Kong, these include pay TV, SMATV and non-domestic TV licensees, therefore do not require using DTT platform.

We strongly suggest that the DTT services should be primarily free-to-air service. In view of the previous failure cases in U.K. and Spain initial rollout of DTT pay TV services, and the subsequent success of Freeview in U.K., and other free-to-air DTT services in Australia and other European countries.

We further suggest that existing Hong Kong pay TV operators (include cable, satellite and broadband based) should not be allowed to “cross media” and to provide pay TV services in DTT platform, otherwise it may result in unfair competition and limit market openness; however it is acceptable for these pay TV operators to provide free-to-air DTT service.

### **Licensing Arrangement**

We support the idea of the Government plans to embark on a two-stage process in selecting licensees for the SFN multiplexes; that is to invite expression of interest first, and to grant the licenses to successful applications after assessing their formal applications proposals. However, we suggest either the first stage need not to be in second half of 2004, or do not

fix a time frame for the granting of licenses at this moment. We feel generally there is no urgency to launch DTT service in Hong Kong prior to 2006. At present there is no favorable market sentiments for new comers / interested parties to come in the market to provide new services; we feel a half-year delay may be a good “wait” to see and learn from more successful launching of DTT services in other countries. Otherwise, the Government may face a situation of lack of responses on the “expression of interest” in second half of 2004.

In connection to this, we suggest a “two paths” approach to roll out of DTT service in Hong Kong. First path is stick to Government plan to have ATV and TVB to simulcast in 2006 and reach territory-wide digital coverage in 2008; second path is allow other DTT service providers to provide services after 2006 but before 2008.

### **Publicity Campaigns**

ATV, TVB and the Government should jointly launch publicity campaigns to raise public awareness of the DTT services. A good example set by Australia is forming of DBA (Digital Broadcasting Australia) body ([www.dba.org.au](http://www.dba.org.au)), an organization set up by industry players with support from the Australian government.

March 5, 2004

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