

INTERDYN COMMENTS ON SUBMISSIONS TO THE PRODUCTIVITY COMMISSION BROADCASTING ENQUIRY

SONY SUBMISSION

I feel some comments should be made on Sony Australia's submission to the Productivity Commission Broadcasting Enquiry.

I don't want to comment on Sony's self promotion but their comment "*Any deviation from the decision to mandate HDTV will leave Australian consumers and the film and television industries in a technological backwater.*" is simply nonsense.

Likewise the statement "*As technology evolves only the choice of the highest possible quality minimises obsolescence. The alternative condemns both consumers and industry to legacy products.*" Maybe we can take the case of Sony's Beta video tape format as an example to the contrary. Beta came first and was superior to VHS, yet this higher-quality format has disappeared from the domestic market. There was a lot of confusion, and ultimately when the format disappeared, a lot of pain for the owners of Beta VCRs. The Elcaset cassette system and the Philips VCS2000 VCR system were also superior systems to those finally adopted, but they both disappeared after losing a lot of money for their protagonists, and causing a lot of pain for their purchasers.

We are the only country to mandate HDTV in the DBV-T format. Are the developers of DVB-T (our selected system), the 17 European countries who have chosen DVB-T all doomed to a "technological backwater"?

It reminds me of the old joke. The proud mother at the army parade beaming and saying about her son as the serried banks of soldiers march by, "look at my boy, he's the only one in step".

Consumer market

I suggest you get more detailed figures instead of inaccurate and misleading ones. Checking of Sony sellers seems to indicate that the vast majority of Wegas sold have been under \$2000. I estimate Wegas sold at \$3000 would be in the thousands, not the tens of thousands. Sony could provide more accurate figures.

There are a large number of TVs sold in the \$2000-3000 price category by a variety of companies, including my own. The "*50% premium*" quoted is true when compared to cheaper models, but ultimately meaningless as there are plenty of \$3000 and above models in the 68cm category, apart from those from our own company.

Price declines

Price declines may occur rapidly in big markets, but are unlikely in tiny isolated ones.

Sony should have been embarrassed to quote the Japanese experience of HDTV. The relatively cheap 1999 pricing in Japan involves the Japanese

analogue HDTV system being phased out, not because of its widespread acceptance.

The CD example

CD players were made in the tens of millions for world markets. Even so the example quoted took 17 years. Some years after the launch of CD players prices were still in the \$1000 vicinity. If we assume prices drop the same way for HDTV sets in Australia it would take many years for prices to approach even the upper price range of normal current televisions.

Professional HD equipment

I suggest the example should be given in detail so comment is possible.

Industry developments

"Exciting opportunities": The uptake of HDTV in the USA has been very small and Europe isn't adopting HDTV. What region is Sony talking about? Some specifics are needed, not "blue skies".

Their conclusion

"Furthermore, as demonstrated by independent market figures, Australians are already demonstrating a clear preference for high quality, fully-featured, large screen televisions." I suggest Sony supply the figures in detail. On Sony's figures they have around 5% of the total market with their \$2000-3000 Wegas (the actual selling prices are less). Most Australians spend well under \$1000 for their TVs. Where is the clear preference?

There have been discussions in the USA about whether HDTV is any value below 34", and the models manufactured reflect this. Sony quote 230,000 units over 62cm sold, eg. 63cm and above.

I have never seen a Sony or any other make in the 63cm HDTV category so I suggest segmenting the market more, and finding out how many TVs are sold in the 34" equivalent and above category. The 230,000 figure will drop sharply.

Sony mention their \$10,000 TVs. We suggest they be asked how many they have sold in the domestic market. A large number of Australians will not be able to receive Digital TV for a lengthy period until full digital coverage is achieved. \$10,000 domestic TV buyers (who would have bought relatively recently) will not necessarily rush to buy another replacement TV, so the \$10,000 sales must be viewed with that in mind.

If Sony's statement that *"Australians are already demonstrating a clear preference for high quality, fully featured, large screen televisions"* was correct, you would expect the \$3,000 Wega to greatly outsell the \$2000 Wega, however it is the other way around by a ratio of 10:1 according to the Sony dealers I have spoken to (Sony will have accurate detailed figures). I have seen plenty of advertisements for the cheaper Sony Wega model, but not for the dearer one.

Why are Sony promoting HDTV?

I don't have inside knowledge but assume if they supply a large part of the infrastructure, now estimated in the billion dollar area, it can compensate for TV manufacturing losses for a long period.

Another factor may be the possibility of being the only HDTV manufacturer in Australia for a long time, which can have long term ramifications but not ones that are positive for the Australian consumer.

PHILIPS' SUBMISSION

Everyone will have a different way of putting their submissions. Philips are a much larger company than mine and competitive in the same markets as the ones we service, but I still consider their submission overall to be a well researched and logical one, without going into all the details.

Sony's \$8000 vs Philips' \$15,000

There is no contradiction between Sony's \$8,000 figure quoted for HDTV set prices, and Philips' \$15,000. Proponents of new technology tend to understate costs (Collins Class Submarines and the Jindalee radar system are good examples).

When HDTV infrastructure was talked about, initially it was in the \$500 Million area. Now \$1 Billion is being talked about as the possible figure, without embarrassment. On that basis Sony's \$8,000 HDTV sets (*"definite pricing is not possible"* as they stated) can easily become \$16,000 without embarrassment.

I feel Philips' conversion of US\$ TV figures to A\$ is understated. We have customs duty and a higher rate of tax, but more important is the huge size of the US market compared to ours.

Because we are the only country to propose our system, the question is not just how much HDTV sets will cost, but how many companies (if any) will be prepared to make a variety of models ready for the launch date.

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