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To:	Professor Richard Snape	Date:	11th January 2000	Ref:	3726
Company:	Productivity Commission	Fax no:	9653 2199	Pages:	1/2

Dear Sir,

US information on HDTV

The following communication received in December is from a US manufacturer in the audio/visual area.

He does not want his company name mentioned for commercial reasons. His comments are reproduced in full.

"Dear Alex,

You asked a couple of weeks back about DTV and HDTV sales figures. Here's what I have been able to find.

1. *The 25,000 number actually looks low, if it refers to HDTV-ready sets. It would be definitely be too high for full HDTV sets. See item 4.*

2. *I've asked a couple of our best video dealers, and they say about 10% of the sets being delivered can actually receive HDTV.*

3. *The most recent statistic I've seen is for September. Of the 7,000 DTV sets shipped during that month, 6,500 were only HDTV-ready, not full HDTV.*

4. *According to the Consumer Electronics Association (formerly CEMA), through October about 75,000 HDTV ready sets have been sold to dealers, with an expected yearly total of 120,000.*

5. *Dealers are complaining about availability for HDTV-ready sets. Manufacturers are not able to supply enough to meet demand right now.*

Best regards,"

From it we can learn nearly all the sets sold are not what Australians understand to be a TV; that is an integrated unit not needing expensive additional equipment to receive programs.

If the 120,000 figure in point 4 is achieved, assuming 10% of them are full HDTV sets makes 12,000. Americans buy around 30 times the number of TVs purchased in Australia (25,000,000 vs 850,000). On that basis, sales of HDTV sets in Australia would be 400 per annum. Even if we assume a much higher percentage buy full HDTV sets in Australia than in the US (which would be puzzling as Americans are much more into big TVs) the figures remain ludicrously small.

I have examined the various figures in this and other material and come to the same conclusion.

If anyone can evaluate available figures and come up with a greatly different conclusion, I would be interested to hear from them.

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Revised copy with additions and less gramatical errors.
Best regards,
Alex Encel

Commercial firms like GFK charge very high prices for their detailed statistics but some general figures are known. (They would probably supply the Productivity Commission information more easily).

There are over 7,000,000 TVs in Australia. Around 850,000 are purchased each year. It is relatively stable year to year with a tendency for more expensive TVs to be purchased at the top end though in overall terms it is not dramatic. If we assume 70% of Australians will be potentially able to receive Digital TV close to 1/1/2001 (which I consider very optimistic), there will be around 600,000 potential buyers.

About a quarter of the 850,000 televisions sold are in the 70cm and above category, so a quarter of 600,000 = 150,000. If we assume 10-20% of these 150,000 buyers are in the Digital TV price range and that all buy a Digital TV set (which I would regard as impossible based on US experience) we get 15,000–30,000 buyers representing 0.2% - 0.4% of the total TV viewing market.*

These are "back of the envelope" figures but the principle of small uptake compared to the total market remains.

Lets take the Set-Top Box (STB) option, which is the normal way people "go digital" in Europe.

People connect to get the particular content that they want. The idea that a large proportion of people would connect to get the restricted services proposed here while the main content is triplecast is extraordinary. Most people can get good analogue reception, and since the average Australian TV price is around $750, most people don't think it worthwhile to buy a $2000 analogue set which will give far better quality.

A large proportion of TV owners don't even bother to get a good outdoor aerial. Better picture quality as a reason for changing TVs is also rare. Why then should they pay the $500+ for a STB plus a telephone line for E-Mail etc? Of course there will be interest by a minority but a lot of these will already have a computer with Internet facilities.

Another misapprehension is that connecting to Digital TV via a STB will automatically provide high quality results. Apart from reception questions, picture quality depends on the standard of the existing TV. There are different quality levels with analogue TVs, just as there are different quality levels with SDTV/HDTV sets.

No-one has been either willing or able to tell me what successful implementation of Digital TV means. We need to know what we are trying to achieve and work out its possibilities, and then determine if we should modify the current plans.

If rapid consumer uptake of Digital TV is a vital aim, the current system will be a flop.

Best regards,
Alex Encel.

*A.C. Nielsen are quoted as forecasting 1% penetration by the end of the first year rising to double figures by the end of 2007!
I have just received Strategy Analytics (UK) figures. The UK is considered the greatest STDV success but of 4 to 4.5 million TV's. 30,000 IDTV's (integrated digital TV's) were sold so around 0.7%. Given the extra content, UK DTV people enjoy my "back of the envelope" figures don't look strange.