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DRAFT

Advanced TV

Advisory Committee on
Advanced Television (ATV) Service

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ORIGINAL FILE

87-268

32nd. MEETING OF THE
SYSTEMS SUBCOMMITTEE WORKING PARTY 3
(ECONOMIC ASSESSMENT)

HELD ON 23 JUNE, 1992, AT NCTA,
1724 MASSACHUSETTS AVENUE, N.W., WASHINGTON, D.C.

MEETING NOTES

1. CALL TO ORDER

The meeting was called to order at 09:14 AM.

2. APPROVAL OF MINUTES

The minutes were approved with one correction. On page 2, the second sentence in the third paragraph was deleted, and in its place was inserted the sentence:

> "It was agreed that proponents could submit to SS WP-3 designs that were held to be improvements on the designs being tested at ATTC, but that SS WP-3 would ask SS WP-1 to validate such different designs to assure that the performance that they provided would be no less than the performance of the designs being tested at ATTC."

3. INTRODUCTION

The 33 persons present identified themselves, and the Chair welcomed the excellent cross section of the industry present.
The Chair reminded the meeting that time was short, and that the work of the WP-3 had to be completed by the end of August, with the following month spent in writing the report. Some extension of this schedule might be possible, but every effort must be made to adhere to the schedule.
The Chair thanked proponents for the documented submissions which they had provided, meeting the guidelines laid down at the last meeting.

4. COST TO THE CONSUMER

R. Justus, Leader of Specialist Group 6, presented a report on his Group's activities. Responses to the questionnaire have been received from GI and NHK. Zenith opted not to submit their response until ATRC's had been received, and the latter was still awaited, as was that from MIT. However, Zenith has submitted information with the understanding that its distribution be limited to members of the SG-6 who have no connection with other proponents. EIA has engaged the services of consultant Werner Wedam to assist in the analysis of the submissions.

With regard to ICs, SG-6 is concentrating on the costs of second generation components for an ATV receiver volume of 1 million units.

The Chair suggested that the costs of components for the introductory units would also be important. A discussion ensued on the value of introductory costs in a comparative assessment of proponent systems. It was noted that there is no necessary relation between the actual manufacturing cost and the price at which they would initially be offered in the market place.

R. Justus believed that introductory costs would be of no value in assessing the comparative merits of the proponent systems. J. Krauss stated that the extra burden on the proponents to develop introductory costs should be avoided if at all possible. M. Weiss noted that the actual introductory costs in the US would depend on the state of manufacturing development of ATV receivers in other parts of the world.

S. Baron noted that while it may be possible to estimate the differential costs between proponents for the decoding and receiving system, in fact these differences would be very small when integrated with the cost of the display unit which would likely be common to all systems, or nearly so. For this reason he felt that the receiver costs in the introductory stages would be largely irrelevant.

P.Symes stated that the objective of the proponents has been and remains to design a transmission system which will of the highest quality and the lowest cost when in full production, and it is their comparative success in meeting this objective that will be judged. Thus the actual cost of their systems at the introductory stage will be irrelevant.

R. Ross noted however, that if the introductory cost is in fact so high that the ATV service can never get off the ground, it would be important to know it now. Others supported this view.

R. Justus suggested that while SG-6 would place the priority on costing the receivers in full production, once that work was done, he would then seek to analyze the introductory costs.

The Chair emphasized that while SG-6 is concerned with cost to manufacture, a mutually agreed factor for mark-up will be applied to develop the cost to the consumer. No forward pricing estimates will be made by SG-6.

There followed a discussion in which it was recognized that there was a real possibility that the ATV receiver market may develop with a top-of-the-line product which will be expensive, and possibly so expensive that the market penetration will be limited. In addition, ATV receivers might also be brought to market with lesser performance, but at a consumer price which will assure successful market penetration. In this regard, the Chair quoted the experience of Japan where this has in fact occurred.

R. Justus confirmed that he now had sufficient guidance to proceed with his work, and that he required no assistance in securing the necessary information from the proponents. The Chair emphasized that if any proponent chooses to withhold any information necessary (for whatever reason) for the work of comparative economic assessment to proceed, it will be deemed that they do not wish to be a part of the process, and that this will therefore work to their direct disadvantage. He urged all ATV proponents to recognize that only two months remain in our official work schedule, and that maximum cooperation is vital for the accomplishment of our task.

5. ALTERNATIVE MEDIA

The Chair regretted that the cable industry had not participated in the work of WP-3 for several months, but he would ask once again for their participation in the next two months.

H. Gaggioni reminded the meeting of earlier discussions on the HD VCR, and suggested that proponents should be asked to state how the VCR could be implemented in their system.

Following a discussion, it was agreed that the Chair would ask proponents to demonstrate how friendly their system is to the normal use of the VCR. In addition, the Chair would write to VCR manufacturers to determine their thinking and plans for consumer HD VCR introduction. A second letter would be sent in the same vein, but focussing on the professional applications of the HD VCR.

J. Krauss suggested that the EIA could prepare a White Paper on the options available for consumer VCRs. P. Symes emphasized that any study should concentrate on the essential VCR facilities of time shift viewing and the playback of prerecorded programming. Any differences in the cost of implementing such basic VCRs between proponent systems could be important in the process of comparative assessment.

It was agreed that SG-6 will start a study of the VCR impact after September 30, based on a questionnaire to be sent to VCR manufacturers. At this point, M. Weiss reported that IS WP-2 had sent out a questionnaire to proponents, and had received some rather superficial responses . This might however, serve as useful starting information.

The Chair emphasized that the VCR is a major concern, and the responses of proponents will be considered in the overall comparative assessment. R. Rast urged that the proponents be asked very specific questions to speed the process.

Following considerable discussion on the possible guidelines to the ATV proponents in seeking information, the following questions were agreed:

(i) Present a block diagram of the HD VCR signal processing system, reporting on the complexity of the system and any need for memory and buffering.

(ii) Present assumptions on the recording format that is used to support the block diagram.

(iii) Present enough supporting information to understand how trick modes can be supported.

The Chair asked that responses from proponents be returned before the next meeting of WP-3.

6. STATION EQUIPMENT COST ANALYSIS

The formation of a task force of professional television equipment manufacturers to review the proponents' submissions and prepare a cost analysis of the ATV encoders, modulators, etc.. was discussed. Each manufacturer would perform a cost analysis using their own in-house methods. They would then come to a WP-3 meeting and present their results explaining their general methodology. Some differences would likely appear, and these might be explained in open discussion with comments from the proponents. P. Symes felt that the analysis contributed by Grass Valley for each proponent system could be ready for the August meeting of WP-3.

This approach was agreed , and invitations to join the Task Force were extended to Grass Valley, Sony, Toshiba, BTS, Panasonic, Ampex, Hitachi, and Telettra. The Chair stated that he would write a formal letter of invitation to each of the listed manufacturers, seeking their participation in this work of cost assessment.

P. Symes made the point that if the Task Force members achieve a reasonable correlation in their costing, then a mean figure for each proponent system can have some validity, and can be used in a comparative assessment of the proponent systems.

The analysis should be based on selling price for an introductory quantity of both 25 and 100 units, and on a later quantity of perhaps 2000 units, using second generation technology.

Each manufacturer would privately assess the cost of manufacturing, employing their own normal techniques, and would estimate a selling price based upon their individual assessment of the market place. These internal cost calculations would not be divulged by any manufacturer. Only the relative selling price of each ATV system is of interest to WP-3. The final total cost submitted would thus be the actual cost to broadcasters.

It is hoped that while manufacturers' absolute pricing will inevitably be different, some form of correlation will emerge regarding the relative selling price of the various ATV systems.

It was noted that if no reasonable correlation was achieved among the Task Force members, it would be recognized that the process had failed, and the results would simply be reported by WP-3.

The Chair urged that if Task Force members had any questions about a proponent's system, they should address the proponent directly.

7. NEXT MEETING

The next meeting was set for 6th. August, 1992.

8. ADJOURNMENT

The meeting adjourned on a motion, at 3:07 PM.

Submitted by . . . . . .

Approved by . . . . . .