For the 320 stations in Group 5, whose total capital investment in HD equipment is $6.9 million, the net incremental cost of the transition is found to be $5.85 million. These projections are presented in Figure 10.

For all the 630 stations included in Groups 1-5, the average capital investment in HD equipment is 8.0 million per station, while the average total incremental cost over the assumed capital investment in maintaining and updating NTSC equipment is 5.8 million per station, to which must be added the remaining $0.8 million cost of maintaining some NTSC equipment during the transition, for a total net incremental cost of $6.6 million.

6.2. Capital Depreciation Charges

The impact of capital depreciation charges against revenues during the conversion period is significant. Assuming a 5-year straight line depreciation rate for HD equipment, the total depreciation charges for the 630 stations considered amount to $2,680 million, or an average total depreciation charge of $4.3 million per station. For tax purposes, this reduces the average total net cash flow for the acquisition of HD equipment to $3.7 million per station, considering only the period of conversion. Additional depreciation charges will, of course, be taken in the five years following the last year of the conversion program.

INCREMENTAL CAPITAL COST OF HDTV EQUIPMENT PER STATION
$ MILLIONS*

STATION GROUP	NO. OF STATIONS	HD EQUIPMENT CAPITAL INVESTMENT	HISTORIC NTSC CAPITAL INVESTMENT DURING TRANSITION PERIOD	REMAINING NTSC INVESTMENT DURING TRANSITION	NET INCREMENTAL CAPITAL COST
1	30	11.6	5.0	2.3	8.9
2	40	10.4	3.0	1.2	8.6
3	80	9.3	2.8	0.9	7.4
4	160	8.1	2.1	0.75	6.75
5	320	6.9	1.6	0.55	5.85

* IN 1990 DOLLARS

FIGURE 10

7. TRANSITION SCHEDULES

Each station is expected to implement its transition to HDTV over a period of several years, thus spreading the capital investment required over a period of from five to nine years, depending upon marketplace and competitive considerations.

The first stations to introduce HDTV service will probably be large stations in the top television markets. These are likely to be followed by stations in progressively smaller markets.

For example, the transition schedule may follow the pattern shown in Figure 11. Starting in Year 1, with the first group of 30 stations to convert, all of which serve the top ten television markets, the number of television households served, and the percentage of all TV households (TVHH), are presented.

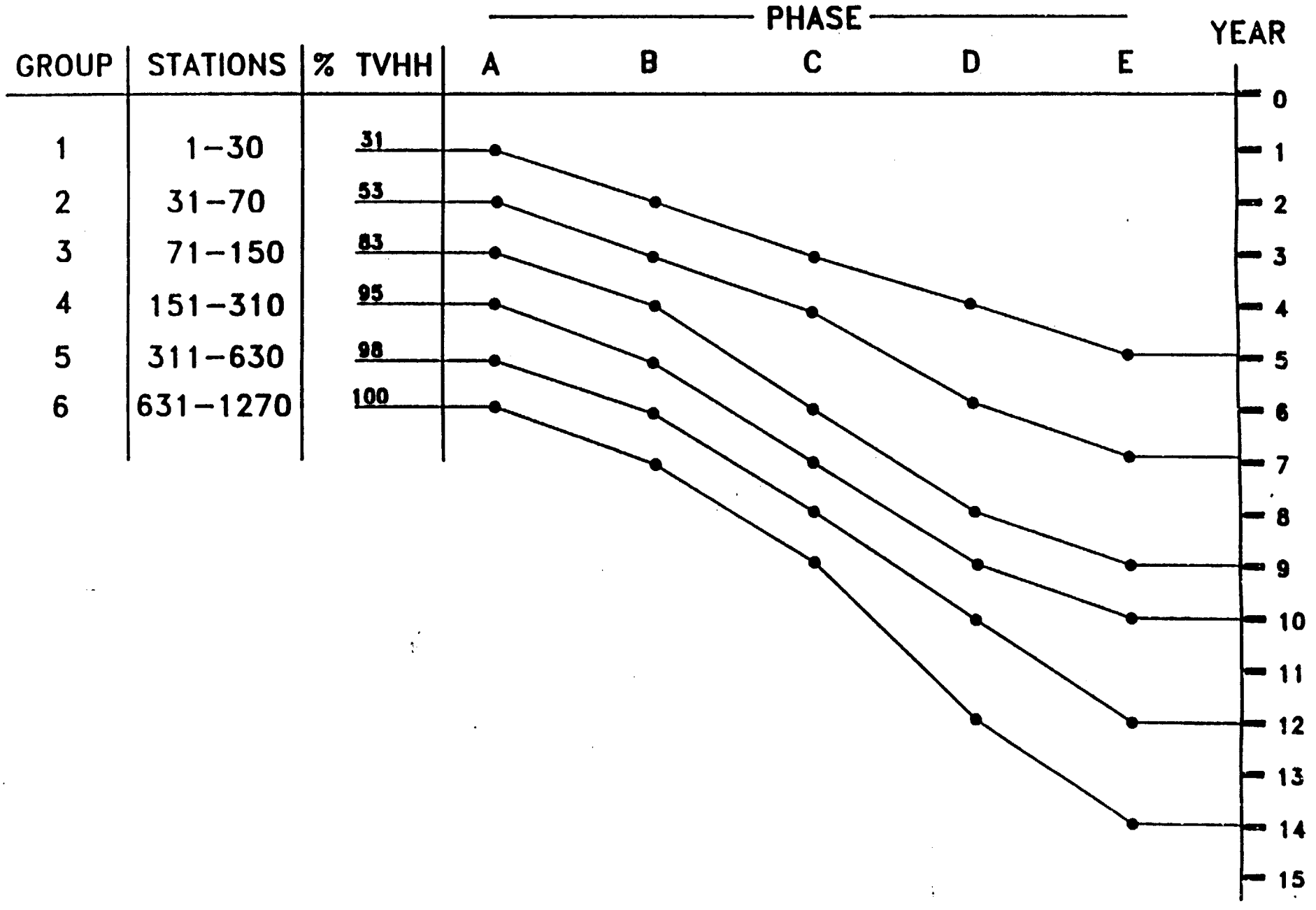
Assuming this scenario, each group of stations will take several years to implement full conversion, with the first group of 30 stations taking 5 years, and the last Group 6 of 640 stations, many of whom will be in smaller markets, completing the conversion in 9 years. In this scenario, the timing of conversion for each group is shown in Figure 12.

HDTV TRANSITION SCHEDULE

START YEAR	GROUP NO.	STATIONS EQUIPPED	MARKET RANKINGS SERVED	TV HOUSEHOLDS SERVED (MILLIONS)	PERCENT TVHH SERVED
1	1	30	1-10	28	31
2	2	+40=70	1-30	48	53
3	3	+80=150	1-100	76	83
4	4	+160=310	1-150	84	95
5	5	+320=630	ALL	88	98
6	6	+640=1270	ALL	90	100

FIGURE 11

HD CONVERSION SCHEDULE BY PHASES FOR EACH GROUP OF STATIONS



GROUP	STATIONS	% TVHH
1	1–30	31
2	31–70	53
3	71–150	83
4	151–310	95
5	311–630	98
6	631–1270	100

FIGURE 12

Figure 12 shows, for example, that when Group 2 has reached Phase D of the transition in the sixth year, 53% of television households will have HDTV service available, while in the eighth year, when the 160 stations in Group 3 have achieved Phase D, 83% or 76 million households will have HDTV service available.

The last Phase (F) of conversion to high definition electronic news gathering is not shown, because many stations may defer this phase for some years, as discussed previously.

8. CONCLUSIONS

At this point in the study, the following working premises are put forward for industry discussion.

(i) Phasing the transition to simulcast HDTV over several years is essential so that stations can time and pace their transition program based on their financial capacity and marketplace considerations. Such a transition scenario appears feasible.

(ii) The transmitter power for HDTV broadcast will be much less than for a NTSC transmitter, and the transmitting antenna will thus be smaller than its NTSC variant. New tower requirements for HDTV broadcast will therefore be minimal.

(iii) Equipment costs will decline significantly over the period of industry conversion to HDTV broadcasting.

(iv) The total capital investment required for transition to simulcast HDTV may range from $11.6 million for major market stations converting early to $6.9 million for small market converting later.

(v) The incremental capital investment required for the transition to simulcast HDTV may range from $9 million for major market stations to $6 million for small market stations.

These projections of capital cost are presented in Figure 13.

SIMULCAST HIGH DEFINITION TERRESTRIAL BROADCAST CAPITAL INVESTMENT REQUIRED $ MILLIONS

	GROUPS OF STATIONS ACQUIRING EQUIPMENT				
GROUP	1	2	3	4	5
NO. OF STATIONS	30	+40=70	+80=150	+160=310	+320=630
% TVHH SERVED	31	53	83	95	98
A - TOTAL CAPITAL COST PER STATION	11.6	10.4	9.3	8.1	6.9
B - TOTAL INCREMENTAL COST OVER HISTORIC NORMAL NTSC CAPITAL COST	8.9	8.6	7.4	6.8	5.9

* IN 1990 DOLLARS

FIGURE 13

APPENDIX A

Towers for Simulcast Advanced Television Systems

The following is a memorandum submitted by Jules Cohen and Associates, PC., to Specialist Group 10 of the Planning Subcommittee's Working Party 3, dated June 19, 1990.

"In estimates of the cost of initiating an Advanced Television System (ATV), a major item often included is a new tower. A survey of technical directors of television stations yielded the conclusion that, in the judgment of the technical directors, a substantial number of stations would require new towers to accommodate an additional antenna for ATV. For the reasons given below, new tower requirements are believed to have been exaggerated.

The ATV system adopted for terrestrial transmission will have to be of such nature that it can be located at 100 to 120 miles from a co-channel NTSC broadcast station without causing interference to reception of the NTSC station to a degree any greater than co-channel NTSC stations now cause to each other when spaced in the order of 180 miles. Inherent in that requirement is the need for the ATV station to provide satisfactory service to a substantial area while using less effective radiated power (ERP) than the equivalent NTSC station. Lower ERP can mean not only smaller transmitters, but also smaller antennas and smaller diameter coaxial cable than its NTSC counterpart.

Smaller antennas and cables reduce the weight required to be hung on a tower, but even more important, the smaller antennas and cables reduce the wind load. A tower not capable of carrying double its present load may very well be capable of accepting a lesser load without excessive derating.

Prior to adding anything other than a trivial load to a tower, a stress analysis is necessary. Such analyses are likely to cost in the range of six to fifteen thousand dollars. Upon completion of the stress analysis, the tower owner is advised of what members, if any, in the tower would be over stressed if the new load is added. Substantial overloading of a large number of members will mean that the tower must be replaced. However, experience with similar situations indicates that

the excessive stress is more often than not confined to a relatively small number of members.

In the instance where the number of tower members needing attention is not excessive, the members can be replaced or reinforced. Sometimes the requirement is as simple as adding a second steel angle back-to-back with the steel angle already in place. Sometimes one or more guy levels must be supplied with larger diameter guys, or an additional group of guys provided at a new level, perhaps with other guys being repositioned.

Strengthening an existing tower is much less costly than building a new tower. Even a fairly extensive amount of work can be accomplished within a one hundred thousand dollar budget. Furthermore, that work can usually be accomplished without disrupting the station operation.

Quite obviously, all existing towers cannot be subjected to a stress analysis at this time to arrive at a more realistic cost figure for the ATV conversion. However, experience dictates a conclusion that relatively few stations would have to resort to tower replacement as a condition for adding a simulcast ATV channel."