



# HDTV and Broadband Properties

By Jimmy Schaeffler ■ *The Carmel Group*

The mid-October addition of Cablevision's new satellite-delivered multichannel service, called Voom, adds a fourth key player to the choices of most con-

sumers in America who are focused on watching High Definition TV (HDTV). Another 11 HDTV channels are planned by February, taking the Voom HDTV storehouse to 39. Voom also plans to add as many as 80 standard definition TV

(SDTV) channels of standard cable fare before the early March time-frame. Dolan and his Voom COO, satellite industry veteran, Mickey Alpert, are betting that five to six million consumers with HDTV-ready TV's are just crying out for

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sumers in America who are focused on watching High Definition TV (HDTV). For building owners, operators and investors, their understanding of HDTV may be pivotal in an effort to understand how to retain good tenants by maximizing those tenants' telecom experiences. Although today there are but a handful of HDTV channels on the dominant services, new players such as Voom, raise the bar and cause DirecTV, EchoStar and your local cable operators, to offer more and more HDTV channels in a never-ending goal to keep ahead.

## Voom's Vision

From a relatively mediocre orbital location out above the Atlantic Ocean, and from a relatively weak spectrum assignment offering eleven channels, Cablevision Chairman Chuck Dolan has bet many hundreds of millions of dollars on the idea of offering higher-end HDTV consumers seven "standard" (see below) and 21 exclusive, ad-free channels of HDTV from his in-house store of content, for a price of

\$39.95/month. Another 11 HDTV channels are planned by February, taking the Voom HDTV storehouse to 39. Voom also plans to add as many as 80 standard definition TV

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of DirecTV, EchoStar and your local cable operator's service, is a relatively weak HDTV bouquet compared to Voom). Alpert and Dolan believe this pent-up demand for more HDTV content will create at least a million subscribers in the next couple of years ahead, which is the current Voom breakeven point, according to the company. Presently, Sears is the sole distributor for the Voom hardware, which for one set-top box, remote control, dish and wiring will cost \$795; a second set-top box for a second room costs the consumer another \$500. In order to truly compete on the distribution level, Voom will have to find its way into the Circuit City and Radio Shacks of the consumer electronics world. Local channel services will be delivered via a terrestrial antenna that comes with the hardware package. Nonetheless, because of the required positioning of its Rainbow-1 satellite, Voom has difficulty reaching subscribers in the Pacific Northwest and further south in that part of the country, especially if an obstacle such as a tree, building or mountain stand between the consumer's dish and the southeastern sky. Voom is in the hunt for more spectrum and other bandwidth solutions to remedy this challenge of accessing more consumers, with more content.

#### **DirecTV and EchoStar's HDTV**

Today positioned as they are, DirecTV and EchoStar combined offer almost half as many HDTV services as Voom. In fact, if Voom succeeds in its vision to add another 11 channels by early Spring next year, it will then offer three times as much HDTV content as do DirecTV and EchoStar combined today. Further,

DirecTV, EchoStar and most cable operators are all providing the same

types of HDTV channels, e.g., Discovery, ESPN, HBO, Showtime,

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whereas Voom is making its play with 21 HDTV channels that are exclusive to Voom. Thus, regardless of what it does in the financial and technical battlefields, Voom has surely found a provocative business plan that suggests potential. That said, both DirecTV and EchoStar have high-power Ku-Band orbital assignments and footprints which can better access all Americans across the nation, be it they in Portland, Maine or Portland, Oregon. Plus, EchoStar currently has over 100 Ku-Band high-power channel assignments and DirecTV has almost 50, to a mere eleven for Voom. If either or both DirecTV and/or EchoStar decide to reallocate assignments, satellites and spectrum, Voom may have quite a challenge keeping ahead. EchoStar's monthly fee for its basic HDTV package of "standard" channels runs \$9.99/month and \$5.99 per HD movie, while DirecTV's equivalent pricing comes in at \$10.99/month and \$4.99 per HD movie.

Like DirecTV, EchoStar currently offers HDTV channels that include premiums from Showtime and HBO, as well as "basics" from Discovery and ESPN, and an HD Pay-Per-View (PPV), plus two channels from billionaire Mark Cuban, called HDNet and HDNet movies. Unlike DirecTV, EchoStar also offers the

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CBS television network in high definition, to 17 major cities that have CBS-owned and -operated stations. EchoStar has pushed the HD technology envelope further than most, by also offering a set-top box costing around \$1,000 that also includes a digital video recorder (DVR) with enough hard drive space to record 25

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hours of HDTV content (and 180 hours of SDTV content).

Satellite industry competitor DirecTV is also planning a big convergence of its HDTV and DVR technology, with a combo set-top box that will launch during the first quarter of next year. DirecTV offers seven total HDTV channels today, in a package that is very much like that of rival EchoStar. DirecTV, however, is not yet offering local network affiliates, such as what EchoStar offers with its CBS HD service.

#### **Cable's Competition**

Typical of cable offerings, Atlanta, GA-headquartered Cox believes it, too, has what broadband property owners and investors require, bringing HDTV services to 13 major regional and specific urban markets. In some instances, local retailers sell Scientific Atlanta model number 3100 HDTV set-top cable boxes for \$499.95 each, or lease the HDTV set-top boxes for \$7.95-\$10.30/month. HDTV programming tiers on Cox run for \$6.99-

\$9.99/month, dependent upon individual market pricing; single service channels such as Discovery HD or ESPN HD run between \$4.95 and \$5.99/month. Using a strong Cox system as an example, the Las Vegas cable service there offers an HDTV package involving HBO, Showtime, ESPN, and Discovery

HD Theatre as premium and basic cable channels, together with local and network feeds of CBS, PBS and ABC.

#### **Why It Matters**

Surveys conducted by The Carmel Group indicate that consumers do favor the quality of HDTV-delivered content. In many instances, a strong sampling prefer to watch any programming delivered in HDTV format over even their favorite shows in analog or SDTV. What this signals is a battlefield ahead in the multichannel telecom wars, focused on the HDTV battlefield. Ultimately, the outcome of this battle may well decide the fate of many multichannel operators, and multichannel providers, including some of those in the broadband properties environment. This is why tracking these trends and developments need to be so important to the readers of this magazine. ■

#### **About the Author**

*Jimmy Schaeffler researches, analyzes and writes this monthly report for Broadband Properties. He is a subscription TV analyst at The Carmel Group, a publisher of multichannel industry databooks and the monthly newsletters, such as DBS Investor and Satellite Radio Investor, and a consultancy based in Carmel-by-the-Sea, CA ([www.carmelgroup.com](http://www.carmelgroup.com)). The company specializes in telecommunications (e.g., cable, satellite and wireless), as well as computers and the media. He can be reached at e-mail [jimmy@carmelgroup.com](mailto:jimmy@carmelgroup.com) or at telephone number 831/643 2222.*