

# \$5b 'video-on-demand' plan

By Blen Perez

HONGKONG Telecom, in alliance with strategic partners, will invest more than \$5 billion over the next three years to introduce a "video-on-demand" (VOD) service in the territory.

Company chief executive Linus Cheung told the *Financial Review* yesterday the massive infusion of capital was needed to install all the major computer hardware and software for Asia's first interactive broadband multi-media operation.

"With the advent of this technology, we will be stretching the definition of our core telecommunications business and, in the process, create new demand," Mr Cheung said.

Aside from major shareholders Cable and Wireless Plc and China's investment arm Citic, Telecom will be tapping new strategic partners for this pioneering venture.

VOD, a second-generation cable television technology, will transmit for a fee a variety of programs (from movies, sports, karaoke to home shopping), over Telecom's existing fixed-wire infrastructure.

Mr Cheung said certain Chinese authorities were already excited about the possible prospects of VOD technology on the mainland.

He said that emerging allies in VOD were also optimistic about their tie-up with Telecom as the company was well-positioned in both China and Hong Kong.

Recently, Hongkong Telecom said it will spend up to \$60 million on its pilot VOD project this summer.

The company has already selected IBM to supply the vital video server, which will store and deliver the new network's programming, and the set-top decoder that will unscramble the VOD signal.

Dr William Lo, Telecom's strategic planning director and head of the VOD project team, said the pilot project would serve a total of 100 hours of various programming to 50 identified homes of Telecom employees.

By October this year, 400 homes will be involved in a commercial trial.

In response, the Hong Kong government is set to review possible regulations governing the new telecommunications enterprise.

Mr Cheung said the introduction of VOD could also result in a change of lifestyle for Hong Kong residents since households would, at a push of a button, have the entire world on their video screens in real time or in replays.

"I think wives will love it because their husbands will spend more time at home. If they want, people can sing karaoke the whole day or watch instant replays of the previous day's newscast, or send a gift to other people," he said.

"In an affluent society such as Hong Kong we see a demand for the novel service, convenience and wide selection of programs offered by VOD."

By adopting the new technology, Telecom will also seek to offset the termination of its local telephone monopoly in 1995.

Mr Cheung said that Telecom's pioneering venture will bolster Hong Kong's position as Asia's telecommunications hub.