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SPECIAL REPORT: TINSELTOWN AND TECH

Mark Cuban's HDTV View

The owner of the NBA's Mavericks and CEO of HDNet says: "HDTV is going to be a huge boon for traditional over-the-air networks"

Mark Cuban has broadcasting in his blood. The outspoken owner of the Dallas Mavericks, the winningest team in the National Basketball Assn. so far this season, pocketed \$1.6 billion in April, 1999, from the \$5.7 billion sale of his streaming-media startup, Broadcast.com, to Yahoo.

These days, Cuban is making waves as a bad-boy NBA owner -- and also as the CEO of HDNet, which broadcasts sports events, news, and other shows in high-definition television (HDTV) format for distribution via satellite TV (see BW Online, 12/10/02, "[HDTV Tiptoes to Prime Time](#)"). BusinessWeek Online Technology Editor [Alex Salkever](#) recently spoke with Cuban about the future of HDTV. Here are edited excerpts from that conversation:

Q: What should broadcasters do to play the HDTV market?

A: If they're smart, they'll get aggressive with it. High-definition television signals consume too much signal space [for competitors such as] cable-TV and satellite-TV systems, making it hard for them to continue carrying so many channels. You can fix that by launching a [new] satellite, which can increase system capacity, and you can invest in building more cable capacity.

Either option takes time and a lot of money. Neither is readily available right now. This means that for the near future there's not enough signal space for all the hundreds of different TV channels carried on digital cable and digital satellite systems to be converted to high-definition. But if the market demands HDTV, then the cable and satellite guys will have to make it fit their available signal space, which would mean cutting back on the number of channels they carry.

Q: What are the other implications of HDTV?

A: The move to HDTV is going to be a huge boon for traditional over-the-air networks. High-definition over-the-air tuners are pretty much being mandated in TV sets over the next five years. Most of prime time is already being broadcast in high-definition. So all the people who are going to be buying TVs that include over-the-air tuners are going to spend more time watching over-the-air networks, because their cable or satellite companies might not offer high-definition TV.

Q: So you think talk about cable taking a lot of viewership from the over-the-air networks is a temporary phenomenon?

A: It could be. Another thing is that HDTV could solve the advertising problem. Right now there's this big war over TiVo, Replay, and other PVRs [personal video recorders], and how they let people skip over ads. That functionality gets killed with high-definition TV. High-definition signals take up more space on a hard drive in the PVRs used to store recorded content. All of a sudden, all those TiVos that are in place right now -- worthless.

Q: Because you need a massive, massive hard drive?

A: And you need a new high-definition decoder in them. So every TiVo sold today is absolutely worthless when

high-definition comes along. It's planned obsolescence within a three- to five-year timeframe for people who think they're getting the latest and greatest. TiVo will build units with bigger hard drives to handle HDTV. But then it will have to go out and rebuild its customer base almost from scratch. These people paid hundreds of dollars to get a machine they figured would last for a long time, as long as a standard VCR at least.

Q: Why have the over-the-air networks been so slow to buy in?

A: It's expensive, plus a lot of the vertically integrated companies such as ABC and NBC have content stored on a videotape medium specially made for television that can't be converted to high-definition formats. Also, Wall Street isn't rewarding people for moving into the new technology because it doesn't have immediate returns.

Q: Where does that put a company like HDNet?

A: A lot of people think we're trying to compete with ESPN and CBS, and we're not. Our goal is to create more value for satellite and cable providers than the networks do, since the content providers -- the hundreds of channels on pay TV -- won't be in a position financially to go to high-definition production for a long time.

There is an opportunity for the big networks, but the coming contraction in channels on cable and satellite systems due to HDTV is also an opportunity for anyone who can make compelling HDTV programming available to cable and satellite systems. The number of people who are buying HDTV sets is dramatically expanding by the day. They see HDNet content in the stores, and that's what they want to see on the TV when they get it home, and they're going to subscribe to the provider who gives it to them.

Q: Why are HDTVs so expensive still?

A: Relative to what? The price points of high-definition sets are dropping 2% per month. The reason HDTV prices haven't fallen faster is that everybody is selling out of them. They're hard to find. Recently I was at a store doing an appearance. I was with the people from Zenith, and they said their HDTV sets are about to go on allocation again.

Q: Why do you think everybody has been saying for so long that HDTV is a big bust?

A: In the '80s, that's what they said about PCs. And in the late '80s-early '90s, that's what they said about local-area networks, and in the mid-'90s, that's what they said about the Internet. I'm not going to ever need a PC. What do I need a PC for? Oh, I'll never have to hook them up to a network. I'll just carry a file from PC to PC on a floppy. Oh, I'll never need a cellular phone. They're too expensive. It's rude to use them. That's the way people respond to [new] technology.

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