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## Battle to replace DVDs heats up

Australian Broadcasting Corporation

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**Reporter: Ben Knight**

**Some of the biggest business names in the world are battling over which new technology will replace the DVD, itself just 10 years old. One is called Blu-ray, the other HD-DVD. Those in the industry say it is a rerun of the 1980s battle between VHS and Beta, when those who backed the wrong format were left out in the cold.**

### Transcript

KERRY O'BRIEN: There's a battle going on for some of the most valuable real estate in Australia - the corner of the nation's lounge rooms. Lined up on either side are some of biggest business names in the world. Microsoft is up against Sony. Paramount pictures is up against Warner Brothers. And they're battling over which new technology will replace the DVD, itself just ten years old. One is called Blu-ray, the other is called HD-DVD. Those in the industry say it's a re-run of the battle in the 1980s between VHS and Beta, when those who backed the wrong format were left out in the cold. Ben Knight reports.

MALE VOICE: Sony has developed a video cassette as a prime product of the future.

BEN KNIGHT: Not since the 80s, when the first video recorders fought for dominance in the market, has there been a battle like this.

JEREMY ROCHE, TECHNOLOGY REVIEWER, CNET.COM.AU: It really is a battle because they're two incompatible formats. You can't play a Blu-ray disc on an HD-DVD player and vice versa.

ALEX ENCEL, AUDIO-VISUAL RETAILER: The HD-DVD people say they'll win. The Blu-ray people say they'll win. Pay your money and make your bet.

BEN KNIGHT: Ten years ago it was DVD that began sweeping the old VHS tapes aside as the dazzling new video format and it seems like we've only just finished making the switch over. But already the two pretenders to DVDs throne have launched their first players onto the Australian market. One is called Blu-ray, the other high definition, or HD, DVD. But which of them is the better product?

JEREMY ROCHE: It's a tricky question. I mean, Blu-ray, it touts itself as being the superior technology with increased storage capacity so you can store more data on each disc. But the HD-DVD proponents are saying that their discs are cheaper to manufacture. So that might produce a cost savings to the consumer.

BEN KNIGHT: Inside these new machines is a blue laser, rather than the red one inside current DVD players. In simple terms, the blue laser is a more precise beam. That means you can fit a lot more information onto the discs, and that means high definition pictures, up to five times more resolution than an existing DVDs. And it means discs can do a lot more. If you like the look of an actor's jacket in a movie, you can buy the jacket with your remote control. But reviews of the first Blu-ray machines have been mixed.

JEREMY ROCHE: If you don't have a good TV you won't notice any difference. It's a pointless technology to have. If you do have a decent size flat panel or rear projection or a plasma, then this, you will notice the difference.

BEN KNIGHT: But because the technology is so new the first owners of these machines will be paying a high price for those benefits.

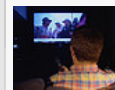
ALEX ENCEL: They can't watch anything on it. Or there's very little they can watch on it. So what are they going to do with it, apart from have it? They've got it sitting

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it. So what are they going to do with it, apart from have it? They've got it sitting there, they can play their DVDs on it, but they've probably got a DVD player.

**BEN KNIGHT:** Reports from the US and Europe indicate that HD has taken the early lead on sales by offering cheaper machines. And the decision of the massive adult film industry to go with HD is a big boost to the campaign. But so far in Australia, it's Blu-ray that's ahead. It's the first format to release a player onto the local market and has convinced at least one rental chain to carry its movies, even though only one title is available so far. Now it's down to the marketing, as both sides try to convince consumers to take up one format or the other. But the whole idea of competing formats will make that job difficult.

**JEREMY ROCHE:** A format war isn't a good thing for consumers. I mean, you could buy one of the players and it could be superseded in a couple of years time and you won't be able to buy any movies for it.

**KERAN WICKS, CHIEF EXECUTIVE, NETWORK VIDEO:** And the other big problem is the studios that are on either side of the fence. So if a consumer wants to see *Pirates of the Caribbean* and *Miami Vice*, they need to have two different players and buy two different formats of disc, you know. It's a nightmare. So ultimately I would believe it'd have to come back to a one horse race.

**BEN KNIGHT:** Keran Wicks should know. She, like many others in the industry, has seen all of this before.

**KERAN WICKS:** I've been around since the days of Beta and VHS and laser disc, believe it or not, when that launched as well. It was horrendous trying to manage VHS and Beta in the early days. Once VHS became the dominant player, we had a 60/40 then a 70/30 split, it became easier to manage, and then ultimately the studios made the decision to stop producing Beta.

**BEN KNIGHT:** Betamax was made by Sony, so it was on the losing side in that battle. But this time it's backing Blu-ray and it has a powerful advantage in the market already. Last month, Sony launched its much-hyped PlayStation 3 and sold almost 30,000 machines in the first week. And each one can also play Blu-ray movies. On the other side, Microsoft is making its new Xbox 360 compatible with HD-DVD, but you have to buy a separate piece of equipment.

Whatever happens it'll be consumers in the US and Europe, not Australia, who decide. But the ones who'll really be handing on that decision are the video rental chains because once again they'll have to restock their stores with a completely new format, just as they did when DVD took over from VHS. And once again, it's going to cost them millions.

**KERAN WICKS:** Impossible to measure at this stage. At this point in time, they're currently putting out most of the high definition with a 25 per cent premium. So the stock at cost will be much more for us to buy than DVD was, transition to DVD.

**BEN KNIGHT:** For consumers, Alex Encel's advice is simply to wait.

**ALEX ENCEL:** You haven't got the software in any realistic quantity and you haven't, you can't watch it in its full advantage on TV because it's not up to the standard of the Blu-ray, so what are you going to do with it?

**KERRY O'BRIEN:** So many decisions, so much consuming. Ben Knight with that report.

