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N E T W O R K T E N

TELSTRA INQUIRY
Submission No. 32

30 January 2003

The Secretary
House of Representatives Communications, Information Technology and the Arts
Committee
R1, Suite 116
Parliament House
Canberra ACT 2600

Dear Mr Secretary

Thank you for the opportunity to contribute to the Committee's Inquiry into the structure of Telstra.

We believe this process will reveal significant scope to better harness Telstra's infrastructure for the benefit of all Australians.

Despite a decade of efforts to reduce Telstra's monopoly in telecommunications, it continues to dominate the market. Meanwhile, Telstra's participation in Foxtel extends that monopoly into pay-TV services and new interactive digital services.

It would be in the best interests of Telstra, its shareholders and consumers to maximise the number of users of Telstra's infrastructure. However, Foxtel's ownership structure effectively prevents that from happening. The recent pay TV content merger entrenches the Telstra/Foxtel platform as the gateway to Australian homes for new digital services. It is clear Foxtel wishes to retain the ability to determine which services are made available over the Foxtel platform going forward.

Therefore, rather than ensuring Telstra's infrastructure is open and available for all to use, Foxtel will be the gatekeeper. Already, there are ominous signs for the future: undertakings given by Foxtel to the Australian Competition and Consumer Commission do not cover new interactive digital services or retransmission of the free to air television services.

Foxtel is presently in separate discussions with the free to air television networks, including the ABC and SBS, about retransmitting their digital channels and limited enhancements on Foxtel's digital cable service. Foxtel has indicated, however, that broadcasters must separately negotiate with Optus for transponder leases for satellite retransmission.

Network Ten believes that free to air television will remain the only medium by which Australians will retain their access to a diverse range of quality broadcast programming – regardless of where they live or their economic circumstances.

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Foxtel's refusal to retransmit free to air digital channels on its satellite service will compromise the ability of many viewers to receive them, as people will be forced to purchase additional receiving equipment.

Consequently, we have advocated equipping pay TV's future digital satellite boxes with a terrestrial tuner, which would allow consumers to use the same device to receive their pay TV satellite-delivered services and those of the digital terrestrial free to air broadcasters.

The funds that the Government and free to air networks require to lease satellite capacity would more than cover the incremental cost of including a digital terrestrial tuner in satellite pay TV boxes.

A dual tuner is especially crucial for Australians living in regional areas where some might not receive any free to air services through pay TV's satellite digital box. There is not enough satellite transponder space to accommodate the nearly 100 separate local feeds regional broadcasters provide. Without a dual tuner, regional viewers' access to their local free to air television services will be severely compromised.

The Minister for Communications, Information Technology and the Arts acknowledges that such a tuner is technically feasible, and our advice indicates that the incremental cost above and beyond that of a digital pay television set top box is approximately \$20 - \$40.

The inclusion of a terrestrial tuner in pay TV's digital satellite set top boxes would further assist Foxtel in the take up of its digital service by ensuring that subscribers to its satellite television services can receive the free to air digital channels.

Network Ten is already meeting its digital obligations, and has been broadcasting in digital 24 hours a day, seven days a week, since 1 January 2001. We are committed to helping develop the infrastructure needed to provide digital television to all Australians, and to encourage its rapid take up.

Towards that aim, we would be pleased to assist the Committee in its deliberations in any way we can.

Yours faithfully



Nick Falloon
Executive Chairman