

Driving digital and switching off analogue

3.1 Free TV Australia stated that the switch to digital services is happening globally and Australia is at the forefront of that transition, particularly in relation to free-to-air digital services.¹

3.2 Free TV Australia explained:

[DTV] will permanently change the way that people view television. The legislative framework agreed to by parliament – I think this is a really important message for people to understand – is about free-to-view television. That is in recognition of the fact that the vast majority of Australians, around 78 per cent, continue to watch free TV services. We are probably unique in the world in our commitment to free TV services. This contrasts very starkly with other countries such as the UK, where the initial driver for digital television services has come from the pay TV sector.²

3.3 SBS claimed that while DTV is now available to most Australians, the level of consumer take-up to date is far from what is necessary to reach analogue switch-off by the statutory target of 2008 or any date within a reasonable period after that.³

3.4 SBS explained that influencing the consumer decision to convert from analogue to digital is made more challenging by the success and mass appeal of the existing analogue television market. SBS added:

At this stage in the development of the industry, consumers need compelling reasons to purchase digital receivers, involving a range

1 Free TV Australia, *transcript of evidence 25 May 2005*, p. 2.

2 Free TV Australia, *transcript of evidence 25 May 2005*, p. 2.

3 SBS, *submission no. 62*, p. 2.

of benefits that are identifiably greater than those currently available through analogue television. If digital is only regarded as a marginal improvement on the existing analogue service, it will remain difficult to convince consumers that digital is a necessity, rather than just a 'nice to have' alongside other new and emerging consumer devices.⁴

- 3.5 The ACA discussed the findings of the Productivity Commission's Broadcasting Inquiry report from 2000. The ACA stated that the following questions raised by the Productivity Commission⁵ remain unanswered:

The current policy framework does not address the key issues:

- who will drive the conversion?
- how will analog switch-off happen?
- when will the analog switch-off happen?⁶

- 3.6 The Committee considers that these remain key issues and this report seeks to address some of them in the following chapter. The chapter also address issues of future allocation of spectrum.

Drivers for DTV

- 3.7 Submissions to this inquiry provided comprehensive information on factors that will drive the take-up of DTV. Some of these factors, including quality, content, HDTV, new technologies, and promotion campaigns are briefly discussed below, with more detailed discussion to follow in Chapter 4.

- 3.8 SBS argued that no single driver will achieve the volume of digital take-up that will bring the market closer to analogue switch-off. It will require a combination of the following factors and regulatory change to support them:

- Receivers at acceptable prices that deliver significant audio-visual improvements on the analogue television experience;
- Extra content and services;
- Seamless, user friendly and durable technology; and

4 SBS, *submission no. 62*, p. 2.

5 Productivity Commission report on broadcasting, April 2000, <http://www.pc.gov.au/inquiry/broadcst/finalreport>.

6 ACA, *submission no. 47*, p. 4.

- Consumer understanding of the above, which may be assisted by awareness of a certain switch-off date.⁷
- 3.9 SBS added that while consumer awareness is increasing, the market needs to reach the point where consumers feel they are missing out on attractive programs and services if they do not have digital.⁸

Quality

- 3.10 Recent ACMA research found that enhanced picture experiences and the resolution of reception problems played a prominent role in household decisions to adopt DTV, with just over half (51.0 per cent) of adopter households citing picture and signal/reception related reasons for household DTV conversion.⁹
- 3.11 Network Ten stated that consumer awareness of the benefits of digital pictures and sound is rising, and having become accustomed to the high quality of DVD, many are keen to replicate that quality in their free-to-air television viewing.¹⁰

Content

- 3.12 The Australian Competition and Consumer Commission (ACCC) stated:
- It is widely recognised that digital TV as a delivery platform offers a number of benefits to consumers in terms of sharper picture quality and better sound quality et cetera. However, it appears that these features in and of themselves have not provided a sufficient value proposition for Australian consumers to make the investment in switching to digital at this time in any great numbers ... the ACCC's research ... tends to suggest that the uptake of digital TV will flow from consumers being offered new and innovative content and services which are able to meet their preferences and needs.¹¹
- 3.13 The ABC reported that evidence from overseas supports the proposition that greater program choice is as significant a factor, if not more significant, than image quality in encouraging consumers to purchase DTV equipment. The ABC claimed that Europe has little or no HDTV

7 SBS, *submission no. 62*, p. 2.

8 SBS, *submission no. 62*, p. 3.

9 ACMA (2005) *Digital Media in Australian Homes*. ACMA Monograph 1, p. 3.

10 Network Ten, *submission no. 60*, p. 17.

11 ACCC, *transcript of evidence 10 August 2005*, p. 1.

broadcasting, and that take-up has instead been most significantly influenced by increased choice.¹²

- 3.14 The ABC discussed the UK example, where nearly six in ten homes have access to DTV¹³:

Until recently, the UK television market was characterised by a relatively small number of free-to-air channels and a significant proportion of the population who were unlikely to ever subscribe to a pay TV service. This directly parallels the current state of the Australian television market. The rapid growth of the Freeview multichannel service, which provides audiences with access to more than 30 channels, has demonstrated a public appetite for increased viewing options ... an analysis of the UK’s progress towards digital switchover by the communications regulator, Ofcom, identified increasing channel choices and low cost receiver units as key reasons for Freeview’s success.¹⁴

- 3.15 The ABC stated that consumer response to additional DTV services demonstrates that a similar appetite for greater viewer choice exists in the free-to-air market in Australia.¹⁵

- 3.16 The ABC provided an example where recent evidence from Tasmania suggested that the introduction of an additional digital-only commercial station, Tasmanian Digital Television, into the Hobart market has resulted in a significantly higher take-up rate for DTV than elsewhere in the country.¹⁶

- 3.17 The ABC believes the Australian community would respond positively to the increased convenience and diversity of additional public broadcaster multichannels.¹⁷

- 3.18 The Seven Network claimed that experience from international markets suggests that DTV multichannelling is likely to be the most effective driver of DTV in Australia.¹⁸

- 3.19 The Seven Network explained that:
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12 ABC, *submission no. 45*, p. 2.

13 ABC, *submission no. 45*, p. 3, quoting:
Jason Deans, ‘Most UK homes now have digital TV’, *Media Guardian*, 30 March 2005.
media.guardian.co.uk/broadcast/story/0,7493,1448316,00.html

14 ABC, *submission no. 45*, p. 3.

15 ABC, *submission no. 45*, p. 3.

16 ABC, *submission no. 45*, p. 3.

17 ABC, *submission no. 45*, p. 3.

18 Seven Network, *submission no. 49, attachment 1, appendix 2*, p. 25.

One way of encouraging consumers to purchase [set-top boxes] is to enable broadcasters to provide a compelling [DTV] customer proposition, which can be best achieved through a free multichannel offering.¹⁹

- 3.20 SBS believes that currently the messages for selling DTV in Australia remain unclear. SBS added that:

Although there has been increased awareness about digital amongst consumers, I believe that to get enough people to go out and buy digital receivers consumers will need to feel that they are missing out if they do not convert to digital.²⁰

- 3.21 SBS further explained that reliable equipment, extra content and strong marketing will go a substantial way to taking the DTV market forward.²¹

New technologies in products

- 3.22 A number of submissions claimed that the inclusion of new technologies in products and even mandating digital tuners will drive take-up of DTV in Australia.

- 3.23 For example, Network Ten stated:

Introducing a mandate on the gradual phase-in of integrated digital tuners in television sets, as done in the US, will drive take-up even further and benefit consumers wishing to replace or upgrade their television set at a time of their choosing.²²

- 3.24 Sony claimed that there are sound reasons for the Australian Government to consider requiring manufacturers to integrate digital tuners in televisions sold in Australia. Sony stated:

... this move would further drive consumer take-up of DTV and encourage broadcasters to provide a stronger DTV/HD content offering in the knowledge that there is a growing customer base for this content. A model similar to that adopted in the US (requiring TV sets of certain sizes to include digital tuners by specified dates) could be adopted in Australia.²³

19 Seven Network, *submission no. 49, attachment 1, appendix 2*, p. 25.

20 SBS, *transcript of evidence 22 June 2005*, p. 29.

21 SBS, *transcript of evidence 22 June 2005*, p. 29.

22 Network Ten, *submission no. 60*, p. 2.

23 Sony, *submission no. 67*, p. 3.

- 3.25 Network Ten also discussed research which suggested that the growing market for DVD recorders will facilitate the transition to digital, with the majority of DVD recorders sold expected to contain integrated digital tuners by 2009, effectively replacing digital set-top boxes.²⁴

Spectrum usage

- 3.26 A further key driver for the switch to digital broadcasting is the more efficient use of spectrum. Higher quality images and sounds, and even more channels can be broadcast in the same spectrum currently used for one analogue channel.
- 3.27 Currently, each network is allocated spectrum for analogue broadcasting and additional spectrum for digital broadcasting. If analogue television is switched-off, a substantial amount of spectrum will be returned to the Australian Government for future uses.
- 3.28 Spectrum is increasingly being recognised as a valuable resource. The ACMA stated that spectrum is described in economic terms as being a finite, instantly renewable, natural resource. Because spectrum has the attributes of a limited resource, it has significant economic value and must be managed to maximise its overall benefit.²⁵
- 3.29 The ACMA website further explains the value and management of spectrum:

Spectrum is an increasingly important input resource to the economy, as more and more is used to provide communications services directly to industry and consumers, and as a major component of communications networks themselves. Current uses of the spectrum continue to grow while at the same time new services are continually being developed. Both the generic growth and the changing uses of spectrum need to be supported within what is a finite resource, which is largely already assigned to existing users. The challenge for spectrum managers is to facilitate change in the use of spectrum in an environment where the rate of technology change is increasing. Meeting this challenge requires careful planning and the need to make sometimes difficult choices about spectrum use.²⁶

24 Network Ten, *submission no. 60*, p. 17.

25 www.acma.gov.au/ACMAINTER.65674:STANDARD:506195048:pc=PC_2612, accessed 2 November 2005.

26 www.acma.gov.au/ACMAINTER.65674:STANDARD:506195048:pc=PC_2612, accessed 2 November 2005.

3.30 The ACMA discussed the more efficient use of spectrum as a result of converting television broadcasting to digital:

There are tremendous benefits both to broadcasters and to the wider community in moving completely to digital. It is an enormously more productive use of spectrum and there will be a huge thing which, worldwide, is being called the analog dividend – that is, large amounts of the radiofrequency spectrum now being used wastefully for analog could be used efficiently for digital services.²⁷

3.31 Broadcast Australia suggested that an important premise underpinning the public policy debate in relation to broadcasting in recent years has been the scarcity of spectrum and, therefore, the need to plan and utilise this resource as efficiently as possible.²⁸

3.32 However, Broadcast Australia believes that over the medium to long-term, it is possible that this scarcity issue will significantly diminish for two principal reasons:

- The emergence and widespread adoption of advanced DTV compression technologies; and
- The release for re-allocation of analogue television and radio channels currently used by incumbent broadcasters.²⁹

3.33 Broadcast Australia believes the following principles should apply to public policy concerning the efficient use of spectrum:

- Merit-based (rather than price-based) allocation of spectrum;
- Anti-hoarding policies such as “use it or lose it” requirements on licensees;
- Planning now for the adoption of advanced DTV compression technology once it becomes widely available;
- Maintain existing quality of spectrum by limiting permitted uses and managing potential interference issues through thorough planning.
- Use of single frequency networks where possible to ensure maximum use of available channels; and
- Good quality high power channels should not be squandered or used for translator services which could otherwise be serviced by a single frequency network.³⁰

27 ACMA, *transcript of evidence 1 June 2005*, p. 17.

28 Broadcast Australia, *submission no. 41*, p. 14.

29 Broadcast Australia, *submission no. 41*, p. 14.

30 Broadcast Australia, *submission no. 41*, p. 14.

- 3.34 With regard to the spectrum scarcity issue, ITRI expressed concern that Australia's digital conversion policy lacks a compelling driving principle. ITRI explained that in other DTV markets the policy rationales for digital conversion are clearer:

In the US, for example, digital migration is driven primarily by spectrum scarcity. In the UK, competition policy has largely driven the digital conversion agenda. In South Korea, digital policy has responded to market opportunities associated with the export of television production and reception equipment ...³¹

- 3.35 ITRI stated that:

Here the issues of spectrum scarcity, with some notable exceptions, are for the most part not a driving force. For most of Australia, there is nowhere near the type of scarcity that is driving change in the American or European markets.³²

- 3.36 ITRI suggested that the main driver for digital conversion in Australia should be the need to harmonize the television industry to fundamental change taking place globally.³³

Promotion

- 3.37 Sony stated that significant marketing and promotion of DTV and HDTV is vital to educate consumers and encourage the move to digital. However, Sony claimed that there has been relatively little marketing of DTV to date amongst stakeholders, including the Australian Government, broadcasters, manufacturers and retailers. Sony added that, although there has been some advertising by the networks, there have been no high-profile, extensive and coordinated promotional campaigns.³⁴

- 3.38 Sony claimed that effective marketing has been hindered by limited digital programming and services being offered, and the uncertainty around the analogue switch-off date. Sony believes that there must be a much greater future commitment on the part of stakeholders to marketing and promotion to support the drive to digital conversion.³⁵

- 3.39 Sony stated:

31 ITRI, *submission no. 46*, p. 10.

32 ITRI, *submission no. 46*, p. 10.

33 ITRI, *submission no. 46*, p. 10.

34 Sony, *submission no. 67*, p. 9.

35 Sony, *submission no. 67*, pp. 9-10.

It is also important to drive the entire marketplace, and that would involve a lot of promotion and certainly education – there is a lot of confusion with consumers in particular – and marketing of all of those answers to the consumer. We would need to explain how all that is going to work moving forward. We believe that there is a big need for the industry and government to help drive that education process and the promotion of DTV in the market.³⁶

- 3.40 The ACMA's recent research revealed some alarming results concerning the awareness of DTV in Australia. The research found that 16.8 per cent of the survey's 999 non-adopter households had never heard of DTV.³⁷
- 3.41 Another surprising finding was 38.0 per cent of all 1 148 households surveyed were unaware that analogue free-to-air television broadcasting will be replaced by DTV broadcasting in the future, and that special equipment will be required to receive those broadcasts.³⁸
- 3.42 The Committee is concerned that over one third of households may not be aware that analogue is to be switched off and some networks are not promoting their digital services appropriately.
- 3.43 The Committee is of the opinion that the ABC is not promoting its digital channel, ABC2, adequately. Advertising scheduled ABC2 programs on its main channel would raise awareness and encourage consumers to switch to digital.
- 3.44 The Committee notes that FOXTEL has been successful in convincing its viewers to switch to its digital platform, largely through advertising digital-only programs and events on its analogue service.
- 3.45 The Committee is of the opinion that each network, particularly through their websites and on-air promotions, should be doing as much as possible to promote the take-up of DTV.

Current initiatives to drive take-up

- 3.46 There are a number of initiatives already in place to assist in driving take-up of DTV in Australia. While take-up figures do still remain low, the Committee considers that this is due to a range of other factors – including debate around the switch-off date for analogue.

36 Sony, *transcript of evidence 7 September 2005*, p. 2.

37 ACMA (2005) *Digital Media in Australian Homes*. ACMA Monograph 1, p. 62.

38 ACMA (2005) *Digital Media in Australian Homes*. ACMA Monograph 1, p. 62.

- 3.47 This section reviews current Australian Government and private sector initiatives aimed at promoting, raising awareness and increasing the take-up of DTV.

DBA

- 3.48 The DBA plays a key role in driving take-up of DTV. Free TV Australia provided some additional background information on DBA:

DBA is a unique body which has members across four distinct areas of the free-to-view digital television industry. These include broadcasters, consumer electronic manufacturers and suppliers, installers and consumer electronic retailers.

The organisation has around 80 members currently. All the commercial and national broadcasters were foundation members and provide more than 40% of DBA's funding.

The organisation exists primarily to:

- enable the smoothest possible take-up of free-to-view digital television; and
- encourage the greatest possible take-up of free-to-view digital television.

- 3.49 Free TV Australia noted that DBA has set up a comprehensive free-to-air DTV website which attracts a high number of users. In March 2005, 114 000 unique visitors made use of the site with each spending more than five minutes per visit.³⁹
- 3.50 Free TV Australia explained that the website covers everything from the range of consumer electronic equipment available and its recommended retail price, to how to achieve better reception of free-to-air DTV services.⁴⁰
- 3.51 Free TV Australia stated that a significant part of DBA's efforts are directed at the consumer through the retailers. DBA encourages training programs for sales staff, service technicians and antenna installers.⁴¹
- 3.52 Free TV Australia further added that this activity is largely aimed at the regional areas because this is where all new rollout of digital free-to-air services is occurring.⁴²
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39 Free TV Australia, *submission no. 31*, p. 9.

40 Free TV Australia, *submission no. 31*, p. 9.

41 DBA, www.dba.org.au/index.asp?sectionID=68, accessed 3 November 2005.

42 Free TV Australia, *submission no. 31*, p. 10.

- 3.53 Free TV Australia also noted that DBA provides significant point of sale and hard copy education and assistance material to 1 700 member stores around Australia.⁴³
- 3.54 The Committee was particularly concerned by retailers' lack of interest in making contributions to this inquiry, despite direct approaches being made to a number of the major retailers.

Television campaign

- 3.55 Free TV Australia stated that Free TV Australia members launched a 'Digital Free-to-View' marketing campaign in late June 2003 aimed directly at encouraging consumers to make the switch to digital.⁴⁴
- 3.56 Free TV Australia explained that until then only 75 000 set-top boxes had been sold, reportedly due in part to the fact that the DTV rollout was limited. Free TV Australia added:
- By June 2003 however, there was sufficient coverage, equipment availability and content, to be confident that consumers attracted to the digital product would not be disappointed if they responded to the campaign and made the switch to digital.⁴⁵
- 3.57 The campaign featured television personalities from each of the networks (Bert Newton, Catriona Rowntree and Joanna Griggs) and focused on what Free TV Australia believed to be the key benefits of digital free-to-air television:
- better pictures, better sound, widescreen; and
 - no monthly payments.⁴⁶
- 3.58 Free TV Australia claimed that the campaign was highly successful in communicating to consumers the availability and benefits of digital free-to-air television.⁴⁷
- 3.59 Free TV Australia claimed that:
- Within three months the number of set top boxes sold had increased to 167 000. The campaign was also assisted by the Seven Network's highly successful digital coverage of the 2003 Rugby

43 Free TV Australia, *submission no. 31*, p. 10.

44 Free TV Australia, *submission no. 31*, p. 8.

45 Free TV Australia, *submission no. 31*, pp. 8-9.

46 Free TV Australia, *submission no. 31*, p. 9.

47 Free TV Australia, *submission no. 31*, p. 9.

World Cup. The coverage included two digital multi-view channels with statistics and alternate commentary. By the end of 2003 the number of set top box sales had risen to 250,000 and has continued at a consistent rate ever since.⁴⁸

- 3.60 Free TV Australia stated that broadcasters have continued to air the campaign and are looking at preparing a new version to air in the second half of 2005.⁴⁹

Network promotion

- 3.61 Each of the networks promotes DTV through their websites, and to a limited extent through broadcasting.
- 3.62 The Network Ten website has a prominent link to its DTV information pages. There are several pages of information promoting DTV including material discussing DTV in general, SD and HD services, DTV extras, and links to the DBA website.⁵⁰
- 3.63 The Nine Network's website has a link to its DTV webpage, where information is available on how to get DTV, digital picture quality and program enhancements.⁵¹ Again, the site has several links to the DBA's website.
- 3.64 The Seven Network has a dedicated DTV website⁵² which features comprehensive information; however there does not appear to be a direct link to it from the networks' regular website.
- 3.65 The SBS website has a prominent link to its DTV information page.⁵³ The webpage features FAQ-style information about DTV basics, including a promotional video. The webpage also features a link to Statements of Potential Interference Mechanisms, which are documents prepared by networks to assist viewers in particular areas that have signal interference problems. The website also has links to DBA, other networks, government sites and international organisations.

48 Free TV Australia, *submission no. 31*, p. 9.

49 Free TV Australia, *submission no. 31*, p. 9.

50 Network Ten, www.ten.com.au/main_idx.aspx?section=digitalTV, accessed 3 November 2005.

51 Nine Network, tvshows.ninemsn.com.au/article.aspx?id=22833, accessed 3 November 2005.

52 Seven Network Digital, www.sevendigital.tv/index.php, accessed 3 November 2005.

53 SBS, www.sbs.com.au/digital, accessed 3 November 2005.

- 3.66 SBS discussed how it is contributing to driving take-up of DTV:
- ... SBS' corporate strategy [is to use] digital broadcasting as a way to develop its capacity to deliver broader and richer services under its Charter to all Australians. SBS now provides six services on digital television, including two digital only multichannels and rebroadcasts of its two radio services, in addition to a range of enhanced and interactive content.⁵⁴
- 3.67 Further discussion on SBS's contribution to DTV can be found in Chapter 4.
- 3.68 The ABC's TV Reception website has links to DTV information. The web pages outline the benefits of DTV and, as explained previously in this chapter, feature a reception locator facility.⁵⁵
- 3.69 The ABC discussed how it is contributing to driving take-up of DTV:
- In the four years since the commencement of free to air digital television broadcasting in Australia, the ABC has sought to provide a digital television experience that extends beyond a simulcast of its analogue television broadcasts in order to promote the adoption of digital television by viewers.
- 3.70 Further discussion on the ABC's contribution to DTV can be found in Chapter 4.

Subscription television

- 3.71 The Australian Subscription Television and Radio Association (ASTRA) claimed that the subscription television sector has been the single greatest driving factor to encourage the take up of DTV in Australia.⁵⁶
- 3.72 ASTRA added:
- We think the increase in the publicity that surrounded the launch of digital – there was a lot of publicity leading up to that launch in March 2004, both from Foxtel and Austar – has generated more interest in digital take-up across the board, including free-to-air take-up.⁵⁷

54 SBS, *submission no. 62*, p. 2.

55 ABC, www.abc.net.au/reception/digital/, accessed 3 November 2005.

56 ASTRA, *submission no. 50*, p. 2.

57 ASTRA, *transcript of evidence 22 June 2005*, p. 3.

- 3.73 ASTRA explained that the launch of AUSTAR in 1995 was Australia's first taste of DTV. AUSTAR's services have continued, with services being offered predominantly in regional and rural Australia.⁵⁸
- 3.74 ASTRA stated that AUSTAR launched an enhanced television offering branded 'New AUSTAR Digital' in March 2004 with extensive publicity and marketing drives. As of March 2005, approximately 440 000 Australian homes are connected to AUSTAR's digital services.⁵⁹
- 3.75 ASTRA explained that FOXTEL launched its first DTV service (a digital satellite service) in March 1999. In 2004, FOXTEL launched its 'FOXTEL Digital' product which converted its existing analogue service to digital, providing a raft of new content and interactive digital features. The service targeted Australian consumers in mostly metropolitan areas.⁶⁰
- 3.76 ASTRA added:
- As part of its launch, FOXTEL embarked on an ambitious and extensive promotion of the benefits of digital television. A year on, approximately 63% of the more than 1 million homes connected to FOXTEL receive FOXTEL Digital services.⁶¹
- 3.77 FOXTEL claimed that the subscription television industry has helped drive DTV take-up:
- Through its innovation, subscription television exerts competitive pressure on other digital television providers - free-to-air broadcasters and DVD - and benefits Australian audiences by inspiring and driving digital innovation and enhancing competition.⁶²
- 3.78 Singtel Optus Pty Ltd (Optus) also believed the Committee should recognise the contribution the subscription television industry has made and is making to drive the take-up of DTV services in Australia.⁶³
- 3.79 ASTRA stated that, collectively, there are more than one million Australian households that subscribe to digital subscription television services, representing approximately 65 per cent of subscription television homes. With an estimated total of seven million households in Australia,

58 ASTRA, *submission no. 50*, p. 2.

59 ASTRA, *submission no. 50*, p. 2.

60 ASTRA, *submission no. 50*, p. 2.

61 ASTRA, *submission no. 50*, pp. 2-3.

62 Foxtel, *submission no. 55*, p. 16.

63 Optus, *submission no. 33*, p. 2.

approximately 14 per cent of Australian homes receive DTV through subscription television providers.⁶⁴

3.80 ASTRA pointed out that, currently, digital services provided by ABC, SBS and the Nine Network are available on (sometimes multiple) subscription television platforms.⁶⁵

3.81 ASTRA believes the aggressive promotion of DTV by subscription television operators has had the effect of dramatically growing the awareness of DTV and its benefits and opportunities to consumers.⁶⁶

3.82 ASTRA claimed that this has directly benefited the sale of set-top boxes necessary to receive free-to-air DTV.⁶⁷ ASTRA also believes it is highly likely that as digital subscription television continues to be promoted to Australians, the growth in set-top box sales will continue.⁶⁸

3.83 AUSTAR described further measures to drive digital take-up. In May 2005, AUSTAR announced its plans to launch a personal digital recorder (PDR) in the second quarter of 2006 which includes a free-to-air digital tuner. The addition of this tuner will allow AUSTAR subscribers to access free-to-air digital signals without the cost of purchasing a separate free-to-air digital set-top box.⁶⁹

Retransmission of free-to-air networks

3.84 DCITA explained the relationship between the free-to-air networks and the subscription television sector:

The national broadcasters' digital services are retransmitted nationally on digital pay TV networks ... Foxtel retransmits the digital services of the Nine Network in the metropolitan markets of Sydney, Melbourne and Brisbane. As yet, the Seven and Ten Networks have not entered into agreements for the retransmission of their services via the digital satellite pay TV platforms ... retransmission agreements are a commercial matter.⁷⁰

3.85 DCITA discussed some of the details concerning retransmission arrangements:

64 ASTRA, *submission no. 50*, p. 3.

65 ASTRA, *submission no. 50*, p. 3.

66 ASTRA, *submission no. 50*, p. 3.

67 ASTRA, *submission no. 50*, p. 3.

68 ASTRA, *submission no. 50*, p. 3.

69 AUSTAR, *submission no. 74*, p. 1.

70 DCITA, *submission no. 66*, pp. 8-9.

Due to the requirement that commercial services may only be broadcast within the area for which they are licensed, digital pay TV operators and commercial broadcasters negotiate retransmission on an area-by-area basis and ensure that viewers are not able to view out-of-area broadcasts. Due to capacity and cost constraints, digital satellite pay TV operators do not currently retransmit the regional commercial broadcasters' services.⁷¹

- 3.86 DCITA explained that local cable subscription television providers, Transact and Neighbourhood Cable, provide all of the relevant free-to-air commercial services for their areas, including the national broadcaster's services including ABC2.⁷²
- 3.87 The Committee recognises the subscription television sector's claims that it has contributed to the take-up of DTV in Australia.
- 3.88 The Committee is aware that the penetration of some digital free-to-air services is higher than currently estimated, due to the retransmission of those networks on subscription television platforms. However, not all free-to-air channels are retransmitted on subscription television, the retransmission of channels varies between regions, and it also depends on the subscription television programming choices and transmission capacity.

Options for analogue switch-off dates

- 3.89 During the course of the inquiry there has been considerable media comment on the slow take-up of DTV in Australia, and the possibility of delaying analogue switch-off. Media comment was particularly evident following the discussion of the analogue switch-off issue by the Minister for Communications, Information Technology and the Arts at Senate Estimates hearings in May 2005, and following the announcement of DCITA's review of the switch-off date on 27 September 2005.
- 3.90 During Senate Estimates hearings in May 2005, the Minister (Senator The Hon Helen Coonan) acknowledged that DTV take-up is not high and that the Australian Government would have to examine options analogue switch-off options.

71 DCITA, *submission no. 66*, p. 8.

72 DCITA, *submission no. 66*, pp. 8-9.

- 3.91 Senator Coonan also added that DCITA's review would look critically at extending the current date.⁷³
- 3.92 In announcing DCITA's review of the analogue switch-off date, Senator Coonan suggested that switch-off may have to be delayed, as an analogue switch-off date of 2008 in metropolitan areas seems unachievable.⁷⁴
- 3.93 Opinion on analogue switch-off dates is deeply divided, ranging from maintaining the planned phasing out of analogue, switching off sooner, opting for a later date, and not setting a date at this time. This section discusses the various options raised in submissions to the inquiry.

Need for a certain analogue switch-off date

- 3.94 Several submissions to this inquiry stated that a definite analogue switch-off date will drive the take-up of DTV in Australia.
- 3.95 SBS believes that increased public awareness of a certain analogue switch-off date will provide a particular incentive for digital take-up.⁷⁵
- 3.96 Panasonic believes the Australian Government must take greater ownership and become more actively involved in the DTV transition process by establishing a formal timeline, strategy and milestones for analogue switch-off.⁷⁶
- 3.97 Retravision is of the view that there is a great deal of confusion about the actual analogue switch-off date.⁷⁷
- 3.98 Retravision added that a firm date needs to be established and clearly communicated to ensure suppliers and consumers know exactly where they stand and can plan accordingly.⁷⁸
- 3.99 Retravision explained that:
- ... reaffirming the date will ensure that suppliers are left in no doubt so that their product road maps can be planned and

73 Senate Environment, Communications, Information Technology and the Arts Legislation Committee, *Budget Estimates, transcript of evidence 23 May 2005*, p. 146.

74 *Review to drive digital take-up*, media release by the Minister for Communications, Information Technology and the Arts, 27 September 2005, www.minister.dcita.gov.au/media/media_releases/review_to_drive_digital_take-up, accessed 16 November 2005.

75 SBS, *submission no. 62*, p. 3.

76 Panasonic, *submission no. 42*, p. 1.

77 Retravision, *submission no. 76*, p. 2.

78 Retravision, *submission no. 76*, p. 2.

communicated in sufficient time to ensure adequate stock of digital ready product is available.⁷⁹

3.100 Retravision added that setting a switch-off date will:

... provide the necessary incentive to equipment suppliers, content suppliers, retailers and the public to prepare for a firm introduction date. This, coupled with a clear and compelling information campaign, should ensure the public reap the full benefits of digital television in Australia.⁸⁰

3.101 Retravision also explained that delaying analogue switch-off can:

... have damaging ramifications as it did when the phase out date for analogue mobile phones was delayed. Growth rates of digital handsets slowed and manufacturers delayed the release of new digital models to the extent that the Australian market was up to 2 years behind other markets.⁸¹

3.102 The ABC believes that the date for analogue switch-off should be clarified:

Currently, there is no expectation within the broadcasting industry that the simulcast period will run for eight years; instead, it is widely anticipated that an unspecified, but longer period will be required. This absence of a fixed timetable for analogue switch-off further reduces incentives for consumers to consider purchasing digital receiver equipment.⁸²

3.103 The ABC explained that an established analogue switch-off date, even one that is relatively remote, would increase pressure on consumers to consider purchasing digital receiver equipment.⁸³

3.104 The ABC believes that the Australian Government is required to take an active role in encouraging Australians to adopt DTV to ensure that switch-off occurs by any nominated date.⁸⁴

3.105 In addition, the ABC discussed how setting a particular analogue switch-off date would give broadcasters certainty:

... certainty about the date on which analogue transmissions will cease would allow broadcasters and transmission service

79 Retravision, *submission no. 76*, p. 2.

80 Retravision, *submission no. 76*, p. 3.

81 Retravision, *submission no. 76*, p. 2.

82 ABC, *submission no. 45*, p. 10.

83 ABC, *submission no. 45*, p. 11.

84 ABC, *submission no. 45*, p. 11.

providers to make more effective decisions about whether existing analogue equipment should be replaced or refurbished to extend its life.⁸⁵

3.106 Although Broadcast Australia stated that it is too early to establish a switch-over date for analogue television, the organisation added that when the analogue switch-off occurs:

... it is important from a public interest perspective that it is planned and communicated to consumers, service providers, manufacturers and broadcasters with a long transition period.⁸⁶

3.107 Sony believes that current uncertainty around analogue switch-off is a major inhibitor to consumer take-up of DTV.⁸⁷ Sony also believes that this uncertainty is fragmenting the industry effort, as resources continue to be directed towards marketing and sales of analogue equipment.⁸⁸

3.108 Sony determined that there is a need for clarity around the analogue switch-off date. In its submission, Sony strongly urged the Australian Government to determine and announce a date for the shut down of the analogue network.⁸⁹

3.109 Sony explained:

A decision to shut down the analogue network will focus the efforts of all stakeholders on the success of digital conversion. It will assist consumers with their purchasing decisions and will also assist the equipment supply industry with product planning, which is necessarily long-range.⁹⁰

3.110 When asked about switch-off dates in other countries converting to DTV, Sony explained:

In certain markets there are clear cut-off dates. Italy and Germany have already done that. There are other markets where it is being progressed on a slower basis. They are saying, 'Okay, at this time we're going to move this market and then we'll move to another area and move this one.' That would certainly be our suggestion in terms of clarity. For a particular segment of the market we would say, 'We're now turning off analogue,' and then we would move

85 ABC, *submission no. 45*, p. 11.

86 Broadcast Australia, *submission no. 41*, p. 18.

87 Sony, *submission no. 67*, p. 2.

88 Sony, *submission no. 67*, p. 6.

89 Sony, *submission no. 67*, p. 6.

90 Sony, *submission no. 67*, p. 6.

to another segment. That obviously has to be based on the take-up rate of the community at the time. We are not saying the whole country has to be switched off at once; we are saying that it needs to be clearly communicated to everyone in the industry and of course consumers that there is a time frame for analogue to cease.⁹¹

- 3.111 A submission from Mr Nigel Pearson, a private individual, stated that each time the switch-off date is delayed there will be less incentive for consumers to buy equipment capable of receiving DTV signals.⁹²
- 3.112 The Committee is concerned that is indeed the case and concludes that setting a definitive switch-off date is imperative to reduce consumer uncertainty and provide the necessary incentive for consumers to take-up DTV technology.

Maintain planned switch-off dates

- 3.113 A small number of submissions to the inquiry indicated that it is still possible for analogue switch-off to occur as currently planned.
- 3.114 Retravision stated that it did not see any need at this point in time to alter the 2008 date.⁹³
- 3.115 Retravision added:
- While the take up of digital television has been slow to date it is still believed a cutover date of 2008 is not only achievable but needs to be clearly reaffirmed.⁹⁴
- 3.116 Interactive TV Pty Ltd, an Australian company that produces a range of set-top boxes, stated that:
- ... the analogue signal should be switched off in line with the Government's original estimates, as the technology exists now at the right price to encourage take-up of digital television by Australian households.⁹⁵

91 Sony, *transcript of evidence 7 September 2005*, p. 2.

92 Nigel Pearson, *submission no. 25*, p. 1.

93 Retravision, *submission no. 76*, p. 2.

94 Retravision, *submission no. 76*, p. 3.

95 Interactive TV, *submission no. 85*, p. 2.

Accelerate switch-off plan

3.117 Sony believes that it will be vital for the success of DTV broadcasting that a decision on an early analogue switch-off is made as soon as possible.⁹⁶

3.118 Sony explained that:

While it may be difficult to achieve the 2008 target, it is imperative that the Government commit to meeting a short-term target for analogue shutdown. This will allow more resources to be directed to promoting DTV/HD and encourage increased consumer take-up.⁹⁷

3.119 SCB claimed that it is on schedule in providing 100 per cent digital coverage for its markets:

We are well on track. It is quite an engineering effort. It is thought in some government circles that the government does not see a lot from its licence fee rebates. A visit to the market might show that it is a massive effort. We are driving it as hard as we can. We are totally committed.⁹⁸

3.120 When asked about a suitable analogue switch-off date, SCB stated:

I don't think there is any chance of a switch-off in 2008 ... obviously that period of time has to be lengthened. Maybe 2012 or beyond is more realistic.

3.121 Despite SCB's opinion on the need to extend the analogue switch-off date, the regional network stated that it will be ready for analogue switch-off sooner than later, with rollout complete in all markets by 2008.⁹⁹

3.122 When asked how long after rollout would the network consider switching off, SCB stated that it had not set a time.¹⁰⁰

3.123 However, the network explained:

I think that our penetration will be so great even at the end of 2006 and in 2007 that we can be really looking for a time [for switch-off] forward from there.¹⁰¹

96 Sony, *submission no. 67*, p. 2.

97 Sony, *submission no. 67*, p. 2.

98 SCB, *transcript of evidence 1 September 2005*, p. 21.

99 SCB, *transcript of evidence 1 September 2005*, p. 22.

100 SCB, *transcript of evidence 1 September 2005*, p. 22.

101 SCB, *transcript of evidence 1 September 2005*, p. 22.

- 3.124 SCB stated that it would be preferable to not simulcast for five years after 2008, and that it would be keen to switch off as early as possible.¹⁰² SCB remarked that the rollout has placed a particular burden on regional broadcasters, which have large numbers of transmission sites and large coverage areas.¹⁰³
- 3.125 SCB explained:
- Licence fee rebates offered under the regional equalisation plan cover less than half the total costs of new equipment and increased operating expenses. The extension of the simulcast period, which is clearly required, based on the present and projected levels of digital penetration, will cause further considerable financial pressure for regional broadcasters.¹⁰⁴
- 3.126 SCB is of the view that any extension of the simulcast period should see a corresponding extension of funding under the regional equalisation plan to meet the increased cost of simulcasting.¹⁰⁵
- 3.127 SCB discussed how it is planning for analogue switch-off and the potential for maintenance costs to increase if switch-off is delayed:
- ... we, like other broadcasters, have effectively been running down our analogue broadcasting equipment to focus on our investment in digital in anticipation of the analogue switch-off ... the extension of the simulcast period will necessitate further investment in upgrading and maintaining older analogue equipment. It should not therefore be assumed that simulcasting beyond the presently scheduled switch-off dates will not necessitate substantial capital spending in regional markets.¹⁰⁶
- 3.128 WIN pointed out that regional DTV broadcasting commenced three years after metropolitan simulcast began, and that analogue switch-off is projected to be 31 March 2011.¹⁰⁷
- 3.129 WIN explained that DTV services will have been available for a considerable time in some larger regional markets by the proposed analogue switch-off date. Canberra, for example, will have had DTV services for 10 years by the analogue switch-off time.

102 SCB, *transcript of evidence 1 September 2005*, p. 22.

103 SCB, *transcript of evidence 1 September 2005*, p. 16.

104 SCB, *transcript of evidence 1 September 2005*, p. 16.

105 SCB, *transcript of evidence 1 September 2005*, p. 16.

106 SCB, *transcript of evidence 1 September 2005*, p. 16.

107 WIN, *transcript of evidence, 1 September 2005*, p. 26.

3.130 WIN stated that it would prefer an analogue switch-off date that is sooner rather than later, and that the simulcast period should not be extended beyond the original switch-off date of 2011.¹⁰⁸

3.131 The analogue switch-off date for regional broadcasters is of major concern to WIN because of the increase in operating costs, which WIN claimed are in the order of 250 per cent, as a consequence of the requirement to simulcast services.¹⁰⁹

3.132 WIN further explained:

It is of major concern that, if the take-up of digital services stalls and the simulcast date is not in place but is extended indefinitely, broadcasters who have rolled the services out and built their digital infrastructure on the legislation that is currently in place will not have the financial capacity to maintain triplecasts when the availability of analogue transmitting equipment is already placing undue pressures on regional broadcasters.¹¹⁰

3.133 WIN added:

Our companies are prepared to work with all stakeholders to ensure that a suitable model is put together to ensure the take-up of the digital technology is moved forward and to ensure that the simulcast period is not extended beyond the financial capability of regional broadcasters.¹¹¹

Delay switch-off date

3.134 Several submissions to the inquiry suggested that an analogue switch-off date of 2008 would not be possible.

3.135 Samsung stated:

Clearly reaching a point where analogue switch off is possible remains a significant challenge, let alone by the proposed target date of 2008 in metropolitan areas.¹¹²

3.136 The Seven Network was also of the opinion that consumer interest in DTV is low and will not allow for analogue switch off in a reasonable period of time.¹¹³

108 WIN, *transcript of evidence*, 1 September 2005, p. 27.

109 WIN, *transcript of evidence*, 1 September 2005, p. 27.

110 WIN, *transcript of evidence* 1 September 2005, p. 27.

111 WIN, *transcript of evidence* 1 September 2005, p. 27.

112 Samsung, *submission no. 87*, p. 6.

3.137 However, some evidence received by the Committee indicated that the switch-off date would only need to be delayed by a year or two.

3.138 LG suggested that, having considered the potential challenges of remaining with the current analogue switch-off timeframe, most Australians are not yet ready for the move.¹¹⁴

3.139 LG stated that the current framework should remain in place, with the following key milestones:

- the sale of analogue televisions should cease by 2008; and
- analogue switch-off should follow some time after, perhaps by a point in 2010.¹¹⁵

3.140 LG explained how it decided upon that particular timeframe:

We are certainly not basing that [proposed switch-off date] on a particular set of evidence that is overwhelming but, rather, we think we need to provide a certainty to manufacturers, retailers and consumers so that we are not living in continuous uncertainty as to when that occurs.¹¹⁶

3.141 LG also explained that:

We do not want to see consumers disadvantaged. We think that might be the case if we were rigid about 2008 being that switch-off date for analogue.¹¹⁷

Switch-off dates cannot be set

3.142 Several submissions to the inquiry claimed that the challenges for setting a switch-off date at this time were too great. Some suggested that an analogue switch-off date should not or could not be set at this stage.

3.143 The difficulties facing Australia and other countries in setting a switch-off date were outlined by the ACMA. The ACMA summarised the current proposed analogue switch-off dates:

The law says that there will be a simulcast period of eight years – and, yes, in the five major metro markets that ends in 2008; it ends at later periods in regional markets. It is eight years or such longer

113 Seven Network, *submission no. 49*, p. 4.

114 LG, *submission no. 77*, p. 1.

115 LG, *submission no. 77*, p. 1.

116 LG, *transcript of evidence 28 June 2005*, p. 37.

117 LG, *transcript of evidence 28 June 2005*, p. 37.

period as is prescribed by the minister. So in fact it is open-ended.¹¹⁸

- 3.144 The ACMA believes that determining an analogue switch-off date is not possible at this stage:

That is really not on the agenda yet. I do not think any country in the world has seriously countenanced an analogue switch-off until the percentage of people using the analogue system is very low. In Australia at present we are at the bottom end of the S curve in terms of digital uptake – it is just not on the horizon. I would not be talking up the prospects of turning off the analogue system unless some serious thinking had been done, and I would expect that the government would be the place where that thinking was done, about what the criteria were for when we no longer need that analogue system.¹¹⁹

- 3.145 The ACMA also discussed how important television as a service is to Australians:

... we are dealing here with an essential service. The analogue television system is the nation's audiovisual PA system. It is about as significant to people as having hot water on tap. It is not something that you lightly switch off.¹²⁰

- 3.146 The ACMA explained the conversion process:

If you look at the way the law was written at the time the digital conversion scheme was designed, you will see that it is very big on how we get the signal out – it is very detailed and very prescriptive. But all it says about how you actually effect the conversion is that the minister can prescribe a date later than 2008, but it could be as few as eight years, and that the [ACMA] shall decide which channels are used for which in that environment. In other words, it is very light on detail.¹²¹

- 3.147 The ACMA further explained the challenges faced by any conversion timeframe:

At that time, in 2001, there were no countries anywhere in the world that had successfully made this transition. Now, in 2005, we are seeing cities convert in different parts of the world which have

118 ACMA, *transcript of evidence 1 June 2005*, p. 5.

119 ACMA, *transcript of evidence 1 June 2005*, p. 16.

120 ACMA, *transcript of evidence 1 June 2005*, p. 16.

121 ACMA, *transcript of evidence 1 June 2005*, p. 17.

very different ways of enjoying their television. But we are yet to see a major economy convert, either. We are watching market leaders like the British. I think we have a lot to learn from the experiences they have. But I do not think anybody underestimates the size of the job of winning people from the analogue system to the digital. I am not thinking of people ... who are interested in the new options. I am thinking of the 30 or 50 per cent that are very happy with what they have and see the TV as a long shelf life item which they can then put in the teenager's room or out in the garage and still keep using.¹²²

- 3.148 Panasonic believes that analogue switch-off remains a significant challenge for the Australian Government and industry:

This is demonstrated by a simple analysis of the transition task that faces industry if an analogue television broadcasting switch-off in metropolitan areas by 2008 were to be achieved.¹²³

- 3.149 The ABC stated:

On current trends, it seems unlikely that analogue broadcasting will be able to be switched off until a considerable time after the end of the eight-year simulcast period anticipated in the BSA.¹²⁴

- 3.150 The ABC explained:

Currently more analogue television receivers than digital receivers are sold annually. This is adding to the overall Australian analogue receiver population that needs to be replaced or augmented by the purchase of a digital television receiver and is reducing the likelihood of an early switch-off date for analogue television.¹²⁵

- 3.151 SBS was also of the opinion that the current analogue switch-off schedule is not possible:

Until there is much more certainty in the market, I just cannot see analog switch-off as a reality. So I would say that certainly the 2008 date, as we sit here, is literally impossible.¹²⁶

122 ACMA, *transcript of evidence 1 June 2005*, p. 17.

123 Panasonic, *submission no. 42*, p. 2.

124 ABC, *submission no. 45*, p. 5.

125 ABC, *submission no. 45*, pp. 10-11.

126 SBS, *transcript of evidence 22 June 2005*, p. 32.

- 3.152 Free TV Australia discussed analogue switch-off in Australia and drew on international examples:

I will make one quick point about analog switch-off. The legislation is very carefully worded. It does not say there will be a switch-off in 2008. That would be the earliest point for consideration, or 'such longer period as is prescribed'. Nowhere in the world has anyone met any of the early analog switch-off dates. Even if the UK gets to 2012, it will have been 14 years from beginning to end, since they started in 1998. Although the Labour government did say in their manifesto in the lead-up to the election that they were committed to 2012 as the end point, at this stage in the UK two villages in Wales have switched off and all the village members were provided with set-top boxes, subsidised by the government. They are being used as a test trial area to see how that will work. There is no market anywhere yet, that we know of, where there will not need to be some form of government direction or intervention to reach a switch-off date.¹²⁷

- 3.153 Network Ten also discussed international comparisons and stated that the network was not aware of any absolute switch-off date anywhere around the world.¹²⁸

- 3.154 Network Ten added that, in realistic terms, there are a number of years to go before the analogue service can be switched off in Australia.¹²⁹

- 3.155 When asked if it was agreeable to continue transmitting in analogue indefinitely, Network Ten stated:

Not indefinitely. The technology is moving faster and the take-up is accelerating so I do not think it is indefinite ... I do not know what the right date is. If 10 per cent or 20 per cent of the population say that spending \$100 or \$50 is too much for them then at some point there is going to be an issue for every country around the world for the final part of analog-to-digital switch-off.

- 3.156 Network Ten also added:

It will not go on forever because analog is a dying technology and there will come a time, if it has not reached that date, when the networks will not be able to replace the analog technology. It is not

127 Free TV Australia, *transcript of evidence 25 May 2005*, p. 6.

128 Network Ten, *transcript of evidence 28 June 2005*, p. 2.

129 Network Ten, *transcript of evidence 28 June 2005*, p. 3.

a matter of forever. But it is a matter of making sure that you do it for the right reason.¹³⁰

- 3.157 The Nine Network also stated that it is not possible at this stage to set an analogue switch-off date.¹³¹ The Nine Network claimed that achieving complete conversion will be difficult:

As everybody around the world is finding, the ability to find a commercial solution to 100 per cent conversion is extremely difficult.¹³²

Switch-off dates set by market forces

- 3.158 The ACA agreed with the findings of the Productivity Commission, particularly concerning the importance of a firm analogue switch-off timetable. However, the ACA suggested that the best guide to set this timetable is the behaviour of consumers in the marketplace:

The most effective thing the Government can do is ensure that analogue TV broadcasting remains in place until such time as most consumers have made a choice to purchase a digital TV, assuming the market has given them a compelling reason to do so. The ratio of time allowed to equipment life cycle in the mobile phone space, applied to television, implies a period of fifteen to twenty years adjustment may well be appropriate.¹³³

Committee comment

- 3.159 The Committee is of the opinion that the current analogue switch-off timeframe set for 2008 may not be possible at this stage.
- 3.160 However, the Committee agrees with submissions to the inquiry that claimed a certain nominated and widely publicised analogue switch-off date will assist greatly in driving the take-up of DTV.
- 3.161 The Committee is reluctant to see a nominated analogue switch-off date extended for any significant period.
- 3.162 The Committee is also concerned that any significant extension will see additional cost burdens placed on regional broadcasters. The additional

130 Network Ten, *transcript of evidence 28 June 2005*, pp. 2-3.

131 Nine Network, *transcript of evidence 28 June 2005*, p. 22.

132 Nine Network, *transcript of evidence 28 June 2005*, pp. 21-22.

133 ACA, *submission no. 47*, p. 8.

cost to the national broadcasters as a result of any analogue switch-off date extension is also likely to be significant.

- 3.163 Based on the rollout to date and the plans of all broadcasters, the Committee concludes that an analogue switch-off date of 1 January 2010 is achievable.
- 3.164 However, before making a recommendation to that effect, it is necessary to consider how the switch-off is implemented. Again, there are a number of options and these are considered in the following section.

Options for implementing analogue switch-off

- 3.165 While a decision on a date for analogue switch-off is vital for a number of reasons, there also remains the issue of how the switch-off is implemented – that is, the switch-off plan.

- 3.166 The ABC determined that:

An appropriate role for Government is to take leadership in working with all sectors of industry to develop a formal time frame, strategy and milestones for the switch-off of analog television services.¹³⁴

- 3.167 The Committee recognises that there are two main options for an analogue switch-off plan:

- Maintain the phased switch-off as planned (analogue turned off eight years after digital was turned on for each market area); or
- Nominate a date when analogue can be switched off at the one time for all areas.

- 3.168 This section of the report looks at options for implementing analogue switch-off. The section concludes with the Committee recommendation on the date for analogue switch-off and the plan for how best to implement that switch-off across Australia.

Phased switch-off plan

- 3.169 The ABC claimed that any analogue switch-off strategy could consider the possibility of switching-off analogue services on a market-by-market

¹³⁴ ABC, *submission no. 45*, p. 11.

- basis.¹³⁵ The ABC added that a market-by-market switch-off plan has been proposed to government in the UK by the regulator Ofcom.¹³⁶
- 3.170 Switch-off in the UK is being carried out on a region-by-region basis over a number of years, with switch-off dates ranging from 2008 to 2012.¹³⁷
- 3.171 Germany's conversion to digital is also taking place by region. The first area in Germany to be converted to digital was completed in August 2003.¹³⁸ The final region is to be converted in 2006.¹³⁹
- 3.172 Panasonic suggested that a switch-off plan could include the potential for a region or market-based approach similar to that taken during rollout.¹⁴⁰
- 3.173 Panasonic also suggested:
- One possible option might include a trial analogue switch-off in a suitable market located in regional Australia when an appropriate penetration level for digital terrestrial television has been reached.¹⁴¹
- 3.174 The Nine Network supported the idea of analogue switch-off using a market based approach:
- We do not have to have a date where it switches off all around Australia. If you look at the United Kingdom, they have switched off two villages in Wales – I think it is 45 households – and it is a starting point. Again, the switch-off can be phased in a similar way to the digital start-up.¹⁴²
- 3.175 WIN suggested that the Australian Government should consider a staggered regional analogue switch-off.¹⁴³ WIN added that a staggered analogue switch-off will need the cooperation of all stakeholders to ensure that it is managed as efficiently as possible.¹⁴⁴

135 ABC, *submission no. 45*, p. 11.

136 ABC, *submission no. 45*, p. 11.

137 www.digitaluk.co.uk/site/index.html, accessed 3 November 2005.

138 Seven Network, *submission no. 49*, p. 46.

139 DCITA, *submission no. 66*, p. 13;

www.digitag.org/WebLetters/2005/April2005.pdf, accessed 3 November 2005.

en.wikipedia.org/wiki/List_of_digital_television_deployments_by_country#Germany, accessed 3 November 2005.

140 Panasonic, *submission no. 42*, p. 5.

141 Panasonic, *submission no. 42*, p. 5.

142 Nine Network, *transcript of evidence 28 June 2005*, p. 22.

143 WIN, *transcript of evidence 1 September 2005*, p. 27.

144 WIN, *transcript of evidence 1 September 2005*, p. 27.

- 3.176 In discussing the possibility of switching off analogue in particular markets, WIN stated:

When we say switching off, we have not put to you a switch-off program, although we are flagging that we have got things in our mind. We think that we would have to give the market at least 12 months promotion to say: this is the target date. If six months out we have a date just flashing and then finally it gets dimmer and dimmer, that will force the community to do something.¹⁴⁵

Simultaneous nation-wide analogue switch-off

- 3.177 Sony believes that there must be a national analogue switch-off, and that regional markets should not be exempted from this requirement.¹⁴⁶

- 3.178 Sony added:

Otherwise, regional and rural viewers risk becoming 'second-class citizens' when it comes to benefiting from the Government's DTV policy.¹⁴⁷

- 3.179 However, Sony did suggest that the Australian Government could look at a number of models to implement analogue switch-off, including a staged switchover.¹⁴⁸

- 3.180 When asked if it were to consider an early switch-off trial, SCB stated that analogue switch-off should be across all markets at once and as early as possible.¹⁴⁹

- 3.181 SCB clarified its position regarding particular markets and the burden of operating costs if switch-off is delayed:

If there is a tail in some very small markets around the country, we can cater for that, even if they are not ready to meet an earlier switch-off date. But at least we do not have the dual cost right across all markets.¹⁵⁰

145 WIN, *transcript of evidence 1 September 2005*, p. 38.

146 Sony, *submission no. 67*, p. 6.

147 Sony, *submission no. 67*, p. 6.

148 Sony, *submission no. 67*, p. 6.

149 SCB, *transcript of evidence 1 September 2005*, p. 23.

150 SCB, *transcript of evidence 1 September 2005*, p. 23.

Committee comment

- 3.182 The Committee understands that DTV rollout is well advanced and that all broadcasters, including regional broadcasters, will be rolled out ahead of schedule.
- 3.183 The Committee was particularly pleased to hear that the large regional broadcasters will be ready to switch-off analogue well ahead of the scheduled date of 2011. In considering a switch-off date and plan, the Committee is concerned to ensure that regional areas are not disadvantaged.
- 3.184 The Committee concludes that a certain switch-off date is imperative to drive product and retailer readiness, and to enable consumers to prepare and make informed choices. The Committee also notes that set-top box prices will be, to a large degree, determined by the size of the market, hence the importance of a nationwide switch-off as opposed to switching off regional areas first. A nationwide switch-off will ensure the most competitive pricing and hence the greatest benefits to consumers.
- 3.185 Given that evidence confirms a switch-off is achievable for 2010, the Committee recommends a nationwide approach to switch-off. This has definite advantages for regional consumers who are assured of access to DTV, and for regional broadcasters who will not continue to bear the financial impost of simulcast maintenance.
- 3.186 A nationwide switch-off will also assist in promotion campaigns for DTV. It will also drive down the costs of DTV equipment and so make it more affordable for all consumers, both metropolitan and regional.
- 3.187 Evidence confirms that a nationwide switch-off date of 2010 provides adequate time for broadcasters, manufacturers and retailers to plan appropriately. While this date extends the scheduled switch-off date in some metropolitan areas by up to two years, it does not pose extended financial burdens on regional broadcasters to continue simulcasting for a prolonged period.

Recommendation 1

The Committee recommends that the Australian Government switch-off analogue television nationwide on 1 January 2010.

Subsidies and general assistance

- 3.188 This section considers suggestions that subsidies or other forms of assistance should be provided by the Australian Government to assist with DTV take-up, equipment purchase and installation.

Subsidies to purchase set-top boxes

- 3.189 Several submissions raised concerns that there will be groups of consumers that will potentially be disadvantaged or left behind by analogue switch-off. There is the possibility that there will be particular socio-economic groups that may be unable to manage their own conversion to DTV. Of particular concern are the elderly, the disabled and low income groups.
- 3.190 Free TV Australia discussed this particular issue and provided an example from the US:

The debate in the US around analog switch-off is focused very much on the fact that the people who do receive free-to-air over-the-air signals are largely in poorer rural communities. There are about 20 million of them which is the total population of Australia, and there is a very strong battle there about those people needing to continue to receive their services. There is an issue in every country around low and fixed income households and the transition to digital.¹⁵¹

- 3.191 The Seven Network also commented on international examples:

Towards the end of the DTT migration process it is likely that government intervention will also be required to migrate remaining analogue households to digital and to switch-off analogue signals. Once digital reaches a certain penetration level, it will be more cost effective to subsidise the migration to digital of those remaining on analogue than to run analogue and digital services simultaneously. The Berlin regional government took this approach and is the first territory to achieve analogue switch-off as a result. The UK government has indicated that it will also subsidise STBs under certain conditions.¹⁵²

151 Free TV Australia, *transcript of evidence 25 May 2005*, pp. 4-5.

152 Seven Network, *submission no. 49, attachment 1, appendix 2*, p. 21.

3.192 Sony indicated that where affordability is an issue, the Australian Government may wish to consider a subsidy scheme to complete the conversion to DTV.¹⁵³

3.193 The Australian Capital Territory (ACT) Government claimed that subsidies for set-top boxes may need to be considered to ensure that disadvantaged groups have access to DTV when analogue is switched off. The ACT Government added that technical assistance may also need to be provided as there may be a significant lack of understanding of the new technologies by some disadvantaged groups.¹⁵⁴

3.194 The ACA briefly discussed the issue:

Even were scarce public resources to be marshalled to subsidise households to acquire [a set-top box] or converter for one analogue TV receiver, the chances are that households will have many receivers. In addition the number of receivers is likely to be at least roughly reflective of socio-economic status, which would raise significant equity issues around Government subsidy of entertainment for the better-off.¹⁵⁵

3.195 Some submissions to the inquiry provided examples of general subsidies being provided to consumers for the purchase of DTV receivers, in order to drive take-up.

3.196 Movies Online Ltd discussed the US example:

In order to encourage the general public in the United States of America to convert from analogue to digital broadcast television, law-makers in 2004 introduced a Bill to pay a subsidy to consumers to make it happen. The intention of the Bill was to provide a tangible incentive for consumers to move to digital thereby clearing the way for clawing back analogue spectrum for other purposes.¹⁵⁶

3.197 The Italian Government introduced a range of measures to further consumer take-up of DTV including a subsidy program. Interactive TV Pty Ltd stated that in Italy:

... consumer adoption has been encouraged by a government rebate scheme, initially at 150 euros per household, which has

153 Sony, *submission no. 67*, p. 7.

154 ACT Government, *submission no. 72*, pp. 3-4.

155 ACA, *submission no. 47*, p. 8.

156 Movies Online Ltd, *submission no. 43*, p. 5.

since been reduced to 70 euros. The uptake was 10 percent of all households within three months.¹⁵⁷

Other assistance

- 3.198 In addition to subsidies provided to a small number of households, some countries have implemented a range of assistance measures to facilitate consumer transition to DTV.
- 3.199 DCITA provided some details on Germany's Berlin-Brandenburg example of analogue switch-off. This area became the first region in the world to switch off its analogue signal in August 2003.
- 3.200 DCITA indicated that due to the high penetration of non-terrestrial television (cable and satellite) in the Berlin-Brandenburg region, only six per cent of the population (an estimated 160 000 people) relied solely on terrestrial reception for access to television services. Around 90 000 homes relied on analogue terrestrial reception for second and third sets.¹⁵⁸
- 3.201 DCITA provided some details on how the conversion process worked in Germany:
- The process began when suitable digital converter boxes were available for less than €200.
 - Many retailers offered an installation service which included a tutorial on using the equipment and a money-back guarantee if the equipment proved unsuitable.
 - A hotline was set-up to handle consumer enquiries, which received 26,000 calls and generated 600 visits to households to resolve problems.
 - Six thousand cases received financial assistance through local state social security and 90 cases received help through a broadcast assistance charity.
 - Those eligible for financial assistance were issued with a voucher which could be redeemed for a particular receiver chosen by the regulator on the basis of technical requirements and value.
 - The communication campaign for analogue switch-off, including the hotline which ran for nine months, cost around €1 million.
 - The cost of funding the 6 000 cases eligible for assistance was around €0.5 million.¹⁵⁹

157 Interactive TV, *submission no. 85*, p. 4.

158 DCITA, *submission no. 66*, p. 13.

159 DCITA, *submission no. 66*, p. 13.

- 3.202 Mr Alex Encel, a private individual, put to the Committee an even broader proposal of subsidies. Rather than provide a subsidy to households to purchase a set-top box, Mr Encel proposed the Australian Government 'bulk buy' sufficient set-top boxes to supply one to every household in Australia.¹⁶⁰
- 3.203 Mr Encel's plan was to have every household television in Australia displaying digital broadcasts, enabling a basic close down of analogue television transmission in 2006, at zero net cost.¹⁶¹
- 3.204 Mr Encel explained that, if the Australian Government bulk brought enough set-top boxes to provide every household with a digital tuner, the projected cost of this exercise was calculated at \$150 million.¹⁶²
- 3.205 Offsetting this cost would be the projected savings of \$150 million, being the combined cost of \$50 million a year for the ABC and SBS to maintain analogue transmissions for another three years.¹⁶³
- 3.206 Mr Encel added:

There are a lot of other expenses involved in maintaining analogue transmissions other than those faced by the ABC and SBS.

However without going into those and basing it on anticipated government costs alone, under the proposed plan the net cost to government of a general analogue close down in 2006 would be close to zero (or possibly a net gain) over a three-year period even if an optimistic 2009 closedown target was achieved.¹⁶⁴

Committee comment

- 3.207 The Committee is of the opinion that providing subsidies is not the answer to achieving digital conversion in Australia.
- 3.208 The Committee understands that subsidies have been used in other countries to drive early DTV take-up. However, the Committee is aware that the cost of set-top boxes has reduced substantially in recent times, and hence international examples may not be relevant for the Australian context.

160 Mr Alex Encel, *submission no. 93*, p. 1.

161 Mr Alex Encel, *submission no. 93*, p. 1.

162 Mr Alex Encel, *submission no. 93*, p. 1.

163 Mr Alex Encel, *submission no. 93*, p. 1.

164 Mr Alex Encel, *submission no. 93*, p. 1.

- 3.209 The Committee notes that the cost of a set-top box may be reduced to as little as \$50 – this is vastly different to early international examples where the cost of set-top boxes was substantially more. In many instances digital tuners are being integrated into DVD players and other equipment.
- 3.210 The Committee notes that set-top box prices are likely to drop even further, and will be driven down by the certainty of an analogue switch-off date and particularly by the approach of a nationwide switch-off.
- 3.211 The Committee is also of the view that the Australian Government has established an adequate lead time for the introduction of DTV, and that a subsidy to push take-up is not necessary. Australian consumers have been provided with sufficient time to plan and budget for the conversion to DTV.
- 3.212 The Committee is of the view that a subsidy program could be an expensive proposition. The Committee is also of the opinion that there may be difficulties in managing a subsidy program, and that administering any sort of subsidy program would not be a cost effective use of taxpayers' money.
- 3.213 There are more appropriate means of providing support to low income earners, such as is already done through health and other concessions. Given that a set-top box represents a one-off cost to receive DTV, that the cost is not substantial, and that the projected date for switch-off is not until 2010 – four years from now – the Committee does not consider subsidies a cost-effective solution.
- 3.214 With regard to issues raised concerning disadvantaged groups, the Committee is of the view that electronics retailers have a unique opportunity to provide particular services for a number of groups. Given the fierce competition that is likely to ensue for the consumer 'switch-over dollar', the Committee anticipates that there will be a range of installation type assistance provided. The Committee considers there will also be opportunities for retailers to step up with greater product information at the point of sale. This is discussed further in Chapter 5 as industry responsibilities.
- 3.215 If retailers wish to secure the set-top box purchase of some consumers, they will need to offer services such as the installation of DTV receivers to disadvantaged groups such as the elderly, the disabled, and those that have a lack of understanding of digital technologies.
- 3.216 The Committee also notes the extensive assistance provided by the DBA regarding installation, troubleshooting and DTV equipment.

- 3.217 In summary, the Committee does not consider it is appropriate for the Australian Government to offer subsidies or provide further assistance to purchase DTV equipment.
- 3.218 The DTV rollout and nationwide analogue switch-off provides the framework for retailers and manufacturers to provide cost effective assistance as part of the high demand for DTV equipment that will ensue.

Spectrum issues

- 3.219 An issue closely associated with the implementation of DTV and the switch off of analogue television is the matter of spectrum use. This inquiry has not considered in depth matters of spectrum allocation and management. However they are discussed here in relation to the future planning needed to manage the return of analogue spectrum.
- 3.220 Given the emergence of a range of new technologies reliant on access to spectrum, the Committee considers that a more efficient use of spectrum is a strong imperative to provide a definite switch-off plan for the short to medium term.
- 3.221 As explained in Chapter 2, the Australian Government loaned seven MHz of spectrum to each existing commercial and national broadcaster to enable them to provide all digital services required under the digital framework. Each network is then required to return their analogue spectrum to the Australian Government.
- 3.222 Some submissions questioned why spectrum should be returned to the Australian Government. Others considered options for the use of returned analogue spectrum, and how to allocate and better manage spectrum to meet current and potential future needs.

Returned spectrum

- 3.223 When asked why the Australian Government would need spectrum back, ASTRA explained:

I think it would be in the government's interest to get it back, and then you deliver new services and then it is open to government to decide what those services can be allocated for. Isn't that what we are about – delivering new services to consumers? The government gets benefits in terms of what is paid for that. We have seen that in commercial radio. Commercial radio did not

want new entrants, yet there have been new entrants who have paid a lot of money for that spectrum and are delivering services and making it more competitive for the commercial radio market, and no-one has fallen over. You can see it working in that area ... that spectrum could be used for so much more than it is currently being used for.¹⁶⁵

3.224 Movies Online Ltd discussed the return and reallocation of spectrum:

... there was going to be a prescribed window with the clawback of frequency allocation, which is a finite resource and in a very valuable band. Obviously there would be many other applications – probably some that we may not have even thought about at this time – so that that spectrum could then be allocated to utilisation.¹⁶⁶

3.225 The Nine Network warned that spectrum must be used efficiently and with careful planning:

... if you sell all the spectrum now and do not leave any slack for contingencies, you will end up with a very locked up and congested band in the same way that the British are finding. You have had various discussions today and earlier hearings about MPEG4 and mobile TV, and a lot of other things are coming. If you think that you will need some transition capability in the future – and it could be five years or 10 years from now – selling off all the spectrum now and not having any capacity within the broadcast services band would be a little dangerous.¹⁶⁷

3.226 Alternatively, the ACA believes there is no urgency in returning spectrum to government as it believes that there is no great need or demand to make the analogue spectrum available for anything else.¹⁶⁸

3.227 In its submission the ACA stated:

... it is unclear why there would be any urgency to [reclaim analogue spectrum], given the prohibition on further broadcasters, the failure of the datacasting model to attract commercial attention, and the probable disinterest of telecommunications

165 ASTRA, *transcript of evidence 14 September 2005*, pp. 27-28.

166 Movies Online Ltd, *transcript of evidence 2 September 2005*, p. 15.

167 Nine Network, *transcript of evidence 28 June 2005*, p. 19.

168 ACA, *transcript of evidence 7 September 2005*, p. 17.

companies in acquiring further large chunks of spectrum on which to run additional mobile services.¹⁶⁹

Other uses for spectrum

3.228 With regard to returned spectrum, Broadcast Australia recommended that the Australian Government:

- Ensure that analogue spectrum is available at the conclusion of the simulcast period for alternative uses and is allocated through an open, competitive process; and
- Prescribe market entry arrangements for the utilisation of available (and planned) digital spectrum in order to support the development of the industry.¹⁷⁰

3.229 The New South Wales (NSW) Government recommended that the Australian Government implement the following uses for unused digital spectrum:

... permanently allocate some of the non-simulcast digital spectrum in metropolitan and regional Australia for Government and public information services, community television services, indigenous television services and new commercial datacasting services.¹⁷¹

3.230 The NSW Government added that the Australian Government must ensure that:

... decisions about spectrum allocation and use include conditions to guarantee that Commonwealth and State Governments can use datacasting to deliver online services without additional cost to government.¹⁷²

Unused digital channels

3.231 Broadcast Australia claimed that there are two national channels that have been identified by the ACMA for digital terrestrial datacasting services, which are currently almost totally unutilised.¹⁷³

3.232 Broadcast Australia stated that it is currently running a datacasting trial in Sydney.¹⁷⁴ Details of the datacasting trial are discussed in Chapter 4.

169 ACA, *submission no. 47*, p. 4.

170 Broadcast Australia, *submission no. 41*, p. 18.

171 NSW Government, *submission no. 83*, p. 11.

172 NSW Government, *submission no. 83*, p. 11.

173 Broadcast Australia, *submission no. 41*, p. 9.

3.233 Broadcast Australia recommended the permanent allocation, on a merit basis, of these two digital-only channels:

To the extent that one or both of the available channels are not allocated post-2006 as additional commercial FTA broadcasting licences, it is [Broadcast Australia's] view that these should be made available on a permanent basis for datacasting and, potentially, other innovative broadcasting-related services.¹⁷⁵

3.234 Broadcast Australia believes that:

... it is in the public interest for both planned digital channels to be permanently allocated in the short- to medium-term for the provision of additional digital-only services to consumers.¹⁷⁶

3.235 Broadcast Australia stated that the Australian Government's position should be to allocate the spectrum rather than the situation to date where these channels have effectively been mothballed.¹⁷⁷

3.236 Broadcast Australia added that the onus should be on those who oppose allocation of spectrum to establish an overwhelming case that allocation is not in the public interest.¹⁷⁸

3.237 Broadcast Australia recommended that the Australian Government:

... can and should now commence deliberations on the allocation of these two national digital channels, as a central component of the next phase of Australia's digital conversion process, which will be driven by key policy changes resulting from the current government policy reviews on the key issues impacting DTV.¹⁷⁹

3.238 The ABC argued that the retention of the two unused datacasting channels in all metropolitan and regional areas can be regarded as an inefficient use of spectrum.¹⁸⁰

3.239 The ABC claimed that it would be more appropriate for these channels to be reallocated as additional digital terrestrial television channels to eliminate or reduce spectrum congestion issues in particular markets.¹⁸¹

174 Broadcast Australia, *submission no. 41*, p. 9.

175 Broadcast Australia, *submission no. 41*, p. 9.

176 Broadcast Australia, *submission no. 41*, p. 9.

177 Broadcast Australia, *submission no. 41*, p. 9.

178 Broadcast Australia, *submission no. 41*, p. 9.

179 Broadcast Australia, *submission no. 41*, p. 9.

180 ABC, *submission no. 45*, p. 8.

181 ABC, *submission no. 45*, p. 8.

3.240 The University of Technology, Sydney Programmers' Society (UTSPS) suggested that the Australian Government investigate the possibility of aggregating the metropolitan SDTV signals into a single multiplex broadcasts, using a single unused channel per market.¹⁸²

3.241 The UTSPS claimed that:

Such a move would allow the broadcasters to keep their dedicated spectrum and maximise their potential under a more rigorous multichannel and HD regime.¹⁸³

3.242 UTSPS further explained the possible arrangements:

The five free-to-air networks would share a channel where their main signal, currently mandated under triplecasting, would be relocated. It would replace the triplecast signal on their main signal where it is currently occupying valuable bitrate that could be more useful for experimental and innovative purposes.¹⁸⁴

Fourth commercial network

3.243 ITRI recommended that a channel be allocated for the provision of a fourth commercial television network, which would be limited to broadcasting on digital spectrum only.¹⁸⁵

3.244 ITRI elaborated on its recommendation:

We would recommend no artificial constraints be imposed on the provision of this channel (i.e. datacasting inhibitions), but rather suggest that by limiting its availability to digital alone there is sufficient market incentive for the channel to help stimulate digital take up. This service could commence in 2007, thereby honouring the moratorium on new TV channels enshrined in the existing legislation.¹⁸⁶

3.245 The ACCC is also in favour of a fourth network, if spectrum is available:

... we have consistently put a position that says where there is available spectrum there should be consideration given to a further FTA licence.¹⁸⁷

182 UTS Programmers' Society, *submission no. 32*, p. 7.

183 UTS Programmers' Society, *submission no. 32*, p. 7.

184 UTS Programmers' Society, *submission no. 32*, p. 7.

185 ITRI, *submission no. 46*, p. 14.

186 ITRI, *submission no. 46*, p. 14.

187 ACCC, *transcript of evidence 10 August 2005*, p. 3.

- 3.246 When asked about other uses for spectrum in the future, the ACCC stated that the Australian Government may have several options for the use of any spectrum that becomes available after analogue switch-off.¹⁸⁸

Community broadcasting

- 3.247 The Community Broadcasting Association of Australia (CBAA) claimed that community television is the only free-to-air service which has not been given access to digital spectrum despite the Australian Government's longstanding and unequivocal commitment that such access would be provided.¹⁸⁹

- 3.248 CBAA quoted a 1998 media release from the Minister for Communications, Information Technology and the Arts:

The community television sector will be guaranteed free access to the spectrum needed to broadcast one standard definition channel.¹⁹⁰

- 3.249 CBAA added that the community television sector is greatly disappointed that, seven years later, the Australian Government has not set in place the regulatory framework for digital community television.¹⁹¹

- 3.250 CBAA further explained the plight of the community television sector:

The time for digital conversion of community television has arrived. Community television stations are ready and able to make the transition. Australian consumers who purchase digital receivers should no longer lose access to this important and valuable community resource.¹⁹²

- 3.251 CBAA explained that the increasing take-up of DTV poses a great threat to the sustainability of the community television sector, because community television is excluded from digital platforms.¹⁹³

- 3.252 CBAA discussed revenue and funding and the viability of the sector:

The business model developed by the sector and enshrined in the *Broadcasting Legislation Amendment Bill (No 2) 2002* allows stations to generate revenue through sponsorship and sale-of-airtime.

188 ACCC, *transcript of evidence 10 August 2005*, p. 3.

189 CBAA, *submission no. 84*, p. 1.

190 CBAA, *submission no. 84*, p. 1.

191 CBAA, *submission no. 84*, p. 1.

192 CBAA, *submission no. 84*, pp. 1-2.

193 CBAA, *submission no. 84*, pp. 1-2.

Community television receives no regular government funding. The [community television] business model will only remain viable if community television can be accessed by the whole free-to-air television audience.¹⁹⁴

3.253 CBAA made several recommendations to this inquiry, which included:

- the Australian Government implement its longstanding commitment to providing free spectrum for digital community television;
- any legislative and regulatory framework for the digital carriage of community television include sufficient provision for digital community television in rural and regional areas; and
- in the long term, a full seven MHz channel be assigned for use by community television.¹⁹⁵

3.254 CBAA explained that it does not want to see the sector disadvantaged:

Community television should not be disadvantaged in relation to the commercial and national broadcasters by being allocated less spectrum than they currently enjoy. Without an equal allocation of spectrum, the sectoral diversity of digital television will be significantly reduced from that of the current analog environment. Moreover, community television would be relegated to a marginal and disadvantaged position within the broadcasting environment.¹⁹⁶

3.255 Several submissions to this inquiry discussed particular community television channels in Australia.

3.256 Mr Glen Hosking, a private individual, discussed a Brisbane example:

Currently community TV such as BRIS31 is NOT broadcast in a digital format. These community TV channels typically have low powered transmitters and subsequently poorer reception is experienced compared with commercial stations and ABC and SBS. These community channels however enjoy a cult following of viewers ... I believe it would be an excellent outcome for the Australian community if community channels such as BRIS31 are broadcast in the digital spectrum. This would be a cheap way of increasing the uptake of digital TV.¹⁹⁷

194 CBAA, *submission no. 84*, p. 1.

195 CBAA, *submission no. 84*, p. 2.

196 CBAA, *submission no. 84*, p. 8.

197 Mr Glen Hosking, *submission no. 57*, p. 1.

3.257 Mr Matthew Sharp, a private individual, discussed a Melbourne example:

Ironically, the station which has the most marginal and difficult reception of all, and could benefit most from digital transmission, the community station Channel 31, is the only station which has not even had digital spectrum allocated to it. With OzTam figures showing that over one million Melburnians tune in to Channel 31 each week, this seems to be an overlooked opportunity to get digital receivers into homes.¹⁹⁸

3.258 In January 2006, the Committee launched a new inquiry into community broadcasting. This inquiry will consider the role of community broadcasting in Australia, and opportunities and threats to ensure a robust network of community broadcasters.

Other uses

3.259 The introduction of digital radio broadcasting has been identified as a potential use for spectrum that will become available upon analogue switch-off.

3.260 In a 14 October 2005 media release announcing a framework to guide the introduction of digital radio in Australia, the Minister for Communications, Information Technology and the Arts, Senator The Hon Helen Coonan stated:

Significant spectrum limitations currently exist for the introduction of digital radio in key markets (including major metropolitan and adjacent areas). The Government will consider releasing additional spectrum for new digital radio services in relevant markets following the closure of analogue television services, subject to demand and other competing uses for the spectrum.¹⁹⁹

3.261 Meridian Connections Pty Ltd called for an assessment of spectrum in Australia:

A total re evaluation of all spectrum, including the terrestrial spectrum allocated to commercial TV, is an urgent and essential

198 Mr Matthew Sharp, *submission no. 51*, p. 2.

199 *Framework for the introduction of digital radio*, media release by the Minister for Communications, Information Technology and the Arts, 14 October 2005; www.minister.dcita.gov.au/media/media_releases/framework_for_the_introduction_of_digital_radio, accessed 6 November 2005.

program before any further commitments that could relate to Government's "long term" digital transition plan.²⁰⁰

Committee comment

- 3.262 While the Committee received evidence regarding the future allocation of spectrum, a decision on the issue is beyond the scope of this inquiry.
- 3.263 The Committee considers that the return of the analogue spectrum provides the Australian Government with a unique opportunity to strategically consider spectrum needs and allocation in order to meet future technology uses in Australia.
- 3.264 This type of strategic consideration should take into account the efficiency of current spectrum allocation, and in particular the impact of HD, SD and new compression technologies for broadcasters' programming choices. It should also consider opportunities to increase the range and diversity of current television broadcasting, and the spectrum needs of new technologies.
- 3.265 In addition, it should investigate the spectrum needs of new technologies, recognising that the efficiency gains in spectrum use may be countered by the emergence of a diversity of technologies (beyond television) which also require spectrum.
- 3.266 The Committee recommends that an independent study is commissioned to consider current spectrum allocation and future requirements.

200 Meridian Connections Pty Ltd, *submission no. 52*, p. 25.

Recommendation 2

The Committee recommends that the Australian Government commission an independent study into Australia's current spectrum allocation and future requirements, reporting by 1 January 2008, and taking into account:

- **options for the utilisation of returned spectrum following analogue switch-off;**
- **re-allocation of television network spectrum to group together broadcasters and provide a more consolidated width of returned spectrum for future allocation;**
- **additional television networks, including community broadcasting stations offering a range of programming aimed at indigenous and minority ethnic and community groups; and**
- **the spectrum needs of future technologies, in particular wireless and other emerging technologies.**

