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Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS,  
INFORMATION TECHNOLOGY AND THE ARTS

**Reference: Uptake of digital television in Australia**

WEDNESDAY, 22 JUNE 2005

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**HOUSE OF REPRESENTATIVES**

**STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE  
ARTS**

**Wednesday, 22 June 2005**

**Members:** Miss Jackie Kelly (*Chair*), Ms Owens (*Deputy Chair*), Mrs Bronwyn Bishop, Mr Garrett, Mr Griffin, Mr Hayes, Mr Johnson, Mr Keenan, Mr Laming and Mr Ticehurst

**Members in attendance:** Mrs Bronwyn Bishop, Mr Garrett, Mr Hayes, Miss Jackie Kelly, Mr Laming, Ms Owens and Mr Ticehurst

**Terms of reference for the inquiry:**

To inquire into and report on:

- The rollout process for digital television, including progress to date and future plans
- Options for further encouraging consumer interest in the uptake of digital television
- Technological issues relevant to the uptake of digital television
- Future options

**WITNESSES**

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**Committee met at 9.11 am****RICHARDS, Ms Debra Shayne, Executive Director, Australian Subscription Television and Radio Association**

**CHAIR (Miss Jackie Kelly)**—I declare open this public hearing of the House of Representatives Standing Committee on Communication, Information Technology and the Arts inquiry into the uptake of digital television. The inquiry arises from a request to this committee by Senator the Hon. Helen Coonan, federal Minister for Communications, Information Technology and the Arts. Written submissions were called for and 76 have been received to date. The committee is now conducting a program of public hearings and information discussions. This hearing is the fourth for the inquiry.

I welcome our first witness, Debra Richards, who is representing ASTRA, the Australian Subscription Television and Radio Association. Although the committee does not require you to give evidence under oath I should advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I invite you to make a brief statement in relation to your submission or some introductory remarks.

**Ms Richards**—I would like to make some introductory remarks. Thank you for the opportunity to provide a submission to this inquiry and to appear before the committee. While the inquiry is focused on digital terrestrial television, ASTRA and its members have played a key role in the growth of digital, its take-up and the regulatory regime that supports the digital terrestrial television broadcasting roll-out. ASTRA represents the major subscription television providers in Australia—being Austar, Foxtel and Optus—and all the subscription TV channels available on these platforms, as well as associated entities representing about 50 different media and communication businesses, over 20 of which are Australian owned or based in Australia.

ASTRA have been part of the digital terrestrial TV debate from 1997 and played a necessary role in the debates to settle the regulatory framework in 1998 and 2000, and we are now part of the current round of statutory reviews required under the legislation. We are there because decisions in the digital terrestrial TV space have a substantial and encompassing impact on the subscription television business and the delivery of our services to Australian consumers. We consider we are all part of the whole digital entertainment market. ASTRA became part of the debate in 1997, as I said, to provide an alternative view on terrestrial conversion. We suggested the multiplex model, providing an opportunity for more players and more effective and efficient use of valuable public spectrum. However, once government and parliament were persuaded to hand over seven megahertz to the incumbents as gatekeepers to the digital spectrum, once that decision was clear, ASTRA's priority was a recognition of the impact on our business and as such you have subsequent decisions like prohibition on multichannelling, requirements for enhanced programming et cetera or opportunities for enhanced programming.

All our subscription satellite services have been digital from day one, because digital technology was mandated for satellite under the Broadcasting Services Act. The launch of the first satellite subscription services in 1995 were digital. Then Austar launched its satellite services in 1997; previously they had been doing a mix of cable and wireless. Foxtel launched its

satellite subscription service in 1999. March 2004 saw the big launch of Foxtel digital—that is, converting its cable to digital—the relaunch of Foxtel satellite and the relaunch of Austar digital satellite. Previously, in late 2003, Optus launched its C1 satellite which delivers new services such as the active services, sport, news, weather, captioning et cetera. One year on, approximately 65 per cent of subscription TV services, that is Austar and Foxtel, are now digital—that is cable and satellite. Optus has also just announced its digital conversion for the second half of this year.

ASTRA's view is that digital take-up in Australia is progressing well. Since the launch of the Foxtel digital and the relaunch of Austar, awareness of digital television has increased and the sales of the free-to-air set-top boxes have also increased dramatically—that is since March 2004. There are now approximately 1.8 million homes with digital television either through subscription or through digital terrestrial set-top boxes. If the government is minded to alter the regime to drive digital take-up then we consider it needs a whole approach as all these issues are inextricably linked. You cannot make one digital decision in isolation. So what we are saying is: please do not upset the current digital framework, due to the knock-on effect and impact on the whole digital TV market and on our ability to compete with the dominant free-to-air broadcasters.

We prefer the whole approach and, as we have stated in our submissions, we consider there needs to be further reform to antisiphoning—to: either use it or lose it. If you allow multichannelling then it needs to be a phased-in approach so that it provides some certainty for our investment—we suggest until at least 2008. In terms of protection, the free-to-air networks were given at least six years and commercial radio have been given at least five years for their conversion to digital.

We do not think there should be any subscription multichannelling on terrestrial services. We think it is a very poor public decision to allow commercial networks to exploit that public spectrum, which is loaned to them, for a service that the public must then pay for. We consider that consumers are benefiting from growing digital services, which are providing choice, diversity and innovation, with most people choosing to access those services through their digital set-top boxes and remote control.

So the effect of any considered reform must be to increase competition in the entertainment market with the overall benefits to all consumers. All we ask is that it be a fair and stable regulatory environment which treats equally all those who invest and provide services for Australian consumers.

As an update on our industry, we are at 1.66 million subscribers—that is about 23 per cent penetration. More than one million of those subscribers are digital, which equates to about 3.2 million Australians having access to subscription digital services. We have an impressive, and now regular, 55 per cent share of viewing and subscription TV households. That means 55 per cent of the time people are watching subscription television. When you take that across all homes, and bearing in mind that we have only 23 per cent penetration, we get about a 16 per cent share viewing in all homes. Over \$8 billion has been invested in infrastructure programming and jobs and an additional \$1 billion has been invested in conversion to digital, of which about \$600 million was Foxtel.



My members—Austar, Optus and Foxtel—have provided submissions to the inquiry. The most recent submission was from Austar, updating the committee on their recent announcement that their personal digital recorder, which they are going to launch in 2006, will include a free-to-air tuner within that digital set-top box to enable consumers to access free-to-air services with the same box.

Finally, I would like to encourage the committee to take up an invitation for a site visit to Foxtel to view the digital offering. I know you have limited time in your one-day visit to Sydney, but I encourage you to either fit that in then or take another day.

**CHAIR**—Thank you, Debra.

**Mr TICEHURST**—You say in your submission that the aggressive promotion of digital TV has encouraged set-top boxes. How can you justify that for the free-to-air circumstance?

**Ms Richards**—The Foxtel submission has a graph of the increase in take-up from March 2004, in particular, not only of our digital services but also of the sale of the free-to-air set-top boxes. That is based on the DBA information.

**Mr TICEHURST**—In my own circumstance, I have four set-top boxes. The reason I bought them was to get a better picture. If you live in a difficult area for reception but get a reasonable signal on analog, when you put in a set-top box you get a beautiful picture and great sound.

**Ms Richards**—Sometimes that cuts out, too, I understand.

**Mr TICEHURST**—It does a little bit. We do have some of that issue locally, but that is primarily due to low power of transmission, from what I understand. I was surprised that the digital group were saying, ‘Our efforts have led to an increase in sales of set-top boxes.’

**Ms Richards**—It is more about the increase in the understanding and knowledge base that digital is available and you can get it on your subscription television service through a set-top box, because that is what we provide to the consumer. The free-to-air options are either through an integrated television set or a set-top box. 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.

**Mr TICEHURST**—What about the price of set-top boxes? They used to be \$1,000 or more; now you can buy them for less than a hundred bucks.

**Ms Richards**—I think that is a fair comment too. You see that with DVDs. The cost of DVDs has gone right down; you can get them for \$79 in Aldi now. So that also contributes. But we are saying that the amount of push that we put into the market about what digital is has helped that digital take-up as well.

**Mr TICEHURST**—It probably has helped. What is your objection to multichannelling?

**Ms Richards**—The principle is that, when digital was first envisaged, there was the view that the incumbent commercial and national broadcasters should be given seven megahertz of spectrum—which is how it is allocated in Australia; I think it is six in the US and eight in Britain, or whatever—to provide HDTV. That was an argument that was put forward by the commercial networks. As you probably know, we always said that that was grabbing the spectrum—they were saying that they were going to provide HDTV and needed the seven megahertz to provide that sort of quality. In our original submissions to government we said that, actually, within that seven megahertz, you could provide a range of different channels—you could probably fit four channels into that seven megahertz because of digital compression. So there are opportunities not only for HDTV but for multichannelling. At the same time we were saying that you could open up this spectrum for a whole range of new players.

That argument was not accepted. The argument that was accepted was: we are going to provide HDTV because it is going to be of a high quality, and cinema sound and those sorts of things are going to be the drivers. So we accepted that decision. But we had been encouraged to invest a lot of money to provide subscription multichannel services. I think there was a recognition in government and parliament that we had been encouraged to do that and so that spectrum should be being allocated for the commercial networks and national broadcasters to do what they said they were going to do and a certain period should be allowed for the developing subscription television industry to get some certainty in terms of their investment.

**Mr TICEHURST**—Apparently, digital TV really flourished in the UK because there were many more services provided. Whereas, taking the free-to-air analog service, if you go to digital, you are actually looking at the same image; there is no real difference in the service that is offered. But if there were more services available, we would expect that we would have more people taking up digital because of the extra features that they could get.

**Ms Richards**—I think that is a point, but it also needs to be put into the context of the other, can I say, historical and policy considerations and trade-offs within the original digital package. The UK has gone the way of multichannelling. The US has decided on HDTV and also allowed multichannelling, but they have also mandated digital tuners within the TV sets et cetera. The UK market is very different. They have a very strong public broadcaster and a knowledge of digital, which came about through Sky TV services as well—so people knew about digital. The decision by the UK was that there were multiple services out there, and that was how they were going to drive digital in their country. The decision in the US was that it was going to be HDTV, remembering that they have had a multichannel industry for a very long time in the US; much longer than we have had.

The decision taken at the time for Australia was that it was going to be HDTV, knowing that there is space for multichannelling. But I feel that, in giving it to the incumbent broadcasters, you are giving it to them for a particular purpose. We have not said that we are against multichannelling per se; we have said that we need the same consideration that has been given to other broadcasters in terms of protection. Protection is not the best word there; it is really about certainty for the investment.

We are saying the commercial networks have had a protected oligopoly and, from now until 2008, there is no allowance for a fourth commercial network. There are views that maybe that prohibition will continue. We need certainty for our investment because we did not get any

incentives to convert to digital. That was a decision that we made. We thought it was important to move forward with digital, so we did not get the other incentives about converting our business to digital. All we are asking for is that certainty. We are saying: not until 2008. So if you are going to introduce it, phase it in—but it also has links to other issues that we have such as antisiphoning et cetera.

**Mr TICEHURST**—Do you see any opportunities for datacasting?

**Ms Richards**—I am surprised more has not been made of datacasting. I look at the services that we provide on subscription TV and I see some services that I would consider to be datacasting, in terms of information, business news and those sorts of things. We have not put up our hand to provide datacasting services. I represent subscription television but I am surprised that more has not been made of it—nor has more been made of the opportunities to enhance programming, particularly attached to live sporting events et cetera.

**Mr TICEHURST**—There is a lot of data that can go out on datacasting—data services—but that has really only been taken up by Channel Seven. I think SBS do some of it, but that is about it.

**Ms Richards**—I think BA are trialling some of the datacasting stuff.

**Mr TICEHURST**—Other companies have been using it since 1993. It is still working well.

**Mr GARRETT**—Are you saying to us that the policy reform process is linked into the phase-out of analog and the digital time line that exists now? Do you see them as being tied? There are some technical issues here. There is some indication that obviously it is going to take longer, and I am just interested—it is a small point, but—

**Ms Richards**—I agree with that point. The whole package includes the analog turn-off, and it is part of a series of reviews. I refer to the 2005 reviews. I always thought it was probably ambitious for 2008 and then an extra four years in regional areas for 2012.

**Mr GARRETT**—Is it too ambitious?

**Ms Richards**—I think you need to have some sort of date to encourage that turn-off and therefore digital take-up. In the UK, I thought it was 2010, but it might be 2012. Also the FCC in the US is saying to broadcasters, 'We're actually going to do this, so you need to put more incentive into driving that service and you need to be encouraging more take-up in terms of the community.' I think there has to be a date, but whether 2008 is the right date I am not quite sure. It is a schizophrenic situation for me because the longer you leave the turn-off the longer the incumbent broadcasters have all that space and that spectrum, and it is public spectrum. It can be used for other services.

**Mr GARRETT**—We have the capacity, and you hear talk of a fourth commercial broadcaster. Do you have a view about that? I know that you do, of course.

**Ms Richards**—I think one of the benefits that the commercial networks got out of digital was the fact that there was a decision to continue the prohibition on the fourth commercial network.

Again, our view in our submissions is, if you are going to do that, it needs to be tied up with all the other digital decisions, and we want consideration of our issues as well. That is fairly self-serving, but I will continue to say it.

**Mr GARRETT**—I understand that.

**Mr HAYES**—Going back to multichannelling, I understand your members' commercial position in relation to it at the moment. What sorts of circumstances would give rise to relaxing the restrictions on multichannelling in terms of your members?

**Ms Richards**—If you were going to use it for alternative services that it was not first allocated for, maybe you would need to rethink how it was allocated. At the moment you are just giving the opportunity to the incumbents to further services. We would like to see a true return to the public on that spectrum, because we do not think there is a true return at the moment.

**Mr HAYES**—Such as datacasting?

**Ms Richards**—They pay for it in terms of a rent—I am talking about commercial broadcasters; I am not talking about the national broadcaster. Commercial broadcasters pay for that spectrum in terms of a percentage of their revenue. It is based on their revenue. I think that percentage has remained the same since about 1956. It ranges between five and nine per cent. The more revenue you make, the more licence fee there is for you, so there are allowances for smaller commercial broadcasters. So, if you are going to allow them to do new services for which it was not first allocated, maybe you need to rethink that allocation and maybe there is another opportunity to bring new players into the market.

**Mr HAYES**—But how does that affect your members in particular, commercially, at that stage?

**Ms Richards**—Again, my members have stated that we really want a phased in multichannelling approach and we want that certainty until at least 2008. It is equivalent to the same certainty that both commercial television and commercial radio have been given. It is a different view on the ABC.

**CHAIR**—Just on that point about radio: do you see some convergence with datacasting between radio and your free-to-air players?

**Ms Richards**—Do you mean the commercial radio broadcasters or other radio broadcasters—

**CHAIR**—We are moving to digital radio, so obviously one of the benefits of that again is datacasting. With radio, there is discussion of pictures—still pictures and possibly moving pictures. It reminds me of the debate between the screens—that is, whether the computer screen was going to be the TV or the TV was going to be the computer screen. Is there going to be some convergence there with datacasting that we should take into consideration in terms of datacasting on television, given that digital radio is coming up?

**Ms Richards**—I think there is value for datacasting on digital radio. The one example that I think of is 2KY racing radio. They used to be one of my members, and they would love to use

datacasting as part of their digital service, giving the odds on races and all those sorts of things. I think they, amongst all the radio broadcasters, have seen the benefit of digital. So I see that possibility of merging datacasting radio services.

**CHAIR**—So is that something that your members are dealing with in terms of subscription TV and—

**Ms Richards**—Subscription TV offers a range of services from Bloomberg news and information services. We have data that runs on Sky News as well. We have captioning services—not that those are data services. So there are plenty of opportunities. In our subscription TV service we also have audio channels, which are specifically just a particular niche music channel. So there are lots of opportunities within the digital space.

**CHAIR**—You are really cynical about the HDTV spectrum grab, so it is interesting that you say that your business case for your members is not against multichannelling but against subscription multichannelling. From a commercial perspective, what is the difference? I would imagine that either would hurt your business.

**Ms Richards**—Either would hurt our business. That is why we say, ‘Phase it in.’ I just think it is a poor policy decision, because the spectrum that they are using is public spectrum. I do not think it is right to give that public spectrum exclusively to a commercial broadcaster and to then ask the public to pay for that service on that spectrum.

**CHAIR**—So, with multichannelling, if you moved away from HD quotas, you would envisage four or five channels within that spectrum from the three commercial players?

**Ms Richards**—My understanding is that in that digital space, that seven megahertz, you could fit at least four single standard-definition multichannels.

**CHAIR**—So you would go from three channels to 12 channels. You are currently offering a hundred and something channels?

**Ms Richards**—Yes.

**CHAIR**—What is the maximum that one of your members owns?

**Ms Richards**—About 100, yes. That includes plus-two channels, time shifter channels.

**CHAIR**—So another business case for you is obviously to also be able to offer the free-to-air channels within those 100 channels? I know that it is a real frustration for subscription TV customers that they are on their digital set but then they have to flick to the TV to play Ten and Seven, I think.

**Ms Richards**—I will just clarify. Foxtel digital cable retransmits Nine’s digital signal, ABC’s digital signal and SBS’s digital signal. They are commercial arrangements for that retransmission. On their cable, they retransmit the Seven analog signal and the Ten analog signal, because no agreement has been reached with Seven or Ten. On their satellite digital services, they retransmit Nine, ABC and SBS as well. Austar does ABC and SBS. Mainly in

metropolitan areas, you have that suite of retransmitted services. A commercial deal has been made for three of them. We can currently retransmit the analog service of two others, so we continue to do that. In regional areas, there is a more limited capacity. Austar has reached agreement with ABC and SBS to retransmit their national service, but there are a multiple number of commercial licensees and what Austar delivers is a national service. So commercial networks want their own licensed signal and you are talking about another 48 signals that would have to go up on that space, which is just impossible. One of the reasons Austar have chosen, in their new PDR, to include a free-to-air tuner is so that you can access those local commercial network digital services.

**CHAIR**—And that is in 2006 that that is coming, is it?

**Ms Richards**—Yes.

**CHAIR**—Is there any talk of Foxtel and Optus doing that—providing a set-top box within a set-box?

**Ms Richards**—There are always improvements and developments to set-top boxes. There is a whole swag of research development just in the Foxtel area, looking at what else you put into your box et cetera. But that is a range of commercial and policy decisions for those businesses. When they launched, they were carrying each of Nine, ABC and SBS and, on the cable, the analog of Ten and Seven.

**CHAIR**—If multichannelling were allowed to go through on the commercials, your capacity to carry that 12 is just not there—you would not be able to deliver that service?

**Ms Richards**—It becomes more difficult in terms of capacity and therefore you pay for that capacity as well. But there may arrangements within those agreements.

**CHAIR**—What if it was just limited to ABC and SBS?

**Ms Richards**—In terms of multichannelling services?

**CHAIR**—Yes.

**Ms Richards**—Foxtel and I think Austar also take the ABC2 service already and they take the SBS international news service. So there are two additional multichannels that they already take.

**CHAIR**—So there is capacity for subscription to—

**Ms Richards**—But our business is subscription services.

**CHAIR**—I am just thinking about ease of customer use.

**Ms Richards**—I think it is fair to say that those broadcasters wanted to be on that digital platform as well. Particularly for the national broadcasters, that gets their service out to more people.

**CHAIR**—Also, given your views on spectrum, with the move to MPEG-4, with the commercial broadcasters, you would prefer to see spectrum coming back to government rather than remaining with the licensees.

**Ms Richards**—Yes.

**CHAIR**—So all the time these compression technologies—

**Ms Richards**—I do not have a view on MPEG-4; I do not really understand it. I know MPEG is a standard that we use, but I am not really sure about the differences between 2 and 4.

**CHAIR**—For 2 you need more spectrum and for 4 you need less—and I imagine that for MPEG-6 you would need less again. So there are always opportunities for spectrum grabs.

**Mr GARRETT**—I want to come onto the antisiphoning discussion that is still around. Under this 2008 regime, you are going to see some changes coming to the antisiphoning laws. Would you accept some changes coming into those laws after 2008?

**Ms Richards**—I suppose what we are saying is: are there going to be changes to the digital regime that impacts on us? For antisiphoning we are restricted in access to a certain listed amount of sports. If they are allowed to multichannel then there are implications for what they can show on those services. The antisiphoning provisions are about protecting services so they are not siphoned off to other channels et cetera. There are implications for government not only in terms of what they might do for subscription television in more substantive reform on antisiphoning but also in terms of what might be done within the multichannel free-to-air space on siphoning.

**Mr GARRETT**—Would you like to see the antisiphoning laws repealed?

**Ms Richards**—Yes. It has certainly always been our view that they should be abolished. But we understand that there will always be some sort of list for events of national importance and cultural significance. The reform we are asking for is that there be provisions within the antisiphoning laws that will actually wind it back, realistically.

**Mr GARRETT**—Do you want to see the list reduced?

**Ms Richards**—We want it reduced. We do not want whole competitions listed. At the moment, every match of Wimbledon is on there. We do not think that is appropriate. We would also like to see a use it or lose it scheme so that what is actually reflected on the list is what is actually shown and, if you are not going to use it, then it comes off the list and others can have access to it.

**Mr GARRETT**—One of the interesting things here is the question of the slowness of digital take-up. You have said something slightly different to us here but generally the evidence that has come before us is that digital take-up is pretty slow. Would the introduction of multichannelling lead to changes?

**Ms Richards**—Changes to that take-up?

**Mr GARRETT**—Yes.

**Ms Richards**—I am a bit cynical about it, because I think there are opportunities already there—with enhanced programming et cetera—that have not been taken up by some broadcasters. The slower the digital take-up is and the longer the analog turn-off is the longer the time that spectrum is returned for other users.

**Mr GARRETT**—I understand that ASTRA has complained to the department of coms about the programming on ABC digital channel, ABC2.

**Ms Richards**—Yes.

**Mr GARRETT**—It has been reported that you believe ABC has breached the genre restrictions that limit what it can show on its second channel. Can you outline some of those concerns for us?

**Ms Richards**—When ABC2 started showing sport, our concern was that that was in breach of schedule 4 clause 35, I think, in terms of the exceptions of the programming that they can show. Being part of that debate at the time, our understanding of the intention of the legislation was that they were not to show sport, national news, movie services and those sorts of things—that is why there is one-off drama et cetera. That was certainly the understanding of everyone, including the ABC, around the debate at the time. So, when they started to show sport, our view was: ‘Hang on. That’s not our understanding. We thought you could show a list of programs—and these are the exceptions—but sport was not one of them.’ All we have done is sought clarification on that because we felt, with the way we are interrogated on antisiphoning in sport, that the same sort of interrogation needed to apply to other broadcasters. So we are seeking clarification about what is the rule.

**Mr GARRETT**—Have you received a response from the department?

**Ms Richards**—No, not as yet. I understand they are seeking advice from the ABC—maybe I can hear it later.

**Mrs BRONWYN BISHOP**—With subscription television, what penetration do you make into regional and rural Australia?

**Ms Richards**—Overall, the penetration is 23 per cent. I am sorry, I do not have the actual figure for regional Australia, but I do know that overall our share of ratings is about 55 per cent in capital cities but in regional Australia it is something like 65 per cent to 70 per cent. All I can give you at the moment is our share of viewing in those regional areas, which is very high, even compared to our city counterparts. But I am happy to get that exact figure for you, if I can take that on notice.

**Mrs BRONWYN BISHOP**—Thank you. Why do you think the take-up of subscription TV is so low? It seems to have plateaued, doesn’t it?

**Ms Richards**—I suppose I have a different view. It has been at 20 per cent and now is close to 23 per cent. There are probably a number of factors. We would say that we had a number of



regulatory hurdles to start off with—for example, antisiphoning in terms of pushing our services. But since the introduction of digital, and the relaunch in March 2004, we have seen a huge interest in the digital services and the expanded services—in particular, the personal digital recorder offered by Foxtel, which is called Foxtel iQ, and the expected launch of that for Austar.

**Mrs BRONWYN BISHOP**—You have seen that there was a deal of concern being expressed about some of the behaviour being broadcast on *Big Brother*. An equal concern has been expressed about SBS. SBS is not covered by the guidelines as to what is permitted to be broadcast. I have also been told that we get some rather more adventurous material on pay TV which equally, as I understand it, is not covered by the same guidelines as the three commercial free-to-air. Is that right or wrong?

**Ms Richards**—We all have our own codes of practice, which are based on the same legislative framework. So while commercial television has its Free TV codes of practice, subscription television has the ASTRA codes of practice, and they cover the same issues in terms of classification of programming et cetera. SBS has its own codes of practice and ABC has its own codes of practice.

**Mrs BRONWYN BISHOP**—Why don't we just have one code of practice that everybody has to subscribe to? Is it that some people are more popular than others and they have to have a different code?

**Ms Richards**—I suppose our view would be that people pay for the service, and so there is a certain expectation about what they are seeing. But certainly our codes cover all the sorts of things like vilification, classification, complaints handling—those sorts of issues as well.

**Mrs BRONWYN BISHOP**—They are not the ones we are talking about, though, are they?

**Ms Richards**—Not in terms of *Big Brother*, no. Our codes certainly do not cover *Big Brother*.

**Mrs BRONWYN BISHOP**—But I have to say that, if you turn on to SBS, regularly on different nights you will find something that the kiddies should not be watching.

**Ms Richards**—I will leave that for my SBS colleagues to comment on.

**CHAIR**—Debra, thank you very much. I have one final comment. Obviously in your business there is a recognition that offering more channels has a big influence on take-up, because that is your business.

**Ms Richards**—From the subscription television business, yes.

**CHAIR**—Yes. So obviously I suppose that there is a bit of a feeling that: 'Oh, well, if this is stagnating, multichannelling is going to stimulate the take-up of digital TV, but don't, whatever the circumstances, make it subscription.' It is a sort of recognition that something is going to hurt your business, so—

**Ms Richards**—That is why we are saying that if the government is minded to introduce multichannelling then phase it in, recognise the investment that we have made and give us the

certainty that you have given to other broadcasters until at least 2008. But certainly our mantra is choice, diversity and innovation, and that is what we are trying to deliver in terms of range.

**CHAIR**—It is just an interesting position, because I thought that, coming from your perspective, you would be the most vehement opponents of multichannelling of any form. Given that there are government campaigns—there is mandating set-top boxes and a whole bunch of other things that governments can do to increase the uptake of digital TV before they get to multichannelling, and yet you seem to have already accepted that.

**Ms Richards**—Sorry; can I just make a final statement on that?

**CHAIR**—Okay.

**Ms Richards**—Our preference is not to, but we are saying that if you are minded to, then please recognise everything else that we have done. That is all I am saying. I am happy to say, ‘No, it should be banned forever,’ but that is not my members’—

**CHAIR**—That was the position I expected, but—

**Ms Richards**—No. Certainly on subscription: yes, we do not think that public spectrum should be used for subscription services.

**CHAIR**—Thank you, Debra.

[9.48 am]

**CASSIDY, Ms Margaret, Manager, New Services Projects, New Media and Digital Services, Australian Broadcasting Corporation**

**MARSHALL, Mrs Lynley, Director, New Media and Digital Services, Australian Broadcasting Corporation**

**SUTTON, Dr David John, Industry Analyst, Australian Broadcasting Corporation**

**CHAIR**—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make a brief statement or some introductory remarks?

**Mrs Marshall**—Yes. On behalf of the ABC, I would like to thank the committee for the invitation to appear today. We welcome the opportunity to contribute to the inquiry. As one of the two national broadcasters, the ABC is an active promoter of digital television throughout Australia. We provide innovative content and services which are specifically aimed at stimulating interest in digital television. Our digital television transmissions now cover more than 95 per cent of Australian households.

The ABC's position is that digital television uptake is slower than might be expected as a result of the digital television legislation emphasising picture and sound quality over new and diverse services and that it is greater program choice which will be the key thing in attracting consumers to digital television. In a world of competing consumer electronics devices, digital TV is itself competing for consumers' discretionary entertainment spending, so there has to be a compelling reason for viewers to purchase a new device. On current evidence, high-resolution pictures and improved sound do not do that. However, we believe that increased choice will do that.

To get a sense or an illustration of why we believe that, I invite you to consider the top five programs on free-to-air television last week. Sadly, none of them were ABC programs. They were: *Desperate Housewives*, *Border Security*, *State of Origin* rugby league, *Lost* and *National Nine News* on Sunday. If we think about it, would anyone expect more people to start watching the news or the rugby league if they were broadcast in high-definition television? Or would we expect people who watch *Desperate Housewives* to stop if it was not? Indeed, most viewers probably do not even know or care what is in HD or what is not. The point is that most people watch television for the content. If we want digital television to present them with a value proposition then content, and different content, is the key.

That view is supported by overseas experience. A good comparison for Australia at this time is the UK, which is now the most advanced digital broadcasting market in the world. Until recently the UK television market was characterised by a relatively small number of free-to-air channels

and a significant portion of the population who were unlikely to ever subscribe to pay TV. That directly parallels the current state of the Australian television market. The rapid growth of the Freeview view multichannel service in the UK provides audiences with access to nearly 40 channels. It has demonstrated a public appetite for increased viewing options and, in just 2½ years since its launch, the audience has grown to over five million UK homes. An analysis of the UK's progress towards switch-over to digital by Ofcom, the UK's communication regulator, identified increasing channel choices and low-cost receiver units as the key reasons for Freeview's success.

It is because of this that the ABC is developing a range of digital only services for delivery on digital TV. Those include ABC2, our digital only television channel, and two internet radio stations, dig and dig jazz. We will soon be launching an electronic program guide, or EPG, both for ABC main channel and ABC2 as well as an interactive digital guide to all five free-to-air networks. We are also working on further interactive television programming ideas, such as the interactive election results which were on show in the federal tally room last October—if any of you had the chance to see that.

The primary way in which the ABC is offering greater viewer choice is through ABC2. It is designed to complement our main channel TV service and provide a comprehensive and quality mix of children's, documentary, arts, international and regional news programming. A major purpose is to expand the function and reach of our ABC children's television. Families now have the opportunity to switch between ABC main and ABC2 so as to access children's television throughout the day. As a matter of interest, children's TV was identified as an early driver of free-to-air digital take-up in the UK. It is also giving viewers the opportunity to watch programs they might have missed on the ABC main channel, with time-shifted programming for popular documentaries, science, arts and regional programs.

We are also showcasing some arts and music performance and documentaries which are not seen elsewhere on free-to-air television. But at the moment the ABC is only permitted to broadcast programs in particular genres, as listed in the Broadcasting Services Act 1992, which includes arts, history and regional matters but excludes a great many genres in which the ABC television service excels, such as national news, current affairs, comedy, national sport and drama.

This is preventing the ABC at this time from utilising much of the existing archive material and time shifting current material from ABC's main channel. As the national public independent news network, we are simply not allowed, under the current provisions, to offer Australians greater convenience and choice by broadcasting national news and current affairs on the second channel. We are also prevented from rebroadcasting older landmark Australian drama—programs such as *GP*, *Phoenix* and *Changi*—and making the most effective use of the ABC's extensive archives. We have already received a number of requests from audience members for ABC2 to carry programs which are currently prohibited, such as archival Australian drama series, sports and a daily news program.

We have proposed that these genre restrictions be lifted to allow the public broadcasters to provide the Australian public with greater access to the full range of publicly funded programs. This would immediately increase viewer choices and add value to the viewer experience without any increase in funding. Removing the restrictions on multichannel genres and enhanced

television would allow the ABC to better contribute to the growth of a critical mass in digital television uptake in Australia in three key ways.

Firstly, we can be part of a catalyst for industry growth by encouraging audience take-up by developing an innovative, free-to-air digital television service, thus creating a market where business models can be created by commercial players. Secondly, we can help educate audiences about digital television services. Thirdly, we can contribute an important research and development function in relation to digital content development, which is a traditional innovative role played by the ABC. In summary, our key message is that it is new content and services which are going to drive audiences to digital television as we move forward.

**Mr GARRETT**—Perhaps I might kick off the questioning. This is a slightly facetious comment but the thought of interactive election nights on television probably puts most people on this side of the table in a slight state of anticipation and anxiety. Leaving that aside, I will ask you about ABC2. It has been reported that the running costs are around \$2 million a year. I do not know whether that figure is accurate or not but, if it is, can you run a channel for that amount of money?

**Mrs Marshall**—The operating budget for ABC2 is just under \$3 million in total. An additional \$2 million was provided to establish and run the service on an ongoing basis. So, yes, we are operating the channel on that budget.

**Mr GARRETT**—Is it adequately funded?

**Mrs Marshall**—The channel has been established as a sustainable and ongoing service. The service that is being provided at the moment is adequately funded on that basis. However, obviously with more funding in the future we would be able to offer more services.

**Mr GARRETT**—What sorts of services would you like to be able to provide?

**Mrs Marshall**—There are a range, particularly services for regional Australian audiences and services about regional Australia, which would be attractive, we think, to national audiences. We are also looking at a range of programs for children which might be offered in the future; women's sport, including developing an audience for more nationally oriented sports programs; arts and culture, including coverage of film, architecture and design; and technology and science. As we are whiteboarding, if you like, into the future, we are really focusing on distinctive Australian material and innovative material that we would like to be able to put into ABC2 in the future.

**Mr GARRETT**—Apart from our immediate real time reactions on election night, what other interactive service developments are you considering at the ABC?

**Mrs Marshall**—We have offered some interactive programs already. When we say 'interactive' we mean a range of enhanced program material. One was *Long Way to the Top*, which was about the history of rock music in Australia. I think you might even have featured in that.

**Mr GARRETT**—I do remember that.

**Mrs Marshall**—We followed that up with *Love is in the Air*. We also ran the BBC's *Walking with Beasts*, which was a very compelling interactive piece of programming. Alongside the election coverage and EPGs, we are also looking at services around some of our premier current affairs programs, such as *Four Corners* and *Foreign Correspondent*, and programs for children. We have an interactive version of *Play School* in development, for example, which has a strong educational focus.

**Mr GARRETT**—We heard evidence—you were in the room at the time—from ASTRA about the complaint that it has lodged about the alleged breach of the genre restrictions in relation to ABC2. The committee would like to hear your response to those claims.

**Mrs Marshall**—Was it specifically in relation to sport?

**Mr GARRETT**—That is correct.

**Mrs Marshall**—The ABC is permitted to offer regional programming and programming of a regional nature on its multichannel service. We view the sport we are offering as regional programming and regional in nature.

**Mr GARRETT**—Are you aware whether the minister supported that position that you have taken?

**Mrs Marshall**—We have not had a formal response. We have provided our response to the letters of complaint. That is where it is resting at the moment.

**Mr GARRETT**—Did you take legal advice?

**Mrs Marshall**—Did we take legal advice? Yes, of course we did. We consulted widely before establishing the schedule for ABC2. Certainly we acknowledge that we have taken a broad interpretation of the genre restrictions as they currently stand. They are not black-and-white. We are just trying to give the Australian audience the most opportunity to view the content.

**Mr GARRETT**—There was some discussion recently about programming in relation to the ABC not covering matters of political importance—prime ministerial announcements and the like—and keeping its existing programming going. Has there been any subsequent discussion or thought given to whether you will cover those political announcements or events of some significance?

**Mrs Marshall**—Not in relation to the development of the schedule for ABC2. It is not something that I am in a position to comment on.

**Mr GARRETT**—Electronic program guides: I understand that the commercial networks are reluctant to provide the information because people will skip through the ads with their personal video recorders. Will the ABC take the lead and provide the information on electronic program guides and how they can be used?

**Mrs Marshall**—You are correct in that this has been an issue which is being debated over time, but we are in the position now where the commercial broadcasters are comfortable with the

timeliness of the information that we are going to provide. It varies slightly in how far forward the networks are providing their schedule information, but all of the networks have now agreed to participate in the interactive guide. The industry will have an interactive program guide available within the next few months.

**Mr GARRETT**—Within the next few months?

**Mrs Marshall**—Yes.

**Mr GARRETT**—Okay. Finally, the datacasting trial that is being conducted by Digital Broadcasting Australia: could you expand on the ABC's assessment of datacasting. We have had some interesting discussions in the committee about datacasting and where it might go.

**Mrs Marshall**—I think I will ask David to talk about that and the way the legislation particularly impacts what can be offered via a datacasting service. We have supported and participated in the trial because of our position of wanting to develop uptake of digital services with audiences. Also, it is another opportunity for audiences to engage with the content in a way which suits them. But we are very limited in what we can offer under the current datacasting provisions.

**Dr Sutton**—The datacasting rules were essentially assembled with the intention of ensuring that datacasting services could not be broadcasting services. As a consequence, they have been clamped all the way down. This means there are distinct limits to what you can actually offer in a datacasting service. There is nothing in the legislation that actually prevents you from skipping back and forth between broadcasting and datacasting if you actually have a broadcasting licence as well. In discussions with the department, we have been advised that they think that is one of those loopholes in legislation that ought to be closed off. We regard datacasting as potentially quite limited.

In fact, I think we have said in several recent public submissions that we think it has not been shown to be much of a success to date in Australia and, if anything, we would prefer that the spectrum that has been put aside for datacasting be used for other purposes. We have identified areas, particularly in the Central Coast, where they are using single frequency networks to try and stretch very limited spectrum with the result that there are actually what are known as 'mush zones' where you actually get very poor reception because of these networks.

**Mr GARRETT**—It is one of a few places where it happens, though, isn't it?

**Dr Sutton**—Yes. Nonetheless, if you happen to live on the Central Coast it is not exactly crash-hot. We have argued that it would be better if the spectrum was freed up so you did not have to use single frequency networks. Once that has been put in place, the need to limit datacasting services in such a way that they do not have to be like broadcasting services can be removed, because only broadcasters would have access to the capacity for that kind of enhancement. We can have the option for much more sophisticated interactive services.

**CHAIR**—Ken, you have a right of reply to Dr Sutton.

**Mr TICEHURST**—I live on the Central Coast and I have had quite a bit to do with set-top boxes. I have used set-top boxes as the prime driver to improve sound and vision, mainly because we have a very hilly terrain. By using a set-top box I am able to use indoor antennas and I can clean up the picture and also get good sound—in fact, I use the same technique here in Canberra. On the Central Coast of course it was very difficult. I also use RF rebroadcasting out of the set-top box, so I can run multiple sets off the same box and also with the VCR-DVD combination. The difficulty was finding two channels that I could use. It was a matter of sitting down and going through the list of all the frequencies that were used in and around that area and it was quite a chore. Anyway, I managed to sort that out.

**Dr Sutton**—That is superb. Unfortunately most people do not have the time or make the effort or have the perseverance to do that.

**Mr TICEHURST**—I have been involved in radio and TV since I made crystal sets at school. But I think services certainly are the driver. You were talking about some of the ABC services. But what concerns me is this: we get a lot of inquiries from Friends of the ABC and other groups. The ABC is always wanting more public money. But when I look at what the ABC are doing, they are running two TV stations, they have about five radio networks, plus they have got internet—at one stage they were trying to drive digital radio. But all this sort of stuff is available commercially. Why should the taxpayers be funding the ABC to push these ideas when really the output is a commercial decision?

**Mrs Marshall**—If you look at the schedule, you will see that the outputs from the ABC are not the same as what you are getting on a commercial service. You have mentioned television and internet and radio, and, if I could just use the internet as an example, the key areas of focus for development of content on our ABC online service include science and health, regional content and children's content, which is of an educational nature, for example history and Indigenous content. That content is not being developed in an innovative way on the commercial services. That is why we provide it, to offer distinctive and original content to Australian audiences. I think also if you review our television schedule, particularly the ABC2 schedule, you will see that there is not much there to compete with commercial services. It is specifically designed to offer a service which is distinctive and in that way a complement to that which might be found on a commercial service.

**Mr TICEHURST**—And of course that is costing the taxpayers \$2 million to \$3 million a year, to have that additional choice. How many people actually avail themselves of that?

**Mrs Marshall**—Of the ABC2 service? We do not know at this point in time because the viewing on digital set-top boxes is not counted. We can assess the reach, and we can also tell what our viewing is on the pay platforms, and we will have that information in due course.

**Mr TICEHURST**—I also notice in your submission that you are running two audio sidebands. Essentially, they are digital radio.

**Mrs Marshall**—That is correct, yes—dig and dig jazz.

**Mr TICEHURST**—So now you have digital radio, so you have additional radio features as well as FM and AM radio.



**Mrs Marshall**—The important factor in this context of providing a service to an audience is what the audience wants and how the audience is engaging with media today. The reality is that there is a diversity of choice, and audiences want control over their media consumption. They want to watch what they want where they want and how they want it. There is a requirement for the channel that is of most relevance to your audience at that time to be available.

**Mr TICEHURST**—We heard from ASTRA that the ABC also provide their services on some of the pay TV services.

**Mrs Marshall**—Yes, that is correct.

**Mr TICEHURST**—Is that a commercial decision or are they provided freely?

**Mrs Marshall**—It is a straight retransmission where the ABC channels are rebroadcast via Foxtel and Austar—and on some other services such as the local Canberra TransACT services and Neighbourhood Cable. We aim to have our service retransmitted wherever possible.

**Mr TICEHURST**—I guess that is because in regional areas the satellite probably provides the only clear TV picture. It might be handy for people in regions to pick up digital radio using the set-top box idea.

**Mrs Marshall**—Yes, the feedback we have had from Austar, for example, is that the radio service retransmitted via Austar is very popular.

**Mr TICEHURST**—Let's move on to datacasting. I noticed in your submission that you were saying that datacasting should only be permitted if it is linked to a broadcast service. What did you mean by that?

**Dr Sutton**—Essentially, at the moment datacasting is a separate category of activity from broadcasting in the Broadcasting Services Act, and you have to have a datacasting licence. Nonetheless, broadcasters are entitled to apply for a datacasting licence and I believe all the broadcasters have. Certainly, the ABC has a datacasting licence, and so we are able to provide datacasting services. What we are essentially arguing is that datacasting as a stand-alone category has not so far really worked. As a consequence, we are proposing to effectively wind it up as a stand-alone category and move that datacasting activity into a way that enhanced broadcasting takes place. It is essentially an argument for winding up datacasting as a separate activity.

**Mr TICEHURST**—I can tell you that I have been using datacasting on the VBI of the Seven Network since about February of 1993. The Seven Network runs quite a few other services on that. There is a lot of commercial services availability on datacasting. The VBI is the part of the channel with the transmission of pictures, so it does not take up any extra spectrum, it just fills the time that the signal traces from the bottom of the screen back up to the top. It is not an issue of spectrum. They are running probably 30 or 40 different services down that system just on the Seven Network.

**Dr Sutton**—Are you talking about the teletext services?

**Mr TICEHURST**—No. Teletext runs in there too, but I am talking about a real-time service—data broadcasting. I actually have a lightning tracking network and we run our signal down through there.

**Ms Cassidy**—That would be on the analog service?

**Mr TICEHURST**—Yes, it is on analog. You can do the same on digital. I was just curious as to why you said datacasting should be linked to broadcasting.

**Dr Sutton**—To date, no commercial entity has shown any interest in taking out a datacasting licence and trying to operate a stand-alone datacasting service. We can only presume that there is not a commercial case for that at this stage, that no-one has found a way to make it work. If the stand-alone category does not seem to work and no-one is prepared to take it up, then it makes sense to roll it back and reclaim the spectrum for something else. Once you have done that, it becomes entirely possible—

**CHAIR**—To government or the ABC?

**Dr Sutton**—We would like to see the spectrum made available to get rid of single frequency networks in particular.

**Mr TICEHURST**—You also made a comment about combining the high definition and standard definition in one set-top box. I guess that becomes an issue of price, because the high-definition ones were probably somewhere over \$1,000 when they started and the others were \$300 or \$400. The prices have now come down to a half, or a third, of that. I am not sure what the additional costs would be. It makes sense to do that. They are also introducing set-top boxes that have wireless networking built in so you can interact your PC with the set-top box—two-way transmission of either TV signals or computer generated stuff showing on TVs. There are all sorts of possibilities. What is your view on mandating digital tuners into TVs?

**Mrs Marshall**—On the surface of it, I think it looks attractive, but what it is going to do, particularly at this stage, is potentially make televisions more expensive and create the perception for consumers that TV digital receivers will last longer than a set-top box. At the moment, the purchase of a television set is still a significant purchase for a consumer and there is an expectation that it will have a relatively long life. With set-top boxes, as it stands at the moment, they are readily available for under \$100. So, as technology improves and capability evolves, it is not such a big deal to change that set-top box.

However, if you have integrated a digital receiver into your television, where the technology evolves or the ability to perhaps deliver interactivity opens up—whatever it might be—that television set is then not capable of doing that. So the redundancy issue is much more profound if you mandate digital receivers in televisions, particularly at this stage in market development.

**CHAIR**—The proposal in terms of mandating is that any sales of television from here on in must be of sets capable of receiving a signal after 2008 or after switch-off, which means that they either (a) have to provide a set-top box with the analog TV or (b) provide a digital TV that is integrated. So, either way, we are not mandating how you do it; we are just mandating that it will receive a signal.

**Dr Sutton**—I think we had assumed that you are talking about the way they are doing it in America, where an integrated device—

**Mr TICEHURST**—In America they mandated the tuners. I agree with your point of view that set-top box technology will change quite rapidly. Even as we speak it is changing, and the redundancy issue with the set, to me, is the key issue.

**Dr Sutton**—It comes down to that issue of eliminating the HD-SD simulcast. That is going to require set-top boxes that are able to receive an HD signal and down-convert it to SD or analog depending on what your screen is. But at the moment we have boxes out there that can receive SD only. If we want to remove the simulcast then we have to basically make the transition away from those boxes over time. If they start to become built into integrated TV sets then you have people who have bought a new set that they expect to last seven or eight years and if suddenly you are telling them that the tuner in it is not going to work and they are going to need a set-top box, there is bound to be a consumer backlash.

**Mr TICEHURST**—I have experience with that issue with one of my set-top boxes here. All of a sudden WIN TV does not work on the standard definition box; I am told it is a high-definition signal tuned in to that digital channel. I can see exactly what you are talking about, because it is happening now with one particular brand of box, and I have not had an answer for that yet, but it will happen.

**Dr Sutton**—Yes.

**Ms OWENS**—On the subject of R&D, which is a pet subject of mine, historically the ABC really has been the R&D ground for Australian television. It is hard to imagine Australian comedy, for example, without the ABC's history in it. I want to know whether or not we are providing space at the moment for the content makers—the people who actually drive innovation—rather than the consumer driven content, which is a more commercial basis, and whether or not Australian content—the innovative end—is able to keep up with what is happening internationally at the moment in the current framework.

**Mrs Marshall**—Within the constraints which we operate under, we are doing all that is possible to innovate with our content and services. As we do so we are sharing the results of that work with the rest of the industry, basically. If I can use the work we have done with interactive television thus far and give the *Long Way to the Top* program as an example, we conducted research with the audience during the course of that program; we also did the same with *Walking with Beasts*. We shared the results of that research: what the audience said they liked, what they found useful and what they would like to see more of.

In terms of program development, ABC2 has been established specifically as a channel where we might experiment with certain program ideas such as interactivity as that becomes more available to audience members as boxes come into the market. At the moment we are doing it back through our online service. We will make some mistakes there and generate some learnings. What is good about the broadcasting environment from that R&D perspective is that what you are putting up is there for everybody to see. Everyone can see it and, if it is available in an interactive sense, play with it themselves, and the learnings are generally shared. Our *Four Corners* interactive program, which was recently developed, offers I think a great example of

innovation and interactivity with a current affairs program. The service which is offered online is certainly leading edge in that area, and it has been developed to translate back into interactive television. The work we are doing with children's television for interactivity is another example where we are bringing in audience members and seeing how they use a remote control, how they relate to the screen et cetera. And those learnings are all shared. So we are doing what is possible and I think it is very important in the development of the industry.

**Ms OWENS**—Yes, but with a \$3 million budget. Are the ideas and the speed with which the content makers are moving to develop content being met at all by the capacity for the ABC to produce?

**Mrs Marshall**—It is a difficult question to answer because how do you put a measure on creativity and innovation? I think that the types of services that we are able to offer, because we are not operating within a commercial framework, inherently provide a greater opportunity for creativity and innovation. So we have the ability to experiment in a way that a commercial network does not. The ABC and, indeed, SBS play a very important role in helping to develop the industry because we can engage in this work without the constraints placed on a commercial operator. We can experiment and educate the audience. That takes us back to one of the points I made earlier about the critical role we play in industry development.

**Ms OWENS**—Given that Australia is extremely innovative—it is one of our talents—how do we rate relative to other countries in terms of our level of innovation in digital television?

**Mrs Marshall**—Once again, that is tricky to answer. SBS might have an idea. It is really difficult. You could point to certain programs and you could say that that is leading edge on a global scale. Looking at the millions of dollars the BBC has, you would expect them to be leading in innovation, wouldn't you? But I do think—

**Ms OWENS**—It is not a criticism.

**Mrs Marshall**—I know it is not. I am just trying to answer adequately. If you look at the constraints that the ABC and SBS operate within and look at what is being delivered then I think you will see evidence of a high degree of innovation and a high quality of innovation being demonstrated.

**CHAIR**—How many of the ABC's archives are produced digitally? You mentioned huge archives that you can draw on to fill another digital—

**Mrs Marshall**—There is a conversion process under way—

**CHAIR**—If you are converting then obviously it is produced as analog, isn't it?

**Ms Cassidy**—The archive was historically produced in whatever was the medium of the time. In recent years the ABC has tried to standardise the analog archive formats. We are midway through an enormous process of digitising the back catalogue, which, under the current funding, we are not going to complete but we are going to do most of the programs that are more likely to be accessed. In fact, this commenced in the last few weeks: archives are now being originally stored in a digital format to go forward.

**CHAIR**—Do you currently exceed your HDTV quota?

**Mrs Marshall**—Yes, we have been.

**CHAIR**—By?

**Mrs Marshall**—I do not know the exact figures off the top of my head.

**CHAIR**—How many hours per week would you put out on HDTV?

**Mrs Marshall**—Twenty hours over the quarter. We are regularly meeting or exceeding the required HD broadcast quota.

**CHAIR**—Can you get back to me on that one? Also, how many hours of television in your standard broadcast is digitally produced, broadcast and then seen? You can multichannel something that you have got from your extensive archives and you can draw on things, but how much of that is really just a retransmission of an analog service? Or is it a genuine digital offering?

**Mrs Marshall**—If it is broadcast on our digital service then it is a digital offering.

**CHAIR**—But not to the television or sound qualities that we are currently using to promote the uptake of digital TV.

**Mrs Marshall**—In a transmission sense? I do not think we are clear on what exactly you are asking.

**CHAIR**—The best picture that you will get with digital TV is something that has been produced digitally, is broadcast digitally and then seen digitally.

**Ms Cassidy**—Currently that should be all ABC television content. Whether it is actually transmitted as part of the analog service or is part of the digital service, it is all produced digitally. Certainly the entire television presentation playout transmission system is digital. I am really scrambling to think of an example of something—

**CHAIR**—What about when you replay old *Landline* programs?

**Ms Cassidy**—We have been producing content digitally for years now, so, yes.

**CHAIR**—So if you are relying on your archives to sustain other channels—

**Mr GARRETT**—Maybe the question is: have you completed the digitisation of your existing store of archival material?

**Ms Cassidy**—No, we have not.

**Mr GARRETT**—How much of it have you done? What has to be done?

**Ms Cassidy**—I would have to get back to you on the specific number of hours, but at the end of the five-year project we will have digitised more than 50 per cent of the television archive, which is a significant number of hours.

**CHAIR**—So if multichannelling were an option—say you dropped HDTV to go to, say, four channels—would you have sufficient content within your archives to do that?

**Ms Cassidy**—If the genre restrictions were lifted.

**CHAIR**—Yes. Or would you be seeking further funding to go out and produce the content to fill that many channels?

**Mrs Marshall**—We believe that, if the genre restrictions were lifted, there is significant content available to us to extend the multichannel offerings we have at the moment.

**CHAIR**—From within your archives?

**Mrs Marshall**—Yes, that is correct. What that would ultimately be, we could not answer definitively right now.

**CHAIR**—One I was interested in was ABC Kids. What was the failure of that one? Why didn't that fly?

**Mrs Marshall**—ABC Kids and ABC Fly were not established on a sustainable funding basis. When the ABC applied for additional funding and it was not forthcoming, the board took a decision not to continue with those services. When we revisited our approach to digital broadcasting this time, one of the key criteria was that it was a service which could be sustainable. Also, having a more diverse programming offering on the channel obviously opened up scheduling options for us which were not there previously. Within that, however, we have maintained as much as we possibly can that children's service which was with ABC Kids and, indeed, is again extremely popular with audiences.

**CHAIR**—So were you trying to do that all from archives or were you trying to purchase new programs?

**Mrs Marshall**—There was a mix of programming for children on ABC2.

**CHAIR**—Where was the costing? That is what I am asking. Was the costing in transmission, was it in conversion or was it in just trying to get new product?

**Mrs Marshall**—There were two services available in the last iteration: ABC Kids and ABC Fly. Of the total cost, the significant proportion of that was Fly, which gathered a range of material from regional areas and particularly for youth in regional areas. The gathering of that material—the postproduction et cetera—added significantly to the cost overall.

**CHAIR**—Can we get some figures? It seems that everyone thinks of the content and multichannelling. Your position is that multichannelling will provide an impetus for digital take-up. Obviously, being a public broadcaster, that comes at a fee. What is the price for, say, four

standard-definition channels? If it is archive only, without new product, you are basically out there and you can offer people a kids' programming thing. Even if it is old stuff—hey, after five years there are new kids. Then there are the previous models that you have used, where you are obviously trying to produce and buy other product.

**Dr Sutton**—I think that, when we get into the realm of freshly produced material, we really get into the realm of asking how long pieces of string are, because it is really a question of what genres of content we would be wanting to include and things like that.

**CHAIR**—You can get that from ABC2: how much of ABC2 is new production and how much is archive or just straight time-shifted?

**Mrs Marshall**—The majority of the schedule on ABC2 is time shifted or acquired content.

**CHAIR**—So would you say it is about \$3 million a channel? No?

**Mrs Marshall**—For ABC2?

**CHAIR**—No. For, say, a regional program, a science and health, a kids, a history and an Indigenous channel.

**Mrs Marshall**—It would depend on the nature of the channel. Certainly, if one were looking at a channel with a range of original production in it then that would incur additional funding. Where we are coming from at this point in time is determining what we can offer within the current funding available, at a sustainable level. The most immediate opportunity for us sits within the archive.

**CHAIR**—We are looking at driving digital take-up. One of the ways of doing it, obviously, is multichannelling. One of the ways is allowing only the government broadcasters to multichannel.

**Mrs Marshall**—In response to that, we have had a number of requests on an ongoing basis from our audience asking specifically for the kinds of programs, as I mentioned earlier, which are available in the archive but which we are not able to repeat at the moment.

**Ms Cassidy**—Or available on the main channel and we cannot time shift.

**Mrs Marshall**—We have had a lot of positive feedback from people about children's content.

**CHAIR**—Do you think that just you being able to multichannel would be enough to drive sufficient digital take-up to enable switch off?

**Mrs Marshall**—I think that innovative, attractive and comprehensive services being offered by the public broadcasters would certainly be an added incentive for take-up of digital services in the immediate future.

**CHAIR**—Do you have an opinion on multichannelling for the commercial channels?

**Mrs Marshall**—The more content and choice which is available to audiences, the greater the incentive. However, at the moment, in the context of stability in the market as it is developing, the public broadcasters providing those services add a degree of stability that would not be there if it were opened up. Our view, fundamentally, is that more content and more choice is more incentive.

**CHAIR**—Is the high-definition quota to stay? Are you quite happy to grow that or would you prefer to multichannel?

**Mrs Marshall**—We would prefer content over high definition and, as the market evolves, to let the audience dictate what they want.

**Mr TICEHURST**—When you are simulcasting standard definition and high definition, that is obviously in the same bandwidth, is it?

**Ms Cassidy**—It is still in the same seven megahertz of spectrum.

**Mr TICEHURST**—Is there an occasion when you are only transmitting high definition?

**Ms Cassidy**—No. If we run a high-definition program, under the Broadcasting Services Act at the moment we have to simulcast it and standard definition it and of course it has to be the same as the analog service.

**Mr TICEHURST**—On one occasion the ABC dropped off this particular box—I had trouble with it—but it came back after a day or so and I could receive the signal without changing anything, so something obviously changed with the signal.

**Ms Cassidy**—We note that some of the boxes behave a little bit oddly from time to time and perhaps a bit unexpectedly, which is one of the reasons why the ABC is a supporter of a testing and conformance centre for the industry so that manufacturers can come and test against known broadcast streams and so forth.

**Mr TICEHURST**—That is fair enough.

**CHAIR**—Thank you for appearing.



[10.33 am]

**BERRYMAN, Mr William Leslie, Chief Technology Officer, Special Broadcasting Service Corporation**

**EISENBERG, Ms Julie, Head of Policy, Special Broadcasting Service Corporation**

**MILAN, Mr Nigel, Managing Director, Special Broadcasting Service Corporation**

**CHAIR**—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make a brief statement or any introductory remarks?

**Mr Milan**—First of all, SBS thank the committee for this opportunity. SBS have been at the very forefront of digital broadcasting. We have been involved in pioneering interactive projects and we launched Australia's longest-running digital-only multichannels in 2002: the World News channel and SBS Essential. We see part of our role as a public broadcaster being to help drive digital policy forward. To date, discussions about digital have tended to focus on the transmission end of the market and this has, unarguably, been very successful. Digital is now available to more than 85 per cent of Australian homes and SBS digital is available to more than 90 per cent of that—a roll-out that has been unparalleled anywhere else in the world.

I believe that what we now need is greater attention to the consumer end and, for this reason, we welcome the committee's current inquiry into these issues. Consumers now have access to a large choice of receivers at reasonable price that generally deliver excellent picture, sound and reception. There are three main areas where work is still needed. The first is getting digital receivers which are seamless, user friendly and durable. The second is getting extra content and services onto digital, and the third is increasing consumer awareness about digital. I would like to comment on each of them in turn.

This committee has received numerous submissions about technical difficulties experienced by some users of digital television. Australia's digital television market involves layers of complexity which simply did not exist within analog, and the industry has put an enormous effort into dealing with these issues. The public broadcasters have worked closely with consumer electronics manufacturers over a number of years, and SBS has been an active advocate for the establishment of an independent testing and conformance centre. SBS has also been involved in experimenting with new services, including through industry partnerships, and sees part of its role as a public broadcaster as being at the leading edge of development and sharing its learning for the benefit of the industry as a whole to help actively forge solutions for these issues.

While the technology issues are significant, they are being worked on and worked through by the industry; however, SBS believes the single most important issue at this time is how to open up the opportunities for richer, more attractive content in the services to be available on digital

television. Analog television already provides a range of very good quality content for Australians. For digital television to be a must-have and not just a nice-to-have, it needs to offer a very compelling proposition over and above analog. SBS believes that this proposition will come in the form of extra digital-only content and services.

In submissions to this and other inquiries, the commercial free-to-air networks have expressed strongly divided positions about providing new content. In contrast, to date the public broadcasters have made a solid contribution to driving digital uptake and we believe that we should be at the heart of the future development given the right conditions; however, the current genre rules restrict broadcaster flexibility in programming the most attractive and interesting content for audiences. SBS has consistently supported relaxation of content restrictions on both public broadcaster multichannelling and believes that it would be appropriate and positive for the whole industry.

SBS treats the development of extra services seriously. Our core planning processes include regularly looking at the types of extra programming we can put on the spectrum, and we regularly trial and model new services. This is all about using digital to make our charter content deeper, richer and more compelling. We look forward to the day when the resources base of the organisation can fully accommodate our digital vision.

On the issue of relative costs of digital content, I note the substantial public investment in rolling out digital infrastructure of the public broadcasters. Over the 10 years it comes to more than \$1 billion. This is a major nation-building project which has phenomenal potential for bringing new services to Australians, particularly in rural and regional areas. Yet currently the digital transmission infrastructure only carries a limited number of extra services into Australian households and very little in the way of original content. Encouraging public broadcaster multichannelling will help unlock the value in the existing investment.

Finally, I believe that the selling messages for digital television remain a little fuzzy. 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. This comes back to the quality of the content and services available on digital-only and also to consumer awareness about eventual analog switch-off. SBS believes that addressing all three of the above points—reliable equipment, extra content and strong marketing—will go a substantial way to taking the digital television market forward. It believes that as a public broadcaster it can continue to play a central role in driving the development of digital television. I would be happy to take questions from the committee.

**Mr TICEHURST**—I think you have hit on three very good points. Certainly, simplification with the receiver is an issue. You might have heard me say that I have four set-top boxes in a couple of locations. There is a difficulty with the way I run it now. First of all, you turn on the TV. Then, when it warms up, you have to hit on the AV to pick up the signal for the set-top box—that is here in Canberra. In my Central Coast location, I run it through an RF set-top box. It is simple: I can hit program No. 4 or whatever, and then the set-top box is active. If you hit No. 6, that will pick up the DVD-VCR. It is easy for me but when my wife or somebody else comes to use it, you have to skill it with the different techniques. I think simplification of how that interaction works is certainly the way to go.

I noticed that in your submission you said that we should be mandating digital tuners in TVs. But, if you heard the arguments put forward from the ABC, which I tend to agree with, the changes in set-top box technology mean that there is more to come in the sense of what is available in a set-top box. One of their suggestions of combining high definition and standard definition is probably not a bad way to go. There is also an opportunity to have wireless network ability built into the box. I see there is one of those coming on the market pretty soon where you can introduce the media centre concept, the digital householders, as it were, which I guess is where we are heading in that area. But certainly the driver has to be content.

**Mr Milan**—On the issue of mandating digital appliances, we see that could well be just a timing issue. We do not see our submission as being inconsistent with what the ABC is saying. We support the compliance and performance centre and independent assessment. It may well be that the timing is a few months away for mandating digital appliance. But I think, overall, whilst there is no certainty around digital-analog switch-off, it is going to make it difficult to push the issue forward.

**Mr Berryman**—I think the market will drive the best outcome for receivers. The more that people buy receivers, the more that they are turning over new receivers and there is demand, the more the consumer electronics manufacturers in Australia can refine their product for the domestic market. If you look at the European experience in satellite set-top boxes, and even the terrestrial market, they are several generations into evolution caused by demand. So there are continual refinements and continual change. I think that anything we can do to stimulate that market change, that market economy, to make better devices, the better it will be.

**Mr TICEHURST**—Sure. If you look at plasma TV, it started off at \$20,000-odd. Then, when we introduced GST, they dropped 32 per cent wholesale tax, which dropped their price down substantially. Now LCD has come in.

**Mr Milan**—And you can buy a plasma now for around \$5,000.

**Mr TICEHURST**—We bought a DLP one recently. It is an analog tube but it is digital already. If you combine that with a box, you get a brilliant picture.

**Mr Milan**—Just to be accurate, our submission was neutral on the issue of mandating digital receivers. We said that it should be considered and looked at as part of an overall picture. To reiterate, I think it is a timing issue.

**Mr TICEHURST**—I think SBS have run some datacasting over a number of years. How is that performing now? How many servers do you run on?

**Mr Berryman**—We run a service called SBS Essential, which is a program guide, a news service and an enhancement channel to our sports and current affairs programming. We have also done the first regular interactive television broadcast tied to a program using the multimedia home platform, MHP, which is the standard preferred by most of the broadcasters in the free-to-air industry. SBS Essential is a very mature product now. We were very eager not to let our spectrum be fallow. We used our ability to work commercially with the market to form partnerships to build SBS Essential and run it, and it is doing well. You know that, when you make a change on it and somebody rings up and complains, they are watching it. And that

happens, so we know now that it is not just a hidden service. We have got some good engagement with our audience.

Most of our soccer programming is now enhanced with SBS Essential. When a football match is on, we turn SBS Essential to a replay and statistics channel. We have the comfort now of our television broadcasters making reference to that channel in their show. They tell digital viewers that if they want extra information they can turn to channel 31 on digital, which is our Essential channel, to watch more content. We do it with all of our big events—we did it for the federal election. As with the ABC, we worked very closely with the ABC to dovetail what we do. We ran a regular channel offering to our unique community electoral information that we thought was important for the types of people who turn to SBS for information.

**Mr TICEHURST**—How much bandwidth do you need for the datacasting?

**Mr Berryman**—We are running our datacasting for regular SBS Essential at 1.5 megabits. So it is a very modest allocation. When we do soccer replays and things, we have made the spectrum more flexible so that we can ramp up the amount of bandwidth that we use. We might use 2½ to three megabits there.

**Mr TICEHURST**—What about your radio channels?

**Mr Berryman**—We run two radio channels nationally on the digital television. We run them at 256 kilobits a channel, which these days, with the evolution of multiplexes and encoders, we are running far too high. It is our intention to run them under 120 kilobits each within the next six months. There will be no difference in the quality of audio. It was just something that was established five years ago. Once again, we are very enthusiastic about getting as many services up there as possible. These days, with the development of the compression technology, it is easy to do it in a very small amount of band.

**Mr TICEHURST**—My wife tells me that you are running some good programs these days. She often listens to SBS radio when she is here in Kingston. What do you think is the value of the high-definition signal, compared to standard definition?

**Mr Milan**—There is no question that for those folk who have very large screen appliances and would consider themselves the cognoscenti of television viewers there is a market for it. I do not see it, though, as a primary driver in its own right.

**Mr Berryman**—Also, some high definition in the market is a kind of future proofing for production. As Nigel said, ultimately it is our position that anything that makes digital attractive is a good thing in driving the market, but it is not the sole driver of digital television. It is a driver for a unique audience and for unique programming. It is special events activities for people with special reception devices. But, with the whole high-definition production chain, we must not confuse high-definition transmission with higher definition television production. In terms of Australia being a very agile digital production environment, we always have to have a consideration of high-definition television and high-definition production, but we should not confuse the two.

**Mr TICEHURST**—Would you suggest that we should not be mandating that in the long term we only have high definition—we should keep standard definition?

**Mr Berryman**—Definitely so. With new compression technologies and changes to device—we are talking here about decisions which are going to have an impact for decades—in a long period of time there will be very little difference. New standards, things like MPEG4 and compression, will not become, in the public's eye in terms of a transmission technology, something to which the distinction is made. In terms of production, for example with SBS Independent—our independent commissioning arm that successfully works with the independent commissioning industry—high-definition production has an enormous role to play in making 35 millimetre quality productions at a fraction of the cost with more flexibility. But, in the public debate, we should not confuse the two issues.

**Mr TICEHURST**—Sure. The public awareness that you talked about, Nigel, is probably a little like the generation where we had AM radio and moved to FM, where the FM was driven essentially on the quality of music. You will find that there is very little talkback on FM; it has mostly stuck with the AM band. I guess that is an example of content driven.

**Mr Milan**—We come back to what my colleague was saying, that though we think high definition—there is a term in the industry: to make something 'sticky'—may make digital 'sticky', at the end of the day we view original content as the primary driver. I endorse what my colleague said because there is a whole range of economic reasons why the film industry, for instance, will be driving high-definition digital as a production standard. That has a lot to do with the ease of digital distribution and the security of it—those sorts of issues.

**Mr GARRETT**—I have a couple of quick questions. What is your view on the switch-off date?

**Mr Milan**—How long have you got, Peter? Sorry, I did not mean to be flippant. 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. But you would need to get to a position where you were confident that the devices had reached a level where you could start thinking about things like mandating digital receivers, banning the production or the sale of analog equipment before you could get to analog switch-off. So I would say it is some years out.

**Mr GARRETT**—Can you let us know—unless I missed it earlier, I am sorry—how much public money has been spent upgrading the facilities to allow for digital?

**Mr Berryman**—It is a very comprehensive costing and accounting. I can get that information out—it is on the public record—and send it to you. Needless to say, digitising our facility over the past five years has cost many tens of millions of dollars, and many billions of dollars will be spent over 15 years.

**CHAIR**—There is a division in the House so I am afraid we are going to have to wrap it there, because it will be after 11 by the time we come back and I will have no committee after then.

**Mr Berryman**—Thank you for hearing us.

**Mr GARRETT**—I am sorry it has been cut short. We have a few more questions to ask.

**CHAIR**—Yes, I know. So we might get you back at a hearing in Sydney—is that all right?

**Mr Berryman**—Yes, absolutely. And if you would like to come through and take a look at the facilities, we would be more than happy to show you.

**CHAIR**—We will organise that in Sydney.

Resolved (on motion by **Mr Ticehurst**, seconded by **Mr Garrett**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 10.51 am**