



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS,
INFORMATION TECHNOLOGY AND THE ARTS

Reference: Uptake of digital television in Australia

WEDNESDAY, 17 AUGUST 2005

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

HOUSE OF REPRESENTATIVES

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

Wednesday, 17 August 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: Mr Hayes, Miss Jackie Kelly, Mr Keenan 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

| | |
|---|-----------|
| CUPITT, Ms Margaret, Research and Policy Officer, Policy and Research Section, Australian Communications and Media Authority..... | 1 |
| FAIRBROTHER, Mr Peter, Director, Eureka Strategic Research; and Research Consultant, Australian Communications and Media Authority | 1 |
| GELLATLY, Mr Alastair, Acting Manager, Broadcast Engineering, Australian Communications and Media Authority..... | 1 |
| LAMB, Mr Gary Austin, Managing Director, GfK Marketing Services Australia Pty Ltd..... | 14 |
| LONCAR, Mr Tomislav, Director, Eureka Strategic Research; and Research Consultant, Australian Communications and Media Authority | 1 |
| OSBORNE, Ms Lesley, Manager, Policy and Research Section, Australian Communications and Media Authority | 1 |
| TANNER, Mr Giles, General Manager, Broadcasting and Radiocommunications, Australian Communications and Media Authority..... | 1 |

Committee met at 9.10 am

CUPITT, Ms Margaret, Research and Policy Officer, Policy and Research Section, Australian Communications and Media Authority

FAIRBROTHER, Mr Peter, Director, Eureka Strategic Research; and Research Consultant, Australian Communications and Media Authority

GELLATLY, Mr Alastair, Acting Manager, Broadcast Engineering, Australian Communications and Media Authority

LONCAR, Mr Tomislav, Director, Eureka Strategic Research; and Research Consultant, Australian Communications and Media Authority

OSBORNE, Ms Lesley, Manager, Policy and Research Section, Australian Communications and Media Authority

TANNER, Mr Giles, General Manager, Broadcasting and Radiocommunications, Australian Communications and Media Authority

CHAIR (Miss Jackie Kelly)—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Information Technology and the Arts inquiry into the uptake of digital television in Australia. The inquiry arises from a request to the committee by Senator Helen Coonan, the federal Minister for Communications, Information Technology and the Arts. Written submissions were called for and 83 have been received to date, the latest one being from the New South Wales government. The committee is now conducting a program of public hearings and informal discussions, and this hearing is the seventh of the inquiry. I welcome our witnesses, who are from the ACMA, which is the amalgamation of the old ABA and ACA. Last time they presented, they were talking about a survey they were doing, and we asked to see a copy of it. They have actually done a survey of around 10,000 people, and they are going to give us a briefing on it and give us an idea of where digital TV is moving, what they are doing and all that sort of thing. I understand it is not a submission as such, but more a report back on the data from the survey that was undertaken by the old ABA.

Mr Tanner—This is not an ACMA submission; this is a report provided by our consultants to help you with your thinking. Actually I think your questions will help us with framing our final report as well. It really is a background briefing on the top-line data from our survey, while it is fresh, because I think it is timely for you as well as for us.

CHAIR—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 think we would like to start with a brief overview and the presentation of Eureka's findings.

Mr Tanner—Tom and Peter from Eureka Strategic Research have about 30 minutes worth of presentation and pictures to illustrate the top-line results. I think I have made the other points I

meant to make. The key one is that this is very much top-line; more results, cross-tabulations and analysis will be done for the final report. One of the issues is that we have the capacity to mine this data to answer questions. If there are any questions you have that we cannot answer, it may very well be that we will be able to shed some light on them for you when we get those results and cross-tabulations. The timing of our research is fortuitous in terms of your work. We have brought this forward because we know it is helpful to you to present now. We may not be able to answer some of your questions, but it may very well be that, knowing what your questions are, we can take that up in our final report, because we have got a fair bit more work to do. I will hand over now to Tom Loncar and Peter Fairbrother to take you through the top-line results.

Mr Loncar—What we will be presenting today is, quickly, a bit of the background to the study we undertook and the research objectives that we addressed. We will then illustrate the methodology we developed in consultation with ACMA to meet the research objectives, introduce you to the sample as a whole and then present an overview or snapshot of where we are with regard to free-to-air digital television in Australia. Then we will spend some time looking at those households that have adopted free-to-air digital in detail and contrast them to nonadopters, before bringing together at the end the aggregated view of the different segments with regard to DTV adoption and intention to adopt. After presenting the summary, I will hand back to ACMA with the next steps for where we go with the analysis.

In terms of background: Eureka was commissioned by the ABA, as it was in March, to conduct community research on digital media in Australian households. The purpose of the research was to understand how people are moving to the various digital media platforms, to look at the drivers and inhibitors towards the adoption of digital terrestrial television and then look at some general awareness and satisfaction issues relating to digital media. But today the focus is mainly on findings relating to free-to-air digital terrestrial television, contrasting adopter households' motivations and experiences with the expectations and intentions of the rest, the non-adopter households.

A PowerPoint presentation was then given—

In terms of methodology: a robust survey methodology was mandatory, given the goal we had, but we were still faced with the decision of how to best collect this information, given that we needed to access normal Australian households but also have the spotlight on that broad group of low-incidence segments, being the adopter households. At all times, representativeness of the sample that we generated was the key goal. We needed to know where Australia stands—

CHAIR—I am sorry; we have to go to a division. We should be back here by half past nine to continue. I will be back, but Ken Ticehurst has to speak in the chamber, so we will form a subcommittee when we come back.

Proceedings suspended from 9.16 am to 9.36 am

CHAIR—Mr Michael Keenan is present, so we will now form a subcommittee. Eureka Strategic Research is giving us a breakdown of research ordered by the ABA before it amalgamated with the ACA and became the ACMA. They have taken a random sample of 10,000 out of the *White Pages*. An issue I have with that is that a lot of people these days,

especially early adopters, only value mobile phones and do not have home phones, so they are excluded from this research. That may or may not really matter.

Mr Loncar—We attained two representative samples. Our nationally representative sample of 1,148 was households with televisions. Within that, 149 were free-to-air digital television adopters. We continued sampling beyond that dotted line until we reached a 300 target. We actually got 308 adopter households. So we had two representative samples, somewhat overlapping, but we could address overall penetration and expectations, knowledge and barriers faced in non-adopter households in that larger sample, and beneath that we could look at drivers, satisfaction and behaviour among adopter households.

Here are some characteristics of the overall random sample. The demographic things appear on the right: a language other than English spoken at home, 12 per cent; household set-up, 30 per cent with children 16 and under; a household member with a disability, 13 per cent; subscription television, 24 per cent overall, with 13 per cent digital; and internet, 67 per cent overall, 26 per cent broadband. So those sorts of numbers do make sense and illustrate that we have not got any ugly skews happening with our main random sample. When we look at our digital adopters, we will see that these households are different from the norm in a number of respects. Before we do that, let us look at an overview of where digital television is in Australia.

In our random sample, that column represents all households with a television—any form of television. We found that 13 per cent of those households indicated that they received free-to-air digital television. Looking at all households and how many television sets they had, within our free-to-air sample, 72 per cent had one set or display device that receives free-to-air digital television and 28 per cent had two or more. We added all the set data—we did a stocktake of the 1,148 households—and at the end of the day we had 2,608 televisions in the random sample, of which 185 were free-to-air digital television capable. In terms of a stocktake, it is seven per cent of the total television pie.

CHAIR—So it is worse than we thought. We had a figure of 11 per cent, didn't we?

Mr Tanner—That is what we think the penetration is, but this is the actual number of TVs.

Mr Loncar—Penetration is 13 per cent.

Mr Tanner—A lot of people have three TVs and they may have only one with a digital box. So I suppose that is the measure of how many TVs are digital converted as opposed to how many homes have digital reception.

Mr Loncar—Staying with the random sample, we looked at those that had not adopted yet and we asked them, 'As far as you are aware, is digital free-to-air television available in you area?' We had 47 per cent of households saying yes and seven per cent saying no. Those that did not know were asked a follow-up question: 'Have you heard about digital free-to-air television?' The breakdown was that 29 per cent had at least heard about it and 17 per cent had not heard about it. So 46 per cent of our households do not really know whether they can receive free-to-air digital yet. We will get to these non-adopter households in more detail shortly but let us look now at the households that have adopted.

We had a sample of 308 at the end of the day. The important thing to emphasise is that these households were consistently sampled. No sampling bias was introduced at any point of the recruitment because, at the end of the day, representativeness was the overriding concern. We also attained a level of statistical precision, which was prudent given the resources and the time we had available to collect data from these people. In terms of characteristics and how these households differed to non-adopter households—these are all statistically significant differences I am about to present—they were more likely to have children under 16 in their households: 39 per cent versus 29 per cent.

CHAIR—The adopters?

Mr Loncar—The adopters, yes. The adopters were also more likely to have higher incomes, with 21 per cent indicating that their household had a gross income in excess of \$100,000 per annum, versus 11 per cent in nonadopters. Also, on the other side of the coin, adopters were less likely to have lower household incomes—under \$30,000. Our adopter households were also less likely to use an internal antenna and slightly more likely to live in a house as opposed to a unit or flat and also slightly less likely—10 per cent versus 13 per cent—to have a person with a disability in the house. We asked our adopter households the open-ended question: ‘What is the main reason you took up free-to-air digital television for your household?’ Then we prompted them for more reasons.

In our analysis, those things that you can see on the left-hand side are our groupings of the multitude of answers that people provided. The blue bars indicate the percentage of households that gave a particular reason as a first mention, with the maroon bars indicating whether that household mentioned it at all. They follow a similar pattern, so we will look at total mentions. We can see three reasons there at the top of the queue. The first two are picture related, with a better, clearer picture or picture quality being cited by just over a quarter of our adopter households, 26.7 per cent, and improved reception or signal—this was a concern for more basic function, being able to address an inadequate reception or signal issue from the past—at just over a quarter, 25.7 per cent. This was followed by 19 per cent, just under one-fifth, indicating that extra channels, variety and choice drove their decision to adopt free-to-air digital television.

Other reasons given by greater than five per cent of households were: upgrading or replacing a television set, 11 per cent; new, latest, best technology, 10 per cent; needing it eventually, changeover approaching, long-term decision, eight per cent; simply saying ‘better’ or ‘better quality’, 5.7 per cent; and a partner or adult within the household driving the decision, just over five per cent. So there were a range of drivers given for why they adopted free-to-air digital television, with two picture related reasons at the top.

Let us now look at some characteristics of our adopters in terms of hardware. We found that 83 per cent of these households had digital set-top boxes. Looking at the characteristics of the boxes that were purchased, most were in the \$150 to \$299 price range. That was the largest cluster, at 27 per cent.

CHAIR—So they would be standard definition?

Mr Loncar—Largely, yes. There were another fifth in price ranges either side. So a fifth were in that under \$150 budget range which we are seeing more of now. We asked them about their

high-definition status. Thirty-five per cent indicated that they had an HD capable set-top box, but only 23 per cent then confirmed that they also had an HD capable screen. A quarter—26 per cent—did not know their HD status. In terms of updating plans, 26 per cent thought they would be upgrading within five years, 19 per cent expected to do that in more than five years, 46 per cent did not know and nine per cent believed that they would have these set-top boxes forever.

Looking at our integrated TV set households—that is, 17 per cent of adopters—we presented different price ranges to them consistent with the fact that these are costlier items. The largest cluster, 43 per cent, had purchased in the \$1,999 or less price range. Just over half—53 per cent—indicated that they had an HD capable set, although again a large proportion, just over a fifth, did not know. In terms of updating plans, there was slightly less anticipated obsolescence than in the previous group, with 19 per cent expecting that they would be upgrading in under five years, 42 per cent expecting to upgrade in five years plus, 32 per cent that did not know and eight per cent believing they would not have to upgrade. Putting all these households together, we asked them about what happened with their household aerial systems in the process of upgrading. Twenty-seven per cent indicated that their household needed to at least upgrade if not replace their entire aerial system when upgrading to free-to-air digital television.

We then asked our adopter households about causes for satisfaction and dissatisfaction. Before open-ended questions, we started off with a four-point scale of satisfaction question asking how satisfied they had been with their overall free-to-air digital experience. A large group was satisfied: 86 per cent, comprised of about 40 per cent very satisfied and 46 per cent somewhat satisfied. There were 8.1 per cent somewhat dissatisfied and 2.6 per cent very dissatisfied, so our dissatisfied group was just under 11 per cent. We will look at some reasons for dissatisfaction shortly.

But let's look at the positive side first. We asked all our free-to-air digital adopter households the most satisfying features they have observed to date. Quite a clear answer at the very head of the queue is 'better or clearer picture', picture quality being cited by a dominant chunk of these households—43 per cent. This is followed by reception or signal at 19 per cent; extra channels and variety of programming choice at about 17 per cent; 11 per cent were not sure; eight per cent said better sound; five per cent said more functions, information and interactivity; and five per cent of adopter households said simply better quality. They are the main reasons, but picture and picture quality really is quite dominant as the most satisfying feature.

We then asked about reasons for dissatisfaction. Again this was an open-ended question, so we gathered a whole gamut of answers afterwards. The largest cluster of responses at the top was that people could not think of anything in 53 per cent of cases. But beneath this there are a couple of important points. Problems with picture, sound or aerial or with signal drop-out accounted for 13 per cent and 11 per cent respectively. So when there is dissatisfaction it seems to be clustered around some sort of picture or reception let-down.

CHAIR—Is that intermittent? We had some evidence about white noise. You would get that in analog, but you could still see the program, whereas with digital if someone turns on a blender—

Mr Loncar—There are the drop-outs.

Mr Tanner—I think the third one is the intermittent one, with turning on a blender. That is intermittent by nature: you have a lovely picture until someone causes a wave of interference, then you get the pixelation, whereas that second one was a bit more ambiguous. That may actually refer to failure to get some channels to an acceptable level.

Mr Loncar—Yes. These represent groupings of a whole range of answers into like groups. Beneath that there are some issues about content or quality of programs for six per cent of households, but picture issues do stand out.

CHAIR—Did you have an age differentiation or was that too complicated to set up, because to watch TV you had to switch to the extra remote?

Mr Loncar—That is part of the analysis to follow. We have not had a chance to do that yet. It is complicated to set up. You would definitely want to look at the type of demographic variable. Set-top box technical problems are at the bottom. There were just under two per cent.

CHAIR—Was that an aerial problem? Panasonic seem to think that often they got the boxes back but it was not their problem; it was actually an aerial problem.

Mr Loncar—It could include that.

Mr Tanner—That may very well be it. But notice that for this sample the problem rate is actually much smaller than the Panasonic presentation led me to expect. When people say the box did not work, Panasonic make quite a good case that very often it was not the box that was deficient but some other aspect of the signal, like the aerial.

Mr Loncar—Before concluding on our adopter households, we zeroed in on those that had high definition and asked them about their satisfaction with it to date. A very positive picture has emerged, with 71 per cent indicating that they are very satisfied and 21 per cent indicating they are somewhat satisfied—so 93 per cent were satisfied overall. In terms of dissatisfaction, 3.6 per cent were very dissatisfied.

CHAIR—That actually comes back to the overall figures, because you have 8.1 per cent somewhat dissatisfied and that might be dissatisfaction with pixelation or very minor things. However, people being very dissatisfied implies that they would not go to this technology. People who are somewhat dissatisfied are saying, ‘I had an expectation and it wasn’t met.’

Mr Loncar—It is a bit better, yes—

CHAIR—They are saying that their glass is half empty, rather than that it was a total waste of a purchase.

Mr Loncar—As opposed to regret for the purchase.

CHAIR—You have put dissatisfaction at 10.7 per cent. Should that figure really be 2.6 per cent?

Mr Loncar—Which slide? Is that on the previous slide?

CHAIR—For the overall adopters, rather than the HD adopters. On your HD adopters, you have two per cent.

Mr Loncar—This is a more specific question in regard to dissatisfaction with HD, rather than the overall free-to-air digital television.

CHAIR—Okay. I just think that the eight per cent—those people who were somewhat dissatisfied—can be drilled down a bit.

Mr Loncar—I see.

CHAIR—This is not dissatisfaction with digital technology or reception or signal or anything. It is actually—

Mr Fairbrother—It would probably be indicative of the experience not quite living up to expectations.

CHAIR—Because it was a cheap SD box, possibly?

Mr Fairbrother—Yes, or high expectations—having a good sales job done on them, for example.

Ms Osborne—We can do a cross-analysis to identify more closely why people were dissatisfied and who they were. It could be interesting.

CHAIR—With HD boxes, there is quite a big difference, isn't there?

Mr Tanner—It would suggest that people who paid for HD are getting a much more positive overall experience. It is actually quite interesting that that is so high, when you consider that in fact HD material is still only a minority of what is screened.

Mr Loncar—This is a small subsample within the overall adopter households. We will need to cut the data a bit more. Before we conclude on our adopter households, we asked about free-to-air channels watched over the course of a typical week. We can see that Channel 9 is still No. 1. Eighty-two per cent of our adopter households indicated that they watched that over the course of a typical week. That was closely followed by Channel 7, with 81 per cent. The ABC had 79 per cent, Channel 10 had 78 per cent and SBS had 65 per cent. Of the newer services, ABC2 is doing the best, with 31 per cent indicating that they watched it over the course of a typical week. SBS2 had 18 per cent, audio and radio services had 14 per cent and datacasting services, which have been mainly limited to Sydney, had four per cent.

Mr Tanner—That is overall, so perhaps the datacast gets more hits in Sydney.

Mr Loncar—Yes. That is for overall adopters.

Mr Tanner—So you have diluted that. There is only about a quarter of this type of group in Sydney.

Mr Loncar—Yes.

Mr Tanner—So it might be about 12 per cent in Sydney?

Mr Loncar—Yes, it could look a lot greater.

CHAIR—When you referred to the drivers for adoption, 19 per cent were driven to adopting the technology by the extra choice, the extra channels. SBS2 has 18 per cent and ABC2 has 31 per cent. Can you drill down to see whether they were satisfied? If the driver for the adoption was to get extra channels, were they satisfied?

Mr Loncar—We asked them about the most satisfying features—extra channels, variety and programming choice—and 17 per cent of households gave this third reason in terms of living the free-to-air digital experience. So it is quite significant. It is in the leading group, although it is behind picture.

CHAIR—So for 19 per cent of households the drive for adoption was the extra channels and about 15 per cent were satisfied with it.

Mr Tanner—Are you asking whether the people who bought the technology because they wanted more are the same as the group who were satisfied?

CHAIR—Yes.

Mr Tanner—I think that is something that you could cross-correlate.

Mr Loncar—We can. But in terms of the actual experience, the ‘wow’ related to the picture is the dominating or most satisfying feature. Forty-three per cent of our adopters are citing that as the best thing about having free-to-air digital.

CHAIR—It adds weight to the arguments that multichannelling is the way to drive the technology. I do not know whether 15 per cent does that or not.

Mr Tanner—I wonder whether it would be possible to correlate the reasons that people adopted with the reasons that they are satisfied or dissatisfied—in the sense of whether people who expected this are generally happy but those who expected that are perhaps less happy.

Mr Loncar—Drivers versus experience is an important thing that you can look at in a lot of ways.

CHAIR—The relationship between the wide-screen TVs and the wide-screen picture was low down. Wide-screen picture was 16 per cent. The most satisfying feature was the driver as well.

Mr Tanner—That is a particularly interesting one to me and the planners because we have assumed that the purchase of wide-screen has been an enormous factor in digital uptake—that is, we are assuming that people frequently get the digital box at the same time as they get the wide-screen, because it gives them a better and undistorted picture. It does not show up as something that people are conscious of as a connection. When we do the cross-correlations, we are quite

curious to get a sense of the extent to which people who have adopted digital are people who have also adopted wide-screen.

CHAIR—Your figure on the drivers for adopting wide-screen was 3.7 per cent but the figure for those who were satisfied was higher—so it is the reverse of the multichannels. I do not know whether or not that statistic is significant. It is probably only one person in a sample of this size.

Mr Fairbrother—Earlier on we saw that the penetration of wide-screens was not particularly high either.

Mr Loncar—That is 27 per cent of the total sample.

Mr Fairbrother—That is one in four. So the maximum that we would see there is—

CHAIR—Currently 27 per cent of Australian households have wide-screen.

Mr Loncar—That is what they said in this adopter sample. That is self-reported.

Mr Gellatly—The DVD is a reason to go and get a wide-screen. Not so many DVDs are in wide-screen.

CHAIR—The retailers are telling us that by and large the whole push over the next couple of years will be for wide-screen.

Mr Loncar—Wide-screen could be a subset of a better picture for many people.

CHAIR—The picture actually fits the TV set I bought.

Mr Gellatly—Rather than stretching the picture out.

Ms Osborne—In terms of drivers, upgrading of equipment is down to about number 5 or so.

Mr Loncar—Yes.

Ms Osborne—It would be interesting to look at those people to see whether they have wide-screen. If they are upgrading and have the funds, they are likely to go to better equipment.

CHAIR—That is part of the wide-screen experience as well. It was interesting that only nine per cent felt that if they updated it was going to be forever. Is that some reflection on Australians being fairly used to built-in obsolescence?

Mr Loncar—I think that—

Mr Tanner—Can we see the slide again?

Mr Loncar—Yes. Nine per cent of set-top box buyers believe they will not have to upgrade.

CHAIR—Ever again? What is the age group on that? Is it over 65s—or over 90s?

Mr Tanner—One of the great unknowns in this is how long ordinary viewers believe the digital equipment should last. We are conscious going into this that people buy televisions to last 10 or 15 to 20 years. They buy computers to last three or four years and mobile telephones similarly. The digital set-top box is a digital device, and we are very interested to know to what extent the market is ready for those digital boxes to turn over fairly quickly or whether it expects them to last as long as the TVs. It is quite important in measuring how major your legacy problem is when you want to change the standard or the system. I guess this is a little beam of light into it. I do not know how much it tells us.

CHAIR—In computing I think it is three years. No-one is really expecting a computer or laptop to last much longer. So there is a sort of three-year thing there with computers. Talking to the retailers, in terms of marketing they are looking at it like this: ‘Every household in Australia has a television, so for us to be in business we need to keep pushing TVs in there so every room in the house will have a TV.’ So you get this transference, such that here is your main living room TV but, when we update that one, that goes into the kids’ room, the play room, the loo, the kitchen or wherever. You just keep moving these TVs around the house. Whether you are actually upgrading or just outfitting every room in the house with a screen I am not sure. Do you know what I mean? I think the time frames get crunched. So it was interesting that nine per cent think they are going to buy a TV and that is it. Whereas 91 per cent of Australians are expecting to upgrade; it is just that the time when you need to do it is an issue. It was nice to get some drilling down on that. That is interesting.

Mr Tanner—So what you are getting at is that they may say that they expect to update in five years, but they actually may expect that the digital box will just move into the teenager’s room with the TV. They might be expecting it to last like a TV, notwithstanding that they have said they will upgrade fairly quickly.

CHAIR—Yes. Also, you have eight per cent who think they have to do it eventually anyway.

Mr Loncar—Yes.

CHAIR—Only eight per cent who are thinking it will be more than that. If nine per cent feel that it will last forever, only eight per cent of the driver for adoption is: ‘I’m going to have to do it anyway, so I might as well do it now.’

Mr Tanner—I am not conscious that there has been a very consistent selling of the message that TV will turn off in 2008. Very early on in digitalisation I remember that one of the networks put out a flyer or information pamphlet which said: ‘Analog will turn off in 2008.’ We were interested to see how that would go down, because we knew that the law actually said ‘or such later date as the minister provides’. But I am not aware that anyone—and certainly not government—has been really pushing the message that it is going to go blank in 2008. I think the message has gone out that it will sooner or later be turned off, and I think there is probably quite wide acceptance of that message.

Mr HAYES—That message does not seem to be widely out there, given your statistics. If you add those numbers, almost 49 per cent of people have heard about it but do not understand or have never heard about it.

Mr Tanner—Yes, I agree. It is certainly a very large group that do not know very much about it yet.

Mr Loncar—I think it is emphasised in this next section on the non-adopter households. Shall we move on to that slide?

CHAIR—Yes.

Mr Loncar—With our nonadopters, we asked them whether they were interested in getting digital free-to-air television sometime in the future. These were the answers: 39 per cent said yes; 48 per cent, almost half, gave a definite no; and 13 per cent did not know. So there is a breakthrough communications challenge there for 61 per cent of nonadopters.

Let us look at the interested households first and break down that 39 per cent. We asked them whether they were planning to purchase any free-to-air digital hardware, and 65 per cent of this group said yes. Then we asked this 65 per cent group if they knew what type of hardware they would prefer to purchase—an integrated set or a set-top box—and 29 per cent said an integrated set, 57 per cent said a set-top box and 14 per cent did not know. But we asked this group that did know about the time frame in which they would consider purchase, and only six per cent indicated within 12 months, 59 per cent indicated one two to two years and 29 per cent indicated after two years. So there does not appear to be any rush out there among our interested households.

We then asked these interested households an open-ended question: why they might be interested in free-to-air digital television. Looking at the total mentions—the maroon bar—we can see a picture again coming through for this group, with 36 per cent of interested nonadopters citing better or clearer picture or picture quality and about 18 per cent citing improved reception or signal. In between these we have people mentioning extra channels, program variety and quality. Given the recent communications by pay TV like Foxtel Digital, that could be influencing expectations there. Other reasons given by more than five per cent of interested households were: needing it eventually, changeover and long-term decision, 14.6 per cent; better sound, 10 per cent; better or better quality, 8.5 per cent; new, latest or best technology, 8.2 per cent; not sure, about eight per cent; and needing to upgrade or replace a television set, 5.4 per cent.

Continuing with our interested households, we asked them what specific additional information they might require before being convinced to make the purchase, and we grouped together the reasons. Just over one-third, 33.8 per cent, indicated that they did not know, but beneath this a fairly large group, 23 per cent, indicated that they needed to know what free-to-air digital actually does and what are its benefits and features—for example, versus analog. So there were some fairly fundamental knowledge needs there about why they should change. Beneath this, some other answers are provided that are pretty fundamental in nature about the need to know what is available—the number and types of channels, 6.7 per cent; the options available and what equipment is best, 4.9 per cent; and technical information about how it works. All

through that we can see answers that relate to fundamental concerns about what free-to-air digital does, and this is among our interested households.

Moving on to households that were not interested, we asked them an open-ended question: why they were not interested. There were some interesting answers. At the very top, 32 per cent indicated some degree of free-to-air television watching aversion. This was followed by almost 27 per cent citing cost related reasons, having to buy new equipment or it being too expensive and not good value. Then there was an awareness or knowledge group of answers—don't know much about its existence or haven't even thought about it, 20.4 per cent. But beneath this, we saw additional things that suggested a lot of inertia is present. Almost 12 per cent of households said that they were currently satisfied. A further 3.9 per cent said that they were satisfied with current reception and picture quality, and about two per cent said that they were happy with current channels and programs. But there is a lot of inertia there among our non-interested households.

CHAIR—You have zero who, at the first mention, say that they prefer DVDs or videos. But after you have mentioned it, it moves up to 1.6 per cent.

Mr Loncar—We did not mention it; we just prompted them for any other things that they needed. We tried to get as much as possible out of each household.

CHAIR—So people are just turning off free-to-air television? It is not a matter of them going to other screens and other technologies; they just do not like free-to-air TV—they do not want to watch more?

Mr Tanner—I think it goes to the issue that TV was the only way of getting the picture onto a screen 30 years ago but now if you have a screen, there are many ways of putting entertainment onto it. There are games, your own videos, DVDs, pay TV. In fact, some people may be opting out of free-to-air and choosing to watch DVDs.

CHAIR—They are quite happy not to have it. If it cost me anything to get free-to-air, I would rather not have it.

Mr Tanner—Yes. Free-to-air TV is now competing strongly with a lot of other technologies to entertain you on screen. That is really picking that up.

CHAIR—I would say DVDs and videos are some of their big competitors. There is only 1.6 per cent and on the first mention, nobody.

Mr Tanner—It is still pretty popular.

Ms Osborne—It may be that when we do the cross-tabs we will be able to analyse the people who said that and see how many of them have pay TV. Even though pay TV comes as a specific mention later, there could be some pay TV people there.

Mr Tanner—I think that the overall viewing data is interesting. Between 78 per cent and 82 per cent are watching the four most popular networks during the week. There is still a mass audience for free-to-air television.

Mr Fairbrother—The first reason probably relates to the 33 per cent who say they do not watch much TV. These people are probably satisfied with the quality of their reception. If I only watch the evening news and maybe another half an hour of television in the evenings, why would I get a digital set top box or an integrated TV to do that? I am satisfied with my current experience.

CHAIR—But if government turned off the analog signal and they were left without anything, their preference would be to do nothing and leave it like that. Free-to-air TV would lose even more market share.

Mr Tanner—I think that proposition has not really been put to them. I do not think they have really confronted that proposition. Certainly, no signal that we have sent suggests that they are going to immediately lose their analog signal.

Mr Loncar—We will present the switch-over scenario that was presented to them in the results shortly. I think it was about 40 per cent of the sample who did not even know that was on the horizon. Looking at these non-interested groups, we actually then gave them seven reasons—

CHAIR—There is a division. We are going to be out of time to finish this up because we have to talk to GfK next.

Mr Tanner—You already have the slides, so you have a lot of the data there in front of you. We are now doing a lot of cross-tabulations and cross-correlations. We have been noting down your questions and issues. We are certainly keen to use your questions to inform our final report. We may not be able to answer all your questions with the data that we have, but if there are questions that people have you could raise them with Lesley and Margaret or with me. We can certainly respond fairly quickly because we are hoping to finalise this in the next month.

CHAIR—We might do that.

Mr Tanner—While the data is still fresh.

CHAIR—We might get you back in to pick up from page 25. We will see how we go. We have to close with you for today and we will go to GfK when we come back. Thank you very much for coming in.

Proceedings suspended from 10.13 am to 10.31 am

LAMB, Mr Gary Austin, Managing Director, GfK Marketing Services Australia Pty Ltd

CHAIR—Welcome, Mr Lamb. Would you like to give any additional information about the capacity in which you appear?

Mr Lamb—I am the Managing Director for GfK Marketing in Australia and New Zealand.

CHAIR—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 now to take us through your research.

Slides were then shown—

Mr Lamb—Before I start inundating you with numbers, I will give just a bit of background as to where they come from. GfK is a German market research agency. We specialise in the research of durable good markets, so we do not do food or that sort of stuff. We have been in existence for 70 years and we measure the markets in 60 countries. We specialise in retail tracking, and consumer panel and ad hoc research. Almost everything that I am showing you today comes from GfK Australia's retail tracking measurement. Just to try and avoid some of the jargon, that means we collate the actual sales data from almost every electrical retailer in Australia—so Harvey's, Retravisation, David Jones, Myer—we collect the data from their EFTPOS systems, process it, identify what is on there and aggregate it into reports so we can report back to the industry on exactly what is being purchased. There are no assumptions in this presentation, apart from the one consumer panel chart that I have got; everything else is based on actual sales data. Please feel free to ask any questions as I am going through the presentation.

This slide shows a very short extract from a conference we held in June that Anthony Overs from the committee secretariat attended. The aim of the conference was to bring into question whether or not the Australian public was buying into the concept of a converging digital lifestyle. Because we measure all of the hard good markets across IT, telecoms, consumer electronics and so on, we are confronted with images like the one on this slide all the time. We were just wondering how much of it was hype, how many households are actually doing this, and how many people are networking their PCs and media centres to their games and all of the rest of it. It was a half-day conference, but there was some information within the conference that Anthony thought might be relevant for today. That is what I have tried to pull out in this short presentation.

The name of the conference was 'The digital lifestyle: do we buy it?' and we ranged across a whole load of stuff. I started the conference off by asking the specific question: 'The digital lifestyle: have we bought it?' In other words, we were taking the historical perspective in terms of acquisitions of digital products. I started off by raising the question: 'How many of you have seen households' living rooms that look like the one in this slide? Does yours look like that? Mine doesn't.' I mentioned—and I do not know if it is the circle of friends that I keep—that most of the houses that I go to still look one hell of a lot more like the one in this other slide.

And I asked the question, ‘Well, has the person in this slide bought into the digital lifestyle? And if she hasn’t, how many other people are there like her, and what is it going to take to get her to do it?’ That was the broad context.

We then started looking, superficially at least, at some contradictory information, because when we look at the retail sales of digital products since the year 2000, when you aggregate them from 2000 to the end of 2004—

CHAIR—That is digital cameras, digital video recorders—

Mr Lamb—Anything that is digital—mobile phones, set-top boxes. We will break it down into those individual categories in subsequent charts. Adding the whole lot together, Australian households have bought 200 million digital products since the year 2000, aggregated.

CHAIR—That is 10 each.

Mr Lamb—It is phenomenal. A lot of that is software, so I took the software out. Exclude DVDs, games and business and entertainment software and you are still looking at an aggregation of about 55 million digital hardware products in Australian households since the year 2000, which seems to contradict that initial question: are we buying into it? To my mind what that is saying is we are clearly buying digital products but not necessarily the concept of digital convergence, because—I will come to the ‘because’ in a moment.

The subsequent question I asked was: if we are spending all of this money on digital products, where is it coming from? So we looked at the acquisitions—retail sales of all hard goods in Australia. You can see from the chart ‘Number of Digital Products Acquired Since 2000’ that the acquisitions of analog products, and that includes major domestic appliances, small domestic appliances and other analog consumer products, have remained relatively flat over that five-year period. So all of the increase in consumer spending has come on digital products. You can see the rate of increase—30 per cent, 22 per cent, 13 per cent and so on. So all of that incremental expenditure if you like is coming on digital products.

It is pretty much across the board. When we look at the broad categories of digital products like telecoms, home office, entertainment, imaging, audio and vision, they are all growing. But some of them are driving that growth more than others: not surprisingly, telecoms, which is all mobile phones and also DECT phones—digital landline phones; the entertainment category, which includes DVD software; and the vision category, in which for the purposes of this definition I have included plasma and LCD screens as a digital products, even though, per se, they are not.

Now we are into the real nitty-gritty. If they are the broad categories that are growing in a digital arena, which individual product categories are driving the growth? The bars that you see on this chart—‘What is Driving the Digital Growth?’—represent year-on-year changes for each of those individual categories. You can see that by miles the strongest growing digital category is the category of DVD recorders. There are some digital categories that are in decline on a value basis—desktops, digital camcorders, games consoles, DVD players and home theatre systems. However, the other thing that is important to be aware of when you are looking at this particular analysis is the relationship between the year-on-year change and the size of the market. For

example, even though DVD recorders are growing at over 220 per cent, it is a market worth only \$91 million. DVD players, on the other hand, which are in decline in value by 25 per cent, is a market worth \$300 million. So it is still a much bigger market.

CHAIR—That could quite possibly be more DVD players being sold but just a collapse in the prices of them?

Mr Lamb—That is absolutely that. The volumes are holding up. It is the same with home theatre systems: volumes are increasing; it is just that you can get them for \$499 now instead of \$1,499.

CHAIR—Is that the future of LCDs and plasma, too?

Mr Lamb—Absolutely. In fact I can show you the start of the future in a chart or two. There are two things that I really wanted to home in on in this particular analysis. One is the growth of LCD and plasma. If anything is going to be driving the acquisition of set-top boxes, you would assume it would be the acquisition of this new screen technology, because you would want to make the most of the better picture quality. I think that came through in some of the consumer research that we were looking at earlier, particularly with respect to the acquisition of wide-screen—the relationship between wide-screen acquirers and set-top box acquirers—because you cannot get a plasma that is not wide-screen. I think that is where most of the duplication is happening.

Mr TICEHURST—What about the DLP screens?

Mr Lamb—DLP?

Mr TICEHURST—Digital light projection.

CHAIR—The rear projection ones?

Mr TICEHURST—Yes, rear projection, but lightweight.

Mr Lamb—All of the new LCD technologies—there are about six new LCD technologies that are coming downstream—are absolutely microscopic at the moment. The technologies only allow for screens of up to a couple of inches, so we are long way off them influencing the market.

One of the keys for me is not the growth of LCD and plasma, because you always get big growths from a small base; it is the respective sizes—\$129 million for LCD, \$475 million for plasma. When you look at CRT and rear projection it is still three-quarters of a billion dollars, so traditional screen technologies are still a bigger market than LCD and plasma. There are a lot of people out there who do not have the money for it and are just buying traditional product.

The last point on this chart, and then I will rattle through some of the others a lot quicker, is to do with set-top boxes—hardly any growth, 10 per cent growth, a tiny little market. Regardless of what the samples are saying about the number of households acquiring, as I say, this is actual sales data. We know how many set-top boxes are being bought, and it is only about 80,000 a

year. At that rate of growth, you can aggregate the total number of sales over the last three or four years and it does not come to a very big number when you work that out as a penetration level. I do not think it is anywhere near as big as the two figures that were talked about earlier. If you are looking at the percentage of households that receive only terrestrial digital broadcasts, I would say it is not higher than seven per cent. Other digital reception is coming from digital satellite. Fox has been exclusively digital for about a year and a half—you cannot get an analog service.

Mr HAYES—What is the seven per cent?

Mr Lamb—I do not think more than seven per cent of Australian households have terrestrial-only digital reception. When we aggregate the numbers of all of the set-top boxes that we know have been sold through Australian retailers, it is small numbers. Here is one of the reasons for me: just look at all of this DVD related stuff—recorders, software, players and home theatre—\$1½ billion worth of retail sales value. That is what is happening in folks' homes at the moment: 50 million units of DVD software will be sold this year. That is where people are watching their films.

CHAIR—This will not record a digital signal. If we switched analog off—

Mr Lamb—It does not make a heap of difference. You just need a screen to play it on. You can have the crappiest old CRT TV with a conventional tube, if you play a DVD—

CHAIR—But the DVD recorder is your huge market growth. You have \$91 million.

Mr Lamb—DVD recorders is different, but I am talking about—

CHAIR—They were all recorded to analog signal though, weren't they?

Mr Lamb—Absolutely. They will record any signal that comes through, but what I think households are doing is playing their films on DVD. They are buying 50 million a year between 7½ million households—it is phenomenal.

Mr TICEHURST—But DVDs have dropped in price tremendously—the software.

Mr Lamb—Absolutely. Three or four years ago the average price of a new release was \$35 or \$39. The average price now is \$25. The volume for DVD software now is at \$9.99 or \$14.99. Prices have halved or thirDED in these key categories. So you can watch the news on your TV. You can watch a DVD-quality film by buying the software—no incentive. If there were an incentive for people to buy even more—here it comes—this is some of the average price erosion that we are seeing. This is the average price erosion in just the digital vision categories. The green line shows the price of plasmas has halved in two years from the year 2000 when they first came into the marketplace. DVD recorders have declined by two-thirds since their launch in 2001.

Mr TICEHURST—Thirty-two per cent on the plasma price initially was wholesale sales tax too.

Mr Lamb—Yes, I think it was.

Mr TICEHURST—Then with GST it dropped down to only 10 per cent.

Mr Lamb—You can compare that with older technologies like VCRs. It took 10 years for the average price of a VCR to halve, so there is lots of incentive out there for people to buy digital product. You can see that a set-top box fits very squarely in the rest of those price erosions. It is only 61 per cent of the cost of three or four years earlier but it is still not incentive enough for people to go out and buy it because the other benefits are not there. The content is not there, and unless you have got a poor signal there is no other reason to buy it as far as I am concerned—none at all.

CHAIR—We just had some evidence from the ACMA's research saying that better picture was the main driver for uptake of digital. They are quite happy with a better picture.

Mr Lamb—But only a better picture if you previously had a poor picture. As I say, I put myself through this experience. I had poor SBS reception.

Mr HAYES—Remedial reasons.

Mr Lamb—Absolutely. The set-top boxes work wonders for SBS; it has made absolutely no difference to my reception for ABC. My analog signal is at least as good as the digital signal.

Mr TICEHURST—I get a very snowy picture from my place in Kingston. I put a set-top box on, and it is brilliant.

Mr Lamb—Yes. But for all of those people out there who have decent analog signals there is no incentive. I do not know how many people that is. I do not know how many people receive good analog signals, but if they have got it there is no reason at all for them to get a set-top box as far as I am concerned.

Let us look now at the people who are purchasing. This is the one chart that comes from our consumer panel, not from our retail audit panel. This comes from a group of people who have recently acquired a 32-inch-plus plasma screen. We asked these people, 'When you bought your plasma, did you buy anything else with it?' First off, a lot of people did. You can see that 48 per cent of people who bought a 32-inch plasma screen bought something else at the same time. Of that 48 per cent, 63 per cent bought a set-top box.

Mr TICEHURST—Have you got a split between the high definition and the standard definition?

Mr Lamb—No, and there was some interesting stuff coming out of that in the previous presentation. I saw a figure of 23 per cent for high definition. No way. That will be the confusion in consumers' eyes about high-definition capable and actually receiving high-definition signals. There are a lot of people out there, I believe—this is anecdotal, by the way; it is not in the data, but I talk to a lot of people—who think they are receiving digital signals because they bought an HD compatible TV because it was referred to all over the merchandising material when they bought it. All that means is that you can buy an HD set-top box for it. I have got a top-of-the-

range Grundig CRT TV and it cannot receive a high-definition digital signal. I had to buy a standard-definition box. And that is 4½ grand's worth of television. So consumers will be confused about that. They might assume that just buying a high-definition set-top box will give them even better reception, and they are going to be seriously disappointed. That could be to do with some of the disappointments in there as well.

If they have bought a high-definition set-top box and, because of poor sales staff, they link it up to the wrong television, the picture will be non-existent; it will be jumping about all over the place. You will have cheated somebody off. There is so much education to be done right from that front end, in retailing right through to the consumer. But that is what is driving set-top box acquisitions for me at the moment—it is people who are acquiring plasma screens. That is why the numbers are so small. As I say, there are 80,000 units a year. If you multiply the 63 per cent of 48 per cent times the number of people who bought 32-inch-plus plasmas, that comes out to about 25,000 units. So there are a third of your set-top box acquisitions coming purely from people who have bought a brand-new plasma.

I will finish off with these last three charts. What can we learn from elsewhere? The UK, like everything else in these categories, really drives the market—it is way ahead of the game. It is interesting: we were talking about the acquisition of wide-screen television in Australia and how it has been driving it; the TV market in the UK has been almost exclusively wide-screen for 10 years. There is an establishment base that has been helping to drive this for starters, but it is not the main reason why digital terrestrial broadcasting has taken off in the UK. There is the size of it for a start. It is worth €220 million. It is a four-million-unit market. The ownership will be 70 per cent by the end of this year, when you include satellite and cable, and there is one reason and one reason only: content.

Freeview in the UK gives terrestrial digital satellite receivers an extra 30 channels. I do not know how good they are, but at least there is some content there. And it costs fourpence. It is £35 now to get a Freeview set-top box. And then there are other drivers. It is not just a case of making this available out there. Retail and suppliers have a huge part to play in this. This is a typical promotion. It was a half-page ad in a tabloid in the UK. Just look at what you get for whatever that works out at—\$1,200 or something. You have got a CRT TV, but it is wide-screen, and a DVD home cinema system, but here is the punchline: it is a DVD home cinema system that has got an integrated set-top box. They do not even have to worry about buying the set-top box. It has got Freeview built in. That integration element of it coming from the suppliers is key, for me. The humorous aspect of this, as far as our positioning of our own conference was concerned, was, if the world is moving to this digital convergence, why are they including a VCR in the package? That is just hysterical.

Mr TICEHURST—Get rid of them!

CHAIR—But we've got our stash of videos with all the kids' movies on them.

Mr Lamb—Yes. It is a CRO tube and a VCR. But even that package—CRO tube and VCR—still has an integrated digital receiver within the DVD home theatre system. And they are fundamental differences between what is happening in the UK market and what is happening in our market.

CHAIR—They have not mandated integration into the TV; they have mandated it into the package?

Mr Lamb—Into the box, into the home theatre system.

Mr TICEHURST—That is market driven?

Mr Lamb—It is market driven.

Mr TICEHURST—They were harping on the other day that they have DVD recorders with a built-in set-top box, but they are only standard definition. I have not seen a recorder with high definition.

Mr Lamb—It is because there are still very few TVs out there that can take a high-definition digital signal, unless you are buying a new plasma TV or something. With most of the CRO tubes that are out there, you need a standard-definition set-top box. High definition is no good to you.

Mr TICEHURST—So, unless you are going to buy a new TV—

Mr Lamb—Get the whole package.

CHAIR—But I thought you could receive the standard-definition signal on the high-definition set-top box?

Mr Lamb—Some of them might be able to switch.

CHAIR—The high-definition set-top box can still play the standard-definition signal for you, but whether it would then play the MPEG4 signal is another thing as well, so you could actually have a high-definition box that then does not—

Mr TICEHURST—You might have to upgrade it. I think Sony produces a high-definition box that will give you two outputs. You can have a standard-definition connector, as well as high definition?

Mr Lamb—That is exactly right.

Mr TICEHURST—I think they have a new one now that is called DVI. That is a different output again.

Mr Lamb—Yes. The American version of that is called TiVo.

Mr TICEHURST—They are just starting to appear.

Mr Lamb—It just time shifts everything in real time without you having to do anything about it, so you can fast-forward live television, if you like, which sounds bizarre.

Mr TICEHURST—To me, that is where the box is the area that will provide the change. There is no point in mandating a tuner in the TV set, because the technology will change in the box area.

Mr Lamb—There has to be a consumer-pull element of it, and in the UK market the consumer-pull element is the content. If the consumers want Freeview, the suppliers and retailers have to give the consumers an easy way of receiving it, so they do it by putting packages like this together.

Mr TICEHURST—Who runs Freeview? How does that work?

CHAIR—The BBC.

Mr Lamb—I just got all this information from colleagues over there. I was desperate to find out what was happening. I also discovered from my Italian colleagues—because, as I said, we measure these markets right around the globe; this is the last chart I am showing you, by the way—things that have been happening in Italy. A number of things are driving the digital terrestrial receiver market in Italy. Firstly, the government has officially announced they are switching analog off at the end of 2006, and everybody knows that. But the Italian government is also offering financial support, and I understand that it is to the tune of something like €70 per consumer per decoder, as an incentive to acquire—

CHAIR—Would that be limited to people on the health care card, for example? Is it income tested?

Mr Lamb—My guess is that it is not. It might be limited to one per household, but I do not think there are any other restrictions. I would have to confirm that, though, with my Italian colleagues. Not surprisingly, with those two incentives, Italy is now the fastest-growing market for digital receivers in continental Europe. The UK is still going absolutely crackers.

Mr HAYES—I imagine Prime Minister Berlusconi has some interest in all of this.

Mr Lamb—It is funny how that sort of thing can make a difference. And, lo and behold, the market has suddenly had \$2 million sold in two years with these incentives and a penetration of over 10 per cent in a very short period.

CHAIR—Going back to your video, DVD and software sales: for a decade now, I have thought the last small business you would buy would be a video rental store, yet they all seem to be going crackerjack.

Mr Lamb—I know.

CHAIR—They are all still going strong. In drilling down those figures, are all these DVD sales to the wholesale market, the video rental stores or are they actually to people's homes?

Mr Lamb—None of the figures I am talking about here have anything to do with rental. You have to add that on top. This relates purely and simply the retail sales of film, TV and music

titles. If you include rental—and the rental industry keeps things very close to their chest; there is no measurement of rental—I bet you it is at least as big as retail, probably considerably bigger.

CHAIR—I have not seen one of these stores close yet. I keep on thinking they have got to be doomed, but they keep going strong.

Mr Lamb—One of the things that drives it is that distributors have these things called windows. They have windows between the theatrical release and the release to video rental stores; then more often than not there is a window between the release to the rental stores and the release to retail. So, if you really want to see the film early, you have to watch it at the cinema or, if you want to watch it in your home early, you have to rent it.

CHAIR—So you can actually add those rental video figures to these ones here, further pulling away from the free-to-air?

Mr Lamb—That is right, and it is a huge market. I just cannot put a figure on it.

Mr TICEHURST—Do you capture the sales of DVD software through garages as well?

Mr Lamb—No, we do not. The people we sell our information to are all the suppliers, the hardware manufacturers—the Sonys and Panasonics of this world—and also the software distributors: Fox, Tristar and all of the others. We talk to them a lot about any channels that may be selling their product that we do not monitor. Really the only channels of any significance that are not included in our figures would be the grocery channels, where Coles and Woolworths are selling DVD software titles in greater numbers. We do not collect data from food retailers; we only collect data from hardware retailers.

CHAIR—That is an interesting concept. Do you pay them to get their data or do they give it to you and then you sell it back to them? How does the relationship work?

Mr Lamb—With the retailers, the relationship is that they provide us with our raw materials and we provide them with a service of equivalent value. Take Harvey Norman as an example. We collect all of Harvey Norman's data for all of the categories that we measure. We process their data for them. We deliver it back to them with respect to the market. For every single product category, feature, brand and SKU, we tell Harvey Norman what they are doing with respect to the market. If 40 per cent of their business is in 28-inch and the market has all gone to 32-inch, they see that. We do all of that reporting back to them and we service that reporting. We have analysts who help them interpret the data.

CHAIR—Is that done monthly, quarterly or biannually?

Mr Lamb—It is monthly for all the hardware categories, except for some of the faster-moving ones. It is weekly for the software categories—interactive games, video software, toys. Also some of the fast-moving hardware categories like PC peripherals and digital still cameras we do weekly. Three days after the weekend that all goes back to the industry. We sell the data to the suppliers. That is the same relationship that we have around the world.

CHAIR—Do they ever marry that up with a mass mail-out? Some of these stores will have a mail-out to five million householders. Do they ever marry the impact of that mail-out with the data they receive a week later?

Mr Lamb—One of the fundamental uses of GfK's data is for people to monitor the effectiveness of what they are doing. By definition what we do is retrospective. We measure historical sales trends with retail data. There are two main values in this respect of this data. One is measuring the effectiveness of, say, advertising, merchandising, promotion, changing shop floor space over to a particular brand and changing price points. We monitor the effectiveness. If it is working, they will continue with it and, if it is not, they will do something else. The other value is forecasting: factory forecasting and market forecasting—marketing when feature trends are going to take over so they can manage their inventory and so on.

CHAIR—Our major electronics sellers, like Harvey Norman and Retravisio, have an accurate idea of how their to-the-householder marketing and their sales brochures and catalogues are working. In terms of educating our uneducated consumers—the 63 per cent, or whatever, who do not know much about it—how effective would education by the retailers be? Would you really need to provide incentives for the retailers to go out and create this market? Would government need to come over the top with an education campaign or do we let the retailers do it and they would grow their market?

Mr Lamb—What I am about to say now is personal opinion; it has nothing to do with what we measure. If retailers were using leafleting campaigns, I think it would be of limited value. I think there are probably two key channels for the education to take place. The most important one would be through the medium of TV itself. It is the one medium that everybody uses, more or less. If they are not using it, why are you trying to sell them the concept of a set-top box anyway? The message has to be reinforced through the television somehow. The second most effective medium, I suggest, would be at the point of sale. The market for televisions is very big in Australia. We sell about 1½ million units through retail. Remembering that there are only 7½ million households, that means every household is coming in on average—given the limitations of these averages—every five years. Theoretically, if the education takes place in the shop, you will have educated everybody in five years, as long as every retailer knows, when somebody is coming in to buy a television, they know what is going to be happening—for example, if they know a definitive date when analog broadcasts are going to stop and that sort of thing.

Mr TICEHURST—Like when we changed the mobile phone system from AMPS to CDMA?

Mr Lamb—Yes.

Mr HAYES—And, as a consequence, that is what is driving the Italian pick-up rate.

Mr Lamb—Yes, I think so.

CHAIR—If government wanted to switch off analog on a given date, would the retailers be able to take that information and then drive it themselves through their TV campaigns and points of sale?

Mr Lamb—I cannot imagine the retailers spending too much of their own advertising money advertising the transition from one broadcasting medium to another.

CHAIR—But they would be able to have set-top boxes or—

Mr Lamb—Yes, but if there were a bob or two in it for them because they were going to be selling set-top boxes clearly that would be persuasive.

CHAIR—So obviously the retailer is a key point of educating people about—

Mr Lamb—Yes, but to my mind that is not enough. I must admit that if I, Gary Lamb the consumer, was just told that analog broadcasting was being switched off I would not be overly chuffed if that was just the end of it: ‘We are switching analog off so you have to buy one of these.’ I again go back to the fact that there has to be something relating to content to get some pull happening. You cannot just have people pushing these things into people’s homes. Pushes never happen quickly. All of the fastest market uptakes happen because of consumer pull. Just sticking something in front of a consumer’s face does not necessarily mean that they are going to buy it.

Mr HAYES—That is the British experience.

Mr Lamb—Yes, and the content proposition at the moment is the extra ABC channel, which is largely time-shifted, and SBS, which is all foreign language—

Mr TICEHURST—And you cannot find a program for ABC TV; you would not know what is on.

Mr Lamb—That is right, and the program guide itself is pretty poor. You cannot interact with that scrolling program guide, so if you just miss it you have to sit through a whole day’s programs to find out what you want to watch. It is nowhere near as good as things like Ceefax and Oracle were in the UK 15 years ago, where you could use your coloured buttons and find out what was on respective channels over the top of the picture that you were watching on any analog broadcast. You cannot even get that on the digital broadcasts in Australia yet, and it is really frustrating.

CHAIR—Germany made a contribution to the set-top box—I think it was assets- or means-tested or something—and now Italy is contributing €70 to a set-top box. How much of that actually ends up with the retailer? For instance, say a standard-definition set-top box is \$100 and the government is offering an incentive of \$70. Does the consumer pay \$30 or \$40?

Mr Lamb—I do not know how it works.

Mr TICEHURST—I thought it was €70; that would buy the box.

CHAIR—I am just giving an Australian example.

Mr TICEHURST—You can buy a set-top box here for \$80 now.

CHAIR—And if there is a \$70 government contribution does the consumer get it for \$10 or \$20?

Mr Lamb—I do not know if it is a redemption or if they pay the difference. I do not know who gets the \$70. I do not know how the mechanics work at all.

CHAIR—I am just asking whether the retailer is going to scoop a bit there.

Mr Lamb—I do not know.

CHAIR—Is there a bit of fat in it there for a retailer?

Mr TICEHURST—Retailers could buy the box for \$70. It is a bit like free Medicare, isn't it?

CHAIR—You would have to mandate the actual box they got. Would the government buy them the box?

Mr TICEHURST—You would not do that. There are 30-odd types of boxes. You would allow a certain amount of money. You would find that all the boxes would be about same price if you had a deal like that.

CHAIR—As there are no more questions, I thank you very much, Mr Lamb. That was very interesting.

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

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

Committee adjourned at 11.03 am