



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**

THURSDAY, 1 SEPTEMBER 2005

MELBOURNE

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**HOUSE OF REPRESENTATIVES**

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

**Thursday, 1 September 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, Mr Keenan, Miss Jackie Kelly and Mr Laming

**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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**GODWIN, Ms Bridget, Manager, Regulatory and Business Affairs, Seven Network..... 1**

**SMITHERS, Mr John, Director, Network Broadcast Engineering, WIN Corporation Pty Ltd ..... 24**



**Committee met at 9.00 am****BIRD, Mr Trevor, General Manager, Group Technical Services, Seven Network****GODWIN, Ms Bridget, Manager, Regulatory and Business Affairs, Seven Network**

**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. 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 committee is now conducting a program of public hearings and informal discussions. This hearing is the eighth for the inquiry.

I welcome representatives from the Seven Network. 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. We have all read your submissions. Would you like to make a brief opening statement.

**Ms Godwin**—Thank you very much for the opportunity to appear before the committee. We will briefly sum up the main thrust of our submission, which is that Australian free-to-air broadcasters have spent collectively over \$1 billion in making the move to digital technology but consumer uptake, as you know, has been very disappointing. There are also very few opportunities for broadcasters to capitalise on that significant investment.

Recent DBA figures show that only 920,000 boxes had been sold to June 2005, taking Australia to just over 10 per cent penetration of homes. That is after 4½ years of operation. The factors that contribute to consumer behaviour are complex, but Seven strongly believes that the single most effective driver to encourage uptake of digital television in Australia would be to permit commercial broadcasters to provide multichannel services and offer consumers a clear reason to go out and buy a set-top box.

The UK example strongly supports this position. Since its launch in October 2002 the Freeview platform is now in over five million homes and well over six million boxes have been sold in that market. That is almost 20 per cent penetration in less than three years, which is almost double the penetration rate that we have experienced in Australia. Freeview is predicted to become the dominant digital platform in the UK by 2012.

The rationale for prohibiting multichannelling services, which was to protect fledgling pay TV providers, no longer exists. The situation since 1998 has completely reversed. We now have an extremely strong monopoly pay TV platform making well over \$1 billion in revenue every year, something that we would all like to see. Therefore there seems to be no rationale to continue with the current prohibition on providing multichannelling services.

One thing I would note is that the continuing existence of the HDTV quota is not compatible with the provision of multichannelling services and should be lifted. The quota was also

introduced in order to drive digital uptake, something that it has clearly failed to do, and therefore it should be lifted to enable broadcasters to provide innovative and new services of interest to consumers. Alternatively, if it is not considered appropriate to completely lift the HDTV quota, we would suggest that there should at least be an alternative quota system where broadcasters could either meet an HDTV requirement or a multichannel requirement. That concludes my opening remarks.

**Mr HAYES**—Your submission reads fairly strongly in relation to multichannelling. It seems to me that the trade-off is there in terms of spectrum with HD. You are indicating that you would prefer, if that is going to be available in the marketplace, to leave that to the consumers to determine. It also seems to me that the emerging standard overseas is HD. You obviously have that in the back of your minds and you are looking to maintain HD as your standard for production. Where do you see the compromise out here, other than leaving it solely to the competition to determine multichannelling versus using spectrum for high definition?

**Ms Godwin**—I think it is really important to distinguish between high definition as a production standard and high definition as a transmission standard. These two things are often confused. As a production standard, there is absolutely no doubt that high definition production is where the industry will head. I think Trevor can speak more about that.

**Mr Bird**—Certainly that is the way we are heading as an industry. High definition in its various forms as a production standard provides great archive opportunities. But we would advocate that it is not necessarily a driver. The quality of the transmission is not necessarily a driver for digital take-up. Equipment is becoming cheaper in the high definition area. Some areas do not necessarily lend themselves to high definition—for instance, news may not go out in high definition for an extended period, but eventually it will. It is much better from an archive point of view. In fact, high definition capture provides a better quality picture in a standard definition environment. If we are capturing high definition, we have actually improved our standard definition transmission—

**Mr HAYES**—So you are still broadcasting in standard definition?

**Mr Bird**—Yes—

**Ms Godwin**—You will still see a difference. The analogy is this: on our analog service, if you see a program produced on film it is noticeably of a different quality to a program produced on video tape, and that change still applies in the digital environment. A program produced in HD but broadcast in SD will look different to a program produced in a lower quality format.

**Mr Bird**—That is quite right.

**Mr HAYES**—Can I take you back to the survey material that you rely upon. I think it sounds pretty right in terms of the attitude amongst the community to the availability of digital TV. You have speculated that the reasons that people would go to digital relate to picture and sound quality. But you draw very heavily on the fact that, from the research you have conducted or are relying upon, most people would see the take-up as being the availability of multichannelling.



**Ms Godwin**—I think it is fair to say that some people are interested in better quality. Obviously, some people have gone digital and presumably quite a lot of those people are interested in better picture and sound, and in widescreen. But there are a lot of people who, because of the high quality of our analog service to date, do not really see the need for a highly improved quality of service. They would need another reason to go out and buy a set-top box.

**Mr HAYES**—We are really talking about a different and emerging industry here, aren't we? As you pointed out in your submission, if you did avail yourself of multichannelling—the ultimate for multichannelling might be 25 to 35—the reliance on the advertising dollar for revenue is certainly well and truly constrained by that point. You are looking at some form of subscription mix.

**Ms Godwin**—I think you would need both. I think there is room for increasing the pie for advertising dollars. Also, there is an increasing interest from advertising clients in purchasing opportunities to buy both mass and niche propositions. We can see that through, for instance, the growth in advertising on pay TV, which I think in past years has grown by something between 30 per cent and 40 per cent per year. Over \$100 million is now going into pay TV advertising. I am not saying that is necessarily a bad thing. What I am saying is that it is indicative of an interest by advertisers in being able to buy niche propositions as well as, obviously, a continuing strong interest in buying mass propositions. We believe there is some room to grow advertising for both freeware and pay in terms of selling to advertisers different proposition than are currently available to them.

**Mr HAYES**—Obviously there is not a common position amongst the industry on multichannelling. As a matter of fact, it is quite polarised. How do you distinguish your position from that of the other broadcasters? What do you see as, I suppose, the rationale behind that inherent difference of approach? We have one group, which is the bulk of the industry, saying they would oppose the introduction of multichannelling and that we should go down the HD route. You have taken exactly the opposite position.

**Ms Godwin**—Firstly, I would dispute that it is the bulk of the industry. Three broadcasters—the ABC, SBS and the Seven Network—all strongly support multichannelling. Two other broadcasters—Channel 9 and Channel 10—oppose multichannelling.

**Mr HAYES**—I should have rephrased that to elicit the private—

**Ms Godwin**—In the commercial networks that is true. I know that you have heard from both the Nine and Ten networks, and they can speak for themselves. In the case of Channel 9, we would say that they have a multichannelling strategy. It is called 25 per cent of Foxtel and it is a monopoly proposition, so why would they be interested in opening up that market to other people? Channel 10 is a very low cost network and presumably sees some disadvantages in increased costs in providing multichannel services. It is for them to outline the bases of their positions. From our point of view, what we see happening to the free-to-air television market is that we are facing increasing competition for eyeballs from a variety of sources—pay TV, DVDs, computer games, the internet, broadband television and a whole lot of things coming down the pipe. We think we need a strategy to address that fragmentation. Other broadcasters will tell you that multichannelling creates fragmentation; we say we are already facing fragmentation. There are two ways to approach that. One group of people say, 'Let's just stick to

our knitting. Let's keep doing what we do and that will fight off all these other increasing sources of competition.' Another group, including Channel 7, say, 'We need a way to address a changing market. Consumers have changing expectations and they demand greater amounts of content and greater choice, and we should be in a position to address those demands for the future of the whole industry, not just Channel 7.'

**Mr HAYES**—So we are on the threshold of seeing a new, emerging style of industry?

**Ms Godwin**—You can already see some of those changes. For instance, DVDs have completely changed commercial television programming in the sense that Sunday night movies are pretty much a thing of the past. Five years ago, every network screened a big blockbuster movie every Sunday night. Now, because people are watching things on DVD and are increasingly getting entertainment from other sources, that is no longer the case. All these other technologies will increasingly change the way we run our business and we have to be able to adapt.

**Mr KEENAN**—In an ideal world, how many channels would Seven put into a field and where would you get all the content for these various channels?

**Ms Godwin**—There is a range of sources of content. Obviously, we produce quite a lot of content ourselves. It does not seem to have presented a huge challenge in markets like the United Kingdom, where they have quite easily generated 30 channels on their Freeview platform. Some of those channels have clearly come from the BBC. That is a factor that is probably missing in the Australian market in the sense that the BBC is the dominant producer of content in the UK. But there is plenty of overseas content, there is plenty of material that people do not necessarily use from their output deals, there are plenty of opportunities for repeat programming or time shifted programming, and there are plenty of channels that sometimes appear exclusively on pay TV platforms—news channels and the like—which might also be interested in being on a free platform, as they are in the UK.

**CHAIR**—On that point, you have done a proposition of what the channels could look like. You have a news channel, a kids channel and three other SD channels. Is that MP4 an HD broadcast for live sports? Or would that be an SD?

**Ms Godwin**—No, MPEG4 is just a higher compression technology.

**CHAIR**—But you still do SD and MP4?

**Ms Godwin**—Yes.

**CHAIR**—Then you have got one legacy free-to-air main Channel 7 on standard definition and MPEG2.

**Ms Godwin**—No. Essentially, this diagram is all about what would happen if you had a different compression technology. If you go to the diagram immediately before that, it will give you an idea of what is possible in MPEG2—that is the current technology. This diagram is demonstrating that MPEG4 may offer greater opportunities for more channels.

**CHAIR**—Let us work with that assumption, because the industry is just moving to MPEG4. Is that an assumption we can make?

**Mr Bird**—In time, I am sure that that will take place.

**CHAIR**—What would you say to the proposition that if there was any mandating of tuners it should be in the MPEG4 standard?

**Ms Godwin**—What we would say is that technology should be allowed to be introduced in accordance with its availability and the business case for that technology. Most governments around the world have not had a spectacular record of success in mandating technologies and Australia had its own spectacular disaster with digital satellite in that regard. MPEG4 is an emerging technology and one of great interest but it is not there yet. It is starting to appear in things like DVDs. Some broadcasters are starting to indicate that they are moving down that path. But it is not a fully fledged, commercial, free-to-air technology.

**Mr Bird**—As we move forward, both MPEG4 and MPEG2 will be accommodated within the one chip set. Exclusion of one technology or another will blur and eventually be—

**CHAIR**—But your 10 per cent penetration is largely SD boxes.

**Ms Godwin**—That is right.

**CHAIR**—So we already have a latency problem in set-top boxes that compounds this problem of there being 17 million analog TV sets out there. One of the key things people are looking for is some settling of technologies before they make an investment. Most people are hanging around not investing in the latest technologies until they see that the iPod is it and then everyone goes and buys an iPod—that is in terms of digital music players. It is the same with set-top boxes. They are looking for some assurances that if they purchase this it will last them the lifetime of their TV set, which means it has to last through what the broadcasters are doing. Once we mandated MPEG4 capability such that it can also receive MPEG2 and SD if it had to, the manufacturers would sure see a vast reduction in price, so your HD set-top boxes will come down to the current price of SD boxes. I do not know if you caught LG's submission and their time line on roll-out?

**Ms Godwin**—No, but I will have a look at that.

**CHAIR**—The retailers have assured us that, given some sort of mandate and an indication from government, they can have these things rolled out by 2010 and a very substantial penetration with very low cost boxes. That is a program that the retailers can implement. Working on the MPEG4 assumption, we have huge compression and can fit things in. We can still accommodate HD. That is a key thing. Let us go back to that diagram again. We can delete the SD legacy, so you can delete your eight megabits per second there in SD.

**Ms Godwin**—Why would you do that? The majority of boxes will be SD regardless. MPEG4 and MPEG2 are irrelevant to that.

**CHAIR**—If the remaining 90 per cent of the conversion in the Australian market is into HD boxes rather than SD then we will only have a 10 per cent legacy in SD.

**Ms Godwin**—Why would 90 per cent of boxes be HD boxes?

**CHAIR**—If we mandated HD, any television sold from this point or some point that you pick has to be capable of receiving an HD signal. You could either provide the set-top box or integrate it—whatever—but it has to be capable of receiving an HD signal. That television set that they are selling the consumer is future-proofed against the turn-off of the analog signal and the potential turn-off of the SD signal.

**Ms Godwin**—I am confused as to why you would mandate HD when we made the decision to go low cost, which is one of the most absolutely essential things in driving consumer uptake. HD is a higher cost technology.

**CHAIR**—When the bandwidth was given out, it was on the understanding that HD was the standard it would go on. SD was always an interim way—

**Ms Godwin**—I would dispute that.

**CHAIR**—and the quota was to be moving substantially to getting a bigger and bigger quota in HD.

**Ms Godwin**—I am not sure that that is the case, with respect. The initial government decision in relation to digital television in the first instance was thinking about going down a purely HD path. That decision was reversed in 1999 because there was a recognition that SD was going to be the dominant and cheaper technology. HD is very much a ‘big event’ technology. There is no reason that we need to watch advertisements or other day-to-day programming in HD. Its benefits are in terms of giving greater clarity for events and programs that might benefit from that. Nonetheless, the government decision at the time, as I understand it, was that SD was where the world in general was heading and that that is where the majority of boxes would be available and that Australia as a price taker in a technology market would need to be going down the path where the majority of equipment was going to be available. It is the case that that, whilst some broadcasters are introducing HD services overseas, those are very much add-on services and extra services; they are not their foundation services.

**CHAIR**—So you do not see an environment where you could possibly multichannel in HD. It has to be SD; you are wedded to SD?

**Ms Godwin**—I think that all environments should be possible. We do not think that people should not be able to do HD. We think that HD has probably got a place in the digital television environment. But what should be happening, as is happening overseas, is that it should be up to the consumers to determine. If they want to get more content they should be able to get more content. If they want the big events they will go to the big events on HD. Ultimately, broadcasters will respond to that demand—as they are doing overseas for some things. No broadcaster overseas is saying, ‘I’m going to do 24 hours a day in HD programming.’ There are some things, for example, blockbuster movies or maybe sporting events or some other things which are of interest to consumers, when you can say that you can get them in HD, which you

cannot do anywhere else. In cases like these consumers will say, 'Okay, I'm going to go and buy a box.' It will not be just an HD box—and this is an important thing to remember, too. With HD it is not just about the box. If you want to experience HD, you have got to have an HD display and this is where the cost comes in. At the moment HD boxes cost three times the cost of SD boxes. But an HD screen—and there are very few true HD screens available in Australia—will cost you in excess of at least \$4,000.

**CHAIR**—I would dispute that. We heard evidence from Panasonic and LG that they are coming down to \$1,500.

**Ms Godwin**—I do not think that that would be displaying 1080i by 1920 pixel capability on the screen.

**CHAIR**—We will double-check the evidence on that one but I think they were quite confident that HD screens will be coming down to \$1,500 in a very short time.

**Ms Godwin**—That is still three times the price that the average person spends on a television set in Australia.

**CHAIR**—Yes, but that television set they are buying for \$500 is an analog and there is going to be a switch-off and they are going to have to do something.

**Ms Godwin**—That is not necessarily the case. People just put a set-top box onto their set and obviously it is completely digital already.

**CHAIR**—And it is an SD box, largely.

**Ms Godwin**—There is nothing wrong with SD. SD is the primary digital technology around the world.

**CHAIR**—But they cannot receive HD on it. You are saying that they can have all the box office technology and all these great things from digital TV, but they cannot receive HD.

**Ms Godwin**—But they are not choosing HD, so why should we be making them choose HD?

**CHAIR**—I think that most consumers purchasing these set-top boxes have an expectation that they will buy it and that they are going to get great quality, that what they have got is the ultimate. Yes, they might have to do something with the aerial and they might have to get an HD TV and an HD DVD recorder and all of the other things, but that is the basic assumption. I think that there is very poor awareness out there that the SD box is not the ultimate.

**Ms Godwin**—I do not think that that is correct. Firstly, SD transmissions in Australia are extremely high quality. We are transmitting our SD services at between six and 6½ megabits per second. That is about two megabits higher than most European countries transmit SD services.

SD is the foundation technology, the primary technology used by all digital broadcasters. I do not think there is any suggestion that people will not be broadcasting in SD until the cows come home. HD is a big-event, special, exciting technology, suited to providing particular types of

services. It will also have a role, but it is a role where people will choose to have that extra, whiz-bang thing in certain circumstances.

**Mr Bird**—Such as home theatre with a large screen.

**Ms Godwin**—Exactly.

**CHAIR**—But if you have bought an SD box, you cannot choose that.

**Ms Godwin**—But you have chosen to buy your basic television package, which most people are entirely happy with. At the moment what people get with HD is actually very little because they are not buying a screen; they are buying a box and basically just watching an SD service. They think they are getting an HD service but they are not really, because they do not have an HD screen.

**CHAIR**—I would argue with that. I think that, with most of the integrated television sets that have gone out—I will check with our evidence from Retravision, Panasonic and LG—the set-top boxes are all SD but your digital screens are HD.

**Mr Bird**—Full HD quality—1920 by 1080.

**CHAIR**—Yes. These are the big screens; that is where people are moving. The size of the screen is getting bigger and bigger.

**Ms Godwin**—If you ask manufacturers how many of their screens display 1920 by 1080 you will find that maybe one or two of them have a screen of that capability. That is what most people refer to as full HD.

**CHAIR**—Do you feel that an SD set-top box on the back of an SD signal makes that investor feel that was a good purchase of a television set?

**Ms Godwin**—Most people think that they are getting a very high quality service with their digital standard definition channels—and they are.

**CHAIR**—So you would stay wedded to SD.

**Ms Godwin**—The whole world is wedded to SD. That is what people are primarily transmitting in.

**CHAIR**—We are actually finding that they are moving to HD.

**Ms Godwin**—They are moving to adding HD services to their primary services, which are in SD.

**Mr Bird**—I am not sure that we would be wedded to HD; we advocate choice.

**Ms Godwin**—We are not saying that there should not be HD; but HD is not becoming the transmission technology of 24-hour-a-day, everything you broadcast programming. HD is a special event, add-on extra service to people's foundation services.

**CHAIR**—I think the evidence from Channel 9 and Channel 10 was that it was natural that, as everything occurred in HD—the production was in HD, the broadcast was in HD—it was easier and SD was going to be a bit of a legacy issue.

**Ms Godwin**—I think this is why it is important to distinguish between HD production and HD transmission. Much of the production will be moving in the direction of HD production, just because it is only an incremental cost—is that right?

**Mr Bird**—These days it is, yes.

**Ms Godwin**—A lot of cameras are in HD. But in HD transmission you are obviously looking at capacity. No broadcaster is looking at providing all of their channels in HD. They may be looking at providing add-on HD services but they are not looking at replacing their existing SD services with HD.

**Mr LAMING**—Almost in parallel to what you are asking, we have really founded a lot of this discussion on consumer indications that, for the moment, they prefer multichannelling over HD. I am not certain how that sort of data is collected. Is this done with a phone poll? Is it done in retail areas where people can see what HD is? My concern is that the debate we are having today may well be akin to the dial-up versus broadband debate a couple of years ago, when we all thought dial-up was okay. Are we really moving with consumer expectations or are we using old surveys when we are having this discussion about whether people want HD or not now?

**Ms Godwin**—The broadband debate is slightly different in the sense that a broadband connection is a replacement for a dial-up connection and there obviously is a quantum difference in your experience. For most consumers, there is not a quantum difference in their experience of buying an HD box and an SD box, particularly at the moment, because most people—I would say 95 per cent of people who have bought HD boxes—do not have HD capable screens. I think what you will find in those countries where HD services are being introduced is that they are meeting a certain consumer demand where the primary consumer demand for extra content has already been met. People have decided, 'Yes, we're getting all the kinds of services we want now; now we would like to see maybe a little bit of whiz-bangery in relation to some of those services.' In terms of the research that we conducted with Crosby Textor, I can give you some details.

**Mr LAMING**—That is done by phone research, isn't it?

**Ms Godwin**—There were four focus groups and there was also a phone poll on top of that. It was quite a comprehensive survey.

**Mr LAMING**—I think we are on the same page. Until people have got the multichannelling and the range of content they want, HD is not going to be a big concern. The moment they get close to the range of content they want, suddenly this will become a major consumer issue—HD.

**Ms Godwin**—That is our view, but one way to approach this is to test that view. Let us go out and offer consumers more content; let other people follow their business sense and offer people HD services; and let consumers go out and say, ‘This is what I want.’ One of us, presumably, will be wrong. We will take the risk on that. Consumers will not be at risk as long as we make sure, as the chair has pointed out, that we have a stable platform which is future proofed. It should be ensured that existing services in MPEG2 can continue to be received and that, if MPEG4 is to be introduced, those services continue to receive existing services through cheap sets that can accept both technologies. As long as people are not in a position where they feel that they might be buying something that might become obsolete, which is very easily achieved, then yes, let the consumer decide and we will pretty quickly work out which they want to do.

**Mr LAMING**—In summary, what you are suggesting is that broadcasters should be able to decide whether they follow the HD path or the multichannelling path but that both should be possible.

**Ms Godwin**—Absolutely. We do not want to deny people HD. If other people believe that HD is a consumer driver—something we have seen no evidence of in 4½ years in Australia—that is fine. They should be able to continue down that path.

**Mr LAMING**—If two providers take these two different paths and one decides to move towards HD and one decides to move towards multichannelling, as compression technology improves what will be the drivers for those two providers—the first one being someone like you—to move towards adding high definition to what you are doing with your multichannelling? And, in reverse, what would be the driver for those who have chosen HD to one day consider multichannelling when it becomes possible?

**Ms Godwin**—The driver would be seeing what consumers chose to purchase at the retail level and therefore their ability to attract advertisers to a greater number of eyeballs. If people are saying, ‘Okay, we are really interested in getting all the new channels’—and we will see that through what people buy and through their viewing habits—ultimately people will follow what consumers are telling them they want. Alternatively, if it turns out that people do not really watch these multichannel services and that really they are flocking to HD services in droves, presumably most broadcasters will read the writing on the wall and say, ‘We’re going to do what consumers demand that we do.’

**Mr LAMING**—From a technical point of view, what are the obstructions for both of those two transitions, from adding as technology improves HD to multichannelling and the reciprocal?

**Mr Bird**—If the boxes are universal across that entire platform, there will not be any challenges. As we move forward, I think that, if MPEG4 and MPEG2 are both considered in those boxes, the transition from a consumer point of view will be non-existent.

**Mr LAMING**—So long as they have the HD box.

**Mr Bird**—If that is the case, yes.

**CHAIR**—Exactly. In your position, Ms Godwin, at the moment free to air is ubiquitous. If the consumer has to go out and, at Retravision, make a choice between which free to air they are



going to watch, it is no longer a ubiquitous service, which is what the Australian people's assumption is—that they are going to receive free to air. In terms of that purchasing decision, there has to be some direction from government rather than just saying, 'You'll have to go out there and buy the free to air you want to watch.'

**Ms Godwin**—That is right.

**CHAIR**—Subscription TV has said yes to multichannelling, but not before 2008, and certainly not subscription. What is your position on that?

**Ms Godwin**—I guess they would say that. When multichannelling was considered in 1998 and again in 2000 when the two primary pieces of digital legislation were passed by the government, the decision about multichannelling was about the state of the subscription television industry at that time. The state of the subscription television industry has changed absolutely and totally since that time, so the justification for banning multichannelling in 1998 and 2000 really no longer applies and there is no reason to continue with that policy. The reason that a review of multichannel services was set in the legislation for the current year was precisely to examine whether that justification continued to exist, and it does not.

**Mr LAMING**—On that point, can you give us some internal rates of return in the pay TV sector compared to commercial television, as opposed to just revenue?

**Ms Godwin**—I am not in a position to do that; sorry. I have no knowledge of what internal rates of return are for the pay television sector.

**CHAIR**—You would not have a subscription free-to-air service, obviously, for some of your multichannels?

**Ms Godwin**—We think there should be both, because there does need to be some recognition that Australia is a smaller market than some other markets. So the ability of the advertising market to endlessly deliver greater amounts of revenue is limited. Therefore, if you want to get a strong and vibrant platform, there probably needs to be some consideration of diversified revenue streams. Therefore, we would say that both free and pay should be part of the mix.

**CHAIR**—So the consumer has to choose which free to air he wants at the Retravision store and pay a subscription, under your system?

**Ms Godwin**—I am not quite sure what you mean—

**CHAIR**—For free-to-air TV.

**Ms Godwin**—by choosing which free to air they want.

**CHAIR**—Whether they are going to buy an SD box or an HD box.

**Ms Godwin**—At the moment all boxes, both HD and SD, receive SD services. SD is the standard technology world wide for delivery of digital television.

**CHAIR**—Most people can only afford an SD box.

**Ms Godwin**—That is right. Most people have chosen not to buy HD equipment because they do not see a benefit to them from paying the extra amount for HD.

**CHAIR**—I think it is more the case of an uninformed consumer, but please go ahead.

**Ms Godwin**—Faced with the choice between buying a box for \$200 and buying a box for \$700, most consumers look at the services that they will be getting for the price differential. Most consumers in Australia have decided that they do not see any real benefit in having that extra HD service, knowing that standard definition is the basic service that everybody gets, no matter what.

**CHAIR**—You think that the HD TV quota needs to be done away with. What is your alternative? Should it be lifted or changed?

**Ms Godwin**—We think it should be lifted because the reason it was introduced, which was to drive consumer behaviour, has not eventuated. We do not think there should be any quotas; we think that broadcasters should be able to provide services in response to consumer demand, and that this is what will drive consumer behaviour. However, if it were considered necessary to continue with a quota, because another reason that the quota was there was to say, ‘We want to make sure that you broadcasters are using the spectrum that we’ve given you for digital,’ if that is considered still to be a justification, we would say there should be an alternative quota. So those people who want to meet their digital quota requirements through HD should do so and those people who want to meet a quota requirement of providing a certain amount of additional content should do that as an alternative.

**CHAIR**—Your spectrum report, which we do not have time to go to today, mentioned online banking and other things that you would offer as part of your multichannelling.

**Ms Godwin**—Those things are certainly potentially part of the mix. Online banking and services that require conditional access and security of some description obviously depend on there being a platform with that kind of technology and capability.

**CHAIR**—The other channels reckon that there is not enough advertising revenue to maintain those channels. You feel that you could get advertising revenue to go across your six SD platforms.

**Ms Godwin**—Obviously we would need to be developing business models as services emerge. I very much doubt that anybody would go out and launch six extra channels all in one go. That has not been the case in the UK. For instance, ITV, the commercial broadcaster in the UK, started out with one extra channel. They are up to about six extra channels now. They just have built incrementally on filling different audience niches, as have other broadcasters like the BBC. None of them started out saying, ‘Let’s just go with six.’

Having said that, we would need to be testing the advertising market as we rolled out new services but we do see an opportunity to grow advertising revenue into multichannel areas. The basis for our confidence in that statement is seeing the growth of advertiser interest in niche

propositions like pay TV and also in other kinds of new ways of reaching consumers, such as internet services and so forth. In both those areas, advertising revenue is growing at between 30 and 50 per cent. So I think that there is some basis to say that there is an appetite from advertisers to reach consumers in a new way, and we would be prepared to test that proposition.

**CHAIR**—With regard to the benefits for government, the spectrum report basically says that it provides accelerated take-up, reduces the cost to switch over by not having to be incentivised by government and enhances economic activity in terms of the production of set-top boxes within Australia. Do you see any other advantages to government?

**Ms Godwin**—I guess it would be fulfilling digital policy in the sense that presumably digital television was introduced by the government in order to end up with most consumers making the switch to that technology. So I guess you would be fulfilling policy objectives.

**CHAIR**—With less cost to government to switch over.

**Ms Godwin**—Correct.

**CHAIR**—Would we see an increase in revenues from licensing?

**Ms Godwin**—I think that would depend on the licensing scheme but presumably if we are making more revenue under the current arrangements you would be taking nine per cent of whatever we are making.

**CHAIR**—So it is another incentive to government.

**Ms Godwin**—Possibly.

**CHAIR**—Is there anything else you would like to add?

**Ms Godwin**—No, thank you.

**CHAIR**—Thank you very much.

[9.50 am]

**BELL, Mr Anthony Edward (Tony), Managing Director, Southern Cross Broadcasting (Australia) Ltd**

**CHAIR**—Welcome. Although the committee does not require you to give evidence under oath, I advise you that these hearings are formal proceedings of the parliament and, consequently, 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. Would you like to make an opening statement or some introductory remarks?

**Mr Bell**—Yes. Thank you for the opportunity to address the committee in respect of its digital television review. Southern Cross Broadcasting is a little harder to understand than most media companies, because we are quite broad. Our media interests cover about 94 per cent of Australia's population. We own Channel 9 Adelaide and Southern Cross 10 through most parts of regional Australia. We are also affiliated with the Seven Network in a number of regional markets, including Tasmania, Darwin and Central Australia. Our radio interests include 2UE in Sydney, 3AW and Magic 693 in Melbourne, 4BC and 4BH in Brisbane and 6PR and 96FM in Perth. We also own Southern Star, which is an integrated television production and program distribution company, with offices in Sydney and around the world. Southern Cross Broadcasting is a member of Free TV and Digital Broadcasting Australia and supports the submissions made by those organisations to the committee.

I will briefly elaborate on the points made in Southern Cross's submission and make some additional points. It seems from the submissions made to the committee as part of its review that there is widespread support amongst the broadcasting industry, equipment suppliers and other submitters for the mandating of digital tuners in new television receivers to help stimulate the take-up of digital technology in the free-to-air market. The increasing adoption of digital technology world wide has reduced the cost of digital tuners. In light of the fact that televisions have an average life of about seven years, mandating digital tuners would create a natural replacement cycle ensuring steady digital uptake. The approach adopted in the US, where the requirement was phased in over a number of years, starting with the more expensive sets and progressing to less expensive sets, should also minimise any adverse consumer reaction and lessen the impact on the lower end of the television receiver market.

Several of the manufacturers also touched on another issue raised by Southern Cross; namely, the need for better promotion of the benefits of digital television and widescreen televisions. Once people understand the improved picture quality offered by digital and better appreciate the range of widescreen programming available, adoption of digital televisions will improve. Given the ubiquity of DVD players and the fact that DVDs are inevitably in widescreen format, improved knowledge of the benefits of widescreen TVs should boost digital, particularly given the correlation that exists between widescreen and digital set-top boxes.

Digital Broadcasting Australia is in the process of finalising a new advertising campaign to run in regional markets to promote the benefits of digital and widescreen TVs. This follows

previous promotional efforts undertaken by the industry through Free TV. However, the broadcasters cannot be expected to be wholly responsible for keeping the community informed of the developments in digital TV and its benefits, particularly when digital TV does not generate incremental revenue for the industry.

Free TV and Digital Broadcasting Australia highlighted the efforts undertaken by the industry to achieve what is widely regarded as one of the fastest and most successful digital television roll-outs in the world. The roll-out has placed a particular burden on regional broadcasters like Southern Cross, with large numbers of transmission sites and such a large coverage area. For a metropolitan broadcaster to install digital transmission in a licensed area, it must commission one digital transmitter per metropolitan market. Southern Cross Broadcasting has 215 sites at which digital transmitters must be installed. In an impressive and highly committed engineering effort, we have delivered digital services to 26 of the 30 separate television markets in which we operate, reaching approximately 80 per cent of the total viewing population in those markets. We are now in the process of commissioning a number of low-power sites to cover the remainder of the population in each market.

In terms of management resources and expenditure, our investment is huge. Licence fee rebates offered under the regional equalisation plan cover less than half the total costs of new equipment and increased operating expenses. The extension of the simulcast period, which is clearly required, based on the present and projected levels of digital penetration, will cause further considerable financial pressure for regional broadcasters. Regional broadcasters have undergone a period of sustained cost increases due not only to the shortfall in the regional equalisation plan funding compared with the actual cost of digital roll-out but also to the continuing increases in program supply and affiliation fees from the networks. In the case of Southern Cross, these have risen by 160 per cent over the past 10 years. The introduction of additional licence conditions requiring the broadcast of material of local significance to define some markets are, in some cases, only marginally profitable.

Southern Cross maintains that the extension of the simulcast period should be accompanied by an extension of funding under the regional equalisation plan to meet the increased cost of providing multiple program streams. It should also be noted that we, like other broadcasters, have effectively been running down our analog broadcasting equipment to focus on our investment in digital in anticipation of the analog switch-off—bearing in mind that we have those 215 sites. The extension of the simulcast period will necessitate further investment in upgrading and maintaining older analog equipment. It should not therefore be assumed that simulcasting beyond the presently scheduled switch-off dates will not necessitate substantial capital spending in regional markets.

Southern Cross Broadcasting previously made a detailed submission to the Department of Communications, Information Technology and the Arts in respect of the possible introduction of multichannelling. That submission remains available on the department's web site, and I recommend it to the committee. Southern Cross does not support the introduction of multichannelling and does not believe that it would drive digital penetration. Among other things, we consider that multichannelling will fragment the free-to-air television market, resulting in a decline in overall quality of programs. A fragmentation would make the medium less attractive to advertisers and multichannelling would increase programming costs beyond our financial capacity in regional markets. We believe multichannelling is likely to strengthen

competing and emerging media, such as Pay TV, IPTV, the internet and DVDs, at the expense of free-to-air television.

However, there are enhancements to the program stream that can be offered as part of digital programming through datacasting licences. Services such as local news, weather, sporting results and classified type advertising, combined with an electronic program guide, will add to the overall viewing experience and enhance our existing local information offering. Southern Cross is in the process of investigating providing these kinds of services as part of our video program guide.

Much has been made in the multichannelling debate of the benefits that will be offered by new video encoding technologies, such as MPEG4—and Windows Media 10, which is much the same. However, it should be noted that current set-top boxes available in Australia will not support these new technologies, such that free-to-air broadcasters will be required to transmit the same services in MPEG4 and MPEG 2 until MPEG4 boxes predominate. I welcome any questions that you might have.

**Mr HAYES**—You have raised the issue about multichannelling, and you are implacably opposed to that. I imagine that is in terms of your size and your commercial position in relation to regional markets. How do you sit then with using the extra spectrum in terms of high-definition TV?

**Mr Bell**—We are committed to high-definition television. We believe that ultimately the consumer will be attracted to the best quality—they have been through every other medium. We went from vinyl to tape to CD, from tape to DVD and from AM to FM; we have been from black and white to colour, and we will go from DVD television quality to HD, and HD is so good that lighting technicians and makeup artists have to change their techniques.

**Mr HAYES**—So is Southern Cross contemplating broadcasting solely in HD then, using the spectrum to do that?

**Mr Bell**—We are supporting HD as it is currently established and as programs are available. When there are more programs available in HD we have the capacity to broadcast in HD.

**Mr HAYES**—You are not saying that Southern Cross is going to move to adopting HD as a standard for its transmissions?

**Mr Bell**—I am not sure how that is technically possible. We can reach all of those people with the standard definition box and that makes up some 80 per cent of the boxes out there.

**Mr HAYES**—I am just interested in your position in terms of HD transmission as opposed to using that extra part of the spectrum for multichannelling. You are opposed to multichannelling. You have indicated that you are looking at datacasting—that is to some extent using an aspect of multichannelling.

**Mr Bell**—That is true.

**Mr HAYES**—So you support that. Something that has taken me by surprise is that the notion of datacasting has been pooh-poohed by most people who have appeared before us so far as being antiquated.

**Mr Bell**—It is in a limited form. What we are saying is that we appreciate the consumer needs something out of the digital experience, and maybe just HD and standard definition is not enough. If there is an electronic program guide there is a way of expanding on that and providing low data rate capacity add-ons, such as text type news, for example, and community information. So even if you take some small regional market like Wagga, consumers have got community information on their television set just through another channel. For us to be able to do it really does not require a great deal of adjustment to what we have currently got in place, and it does not compromise HD or standard definition.

**Mr HAYES**—I suppose if you have access to broadband there certainly are some decisions to be made by the consumer, but equally decisions are to be made by you as Southern Cross Broadcasting in that respect. You mentioned the experience in the American situation of at least mandating targets. That did not seem to work wonderfully well in Britain, for instance. I do not think that after 12 years they are all that close to having full saturation of digital television there. What should we be looking at doing in terms of target dates? Is the roll-out of digital actually feasible?

**Mr Bell**—We need to come up with some solution for the inevitable. The inevitable is that you do not need all that gear that picks up analog signals in a television set. In fact, you do not need that box at all; you only need a screen and something to attach to it. That will come in all forms of boxes down the path—for example, PVRs—with all different types of capacity. In the interim, how do you phase out the sale of useless analog sets? That interim step can be taken in several ways but obviously one would be to mandate a digital receiver in those sets, which seems silly. That is putting another bit of receiving equipment into an analog set.

The other thing is that I do not think the consumer market really understands. They do not understand that they are missing part of the picture. They think four by three is still a sensible purchase for them. They do not understand this whole digital experience that they can have. I do not think the retail market is helping that situation, because they are picking up cheaper sets and they are selling them at lower prices. There needs to be an education program just to advise the consumer on what is happening in the market.

**Mr HAYES**—I think there is reasonable consistency about the research. I think people are aware of digital but see it as a technology to assist them to improve the sound and vision capabilities of their existing sets. So are you saying we should be broadening their realisation that it has the potential of being able to deliver widescreen television?

**Mr Bell**—Yes, and also letting them know the equipment they are buying has a limited life. They do not know that.

**Mr HAYES**—If we are trying to indicate the potential of digital TV for the community, is it equally valid to say that it can offer the ability of multichannelling? Is it reasonable for the consumer out there to be aware of that?

**Mr Bell**—I do not think they would understand multichannelling.

**Mr HAYES**—If they have got Foxtel they are probably in a fair position to.

**Mr Bell**—All they know is that there are a whole lot of channels on Foxtel and they know that there are a number of channels on free to air. That is all they understand. They watch programs; they do not watch television stations.

**Mr HAYES**—If we moved to free up the restrictions to multichannelling, what is the likely impact on regional television broadcasting then?

**Mr Bell**—One is affordability for us to pay for programs because the networks, as generous as they are, will not give them to us, so we have to pay for them. There is no additional revenue. The markets we appeal to are quite small. Whilst there are a large number in the regional market, each market is quite small. Putting extra services in to those markets and then expecting to get some sort of revenue that will support the programs that are being provided is not realistic and it will not happen, so the cost will be significant for us and will not be affordable.

**Mr HAYES**—Would regional TV put you at a competitive disadvantage to the networks?

**Mr Bell**—Not only to the networks but to other media. The program streams would be fragmented. The advertiser simply would not find television to be as attractive as it was. Right now it is the most powerful advertising medium known to man. You fragment it and it becomes more of a niche medium rather than a mass medium.

**Mr HAYES**—But is the economics of the industry on the verge of changing as a consequence of the emerging of this technology?

**Mr Bell**—A lot of that is in your hands. But imagine that tomorrow a determination is made to increase the number of stations in the market. That is all that the viewer will see. You could end up with three channels per major station instead of one. The increase would be massive and the advertising would not increase to meet the programs.

**Mr HAYES**—But surely the broadcaster would make a commercial decision on how many stations they would introduce. I do not suspect that if there were a move to multichannelling it would mean that everyone is going to be mandated to have 20 channels, for instance.

**Mr Bell**—The capacity in the metro is greater than the capacity in regional to absorb the cost.

**Mr HAYES**—Could regional areas possibly get more diversity for television as a consequence?

**Mr Bell**—At a cost to the regional broadcaster.

**Mr LAMING**—I am not convinced. You are right, TV is powerful; it is also enormously expensive. Nobody yet has really made the economic case that when you multichannel, as we have already said, you do not instantly open up a whole number of channels. You do it as the market will bear. You are simply opening up TV advertising to a completely new market. Toyota



will still have their advertising dollar and a certain spend will be TV. But, suddenly, and in your area in particular, regional business can finally afford to advertise on television. I think it is an enormous opportunity regionally for those who could never contemplate TV advertising to have it through multichannelling. What is your response to that?

**Mr Bell**—I understand the point. It is not a new point. But I do not believe there are any extra dollars for television. Any sizeable business in a regional market is already buying TV and they are buying it on a cost per thousand basis. If they have to buy a number of channels, it will still be based on the same cost per thousand.

**Mr LAMING**—Exactly. But what about the people who are not buy anything at the moment?

**CHAIR**—I live in Penrith and I receive Wollongong. I always receive Wollongong because I cannot get the others in Penrith. Dress shops are advertising and butchers are advertising. Small businesses are advertising. Regional is really down there with the bottom dwellers of advertising. I do not know how much advertising you are going to get unless you are going to get community groups advertising, but most of them get free community announcements anyway. In regional areas I do not know if there are any more—

**Mr LAMING**—That is the case in point, that these people do advertise in regional areas and even more regional business can advertise if it becomes affordable. The very case is that dress shops cannot advertise in Sydney.

**CHAIR**—So you are differing between the markets of multichannelling?

**Mr LAMING**—I am saying your whole advertising market simply changes. You are yet to present any evidence that new advertisers do not enter the market when a price point changes.

**Mr Bell**—I understand the regional markets and we are already reaching the lower levels of business. I do not think we will attract any new dollars. You are also doing it in the face of the market settling with the number of services they have. I would not underestimate the impact of IPTV delivered by widespread broadband penetration. The provision of broadband will not be about capacity, particularly with MPEG4 and ADSL 2 Plus. There is plenty of capacity; it comes down to content. It will not be driven by price-for-data rates; it will be driven by the content and pay-per-view. If you open up a large number of additional channels and absorb emerging media—such as IPTV, what you can get over the net as well as through pay-per-view, lower cost DVDs, where you can watch a movie for \$8 and own the movie, and pay TV, which is increasing its uptake with 100 channels and so on—there is only so much the market can bear. The market is not hard done by.

**Mr LAMING**—You said there are 26 or 30 sites you have already transitioned to digital, and you were talking earlier about 215 sites. Can you explain the difference in those figures to me?

**Mr Bell**—Most of the 215 sites are made up of smaller translators. They only reach very small markets and outer areas where the main transmitter will not reach. So that is where the 215 sites come from. We are covering 80 per cent of the total market with the 26 sites that we are already in out of the 30.

**Mr LAMING**—And getting 100 per cent coverage by a switch-off date is something that you are ready to do?

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

**Mr LAMING**—With respect to the actual switch-off date, we have heard mention of 2008, and manufacturers have said it might be difficult to meet that date and that 2010 would be more suitable. We have not yet been told by anyone that there may be a place for a period of time of switch-off, a phased switch-off, which might occur in different locations according to market necessity. What do you see as the problem in saying that that switch-off will occur between 2008 and 2010, depending on local conditions? The advantage of that would be that people, particularly in regional areas, would be aware that it may occur as early as 2008.

**Mr Bell**—I don't think there is any chance of a switch-off in 2008. You wouldn't want to have a tin roof if that were the case! Obviously that period of time has to be lengthened. Maybe 2012 or beyond is more realistic. What will drive it is more likely to be the cost of a receiver—how low it can get and how many sets you can fit it to. It is one thing to have a receiver capable of receiving digital in the main room of the house; it is another thing to cover the other two or three sets that might be in the house. It could be that receiving units could come down to \$20 by that time; they are down to \$100 now. By 2010 maybe they will be down to \$20. From that point of view, that means everybody will be able to afford to watch digital and you can safely turn off analog.

**Mr LAMING**—Is there an advantage in having a range so that the point in time when it could happen appears to be earlier? If we start talking about 2012, there is a real sense of people saying, 'I've still got a full life of TV in the seven-year period between now and when that happens anyway, so I'll worry about it with my next purchase.'

**Mr Bell**—I guess that is right. You are caught between a rock and a hard place. It really is a cost issue to the consumer. The receiver has to come down in value and that will be driven by the number of units sold and technology rather than anything else.

**CHAIR**—2008 is the date for the metro market; your date is five years after roll-out?

**Mr Bell**—We can go to 2011.

**CHAIR**—So you have not rolled out completely in all markets?

**Mr Bell**—Not yet.

**CHAIR**—When will you be completely rolled out in all markets?

**Mr Bell**—Certainly by 2008.

**CHAIR**—By 2008 you will be completely rolled out. How long after that would you like to see before switch-off in that last market that you roll out to, so that you don't have to do simulcast?

**Mr Bell**—We have not set a time.

**CHAIR**—Your statement is that simulcast costs you and you would like the government to share in that cost. You are suggesting that government share in that cost for any extended time. Can you put a price on that so that we can calculate what you are asking for? If you rolled out in your last market in 2008, when would you start turning off, going from your first market to your last market?

**Mr Bell**—I think that our penetration will be so great even at the end of 2006 and in 2007 that we can be really looking for a time forward from there. It is the HD capability that we think will go through to 2008 in all of those markets. I think that the switch-off will really be driven, once again, by the cost of the receiver. That makes the big difference in the timing of when you can switch off. To make that call at this point in time is rather difficult.

**CHAIR**—Our evidence from LG is that, if we take some action, make a statement and pick a technology, they will roll. They will line up their production and their importation, the whole forward projection of what lines they will be selling, do the marketing campaign, saturate the markets and drive down price, given how many they expect to sell in the year before switch-off. There is a bit of a windfall here to the retailers. It is a fairly competitive market. But you are only going to see that drive down in the costs once someone has had the courage to say, 'Here's a date to switch it off.' You would not have a problem with LG's time line? That is the only one we have at the moment. I am not getting suggestions of any other time line from anyone who has appeared before this committee.

**Mr Bell**—No, I do not have any problem. The harder it can be driven and the sooner, the better.

**CHAIR**—So you are not willing to have to simulcast for five years after the 2008 roll-out?

**Mr Bell**—We would rather not.

**CHAIR**—You would like to switch off earlier.

**Mr Bell**—As early as we can.

**CHAIR**—As early as possible.

**Mr Bell**—Absolutely, because every day we have those analog transmitters on air—

**CHAIR**—They are falling over.

**Mr Bell**—They will fall over, and there is the cost of transmission.

**CHAIR**—Mount Tamborine, for example, at the moment is fully digital because they had a few signal issues. In fact, I think they were looking forward to an analog switch-off because their signal would significantly improve. Are there any markets like that in which to trial an early switch-off, or do you think we should just go and do it?

**Mr Bell**—I think it is across all markets.

**CHAIR**—So you do all markets all at once—bang!

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

**Mr KEENAN**—You are probably a bit closer to the ground being a regional. What is your experience with the take up out there? Are there complaints coming through about loss of signal having to be tracked back to aerials? We have heard from the manufacturers about the compatibility of everything that goes with the set-top box—the TV but also the wiring through to the aerial. They indicated that a lot of complaints came through that there are issues with regard to the compatibility of all the equipment. Being a regional, do you find much of those complaints coming through?

**Mr Bell**—We have managed that exceptionally well through a body that we have established to deal with such issues. The issues relate to frequencies and the channels that some other equipment is running off, like VCRs and so on. They are running off a channel that is identical to an incoming free-to-air channel.

**Mr KEENAN**—I was thinking more about mechanical issues. One of the manufacturers was telling us at one point about the connectors from the aerial but going through the cabling and all the rest of it. Sometimes the complaints that they receive cannot be isolated just to a set-top box or anything else. You really have to look at the integration of the whole receiving componentry.

**Mr Bell**—We have an internal call centre that is being well used but more for the other problems that I have talked about. I am not aware of any massive problems outside that.

**Mr KEENAN**—So as far as regional is concerned, you think it is going okay.

**Mr Bell**—I think it is going very well.

**CHAIR**—With regard to having no time line for the switch-off, what about the mandation? You mentioned the American example. What about having something like that? Is starting out with big screen TVs and then working down the American time line an acceptable mandation?

**Mr Bell**—Obviously the American experience is different to our experience. The equipment price would differ because it was earlier in the phase. It really comes down to the pricing and the incremental cost in mandating digital receivers into those units. I would think that that would come down every day and would be different to what they are experiencing in countries like American. But I thought the approach was good.

**CHAIR**—With widescreen, you would not be doing anything about mandating but what are you doing in terms of promoting the benefits of widescreen TV and digital TV in regional areas—for example, in campaigns on your stations?

**Mr Bell**—We are happy to promote that. We have done so in the past and we will promote in the future. Promotion is very important, and I think that the government should also consider playing a role.

**CHAIR**—Funding that too?

**Mr Bell**—Not just funding.

**CHAIR**—What about rebates for concessional tax treatment for manufacturers, retailers et cetera? Do you think that would work better in the rural areas than it would in the city?

**Mr Bell**—I do not have a position on that.

**Mr KEENAN**—Do you think there are any other specific requirements that we would need to take into account for regional areas as opposed to metropolitan areas when we are considering these issues?

**Mr Bell**—I think they can be summarised to the ability of regional broadcasters to afford programs if one goes down a multichannelling stream. There is the significant issue of ongoing funding to fund the continuation of, in this case, analog rather than digital. That is at an expense. We are not saying it is for metro. Metro can do that because there are fewer transmission sites. When you consider our transmission sites, it is not only the transmission sites but also getting the signals to and from. That is another major consideration. I do not see any other major issues outside those. You might take into account that program expenses that we currently have are already rising and have risen rapidly over the years. We are paying 160 per cent more than we were paying 10 years ago.

**CHAIR**—As there are no further questions, thank you very much for appearing before the committee.

**Proceedings suspended from 10.28 am to 10.38 am**

**BROWN, Mrs Shirley Anne, Manager, Regulatory and Network Affairs, WIN Corporation Pty Ltd**

**SMITHERS, Mr John, Director, Network Broadcast Engineering, WIN Corporation Pty Ltd**

**CHAIR**—Welcome, Mrs Brown and Mr Smithers. 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. You have provided to the committee a document entitled ‘Take up of digital television services within Australia’. The committee accepts this document as an exhibit and authorises it for publication. Would either of you like to make some introductory remarks?

**Mrs Brown**—Thank you for the opportunity to talk to you today regarding the take-up of digital television services within Australia. I am here today representing the WIN Corporation and NBN Ltd. With me is John Smithers, who is our director of engineering and who is very important to have here because I am not an engineer and digital is technically difficult. WIN Corporation and NBN Ltd are regional broadcasters throughout Australia, with the exception of the Northern Territory and Central Australia. WIN-NBN were a party to the FreeTV Australia submission to the inquiry but together made a separate submission in relation to our view that there is a need to mandate digital capable television equipment to be sold in Australia.

To clarify our view, it is of concern to us that a large range of analog television sets is being sold in Australia today at very cheap prices which do not have the capability to receive digital broadcasts. The consumer is not told that the sets will be obsolete when the analog service turns off; nor are they told that the addition of a digital set-top box will enable them to receive digital broadcasts. Recently a retail catalogue delivered in the Newcastle area advertised a package of three small analog sets for \$499. In seeking to have the mandating of digital-ready equipment, we are seeking to have regulation to ensure that consumers are aware that analog television equipment purchased will be incapable of receiving a digital service unless a digital set-top box is fitted to it. This, in our view, ensures consumer awareness of the new technology so that they can make an informed decision about their purchases. With digital services having now been available in metropolitan markets for five years and the regional roll-out now in full swing, it is in our view appropriate that all stakeholders play their part in informing consumers of the technology.

In relation to the simulcast switch off, we wish to clarify that the regional simulcast date commenced three years after the metropolitan simulcast date, and that end date is projected to be 31 March 2011. In some larger regional markets, Canberra, for instance, digital services will have been available to that community for 10 years by that time, with Black Mountain commercial digital services having commenced 1 July 2001. The regional roll-out is naturally much greater than the metropolitan roll-out and includes the roll-out of HD services, which commenced 1 April this year. While regional viewers did not receive the technology at the same time as metropolitan viewers, they have caught up and are now able to receive both SD and HD

services. For those services still to be rolled out, the full suite of digital services will be available immediately. The roll-out of WIN's high powered transmitters will be complete in 2006 with coverage of approximately 85 per cent of WIN viewers. The end of 2006 will see WIN moving into the next stage of the roll-out, which is the low powered transmitters, and then assessing the necessity for in-fill translators to achieve the legislated same coverage.

The simulcast date for regional broadcasters is of major concern because of the increase in operating costs, which are in the order of 250 per cent as a consequence of the requirement to triplecast services. It is because of these costs that it will be necessary for our companies to have a switch-off date sooner rather than later. It will also necessitate a staggered switch-off which will need the cooperation of all stakeholders to ensure that it is managed as efficiently as possible. The interference management scheme, which remains in place for the roll-out of digital services, is a model which we believe is suitable for the management of the switch-off.

It is of major concern that, if the take-up of digital services stalls and the simulcast date is not in place but is extended indefinitely, broadcasters who have rolled the services out and built their digital infrastructure on the legislation that is currently in place will not have the financial capacity to maintain triplecasts when the availability of analog transmitting equipment is already placing undue pressures on regional broadcasters. Our companies are prepared to work with all stakeholders to ensure that a suitable model is put together to ensure the take-up of the digital technology is moved forward and to ensure that the simulcast period is not extended beyond the financial capability of regional broadcasters. It must be remembered that there is no revenue derived from the SD and HD broadcasts, only from the analog broadcast. Considerations by government to allow commercial broadcasters to multichannel are also of major concern to regional broadcasters. Both WIN and NBN, as have all regional broadcasters, have embraced HD technology as required by the legislation.

Multichannelling, therefore, for regional broadcasters would mean that it would be necessary to rebuild our network infrastructure to have the capability to deliver such services—a financially impossible task, having invested heavily in HD to comply with the legislation. Prior to moving ahead with HD, all regional inquiries as to the certainty of HD legislation were met with a response from government that HD was here to stay and was not negotiable. We therefore delivered HD on the basis that Australia was locked into HD and that commercial broadcasters would not have the ability to multichannel under the legislation.

To sum up, we would like to see regulatory intervention to ensure that consumers are aware that analog equipment will be redundant and that they will require digital capable equipment to receive digital services. The simulcast period should not be extended beyond the original switch-off date of 2011. The government should consider a staggered regional analog switch-off with broadcaster and government awareness campaigns. An advisory committee should be formed to put in place a regional analog switch-off program. The government should ensure that regional broadcasters are not disadvantaged by changing legislation so that regional broadcasters cannot compete because of relaxation of the digital legislation.

We have prepared regional maps for the committee which highlight the regional roll-out for our company, the projected roll-out for the next two years and the remainder of the task. We have also provided information in relation to costs of the regional roll-out for your information. Again, thank you for the time to address the committee.

**CHAIR**—Thank you very much, Mrs Brown. Are there any questions?

**Mr HAYES**—As a regional network, how do you see the experience of the digital take-up being effected out there?

**Mrs Brown**—In regional Australia, two markets will be crucial. One is already in place—the digital-only service in Tasmania. That has been an absolutely fabulous success. Our understanding is that the take-up for that third service has been 18 per cent compared to seven and eight per cent in our aggregated markets. The next markets for us are WIN and Prime—a joint venture, third digital-only service to start up in Mildura. It will go on air for testing at the end of November, and it will be fully on air with HD on 1 January. That is the market we will be able to monitor properly.

**Mr HAYES**—So you are going to transmit in high definition on all programs, news included?

**Mr Smithers**—We will transmit high-definition material that comes to us as original high-def material. We do not intend to do our own—

**Mr HAYES**—Sporting events and things like that. So things that you produce will not necessarily go out in high definition.

**Mr Smithers**—That is correct. We are planning an upgrade of our network at the moment. That upgrade involves full HD production, so we expect to be able to present HD where we can.

**Mr HAYES**—Is that an extravagant use of spectrum?

**Mr Smithers**—No, the spectrum is already there. We are already capable of using it. There is not an increase in spectrum requirements, so we are merely filling what we believe is our obligation.

**Mr HAYES**—Do you have any research on what your consumers see as being the benefit of the digital television experience out there?

**Mr Smithers**—The feedback we have received so far from viewers seems to point to an improvement in picture quality, particularly in areas where analog is adversely affected, such as mountains.

**Mr HAYES**—The South Coast certainly experiences that.

**Mr Smithers**—The South Coast of New South Wales?

**Mr HAYES**—Yes.

**Mr Smithers**—That is a classic area. In fact, only last week we delivered HD services to Bega and to Eden as a completion of the South Coast upgrade. The information I have received so far from the retailers is that they are rapt with the pictures—absolutely rapt. It does present a significant improvement in the quality of pictures being delivered to the average viewer. That is a classic area, because of the hills, trees and water that are down there.



**Mr HAYES**—So would you see that clarity as fundamentally the main driver at the moment?

**Mr Smithers**—It is the main driver, yes.

**Mrs Brown**—In regional Australia, some areas get absolutely shocking analog pictures. The standard is not equal to that of metropolitan or major regional centres, but the digital pictures have, in quite a number of cases, improved that. So the technology is accepted and has been enjoyed.

**Mr HAYES**—I was interested in your comment about government effectively setting HD as the definition, particularly in relation to what Seven had to say about that, but I am not aware that we have mandated in any way, shape or form other than requiring people to have the capacity to transmit and mandating periods of transmission on high definition. I do not think government has indicated that this is the burgeoning standard.

**Mrs Brown**—The legislation says that we are to triplecast in analog, SD and HD. Before we rolled out HD, we needed to be sure, because not all broadcasters accept that HD is the way to go, and Seven have clearly said that. We wanted to make sure before we invested in the HD technology that Australia was going to embrace HD. We have had to rebuild our network completely to accommodate the SD and HD.

**Mr HAYES**—How did you go about satisfying yourself commercially that that was the country's development?

**Mrs Brown**—We consulted with government and we looked at what was happening overseas. HD is the technology in the US.

**Mr HAYES**—But certainly not in Europe.

**Mr Smithers**—Certainly in Europe it is also growing. Take Germany, for instance, where an analog switch off has been completed. That says to me that digital is going to be around a long time and HD is growing in strength. The trade magazines that routinely hit the desk have increasing amounts of information regarding high definition and the take-up, as far as broadcasters are concerned, of those services. We took a view that HD was going to improve.

**Mr HAYES**—But the spectrum is not fully utilised in HD in Europe. There is the capacity for multichannelling, for instance—you can elect how you are going to proceed with that.

**Mr Smithers**—Certainly, and we are in that position also where we have a fixed amount of spectrum where it is necessary at the moment to transmit SD. We have a 1,040-hour requirement per year to transmit HD as well. It has to fit into the same spectrum. For us to now add multi-channel to that, something has to go. We cannot fit it in.

**Mr HAYES**—I am interested, in terms of you being a regional broadcaster, in what would be the impact if we removed the restriction on multichannelling, where broadcasters could make a decision whether to go to multichannelling or retain spectrum for high definition. How would that place WIN?

**Mr Smithers**—That is a very good question. If multichannel was allowed, we believe it would be possible to remove one of the services we already had and replace that information with either one or two standard definition multichannel services. In WIN's case, where we have 24 markets in operation, we have presentation and commercial play-out facilities at a number of key locations around the country. We would have to triple those to provide an asynchronous play-out for that multi-channel event. So, taking the worst case scenario, if we were to take high definition down, for instance, or turn it off, and replace that with two standard definition multichannel services—which I believe is possible, and we have to compete with our competitors, so if they decide to do it, we have to do it—we would have to then triple our presentation facilities and our play-out service systems.

**Mr HAYES**—So this is probably more apparent in markets such as the Wollongong market. I suppose it is more apparent if you are up against a degree of competition.

**Mr Smithers**—My word, yes. We are under direct competition in a number of markets from the metropolitan operators. Brisbane, for instance, represents a problem for us on the Sunshine Coast and in Toowoomba and the Darling Downs area. Sydney and Wollongong is a classic. Melbourne alone goes into three of our markets. It does represent high competition for us.

**Mr HAYES**—Like Jackie, I pick up WIN in Wollongong and I notice that in advertisements we have the local greengrocer, the local butcher and things like that. It obviously affects your advertising revenue that you can at a regional level cater that to bring advertising to grassroots levels. Would multichannelling assist that elsewhere?

**Mrs Brown**—I think what we have to understand is that for regional broadcasters the national advertising dollar share is approximately 22 per cent of the national spend. The remainder is local advertising dollars, so it is the local greengrocer, dress shop and hairdresser or whatever that are funding us. We split our markets, as you know, because of the local licence conditions and whatever, so we have all these separate feeds to the markets. It does not matter how many channels we have; we only have a certain population in our broadcast split, and we only have so many greengrocers and so on who will fund that.

**Mr HAYES**—So that would affect your decision if you were going to use part of the spectrum for another channel or a range of channels.

**Mrs Brown**—Yes.

**Mr HAYES**—But is the ability to multichannel something we should discount out of hand at this stage?

**Mrs Brown**—There is the ability to multichannel, isn't there, John?

**Mr Smithers**—Technically the ability to do it is there; there is no question about that.

**Mr HAYES**—We have been asked to permanently maintain the restriction on multichannelling. Should that be opened up and allowed to be in the marketplace?

**Mr Smithers**—If we have to multichannel it is going to force us to triple our costs—without any question—with no extra income predicted; it would be a very tiny amount, if anything. In fact, I believe that the adverse would occur. If we suddenly have three times the amount of commercial space to sell then we would be looking at trying to fill that and it just is not there in the business world to fill that. For us to fill those spots, we would have to lower our prices even further. Once we start lowering prices to fill all of those spots, the existing advertisers will be saying, ‘Well, why are we paying so much? We want a lower payout fee.’ I even see the adverse happening where our income would drop even further.

**Mr HAYES**—I understand what you are saying about that in the context of free-to-air television, but what is exercising my mind is that there is a slightly different view coming from Seven. It is saying the industry is so rapidly changing that it will require our looking at an emerging sort of broadcaster which will have an advertising revenue mix with subscription.

**Mrs Brown**—They also said there was a risk, and there is a risk in any business. What we cannot get away from in regional Australia is that its population is not increasing; it is decreasing. There is migration of the population to the city. So it does not matter how we look at it; we rely on that community to support us. So I do not see huge population predictions for the smaller markets that we get to; I do not see that happening. I do not see any research being put out that tells us that our markets are going to increase rapidly by population, and that is what we need.

**Mr HAYES**—I accept what you say; I think that is accurate. If there was a capacity to multichannel that was not financially sustained in sections of regional Australia, wouldn't it just be the case that the broadcaster would not have multichannelling there?

**Mrs Brown**—Yes.

**Mr HAYES**—So the restriction does not necessarily assist the business or otherwise unless the economics are in place?

**Mrs Brown**—The regional viewers in the bush have always demanded the same services as the city. We see that with Telstra now; we see that with the aggregation—

**Mr HAYES**—We do not have \$3.1 billion to give you on this one!

**Mrs Brown**—No, we do not. But certainly regional Australia expects to receive the same services as the city does. If you relax the rules it will be a business decision for regional broadcasters—what will we do? Will we have a choice to drop HD or whatever? That will be a business decision. What the population of regional Australia accepts I cannot tell you: will they expect to get multichannelling plus HD plus SD and everything else? We will have to make a business decision and we will not be able to sustain financially to provide it all. We do have pay TV out there—we have Austar. That is the multichannelling they have at the moment.

**Mr LAMING**—Just picking up again from Chris, the reason that multichannelling will treble your costs is that you will be compelled to fill three new bits of spectrum?

**Mr Smithers**—That is only part of the equation. The technical and infrastructure costs will also treble.

**Mr LAMING**—How will that treble?

**Mr Smithers**—Due to the presentation systems themselves and the server systems that we all have to use now to play our commercials. All that infrastructure—the technical aspects—would triple in size. The other important aspect is that the people part of it would also treble under the requirement. We will have to have people to drive this system. Every channel requires everything from scheduling people right through to operations and presentation systems to get down to that grassroots level. There would be a huge number of people required to facilitate this.

**Mr LAMING**—If our broadcasters were given the choice of either multichannelling or moving towards HD—at a rough glance it looks like one commercial provider may go to multichannelling—and one does but nobody else does, what impact will that have on you as a regional channel? If you have one provider multichannelling and the other choosing not to and you choosing not to, what will you do?

**Mrs Brown**—It is business, isn't it? It is the risk.

**Mr Smithers**—That is a very good question. I do not know if I have an answer to that.

**Mr LAMING**—If you give them the choice to respond to consumer demand and say you can do one or the other but you must do one or the other, and let us just say that one chooses to and another large broadcaster does not. You choose not to, but the option is there—you may choose at some stage down the track to open a second station when you feel it is wanted, but there is no mandatory requirement to do so. How would that affect you if that was the environment?

**Mr Smithers**—The only concern that I would have is that it does create a fair bit of viewer confusion. That is the only thing that I would be concerned about. Given where we are at the moment with digital take-up creating enough confusion, to have one broadcaster operating multichannel services and the others not, the viewer would want to know why they can't have everything. That is the only thing that would concern me.

**Mrs Brown**—If I could go back to your question when you asked us why we thought we had to go HD. It is a brave broadcaster that does not comply with the legislation. That is why we went HD.

**Mr HAYES**—HD capable?

**Mrs Brown**—Yes, broadcast HD. The legislation required the regional broadcasters to broadcast 1,040 hours of HD content from 1 April this year. It is a brave broadcaster that does not comply with the legislation. All the regional broadcasters are complying with the legislation. To do that we had to put the infrastructure in.

**Mr HAYES**—And on that you are broadcasting HD-produced material—your own production is not necessarily going out on HD?

**Mrs Brown**—Not yet.

**Mr HAYES**—You are doing that on standard?

**Mrs Brown**—Yes.

**Mr Smithers**—We have had to make a decision on that as well as far as continuing to have a separate SD system and a completely separate HD system. Irrespective of the number of hours that are required for HD transmission, we have to have an HD presentation system network wide. To satisfy the submarket requirements that we have for advertising, that is another 24 presentation systems right around the network. We have also looked at this. That requires extra people and it snowballs from there. We are trying to make a decision at present as to whether we maintain standard definition presentation systems or go completely to HD and derive SD from that. That is a huge cost to us. We are not getting any revenue return from that and it is unlikely that we ever will. We could never cover that cost. But to keep the number of people to a minimum to operate financially we have to make that decision. I think at this stage we will be heading down the HD path.

**Mr HAYES**—And, regrettably, even the consumer is not necessarily benefiting from it.

**Mr Smithers**—They are not benefiting from it.

**Mr HAYES**—There are very few television sets out there equipped to receive HD when the bulk of set-top boxes are standard.

**CHAIR**—Would the standard advice be—

**Mr HAYES**—They are not getting the full benefit of HD.

**Mrs Brown**—Our monitoring of the take-up of the digital equipment in regional Australia is that it is HD equipment that they are swallowing up. It is not SD. They are taking up the HD equipment.

**Mr HAYES**—That sounds a bit incompatible with most of the research put to us so far in terms of the take-up rate.

**CHAIR**—Screens versus set-top boxes.

**Mr HAYES**—Yes.

**Mr Smithers**—You only have to look at what is being offered in the retail stores to see where HD is sitting. There was a comment made earlier that no-one is transmitting—or that there are not many sets capable of 1920; well, there aren't any broadcasters transmitting 1920.

**Mr HAYES**—Exactly.

**Mr Smithers**—So why have it? But there are a lot of broadcasters that are broadcasting 1440, which is the standard requirement—or at least, what we have settled on as our standard.

**Mr HAYES**—Which is the \$99 set-top box because that is what it picks up.

**Mr Smithers**—That's right. There are a lot of LCDs and plasmas now being offered in the department stores, and the retail industry has certainly indicated to us that there now seems to be a big barrier in between the cheap, four-by-three cathode ray sets and then a big jump up to sets that are capable of showing high definition at a much better quality than what you would see on a standard definition or a cathode ray set. So if you just look in the department stores, you will see that there are a hell of a lot of pieces of equipment now that are capable of high definition reception, and showing a very good result—almost capable of what we are transmitting.

**CHAIR**—I think it is that whole home-movie thing driving it because they are actually playing DVDs on it, rather than—

**Mrs Brown**—That is what we are getting.

**Mr Smithers**—So I think you just need to go into a shop and have a look and see that there is a lot of gear out there for high definition—

**CHAIR**—Screens.

**Mr Smithers**—even though it may not be capable of showing the full high-definition experience, but remember that we are not transmitting it either. We are transmitting as much as we possibly can to give the viewer that HD experience.

**Mrs Brown**—Just to recap a little bit: Tony Bell has talked about our regional promotion. We have recognised that we now need to push, and tell our viewers what they need to get; we need to educate and do an awareness campaign as to what equipment they will need to get our digital services. We have participated in industry campaigns—'Better colours, better pictures'—but we are in the process of putting together our awareness campaign, in consultation with DBA, which tells the viewer what they are going to need. They have been taught that all you need is a set-top box and you will be right, but—and you touched on this earlier—some of the televisions are 45 or 50 years old now, and some of those antenna systems have never been changed.

We have had experiences in regional Australia—for instance, we have done a digital roll-out in Western Australia at Mount Leonard and some of the towers were falling down; they were unsafe for technicians even to get up to do anything. The home owners just did not realise—for instance, the birds might have picked away all the cabling. So we have to tell our viewers, 'You don't just go into the store and buy a set-top box and it's fine; you are responsible for your equipment; the broadcaster is responsible for getting the signal to the home, above ground—10 metres above ground.' The home owner needs to have the capacity to buy whatever equipment he chooses, but his antenna system and aerials are his responsibility as well.

**Mr Smithers**—Just to add to that, I field calls from some of our viewers, some of the more difficult calls, and I generally find that it is the aerial system that is letting them down. I quite often ask these viewers, 'When was the last time you bought a car?' and they will say, 'Within the last four, five or 10 years.' I will then ask, 'What about the aerial on your house; how long has that been there?' and they will say, 'For 20 or 30 years.' It needs the same attention as a car; it needs servicing. You have to do it. With the digital introduction, we are also transmitting in RF

bands that were not catered for when those houses were built and when those aerials were put up. That is where we are finding the major problems.

**CHAIR**—Can you run me through these maps that you have done for us? Going to the first map, ‘Northern NSW (AM-B) total coverage area’, and down to the bottom right-hand box, what are the 2005 ATR potentials?

**Mrs Brown**—I think that is the home population potentials. I think ATR it is short for the survey company. Let us take that on notice.

**CHAIR**—So there are 750,000-odd households of about two million people, and you go through their ages. What is the grocery reference?

**Mrs Brown**—We got here and found that it had not printed correctly.

**CHAIR**—But the other maps have grocery buyers. Is the relevance of a grocery buyer that they buy their set-top boxes at Aldi?

**Mrs Brown**—They are demographics which tell us the demographic of our market in terms of possible revenue gains and potential viewing.

**CHAIR**—Okay. The white dots are pre-2005?

**Mr Smithers**—Yes, they are Newcastle and the Central Coast.

**CHAIR**—Newcastle and the Central Coast—Wyong, Gosford and a place west of Wyong.

**Mrs Brown**—Yes, they have been rolled out pre-2005.

**CHAIR**—Dorrigo and the area near Surfers Paradise were rolled out in 2005?

**Mrs Brown**—Yes.

**CHAIR**—Then during next year—the yellow dots—it will be rolled out at Taree and Tamworth, and the green dots represent where it will be rolled out in 2007?

**Mrs Brown**—Yes.

**CHAIR**—So what about the big blue area around Lismore and Tenterfield? Would that whole blue area be receiving signals or would it just be within those dots?

**Mrs Brown**—Lismore is already rolled out; it has a white dot.

**CHAIR**—The white star?

**Mrs Brown**—That means it is rolled out there.

**CHAIR**—So if you have a house in that blue region, you will be receiving signals?

**Mr Smithers**—In the Tenterfield area, that green dot is to service the Tenterfield area and that remaining blue area.

**CHAIR**—So that blue area around Tenterfield does not currently have a signal?

**Mr Smithers**—No, it does not currently have it.

**CHAIR**—So that green dot covers that Tenterfield area?

**Mr Smithers**—That is right.

**Mrs Brown**—And the pink dot above it means it will be rolled out this year, and that will come down towards the area where the white star is.

**CHAIR**—So these maps are not really coverage. Are these just your licence areas?

**Mr Smithers**—These colours are indicating the submarkets that are within AM-B.

**CHAIR**—What is AM-B?

**Mr Smithers**—Approved market B, under the government's aggregation system.

**Mrs Brown**—We put on the map what we have rolled out, what we are currently rolling out in the next two years, and if you want to study it closely enough you will get a feel for what was left, which is the infill and whatever. It was to demonstrate the populations that we had in the markets and to demonstrate the roll-out so far, the size of the roll-out and the markets that do now have digital services available to them.

**Mr LAMING**—And would ATR be analog terrestrial reception?

**Mr Smithers**—Advanced Television Research, the company.

**CHAIR**—In Dorrigo you have one roll-out in 2005 and then a green dot close by, which represents a roll-out in 2007. Why roll out twice in that area over a two-year period? Is one SD and one HD?

**Mr Smithers**—No. All digital transmission devices are both—SD/HD.

**CHAIR**—So why are there two to cover that?

**Mr Smithers**—The roll-out is based upon getting as much coverage as we can at a particular instance. So we are covering from the highest populations down to the lowest.

**CHAIR**—So why do Dorrigo before Coffs Harbour?



**Mrs Brown**—We cannot answer because that is NBN.

**Mr Smithers**—That is a good question. I would have to get an answer for you.

**Mrs Brown**—NBN have made a decision.

**Mr LAMING**—What are the white gaps in the middle here?

**Mr Smithers**—Not areas covered.

**Mr LAMING**—Not areas that NBN covers?

**Mr Smithers**—That is right, yes.

**CHAIR**—Flicking to New South Wales and the roll-out there, the red says ‘2005 digital’ so they are all the little sites that you are going to do.

**Mrs Brown**—We have done most of them, haven’t we, John?

**Mr Smithers**—Yes.

**CHAIR**—And the green dots are the other ones.

**Mr Smithers**—They are for next year.

**CHAIR**—With all of those dots on the map, including those purple ones—and I cannot find any purple ones—

**Mrs Brown**—They are there—Kandos, Mudgee—

**CHAIR**—Those dots on that map will cover your entire broadcast area.

**Mr Smithers**—Yes. That is what we are predicting.

**CHAIR**—And if people are getting no signal, when they turn analog off you can beef up your signal and they will receive a signal?

**Mr Smithers**—We would have to look at that. That is a case yet to be discovered. We would certainly have to look at that very closely.

**CHAIR**—I think that when you turn analog off there is a capacity to push your digital signal up to full strength.

**Mr Smithers**—In most areas in regional Australia, we transmit at maximum power.

**CHAIR**—You do not have the same problems as—

**Mr Smithers**—No.

**CHAIR**—Going to the Queensland 2007 roll-out, that is your coverage area. There is very small coverage in South Australia. Going over to Victoria with Hamilton and Edenhope—

**Mrs Brown**—Southern Cross does Port Lincoln and Port Pirie.

**CHAIR**—Getting to your test case of Tasmania, by the end of 2007 you will be completely rolled out in Tasmania. Do you feel that you would be able to start switching off analog in Tasmania from 2008?

**Mr Smithers**—We would like to think so.

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

**CHAIR**—I think at this stage we are pretty well locked into LG's suggestion of a timeline. They say, 'We do our ordering now for the next two or three years so you have to tell us what you want to do and then we order it in and we do our production lines and models and what we are going to have in the stores.' They are ordering now for 2009 so they need to know now to do something in 2010. We could not actually get the set-top boxes distributed on any sort of program or mandate or government retailer type program until 2010 but you would like to see a 2010 definite thing. So you would only have two years of the triplecast. From the last time you roll out in 2007, you then have two or three years of triplecast, and after that your costs come back to something reasonable with no impact at all on your own use.

**Mrs Brown**—That is right.

**CHAIR**—Are you like our previous witnesses, Southern Cross, in that you would like to see some continuation of government funding of the regional rebates for the REP system?

**Mrs Brown**—Everybody would always like the government to be helping and assisting. I would envisage that we and the government would work together to see if that was necessary. We are prepared to do everything that we can—we have to—to get to this switch-off. What is of concern, and it is not news to any of us, are the few in the community who do not have the capacity to get the equipment or who cannot turn off for whatever reason. We expect there will be some rebate for getting them there. I cannot tell you what it is. All I am saying is that we are prepared to work with government to achieve this switch-off so that it is palatable for all of us.

**CHAIR**—By 2007 you are ready to go. We are ready to go as well.

Resolved (on motion by **Mr Hayes**):

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

**Committee adjourned at 11.20 am**