REGIONAL BROADCASTING AUSTRALIA

13 June 2001

Ms Andrea Griffiths
Secretary
Senate Environment, Communications, Information Technology
and the Arts References Committee
S1.57 Parliament House
CANBERRA ACT 2600
AUSTRALIA

BY EMAIL: ecita.sen@aph.gov.au

Dear Ms Griffiths

**SUBMISSION ON THE *BROADCASTING LEGISLATION AMENDMENT BILL (NO.2) 2001***

This submission is made on behalf of the regional commercial television broadcasters, who are all members of Regional Broadcasters Australia Pty Ltd (RBA) and is restricted to the proposed amendments to paragraphs 37E(1)(c) and (d) of Schedule 4 of the ***Broadcasting Services Act.***

New clause 37EA will allow the Australian Broadcasting Authority to determine that specified advertising or sponsorship matter on the HDTV version of a commercial television broadcasting service may be different from advertising or sponsorship matter on the SDTV version of the service. Regional broadcasters support this amendment, except for the restriction of the period during which the non-program content of the HDTV and SDTV feed may differ to a maximum of two years (which is the effect of new subclause 37EA(5).

This period is far too short for regional markets, because of the huge cost and complexity of television distribution systems in those markets. There are no obvious policy reasons for imposing any time limit on the ABA's determination power. If Parliament believes that it should be limited, then regional broadcasters submit that the limit should be at least five years.

We assume that the proposed two year limit was seen as adequate to allow metropolitan networks to establish HDTV-capable commercial play-out facilities in each capital city. As the committee may be aware, the practice in Australia is for networks to distribute to member and affiliate stations a "clean" program feed consisting only of programs, with advertising and promotional material inserted locally. This requires extensive local storage capacity, appropriate play-out equipment and (in the case of a digital service) a suitable encoder. Both the analog and SDTV services are provided in this way. The cost of storage, play-out equipment and encoders for local origination of HDTV commercials and promotional material is very high. The proposed exemption will allow a network to provide an initial "national" HDTV service (including advertising and promotional material), that can easily be passed through to the transmission facilities in each capital city market, until facilities to allow local origination of non-program material are in place.

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Each metropolitan network consists of five markets, the smallest of which is about 1.2 million people. By contrast, there are 43 distinct regional television markets, all much smaller than the smallest metropolitan market. Each regional aggregated market has sub-markets that receive their own commercial and promotional material. The largest (Regional Queensland, with 1.4 million people) has seven sub-markets, each requiring its own service. Regional television operators have well advanced plans for SDTV services that will fully replicate the analog service, including specific advertising and promotional material for each sub-market. However, they have proceeded on the assumption that the HDTV service can for a lengthy period be distributed as a single, non-localised feed throughout the market.

Cost is a major factor in these plans. The multiple HDTV storage and play-out facilities required for localised feeds would cost many millions of dollars. Additionally, each HDTV encoder costs around $250,000 (and each station would need up to seven, depending on the number of sub-markets to be served). This level of investment would be justified if there was a prospect of some commercial return, but no regional station sees its HDTV service attracting worthwhile revenue over the first 3-5 years, since the penetration of HDTV receivers is likely to be very modest over that period.

The main factor driving HDTV set purchase over the next decade will be the availability of HDTV programs on television. Whether or not the advertising content on the HDTV service is the same as that on the SDTV service will be neither here nor there to viewers. In other words, it is hard to see what policy rationale lies behind the simulcast requirement, and in particular the restriction of the ABA's power to permit a variation of the simulcast requirement for HDTV non-program content to a maximum of two years.

However, it is clear that the proposed two year limit might have the paradoxical effect of persuading some stations to delay starting digital services. Regional stations are not required to begin digital service until 1 January 2004. Many plan to begin digital services as early as calendar 2001, but will not have included in their planning the cost of full HDTV services to each sub-market. The HDTV transmission requirement comes into effect two years after each digital service's official commencement date. In light of the proposed amendment, some regional stations may choose to delay their digital service start date until closer to 2004, in order to delay this unanticipated expenditure on the HDTV service as long as possible.

Regional broadcasters urge the Committee to recommend to the Senate that proposed amending clause 37EA(5) be deleted. If the Committee believes that there should be some time-limit on the ABA's power to allow different non-program content on the HDTV service, then the words "2 years" should be replaced with "5 years".

Yours faithfully

John I Rushton
Chairman