Submission by Free TV Australia Limited

House of Representatives

Inquiry into the take-up of digital television in Australia

6 May 2005

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1 Executive Summary

- Australia has been at the forefront of rolling out Digital Terrestrial Television Broadcasting (**DTTB**). Around 85% of television households (6.4 million) are capable of receiving all five free-to-view digital channels. A further 10% can receive at least one free-to-view digital channel.
- Penetration currently stands at around 9.2% of all television households.
- The range of available digital consumer equipment has expanded rapidly over the last two years and prices of both Standard Definition (**SD**) and High Definition (**HD**) equipment have been falling rapidly.
- Free broadcasters have invested significantly in upgrading their television production and transmission facilities to new digital technology. The free-to-view digital roll-out is expected to cost up to one billion dollars by the time it is complete.
- Broadcasters are providing 24 hour digital programming and are all meeting the HD quota.
- Broadcasters have played a critical role in promoting the transition to digital on and off air through a digital consumer campaign.
- Broadcasters have established Digital Broadcasting Australia (DBA); a forum for broadcasters, manufacturers, installers and retailers to exchange information and assist in the education of retailers and the public.
- Broadcasters have also voluntarily established an interference management scheme to ensure that the digital roll-out has taken place with minimal disruption to analogue television reception.
- The appropriate date for analogue switch-off is being considered in a number of countries, but at this point most countries are still a long way from achieving the targets set for analogue switch-off.
- Free TV broadcasters are opposed to the introduction of a new commercial television licence in the Australian market. We support the existing datacasting rules as the most effective mechanism to ensure that a datacasting licence does not become a de facto broadcasting licence.

2 Introduction

Free TV Australia (**Free TV**) is the peak body representing all 48 commercial free-to-air television licensees in Australia.

Free TV welcomes the opportunity to make a submission to the Inquiry into the uptake of digital television in Australia by the House of Representatives Standing Committee on Communications, Information Technology and the Arts.

This submission will address the roll-out process for digital television, including progress to date and future plans.

2.1 Legislative background to digital free-to-view services

Federal Parliament passed the *Digital Television Broadcasting Services (Digital Conversion) Act 1998* and the *Broadcasting Services Amendment (Digital Television and Datacasting) Bill 2000* with the aim of providing a legislative framework for digital free-to-view television. The legislative framework recognised that Australians have traditionally received their television services on an advertiser funded, free-to-view basis.

The framework was designed to ensure all viewers (not just those who can afford to pay) have access to the better pictures, better sound, widescreen and other features that digital television services provide.

It is important to understand that digital free-to-view services operate in a horizontal market. This means that each link in the supply chain is owned separately eg: the broadcaster, the equipment manufacturer and the retailer are all separate entities. This contrasts with the vertical Pay TV market where the platform operator controls all consumer equipment and has a direct vertical relationship with the subscriber.

Because of this important difference between the two types of market, Free TV broadcasters have no direct control over the availability, functionality or range of consumer equipment or purchasing behaviour of viewers.

One of the many features of the legislative framework for free-to-view digital services is that the viewer decides how and when they make the transition from analogue to digital. That flexibility recognises that the community of viewers is diverse and while some may opt for a high-end digital home theatre system, others will opt for a simple digital set top box with their current analogue TV. Similarly, whilst the so-called 'early adopters' will be prepared to pay a premium to buy new consumer electronic products as soon as they are released to market, the majority of consumers will wait until the price of new technology has fallen to more affordable levels before making a transition.

This flexibility for viewers is a key component of the Government's digital TV framework as evidenced by the Regulation Impact Statement contained in the Explanatory Memorandum for the *Television Broadcasting Services (Digital Conversion) Bill 1998* which noted that the Bill's objectives included;

> *"allow(ing) for a smooth transition from analogue to digital terrestrial television broadcasting (DTTB) and transmission which avoids disruption to consumers"* and;
>
> *"introduc(ing) DTTB services within a timetable to ensure that Australia does not fall significantly behind the rest of the world".*

To date, both of these objectives have been met.

3 Digital free-to-view roll-out

3.1 Overview

The move to digital terrestrial television is an evolution from the analogue services that have served 99% of the Australian population extremely well for the last fifty years. To be successful it requires a robust delivery platform, universal coverage, equipment availability and digital content.

The digital free-to-view roll-out commenced on 1 January 2001 with services in the major metropolitan markets of Sydney, Melbourne, Brisbane, Adelaide and Perth. On that day, all metropolitan commercial and national broadcasters started transmitting a digital service. Regional commercial broadcasters commenced providing digital services in selected areas in June 2001 and were transmitting a digital service in all licence areas by 31 December 2003.

As part of the roll-out Free TV broadcasters have:

- undertaken a major investment in the conversion to a digital platform estimated at upwards of a billion dollars when the roll-out is complete.
- provided HD services to metropolitan and regional viewers and have undertaken a number of digital enhancements and interactive applications.
- helped establish Digital Broadcasting Australia (DBA) which provides a forum for broadcasters, manufacturers and retailers to exchange information and assist in the education of retailers and the public.
- managed an interference management scheme to ensure that consumers are adequately informed about potential interference issues that may arise when digital services are introduced and provided with mechanisms to solve any problems so that the digital roll-out has taken place with minimal disruption to analogue viewing.
- continued to work co-operatively with manufacturers and suppliers and international bodies in developing open standards for transmission and interactivity. Open standards allow more players to develop applications for a digital platform.
- developed an industry video programming guide (**VPG**) and contracted with Broadcast Australia to provide that service on Channel 4 as part of the datacasting trial being conducted in Sydney. The video program guide provides now and next for each of the five free-to-air networks (and the trial datacasting services) and also gives information on the programming for that evening.
- provided a second analogue and digital service in solus markets, those markets being South East (Mt Gambier), the Riverland and Spencer Gulf in South Australia and Broken Hill, NSW.
- commenced a third commercial digital only service in Tasmania and will soon do so in Mildura.

These elements contribute to a stable and robust platform creating an environment in which consumers feel confident to switch from the analogue system which has operated successfully for nearly fifty years.

3.2 DTTB platform development

One essential requirement for a successful transition to digital services is a stable and robust terrestrial transmission platform.

Australia has been at the forefront of rolling out DTTB and has had one of the most successful roll-outs in the world to date.

Australia's deployment of DTTB has been one of the fastest and has one of the largest geographic bases in the world. The success of this deployment is a reflection of the cooperative planning that was performed by the ABA in close consultation with Free TV and the national television broadcasters.

The work done in Australia was initially based on the expectations of DTTB planning, development and implementation arising in Europe. However, the scope and scale of the work done in Australia led to significant amounts of research and development being conducted by Free TV members and their suppliers. Without this work, the deployment could never have been achieved in the timelines that were taken as a challenge by Australian television broadcasters.

This world leading research has become a model for DTTB deployment decisions on a global basis. Using internationally recognised television broadcasting standards such as Recommendation ITU-R BT.1368 and the ETSI/Digital Video Broadcasting transmission characteristics, Australian television broadcasters have further developed these standards and provided feedback to the ITU, the EBU DVB Project and other organisations to reflect the experience in the challenging environment in Australia.

The work done by Free TV members in Australia has meant that the Australian planning model has heavily influenced DTTB decisions made globally. To date visits by at least fourteen official delegations to Australia is evidence that Australia is a leader in the roll-out of DVB-T. Indeed, Australia is considered a benchmark for implementation of DVB-T.

3.3 Coverage

The transition to digital services has required a significant investment from broadcasters in transmission and broadcasting infrastructure as well as a major re-training of staff in digital technology.

Roll-out of digital has so far involved the upgrading of over 150 different transmission sites and the installation of around 480 new digital transmitters representing a start up rate of approximately 2 per week for the last four years.

The tables below show the roll-out of free-to-view digital television by coverage areas as at 1 May 2005.

Table 1: Current DTTB Roll-out

Four or more Digital Television services have begun in the following Coverage Areas

Queensland	Brisbane/Gold Coast, Sunshine Coast, Cairns, Townsville, Wide Bay, Darling Downs, Toowoomba and Rockhampton – all services. Gladstone and Mackay – 4 services
New South Wales	Sydney/Central Coast, Bowral/Mittagong, Griffith, Illawarra/Wollongong, Newcastle, Central Tablelands, Wagga Wagga and Broken Hill – all services, Central Coast – 7 services
Victoria	Melbourne, Western Victoria and Mildura/Sunraysia – all services. Ballarat, Latrobe Valley and Goulburn Valley – 4 services
South Australia	Adelaide, Spencer Gulf North, South East/Mt Gambier and the Riverland – all services
Western Australia	Perth – all services. (no Part B Remote Conversion Scheme finalised for regional areas)
Tasmania	Hobart, Launceston/North East – all services

Northern Territory	Darwin
ACT	Canberra

The digital roll-out shown in Table 1 indicates that around 85% of the Australian population and a similar percentage of television households can receive and display all of their local digital free-to-view channels.

As there are 7.6 million Australian television homes in total, this means around 6.4 million have digital coverage of all local free-to-view services.

In addition, many other rural and regional areas have commenced their roll-out as indicated in Table 2.

Table 2: Current DTTB Roll-out

At least one Digital Television service has begun in the following Coverage Areas (in addition to the areas covered in Table 1). A full suite of digital services will be rolled out in these areas over time.

Queensland	Southern Downs, Warwick, Capella, Gordonvale, Hervey Bay, Babinda, Blackwater, Emerald, Mt Isa, Charters Towers and Boyne Island.
New South Wales	Coffs Harbour, Grafton/Kempsey, Richmond/Tweed, Murwillumbah, Upper Namoi, Taree, Gloucester, Dungog, Nowra North, Batemans Bay/Moruya, Ulladulla, Bega, Eden, Ulladulla, Narooma, Goulburn, Cooma, Central Western Slopes, Bathurst, Lithgow, Portland/Wallerawang, South West Slopes, Dubbo, Tamworth and Armidale.
Victoria	Bairnsdale, Genoa, Cann River, Mallacoota, Churchill, Nowa Nowa, Bruthen, Foster, Lakes Entrance, Orbost, Goulburn Valley, Murray Valley, Cobden, Casterton, Horsham, Nhill, Warrnambool, Portland, Colac, Coleraine, Apollo Bay, Lorne, Upper Murray and Bendigo.
Northern Territory	Alice Springs and Katherine.
Western Australia	Albany, Broome, Bunbury, Carnarvon, Central Agricultural, Esperance, Geraldton, Kalgoorlie, Karratha, Manjimup, Narrogin, Port Headland, Roebourne, Southern Agricultural and Wagin.

According to ABC figures, around 95% of TV homes have at least one digital free-to-view service.

3.4 Future roll-out

Regional broadcasters are expected to complete their digital roll-out in both SD and HD formats by 2012. However, by 2009 it is expected that the vast bulk of regional television audiences will have all their local services being transmitted in digital. Further highlights in the regional roll-out will be a third digital only service for Mildura by 1 January 2006 and a proposed third digital only service for regional Western Australia by around 2008.

HD television transmissions will also commence in the few regional areas where HD did not start on 1 April this year.

3.5 Black Spot schemes

The Government's Black Spots Program has served the community well by providing funding to establish or improve television reception in communities which cannot receive analogue television services. However, as the Program largely provides funding for analogue solutions

these services will have a limited lifetime. We strongly recommend that, where possible, a digital solution be investigated.

We welcome the introduction of the Alternative Technical Solutions (ATS) Scheme which provides a model for digital black spot solutions. The scheme was established because analogue solutions were impossible for a number of communities that had applied for funding under the Black Spots program, due to the technical limitations of analogue transmission. The first facilities to come online under this scheme will be digital transmitters at Springbrook covering the southern end of the Gold Coast which commence next month. In previously poor reception areas where analogue solutions were impossible, this transmitter will offer terrestrial broadcasts in digital only and will encourage take-up in this region. Importantly, it will also offer some residents the opportunity to receive good quality television reception for the first time.

3.6 Penetration

The inquiry discussion paper refers to digital penetration in Australia of 5% and 70% in the United Kingdom. In fact, the most recent figures suggest that penetration is at about 9.2% of households in Australia and about 59.4% of households in the UK. However, it is important to ensure that any comparisons between the two markets are made on the same basis.

The Australian penetration rate only relates to free-to-air digital terrestrial receiver sales. Digital Broadcasting Australia (**DBA**) recently reported that there were over 777,000 digital terrestrial set top boxes sold in the Australian market at the end of March 2005. Based on current trends it is anticipated that by the end of April 2005 this figure will be over 800,000.

It is difficult to be absolute about the level of penetration this represents in a horizontal free-to-view market where, unlike the vertical Pay TV market, the broadcasters do not own or have any control over the set top boxes.

But it is reasonable to assume that retailers have an in-store inventory of at least around 50,000 boxes (equivalent to around 4–6 weeks worth of sales) meaning sales to consumers probably represent around 750,000 of the total.

It is likely that some of the sales to viewers will represent multiple set top box sales to the same home.[1] We estimate in Australia this represents around 50,000 units. This means that four and half years after the start of digital roll-out around 700,000 homes receive free-to-view digital services. Our best estimate of penetration is therefore around 9.2% of all television homes.

In the United Kingdom digital penetration figures include both Pay TV and free-to-view digital figures.

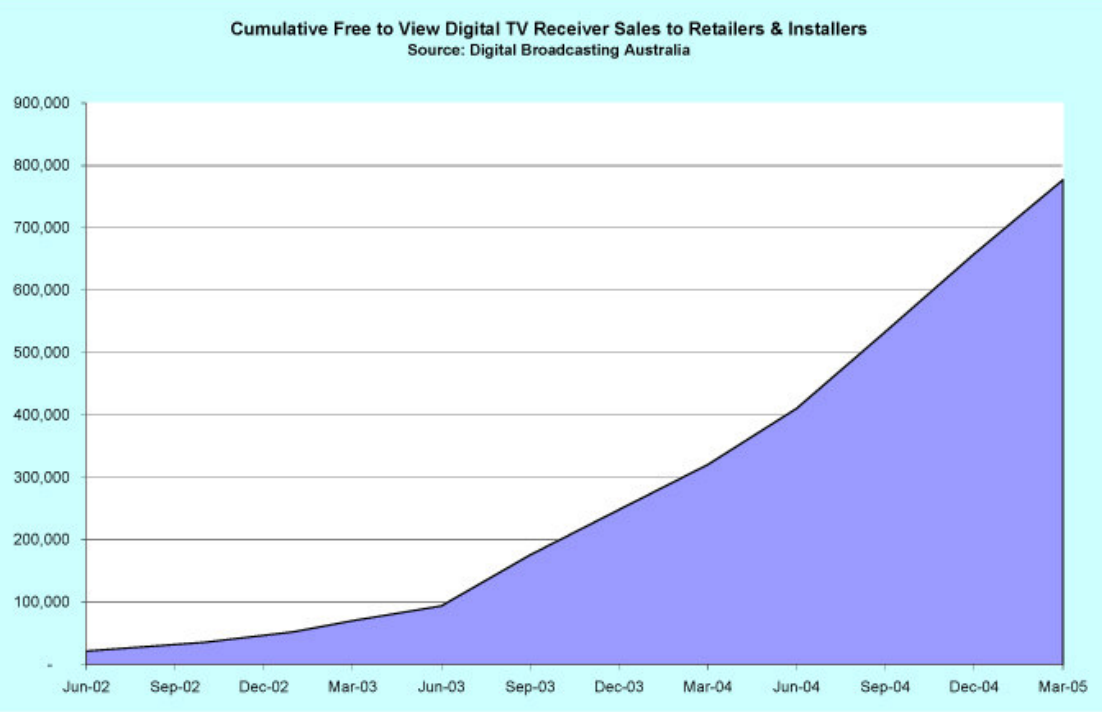
Whilst the most recent UK figures (Ofcom Digital Television Update Q4 2004) show total digital penetration at 59.4% of television households; free-to-view digital penetration stands at 4.59 million, which is around 19% of UK television households.

Given the very different nature of the Australian and UK markets, it is difficult to make direct comparisons, but if comparisons are to be made it is more appropriate to take the free-to-view figures of 9.2% and 19% respectively.

[1] In the UK, around 25% of sales are represented by multiple sales to the same home, but at this stage of the Australian roll-out we believe the number to be somewhat lower. However, we note that around 65% of Australian homes have more than one television.

Figure 1: Australian digital set top box sales to 31 March 2005 (cumulative)

Source: www.dba.org.au



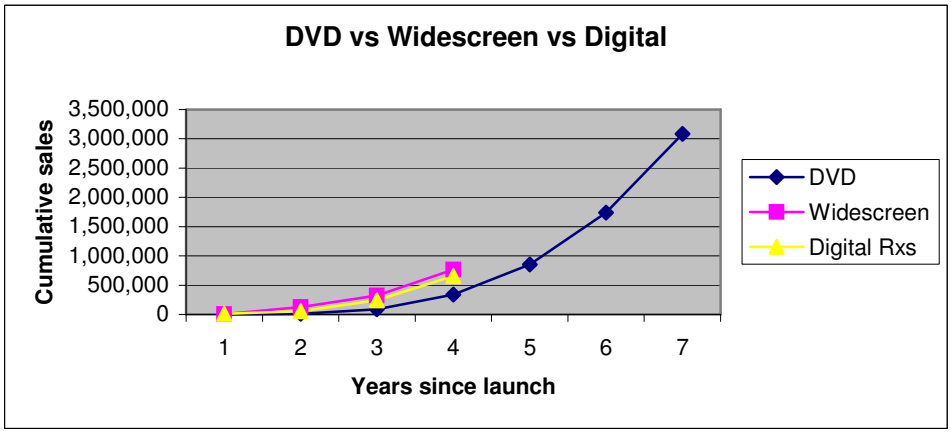
As Figure 2 shows, initial consumer take-up of digital services was slow. This was due to a number of factors:

- There was no digital consumer equipment available in the Australian market on 1 January 2001. The first digital set top boxes were underwritten by the commercial broadcasters and arrived in early 2001.
- In accordance with the roll-out schedule set by the ABA initial coverage was limited. For example most of the in fill translators in the metropolitan markets were not rolled out until late 2003. This meant that a digital set top box or receiver might work in one part of a metropolitan market, but not another.
- The lack of equipment and coverage made it difficult to promote digital equipment to consumers.

Nonetheless to date the take-up achieved by free-to-view digital television has been consistent with the traditional take-up rate for comparable consumer electronic devices such as DVDs, VCRs, colour TV and radio at the same time after initial launch.

Figure 2: Comparison of Digital Receivers sold in Australian market with the sales of Widescreen and DVD players

Source: DVD figures from GfK Infomark Australia. Widescreen and Digital Receiver figures from Digital Broadcasting Australia.



4 Consumer equipment

The first consignment of 10,000 digital set top boxes to arrive in Australia were Standard Definition Thomson boxes and retailed for $700.

The most striking features of the development of the digital free-to-view market since then have been the rapid growth in the range of digital devices and the rapid fall in prices of both Standard Definition and High Definition equipment.

At the end of March 2005, there were 67 different models of set top boxes available on the market ranging in price from $129 to $1,500 for the top of the range HDTV box with a hard disk drive recorder capability. In recent months the Legend SD set top box has been retailing for $99.

In 2001 there were no integrated television sets available [an integrated set is an ordinary television set with a digital tuner built into it], today there are 21 different models ranging in price from $1,500 for a 66cm CRT device to $20,000 for a 152cm plasma device.

There are now 16 HD set top box models available with a price range from around $500 to $1,500. There are also five different models of HD integrated digital television sets on the market ranging in price from $7,000 to $20,000. Two HD boxes have been retailing for $299.

Widescreen televisions are growing in popularity with 450,000 sold in 2004 compared with 205,000 in 2003. Widescreen television set sales represented 28% of total TV set sales in 2004, but 65% of the gross sales revenue. Retailers report a correlation between uptake of widescreen television, and sales of set-top boxes. In the most recent quarterly sales reported by DBA, set top boxes outsold widescreens for the first time.

5 Content

Free-to-view broadcasters have invested significantly in upgrading their television production facilities to new digital technology providing support for new digital production formats including widescreen, HD pictures and Dolby surround sound.

5.1 Widescreen

Local sport, drama and news are overwhelmingly produced in widescreen digital format. Overseas content is also increasingly available in widescreen and HD formats as the world of television production moves to embrace digital production techniques.

All free-to-view television networks are delivering digital television programming in widescreen picture format. In June 2004 DBA reported that the level of widescreen programming shown during prime time across the three commercial networks (Seven, Nine and Ten) was an average of 75%.

A more recent survey by DBA has found that in the week ending 20 February 2005, between 5.00pm and midnight, the commercial networks achieved an average of 82.3% of programming in widescreen.

5.2 High Definition

From 1 July 2003, all metropolitan free-to-view television networks were required to provide 1,040 hours of HD programming a year. The Australian Broadcasting Authority announced in mid-2004 that all broadcasters had met and exceeded their quota requirements for their broadcasts of HD programming.

DBA's survey of the week ending 20 February 2005 also found that or original HD programming on the commercial free-to view networks in the metropolitan markets comprised:

- Drama Series and Movies – 53.5 Hours
- Light Entertainment – 33.5 hours
- News and Current Affairs – 27.5 Hours

This totalled 123 hours of native or original HD in that week (more than double the average 60 hours per week required under the quota).

Commercial regional broadcasters commenced HD broadcasts for most of their audiences on 1 April 2005. Commercial regional broadcasters are mandated to start HD broadcasts two years after the simulcast date for their area. The remaining areas will commence HD broadcasts by the end of this calendar year, except in regional Western Australia where no conversion scheme yet exists.

6 Broadcaster's support for digital roll-out

In addition to investing in the technological shift to digital transmission, free-to-view broadcasters have played a critical role in promoting the transition to digital on and off air through:

- a digital consumer campaign;
- the establishment of Digital Broadcasting Australia; and
- the Interference Management Scheme.

6.1 Digital marketing campaign

In late June 2003 Free TV members launched a Digital Free-to-View marketing campaign aimed directly at encouraging consumers to make the switch to digital.

Until then only 75,000 set top boxes had been sold, but this had been due in part to the fact that the roll-out was still limited. By June 2003 however, there was sufficient coverage,

equipment availability and content, to be confident that consumers attracted to the digital product would not be disappointed if they responded to the campaign and made the switch to digital.

The campaign which featured stars from each of the networks, Bert Newton, Catriona Rowntree and Joanna Griggs, focused on the key benefits of digital free-to-view;

- better pictures, better sound, widescreen; and
- no monthly payments.

The campaign was highly successful in communicating to consumers the availability and benefits of digital free-to-view television. Within three months the number of set top boxes sold had increased to 167,000. The campaign was also assisted by the Seven Network's highly successful digital coverage of the 2003 Rugby World Cup. The coverage included two digital multi-view channels with statistics and alternate commentary. By the end of 2003 the number of set top box sales had risen to 250,000 and has continued at a consistent rate ever since. (There have been some seasonal sales dips in common with other consumer electronic equipment from time to time).

Broadcasters have continued to air the campaign and are looking at preparing a new version to air in the second half of 2005.

6.2 Digital Broadcasting Australia (DBA)

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

The organisation has around 80 members currently.

All the commercial and national broadcasters were foundation members and provide more than 40% of the funding of DBA.

The organisation exists primarily to:

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

DBA has set up a comprehensive free-to-view digital website which attracts a high number of users. In March 2005, 114,000 unique visitors made use of the site with each spending more than five minutes per visit.

The website was also extensively used recently in providing immediate access to documentation associated with the increased power of free-to-view digital transmissions in the Gold Coast, which had the potential to cause interference with existing television reception. More than 4,000 downloads of an Interference Assistance leaflet and a *How to go Digital* brochure were recorded during this campaign.

The website covers everything from the range of consumer electronic equipment available and its recommended retail price, to how to achieve better reception of free-to-view digital television services.

DBA also publishes six information e-bulletins on free-to-view digital television each year. In 2004 these achieved 120,000 downloads. This information bulletin is regarded as the industry bible concerning the latest digital free-to-view related sales, equipment and service matters.

A significant part of DBA's efforts are directed at the consumer through the retailers. DBA has a policy of holding retailer education nights in every Coverage Area as soon as at least

the ABC and two of the relevant local commercial television stations have begun transmitting digital free-to-view television there.

Last year 12 retailer nights were conducted involving 750 retail staff. In 2004/2005 another 12 retailer training nights will be held.

This activity is largely aimed in the regional areas because this is where all new roll-out of digital free-to-view services is occurring. All the metropolitan markets now have all their main transmitters and translators providing digital free-to-view television.

DBA also provides significant point of sale and hard copy education and assistance material to 1,700 member stores around Australia.

The free-to-air broadcasters provide three of the five members of the DBA board and one of those board members is the Chairman.

6.3 Interference Management Scheme

Since December 2000, all free-to-view digital television broadcasters have co-operatively formed an Analogue Interference Assistance Scheme to inform analogue television viewers of possible interference to their reception (caused by near-by digital free-to-view television transmissions) and to manage and provide assistance in resolving interference problems.

In late 2000 a report commissioned by the Australian Broadcasting Authority indicated that up to 1 million viewers in the Brisbane marketplace alone could be affected by so-called VCR output channel interference because one of the new digital transmissions was on Channel 36. Because some viewers tuned their television reception through their VCRS, any interference with the video output channel (which sent the signal from the VCR to the television would mean that television reception would be lost

Similarly, it was felt that significantly more than 1 million people could be affected by VCR output channel interference when Illawarra free-to-view digital TV services began in early 2003 on Channels 36, 37 and 38 and free-to-view digital television transmissions on the Central Coast of NSW began using Channels 37 and 38.

It was felt these signals could affect the majority of Sydney analogue television viewers as well as those in Wollongong and on the Central Coast and the southern areas of Newcastle.

To address these potential interference problems, the broadcasters collectively decided to establish the Analogue Interference Scheme, and have now spent close to $3 million on it.

Free TV Australia organised the scheme and entered into contracts with call centre and technical service contractors to provide the services required. Free TV Australia has contracts in place with all licensed broadcasting entities and the two national broadcasters through which its costs in respect of the scheme are reimbursed in accordance with agreed percentages from each broadcaster.

Free TV Australia also entered into a commercial agreement with ASTRA to cover co-operative arrangements between the Pay television operators and the free-to-air broadcasters in the event of interference caused to Pay television subscribers.

In total, since free-to-view digital television began in December 2000, more than 300,000 calls have been received and more than 250,000 leaflets and brochures have been downloaded from the internet by or sent out by the broadcasters to interested viewers. A positive sign is that only 2000 homes visits have been required to be authorised under the scheme.

The level of interference that has been caused to analogue reception during the roll-out of free-to-view digital television so far has been minimal compared to any estimate made prior to it commencing in December 2000.

The outstanding success of the Interference Management Scheme in limiting the impact to existing viewers has been due to the close co-operation on the roll-out between the DCITA, the Australian Broadcasting Authority (**ABA**) and broadcasters.

The scheme has also served very effectively to inform viewers about digital services in each of the areas where roll-out is occurring.

The broadcasters' Analogue Interference Assistance Scheme is regarded as the worlds-best practice model, with the New Zealand Government, SKY Television New Zealand and the ITU recently requesting details and mechanics of the scheme.

7 Analogue switch-off

The Background Discussion Paper to this Inquiry states that the "inquiry is timely with the roll-out process underway since 2001 and the end of analogue transmission due in 2008."

In fact the legislation does not contain any firm end date for analogue transmission. Rather, the legislation states that the simulcast will be for "8 years or for such longer period as is prescribed in relation to that area".

This is consistent with international experience where most countries are yet to set firm deadlines for analogue switch-off. To date Berlin and two small villages in Wales are the only places which have gone digital only. In Berlin only a small number of viewers ever received their signals over-the-air and the villages in Wales are being used as a test for analogue switch-off.

The UK Government has yet to commit to a firm date for the switch-off of analogue signals although the regulator, Ofcom, has drawn up a schedule for analogue services to be switched off in 2012. If the UK government agrees to this deadline it will have taken 14 years from the commencement of digital services to complete switch-off in a country that has severe spectrum shortages and a great need for the extra spectrum that analogue switch off will provide.

In Australia, broadcasters have delivered on their commitment to roll-out digital services. The timetable for analogue switch-off is the subject of a further Departmental review later this year as part of a series of digital reviews that are currently underway.

In other countries conditions have been set for the timing of analogue switch-off. Broadcasters expect that DCITA will seek further comments on those conditions as part of its review.

8 Datacasting

The inquiry discussion paper comments on datacasting and its role in digital take-up.

Free TV Australia has previously commented on the role of datacasting and our support for the existing datacasting rules. (Free TV's submission to the DCITA review of the Operations of Schedule 6 of the Broadcasting Services Act 1992 [Datacasting Services] 25 January 2002).

Free TV continues to support the position in the submission that:

- "Datacasting licensees should not be able to provide services which are in fact "back door" broadcasting.
- The current rules are an effective means of clearly distinguishing datacasting services from broadcasting services, particularly in the absence of any alternative suggested approaches.

- There are a number of alterative options for use of the datacasting spectrum that are worthy of consideration, including delivery of government and local information services and continuation of technical trials."

Broadcast Australia is currently conducting a trial of datacasting services in Sydney which includes the delivery of government and local information services. Broadcasters are contributing to the trial in a variety of ways including providing an industry video programming guide on Channel 44.

Free TV's position on the datacasting rules is based on the current law that no new licences will be introduced before the end of 2006.

That issue is currently the subject of another review. (Free TV's submission to the DCITA review of The Provision of Commercial Television Services after 31 December 2006 is attached as Appendix 1.)

Free TV opposes the introduction of a new broadcast licensee on the basis that:

- "Australian commercial free-to-air broadcasters deliver high quality Australian content, local programming and premium overseas product free of charge to all Australians. They directly employ over 6,500 people and are the main support of Australia's film and television production industry.
- A limit on the number of licences is critical to maintaining high quality services as it ensures sufficient revenue and audience share to enable broadcasters to meet social and cultural objectives such as local content quotas.
- A new licence will damage the existing Australian Free TV sector by fragmenting advertising revenue and audience share and driving up prices for premium content. This will create financial instability in the broadcasting sector and jeopardise the standard of services currently provided."

If the Government maintains the policy that there should not be new licences then datacasting still has to be defined differently to broadcasting to achieve that policy objective. It follows that any relaxation of the datacasting genre provisions would be inconsistent with such an outcome.

9 Cross Industry co-operation on technical issues

As part of the move to digital broadcasters have worked with manufacturers and suppliers to develop an agreed industry procedure for over-the-air software downloads to Australian digital television receivers.

The broadcast delivery of over-the-air software downloads to digital television receivers (**OAD**) provides consumer electronics manufacturers and suppliers with the means to ensure that digital television receivers that include an appropriate download capability, can be easily upgraded to fix problems or add new functionality while they are located in consumers' homes.

Manufacturers have strongly argued that developing a system for delivery of OADs is critical to developing the digital free-to-view platform.

Broadcasters have produced a document that provides a process for OADs and it is currently being considered by manufacturers.

As part of any agreement on a process for OADs broadcasters and manufacturers would need to agree:

- a system for testing OADs; and

- an agreed position on liability issues arising from OADs.

It is necessary to thoroughly test OADs before they are broadcast to ensure the risk to consumers, manufacturers and broadcasters is minimised.

It is equally important to ensure that the liability issues between broadcasters and manufacturers are resolved as part of any agreement on a process for OADs.

Work on these issues is continuing and DCITA has convened a meeting in June 2005 to consider the manufacturers' response to the broadcasters' OAD process proposals and developments in relation to liability and testing issues.

Free TV Australia
6 May 2005