



6 May 2005

Dr Anna Dacre  
Committee Secretary  
Standing Committee on Communications, Information Technology and the Arts  
House of Representatives  
Parliament House  
Canberra ACT 2600

Dear Dr Dacre

## **INQUIRY INTO THE UPTAKE OF DIGITAL TELEVISION**

ASTRA welcomes the opportunity to submit to The House of Representatives Standing Committee on Communications, Information Technology and the Arts' inquiry into the uptake of digital television in Australia ('**Inquiry**').

ASTRA represents the interests of subscription television platforms and channels. A list of ASTRA's members can be found at [www.astra.org.au/members.asp](http://www.astra.org.au/members.asp).

ASTRA notes that this Inquiry coincides with the Australian Government's Digital Terrestrial Television Broadcasting ('**DTTB**') Reviews ('**Reviews**'). These Reviews consider amongst other things the provision of services other than simulcasting by terrestrial broadcasters on digital spectrum; the provision of commercial television broadcasting services after 31 December 2006; the broadcasting services bands spectrum (identification and structural efficiency); and underserved regional TV licence areas.

ASTRA's views are expressed in lengthy submissions to these Reviews and are highly relevant to the current Inquiry. Consequently a copy of our submissions is attached as the Annexure to this letter. In our submission, we make the following points:

1. Despite the extraordinary competitive advantages given to the commercial television networks through the sports anti-siphoning regime and their exclusive use of publicly-owned spectrum to provide digital services, Australian consumers are benefiting from new and growing services providing choice, diversity and innovation with most Australians who receive digital services doing so via their subscription digital set top box and remote control.

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2. Growth of Australian digital television take-up will continue to be driven by subscription television under the existing competition regulatory framework. It should be noted that this growth is particularly weakened by the anti-competitive sports anti-siphoning regime that limits and harms competition from Subscription TV. The reform of the anti-siphoning regime through the adoption of a 'use it or lose it' approach will encourage the further growth of digital television through subscription services.
3. Viewers can already choose from a wide variety of digital services through a variety of delivery platforms, including free-to-air services, subscription services and DVD services. That growth can only be maintained through a stable and fair regulatory environment which treats equitably all those who invest and provide services for Australian consumers.
4. Subject to concurrent removal of the anti-siphoning scheme, a moratorium against multi-channeling by the existing commercial television broadcasters should remain at least until 2008 allowing subscription television a fair period to consolidate the investments that have recently been made in new digital services and technology that were launched in early 2004. This is consistent with the protection given by Government to the commercial broadcasters for their digital conversion by way of the moratorium on additional commercial television licences until at least 2007. Through this moratorium, the existing commercial networks were given at least 6 years of protection from the time of the commencement of their digital services in January 2001.

The Inquiry by the House of Representatives Standing Committee on Communications, Information Technology and the Arts ('**Committee**') is expressed as concerning itself with, amongst other things:

- Options for encouraging consumer interest in digital television
- Reporting on the rollout process
- Future options

## **The Role of Subscription Television in Driving Digital Television**

The subscription television sector has been the single greatest driving factor to encourage the take up of digital television in Australia.

When AUSTAR launched its services in 1995 it offered Australian's their first taste of digital television. This has continued, with AUSTAR services being offered predominantly in regional and rural Australia. AUSTAR launched an enhanced television offering branded 'New AUSTAR Digital' in March 2004 with extensive publicity and marketing drives (coinciding with the launch of 'FOXTEL Digital'). As of March 2005, approximately 440,000 Australian homes are connected to AUSTAR's digital services.

FOXTEL launched its first digital television service in March 1999 – this being a digital satellite offering. Five years later FOXTEL launched its 'FOXTEL Digital' product which converted its existing analogue service to digital, relaunched its digital satellite services, as well as providing a raft of new content and interactive digital features. The service targeted Australian consumers in mostly metropolitan areas. As part of its launch, FOXTEL embarked on an ambitious and extensive

promotion of the benefits of digital television. A year on, approximately 63% of the more than 1 million homes connected to FOXTEL receive FOXTEL Digital services.

Collectively, there are more than 1 million Australian households that are subscribers to digital subscription television services, representing approximately 65% of subscription television homes. With an estimated total of 7 million households in Australia<sup>1</sup>, approximately 14% of Australian homes receive digital television through subscription television providers. There are on average 3.2 residents in subscription television households<sup>2</sup>. Consequently approximately 3.2 million Australians currently receive digital television through subscription television services. This is set to increase given the recent announcement that OPTUS will soon be providing digital television to both current and potential subscribers in metropolitan areas.

It should be noted that currently, digital services provided by ABC, SBS and Channel Nine are available on (sometimes multiple) subscription television platforms.

The aggressive promotion of digital television by subscription television operators has had the effect of dramatically growing the awareness of digital television and its benefits and opportunities to consumers. This has directly benefited the sale of DTTB boxes necessary to receive DTTB signals. DTTB box sales are one of the best measures available to understand how many Australians are in a position to receive DTTB signals. It is highly likely that as digital subscription television continues to be promoted to Australians, the growth in DTTB box sales will continue.

The benefits of digital television are no longer hypothetical but are now very real. Improved images, sound, captioning, multiple viewing feeds and cameras, multiple audio feeds, interactive voting and game play, interactive advertising, near video on demand, more than 70 different digital receivers on the market, integrated digital receivers in high definition and digital video recorders are all now freely available and being used in Australian households. Their use and application to Australians in their consumption of media continues to grow.

## **The Role of DTTB in Driving Digital Television**

When the issue was first considered in 1997 and 1998, Commercial TV broadcasters successfully argued that they should each be given a 7 MHz channel, to broadcast digital terrestrial television. Their argument was predicated on the notion that the spectrum should be used for high definition television (**HDTV**) which would be the driver for digital television.

From the outset, ASTRA disagreed with this approach believing it to be a defensive strategy to prevent the opportunity for others to access the spectrum for digital terrestrial broadcasting, on-line services and other emerging communications – and having the effect of sacrificing opportunities to promote diversity in the communications sector and provide substantial government revenue.

The express and implied commitments regarding the provision of HDTV which the commercial television broadcasters made to Government were the basis on which the digital television framework agreed to and passed by Parliament and on which the valuable slab of 7MHz of spectrum was granted to incumbent broadcasters. The spectrum was not provided for the delivery of non-HDTV multi-channel services.

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<sup>1</sup> OzTAM Quarter 1 2005

<sup>2</sup> OzTAM Quarter 1 2005

Importantly, there is much that hangs off this commitment to HDTV – including significant issues which affect the subscription television sector. This is considered further below.

Influenced by both the framework sought by terrestrial broadcasters and the development of digital television on subscription services, there have been increasingly large purchases of digital television set top box receivers in Australia. This has been despite low investment by terrestrial broadcasters in the program enhancements<sup>3</sup> able to be developed under current digital television regulation and almost non-existent promotion of DTTB by terrestrial broadcasters to Australians.

The Digital Broadcasting Australia ('DBA') website ([www.dba.org.au](http://www.dba.org.au)) indicates that digital terrestrial television can be received in 12% of Australian homes able to receive digital television signals. A combination of Federal Government funding, industry funding and programs such as the 'Television Black Spots Program' and the 'Television Black Spots – Alternative Technical Solutions Program' have resulted in approximately 91% of Australians now having the ability to receive DTTB services.

DBA makes the following:

*“As at 31 March 2005 the estimated number of digital television set top box receivers and integrated digital tv sets in Australian homes was 777,000, an increase of 119,000 units for the quarter. The estimate is based on sales reported by DBA member companies supplying product to retailers and installers. The average monthly sales of digital tv receivers for the March 2005 quarter were just under 40,000 units. This compares to a monthly average of 24,000 units for the same period in 2004”<sup>4</sup>*

Ian McGarrity, Chairman of DBA expects that the sale and free supply (for example due to an association with the purchase of an expensive television set) of digital set top boxes is expected to increase strongly in the coming years.<sup>5</sup>

## **Future Options**

As noted, ASTRA does not support any singular reform or amendment to the regulation of digital television services without careful and deliberate consideration of the associated historical and current policy trade-offs associated with that regulation. Further, the effect of any considered reform must be to increase competition in the entertainment market with the overall beneficiaries being consumers. ASTRA's recommended approach is based on a successful unwinding of the historical trade-offs to achieve the public policy goal of 'competitive neutrality' and is fully explored in the Annexure.

Subscription television has always played a very valuable and significant role in ensuring that Australian's receive the best digital television in the world. It would be unwise for government to upset the current balance of regulation so as to negatively impact the sector and its investment in the provision of digital television on subscription television. In particular ASTRA considers it important that its members receive a similar investment certainty afforded to the commercial free-air TV networks and most recently the commercial radio sector for digital conversion.

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<sup>3</sup> Examples of the developments to date appear on the Digital Broadcasting Australian website: [www.dba.org.au](http://www.dba.org.au).

<sup>4</sup> Digital Broadcasting Australian website as at 5 May 2005.

<sup>5</sup> Copyright Tribunal 21 April 2005: "Audio-Visual Copyright Limited vs FOXTEL Management Pty Limited & Ors".

Please contact me if we can provide any further assistance to the Committee in any way.

Yours sincerely

A handwritten signature in black ink that reads "Debra Richards". The signature is written in a cursive, flowing style.

Debra Richards  
Executive Director

## **ANNEXURE**

### **Copy of ASTRA Submission to 2004 Digital Television Reviews – 1<sup>st</sup> Review**

- Provision of Services other than Simulcasting by Free-To-Air Broadcasters on Digital Spectrum

### **Copy of ASTRA Submission to 2004 Digital Television Reviews – 2<sup>nd</sup> 3<sup>rd</sup> & 4<sup>th</sup> Review**

- Provision of Commercial Television Broadcasting Services after 31 December 2006

- Review of the Broadcasting Services Bands Spectrum: Identification and Structural Efficiency

- Review of Underserved Regional Television Licence Areas