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INQUIRY INTO THE UPTAKE OF DIGITAL TELEVISION

**SUBMISSION TO THE
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS,
INFORMATION TECHNOLOGY AND THE ARTS**

**SPECIAL BROADCASTING SERVICE CORPORATION
MAY 2005**

SBS thanks the House of Representatives Standing Committee on Communications, Information Technology and the Arts for the opportunity to make a submission to the inquiry into the uptake of digital television in Australia.

SBS has actively supported the objectives of the digital television conversion since its commenced in 2001. SBS regards it as part of its role as a national broadcaster to contribute to the uptake of digital television in Australia in order to achieve the legislative objective of retiring analogue television spectrum and freeing it up for other uses. This aligns with SBS' corporate strategy of using digital broadcasting as a way to develop its capacity to deliver broader and richer services under its Charter to all Australians. SBS now provides six services on digital television, including two digital only multichannels and rebroadcasts of its two radio services, in addition to a range of enhanced and interactive content.

There has been significant industry progress since the commencement of free-to-air digital broadcasting in 2001, including a successful digital transmission rollout to almost the entire nation, at a speed and of a scale unparalleled internationally. However, while digital broadcasting is now available to most Australians, the level of consumer uptake to date is far from what is necessary to reach switch-off by the statutory target of 2008 or any date within a reasonable period after that.

With transmission rollout and broadcaster digitisation well underway, the focus of future regulatory reform needs to be at the *consumer* end. SBS welcomes the Committee's consideration of what more can be done to drive consumer uptake at this point.

Influencing the consumer decision to convert from analogue to digital is made more challenging by the success and mass appeal of the existing analogue television market. At this stage in the development of the industry, consumers need compelling reasons to purchase digital receivers, involving a range of benefits that are identifiably greater than those currently available through analogue television. If digital is only regarded as a marginal improvement on the existing analogue service, it will remain difficult to convince consumers that digital is a *necessity*, rather than just a "nice to have" alongside other new and emerging consumer devices.

Driving consumer uptake

In previous submissions to Government reviews of digital broadcasting, SBS has consistently argued that no single driver will achieve the volume of digital uptake that will bring the market closer to analogue switchoff. It will require a combination of the following factors and regulatory change to support them:

1. Receivers at acceptable price points that deliver significant audio visual improvements on the analogue television experience;
2. Extra content and services;
3. Seamless, user friendly and durable technology; and
4. Consumer understanding of the above, which may be assisted by awareness of a certain switch-off date.

In summary, SBS' position in relation on each of these points is that:

- **Digital receivers are affordable, available and provide audio visual and technical benefits:** A large range of receivers is now available on the Australian market, many at lower prices than an analogue television set and all offer better reception, clearer pictures, better sound and widescreen viewing. These alone have not proved to be enough to generate the necessary level of sales.

- **Extra content and services are needed to make digital distinctive and necessary as a consumer purchase:** The experience in international markets demonstrates that new and interesting digital-only content and services are needed to drive consumer uptake. This should include distinctive and innovative multichannels that offer extra viewer choice and address unmet audience demand. Public broadcasting is well placed to provide attractive viewing choices that significantly drive uptake.
- **Receivers must have seamless, user friendly and durable technology to maintain consumer confidence:** The unique nature of the Australian market has made it necessary to have a high level of industry co-operation in receiver development, to ensure that equipment in the market works properly and consumers can readily receive equipment upgrades. SBS actively supports the establishment of an independent testing and conformance centre to give consumers confidence in the reliability and durability of the products they purchase.
- **Government and industry need to ensure consumers understand the benefits of digital TV:** In a crowded market for consumer devices, there need to be clear selling messages. While consumer awareness is increasing, the market needs to reach the point where consumers feel they are missing out on attractive programs and services if they do not have digital. SBS also believes that increased public awareness of a certain analogue switch-off date will assist.

Adjusting the regulatory framework

SBS advocates the following regulatory changes to assist with the development of new and innovative content and services to increase uptake of free-to-air digital television, based on the principle that broadcasters should have the flexibility to program in innovative ways to lift the appeal of digital for their audiences:

- Multichannelling genre restrictions on the national broadcasters should be immediately lifted or substantially relaxed.
- The SDTV / analogue simulcast should be maintained, but with a certain, well publicised analogue switch-off date.
- National broadcasters should be funded to develop innovative and attractive digital services through their multichannelling capacity.
- There should be a limited moratorium on captioning requirements for new multichannel programming or specific funding assistance for national broadcasters to provide this service.
- Free-to-air spectrum should remain solely for the purpose of providing free services and not for subscription broadcasting or narrowcasting services.
- Government should consider mandating of digital receivers in all new televisions.

The Government has already committed almost \$1 billion over 10 years to national broadcaster transmission infrastructure as well as substantial capital funding for digitisation of national broadcaster production facilities. The national broadcasters have attempted, within existing resources, to offer some new services. However, while these services remain limited, this significant nation building project currently does little more than duplicate a massive and equally costly analogue infrastructure.

A relatively modest amount of public broadcaster funding for innovative content and services on digital television will assist in realising the value in this infrastructure and help stimulate consumer interest in digital television, for the benefit of the industry and to further the policy of analogue switch-off.

Context

The Special Broadcasting Service Corporation is established under the *Special Broadcasting Service Act 1991*, with a Charter to provide multilingual and multicultural radio and television services that inform, educate and entertain all Australians, and, in doing so, reflect Australia's multicultural society.

Digital rollout process, progress to date and future plans

Transmission

- SBS has rolled out digital transmission to over 90% of Australians as part of the legislated national conversion scheme under the *Broadcasting Services Act*.
- Transmission rollout of SBS digital services is due to be complete by 2007.
- Over 85% of Australians are able to receive digital services for all local networks.
- The Australian digital transmission rollout has been highly successful, of a scale, speed and complexity unparalleled in international markets.

Content and services - current

SBS is already a model for some of the types of services which can be provided through multichannelling and datacasting.

- Since 2001, SBS has been broadcasting in digital a simulcast of its main channel broadcast in Standard Definition and High Definition formats. It also commenced broadcasts of its two radio services on digital television, delivering programs in 68 languages.
- Since 2002, SBS has broadcast the digital-only *World News Channel*. This multichannel broadcasts language news services from 17 countries in 16 languages, 24 hours per day. This was developed as a trial, low cost service. As a result, the morning programming largely duplicates the programs available on the main-channel *WorldWatch* program and updates them throughout the day. Since its launch, SBS has used its research and development partnerships with technology companies to add some automated features, including weather and text news headlines with pictures. The news and data service aggregates content that is produced for the SBS website database and reproduces it in a visual format for television. Customised technology has been developed to enable this service to operate efficiently and inexpensively.
- Since 2002, SBS has broadcast the digital-only *SBS Essential*, an electronic information guide for SBS programs. It contains information about SBS programs, short news items and weather information. It has also been used as the channel on which enhancements to main channel programming are provided. An example was the UEFA Champions League Soccer finals in April 2004 where viewers were able to watch the match on the main channel and then switch to *SBS Essential* to view a loop of highlights and additional data on the match.
- Throughout this period, SBS has also been developing innovative but low cost digital features, enhancements and interactive services for its digital services in active development partnerships with technology companies. SBS enters into these partnerships on the basis that any learning from its research and development is shared with other parts of the industry and a number of SBS research and development outcomes have been disseminated for the benefit of the industry.



Content and services - future plans

SBS planning to date has occurred within serious funding constraints and the services developed have been on a very low cost basis and with the benefit of technology partnerships. It has also used opportunities to create multi-platform content to stretch limited resources. This has enabled a program of continual improvement of its digital services, up to a point. Development projects for future enhancements which are currently in train include:

- Adding multimedia to the *World News Channel* through the production of a video feature that takes top stories from World News programs and provides English subtitled text, allowing all Australians access to other countries' news perspectives.
- Adding repackaged SBS-produced English language international news grabs developed for the web to the multichannel.
- Further enhancing *SBS Essential* with extended previews of SBS programs and repackaged video broadband material such as the *World Tales* animated short film series made by young filmmakers and musicians made initially for the web, based on fairytales from around the world provided by SBS Radio listeners).
- Interactive television enhancements, such as an overlay for the *Insight* program, giving viewers the choice to get more information about the program they are watching, including, for example: a "Who's Who" screen showing a photo and profile of the main protagonists in the debate; "Facts" about the subject matter, "Quotes" showing key positions; "Poll results" showing ongoing results of an sms interactive poll on audience opinions; "Upcoming" listing future *Insight* programs and/or information about past programs. There is continuing development on interactive sports applications for *The World Game* soccer program.
- Interactive SBS Radio program guides, allowing viewers to see the radio schedule for both stations broadcast on digital television and giving them information about the program and music or story they are listening to.

With appropriate funding, SBS would develop major enhancements to *The World News Channel* including serving additional languages. It is continuing to develop plans to use its spare multichannel capacity to provide a varied range of distinctive and appealing digital content.

Driving consumer uptake

Digital broadcasting is a new market and its success is dependent on consumers purchasing and using a digital receiver. No single driver will achieve the volume of digital uptake that will bring the market closer to analogue switch-off. It will require a combination of several drivers, as outlined in the Executive Summary. Further detail about SBS' position on each of these drivers is set out under each of the following headings:

Digital receivers are affordable, available and provide audio visual and technical benefits

Australian consumers now have access to a large range of digital receivers, starting from as little as \$99. These boxes offer a number of distinctive features and options including the choice of standard definition or high definition reception, personal video recorders on the device and some interactivity. Despite a visible drop in prices of analogue televisions, the market has now reached the point where the entry level price for a digital set top box is lower than for an analogue television set.

All of these receivers deliver on the technical features promised by digital: better reception, clearer pictures, better sound and widescreen viewing. While there has been demonstrated growth in the sale of digital receivers over the last couple of years

(which appears to some extent to be driven by widescreen television purchases for DVD display) the take up level to date, while encouraging, suggests these features alone are not enough to generate the level of sales needed for switch-off in the short to medium term.

Extra content and services are needed to make digital distinctive and a necessary consumer purchase

Experience in other markets, particularly the UK, demonstrates that new and interesting digital-only content and services provide a major impetus for consumer uptake. While these markets differ from Australia in a number of respects – for example, the dominant player in the UK market is the public broadcaster – the central proposition of content as driver is now broadly accepted. The impact of extra content and services is no longer a *potential* driver: its effect has been demonstrated here and internationally.

Examples of other successful consumer products also demonstrate that the compelling proposition is not the technology or device: it is about the content available through the device. For example, the recent success of iPods builds on an enormous investment in infrastructure and access to a vast range of content, developed over many years by the music industry, the internet industry and technology companies.

The challenge for developing the Australian market is finding cost effective and sustainable ways to increase the range of available content. Interactive or enhanced services - such as sports programs - can offer audiences an extension of their television viewing and make existing programming more attractive. For example, the Seven Networks' enhanced Rugby World Cup was considered to have driven the purchase of tens of thousands of set top boxes at the time. SBS has provided enhancements and trialled interactive programs for several years.

Multichannelling is central to providing a critical mass of extra consumer choice. Submissions to the Government's 2004 Review of into the Provision of Services Other than Simultcasting by Free to Air Broadcasters on Digital indicated that there is no clear business case for commercial networks at this time to make a large scale investment in new free-to-air services. This is likely to remain the case while audience numbers remain too small to attract advertising revenue through traditional means. Until new revenue models are developed, commercial broadcasters are not likely to be in a position to be sole drivers of change in digital consumption.

In contrast, multichannelling has been at the core of SBS' digital strategy since 2001 as a means to extend impact, reach new viewers and experiment with new ways to interact with our audiences in order to better deliver on its Charter. In the absence of additional funding, SBS has found innovative ways to provide the experimental services *The World News Channel* and *SBS Essential* which demonstrate – but are yet to deliver – the potential of digital broadcasting. SBS believes that a wider and richer range of content on public broadcaster multichannels aimed at addressing unmet audience demand will prove a significant driver of digital uptake.

Digital programming needs to be distinctive from analogue programming and this requires investment over and above the current low cost services. There is increasing competition for consumer attention and the offering needs to be strong and appealing.

The national broadcasters are also well placed to deliver services which may not be immediately available from regional broadcasters. Telecommunications and broadcasting services, whether for entertainment, information or utilitarian purposes are in high demand in rural, regional and remote areas of Australia. For digital

television, the main sources of capital investment are in the large metropolitan commercial television organisations. Regional broadcasters only have a limited capital bases available for trialling new services for their licence areas. This makes it unlikely that regional broadcasters will be in a position, in the short to medium term, to create equity of service delivery between city and country. This is a further area in which SBS can assist in the early stages of industry development.

SBS' multichannels, if adequately funded and allowed to develop, can serve as significant drivers for particular audiences. In the early days of its *World News Channel* service, SBS tested this proposition by placing small notices in shopping centres in the Chatswood area (which has an expatriate Japanese community) advertising that the Japanese public broadcaster NHK news service on *The World News Channel* would be broadcast 1 hour after the live broadcast in Japan. SBS then worked with a manufacturer to track sales of digital set top boxes in that area. A strong increase in demand was recorded, with several thousand set top boxes sold in that area alone following advertisement of the service.

SBS is positioned to deliver services, through partnering with industry, governments and others. In the area of content, SBS can build on the successful SBSi commissioning model to leverage funding, together with the effective innovation content partnerships SBS has forged in the past with State cultural agencies to produce low cost, high value content utilising the skills of talented young program makers from culturally diverse backgrounds. Examples include *Whatever*, *World Tales* and *MySpace* (for details, see www.sbs.com.au), which produced broadcast quality content from relatively modest resources.

With imported programs increasingly dominating entertainment and information services into the future, public broadcasters will be increasingly important to offer local programming and tell Australian stories – in SBS' case, reflecting Australia's increasingly culturally diverse society. The national broadcasters can collectively help drive the beginning of digital consumption while a free-to-air commercial business case and wider whole of industry economies of scale are developed.

Receivers must have seamless, user friendly and durable technology to maintain consumer confidence

Due to the particular technical standards adopted for the Australian market, the technology used in digital receivers is unique. Despite a high level of industry co-operation, there are complex issues around equipment standards which do not exist for analogue transmission.

As the technology develops, boxes currently in the market will need upgrades: the easiest way for consumers is through over-the-air downloads of technical upgrades through the broadcast signal. However the technical complexity of doing this creates risk for all involved, including to the device. SBS has worked with major consumer electronics manufacturers and other broadcasters to explore the best ways of developing reliable consumer equipment that operates effectively with evolving broadcasting technologies.

It has also undertaken research and development into digital services and technologies and engaged in partnerships with leading information technology providers such as Sun Microsystems and Apple to achieve this. As a public broadcaster, SBS makes it a condition of these developments that the learning is shared with the industry and the outputs - such as an automated system for a video program guide – have been used for the benefit of the industry. Through its work with the Public Broadcasters and Manufacturers Group and the commercial broadcasters, a large amount of work has

been done to develop processes and standards, working towards the establishment of an independent testing and conformance centre.

SBS believes that the establishment of an independent testing and conformance centre is essential to enable manufacturers and broadcasters to have confidence in consumer equipment. In doing so, it will deliver to consumers reliability and durability in the products they purchase and that this will assist in driving uptake. SBS notes that Government policy supports the notion of an independent testing and conformance centre and welcomes further action to assist in realising its establishment.

Government and industry need to ensure consumers understand the benefits of digital TV

It is not enough that digital offers all of the above additional benefits: consumers need to be educated about them in a crowded market and in competition with other attractive consumer devices.

In this regard, SBS notes the work done with retailers and antenna installers through Digital Broadcasting Australia and campaigns by the free-to-air broadcasters to raise consumer awareness. Additionally, in contrast to little more than a year ago, digital set top boxes and receivers are now regularly advertised in retail catalogues.

It is nevertheless interesting to compare this with the UK experience, where the focus of the marketing of digital television after several years is no longer on the technology or the equipment: it is about the extra programs and services consumers can receive. Viewers on BBC1 will regularly see promotions for programs on its other digital only services; the best incentive for consumers is to see what they are missing out on in the absence of a digital receiver.

SBS has also advocated that a certain switch-off date will provide a particular incentive for digital take up. This is supported by anecdotal feedback, including through the SBS Community Advisory Committee.

Adjusting the regulatory framework

The regulatory framework needs to create opportunities for a *range* of drivers to develop and flourish, to let new types of services be trialed and the market eventually determine what are the best ways to sustain audiences.

SBS advocates the following regulatory changes to assist with the development of new and innovative content and services to increase uptake of free-to-air digital television. The principle underlying these changes is that broadcasters should have the flexibility to program in innovative ways to lift the appeal of digital for their audiences:

- *Multichannelling genre restrictions on the national broadcasters should be immediately lifted or substantially relaxed.*

SBS supports the relaxation of any restrictions that inhibit industry development. Consolidation of the Pay TV market in recent years has created a market where it complements and co-exists with free-to-air and restrictions are no longer sustainable.

The market should be given the maximum ability to find the best models for delivering new free-to-air services.

- *The SDTV / analogue simulcast should be maintained, with a certain, well publicised analogue switch-off date. See page 6. SBS notes that this issue is the subject of a legislative review to be conducted by DCITA later this year.*
- *National broadcasters should be funded to develop innovative digital services through their multichannelling capacity.*

As outlined earlier, national broadcasters are well placed to provide a package of content giving extra consumer choice. However, in order to make this attractive and compelling, it needs to provide a richness and diversity not available on the analogue service. Funding support for public broadcasters will benefit the whole industry by increasing the profile and attractiveness of digital.

The DCITA Issues Paper for the Review into the Provision of Services Other than Simultasting by Free to Air Broadcasters on Digital referred to the US experience in allowing a moratorium on multichannel fees and, following that, a payment from "enhanced economic benefits" to "fund or boost public interest broadcasting."

SBS supports the exploration of a funding model for funding national broadcaster to innovate and develop new services while the industry is developing to achieve sufficient consumer take up to contemplate analogue switch off.

- *There should be a limited moratorium on captioning requirements for new multichannel programming or specific funding assistance for national broadcasters to provide this service.*

Original, digital-only programming will become a central driver of digital. While SBS recognises that closed captioning is a valuable and important service for deaf and hearing impaired viewers, additional captioning costs have the potential to inhibit broader program development at the critical early developmental stage of digital broadcasting when audiences for multichannel programs are relatively small.

The moratorium on captioning new multichannel programming would be for a limited period, with a review of industry conditions prior to any change. Alternatively, the impact of captioning costs should be considered as part of any funding package for the national broadcasters.

- *Free-to-air spectrum should remain solely for the purpose of providing free services.*

SBS does not support the use of free-to-air spectrum for subscription broadcasting or narrowcasting services during the current developmental phase. As a public broadcaster, SBS believes high quality content should be available for all Australians free of charge. One of the strengths of the Australian media has been the quality of its free-to-air broadcasting sector. SBS would be concerned that any unrestricted ability for free-to-air broadcasters to provide subscription services may see the migration of quality programming away from free-to-air television, marginalising free-to-air television and leading to reduced consumer choice.

If it were Government policy to allow the free-to-air broadcasters to provide subscription services, the role of public broadcasting would be even more significant in ensuring equitable access to the best quality or most popular television for all Australians. Digital broadcasting offers enormous potential to increase services available to all Australians, particularly through future interactive services. For example, early research by ICE Interactive suggested that interactivity could be very valuable in poorer households which did not own computers. A digital environment should not

result in a widening in the gap between the information rich and the information poor based on ability to pay.

A healthy free-to-air broadcasting sector requires, at least at the outset, a viable business model based on free, not subscription services. This may be an issue for review at the end of the first development phase of digital once analogue switch off is achieved.

- *Government should consider mandating digital tuners in new television.*

While this alone would be unlikely to be a sufficient driver (given the life of existing television sets and the number of sets per household), it could prove helpful as one part of a package of industry reforms. This is an issue worthy of further investigation.

Other technological issues and future options






In addition to the consumer issues outlined above, the timing of reforms to address uptake is also important because of the rate of development of new technologies in Europe and Asia. By engaging with the manufacturing industry *now*, Australia has the opportunity to be involved in shaping technological development; without this engagement, several generations of consumer equipment will be developed without regard to Australian conditions. For example, DVB-handheld technology is being trialled now internationally; if Australia is involved, this will allow it to be tailored in a way that suits the Australian broadcasting environment.

Although not of direct relevance to the digital broadcasting sector, the benefits of these technologies spread beyond these industries to other sectors. Advances in digital broadcasting technologies have applications in the wider economy, especially in the area of national security.

The legislative changes suggested elsewhere in this submission are aimed at creating a more a consumer friendly marketplace and encouraging more leading equipment manufacturers, most of which are Europe and Asian based, to invest in the Australian market. For that investment to occur, manufacturers need to be confident that the regulatory framework will encourage accelerated take-up.

Without this, the Australian market may be marginalised and obliged to adopt technologies better suited to conditions elsewhere.

**Special Broadcasting Service
May 2005**

 <p>SBS Main Channel - SDTV Digital Channel 3</p>	<ul style="list-style-type: none"> ○ Broadcasts SBS analogue Main Channel programming in SDTV quality format. 	<p>4 megabits (approx)</p>
 <p>SBS Main Channel - HDTV Digital Channel 30</p>	<ul style="list-style-type: none"> ○ Broadcasts SBS analogue Main Channel programming in HDTV quality format. ○ Upconverted SDTV programming ○ Enhanced picture quality 	<p>8 megabits (approx)</p>
 <p>Digital Channel 31 Launched October 2002</p>	<ul style="list-style-type: none"> ○ Available 24 hours per day. ○ News, weather, sports and general information, and a continuous guide to SBS services. ○ Used to broadcast interactive enhancements to SBS main Channel for example, UEFA Cup ○ Future interactive capacity will give viewers some internet conveniences and be a gateway into all of SBS services. 	<p>2 megabits (approx)</p>
<p>THE WORLD NEWS</p> <p>Digital Channel 33 Launched July 2002.</p>	<ul style="list-style-type: none"> ○ Available 24 hours per day. ○ All news service for the millions of Australians whose native language is not English or who speak a language other than English. ○ Broadcasts news from 17 countries in 16 languages. ○ Updates 12 Main Channel <i>WorldWatch</i> bulletins per day. ○ Experimental full service channel 	<p>3 megabits (approx)</p>
 <p>Digital Channel 38</p>	<ul style="list-style-type: none"> ○ A multilingual audio service. ○ Soon to have an interactive guide. 	<p>0.256 megabits (approx)</p>
 <p>Digital Channel 39</p>	<ul style="list-style-type: none"> ○ A multilingual audio service. ○ Soon to have an interactive guide. 	<p>0.256 megabits (approx)</p>
ON SBS DIGITAL IN THE FUTURE		
<p>SBS Extra Channels</p>	<ul style="list-style-type: none"> ○ Subject to adequate funding. ○ Channel content under development 	<p>3 megabits (approx)</p>

SBS - 7 MHz Spectrum (approx 20 mb/sec over 7 megahertz of Spectrum)