

(Check against delivery at 4.15pm Tuesday 28 June)

Opening Statement: (of Mr Paul Jenkins)

Chairperson and Inquiry members,

Allow me to commence by expressing the appreciation of LG for the opportunity to appear before the Inquiry and share with you some of our views on the uptake of digital television.

By way of warning, this is the first time I've appeared before a Parliamentary Inquiry, so I hope you'll forgive me for anything that proves I'm not a very good politician.

In coming to this Inquiry, we've spoken with our customers, our staff, and our retail partners. We've looked at the dynamics of the industry, and looked in to our own business plans.

The conclusion we've come to has taken some by surprise, given the focus within our business of offering high definition digital televisions to the Australian consumer market.

The conclusion we've reached is that the best interests of the wider Australian public would be best served by reconsidering the timetable for the phase out of analogue services.

Having considered the potential challenges of sticking with the current timetable, we think most Australians are not yet ready for the move.

Yet in considering a revised phase out timetable, we encourage the current framework to remain in place. Government, industry, and consumers have already marked down 2008 as the time for the transition.

For this reason, we argue the sale of analogue televisions should cease by the time 2008 arrives. The actual shut down of analogue signals should follow some time after, perhaps as we have said in evidence to the Inquiry, by a point in 2010.

Before explaining the rationale for LG's position, it might be useful to consider the role and contribution of LG within Australia, and then consider the contribution we can make to the thinking of this Inquiry.

We were founded in Korea in 1958. We market products across 180 countries, and employ 64,000 staff worldwide.

We established our business in Australia in 1997. Our central office is located at Eastern Creek, New South Wales, and across Australia we directly employ some 300 staff.

We have offices and warehouse facilities in NSW, Victoria, Queensland, South Australia and WA, and we draw on our global manufacturing capability spread across Asia.

By way of product offerings, we produce televisions, home theatre systems, DVD and VCRs, Refrigeration and Washing machines, cooking appliances, computer notebooks and monitors, GSM and CDMA mobile phone handsets.

With our experience of making and selling this equipment across 180 countries, we know Australia to be an early adaptor of new technology.

It is for this reason that we have considered why the uptake of digital television has been so slow, and why we have come to conclude the analogue phase out should be reviewed.

The case for switching to digital television is clear. Yet the case has not yet been effectively communicated.

Consumers who have made the switch have started to appreciate the advantages of the digital television offering.

The clear benefit to consumers is the potential for greater choice. The possibility of multichanneling for example enables the prospect of extra viewing options. In the US for example, some local community stations have a mandate to keep viewers in touch with local news and events, in a manner similar to the many community radio stations that operate across Australia.

In a similar approach to that of multicultural radio programming, digital television will enable the provision of broadcasting in multiple languages.

The roll out of digital transmissions in other countries have proven that content improves and grows in line with the growth in viewer numbers. Consider the current approach of broadcasting educational and university courses. Digital TV with its numerous channels and its subscription systems, provides a way to broadcast educational materials. Expect to see universities and business schools taking up digital TV as a means of broadcasting to learners.

Governments too have looked to digital to serve the community, with the United Kingdom embracing digital transmission to achieve its target of delivering 25% of its services electronically.

The interactivity of digital television is one of its key assets. For instance, Internet access can be provided at speeds exceeding those currently available. This can be achieved by using the spare bandwidth released by the compression techniques employed in satellite transmission of digital television.

In addressing the potential for delivering high speed internet access, particularly in rural and regional Australia, the role of digital television as a delivery mechanism has yet to be given the full attention it deserves.

Viewers with widescreen TVs will be able to take advantage of the higher proportion of widescreen format material that is now being included in digital TV broadcasts. With the benefit of increased Picture Resolution and Multi-track Dolby Sound, many films originally made for the cinema are able to be shown as intended by the director. Near Video On-Demand will enable access to these films – digital television enables a block of channels to be put aside for a view on demand access model, allowing viewer preference on when they wish to view a program.

So why is it, given the opportunity presented, that digital television has not been embraced as widely as other technologies.

There are several reasons, most of which relate back to awareness. In a highly technical arena, there has not been a concerted effort to both make consumers aware of the possibility of digital, and to share understanding the analogue phase out.

Yet there are other challenges underpinning the slow take up, including:

- o The relatively small amount of digital content being broadcast, resulting in consumers seeing little incentive to shift from analogue to digital transmissions;
- o The low digital transmission quota requirement of 1040 hours per year for high definition content, that does not offer a real requirement for content providers to develop the offerings for Digital Television
- o Inconsistency in the quality of transmissions, particularly in some rural and regional areas;
- o The absence of agreed operating standards, resulting in incompatibility of some devices, This could be overcome through the establishment of a testing and compliance centre;

The cost of moving to digital products has been raised at a point earlier in this inquiry. We consider such a discussion not only useful but in fact necessary. As a starter, we must not confuse digital television technology with that of other technology, such as plasma. LG today offers a Digital plasma TV at the same price as an Analogue plasma TV.

The cost of the analogue and digital receivers in this case makes no impact on the final ticket price, and it would be wrong to say digital equipment is always more costly than an analogue alternative.

Additionally, there is scope for further price stabilisation when we achieve certainty of the analogue phase out timetable. Whilst we have focused our initial digital offerings on large screen formats, our plans are to expand the range to offer smaller digital screen televisions. If we can be certain that by 2008 the market will have moved to the sale of digital television only, we can assure price parity. By this, we foresee consumers as being able to purchase a digital television within the same pricing framework as standard analogue televisions can be purchased today.

For those not seeking a new set, digital receivers are today available at \$199. With the expectation of gradually decreasing purchase costs, it is not unreasonable to expect set top digital receivers falling in price to a point where price will become less of an issue.

Of course, we focus on providing televisions with built in digital receivers, and we look forward to bringing more of these products to those who might want to buy them, but for those who do not, an accessible option for moving to digital transmission exists in the purchase of a modestly priced set top receiver.

In returning to the key issues we want to impress upon the Inquiry, we recognise the value of exploring a revision in the timetable for phasing out analogue transmissions. LG would not want to support a timetable that might disadvantage those currently unaware of it.

Yet we argue the framework for phase out should stay in place, by government and industry working to agree that by 2008, new analogue televisions should not be available for purchase across Australia.

This approach has been adopted in the US, and in other countries such as Taiwan, where government and industry put in place deadlines by which manufactures agreed to withdraw incompatible product from sale.

We've provided to the Inquiry an outline of the US model (**attached**), and recommend its review in deliberations of this Inquiry.

For our part, LG has considered the contribution it can make to improving consumer awareness of the benefits of digital television, and we are committed to joining with others in the industry to improve awareness, both in understanding of digital television but also of the timetable for analogue phase out, what ever timetable is in place at the conclusion of this Inquiry.

Thank you for allowing LG the opportunity to share with you our thinking, and I hope you will consider LG's offer to work both with the Inquiry and with regulators to develop Australia's best possible framework for the phase out of the analogue transmission.

(ends)

Attachment



NEWS

Federal Communications Commission
445 12th Street, S.W.
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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

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FCC INTRODUCES PHASE-IN PLAN FOR DTV TUNERS

Plan Minimizes Costs and Allows Consumers to Access DTV Signals

Washington, D.C. - Today, the Federal Communications Commission (FCC) adopted a plan that will give consumers access to digital programming over television by requiring off-air digital TV (DTV) tuners on nearly all new TV sets by 2007. By enacting a five-year rollout schedule that starts with larger, more expensive TV sets, the FCC is minimizing the costs for equipment manufacturers and consumers. This action marks another step in the FCC's progress toward making the digital television transition a reality.

The FCC said DTV receivers are a necessary element of broadcast television service in the same way that analog TV receivers have been since the inception of analog television service. Although analog receivers are still dominant today, that will change as the transition to digital TV progresses. The FCC said that its jurisdiction is established by the 1962 All Channel Receiver Act (ACRA), which provides the FCC with the "authority to require" that television sets "be capable of adequately receiving all frequencies" allocated by the FCC for "television broadcasting." The authority provided under the ACRA applies to all devices used to receive broadcast television service, not just those used to receive analog signals.

The FCC said the plan reflects and accounts for the following:

- including DTV reception capability in new television receivers will require the redesign of product lines,
- prices are declining and will decline even faster as economies of scale are achieved and production efficiencies are realized over time, and
- prices of large TV sets have been declining at a rate of \$100 to \$800 per year, so the additional cost of the DTV tuner may be partially or completely offset by the general price decline.

The FCC said this plan will ensure that new TV receivers include a DTV tuner on a schedule as close as economically feasible to the December 31, 2006, target completion date for the DTV transition that was set forth in the Communications Act by Congress.

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The Second Report and Order and Second Memorandum Opinion and Order adopted today requires that all television receivers with screen sizes greater than 13 inches and all television receiving equipment, such as videocassette recorders (VCRs) and digital versatile disk (DVD) players/recorders, will be required to include DTV reception capability after July 1, 2007, according to the following schedule:

Receivers with screen sizes 36 inches and above -- 50% of a responsible party's units must include DTV tuners effective July 1, 2004; 100% of such units must include DTV tuners effective July 1, 2005.

Receivers with screen sizes 25 to 35 inches -- 50% of a responsible party's units must include DTV tuners effective July 1, 2005; 100% of such units must include DTV tuners effective July 1, 2006.

Receivers with screen sizes 13 to 24 inches -- 100% of all such units must include DTV tuners effective July 1, 2007.

TV Interface Devices VCRs and DVD players/recorders, etc. that receive broadcast television signals -- 100% of all such units must include DTV tuners effective July 1, 2007.

In the item today, the FCC also declined for the time being to adopt labeling requirements for TV receivers that are not able to receive any over-the-air broadcast signals. The FCC stated that it is unclear when, or if, such products will become commercially available or how they will be marketed. The FCC will continue to monitor the state of the marketplace and take additional steps if necessary to protect consumers' interests.

Today's item also amends the FCC rules to reference the most recent version of the Advanced Television System Committee's (ATSC) DTV standard. The FCC also stated that it will address the possible adoption of the ATSC's "Program System and Information Protocol" (PSIP) specification in its forthcoming Second Review of its policies for the DTV transition. In the interim, the FCC included the PSIP specification in its rules as a document that licensees may consult for guidance.

Finally, today's action denies a petition for reconsideration requesting that the FCC consider imposing minimum performance thresholds for DTV receivers. In reaffirming its previous decision on this issue, the FCC said that competitive forces are the best approach for ensuring that DTV receivers perform adequately and meet consumer needs in terms of price, quality, performance, and features.

-FCC-

MB Docket 00-39

Action by the Commission, August 8, 2002, by Second Report and Order and Second Memorandum Opinion and Order (FCC 02-230). Chairman Powell, Commissioners Abernathy and Copps, with Commissioner Martin dissenting and Chairman Powell, Commissioners Abernathy, Copps and Martin issuing statements.

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News about the Federal Communications Commission can also be found
on the Commission's web site www.fcc.gov.