



09 September 2005

The Secretary
Standing Committee on Communications, Information Technology and the Arts
House of Representatives
Parliament House
CANBERRA ACT 2500

Dear Sir/Madam

Samsung Electronics Australia thanks the Committee for the opportunity to provide a submission to the Inquiry into the Uptake of Digital Television.

Samsung is one of Australia's largest distributors of television in Australia. As a result, Samsung is eager to participate and contribute to the policy debate and setting of any new reform framework.

This submission addresses these terms of references and covers four key issues providing Samsung's position on each of them:

- Broadcast issues
- Consumer issues
- Technology issues
- Regulatory issues

Should the Committee desire, Samsung would welcome the opportunity to further participate in any consultative process and looks forward to the Committee's findings.

Yours faithfully

A handwritten signature in black ink that reads "Mark A Powderly".

Mark Powderly
CTV Product Manager
Samsung Electronics Australia



Samsung Electronics Australia Pty Ltd

**Submission to the House of Representatives Standing Committee on
Communications, Information Technology and the Arts**

Inquiry into the Uptake of Digital Television

September 2005

1.0 Introduction

Samsung welcomes the opportunity to make a submission to the Parliamentary inquiry into the uptake of digital television (DTV).

Samsung is one of Australia's largest distributors of television and employs 173 people in Australia. As a result, Samsung is eager to participate and contribute to the policy debate and setting of any new reform framework.

Similarly, given the significant role that the Australian Government plays through policy setting and regulatory power, Samsung recognises the commercial imperative of being an active participant in the roll out of DTV.

This submission is intended to contribute to the debate surrounding the inquiry into the uptake of digital television.

The terms of reference for the Committee's inquiry are that it should review and report on:

- The rollout process for DTV; including progress to date and future plans
- Options for further encouraging consumer interest in the uptake of DTV
- Technological issues relevant to the uptake of DTV
- Future options

This submission addresses these terms of references and covers four key issues providing Samsung's position on each of them:

- Broadcast issues
- Consumer issues
- Technology issues
- Regulatory issues

Samsung believes that it is not a single issue that has led to the poor uptake of digital television but rather a combination of the issues listed above.

Samsung believes that to ensure a significant uptake in penetration of DTV, the Australian Government needs to take a leading role, as its policy setting and reforms will be a significant influence to uptake by the Australian public. It also needs to work closely with the industry, broadcasters and manufacturers to ensure the appropriate policy reforms are made.

Historically, Australia has been an early adopter of new technologies, for example mobile phone penetration is estimated to be more than 90%. However the penetration of DTV to date has been slow, particularly compared to other developed nations. For example, in the United Kingdom penetration of digital television is over 70%.

2.0 Background: Samsung Electronics Australia Pty Ltd

Samsung Electronics Co. Ltd. is a global leader in semiconductor, telecommunication, digital media and digital convergence technologies with 2004 parent company sales over US\$55 billion and net income over US\$10 billion.

Employing approximately 113,000 over 90 offices in 48 countries, the company is the world's largest producer of color TVs, color monitors, memory chips, and TFT-LCDs. Recognized as one of the fastest growing global brands, Samsung Electronics is now ranked as the 20th most valuable brand in the world, and is the highest ranked consumer electronics company¹.

Samsung Electronics Australia was established in 1987 as a sales and marketing subsidiary of Samsung Electronics, one of the top-ten

¹ According to the 2005 Top 100 Global Brands study by *Business Week/Interbrand*.

electronics manufacturers in the world and an acknowledged leader in the digital convergence evolution. In Australia, Samsung is comprised of three divisions: Consumer Electronics, Information Technology and Telecommunications. Samsung's mission is to provide consumers with innovative digital convergence products that possess exceptional technology, function, and design.

3.0 Broadcast Issues

3.1 Multi-channelling

A major attraction of DTV technology is the ability to multi-channel and Samsung believes that it will be a major driver of consumer uptake.

However, with the exception of the ABC and SBS, the current legislation does not allow commercial free-to-air broadcasters the opportunity to multi-channel.

Our view is that this represents a lost opportunity to use a significant technological application to benefit consumers. The increased flexibility and additional content it enables broadcasters to deliver will be a driver for consumer take-up of DTV.

Samsung believes the current restrictions should be lifted to enable broadcasters the opportunity to make commercial decisions on the best use of multi-channelling technology.

Also, given the current restrictions on broadcasters, anecdotally awareness levels amongst consumers of the benefits multi-channelling brings is low.

3.2 Interactivity

Interactivity provides a point of differentiation to existing analogue services and provides consumers with an enhanced DTV experience. It allows consumers more directly to interact through such measures as purchasing products or voting in viewer polls directly through the television.

Samsung is supportive of enhanced interactivity as it has the potential to act as a further driver for consumer uptake. Currently

the lack of interactive content offered by broadcasters undermines the DTV value proposition to consumers

However, it is important before any changes are made to the regulatory regime to allow this, that there is uniform conformance and testing through the setting up of a national testing and conformance centre (see 5.1), as has been adopted in the United Kingdom.

3.3 Quality and Quantity of Digital broadcasts

Samsung believes that the current regulatory environment does not allow sufficient quantity or quality of digital broadcasts to make it an enticing proposition to consumers.

In terms of quantity, the Australian Government should alter the current regulatory regime to allow broadcasters increased digital spectrum flexibility to provide additional content (multi-channelling) and explore new and innovative ways of attracting consumers to their digital services.

The requirement for broadcasters to simulcast Standard Definition (SD) and High Definition (HD) reduces spectrum flexibility and consequently opportunities for additional digital services. This requirement should be phased out to free up that additional spectrum.

Allowing broadcasters to add additional content, by removing the requirement for SD simulcast, will increase the content and quality of services and therefore consumer uptake of DTV. It may also ultimately hasten the move to HD DTV.

In terms of quality, we support continuing the HD content quota and potentially increasing it. This will act as a driver for increased production of HD local content and consumers uptake, given the enhanced broadcast experience it offers.

4.0 Consumer Issues

4.1 Lack of Consumer Research

Samsung is not aware of any independent research conducted in Australia that examines consumer sentiment and behaviour towards DTV since its introduction. Samsung believes it is imperative that such research be undertaken by the Australian Government to guide to any new reforms or a revised timetable to phase out the analogue signal. This research should explore in detail Australians awareness, attitude, understanding, needs and reservations in relation to their television views, as well as other recreational habits, such as DVDs, the Internet and technology based leisure products.

For example, the United Kingdom the Department of Culture, Media and Sport commissioned research by MORI in 2002 to determine what were the major issues affecting uptake.

Currently there is not enough meaningful data on consumer behaviour to determine what the key drivers for consumer uptake are. Any awareness campaign by industry and Government needs to be based on relevant research data to be targeted and impactful.

4.2 Sales/Penetration

As at June 2005 television set top box receivers and integrated digital TV sets sold to retailers and installers was 920,000 - an increase of 143,000 units for the quarter.²

The average monthly sales of digital TV receivers for the June 2005 quarter was 47,500 units. This compares to a monthly average of 29,000 units for the same period in 2004.

Demand for integrated digital televisions improved in the June 2005 quarter with reported sales of 8,800 units (up from just 1,900 units in June 04 quarter).

Of the 143,000 units sold to retailers and installers in the June 2005 quarter, 27% had High Definition receivers.

² Source: Digital Broadcasting Australia, "DTV Sales to June 2005 reach 920,000 Units", 2 August 2005 (<http://www.dba.org.au/index.asp?sectionID=58&newsID=719&display=news>)

As the DBA recently submitted to the House of Representatives Inquiry, sales of digital TV receivers to retailers does not directly compute into free-to-view digital television home up-take or penetration. This is because a certain amount of sales to retailers are held in inventory, which DBA estimated to be around 50,000 receivers or somewhere around one month of stock. Secondly, an unreported number of television homes will have more than one free-to-view digital television receiver. DBA assumed that around 50,000 free-to-view digital television homes have more than one free-to-view digital TV receiver.

Putting these figures together, the current home take-up or penetration, based on the sales figures reported to June 2005 is 820,000 or around 10.8% of Australia's 7.6 million homes, based on DBA's sales figures.

Clearly reaching a point where analogue switch off is possible remains a significant challenge, let alone by the proposed target date of 2008 in metropolitan areas.



Source: Digital Broadcasting Australia, "DTV Sales to June 2005 reach 920,000 Units", 2 August 2005 (<http://www.dba.org.au/index.asp?sectionID=58&newsID=719&display=news>)

Greater impetus is needed for consumers to convert to digital television. It is possible that limited awareness and confusion by consumers is contributing to the slow penetration rates. As the regulator of the industry, the Australian Government has a

significant role in terms of informing consumers about choice and availability.

4.3 Marketing/Promotion/Community Education

Due to the poor penetration of DTV and the significant role policy reform will play, there is a need for Government to commit greater resources to educating consumers about DTV.

This is unlike the United Kingdom, where a sustained campaign to educate consumers about the digital switchover has taken place, coordinated by the Department of Culture Media and Sport.

Samsung believes that the Australian Government needs to lead a co-coordinated approach to increase awareness and understanding of the new and changing television environment, as well as ensure there is a consistent message to consumers and regularly communicated.

We would recommend that Government take a lead role in an ongoing community awareness campaign.

However, in our view, any Government campaign will only be successful if some of the other issues affecting DTV uptake be addressed, as outlined in this submission and the Committee's background discussion paper.

5.0 Technology Issues

5.1 Compatibility/Testing and Conformity

A significant hurdle, and one that has continued to plague the industry, has been the issue of compatibility between DTV broadcasts and digital receivers. This directly impacts upon the consumer experience and needs to be addressed to ensure that future DTV innovation and commercial services are not hindered as well.

This is particularly important for Over the Air Downloads (OAD), which enables third party software products to interface with digital television devices and provide updates to digital receivers for service enhancement or increased functionality.

As mentioned, Samsung supports the establishment of a national testing and conformance centre that will enable a set of national standards for DTV transmission and reception, and testing of broadcast transmissions and digital receivers against these prescribed standards.

Samsung believes the Australian Government should play a significant role by providing funding for its establishment and setting national standards. These costs could be offset by charging the industry for use of the centre. Given that manufacturers spend a considerable amount of time conducting their own conformance testing, this would no doubt be a simpler and more cost effective solution for industry.

5.2 Reception/Antennas

Another issue that has affected consumers' experience of DTV has been quality of reception. Antenna systems are a critical piece of hardware that has, to some degree, been overlooked in the DTV debate.

Whilst Samsung has no data to on the number of households that will have poor reception when they convert to DTV, due to the incompatibility of the existing antenna installation, there is the potential for this to be a significant problem. This issue is exacerbated when you consider the growth in metropolitan areas of large apartment buildings with multiple dwellings using the same antenna and distribution system.

Samsung believes the issue of reception and antenna systems needs greater attention. As a significant contributor to affecting overall DTV standards, it is something neither the Australian Government nor industry has control of, as responsibility resides with the consumer. It would be sensible to engage the home antenna/TV installing industry to use their knowledge and expertise to address this issue.

We would also recommend that this issue be addressed as part of any consumer education campaign.

6.0 Regulatory Issues

6.1 Analogue switch off timetable

Samsung believes it is only fair to consumers that a definite timetable for the transition to DTV and ultimate switching off of the analogue signal be set.

As experienced when the analogue service for mobile phones was switched off, consumer uptake of digital services grew dramatically once a clear timetable was set in place.

The current uncertainty means many consumers are refraining from making the wholesale move to DTV.

We believe the Australian Government needs to take a leadership role in this process to ensure a smooth transition. This will give confidence to the industry and in turn they will commit greater resources to a suitable production timetable, as well as marketing both its products and the benefits of DTV.

By setting a suitable timeframe through consultation with industry and based on consumer research there see be more effective take-up of DTV.

Ideally, Samsung would like to see the deadline be as close to the existing target of 2008.

6.2 Mandating Digital integration

Samsung supports a timetable for the mandating of digital tuners to be integrated into television sets.

There are a number of reasons why this is desirable as soon as possible:

- It will hasten the speed of uptake as consumers will be able to switch to digital without having to purchase an additional set-top box;
- Anecdotally many consumers are buying large flat screen/plasma television sets, mistakenly believing they are future-proof, when they may not have an integrated digital tuner;

- It ensures that there is no further prolonging of the date for analogue switch-off, through the continued sale of incompatible hardware and therefore continued low uptake.

6.3 Reform timetable and consultation

Samsung welcomes the effort by the Federal Parliament and Australian Government to examine the uptake of digital television and look at possible reforms to the regulatory environment to ensure a successful transition to DTV. In particular, Samsung welcomes recent calls by the Minister to consult with industry on these very issues and is eager to participate in this process.

It remains vital that the Government continues this consultative approach, as any new reforms will impact upon the industry's production and marketing timetables and distribution needs.