

To: Committee, CITA (REPS)

Subject: Additional Submission relating to Digital TV Uptake – A Simple Plan (amended).

Dear Mr Overs,

Please find an additional submission as follows:

A Simple Plan – How to have every household TV in Australia displaying digital broadcasts enabling a basic close down of analogue TV transmission in 2006 at zero net cost*.

Since my original submissions to parliament on this issue there has been more discussion on the subject in the media. However in light of additional government information that has come to hand since those original submissions, a restatement of the simple solution with amended costs is in order.

The attached letter published in the Australian Financial Review 10th of October states the position as I now see it. The essential idea is for the government to bulk buy enough set top boxes to provide every TV in a household with a digital tuner.

*Although the original costing to pursue this strategy shown in Submission 68 was in the vicinity of \$130 million, it has since been revised to \$150 million for the purpose of the discussion. Until the exact specifications and quantities that are required for the set top boxes are determined (along with the distribution method) reaching a precise figure is impossible. The government would still be well ahead as a result of pursuing the strategy regardless of whether it was \$130 million or \$150 million.

The \$150 million simply ties in more neatly with the government's stated combined costs of \$50 million a year for the ABC and SBS to maintain analogue transmissions. [page 9 of the government issues paper "Driving Digital" September 2005]. In practical terms this that means over a three-year period the government will face expenditure in the area of \$150 million or more that would not be necessary if analogue was shut down. Yet the cost of closing down analogue to avoid this eventuality could be as little as \$150 million.

There are a lot of other expenses involved in maintaining analogue transmissions other than those faced by the ABC and SBS. However without going into those and basing it on anticipated government costs alone, under the proposed plan the net cost to government of a general analogue close down in 2006 would be close to zero (or possibly a net gain) over a three-year period even if an optimistic 2009 closedown target was achieved.

If it does nothing, on the other hand, the government is likely to be out of pocket for a sum considerably higher than \$150 million. The \$50m annual costs it faces to maintain SBS and ABC analogue will be potentially \$300 million plus over the 6 year period that would be entailed if the closedown date of 2012

recently being canvassed was adopted. With a further delay to closedown in 2012, these costs to government would be even higher.

In fact if the government wished to provide more deluxe set top boxes and the outlay required was raised to say \$250 million, analogue closedown in 2006 would still be financially worthwhile. It would just take longer to recoup the initial outlay. I have heard quoted various estimates of the costs incurred to bring digital TV to its current stage. Such estimates are generally in the billion or more class, so for the government to have a cost free solution on offer would appear to be something that is difficult to ignore. Especially when analogue maintenance costs are not the only dollars involved for Australian taxpayers.

There is also the value of the freed up analogue spectrum to consider. Although valued at potentially billions in the past the final market value of this spectrum will depend on the conditions and restrictions placed on its use. However we can assume that it is of high value in comparison to the outlay required for set top boxes. We can also assume the interest that could be earned between 2006 and 2012 on its sales value would be considerable.

If we look at some of the other solutions proposed to speed up digital uptake, many display a lack of understanding of TV owners and the TV market itself. For example mandating that all TVs imported are fitted with a digital tuner ignores the fact that our TV system requires Australian type tuners to be especially built. As the quantities of most models imported to Australia are very small in world manufacturing terms, the production runs necessary to comply would be very costly. It would simply not be economic to make Australian only model runs for a large proportion of TV models currently sold in Australia. Many models at the lower end would simply disappear, and while the extra cost entailed would not be so significant in higher-priced models, at the low price end it would make a huge difference.

Even if a new (as yet unknown) low-cost technical solution to this manufacturing problem was found and rapid legislation passed, mandatory tuners still wouldn't have the necessary effect. In broad terms, the great majority of Australians hang on to their televisions for many years, often for a decade or more. On that basis, most of the televisions currently in operation in Australia still have many years of operational life ahead of them.

Although high-priced televisions such as plasma and LCDs are of high dollar value they are still a relatively small part of the total market in actual numbers. Currently plasma sets, for example, are estimated to be less than 3% of all TV sets in use. So hoping they will be the major driver of digital take up is wishful thinking. The cheap TVs at the supermarket or discount store are still selling in high numbers. So for many years to come, there will still be many millions of analogue TVs in homes. The only solution that will work successfully is one that is inclusive of such sets.

Nor can you realistically expect that increasing the HD quota drive the change to the degree necessary. For most people, TVs are like radios. People like to have them around, but they aren't normally fussed about quality to the extent that they will go out and buy a new one purely to improve the performance. This is why digital radio will also be a slow starter.

As for better programming being the solution to the problem, although it will encourage some to purchase a DTV tuner, I cannot see that what may be allowed will be sufficient to have a rapid affect on digital take up. Nor can I see it addressing the problem of multiple household televisions.

The more the subject is examined, the only rapid way to have a general closedown of analogue, (ie by 2006) is via the supply of a free set top box for every television currently in use in Australian homes. Taking such decisive action now will offer considerable savings in the long run. The sooner this is done, the better. Unless you can guarantee close down by 2009 by some other means, it is by far the most sensible course of action.