

## **Addendum Submission 93 (Attachment B)**

December 1, 2005

In a recent article it was reported that the Federal government was investigating the possibility of funding the mass distribution of set-top boxes. The cost estimate mentioned was up to \$500 million and concern was also raised about whether it would result in retailers being requested to configure millions of set-top boxes. Both these assertions warrant questioning.

If the government chose to buy more luxurious models from local vendors at very high prices, an unnecessarily high cost such as \$500 million could be correct. On the other hand, buying a good quality but basic set-top box of the kind I am proposing direct from the overseas factory in the large quantities required would lower costs to be somewhere in the \$150 million area. None of the technical people that I have spoken to so far disagrees substantially with this costing. It must be re-emphasised that the high costs of set-top boxes in Australia are due their being made in such minute quantities (in world manufacturing terms) due to their special Australian requirements. (Sometimes total production of a model may only be in the thousands.) However a quantity like the government could order would make the front end cost to suit Australian requirements inconsequential. Production would be on a gigantic scale. It is certainly not new for the government to buy direct. The government already buys many items direct and not through local vendors [such as military equipment]. In view of the costs involved, such a purchasing strategy is the most cost efficient method.

Retailers being asked to configure set-top boxes they haven't sold has been exaggerated as a problem. Setting up a set-top box is not the same as plugging in a electric fan and getting it going. However on the other hand it is relatively simple compared to learning how to operate a digital camera or set up a computer which most people seem to be able to manage reasonably well without retailer assistance. People already buy set-top boxes on the Internet without necessarily having a nearby retailer configure the units. There will, of course, be situations where external assistance may be necessary but those these will only be a minority with a properly thought through instructional system to accompany the STB. The fact that so many units would be being installed Australia wide at around the same time also means most people would have a neighbour able to help. Knowledge would be common.

In the event that a retailer was called for assistance, any retailer that did not help in such a situation would be very short sighted indeed. After all, each such call would represent a potential new customer. If particular people would prefer someone else to be doing the setting up for them in home, then is quite reasonable for them to pay for the service. Similarly if their antenna system proved inadequate, they would be expected to foot the bill. Such cases, however, would in reality not be the norm. The digital coverage situation would need to be addressed before analogue could be closed down completely. However this is true regardless of the closedown date itself and dealing with the matter will need attention by government and broadcasters whichever closedown deadline is to be met. Each problem area would need to be dealt with on a case by case basis.

Whenever DTV is discussed, attention should also be paid to the way in which the percentage of households that have taken up digital TV is often mentioned. This disguises the true extent of the problem. The relevant figure is the percentage of operating TVs on which digital broadcasts are viewed. This percentage is around half or less the percentage of households connected to digital. Many such households will only have only one TV displaying digital with the balance of their sets being analogue. For all TVs to be digitally equipped and able to be operated independently of each other, each needs its own set top box.