

MEETING THE DIGITAL CHALLENGE: REFORMING AUSTRALIA'S MEDIA IN THE DIGITAL AGE

Submission by Christopher Purnell

Introduction

The Government's discussion paper on media ownership and digital television (DTV) frames the current debate and advances many sensible proposals for reforming the broadcasting sector and progressing the conversion to digital. I am mainly interested in the parts dealing with the Government's Digital Action Plan to promote DTV, a document which will be central to the future development of the industry and which will need to balance a multitude of technical, social and commercial factors.

Driving digital penetration to the point where analogue transmissions can be switched off is an important task and it will require a significant commitment from the Government to ensure a smooth and successful transition. In this submission I would like to comment on measures to help achieve this goal, including: new digital services on the two spare high-power broadcasting channels, allowing networks to transmit unique content on their high definition (HD) channels, incentive programs to increase DTV penetration, a possible tuner mandate, and timing for the analogue switch-off.

1. Allowing new services on the two spare broadcasting channels

The Government's proposed release of two spare high-power terrestrial broadcasting channels for use by innovative new services such as datacasting, narrowcasting, subscription television and mobile TV is ambitious and has the potential to boost interest in DTV. However the proposal is marred by the fact that these services are almost completely untested in the market, and it is difficult to predict whether they will be embraced by consumers. Datacasting, for example, has never been promoted as a significant feature of overseas digital systems. There will need to be a clear benefit accruing to viewers to make such novel services viable broadcasting alternatives.

The proposal to allow subscription TV services onto the terrestrial platform is also worrisome. It will be a tremendous challenge for any new commercial entrant to run a workable multi-channel pay service given a) limited bandwidth, b) no pre-existing set-top boxes (STBs) with conditional access modules and c) established competitors with the rights to the most desirable content. Being able to do it at an attractive cost to the consumer will be even more of a challenge. This makes failure a definite prospect. In my view, pay services should remain on platforms with lots of available bandwidth, such as cable and satellite. Broadcast spectrum is too valuable a public resource to devote to projects with limited prospects of success.

It is unlikely that the two channels will be able to be sold as a contiguous block of spectrum in most markets, so it would be best to treat them as distinct packages in any auction. To enhance diversity of offerings, it would be desirable for the two channels to go to different operators. Diversity would be further promoted by imposing license conditions that prevent any overlap in the new services being offered in each area. Prospective operators should have to choose between being datacasters, narrowcasters, pay or mobile TV providers (or possibly some combination of these services).

I would strongly argue that one or both of the new channels must be required to transmit at least one free-to-air service accessible to all digital users in the area. This would add value to ordinary users who might otherwise not benefit from any specialised services established by the operators (the spectrum would effectively be “fenced off” in the case of pay and mobile TV applications, which routinely employ special encoding inaccessible by standard STBs).

One such free-to-air service that ought to be mandated is the provision of a 7-day electronic program guide (EPG) covering all digital broadcasts in each area. Currently there is no third party providing a comprehensive EPG service for DTV (Digital 44’s EPG service is limited to Sydney, and is very basic) and it is unlikely that any of the broadcasters will voluntarily provide one. Experience overseas has shown that people appreciate having EPGs as an aide to plan their viewing. Making a third-party EPG a condition of the sale of new spectrum, and ensuring it is freely available to all viewers, would be a very useful addition to the digital environment. Since paper-based TV guides already find it difficult to include listings for ABC2, there is a clear need for an EPG service in Australia, and this need will increase as digital services multiply.

(As an aside, if an EPG requirement were included in a channel earmarked for mobile TV, the EPG data could easily be duplicated across in-home and mobile platforms, enabling viewers to have access to a regularly-updated television program guide via both STBs and mobile receivers.)

Other broadcast services that might be made freely available by operators could include extra audio-only streams or a text-based community announcement service.

2. Allowing differentiated content on HD streams

The concept raised in the discussion paper of allowing broadcasters to de-couple content on the standard definition (SD) and high definition (HD) services they transmit is an excellent one, and I endorse it wholeheartedly. Such a de-coupling would allow each network to run additional digital-only content on their HD channels, and this is likely to be attractive to consumers. Furthermore, since the material will need to be presented in HD (either natively or upconverted), there should be a bias towards programs that are already of HD-quality such as movies and shows with high production values. This would reduce the chances of broadcasters screening cheap, second-rate material on the additional channels. It could also bolster local high definition production by the networks.

A common complaint in countries such as Britain where SD multi-channeling has been adopted is the perceived lack of quality (both technical and in terms of content) of many new digital channels. Bitrates are reduced to fit more channels in, programs are repeated frequently, and whole channels are devoted to shopping shows and interactive games. By limiting each broadcaster to a single, high-quality extra channel, there would be room for new and re-purposed content but less risk of quality dropping precipitously as a result.

It would also open up new programming options for the broadcasters. HD versions of programs on the main channel could be run simultaneously with the program (as occurs now) or at different times of the day. Movies could be screened more frequently. Networks could debut popular programs on HD a day or two in advance of their main channel, providing a “first look” advantage to digital viewers. Programs already available to networks in HD but which don’t rate well on the main channel could receive new life on the HD channel. And programs with significant extra or incidental content, such as reality TV shows, could run extended editions on HD. There are a lot of possibilities to be explored, many of which would be relatively easy for broadcasters to implement.

HD transmissions are of course only accessible to users with HD-capable STBs. This is one drawback to the proposal since it makes it more expensive for viewers to access the additional channels, and people currently with SD-only equipment would feel left out. However, the price of HD (both STBs and displays) continues to fall, so the cost will become less of an issue. And as digital TV moves forward it is in everyone’s interest to move users from basic SD equipment to the superior HD platform. There will continue to be cheap SD-STBs, of course, and these will offer a low-cost point of entry for people unconcerned with extra channels, or who wish to convert old analogue TVs (especially second and third sets) to digital. But having extra content on HD will offer a compelling reason for many consumers to upgrade their equipment sooner rather than later.

Regarding local content levels, the HD channels should either be excluded from the requirement to screen a minimum level of Australian content during prime-time or alternatively, the level should be lowered and assessed over a 24 hour period rather than just prime-time. This will promote flexibility in programming. Networks might also get extra credit for showing first-run natively-HD local programs in preference to overseas material. This is however a matter that will need further consideration.

Turning to the national broadcasters, I support lifting the genre restrictions on the ABC and SBS’ use of additional channels, and this very sensible change should be made as soon as possible.

3. Incentive programs

Apart from providing additional digital-only content, the key to driving DTV penetration is to fully inform people that the transition to digital is coming and to lower barriers that might hold them back from converting. The public needs to be kept abreast of new developments, particularly switch-off targets for analogue television services. Sectors of the community that may be resistant to conversion, such as the elderly and under-

privileged, will require special attention. Secondary TV sets in households also represent a significant obstacle to conversion.

The DTV testing and conformance center proposed in the discussion paper should be created, as should an overall body to manage the digital transition, preferably within the next 12 months. An early priority of such a body will be to find ways to get the message across that anything equipped with an analogue tuner is already out-of-date technology. Attaching warning stickers to new TVs and DVD recorders would be a good way to start.

While broad subsidy programs are not necessarily the best way to motivate consumers, targeted initiatives can be very useful in achieving strategic goals. For instance, a subsidy to encourage the elderly to buy digital equipment would help promote DTV within a part of the community which is apprehensive about technological change.

A more radical idea would be to subsidize purchases of multiple digital STBs. Here's how it might work: anyone buying up to four STBs at once would pay full price for the first unit then receive a discount on the subsequent boxes. The discount might be higher if the first unit is a high definition STB. This would encourage householders to convert all their televisions in one go, and perhaps get extra STBs for family or friends as well. Structured correctly, this could be a powerful tool in the effort to convert secondary TVs to digital.

Closer to analogue shut-down the Government may have to consider implementing broader subsidy programs in areas that are lagging behind in digital uptake.

4. Digital Tuner Mandate

Although barely mentioned in the Government's paper, the idea of mandating digital tuners in new televisions and video recording devices is one which should be taken seriously. Ideally, new equipment should incorporate dual analogue and digital tuners or be tunerless displays reliant on external inputs. With digital circuitry now very cheap, imposing such a requirement on manufacturers would not add much to the cost of units and will reinforce the message that analogue is on the way out.

Leaving it to the market to provide integrated equipment has not produced the desired result so far. Televisions and DVD recorders with analogue-only tuners continue to sell in great numbers. Every unit sold represents a missed opportunity for digital conversion and adds to the difficulty of transitioning all households fully to DTV. I urge the Government to consider including a digital tuner mandate in its Digital Action Plan.

5. Analogue shutdown

Creating an indicative analogue transmission switch-off timetable will be essential to managing the transition to digital. It would be desirable for the metropolitan areas to commence switching off analogue in late 2010 or early 2011, preferably staggered over a month or two, with the city with the highest digital penetration going first. Regional areas

would follow over the next two years, although towns with high rates of penetration may elect to convert concurrently with a nearby city if they so wish.

I suggest that at least one trial analogue shutdown be conducted within the next three years. Hobart and Launceston, two regions which already have higher-than-average DTV penetration, would be obvious candidates for such trials.

Having a definite program for terminating analogue services will assist efforts to publicise digital television and help motivate people to convert their equipment. Education is a key element of the process and must be handled effectively to avoid alarming people with what is potentially quite a big change to something they are used to “just being there”.

Conclusion

I commend the Government’s current efforts in putting forward practical proposals for driving digital penetration while maintaining overall stability in the system. Clearly much can be done in the short and medium term to promote DTV uptake. Extra content in the form of additional HD channels and new innovative services, a comprehensive EPG, incentive programs for consumers buying multiple STBs, a definite analogue shut-down timetable – all these things need to be considered and hopefully implemented within the next 12 to 24 months to facilitate the process.

Preparing Australia for the looming digital future is a big task, but one well worth doing if we are to meet the digital challenge and reap its potential rewards.

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Key Recommendations:

1. *Ensure diversity of ownership when establishing new services on the spare channels.*
2. *Include a 7-day EPG and other free-to-air enhancements with the new services.*
3. *Allow the broadcasters to show unique material on their HD channels.*
4. *Lift the genre restrictions imposed on the ABC and SBS’ extra channels.*
5. *Establish a Conformance and Testing Center, and a digital switchover body.*
6. *Consider targeted subsidy programs for the elderly and low-income families, and a discount for multiple purchases of STBs.*
7. *A digital tuner mandate should be imposed.*
8. *Analogue transmission shut-down should commence around 2010, with a trial shut-down to occur within the next three years.*