

Meeting the Digital Challenge

**A Submission by WIN Corporation Pty Ltd in
response to the Australian Government's Discussion
Paper on Media Reform Options**

19 April 2006

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INTRODUCTION

WIN Corporation Pty Ltd owns free to air commercial television and radio licences throughout regional and remote Australia.

The company television licenses broadcast in Regional Western Australia, Regional South Australia, Regional Victoria, Mildura, Regional NSW, Regional North Queensland and Tasmania. The radio licenses broadcast in Wollongong and Campbelltown, NSW.

WIN television licensees have network program affiliation with the Nine, TEN and Seven Networks.

WIN commenced digital broadcasting in Southern NSW market in June 2001 in SDTV format and HD format on 1 April 2005 in Southern NSW, Northern Qld, Regional Victoria, and Tasmania. In January 2006, WIN commenced HD format broadcasting in Mildura.

In January 2003 WIN and Southern Cross Broadcasting commenced broadcasting a digital only service as the third commercial service to Tasmania under a joint venture license and on 1 January 2006 WIN and Prime commenced broadcasting a digital only service as the third commercial service to Mildura under a joint venture licence.

WIN and Prime propose to commence a third digital only service to regional Western Australia under a joint venture licence planned for 2008/09.

WIN is a member of Freetv Australia and supports the submission which has been lodged by that organisation. This submission comments in addition to the Freetv Australia submission.

PART 1 – A ROADMAP TO DIGITAL CONVERSION

WIN supports the view that current regulatory settings which were designed for an analog world require review.

WIN agrees that pro-active initiatives are necessary in the future to drive viewer demand for digital broadcasting and supports the Governments proposals.

The development of a roadmap to guide the process and time frame for the closure of analog television services in Australia is agreed and supported. All stakeholders must be a party to the roadmap.

The need for incentives to broadcasters, receiver manufacturers/importers and others to move to digital is noted. The Government has provided significant financial assistance to regional broadcasters to convert to digital technology, however, the need to switch off analog services in digital ready locations in regional Australia is critical to stem the financial drain the legislated triplecast has created. It is acknowledged that some incentives will be necessary for broadcasters should the switch off be delayed further in the case of regional broadcasters, and for disadvantaged persons within the community who do not have the financial means to convert to digital when analog is turned off in their area.

WIN has in previous submissions and in our role as a member of Regional Broadcasting Australia, actively campaigned for labelling of all analog receiving equipment sold to consumers indicating the equipment will require at least a digital set top box and without such a digital device will not be suitable for viewing when the switch off occurs in their area. We are of the view that only a government mandate will achieve the desired result.

TIMETABLE & SWITCH OFF PLAN

The proposed new dates of 2010 to 2012 are acceptable to WIN. Any further delay of commencement of the switch off will add even more to the pressure to retain analog services which we are concerned we will not be in a position to deliver. The replacement of analog transmission equipment, if available, will mean substantial financial outlay for a small window of necessity – placing an even greater financial drain on regional broadcasters.

WIN would like a firm switch off commencement date set, to provide surety to all stakeholders. We support a staggered switch off and are prepared to commence the switch off in a digital ready market in regional Australia, say Tasmania. Without placing too fine a window on the switch off for completion, we suggest that milestone dates be put in place for broadcasters to prepare the areas for switch off with target switch off markets to be met over a 5 year period, or earlier where appropriate. This would provide regional broadcasters with a 2 year window to clean up fringe transmission areas, which will not be changed over to digital until the end of 2008.

A regional broadcaster (national and commercial) switch off plan should be formulated and agreed by the broadcasters and lodged with the regulator.

WIN will seek continuation of regional digital rebates or other measures sanctioned to help reduce the simulcast and triplecast financial drain as a consequence of the analog switch off date being extended.

Aside from regional broadcaster's roll out, analog black spot and self help installations need resolution by government. In regional Australia there are many such installations and it is vital that stakeholders work to resolve the transition to digital of these services.

PART 2 – ENABLING A DIGITAL ENVIRONMENT

Fourth Network Moratorium

Regional Australia is not ready to sustain a viable additional commercial free to air television network. In 1989, legislative requirements saw regional broadcasters convert from solo markets to aggregated markets and in more recent years, further legislative requirements have required that broadcasters convert from analog to digital at further considerable expense and with no increase in revenue. We have had to create viable business solutions to service the new markets created by aggregation and deliver competitive programming to viewers. Viewers are also served by a Paytv operator whose business has not yet matured. At the completion of the analog switch off, regional broadcasters need and are entitled to a period of stability within their operating environments to be able to obtain a reasonable return on their extraordinary expenditure over what will have been at least a 20 year cycle. We need time for our businesses to finally mature.

Expanding Service Options for Existing FTA Broadcasters

The ability to expand services for those who have the capability to do so is positive. However, broadcasters cannot be all things for all people and WIN has built its digital infrastructure based on the legislation of the government that is in place. Changing the game on the way through, in terms of multichannelling will disadvantage broadcasters like WIN who have embraced the HD technology and adopted the 1080i system. At the end of the analog service, the ability to multichannel is helpful to those broadcasters who wish to do so and would provide viewers with additional content. However that ability to multichannel for commercial broadcasters could herald the introduction of commercial pay tv services. It is our view that the regional population will not have the economic means of sustaining such services. Current new media provides technology to households which may by-pass multichannelling and datacasting services by the time of the proposed switch off.

Our experience in regional Australia is that content is what drives our businesses, based on our new joint venture digital only service in Tasmania and more recently Mildura.

The proposal to relax multichanneling restrictions and not mandate multichannelling at the end of the analog switch off however is appropriate.

High Definition Television (HDTV)

The proposal to enable regional broadcasters to broadcast one HDTV program stream across their licence areas is welcomed. The removal of HD quotas proposed at the completion of the analog switch off will depend upon the ability of regional broadcasters to provide HD and multichannel within their infrastructure. As it presently stands, there is not enough bandwidth to do both, without the analog transmission, spectrum will be freed up. Regardless, broadcasters are increasing the amount of HD programming as it becomes available.

Media Ownership and Control

Foreign Ownership

The proposal to transfer the control of foreign ownership of the media to the Treasurer makes absolute sense.

The approval of mergers and acquisitions by the ACCC as is normal in Australia is also appropriate.

Cross-Media Transactions

There has been a lot of speculation as to what this will do and who will be advantaged and who will be disadvantaged. Whilst opportunities in regional Australia may be limited, the merging of media in some regional markets may well be a very good thing, should opportunities arise. The majority of regional newspapers are weekly or fortnightly publications, the metropolitan newspapers dominate the daily regional consumer appetite. With new media and technology emerging, the opportunity to merge may well be very positive for the local communities and ensure job opportunities within our industry continue by ensuring viable media businesses. Regional television broadcasters are required to produce and provide local services within their licence areas, WIN provides such services 5 days per week, not weekly or fortnightly as is the case with local publications. WIN notes that it is proposed to extend the local content requirements on regional broadcasters to include Tasmania, in addition to the Southern NSW, Nthn NSW, Regional Victoria and Regional Qld licence areas. WIN already provides local services to Tasmania and has no issue with the proposal.

WIN supports the government's proposal to move to switch off the analog service as soon as is possible. WIN is integral to the success of the switch off in regional Australia and must be a member of the Digital Action Plan Committee so that our company can work towards a sensible and orderly switch off of these services.

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