



**SUBMISSION TO THE  
DEPARTMENT OF COMMUNICATIONS,  
INFORMATION TECHNOLOGY AND THE ARTS**

**DRIVING DIGITAL: REVIEW INTO THE DURATION  
OF THE SIMULCAST PERIOD**

**SPECIAL BROADCASTING SERVICE CORPORATION  
DECEMBER 2005**

SBS thanks the Department of Communications, Information Technology and the Arts (DCITA) for the opportunity to provide a submission to *Driving Digital: Review into the duration of the simulcast period*.

## EXECUTIVE SUMMARY

SBS considers that, based on uptake of digital television to date, it is clear that the analogue/digital simulcast period will need to be extended beyond the first legislative date of 2008. However, in view of the potential benefits of analogue switch-off both to SBS and to Australia more generally, SBS supports the implementation of an aggressive timetable and action plan to realise analogue switch-off in the shortest possible time. This submission is based on a number of key principles:

- **Intervention will be necessary to achieve analogue switch-off:** Evidence to date suggests that, given current policy settings, the market itself will not sufficiently drive uptake to achieve switch-off within a reasonable period.
- **A definite switch-off date should be implemented following industry and stakeholder consultation:** Determining and publicising a certain date for analogue switch-off will strongly encourage digital conversion.
- **New content and services are the key drivers of digital and must be encouraged:** Local and international experience demonstrates that, to drive substantial consumer interest, the digital proposition should be about offering a significant, critical mass of new content and services – including first-run content exclusive on digital television. This can be achieved through relaxation or removal of the genre rules and funding support for public broadcaster multichannelling. This should include industry wide support for an interactive standard, return channel standard and a true electronic program guide.
- **Public broadcasters have a central and active role to play in digital conversion:** The national broadcasters, if funded sufficiently to provide a critical mass of new digital multichannel services, will drive digital take up. This is essential in a market where there are currently no clear business models supporting the necessary expansion of commercial broadcasting services (even if there was regulatory change to allow commercial broadcaster multichannelling).
- **Public broadcasters have a significant role to play in highlighting new digital services:** Once new services are available, targeted marketing campaigns by the public broadcasters using all their platforms to highlight digital programming will be a central element in making the public aware that digital television is a “must-have” not just a “nice-to-have”.
- **There needs to be increased public awareness of the benefits of free-to-air digital broadcasting:** Even with increased content, clear and consistent messages need to be communicated to Australian consumers dealing with a crowded market of competing consumer devices. High visibility industry information campaigns about digital are needed to raise awareness of switch-off and other incentives for take-up. These should be a central element of a Digital Action Plan.
- **Once planning on the feasibility of switch-off dates is completed, a separate implementation body should be established to coordinate and implement digital switchover:** SBS supports the concept of a Digital Action Plan developed in consultation with industry and stakeholders. Once consultations are sufficiently advanced and a clear plan is developed, the implementation process should be led by a body empowered to deliver against targets and milestones and be accountable for them.

The Special Broadcasting Service Corporation (SBS) is established under the *Special Broadcasting Service Act 1991*. Its principal function is to provide multilingual and multicultural radio and television services that inform, educate and entertain all Australians, and, in doing so, reflect Australia's multicultural society. In addition to its analogue television service, SBS broadcasts simulcasts of its analogue service in both standard and high definition formats, two digital services, the *SBS World News Channel* and *SBS Essential* (an electronic program guide) and two radio services on digital television. It continues to provide analogue radio, online and new media services and plans are underway to launch new services on digital radio.

Since the start of digital broadcasting in 2001, SBS has been actively using digital technology to better meet its Charter and, in developing pioneering multichannel and interactive services, has demonstrated the potential of digital television to Australian audiences. Digital television is at the core of SBS' long term strategy to deliver quality, targeted digital services to all Australians on all platforms. The limits on SBS providing new and richer content on these channels have been both regulatory and financial. SBS has been keen to realise the potential of digital broadcasting services as a way of enhancing delivery under its statutory Charter by delivering richer, culturally inclusive services to Australians. These objectives are fully aligned with the Government's broader policy goal of encouraging digital conversion.

SBS refers to its previous submissions to the following reviews which address in detail a number of the issues also canvassed in this paper, including:

- The House of Representatives Standing Committee on Communications, Information Technology and the Arts *Inquiry into the Uptake of Digital Television* (May 2005).
- DCITA *Review into the provision of services other than simulcasting by free-to-air broadcasters on digital spectrum* (August 2004).
- DCITA *Review of the BSB Spectrum: Identification and Structural Efficiency* (February 2005).

The following points respond to the major issues raised in the Discussion Paper.

### Measures to enhance the transition to digital

***Digital rollout is sufficient to approach analogue switch-off, but take-up is not:***

The rollout of digital terrestrial television infrastructure has been rapid: SBS digital transmission now reaches more than 90 per cent of Australians and will extend to population centres of 3000 by 2007. However, with the take-up rate of free-to-air digital reception equipment currently estimated at around 10-13 per cent, SBS is not aware of any metropolitan area in which analogue switch-off could be achieved by the existing statutory target of 2008 without significant disadvantage to consumers.

The slow take-up rate for digital television experienced to date suggests that those factors that were originally expected to drive digital uptake, such as high definition broadcasts and improved standard definition picture and sound quality, improved reception and the availability of low cost receiver equipment will not be sufficient to drive the process of digital conversion. SBS considers that three factors will be pivotal to get the digital market moving:

1. A substantial amount of new, digital only content, to attract consumer interest;
2. Increased consumer awareness of not only the broad benefits of digital but of specific programming that makes digital television a "must-have";
3. Consumer confidence in digital television receivers.

## 1. New content

Australians are used to receiving high-quality free-to-air television on the analogue service. For free-to-air digital television to be a valued consumer proposition, it must provide a range of benefits that are identifiably greater than those currently available through analogue television. As a product, it must also compete in a market of attractive and comparably priced alternative consumer devices: Xboxes, iPods, DVDs, digital pay TV and so on. Take-up figures to date suggest that the additional services currently available on digital free-to-air television (public broadcasting multichannels, which are primarily time shifted versions of the main channel) provide only a marginal improvement on the existing analogue service in the eyes of consumers. There is no compelling proposition to suggest to consumers that digital television is a necessity, rather than just a “nice-to-have”. The industry needs to reach the point where consumers feel they are missing out on attractive programs and services if they do not have digital.

***Multichannel offerings on digital services:*** To a large extent quality, affordability and access issues for digital receivers have already been addressed in the first stage of digital conversion. Digital receivers do provide better pictures, sound and reception. The price of basic digital receiver equipment has reduced to that of basic DVD player equipment (contrast with the high penetration of DVD player equipment among Australian consumers, who use it as a way to readily access a vast amount of content not available on analogue free-to-air television).

While digital services offered by the SBS and ABC provide some additional content, demonstrating the potential of the medium, digital television does not yet provide consumers with a significantly broader choice of channels than that provided on analogue television. Experience from overseas and Australian markets, particularly the UK, confirms that original and compelling new services are essential to drive uptake.

There needs to be a wide variety of channels available on digital free-to-air Australian television offering new and compelling content to persuade consumers of the benefits of digital. In particular, the lessons of overseas experience suggest that:

- original first-run content is needed to make digital a must-see experience;
- “special event” digital programming around premium events such as the soccer World Cup and the Eurovision Song contest can drive consumer interest in digital television. This could also include, for example, major first-run Australian drama series (subject to relaxation of the current genre rules);
- repeat or low quality channels will not drive uptake: new channels need to be full bodied and compelling. Audiences expect the same quality and presentation on the digital-only channels as the main channel; and
- digital channels should not duplicate the main channel, but instead add value and depth.

***Public broadcasters are positioned to provide multichannel services:*** SBS has been involved at the leading edge of digital development over the last 5 years with trial multichannel, interactive and digital channel enhancement services. It is prepared to launch a range of strong and original new services on digital television which, together with new services offered by the ABC, will deliver a critical mass of choice to audiences across Australia. The issue of how these new services will be funded is being addressed in SBS’ upcoming 2006-2009 Triennial Funding Submission.

SBS believes that new public broadcaster services can achieve the critical mass of new content necessary to stimulate consumer demand for digital television. In doing so, this will unlock the Government's major infrastructure investment and bring rich new digital and broadband services throughout Australia.

Regional Australia, which has traditionally had much more limited access to television services from commercial broadcasters, will benefit from new digital public broadcaster content available nationally. The public broadcasters have the capacity to dramatically increase the breadth and diversity of digital services available in the regions.

In light of the ongoing costs in funding duplicate national broadcaster infrastructures, an investment in content to speed up switch-off will, in the longer term, be offset by savings from reduced infrastructure costs and revenue and other benefits gained from the release of analogue spectrum.

***Relaxation or removal of genre rules:*** Multichannel programming strategies for public broadcaster digital services to date have been developed in line with existing "genre rules" in the *Broadcasting Services Act 1992* that currently restrict the type of programming which can be shown on a digital multichannel (other than enhancements to a main channel program or datacasting).

SBS strongly believes that to maximise the appeal of new digital multichannels to consumers public broadcasters must have the ability to program flexibly and creatively. To achieve this, the current genre restrictions should be removed or relaxed to maximise the success of the new services in driving digital take-up. SBS has addressed these issues in more detail in earlier submissions.

## **2. Consumer information and support is necessary and critical**

Consumer awareness is one of the keys to unlocking digital television's potential. Australians are currently not well informed about either the planned switch-off of analogue services or the benefits of converting to digital. A recent survey by the Australian Communications and Media Authority into the adoption of digital media in Australian homes<sup>1</sup> found that a high proportion of households (41.8 per cent) were not interested in adopting digital television. Further, 37.2 per cent said they were not aware that the analogue signal would eventually be switched off. The report's conclusions support claims that in the current digital television environment a significant proportion of the population find little reason for, or are unaware of, the conversion to digital. This is consistent with advice received from SBS' Community Advisory Committee over the last few years and comments made in the course of qualitative research conducted by SBS.

A substantial amount of work in consumer and retailer education has been done over the past 5 years by the industry, particularly through Digital Broadcasting Australia. Information and support has come from a number of sources including manufacturers, retailers, broadcasters and from government information campaigns.

However, SBS believes that, going forward, a more substantial and sustained campaign is needed. A key element will be to coordinate campaigns across stakeholder groups to have maximum impact on consumers. As outlined later in this submission, SBS considers that the overarching campaign should eventually be coordinated through a switchover implementation body.

---

<sup>1</sup> Australian Communications and Media Authority *Digital Media in Australian Homes*, November 2005.

***The public broadcasters can play a significant role in driving consumer awareness:*** The national broadcasters are well placed through their main channel, multichannels, radio and online platforms to actively promote new digital services. For maximum impact, promotions could be timed to complement other public awareness campaigns, where possible. SBS has also considered ways of aligning promotional opportunities around major programming events, with seasonal sales spikes for digital receivers, where appropriate.

SBS' plans for new multichannel services include "special event" digital only programming aimed at attracting large audiences to digital. It will target programming initiatives at otherwise "hard to convert to digital" audiences including "light" television viewers who watch little television. While SBS will use all of its platforms to promote new digital services, it considers that high profile external marketing campaigns about specific programming are also needed, as part of a broader industry awareness campaign about digital in the coming years. The manner in which this might be funded during the next 3 years is being addressed in the SBS Triennial Funding Submission 2006-2009.

***Digital access for all:*** It is essential that everybody can receive and access digital television and services before analogue switch-off. However, SBS is cognisant of the fact there will be some groups including the elderly, those from non-English speaking backgrounds, low-income households and those in remote areas that may need additional assistance to convert to digital. Consultation will be required to assess the needs of the community before switch-off can occur. SBS is well placed through its language capabilities to assist in promoting digital television to Australians in languages other than English, through all its platforms including its 68 language SBS Radio service, online and around the *WorldWatch* news program.

### **3. Increased consumer confidence in digital equipment**

The unique nature of Australian digital broadcasting standards and the horizontal structure of the market has made it necessary to have a high level of industry co-operation in receiver development, to ensure that equipment in the market works properly and consumers can readily receive equipment upgrades. An independent Testing and Conformance Centre will provide certainty and confidence about digital television receiver equipment. Selecting a common standard for interactive applications and provision of an industry free-to-air Electronic Programme Guide will also enhance consumer confidence and useability of the equipment.

SBS has been actively involved in planning for the establishment of an independent Testing and Conformance Centre to give consumers confidence in the reliability and durability of the products they purchase. While this is already within government policy, the proposed Digital Action Plan should address more specifically how this can be instigated within designated timeframes and ensure that establishment of such a centre occurs as soon as possible. Such a facility will become increasingly important with the imminent commencement of digital radio.

***Mandating digital tuners and labelling requirements:*** SBS has noted elsewhere that the Government should give consideration to mandating digital receivers in all new televisions at an appropriate time. While this measure has not been adopted in the UK and other markets which operate under different conditions, the specific nature of the Australian market may warrant this at some point. Further work should be done on this as part of the proposed Digital Action Plan.

Labelling requirements would provide additional consumer information at the point of sale and should be integrated as part of a general marketing and information campaign as has been the case elsewhere, particularly in the UK.

## The timetable for switch-off

SBS considers that a significant lead in time is required to fully inform and prepare consumers for switch-off. The analogue switch-off communications plan adopted by Digital UK for a staggered switchover requires a 3 year lead time for stakeholders in each region to be fully informed about digital switch-off and to allow adequate time to resolve technical and other issues in each area. In broad terms, this means that communications broadly follows the following pattern:

- Year 1 is about raising consumer awareness;
- Year 2 is about understanding; and
- Year 3 is about implementation.

The availability of attractive new content on digital-only services in the UK has led to a relatively high level of take-up (over 63%) and awareness of digital already in the UK; having regard to the relative lack of consumer understanding in Australia, SBS believes that a 3 year switch-off plan would appear to be the minimum needed to achieve a smooth transition from analogue to digital in Australia. This is also conditional on digital viewers driving uptake by gaining access to substantial new and additional digital content.

**Firm date for switch-off:** Without a firm timetable for switch-off broadcasters and their transmission suppliers face uncertainty as to if or when analogue distribution equipment should be replaced or run down. SBS notes that firm dates for switch-off have been set by many countries. Switch-off dates in the UK range from 2008 to 2012. The European Union has set 2012 as a switch-off date although a number of states are expected to complete an earlier switch-off by 2010. The US is likely to have a firmer date for switch-off, as early as 2008, in the near future (subject to the passage of legislation before Congress).

The date for switch-off should be as soon as is practicable after appropriate industry consultation on the technical feasibility of switch-off. There are numerous technical issues to consider including the use of new compression standards, possible legacy issues with existing digital reception equipment and spectrum planning issues to consider prior to, and after, switch-off. Switch-off dates should be determined as the outcome of extensive consultation and development of an industry feasibility study undertaken as part of a Digital Action Plan (see below). As outlined earlier, the feasibility of switch-off within a reasonable period of time will be greatly increased by the presence of strong market drivers for digital uptake and, in particular, a critical mass of new public broadcaster multichannels.

SBS considers that triggers or targets are not effective tools from which to determine the timing of analogue switch-off. The UK has moved away from a target based approach to a time based switch-off on a region by region basis.

**Alternative uses for broadcast spectrum:** Delays to analogue switch-off have two important implications in terms of spectrum allocation and use:

- Duplication of analogue and digital transmission for national broadcasters is costly to government. Early switch-off would end this duplication, removing a significant annual cost burden to Government.
- Alternative uses for analogue spectrum may provide a significant revenue stream for Government or the ability to redeploy it for nationally important purposes. However, technological advances in other forms of broadcast delivery, for example cable and satellite and improvements to compression technologies have the potential to reduce the value of such spectrum in the

future. The longer the release of analogue spectrum is delayed, the less potentially valuable it may be.

For both of these reasons, SBS considers that investment in public broadcaster multichannel content will have a strong and positive impact on the future release of spectrum and associated costs.

SBS does not comment in detail at this stage on alternate uses for spectrum. However, it notes that the freeing up of analogue spectrum offers an opportunity to rectify an inconsistency in the way SBS has been planned. In Australia, the free-to-air television market primarily operates on VHF. However, SBS has been disadvantaged by being the only national broadcaster having its main frequency primarily on UHF. As VHF spectrum becomes available in the future, there should be active consideration of shifting SBS into the same broadcast band as the other commercial broadcasters, that is, from UHF to VHF spectrum, where applicable, to enable parity with other broadcasters and to simplify antenna configurations and reception of SBS for all viewers.<sup>2</sup>

SBS notes Ofcom's recent announcement that it will shortly commence a review – the *Digital Dividend Review* – to examine the options arising from the release of spectrum due to digital switchover.<sup>3</sup>

### **Preparing for and managing switchover**

Having regard to overseas experience, the conversion to digital process will require a much greater level of industry co-operation for the preparation for switchover and active management of the switchover process. This complexity will require more than market collaboration. It is likely that Australia-wide switchover will not be possible and that a staged approach to switchover is more practical, region by region, as is currently contemplated under the *Broadcasting Services Act* digital conversion scheme.

As outlined earlier, a lead time of several years for communications and planning is likely to be needed. The order in which different regions are switched over will reflect technical, spectrum and logistical issues. This will necessitate:

- bringing together key public and private sector stakeholders to develop a comprehensive Digital Action Plan in consultation with the Government;
- consultation between manufacturers, broadcasters and government to consider technical issues associated with switchover; and
- an implementation plan and implementation body to ensure switchover is met in a timely fashion.

To date, public broadcasters (as key stakeholders) have participated on a number of industry bodies and forums to consider digital conversion issues. While industry bodies are an appropriate forum for the development of issues, the need to satisfy all members can potentially slow down progress on contentious or complex issues. SBS considers that once consultation is complete:

- there needs to be a more active process for determining plans to achieve digital switchover; and
- this should be a separately managed process, as outlined below.

<sup>2</sup> See SBS' submission to the Department of Communications, Information Technology and the Arts *Review of the BSB Spectrum: Identification and Structural Efficiency*, February 2005.

<sup>3</sup> See Ofcom press release available at [http://www.ofcom.org.uk/media/news/2005/11/nr\\_20051117](http://www.ofcom.org.uk/media/news/2005/11/nr_20051117).

**Organisations to prepare for and manage digital switchover:** There has been extensive consultation to date between industry, government and other stakeholders in establishing the groundwork for digital conversion. Such consultation has been effective in providing an environment conducive to digital conversion – but only to a point. Coordination between government, industry and other stakeholders now needs to move beyond the framework for conversion and toward implementation.

Based on overseas experience, this should involve at least two stages:

- First, the proposed Digital Action Plan should be developed as the first part of a strategy to achieve switchover, *incorporating* a feasibility study into the date for switch-off. It should have as its premise achieving the preconditions necessary for a successful digital switchover.
- Second, SBS considers it appropriate that a new management body be established to implement switchover. While industry consultation about planning and feasibility can be carried out through existing regulatory or industry bodies such as ACMA and Digital Broadcasting Australia, the eventual co-ordination of switch-off should be assigned to a body which has decision making, rather than just consultative powers.

Examples of how this has been managed for similar or comparable processes include the UK model Digital UK referred to in the Discussion Paper. This provides a robust and working example of how such a body would achieve digital conversion. The Digital UK submission to the House of Commons Culture, Media and Sport Committee on 'Analogue Switch-Off' is annexed to this submission.

Similarly, an organisational structure like that of the Sydney Organising Committee for the Olympic Games (SOCOG) could be considered as a model for a special purpose body to implement digital switchover.

Key features include that the implementation body should:

- be results focussed to achieve switchover by a certain date;
- operate under a legislated timeframe for switchover;
- have authority and sufficient resources to implement switchover within the legislated timeframe;
- be independent of industry but required to have regard to industry consultations; and
- be accountable to Government in line with targets and milestones.

The public broadcasters are well placed to work closely with the implementation body, particularly in relation to communications planning and in resolving technical issues (the relationship between the BBC and Digital UK is indicative of this). Public broadcaster marketing plans for new digital services could be complemented or aligned with those of the implementation management body.

**Communications plan for switchover:** It is noted that while industry bodies in the UK were involved in informing the public about digital, as has been the case in Australia through the work of Digital Broadcasting Australia, the Digital UK Communications Plan involves a much more targeted and focussed campaign developed by the organisation with regard to the industry needs but not as an industry campaign as such. It is the difference between needing to consult on every step as opposed to being delegated responsibility to complete a task. While SBS supports ongoing consultative work being done through the industry and bodies such as Digital Broadcasting Australia, the exercise of coordinating and implementing

switchover with a limited time-frame should be a delegated function with the body assigned to complete it having full power to implement its plans.

Implementation of digital switchover will also require a coordinated communications plan between the implementation organisation, consumers and stakeholders. Much of this will build on existing communication programmes undertaken to date but will be specific to the switchover process. The Digital UK communications launch for digital switchover is annexed to this submission and is indicative of the scale and range of activities required.

As noted earlier, broader public information campaigns about digital will include campaigns from the broadcasters with their ability to reach mass audiences. However, this should also be supplemented by specific advertising about new content and services available on digital, particularly from the public broadcasters. The manner in which public broadcasters could be funded to provide marketing campaigns is addressed in SBS' Triennial Funding Submission 2006-2009.

### **Conversion of other types of free-to-air broadcasters and services**

SBS considers that consideration should be given to assist those communities that do not have digital coverage to access digital services on a similar basis to that currently provided for by the analogue Black Spot programme and Self-Help schemes.

This would involve revisiting those communities currently serviced by the analogue Black Spot and Self-Help schemes and converting them to digital re-transmissions. The availability of set-top-boxes in these communities would also need to be considered.

**Special Broadcasting Service Corporation  
December 2005**