

**From:** Alex Encel [mailto:alexe@internationaldynamics.com.au] **On Behalf Of** Michael Thornton-Smith  
**Sent:** Thursday, 21 September 2006 1:48 PM  
**To:** ecita.sen@aph.gov.au  
**Subject:** Submission to the Inquiry into the Broadcasting Services Amendment (Media Ownership) Bill 2006 and related bills

The media ownership bill and related bills ignore a fundamental problem. No matter what likely changes are made in the proposed media policies without a free set top box solution analogue will need to be continued, possibly for well over a decade, with the potential loss of billions of dollars. It is essential that media policy takes this factor into account.

My credentials.

I have given evidence in the Productivity Commission enquiry and the 2000 Senate enquiry attending in person. At the time I was described in the media as the most vocal industry critic of the digital policy and criticised for predicting the lack of take up contrary to the prevailing opinion of the time. I stated that the 2008 target close down of analogue was an impossibility and so on. I consider the accuracy of my take up predictions of the past gives some authority to my current take up predictions. Despite this I was not invited to the hearings last year though a number of the organisations whose predictions were completely wrong were invited

Opinion.

In the early years of the digital TV debate my predictions on the lack of general public interest in migrating to digital TV especially HDTV received extensive criticisms both directly and in the media (with my name mentioned) from government spokespersons including Senator Alston, as well as industry figures who wanted the proposed policies implemented.

Being called a Luddite and out of touch were among the more complimentary comments.

Anyone who wishes to look back at the information at the time will find that HDTV which was to be our only "world leading" broadcast standard, [before deciding on simulcasting] now rarely gets a mention.

This time around not a single government or higher level industry comment on my April 18 submission and current views has been received, though I was credited in various media reports as being a significant factor in the change from HDTV only to the simulcast system around its inception time.

The only conclusion I can reach is that there is currently no real interest in an early close down of analogue and therefore little meaningful discussion on the subject

The potential loss of billions to the general revenue as well as denying the benefits of digital to the general public is apparently not considered relevant.

I have attached my April 18 submission which was in response to Senator Coonan's " Meeting The Digital Challenge " discussion paper . The basics remain unchanged as, despite strenuous efforts via FOI, I have not been able to get figures on the total approximate costs of the simulcast system to the government up to now and projected for the future. I have been given impossible to reconcile advice at various times such as the information is commercial in confidence/ is not known/is available to the public anyway/ . The only certainty is the information has not yet been provided and sensible decisions require knowledge about the costs to date and the projected costs of the possible different alternatives in the future

On the limited information I have been provided I would estimate the cost to date could be \$2 billion to the government alone on any commercial basis.

My \$3 billion estimate of continuing the dual system of digital and analog until a likely close down based on present policies could vary in either direction but will remain an unnecessary financial loss as well as denying the public the benefits of digital which have been stated many times.

The calculations as to the costs of maintaining analogue until likely closedown times, have been supplied to academics, economists, think tanks, politicians and broadcasting engineers, none of whom have queried them. A large number have advised approvingly that the basic principles of the calculations are correct.

I have included some of my previous articles on the subject, as well as a section updating the position as of this month. I would be pleased to supply any further information on request.

An overview:

1. We could provide every Australian TV that is not connected to digital, with a free basic and reliable set-top box, directly sourced by the government for around \$150 million (depending on the final specifications). This outlay could be paid for out of the savings due to the non-continuance of analogue with a large cost benefit to the government. Unless the government facilitates the public transfer to digital by this method the potential benefits in changing to digital will be long delayed until an unknown future date
2. We could commence closing down analogue in 2007. If required I could go into a discussion of various technical issues that will have to be addressed but they can all be readily solved. The overriding point is that the same issues will have to be solved by whatever time digital TV is to be closed down.
3. The savings involved by closing down analogue, commencing in 2007, would be in the order of billions, depending on the ultimate closedown time. The calculations have been provided previously, with the caveat that more

accurate estimates could be provided if the government made available the necessary figures (currently being pursued under FOI as mentioned above) .

4. The proposal is not dependent on media policy changes.

5. A simple explanation on the current situation which demonstrates the impossibility of closing analogue anywhere near 2010-2012.

TV habits have changed to a certain extent in recent times. Not so long ago TV was a death market. The old TV died or was not economic to fix and a new one was purchased.

This has changed and now when people buy a plasma or large LCD they don't necessarily wait for the old TV to die. The result is the population of TVs is ever increasing. It is now about 18 million as of last week's figures from AEEMA . This means over 16 million not connected to digital TV. By 2010 let's call it 18 million. By 2012 maybe 20 million. Digital device sales seem to have plateaued in recent times at the 900,000 area per annum. Senator Coonan's reforms and announcements have not had a noticeable effect. The positive view from her side could be that sales would have been even worse without the media announcements that very few people outside the area read[ I wouldn't agree with that interpretation].

On that basis it could still take about 20 years until closedown. However, there is the possibility that digital sales could drop once the main TV of the house is equipped digitally. Accurate long-term forecasting is not possible but whatever happens we are talking in decade terms and not years for a closedown without free set top boxes.

If there any queries, please feel free to contact me.

Yours Sincerely,  
Alex Encel  
Chairman

International Dynamics. Distributors of Loewe & Schaub Lorenz TV's

**Meeting the Digital Challenge:  
Reforming Australia's media in the digital age.**

## **Discussion Paper Submission from International Dynamics Australasia**

**Facilitating the stated government policies without changing media  
rules, combined with a potential saving in the vicinity of 3 Billion dollars.**

## **Company Background and DTV Involvement**

### **1.1**

International Dynamics is one of the largest privately-owned company groups engaged in the domestic audio visual area. Its 45 year history includes 20 years experience in the successful importing, wholesaling and retailing of televisions.

### **1.2**

As proprietor of the company, Alex Encel provided detailed evidence in the earlier inquiries<sup>1</sup> held before digital broadcasting commenced that the proposed policy would not achieve its aims. He repeated this in many media appearances and in many forums, contrary to the prevailing opinions expressed by industry and government. History has since proved the predictions on consumer acceptance to be correct. He based these predictions on wide international industry knowledge and on the reality presented by regular face-to-face contact with television consumers. Despite this track record he was not invited to address any hearing of the current standing committee.

### **1.3**

From seven years experience in conveying information on the likely outcomes of our digital TV policy we have found our decision-makers tend to rely on experts and lobbyists with a commercial interest in how the policy direction might affect them or their clients. The consumer has been largely excluded.

### **1.4**

International Dynamics has nothing to gain from the solution we propose as we only import digital televisions. However we are firmly of the belief that what the government is now proposing is still not the best means of achieving a transition to digital, nor is it the most economical.

### **1.5**

In putting forward our proposal we will confine ourselves to on the record provable facts and reasonable estimates rather than simply conjecture. More detailed backup information can be supplied as required to any inquirer.

<sup>1</sup> See attached excerpt from Hansard, Senate Committee Wednesday, 31 May 2000.

## **Our Comments on the Discussion Paper**

### **Comments on Part 1 – Road Map to Digital Conversion**

2.1 The Digital Action Plan as outlined has a fundamental flaw in that it fails to identify the magnitude of the task at hand. Every strategic plan needs to establish where you are now, where you want to be and the logical steps necessary to reach that objective.

2.2 The fact is there are estimated to be 14.5 million analogue televisions connected and currently in use throughout Australia<sup>2</sup>. This number will increase in total and not dwindle sufficiently by 2010 or 2012. Recent GFK figures indicate analogue 4:3 televisions continue to outsell widescreen models in unit sales, and each of these recently purchased 4:3 (or widescreen) sets has a life expectancy that can extend beyond the analogue closedown dates now proposed.

2.3 Televisions are not neatly distributed one per household. Many households will have multiple sets. The market penetration required is therefore not merely per household, but per television set as each of these will require conversion to digital in order to operate after analogue closedown. This makes the take up task more difficult, far beyond the degree of difficulty faced by most new technologies. The problem of incumbent analogue televisions will not go away by wishful thinking. One household set may get changed to digital in order to receive a new channel or service, but this will not happen to all the other sets in general use. Nor is there any guarantee that enough households will be swayed to switch by extra channels or services. Many will find the current FTA analogue service sufficient for their needs. Seen in this context, any roadmap based on incentives will fail to address the magnitude of the task.

<sup>2</sup> There are 14.5 half million analogue connected TVs in Australia [DBA estimate Digital Television Who's Buying it? Inquiry into the uptake of Digital Television page.31, 2.121]

## **Our Alternative Proposal**

### **3.1**

There is no possibility of a close down in 2010 or 2012 without coercion of one kind or another. A “lump or leave it” approach will not be palatable to the general public - who are voters as well as consumers. However we believe there is a viable alternative that will allow closedown much sooner without facing the same type of consumer backlash.

### **3.2**

**If the government was to provide every working analogue connected TV in Australia with a free reliable basic set-top box sourced direct from an overseas manufacturer in 2007, it would approach a net saving to the government of \$3 billion<sup>3</sup>, and be the only option that will result in a clean closedown of analogue.**

**We estimate that to supply a basic reliable STB to every analogue TV that needed it would cost in the order of \$150m. It could be less depending on the final specifications.**

**Evidence for this assertion can be provided.**

### **3.3**

We do not regard this proposal as a subsidy. It is merely the government completing the digital infrastructure necessary to bring Australia to the digital TV age. It is removing the responsibility from the consumer to complete this transition. We believe that to place this responsibility on the consumer is unreasonable given the magnitude of the task and the savings on offer to government. A delay to analogue closedown is unnecessarily costly. There are significant savings on offer to government if analogue was to close earlier than the various alternatives currently proposed.

### **3.4**

Only a universal solution will succeed. Subsidising different disadvantaged groups to buy set-top boxes would involve equity arguments and in the end (depending on the criteria) could approach or cost more to implement than the blanket provision of set top boxes for all. The unit cost of such boxes would also be kept much lower if supplied universally.

<sup>3</sup> Our earlier estimates were far lower but we have obtained additional information (though still very much incomplete).

### **3.5**

Our proposal fixes the problem swiftly and decisively, avoids a higher level of consumer back lash and saves the government a massive amount of money

based on its own estimates. We are yet to hear a convincing case to the contrary. We have submitted our figures to various technical authorities, including international ones and have had no substantial queries.

### 3.6

Some have raised as concerns certain problems that would be encountered regardless of when analogue is switched off. The following is not a complete list but merely examples such as complaints about poor digital reception at present, operational difficulties the elderly might face etc Our responses to such concerns are as follows. We will also respond to any other inquiries that may arise on other concerns.

Depending on the area, digital reception will improve greatly when the signal strength is allowed to increase in the absence of analogue. Reception problems might be exaggerated but they do exist. Our experience after selling thousands of set top boxes is that lack of care in reading the instructions, poor or unsuitable antenna installation or cabling are major causes of such problems, but some poor reception areas will need addressing.

The elderly won't be fewer in number by 2010, 2012 or 2015. However a universal changeover to digital would ensure greater community technical knowledge and involvement than would otherwise be the case so advice would be forthcoming. It should be remembered the elderly still buy new televisions, and the operation of a simple set top box need hardly be more complex than most new TVs. Technology is not the sole preserve of the young. Many older people today own digital cameras, mobile phones or computers.

**The overriding point here is that if we accept such concerns as valid arguments against taking decisive action, analogue will never be closed down in the foreseeable future. However all such problems will need to be faced eventually, they won't go away.**



## **Further Comments on Part 1 – Road Map to Digital Conversion**

### **Part 1 ii)**

2.4 If a real incentive for broadcasters to provide digital innovation is desired, have everyone receiving digital as soon as possible. This gives broadcasters a genuine commercial incentive to develop services in competition with each other in order to increase their audience share. Currently there is little incentive to do so when the digital audience is such a minority.

2.5 Providing incentive for receiver manufacturers/importers and others (presumably retailers) is difficult in that they must respond to market demand. Any “appropriate incentive” from government would largely be a waste of money if consumers still chose the most affordable option (ie to do nothing or to buy analogue.)

### **Part 1 iii)**

2.6 If the government was to remove “appropriate incentives” and merely concentrated on “potential assistance that may be required for consumers to move to digital” it would be a step closer to actually solving the problem. (As our proposal demonstrates, what’s actually required is a set top box for every analogue TV)

### **2.7**

A “dedicated new organisation” will not by itself solve the problem. The action plan must actually contain a specific action that will address it, and that action is the basis of our alternative proposal.

Balance of discussion paper, from Part 2 onwards....

4.2 A fourth network will not address the incumbency problem or the inevitable market forces that dictate replacing the television in the children's bedroom will be done as cheaply as possible. Nor will new digital services, multichanneling, narrowcasting or datacasting, high definition television or changes to laws relating to media ownership and control. Consumers have practical needs that should not be ignored. If each government member were to analyse their own consumer behaviour and that of friends and associates they would reach the same conclusions. When all present at the senate enquiry were asked who had done all the following- purchased a \$3000 to \$8000 TV, a top quality antenna and a surround sound system, pay TV and internet access, not one hand went up. (See Appendix 1 Hansard Excerpt). Somehow new technology is often something everybody else wants. The new measures as outlined in the discussion paper may help companies like us sell a few more digital televisions but they will not address the key problem to which a solution is needed.

**We consider our proposal provides the only workable solution.**

Our comments on the balance of the discussion paper have therefore been brief. We do not regard any of the proposed initiatives as adequate either individually or collectively to achieve the desired outcome.

## Summary

- 5.1 The aims of the original legislation as stated were to move Australia into the TV digital age rapidly. The originally sought closedown date of 2008 is now considered as impossible and 2010, 2012 and 2015 are now being mooted in the media. Yet under our proposal it could happen in 2007. This is worthy of serious consideration, especially when the net saving to government is of such magnitude.
- 5.2 The 226 page report from the last inquiry doesn't provide details regarding the cost of analogue maintenance to the government and the taxpayer. We find this puzzling when the cost of analogue maintenance is so relevant to any proposed decisions and a cost that can be massively reduced with a faster take up rate.
- 5.3 We have made regular inquiries to Senator Coonan's department for over a month on this subject as only part of this cost we have been able to locate in government publications. Despite regular assurances to the contrary from the department, we have not yet managed to obtain the simple information required. Eventually we were officially informed at 4.24pm on the day before Easter and the last working day prior to the submission deadline "It is not possible, for a number of reasons (including commercial confidentiality to be more specific about past and future expenditure)"
- 5.4 The cost estimates we can readily identify from government sources are as follows. \$50m per year to maintain ABC and SBS analogue services (expected to keep rising over time). The \$75m per year mentioned in Senator Coonan's speech of March 14, 2006. We assume \$25m per annum to regional broadcasters in support of analogue maintenance. The actual costs will be higher due to additional items as yet unidentified. In the government's own words of September 2005: "Over time, maintenance of an analogue transmission network could become increasingly difficult and expensive for broadcasters as major transmitter and related suppliers stop making analogue equipment." If we assume \$100m annually increasing 10% per annum in costs and a 5% commercial rate of interest, we get to around \$3 billion by 2015. An additional delay beyond 2015 would increase the cost further.
- 5.5 Given our industry knowledge plus the reluctance of the relevant authority to provide the figures, our expectation is that actual costs relating to analogue will be substantially higher than the \$75m identified. That is why we have chosen \$100m as an estimate.

To more exact, a 10% annual increase in base costs, combined with 5% interest rates if compounded annually and a close down date of 2015 would

result in expenditure of \$3,059,022,900. Compounded monthly it would be \$3,295,513,200.

We accept that this calculation depends on a number of assumptions and the actual figure could be lower or higher. We can't be more specific unless full and detailed figures are forthcoming from the relevant authority.

**How the cost of not following our free STB proposal can add up to three billion dollars or more. A one page summary.**

6.1 The government is on the record as confirming the cost of maintaining analogue for the ABC and SBS is \$50m per year with these costs expected to rise significantly in the years ahead. Senator Coonan makes mention of \$75m per year. The government is also on the record as stating they will spend \$1.25 billion on the digital rollout. Just how this money is divided between the maintenance of analogue and the provision of digital infrastructure is cloaked in a “not possible, for a number of reasons (including commercial confidentiality) ” disclosure refusal by the Dept of Communications, IT and the Arts. Without such specifics it is impossible to provide conclusive analysis.

6.2 It is not unreasonable to assume that some of the licence fee rebates received by commercial broadcasters were directed towards maintaining their analogue services. After all, each commercial network will face comparable costs to the ABC and SBS in relation to analogue maintenance. Government reference is made directly to this fact in relation to regional broadcasters.

6.3 It is reasonable therefore, that \$100m per year to maintain analogue might be closer to the mark once you take into account licence fee rebates and so on. Take that \$100m per year over the period, add 10% for increasing costs ,5% for commercial rates of interest and an analogue closedown date of 2015 and the Australian taxpayer will end up out of pocket by 3 billion dollars. A further delay will increase this amount, and it should be remembered that the government’s track record at predicting outcomes in relation to digital TV has been poor. The rapid acceptance of HDTV never eventuated and the take up of DTV fell well short of government expectations.

6.4 This \$3b estimated cost to the taxpayer does not take into account the potential value that might be realised from the sale of analogue spectrum space once it can be made available for another purpose. The sooner analogue is no longer necessary for the current networks the sooner this can happen. This spectrum was once valued between 6 –12 billion, but whatever the eventual value might be, it must be worth something.

**Our policy, however does not depend on any media policy changes or sale of spectrum.**

## Conclusions

### 7.1

There is no possibility of meeting the originally stated aims of our digital TV policy as it has failed in achieving them already. Our first digital television policy has failed to meet expectations. Based on the suggestions in the discussion paper, the next attempt will fail as well.

### 7.2

There is no possibility of a close down in 2010 or 2012 or even 2015 without coercion of one kind or another. There will still be a substantial number of televisions and their owners still dependent on analogue

### 7.3

Providing every working analogue connected TV in Australia with a free reliable basic set-top box sourced direct from the overseas manufacturer in 2007 would approach a net saving to the government of around \$3 billion.

**Ours is the only option that will result in an early clean closedown of analogue without coercion.**

The differences between our proposal and the ones put forward in the discussion paper are that we know ours will work and it will save the government money. Our proposal is not based on hope but on reason. It will work regardless of content, media law changes or whatever incentives the government might want the industry to provide. It works by definition.

## **Questions and Answers**

This section answers some other commonly asked questions we have received in response to our proposal.

### **What about simply subsidising those in need to buy a set top box instead?**

Subsidising different groups to buy set-top boxes will involve equity arguments and in the end (depending on the criteria) could cost more to implement than the provision of free STB to all. The volume of boxes and the direct sourcing from the manufacturer is what delivers the low unit cost. It is not just lack of money that is causing the present low take up rate, it is the lack of interest.

### **Won't supplying free top boxes destroy the market viability of Australia's current set top box importers?**

In our considered industry opinion a basic no frills box would be replaced in many instances by a higher quality model, delivering to such importers a sizeable number of buyers that previously weren't buying. If you gave everyone in Australia a free most basic digital camera, it would not stop cameras of higher specifications selling.

### **Why not simply mandate that only digital TVs can be sold in Australia from now on?**

Such a course of action will not solve the problem within a desirable timeframe and many negative effects would also result. It would push the entry-level price of television upward, disadvantaging the poor. This gap would further discourage people from equipping that second or third set. You would have to rely even more on an attrition rate for change and this would take some time. Some more expensive sets have In built Digital tuners, but Australia has a unique DTV system that means that unlike with analogue, Australian digital sets must have custom production runs.

Such a course of action would disadvantage lower income people by taking a large proportion of TVs off the market. The point that Australia has a unique system requiring special manufacture of its digital televisions, a fact that doesn't seem to get any media attention. Such a decision would simply favour the largest manufacturers and importers and minimise or cut out the rest resulting in lower competition. In practical terms it would still take years to come into effect, even assuming you adopted the policy tomorrow. US legislation just for very large TV sizes took years to phase in. Many more years would have to elapse before the incumbent televisions would face replacement.

### **Won't the lower cost of boxes and the government's initiatives mean the uptake will get better anyway?**

Although an increase is likely, it won't be of the magnitude necessary to reach a reasonable percentage necessary for closedown. The purchase price of entry-level boxes is currently under \$100 and has been for some time. These days we even see prices advertised as low as \$39. Sales at this price, however, have not been sufficient to make much of an impact on the number of incumbent analogue sets. For example to close down at the beginning of 2010 would require over 5 million digital TV devices to be sold a year, getting close to 10 times the digital TV devices sales rate of last year. If we pick 2012 as a closedown date we would need over 3 million devices sold each year, approaching a six times increase in current sales rates. (The number of televisions in Australia is increasing annually.)

### **Can't retailers make it happen by selling set top boxes more strongly?**

A retailer requires a profit motive. There is little money to be made in selling a set top box below \$100 in comparison to selling a digital TV or flatscreen worth thousands. The retailer will therefore be concentrating on the selling or the advertising of the new television, not on the equipping of existing sets.

To sell a set top box under \$100 is made even more difficult if the value of the existing TV set in question is not so different in market terms. To most consumers in that situation spending \$100 on a set top box would seem out of proportion.

### **Why not wait until there will be improvements in digital TV facilities or until new technologies such as broadband take over?**

Apart from whether such new facilities would be allowed, TV is a very slow medium to change as the present situation demonstrates. While a small portion of TV owners will take on new technology rapidly, the majority will not. And there is still a matter of a \$3b saving to be made as per our proposal.

### **If digital set top boxes can be so low in cost, why not incorporate them in all TVs?**

Manufacturers have separate production runs for different variants. In some cases we have had shipments of as few as 10 units for an individual variant. Component parts are a minor part of the cost when producing special models in very low quantities with comprehensive instruction and service manuals. Production of many millions of one particular model is the key to the low cost.



## **Benefit Summary**

The benefits to the Australian public of early analogue closedown are as follows.

- 1        3 Billion Dollars in lower costs to government
- 2        A better television service
- 3        The potential sale and new usage of analogue spectrum space many years earlier than would otherwise be the case. (A spectrum once valued as being worth between \$6b and \$12b). This depends, of course, on government policy.
- 4        Better reception

## Appendix 1 Hansard Excerpts

Excerpts from Official Committee Hansard Wednesday 31 May 2000

Senate

Environment, communication, information technology and the arts.

**Mr Encel**—In attempting to put this debate in perspective, I am reminded of two expressions:  
having lost sight of our objectives, we redoubled our efforts and it was a triumph of hope over experience. I want to see the transition to digital TV succeed. To the best of my knowledge, I am the only person with hands-on experience of TV selling to consumers involved in this debate. I believe I can speak from the consumer perspective with some insight, and the evidence overwhelmingly shows the triplecast system will fail to meet reasonable objectives from the outset. A clean analog switch-off near 2008 is not possible.

Since the government announced its original digital TV policy, nearly all the focus has been on media issues and technological wonders. In general, the public has been given information that is full of hyperbole, misleading and often untrue. Consumer acceptance has been assumed throughout, with the rather optimistic proviso that in case of problems we will solve them by varying the policy mix later on. It is an assumption that bears little relation to reality. The present government policy gives no clear definition of success or outcome sought in terms of consumer acceptance. Elsewhere in the world, governments are more prepared to be accountable. In the UK they have stated that 95 per cent of viewers are to be on digital TV at analog close-down. In any rational view, low consumer take-up in Australia and subsequent indefinite analog close-down would constitute failure, despite any niche market success for some DTV market players. Research and now real-life experience point to an inevitable conclusion that the triplecast system or a close variant must fail in its aim to fully utilise the spectrum without some form of coercion. I have searched worldwide for more than two years and can find no properly conducted research or actual life experience that allows a different conclusion. The social and economic consequences of such an outcome will be significant.

As a person dealing with TVs on a daily basis, let me assure you that, if the market decides,

you will find a huge proportion continuing with analog. Yet making the transition to digital work far better is quite feasible if we act now. My forecasts since 1998 regarding digital TV have come true. I do not want to be right again; I simply want a system that works. To close, I would ask you to imagine being in the hands of doctors who say, 'Although the patient does not need the operation immediately, nor understand it, and although all evidence worldwide shows the operation will not give the desired outcome, let's do it anyway. We're tired of talking about it and, besides, it would be embarrassing to tell him. Let's get onto something else, as we have a lot to do. Maybe we won't be around when he finds out.'

**Mr Encel**—In the last several years, how many people present have bought new \$3,000 to \$8,000 TVs while their old one was okay because of picture quality differences, have put in a top quality antenna and a surround sound system, are on pay TV and have Internet access?

Please put up your hands.

**Senator BOURNE**—I have Internet access.

**Mr Encel**—No—all those things. Not one person. This is what we are saying all Australians—not all Australians but a large number of Australians—are going to buy. Yet here are people on higher than average incomes and there is no-one. This is the extraordinary part to me. I have talked to a lot of people in the media and some in political circles and have asked them what they have and they all seem to have \$500 to \$800 TVs, except one out of about a several dozen. Yet, somehow, a lot of them expect that everyone else is going to be desperate to do it. That is the part I find so difficult to understand.

## Appendix 2 History Excerpt

### Just for the record – some early chronology

#### 1997

The Australian government foreshadows its digital TV policy. We politely contact government to point out flaws in the proposal, and similarly to TV stations in order to correct inaccuracies of their claims.

#### 1998

Mandated HDTV Digital TV is officially announced amidst much fanfare. Australia's proposed unique HDTV system is promoted as world beating technology.

We point out that mandating an entire digital system to technology unlikely to gain wide consumer acceptance for very obvious and insurmountable reasons was sheer lunacy.

Despite the above warnings Senator Alston continues to make statements to the effect his ultra high standard 1920 x 1080i HDTV would be comparable in price to conventional TV.

This time we got some small media interest in the fact that this is not the case. Most journalists however continue to report the projected figures from the government and FACTS (Federation of Commercial Television Stations) as fact.

The ABA (Australian Broadcast Authority) and FACTS claim that metropolitan coverage would be 80-90% by the start up date of January 1, 2001.

We point out publicly why this scenario was not possible.

HDTV is confirmed and defended as the only proposed means of Digital Broadcast delivery under the planned legislation.

We predict HDTV even in the USA would experience limited take-up at first, a far cry from what would be necessary to abandon analogue broadcasting under the government scenario.

#### 1999

Senator Alston and Tony Branigan of FACTS and nearly all media articles on the subject explain how Australians will exhibit a rapid acceptance of the new HDTV technology.

We declare rapid sales of HDTV to the then stated specification in Australia would be negligible to non-existent.

By mid year Senator Alston declares 1920 x 1080i HDTV was "set in stone" as the only broadcast standard for Digital TV in Australia.

We reiterate this ultra high HDTV only policy must change to avoid complete disaster.

Breaking away from the 9 and 10 networks, Kerry Stokes of the Seven Network on the "7.30 Report" publicly agrees with our warnings on the matter of mandating high spec HDTV as the only form of Digital TV.

We put a strong consumer and retail industry case to the Productivity Commission. Others come to similar conclusions from different directions.

The Productivity Commission recommends against the 1080i HDTV only system.

Finally in December, the government's "set in stone" policy alters to allow Standard Definition TV (SDTV) as a digital format, but strictly limits what content can be shown in terms of datacasting. The bulk of the spectrum is still reserved for existing networks because of HDTV.

## **2000**

We point out the discrepancy between the value of the spectrum given away to the networks and the supposed start-up costs the networks claim they would have to bear in return.

We assert publicly that no commercial range of equipment would be ready in time for the start up date.

We give evidence to the Senate Enquiry as to why the system will not achieve its stated aims.

We have the government admit during the senate enquiry that the claimed network costs have never been checked. (Yet this is the supposed basis on which the spectrum was given away in the first place, spectrum valued by some analysts as being worth 6 -12 billion dollars.)

## **2001**

Come the start up date of January 1, 2001 every prediction we made earlier on the subject of Digital TV had come true.

- There was no commercially available televisions of any kind that could receive the digital signal directly
- There were no set top boxes available to consumers that would receive the digital TV signal and provide the kind of facilities originally proclaimed as world beating
- Despite intense government pressure, only one manufacturer at the time made even a tentative commitment to make production model HDTV sets for Australia and that was at a vastly reduced specification.

### **Appendix 3 Press Coverage**

The accompanying PDF is of an article published in the Financial Review in 1999, prior to SDTV being included in the Digital TV system.

It was written at a time when 1920 x 1080i HDTV was to be our only system. This minimum HD requirement was later drastically downgraded, and simulcasting SD also was adopted. More such articles and letters to the media are available on request.