

Sony Australia Limited  
33-39 Talavera Road, North Ryde NSW 2113  
Telephone: 61 2 9887 6666 Facsimile: 61 2 9887 4351

---

The Secretary  
Senate Environment, Communications,  
Information Technology and the Arts Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

25<sup>th</sup> September 2006

Dear Ms Le Guen,

I am writing in response to the request for public submissions on the Committee's inquiry into the Broadcasting Services Amendment (Media Ownership) Bill and related bills.

In this letter, Sony has focused on some of the proposals related to the Broadcasting Legislation Amendment (Digital Television) Bill 2006, reflecting the company's long-standing interest in issues to do with digital conversion.

- Background Comments

There are extremely encouraging signs with Australian consumer acceptance of Digital Television (DTV) and High Definition Television (HDTV). Market research by Digital Broadcast Australia (DBA) shows a significant increase in the sale of DTV units sold in Australia, with consumers adopting the technology at an accelerating rate. This reflects the ability to convince consumers who are in the market to buy a new TV of the desirability of DTV. Previously, Sony responded to the Minister's discussion paper 'Meeting the Digital Challenge: Reforming Australia's Media in the Digital Age' and drew attention to the research undertaken by DBA. This showed that already by the December 2005 quarter, 35% of the units sold to retailers and installers had HD receivers, despite the price premium relative to SD digital, fewer available models and limited HD programming. Sales of HD receivers in the December 2005 quarter were double the sales of the December 2004 quarter.

The message is clear. Consumers are adopting DTV at an increasing rate, and are moving rapidly towards larger, widescreen sets. Importantly, consumers appear also to be 'future proofing' their DTV purchases by moving to HD. The growing trend towards HD will continue.

Reflecting the consumer's increasing interest in adopting HD and the inevitable move to this technology, Sony has re-positioned its TV product range to HD displays. Of the range of 17 consumer LCD TV's, front projectors and rear projection TV's, all are HD capable of a resolution of 720p or more, seven are 'full' HD capable of a resolution of 1080p and seven have integrated HD digital tuners. In addition to this Sony is also shipping LCD TV sets bundled with HD set-top boxes (STBs) or bundling HD Digital Video Recorders (DVRs) with LCD TVs.

Now is clearly the time for the Government to take advantage of positive market developments and take decisive action to implement a transition to DTV and HDTV in Australia.

- **Digital Television Bill**

- i) **Multichannelling**

Sony supports the removal of genre restrictions on multichannelling by the national broadcasters as soon as practicable.

Sony also supports the removal of the current restrictions on multichannelling by commercial broadcasters. However, Sony's preference is that this should occur as early as possible rather than waiting until the end of the simulcast period.

Sony is firmly of the view that take-up of digital television is driven by the ability to access a wide range of digital programming. Sony believes that overseas experience (eg, in the UK) demonstrates the advantages of multichannelling in encouraging further take-up of digital services. In the UK, DTV take-up has been driven by increased consumer choice and program availability and has now reached the stage where the country has been able to make significant progress towards a timetable for analogue switch-off.

However, the current Australian digital framework severely limits the consumer's access to digital content through the Free to Air (FTA) commercial and national broadcasters. From a consumer perspective, at this point in time, there is little to differentiate analogue and DTV programming; it is not yet a compelling consumer proposition to convert to digital.

It is important that Australian broadcasters have the ability to significantly increase the transmission of digital programming. This will further encourage the take-up of digital TV services.

In this regard, Sony believes that the national broadcasters have a role to play through offering new digital services (eg, digital only channels such as ABC2 and SBS' multichannels).

Sony believes that the opportunity should be offered to commercial FTA broadcasters to multichannel as this will encourage Australian consumers to move to DTV. It should also not be overlooked that multichannelling provides an opportunity for broadcasters to develop new programming, marketing and advertising business models, which will benefit consumers and the broadcasters. As multichannelling reaches a critical mass of viewers, Sony would expect multichannel providers to be able to source new, additional advertising revenue streams.



## ii) High Definition Television

The Bill proposes that:

- From 1 January 2007, the requirement that the HDTV version of a digital television service be a simulcast of the SDTV service would be removed. This option would effectively allow FTA TV broadcasters to run one multichannel in HDTV in advance of switch-off; and,
- The current HDTV quota of 1040 hours per year would be retained until the end of the simulcast period.

Sony supports both of these measures.

In relation to the former, Sony believes it is important that there is a greater opportunity to showcase the benefits of HD than currently exists. Providing broadcasters with the ability to operate an HD channel that is clearly differentiated from analogue and SD will be attractive from the consumer perspective and Sony believes showing this advanced visual quality will assist in driving the DTV transition process as consumers see what is possible with DTV.

Sony believes that it will be important that Australian consumers are offered 'real' HD, ie transmitted at 1080i or 720p, in order to experience the undeniable advantages of this technology. At the moment there is consumer confusion in Australia as there are three so-called HD standards, namely 576p, 720p or 1080i. Sony believes it is important for any HD transmission standard to deliver a level of picture quality that is demonstrably superior to SD. In Sony's opinion, 576p is clearly not HD quality and it should not be promoted to consumers as such. It provides no improvement in horizontal resolution over SD and only a marginal improvement in the vertical resolution. Its shortcomings are particularly evident on larger, widescreen TVs, which is the type of display that is increasingly being adopted by consumers in Australia. Nowhere else in the world is 576p considered to be an HD standard. In Sony's opinion, the minimum transmission resolution that should be recognised as HD in Australia, and that should be allowed to be promoted as HD, should be 720p, with 1080i being preferred. Australia should not continue to remain out of step with worldwide standards.

Sony believes that any consideration of policy options relating to HDTV needs to recognise its central role in digital broadcasting in the future. Major equipment manufacturers and the broadcasting industry more generally are convinced of the future for HD worldwide. It will not be a niche service; rather it will be the mainstream program production and delivery standard. In Sony's opinion, SD will be an interim technology until there is a full, worldwide switch to HD. This is not surprising given that HD is a widescreen format which delivers amazingly real, lifelike images that simulates cinema film quality. It delivers a resolution and quality of sound and vision which is up to five times superior to SD format.

We are now seeing the inevitable global move towards HD television production and broadcasting. In the US the choice for consumers is essentially between analogue or HDTV, and HD continues to gain strength. Moreover, a strong indication of the future business opportunity presented by the HD world is that it has attracted major new industry players with no previous history in television such as Hewlett-Packard, Dell, Motorola and Gateway.

Europe is now beginning the process of transitioning to HD. The debate now is about the rate of adoption. There is no doubt significant growth will occur over the next five years or so, further boosted by large events such as this year's World Cup and the Olympic Games in 2008. In the UK, the BBC is developing plans to produce all its TV output to meet HDTV standards by 2010. Other European countries are now recognising the advantages of HD over SD and will increasingly embrace HD.

Globally, the trend towards HD production of not only feature films and television series, but also news and current affairs programs is increasing. In this regard the position and strategy of Sony Pictures Entertainment (SPE) is relevant. Through its SPE business, Sony is the owner of the largest programming library in the world, including Columbia, TriStar and now MGM, and is a major provider of HD content for film and TV. SPE sees the future as being an HD future for both film and TV. The company is creating an HD version of every new film shot. SPE is also continuing to transfer popular titles from its library to HD format.

In addition, SPE is increasingly producing TV shows in HD and creating HD versions of other TV programs. The vast majority of new television programs and new features released in Australia to FTA networks by Sony Pictures Television Pty Limited is available in HD format.

Sony, as the number one supplier of HD format production equipment supplied to broadcasters in Australia and around the world is seeing clear evidence of TV networks investing in HD to support their future strategic business directions. In Australia, all FTA networks have made a significant investment in HD production equipment.

As noted above, there is a sizeable and growing consumer demand for HD as the next step up from SD. Consumers appear increasingly to be 'future proofing' their DTV purchases by moving to HD. To meet the growing demand, manufacturers are producing more HD products, not only TV equipment but cameras, recorders, personal computers and games equipment.

For example, Sony has already introduced HD Handycam camcorders to the Australian market. Next generation computer gaming will also utilise HD, with a number of manufacturers planning to introduce this technology to the market shortly. Sony's PLAYSTATION 3 (PS3) will utilise BD-ROM (Blu-ray Disc ROM) with a maximum storage capacity of 54 GB (dual layer), enabling delivery of entertainment content in full HD. The global popularity of gaming will provide powerful leverage to the growing HD market. It will create an expectation amongst a significant and growing market demographic that HD should be the standard display technology and that HD content should be ubiquitous.

This move, globally and in Australia, is clearly driven by the consumer's demand for the highest quality of sound and vision, and replicates the success of DVD equipment. Consumers, when offered the compelling quality of HD, do not choose to revert to the lower standard seen in SD and analogue.

Presented with the evidence of HD adoption at the production, broadcast and consumer levels around the world, Sony believes it is indisputable that HD will be the future of digital TV and related display devices.



Against this background, and the view that the transition to digital will inevitably mean a transition to HD, Sony believes that the mandating of HD for Australia has been the correct decision.

However, Sony also believes that a key issue will be to continue to promote and support the availability of HD content as a driver of DTV, and more specifically HDTV, take-up. It will also be vital to deliver increasing levels of content to match the high resolution display capability of the increasing numbers of HDTVs.

Sony believes that the HDTV content quota has been an important tool to demonstrate the benefits of HD technology to Australian consumers. Given the investment already made in HD by both FTA broadcasters and consumers, Sony would now expect there to be a level of HD content broadcast whether a HD quota exists or not. However, the issue should not be about accepting the current, relatively low level of HD programming, but adopting a mechanism that will support and drive the transition to full HDTV.

At this point in time, Sony believes that there is insufficient HD content being broadcast in Australia to create significant differentiation from that offered on analogue/SD channels. This is an inhibitor to encouraging consumer acceptance of DTV and HD in particular.

Sony believes that the Government must retain, and even strengthen, its commitment to HD programming as it can be a compelling proposition to encourage DTV take-up. HD programming is now widely available. All FTA broadcasters can easily meet the 1040 hours quota requirement. As noted above, globally production of HD content is increasing with many TV programs and films already being shot in HD format. This trend will only increase. Australian broadcasters can already source significant HDTV content. Sony strongly supports the continuation of the HD content quota, and believes there is merit in increasing the HD broadcasting requirements. This will encourage the networks to provide consumers with more choice of HD programming and will further support the Government's policy of digital conversion. If the networks broadcast increasing levels of HD programming more consumers will be attracted to convert to DTV.

Sony does not believe that an increase in the HD content quota will impose a burden on broadcasters but it will accelerate the introduction of HDTV. Accordingly, at this early stage of HD in Australia, Sony recommends that the HD content quota should continue to remain part of the digital TV regulatory framework at least until the shutdown of the analogue network.

Sony also believes that the HD quota should be revised to require the broadcast of a minimum percentage of locally produced HD programming similar to the analogue local content requirement. This initiative would help to boost the local HD production industry as currently there is little non-studio based local HD production broadcast. As a result, consumers are deprived of appealing, Australian HD content such as drama and sports events, which are demonstrably a driver of TV sales and will contribute to digital conversion.

Sony believes that Australia must also build its local HD production expertise in order to continue to be competitive on the world market in television and film production. A local HD content requirement, and the ensuing HD production, would help position Australia to be a regional HD production centre and exporter of content.

Sony would be pleased to respond to any questions that the Committee might have in relation to any of the matters raised in this submission.

Yours sincerely,



Ruben Lawrence  
Corporate Communications Manager  
Sony Australia Limited

Cc Shusuke Oshima, Managing Director Sony Australia  
Carl Rose, Deputy Managing Director Sony Australia