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Importer and Wholesaler Response to Analogue Switch-Off Discussion

This letter outlines our response to the questions posed in the discussion paper. Responses are numbered as the questions were.

- 1.a. Yes we feel that an ASO date should be announced when penetration has reached 50%. By this time FreeView will have become well established and take up rates will greatly increase when a decision and announcement has been made for the ASO.
- 1.b. The progress could be monitored by a combination of sources. Sales volume would be one indication. Importers and wholesalers would be able to provide data for this. Another source would be SKY TV and FreeView, as both have a return path to monitor viewers (MHEG software) and so could give a total of viewers in use.

However this total is not fully accurate for FreeView. Therefore the broadcasters response alone could not be used as FreeView is available also to the 20,000 or so digital receivers already in the market place. These receivers can and will still sold in New Zealand.

- 1.c. A possible total threshold for ASO to occur is 90%, remembering that 10% of households in New Zealand is only a very small amount of households when compared with 10% of households in Australia or the UK.
- 2.a. For many years now the majority of SKY viewers have lived with one STB in a house with multiple TV sets. While it is true that the other TV sets are perhaps using the analogue reception, by and large it would appear that they are using the second TV to be able to watch SKY in another room. It seems that the emphasis is not so much on being able to watch two different channels at once, but instead to be able to watch your selected channel in whichever room you choose (i.e. lounge or bedroom). There has also been a greater emphasis on installing remote control extenders to enable this.

We feel then that one STB per household is a reasonable amount before considering ASO.

- 2.b. Nothing can be done to literally convert a VCR. However quality free-to-air STBs (as well as SKY STBs) have been designed with VCRs in mind. Such STBs have the following features:

1. Multiple outputs: this allows a TV set and a VCR to be connected to the STB with minimum of fuss.

2. VCR Timer setting: This allows the user to set the timer via manual entry with the remote control or via the Electronic Program Guide (EPG). The STB can be turned of via the remote control and when the program begins the STB will turn on and change to the correct channel. After the program ends the STB will turn off again. Alternatively if the STB is being used and a different channel is being watched, the STB will bring up a warning that the program will start soon and within a few minutes will automatically change to the correct channel.

Of course the VCR will still have to have the timer recording set on it.

However the best option is for the consumer to purchase a "satellite PVR", or Personal Video Recorder. These STBs have a computer hard drive inside and have twin tuners allowing direct recording of two channels at once. Because the recorder is built into the STB the timer setting can be made via the EPG



with a single remote control button. For more information on these PVR STBs please visit www.topfield-newzealand.co.nz

- 2.c. Compatibility between free-to-air and conditional access is impossible with FreeView and SKY as SKY uses a conditional access type that is unique to their STBs. You are unable to use SKY's smart card in any other STB. This then requires a second STB for FreeView (if SKY does not choose to have all of the FreeView channels on their STBs, which they can by a simple programming change), which also means a second remote control and a need to change the TV set from AV1 to AV2 when swapping from FreeView to SKY.

Another compatibility problem is that SKY insists that no other STB is connected to their dishes. This is fair and reasonable as they provide maintenance to the dish while the subscriber pays for the service. This obviously requires a second dish to be installed for FreeView if the SKY dish is in use. If the SKY dish is not in use one would expect that it could be used in the meantime.

With the other minor PayTV broadcasters in New Zealand such as Vision Asia, SunTV, Duna TV, Zee TV, compatibility and functionality can be found in that they have used a conditional access encryption type (IRDETO) that is available in a STB which allows reception of FreeView as well. This means one remote control for both FreeView and subscription channels. It also means there is no need to change the TV set from AV1 to AV2.

To learn more about such STBs please read about the Topfield TF3200IR model STB at www.topfield-newzealand.co.nz/products.htm

Alternatively a PVR can again be used as the encryption type IRDETO is available in CAM (conditional access module) card reader. These card readers (CAM) can be inserted in the CI slot (CAM Interface) of the PVR, giving a card reader to the PVR STB.

More information on CAMs can be found at www.hooktech.co.nz/other.htm or at www.freetv.co.nz/products.html

If consumers are wanting to have multiple FreeView STBs in their home, optimal functionality and convenience can be found by purchasing the same type of STB because then there is only one menu system and remote control design to understand.

- 3.a. Consensus between government and industry.
- 3.b. Steering groups tend to be money and time wasters, often resulting in ASO date shifts and long discussions about nothing. It needs to be understood that the ASO will never suit everyone. There will always be a number of people who are unhappy about. So rather than spending money on a large steering group, a government dept such as MED should do the job.
- 4.a. ASO should apply to all services being simulcast on any digital TV platform.
- 4.b. Analogue CAS such as SKY UHF should be included in the ASO.
- 4.c. If ASO was not applied to free-to-air services who may not initially be included in DTT platform how can the ASO work properly? How can we expect consumers to maintain their analogue reception as well as their digital? The DTV service needs to be set up in such a way that all broadcasters can be on the service long before ASO if they wish. ASO should apply to all broadcasters.



- 4.d. As above.
- 6.a. New Zealand is really in an interesting situation because of the small population and the signal limitations of the topography. If a region by region approach was used then we feel the remote areas, which have very small populations of consumers, might miss out on a genuine service. If the big bang approach is used then everyone has the advantage given by a mass of population (or a mass of consumer demand in other words) driving both the supply, sales and channel selection on the DTV network. The big bang approach then would provide benefits to the retailers and installers by ensuring plenty of sales (and businesses would gear up ready for that demand) and benefit consumers by providing them with retailers and installers ready to do the work as well as a range of channels provided for the whole country instead of just the city areas.
- 6.b. Here is yet another reason to avoid the progressive approach. Another need for a consensus group. The big bang approach is much better.
- 6.c. No. Trial switch-offs will not be needed. By the time ASO is actually reached the DTV network will have been underway for many years. SKY has already been digital for 10 years or so. No further testing will be needed. Of course many people will complain. They will have refused to move up to DTV from analogue, but a trial switch-off will not help this.
- 6.d. A similar approach to this discussion would be sufficient. If ASO is based on DTV penetration then it will be possible to progressively inform distributors, retailers and installers of the growth. If this is started at the rollout of DTV then maximum time will be given. Perhaps quarterly emails and postings to a website could be done to allow these ones to keep up-to-date.

All distributors, retailers and installers are aware of the massive growth potential in this industry and we all expect an ASO in the near future. As soon as the decision has been made let them know, but then keep them up to date on the penetration of DTV.

- 7.a. It would seem commercially insane to request a new analogue licence when ASO is known. However what if there is a valid commercial reason? Perhaps it would be best to allow new licences to be allocated but these can not be allowed to influence ASO. They would have to be allocated with the proviso that it is a temporary licence, operational until ASO.
- 7.b. Yes. And they must inform consumers of that fact so it is known that the broadcast is temporary.
- 8.a. IPTV
- 8.b. DTH is only suitable if some of the local or regional services are willing to become national. It would be beneficial for that to happen. However there is such a limited bandwidth on DTH that it becomes uneconomical to use it for local or regional broadcasts. Also is the obvious fact that a local channel on DTH instantly becomes nationwide unless the MHEG 5 software in the FreeView receivers is designed to control who can view it. Still in this case the other free-to-air STBs without MHEG 5 will receive the channel anywhere in NZ.
- 8.c. No – as below
- 8.d. IPTV is going to be the way of the future. The format of it is the best we have. Rather than wasting money on a dedicated local/regional DTT multiplex, and also putting money into giving more New Zealanders



better broadband internet, why not put all the money into the one thing. If everyone had better broadband, and cheaper broadband, then IPTV would become available to everyone. Then we would have a delivery platform for local and regional services, as well as good internet.

- 8.e. It depends on the service type. If they are initially part of the DTV rollout then it is very very important. Part of the move towards ASO is the benefits of DTV. If some of the channels, such as the local ones, are not on the EPG (one of the benefits of DTV) then you have lost some of the benefits for those in that area. Not to mention the commercial damage that will result to that local service when it is not on the EPG.
9. As discussed in 7.a. and 7.b.
- 10.a. Unknown
- 10.b. As in 6.d.
11. Unknown
12. So far so good. As mentioned in Section 11 an effective communications strategy involving advertisements and TV banners will need to be implemented. However none of that can start until we actually have DTV.
13. Yes it is warranted if you expect an ASO in the next 50 years. Currently the average consumer knows nothing about DTV. They think SKY are the only ones who have digital. Many have never heard of DTH, and they can't even associate a FreeView version with the fact that it is just SKY Digital with the encryption turned off.

The optimal timing is right now. Before FreeView fully launches. Why? Well already there are "test" channels available which amazingly give the average New Zealander better TV viewing than they have ever had before. Yet soon FreeView will launch and provide an even better service. But who will buy the products? The people who know nothing about it? And what happens if the take up is so slow that the companies who have geared up for it go bust before they get enough customers to make a profit? The take up needs to start at the start – at the launch. If the launch can be massive then a big part of the move towards ASO has been done and the momentum of it will carry through by pushing broadcasters to add more channels (a viewer based move), causing installer and retailer numbers to grow by a simple supply and demand system.

Again MED or MCH could oversee this.

Thank you for the opportunity to comment in this discussion.

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