

16 February 2007

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Dear Jo

ANALOGUE SWITCH-OFF: ISSUES FOR CONSIDERATION

Thank you for your letter of 20 December 2006, and for the opportunity for NZ On Air to make submissions on the issue of analogue switch-off. Our responses to the issues raised in the discussion paper are contained in this letter. We have responded only to the questions of direct relevance to the work of this agency. (Please note: there is no question 5 in the original discussion paper.)

NZ ON AIR RESPONSE

Questions for Discussion

- 1.a. Should an ASO date be announced when penetration has reached an agreed percentage? What would an appropriate threshold level be?

NZ On Air considers that a date for ASO should indeed be announced once the penetration of digital receivers has reached an agreed level, and develop a timetable for managing the switch. Since there will always a particular group in the population who will not take up new technology, or will do so reluctantly, this will need to be a carefully managed process.

From NZ On Air's perspective, the penetration level should be high, as it is important that NZ On Air-funded programming reaches as much of the audience as possible. We would suggest that penetration should be at 75% or higher before an announcement is made, and then a period set during which the remaining 25% of penetration occurs. A period of four to five years would seem appropriate.

- 1.b. How would progress towards this percentage be monitored or measured, and by whom? How would we determine when the agreed percentage has been reached?

Equipment sales statistics could provide some sort of early indicator of household penetration. If, in partnership with retailers, buyers could be asked to indicate at the time of purchase whether the purchase is the first for a particular household, or whether it is an additional receiver, a fairly accurate measure could be made against census information. It would seem logical that this information would be captured and managed by the Government department responsible for the decision on a suitable date for ASO.

- 1.c. What total threshold would be appropriate for ASO to occur?

Ideally 100% penetration would be desirable from NZ On Air's point of view, but that is unlikely to be a possibility within a given time frame. Therefore a 90 – 95% threshold would probably be a manageable target from a public relations perspective, if for no other reason.

- 2.a. For the purposes of ASO, do all TV sets need to be converted, or would it be a minimum of one per household?

Since the purchase of multiple receivers might never be a possibility for some households, it seems appropriate to suggest that one set per household should be the base penetration measurement.

- 2.b. What action, if any, might need to be considered for conversion of VCRs?

NZ On Air does not consider any action is required.

- 2.c. What is the best approach to ensure optimal functionality and convenience for consumers needing to purchase multiple STBs (including compatibility questions between free-to-air and conditional access options)?

It seems inevitable that consumers are likely to require different STBs for different available services (free-to-air and pay TV), so a key question will be equipment cost, but the question of compatibility should be considered during the procurement process when decisions about STB design and functionality are made.

There should be encouragement for inter-industry cooperation.

- 3.a. Should New Zealand adopt a target, consensus or obligatory approach to setting an ASO date?

NZ On Air considers a target date to be an appropriate approach. This allows for the technology to bed in and go through its early evolution, and the level of STBs in homes to reach an acceptable level. While there is likely to continue to be a group who will resist change, a target will enable promotion of the ASO to be highly visible as time passes towards the target date.

- 3.b. Should some form of switch-over steering group be considered for New Zealand, and if so what form should it take? What role would it have?

Some form of coordinating or steering group would be useful to ensure appropriate promotion and information sharing occurs, and to drive the necessary work programme towards the ASO target date. The Digital UK model may well be considered a suitable approach, and the group could logically be made up of broadcasters and officials connected to the development of ASO policy.

Such a group could involve consumer expert groups, retailers, equipment installers and the manufacturers of reception equipment, assembled in a Board structure.

- 4.a. To what free-to-air services would ASO apply? All those services being simulcast on the DTV platform? All those services being simulcast on any digital TV platform? All services?
- 4.b. Should analogue conditional access systems, such as Sky UHF, be included in an ASO process?
- 4.c. Would ASO apply to free-to-air services, such as Prime, NZRB and local or regional broadcasters, which may not initially be included on the DTT platform?

In terms of services affected by ASO, it seems democratic to suggest that all parties are affected in a similar fashion. If certain services have an opportunity to remain simulcast while others do not, there may be an audience or commercial advantage involved. NZ On Air's chief concern in this area is the opportunities available for funded content to be watched or listened to by as many New Zealanders as possible.

- 6.a. Which approach ("big bang" or progressive) to ASO would be best suited for New Zealand?

The distinct advantage offered by a progressive region-by-region approach – that lessons may be learned along the way from starting in a defined area – may make it a preferred option. However the time span between progressive

ASOs would need to be small to ensure that the country as a whole has experienced ASO within a defined and brief space of time.

- 6.b. If a progressive approach were selected, who would make the decision about which sites to switch off and when? (Kordia? Broadcasters? Government? All three groups, by consensus?)

A consensus approach is likely to result in improved buy-in.

- 6.c. Should a trial switch-off in one or two areas be arranged to test the process in advance of a full switch-off?

This approach should improve the possibility of success, as it will permit an earlier assessment of what the final process will deliver when the entire country has had ASO.

- 8.a. What cost effective options for the delivery of local and regional services can be identified?

NZ On Air currently funds some programming on some regional service providers. That that funded content is readily available to appropriate audiences is a key concern. For this reason NZ On Air would prefer that cost effective options were discussed. There are likely to be issues of reach and relevance if regional services are disadvantaged.

- 8.d. Are there other delivery platforms (existing or emerging) that might provide the best long-term solution to the digital delivery of local and regional services?

The most obvious at this stage is IPTV. Already in radio broadcasting a number of people are time-shifting their listening via podcasting, and user generated content on the Internet is experiencing phenomenal growth.

- 8.e. How important is it for local and regional broadcasters to be included on an EPG?

This is very important. As previously noted, NZ On Air is always mindful of the size of the audiences able to access funded programming, and audiences are obviously more likely to make a decision to watch a programme if they know it is on. The more outlets for the promotion of programming the better, from that perspective.

- 10.a. Would the costs to some institutions be such that they would be likely to seek government support?

Probably. Therefore the earliest possible information and ongoing communication to these institutions would be the only obvious way to contain such requests.

- 10.b. What is the best means of ensuring appropriate information is conveyed, and in a timely manner?

Communications through existing networks within the respective MUSH communities and advertising.

11. Most of the factors considered important in maximising take-up of DTV have been taken into account by Government decisions and the coordinated approach developed within the broadcasting sector. Are there further actions that should be considered by these parties to encourage take-up? If so, at what point in the transition should they be initiated?

From NZ On Air's perspective this is closely related to the content broadcast on the Freeview channels. User uptake will depend on the programming on offer on the digital channels, and this uptake has a direct relationship to the timing of ASO. NZ On Air is interested in supporting risky and innovative content that will enhance the viewer experience. We will encourage programme makers to extend and develop compelling content for new platforms and we will be reviewing funding policies over the next two years to consider ASO issues, among others. Special content funding for private broadcasters is a key issue.

13. Is such a carefully targeted and modest information campaign warranted? If so, what is the optimal form and timing? How might it best be delivered (e.g. through any switch-over steering group)?

A carefully targeted campaign is crucial to a successful ASO, particularly in the later stages leading up to the target date, as the last push for conversion is a key aspect of the process. A mix of newspaper, television, radio and internet promotions in the year before ASO would seem an appropriate approach, with the biggest part of the information campaign delivered in the last months of that year, heading toward the target date. This could sensibly be coordinated through the steering group.

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