



8 February 2007

Jo Tyndall
Director – Digital Broadcasting Strategy
Te Manatu Taonga – Ministry for Culture & Heritage
PO Box 5364
WELLINGTON

Dear Jo,

ANALOGUE SWITCH-OFF (“ASO”)

Further to your letter and discussion paper of 20 December regarding Analogue Switch-off, please find attached Telecom’s comments on the issue. We have not attempted to respond to all the matters raised in the discussion document but have focused on those areas that are relevant to us. Other than where specifically noted, we generally agree with the arguments put forward in the discussion paper.

As we have discussed more recently, Telecom has had recent experience of a similar issue with the impending closure of the 025 TDMA mobile network scheduled for April this year. This has required hundreds of thousands of mobile users to move to our 027 CDMA mobile network over the past six years. We would be pleased to share what we have learned through this process if that would aid a better understanding of what might be faced in the future with ASO.

By way of a general comment, we note that the digital migration in the UK has been approached with a sense of purpose and intention to achieve a timely ASO and appears to be succeeding. Therefore, in the absence of any better template, the UK model is a useful reference for NZ.

There is, however, a significant difference between the UK and NZ markets in terms of the FTA digital offering. DTT in the UK launched with around 15 additional channels (the total offering is now >30 channels) whilst FTA digital television will launch in NZ with the existing mainstream FTA channels plus 4 additional channels (per currently announced new launches). The incentive to purchase DTT STBs was, therefore, much higher in the UK.

If you require any further information please do not hesitate to contact me

Yours sincerely

Philip King
General Manager Video Services

RESPONSE TO DISCUSSION PAPER ON ANALOGUE SWITCH-OFF

Section 1

Comment:

We agree that the total percentage of households with any form of digital TV should form the basis of the ASO threshold. However, whilst the majority of current digital households are SKY subscribers, many also receive FTA via VHF/UHF (both on their main set and certainly subsidiary sets).

1.a. Should an ASO date be announced when penetration has reached an agreed percentage?

Yes. There is little argument that the announcement of the ASO in the UK increased the take-up of DTT. There is also little doubt that the introduction of a significant number of additional channels in the UK created interest and demand for DTT. The same is unlikely to be true in NZ. Therefore, a higher threshold may be necessary. This would avoid an ASO date being set and then having to be moved back if take-up lagged behind any announced ASO timetable. We would propose 70%.

1.b. How would progress towards this percentage be monitored?

See 3b

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

95%

Section 2

Comment:

The UK experience is that the price of low-end STB's fell hugely once take-up gained momentum. Whilst the NZ market is much smaller, and therefore the volume discounts from manufacturers can be expected to be lower, there will nevertheless be relatively low-cost low-end STB's available before ASO which will be quite adequate for second and third sets.

- 2.a. *For purposes of ASO, do all TV sets need to be converted?*
No. One per household should suffice for the purposes of the threshold.
- 2.b. *What action might be needed for conversion of VCRs?*
None.
- 2.c. *Functionality, convenience and compatibility?*
This is a commercial decision for the operators and does not require intervention.

Section 3

Comment:

ASO will likely only succeed in NZ if it is a joint initiative of the Government, operators and manufacturers and retailers. This points to (a) the desirability of a joint steering group (see 3B) and a firm date (ie agreed between Government, operators and industry).

- 3.a. *Should NZ adopt a target, consensus or obligatory approach?*
Consensus ("firm").
- 3.b. *The form and role of a switch-over steering group?*
Yes. The group should be led by MED and include representation from each of the major interested groups including the TV operators, manufacturers, retailers and installers. It should be tasked with and be accountable for managing the ASO, upwards (Government and industry) and downwards (public). It should be funded from Government and industry.

Section 4

Comment:

There are some difficult issues imbedded in the issue of transition of existing "marginal" services. The objective must be to achieve total ASO by the agreed date. It may mean that some "marginal" services require assistance to achieve a transition by the ASO date.

- 4.a. *To what FTA services would ASO apply?*
All
- 4.b. *Should SKY UHF be included?*
No. Pay-TV services should be excluded on the basis that operators of private-sector funded networks and services should determine for themselves what is best for their customers and their commercial

operations. The focus of the ASO target should be the public broadcasting system and FTA offerings.

4.c. *Could ASO apply to FTA services not included on DTT platform?*

Yes

Section 5

Section 6

Comment:

The NZ terrestrial transmission plan is ideally suited to a region-by-region ASO. The main advantage of a staged approach is that it will allow the broadcasters, manufacturers, retailers and installers to apply their full resources to the success of the ASO in each particular region. By starting in one region only (which should be identified by the steering group and thoroughly researched) is that lessons can be learned and applied to region 2 onwards. The argument on a nationwide ASO seems to pre-suppose that broadcasters will not have rolled out all of their services (offering) ahead of ASO but in reality the opposite is likely to be the case – in other words, most households will have had access to all national services (not necessarily all local services) well ahead of the ASO.

6.a. *Should ASO be big-bang or progressive?*

Progressive

6.b. *If progressive, who should make the switch-off decisions?*

The steering group

6c *Should there be a trial switch-off?*

Yes

6.d. *How would liaison with distributors etc be managed?*

By the steering group

Section 7

Section 8

8.b. *Is DTH delivery viable?*

Not economically

8.c. *Should consideration be given to a dedicated local/regional DTT multiplex?*
Yes

8.d. *Are there other delivery options for local/regional services?*
IPTV platforms and associated video on demand capabilities will also enable the delivery of local content.

8.e. *Importance of local/regional broadcasters to be included on an EPG?*
It is important if they are to compete viably.

Section 11

Comment:

Your paper traverses the various actions that might be needed to assist take-up. However, it is too early to know which might be appropriate or necessary, other than a successful communications strategy which should be a primary role of the steering group. The steering group will be in the best position to (a) measure take-up, public response and the likely extent on non-adopters, and (b) to liaise with Government on appropriate further measures or resources.

11 *Any need for further action to encourage take-up?*
Not at this stage.

Section 13

Comment:

The success of ASO will entirely rest on how well the interested parties (the Government, broadcasters, manufacturers and retailers) sell the benefits of DTV to NZ households. It is arguably the most important role of the steering group and the broadcasters.

13. *Form and timing of public information strategy?*
This should be a primary role of the steering group.