

Discussion Paper

Analogue Switch Off: Issues for Consideration

1.a. Should an ASO date be announced when penetration has reached an agreed percentage? What would an appropriate threshold level be – for example 50% or 60%?

There is clearly a responsibility to advise the public of a change as significant as an ASO date, and it seems to make sense to do that at an agreed level of penetration. Perhaps this would be best done in 2 stages – a preliminary announcement of an intended date at say 60% penetration, and a firm date at 75%

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?

As the time frame is quite lengthy, one method would be to include penetration questions in census reports, in addition to, and coupled with industry sales figures of STB and digital-ready TV sets. These figures could be tagged against current receiver numbers. Annual research by a recognised research agency could be used to independently confirm the penetration level.

AC Nielsen could be used to monitor this as part of their routine ratings analysis. It's probably even possible to utilise people meters as they monitor which channel is being watched and could provide a verification against census numbers

It would seem that the appropriate body to oversee this would be Ministry for Economic Development.

The results of this research would surely provide the evidence required to verify the penetration level

1.c. What total threshold would be appropriate for ASO to occur – e.g. 90% or 95%?

It would seem that as penetration increases it is going to be harder to achieve take up by the "hardliner non-adopters". Providing that there has been ample notice of ASO, based on fair and reasonable penetration data it would not seem unreasonable to "impose" a change to digital at a level of 90%. Unless this arbitrary action is taken progress towards ASO is likely to simply drift along. Given the country's difficult terrain the more remote population which don't have a Sky service are likely to be among the earliest adopters. The final 10% is more likely to be simply slow to adopt. ASO would force the changeover – providing of course that there is plenty of notice and awareness

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

It would seem adequate for simply one set per household to be converted. As the move towards digital increases the sales of analogue only receivers is likely to substantially reduce, either through industry moves or consumer motivation. Measuring changeover should be based on “reception capability” and so the first DTV capable set in the household should qualify the household as being unaffected by ASO.

Supplementary sets are likely to be lower end appliances than the main viewing option, therefore the cost of replacement, and life span is likely to be less

2.b. What action, if any, might need to be considered for conversion of VCR's

There should be no action considered for the conversion of VCR's. VCR technology is being replaced by PVR and DVD player/recorder units as pricing comes down and there will be a gradual progression to more PVR use as a matter of course.

The gradual inroads that are likely to be made by Windows Media Centre may also play a growing role here, thus making people more aware of the capability of alternative hardware options. It would be important however to include the pending obsolescence of analogue VCRs in all ASO awareness campaigns.

Of course there are likely to be the hardliners who may utilise down-converted SD analogue video signals from the TV or STB ports where available, thus continuing the use of analogue VCR, but there is good reason to let this technology “die a natural death” as digital becomes of age.

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)?

The need for multiple STB should be avoided if at all possible, and Government should take an active role in trying to prevent this.

The ideal situation would be an approved range of “Freeview” style STB which include a card access slot for conditional access in the same way that Australia does with SBS and the like. Clearly this would need to be mandatory on pay-to-view service providers but would ensure that all viewers would be able to access programmes and programme suppliers of their choice as and when they wish. We believe that one importer is considering a box that not only provides DTH access but also DTV – one box, multiple solutions! Add conditional access ability to this and you have the best of all worlds

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

Response as above – firstly a “target date” followed by an “obligatory “ date once certain criteria have been met. Overseas experience shows a level of mandatory changeover will be needed and is likely to be accepted by viewers based of course on acceptance of an ASO campaign

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

There clearly needs to be some form of guidance here. There should be representatives from all appropriate bodies involved – MED, C & H, equipment suppliers, electronic retail outlets and broadcasters as immediate suggestions

3.c. What role would it have?

This group would be responsible for setting ASO dates, planning the changeover itself, and oversee public and trade education. It could also act as a clearing house for industry statistics and other appropriate information

4.a. To what free-to-air services would ASO apply?

In fairness to all parties – the industry, viewers and broadcasters alike - ASO should apply to all

All those services being simulcast on the DTV platform?

Yes

All those services being simulcast on digital TV platform?

Yes

All services?

Yes

4.b. Should analogue conditional access systems, such as SKY UHF, be included in an ASO process?

There is no need for conditional access players to retain an analogue service when the move has been made – and indeed encouraged - over a number of years – to move to digital. Conditional access broadcasters already have “a leg up” in any event in that they already have a database of those who may be affected. Accordingly they can convert them to their digital service- if that’s what the client decides they want

4.c. Would ASO apply to free-to-air services, such as Prime, NZRB and local regional broadcasters, which may not initially be included on the DTT platform?

Again the answer should be yes. Many of these broadcasters already use Kordia so it should be a simple transition from analogue to digital should be relatively easy for these broadcasters.

Those not using Kordia have a choice to make – pay Kordia for its services or form alliances with other broadcasters that can provide them with digital platform access on a combined basis – or cease broadcast. In reality the decision time is lengthy - up to 10 years – so there is time in hand to make such decisions.

There is in our opinion a good case to argue that government has a responsibility to public of New Zealand to assist regional broadcasting, especially the current non-commercial stations, by ensuring space is available in the DTV spectrum, just like it has in analogue terrestrial TV.

4.d. If some analogue services are not covered by ASO, what are the implications for use of spectrum, maintenance of the transmission infrastructure etc?

We do not believe this is applicable

Who would bear the costs?

We do not believe this should be applicable. Avoiding such cost is another reason for setting a complete ASO date

Would Kordia be ready continue providing a dual analogue/digital transmission service?

Kordia has a unique position in that, rightly or wrongly it is effectively the “gatekeeper” With this comes a public responsibility (along with that of the government) to ensure fair access for all as was the case in analogue terrestrial.

The reality is that Kordia has to be realistic in their pricing and attitude towards smaller broadcasters before such decisions can be made. The cost of unsubsidised or even subsidised simulcast is likely to be outside the budget of most regional/local broadcasters to begin with.

It is our opinion that in recent times there has not been a reasonable understanding, and an unfortunate state of corporate arrogance has developed making Kordia very difficult to deal with.

For there to be a good take up there needs to be a greater understanding of the difficulties that face regional/local broadcasters, and a willingness to negotiate in a more even-handed manner if it wants to attract business and play a role in the development of micro-broadcast in New Zealand. There are other options which are at the moment, less attractive, but if Kordia is charged with the development of NZ broadcast then it must come to grips with the reality of its clients

Kordia operates as a commercial entity, while the truly non-commercial stations as defined by C&H really operate as public service broadcasters. The old BCL has to a degree borne this in mind when dealing with non-commercial operators. Perhaps the Government as owner of Kordia has to establish these public service support mechanisms within Kordia’s structure without compromising its profit driven objectives, in order to protect the much endangered public service element of our television service.

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

If technically feasible there is no doubt it should be “Big Bang”

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

All affected parties should make these decisions and such decisions must be made by consensus.

Kordia alone **must not** have the right to act arbitrarily. This is a national, not corporate, asset after all.

Kordia’s **only** input should be based on technical/practical capability, and those should be verifiable.

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

A technical issue best resolved by broadcasters in association with Government and Kordia. We reiterate that no matter how much they may wish to control this exercise Kordia must not be mandated with the right to act arbitrarily and alone in this regard.

A trial switch should only occur if there is no other alternative, and only if such a trial is absolutely necessary to assure successful technical execution of the ASO. It should not be a sabre rattling exercise.

6.d. How would liaison with distributors, retailers and installers best managed?

Many other industries – including Sky – already have an “Approved Installer” scheme to ensure that the quality and professionalism of work is maintained. Perhaps there needs to be a broadcast industry body formed to oversee this aspect and to act as the dissemination point for information, training and technical issues

For example it is absolutely vital that FTA installers in the run-up period to ASO do not disconnect existing UHF services when installing DTH dishes as this will immediately cut off any broadcaster that is not simulcasting. As an existing UHF broadcaster we continue to receive many complaints about loss of service when conditional access tv services are being installed.

The retail sector also has a very important role to play, as that is where most people will get their information. There is an association of consumer electronics, which must be included in all ASO discussion;

- 1) Their staff has to disperse the correct information, and dispel any fear of ASO, if not sell the idea, and speed the process.
- 2) The retailers have to forward project adequate stock levels of appropriate product.

Let's set an example here and ensure everyone at least has their fair “bite of the cherry”

What sort of notice period would they require?

This need not be a consideration if adequate ASO notification has been given publicly.

7.a. Is a termination date for the allocation of new analogue licences necessary?

If a confirmed date is announced for ASO, and all services are required to make the switch, then most certainly. Any person or organisation seeking new licences should be made aware of the situation and should be issued ONLY with a government owned licence under the terms and conditions of the non-commercial licence regime. This will ensure an appropriate standard of broadcast is maintained.

An early termination date or variation in expectations of ASO unfortunately becomes a case of buyer beware!

If so, should it be the same time as when an ASO date is determined?

Termination date of these licences should be the same date as ASO, so that here's a smooth switchover especially in the case of “late adopters”

7.b. Would it be a viable alternative for any new analogue licences to be issued from 2007 to include a requirement that they will be cancelled at ASO – i.e. the term of the licence would be limited to planned ASO date, with the resource charge to be adjusted accordingly?

Of course (see above).

The time for a broadcaster to achieve a return on investment while facing a gradually reducing audience may well make issuance of further analogue licences impractical and uneconomic.

In any event it makes practical sense to cancel these licences along with all others at ASO date.

We would also make the point that in light of the absence of an ‘ASO analogue licence void’ clause, government has a responsibility to at least aid those in possession of a valid license in surviving the transition to digital.

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

From our point of view this is the \$64 million dollar question and is one that can be answered in many ways depending on any number of different scenarios.

[REDACTED]

[REDACTED]

[REDACTED]

A Simplified Overview:

Since deregulation in 1989 has been the stated objective of successive governments – both National and Labour – to preserve the right and desirability for the public to have access to local airwaves in the form of regional/local television in order to ensure a “public voice”.

The importance of this objective saw the reservation of some UHF spectrum for non-commercial community use.

New Zealand is not on its own in recognising this - the importance of continued access to the airwaves by “the people” has also been recognised and identified as vital in many – if not most – countries facing the transition to digital TV. [REDACTED]

[REDACTED]

What makes the New Zealand situation considerably different to most other countries is its relatively small and widely spread population base which is difficult to reach except by satellite

resulting in a comparatively small audience when compared with analogue national broadcasters due to the niche style of these channels. [REDACTED]

While analogue VHF audience size has also been affected by the inroads made by Sky TV UHF reception has perhaps been hit more severely by the removal of the UHF antenna connection - if there was a UHF antenna in the first place – by the installer. On the other hand where no UHF antenna exists there has been little incentive to install one simply to receive the regional/ local service. This will change once DTT becomes a reality- but there still needs to be the ability during the changeover period to receive analogue UHF signals. Hopefully this will have the effect of increasing audience by default during the take-up period.

Because of the low audience numbers, the per-capita cost to sustain local services may be considerably higher than other countries and these costs may well increase further as more and more niche-type channels come on line, and divide viewership further. (In the US the importance of local/regional television has been acknowledged for many years, and cable operators are mandated to provide not only cable access, but also equipment and studio facilities for community use at no cost. Effectively, therefore the only cost here is the cost of programme production).

Clearly, as viewer choices grow, the cost per viewer vs. operational expenses becomes a vital part [REDACTED]

Therefore the questions that should be asked to determine cost-effective digital options are:

- What is the potential audience size for each station?
- Does the station make a SIGNIFICANT impact on ALL people within its reach area?
- Does the station meet the community needs and address community/local issues within its reach area?

- [REDACTED]
- How economically viable is the station in the analogue environment?
 - How economically viable is the station likely to be in the digital environment?

- [REDACTED]
- If a station is to make a transition to digital transmission what considerations should be taken into account to support a subsidy for digital/analogue simulcast?
 - What considerations need to be taken into account when considering “must carry” requirements?

There may be a good argument to support the contention that as some of these stations provide valid and valuable services that are not economic for “national” broadcasters, especially in prime time, these services should be available to the viewer at no cost. In other words [REDACTED] there should be other broadcast options. These options could range as widely as self-funding of transmission services in a very localised area(as long as Kordia can provide an affordable regional break down) to IPTV, or even becoming part of a bundled service with future operators such as Telecom.

[REDACTED]

The success of digital regional/local TV will depend of costs of access, the diversity and quantity of content of sufficient application to generate both audience and income to cover the transmission costs.

[REDACTED]

Content:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

One must also ask just how “unique” and how “local” the current content on today’s channels really is.

[REDACTED]

[REDACTED]

Part of the problem is one of production cost. The hard fought battle to get regional funding took over 5 years and resulted in a comparatively small amount of \$4 million over 3 years, to be split among 12 broadcasters.

There is no doubt that selected, pre-recorded and rescheduled satellite programming can play a significant role in ensuring an interesting, 24/7 schedule [REDACTED]

Most stations utilise in excess of 50% of their air time for streamed satellite feeds of one source or another.

There is in our opinion nothing wrong with using satellite programming – its simply a matter of how much is used and how and when it is scheduled, and whether it is appropriate material for the intended community/local/regional audience.

SBS is a much respected and referenced example which rebroadcasts news services from many overseas stations in mother tongue during the afternoon – and it is this mix of feed that creates the uniqueness and meets the minority community needs. [REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

Content Production Vs Broadcast

The complexity of the above issues would seem to make it appropriate to reconsider just how, and which regional and local services should be provided in the digital age after ASO and what technology will best serve such broadcast services – [REDACTED]
[REDACTED] If these issues are not addressed the ASO “filter” may resort in severely distorted representation of community in New Zealand – one that may be harder to correct later than to protect now

A few of the questions that may need to be asked might be :

- Is it more economic for some stations to opt to provide content for one or more larger stations which have greater and more economic reach?
- Is it more cost effective for smaller stations that closely duplicate each other’s programming, and struggle to fill schedules, to take a programme stream from a common central feed which is rebranded with their own station ID, then to include their own local content into that feed for terrestrial re- broadcast?
- Should the terms of regional broadcast licences allow for more “commercial” activity in order to sustain viability and the addition costs associated with digital broadcast?
- Should those that cannot be self sustaining be left to their own devices with the possible outcome that they ultimately become a casualty of ASO?

These are clearly controversial issues yet they are vital and need to be addressed to not only to ensure the long term economic development of regional/local TV but to ensure the development of more cost-effective local/regional stations that are capable of providing more vital cost effective local programming.

[REDACTED]
[REDACTED]
[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]

Accordingly satellite reliance is a direct outcome from the lack of viability of economically filling a 24 hour schedule with original programming. It should be noted however that even the national broadcasters resort to live satellite feeds such as Fox and BBC World as their source of overnight programming.

The temptation that arises from the streaming rebroadcast of satellite material is that there is no incentive to ensure true diversity of content and from this grows a total reliance on the feed as received.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

The Options:

A number of options regarding the development of regional/local TV in the digital age arise from the above thoughts:

- Retain the (proposed) status quo - all local/regional stations continue as they are, and are able to approach Kordia or MED on their own behalf for spectrum – they make the transition to digital at a time they feel appropriate under terms and conditions they have negotiated. There is no parallel broadcast
- Provide support for the major regional/ local stations for the transition to digital in the form of dual broadcast and encourage smaller broadcasters to work with the larger broadcaster for transitional digital transition. Once critical mass has been achieved the smaller broadcaster “crashes” across to digital broadcast. A framework for such rebroadcast would need to be established to cover the cost of broadcast and ensure audience demand, overall programme diversity etc
- Smaller stations may be encouraged to move to alternative platforms such as IPTV or bundled options which may provide a cheaper transmission option while the major local/regional stations that can sustain an economic audience are provided with assistance to make the transition to a DTT platform. Programming from the smaller stations could be also provided to the larger DTT stations for broadcast on a discretionary or payment basis
- Support the development of a digital satellite backbone for regional television to encourage future development of regional/local television in smaller centres. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

[REDACTED]

[REDACTED]
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[REDACTED]

[REDACTED]

8.b. Is DTH delivery of local and regional services viable, and if so, how could it be achieved?

We believe DTH delivery of regional and local television services **IS** indeed viable and is indeed desirable, **but** – and it's a big BUT – considering the cost/value of bandwidth the service needs to be compiled and programmed professionally at a central source and in such a way that it achieves a multiplicity of objectives in an economic and viable manner

[REDACTED] the reality is that based on current schedules, the ability of almost all local/regional broadcasters to provide enough programming alone to provide a strong and viable DTH service, while retaining and growing audience in a niche broadcast environment in their own areas is questionable.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

A point on transparency and digital channels here:

All broadcasters, at the introduction of new DTH channels are at the starting blocks together. The key players have the same or similar equipment (for example TTV has the same digital servers as TV3 –TTV simply has 3 while TV3 will have 28 - it's simply a question of quantity and cash availability!)

[Redacted]

[Redacted]

[Redacted]

It is clear that running successful niche channels in New Zealand cost effectively is a very finely honed skill [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

8.c. Should consideration be given to the creation of a dedicated local/regional DTT multiplex, subject to the availability of suitable spectrum?

We are not convinced that a national DTT multiplex for regional/local television is the ideal way to go, or indeed that it is appropriate IF the purpose of local television is to represent LOCAL communities and interests.

A local service should be adequate to meet the needs of most local/regional broadcasters.

[REDACTED]

[REDACTED]

8d. 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?

At this point, there are really is no viable alternative delivery platform that might provide a long term solution for local and regional service

Emerging platforms (IPTV etc) are very much in their formative stages but are unproven as far as public uptake or indeed interest is concerned. Not the least of the current problems for IPTV right now is a poorly performing, broadband service in this country.

Bundled services such as those being proposed by Telecom, Vector, Telstra and the like may also offer an alternative platform for local delivery for some services. Some broadcasters may use these opportunities in addition to a DTH or DTT service.

Therefore at this stage the best broadcast option for most local services is likely to remain DTT – but this is dependant on the ability of Kordia to provide the breakouts required. Come the time however when change over becomes desirable or imperative it is probable that other opportunities that are more affordable or appropriate for smaller broadcasters in particular are likely to have reached the stage of being a viable alternative

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

While we believe that it may not be necessary for all local and regional services to be included on an EPG. It may not even be feasible for some local broadcasters to provide the information in the form required. Also because so much programming is currently sourced from satellite there may be copyright problems in obtaining clearances. [REDACTED]

[REDACTED]

9. What, if any, adjustments need to be made in respect of commercially acquired licences being renewed in 2010 to take account of ASO occurring prior to 2020?

We do not believe there is any need to make any adjustments in this regard. Once ASO is achieved or they are no longer used the licences cancel out and are returned to the Crown

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

Why should either be eligible or considered? The expected "life" of a TV is fairly well known and is no doubt amortised into their budgets (and depreciation) where appropriate. If the institutions decide to upgrade then they need to make their own provisions for digital capable television equipment in just the same way as other institutions would. There is no reason whatsoever why the public should be expected to pay to upgrade to digital TV – rather these institutions should be required to replace equipment as required with digital ready appliances. As with the general public they will have plenty of time and notice of this change in technology – especially if ASO is as far in the future as we have been advised. If they chose to make a move to digital before ASO, then that's their decision to do so.

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

Those involved - in Freeview especially - should be responsible for this education in whatever way is deemed most appropriate by the steering committee above. Freeview should lead the charge in association with the advisory committee proposed above and be charged to ensure appropriate public education is undertaken

Those which are not involved should not have to "carry the can" for those which will benefit most

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?

A demand for local and regional community focussed television has been identified not just by government in years gone by but also by the public at large. There is evidence of this demand in the research figures developed by AC Nielsen, [REDACTED]. It is important to take this into consideration when developing plans for further viewer take up.

It should be borne in mind that all broadcasters, including those who are considered national broadcasters at this stage, and regional/local broadcasters who can substantiate a change to national DTH broadcast [REDACTED]. All will face the challenge of establishing their own niche channels with individual identity/branding in addition to their established channels that will automatically make the change over. All new digital channels are unproven and have to establish their individual audiences. [REDACTED]

The REAL costs associated with broadcasting are becoming more transparent these days in that "professional" broadcast equipment is becoming more affordable; access to programming

appropriate to the channels should by rights be equitable, as should the costs of transmission for all players.

[REDACTED]

It is our contention that all serious players must be on a level and equal playing field in order to achieve national broadcast objectives and if government is not prepared to support other broadcasters that make an appropriate contribution to the national service, then it should make no contribution at all. [REDACTED]

[REDACTED]

If so, at what point in the transition should they be initiated?

These issues need to be considered and addressed right now

12. Is this aspect of the transition to ASO well-prepared and coordinated? If not, what more needs to be done?

We have been given no information which would enable us to comment on this point

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)?

Of course this is important. One of the key things is that those broadcasters who are tied to terrestrial must not be disadvantaged by a change to either digital platform therefore there must be a campaign to ensure that current non-digital channels will still be able to be received. Therefore there needs to be an educational campaign for installers in this regard, to ensure that disconnection of UHF services does not occur unlike the present situation where Sky installers disconnect existing antennae when installing dishes. This could be done in conjunction with the affected services.

This campaign should be in conjunction with all parties but driven by no individual party. The switch-over steering group is the ideal body to do this – providing it is fully representational of all parties including electronics retailers

NB: There is NO QUESTION 5 due to a confirmed mis-numbering issue