



Digital Dividend Green Paper

Submission by the Australian Communications Consumer Action Network
to the Department of Broadband, Communications and the Digital Economy



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The Australian Communications Consumer Action Network (ACCAN) is the peak body that represents all consumers on communications issues including telecommunications, broadband and emerging new services. ACCAN provides a strong unified voice to industry and government as consumers work towards availability, accessibility and affordability of communications services for all Australians.

Consumers need ACCAN to promote better consumer protection outcomes ensuring speedy responses to complaints and issues. ACCAN aims to empower consumers so that they are well informed and can make good choices about products and services. As a peak body, ACCAN will activate its broad and diverse membership base to campaign to get a better deal for all communications consumers.

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Introduction

ACCAN is keen to ensure that the switchover to digital television is undertaken with the best interests of consumers in mind. We will be evaluating the switchover according to a few key principles including;

- Ensuring that no consumer is worse off in the transition, during the migration and following the full implementation of the digital switchover
- Infrastructure services initiated to assist in the digital switchover are accessible, reliable and secure
- Consumer requirements are genuinely considered early and factored into the switchover
- There is an overall increase in the social and economic value of communications services as a result of switchover to digital television

Response to Green Paper

The Australian Communications Consumer Action Network (ACCAN) is pleased to have the opportunity to make a submission to the *Digital Dividend Green Paper* (the Green Paper).

1. Digital Dividend

The digital switchover opens up enormous opportunities for Australians. It paves the way for significant expansion in the quality and availability of high-quality spectrum services. However, the switchover also comes at a large cost to Australians.

The Green Paper has been produced at a time when the community is preparing for the first regional switchover to digital TV in Mildura, NSW. As such there is a broad interest in the impact of the digital switchover, its ultimate value and, specifically, whether the direct and indirect benefits of the switchover outweigh the direct and indirect costs incurred by individuals and communities.

The benefits arising from the switchover are well explored in the Green Paper and include the various uses to which the freed up spectrum will be put and the increased quality of broadcast services delivered by digital television. On the other hand, the costs are less well articulated in the Green Paper. The costs of the digital switchover include the cost of new equipment, the possible reduced provision of local or regional free-to-air stations, a lower quality of service arising from blackspots, inaccessible or unaffordable new spectrum services and the short term consumer challenges faced by re-stacking and the requisite re-scanning. It's still far from clear that the digital switchover measures will adequately support consumers, for example the Household Assistance Scheme has narrow eligibility criteria and limits assistance available to eligible rental households. The digital switchover is progressing well but the big challenges are yet to come.

The digital dividend is the Government's opportunity to ensure that the benefits to individuals and the community outweigh the costs associated with the switchover to digital television. This submission highlights the ways in which this could be achieved.



2. What is the Digital Dividend?

ACCAN believes that the *Green Paper* too narrowly defines the 'digital dividend' as the spectrum freed up as a result of the retired analogue television spectrum. The expected 126MHz of spectrum is the output of the switchover. In our view, the digital dividend should relate to the broader social and economic benefits that this spectrum can facilitate.

Spectrum is the means by which communications services are enabled. The benefits to the community of the digital switchover should, therefore, be understood as the utility derived from new spectrum services. It is also the case that spectrum, particularly the type of spectrum freed up by the retiring analogue signals, has a high commercial value estimated to be in excess of \$1 billion. The digital dividend should encompass the utility derived from the revenue associated with the spectrum sales occurring as a result of the switchover.

The *Green Paper* identifies the following two critical policy objectives in respect of the digital dividend;

- To maximise the dividend in order to increase the benefit that use of the spectrum will bring to the Australian community and economy over time, and
- To maintain Australians' existing access to free-to-air television services

ACCAN contends that the digital dividend should achieve more than the maintenance of existing free-to-air television access. There are opportunities to secure more accessible communications services by taking advantage of the converging technology that can make use of the available spectrum. There are also opportunities to expand the free-to-air services available to Australian households. For example the one billion dollar revenue stream could comfortably ensure rural and remote consumers are no worse off and even have access to better services in the future.

The digital dividend, in our view, encompasses both the use to which the freed-up spectrum will be put and the allocation of the revenue received from the sale of any of that spectrum. We suggest that a third objective is warranted in respect of the digital dividend, namely to use the digital dividend to maximise the social and economic benefits of communications services.

3. Determining the Digital Dividend

The *Green Paper* suggests that 126MHz of spectrum could be freed up in the switchover from analogue to digital television. ACCAN does not dispute this figure, which is broadly in line spectrum freed up in the United Kingdom's switchover and the United States switchover. We do, however, seek confirmation that this target will not have unintended, adverse effects on the integrity of other radiofrequencies, in particular the needs of consumers with equipment licensed under class licenses. We also seek confirmation that the target dividend is derived from a model that minimises consumer impacts, such as the need for multiple re-scanning throughout the switchover process.

The *Green Paper* is silent on the use to which the spectrum revenue should be put. In our view the revenue generated from the spectrum allocation constitutes an important part of the digital dividend which should be earmarked for uses to improve the social and economic value of communications services.

There are significant costs to individuals and the community that arise with the transition from analogue to digital television. For example, households will incur costs purchasing digital-ready equipment and bear the higher electricity costs often associated with that technology. In the United Kingdom, for example, the cost of conversion to individual



households was estimated at £26 - £153 (equal to total household cost of £572 million), with additional electricity costs accounting for a further £2 - £8 per year (Karger 2005).

The Green Paper touches on some of the community-wide costs that look to arise from the digital switch over, particularly among local television stations that will not be viable in a digital transmission environment. The service provided by remote indigenous media stations such as Pintubi, Anmatjere, Warlpiri Media and Pilbara and Kimberley Aboriginal Media Association are examples of the loss of consumer welfare arising from the switchover. Indigenous broadcasters rely on rebroadcasting facilities to broadcast in local languages and generate local control over content. Communities depend on these broadcasts but without suitable equipment the future of indigenous broadcasting in Australia is at risk.

There are also losses in the quality of digital television arising from digital blackspots. We note that the Government has committed resources towards ensuring that digital transmissions achieve the same level of coverage and potential reception quality as is achieved by corresponding analog services. However it remains likely that signal issues will continue to arise throughout the transition period and possibly beyond that time.

ACCAN believes that there is a need to dedicate funds to addressing the loss of services and the loss of quality that arises from the digital switchover, for example through expanded local and regional television. There is also a strong case that households should receive a higher level of free-to-air services to compensate for adaptation costs.

The digital dividend revenue generated from the allocation of spectrum should be allocated to a dedicated Digital Innovation Fund, with the specific aims of improving the availability and accessibility of free-to-air digital services for all Australians.

4. Potential benefits of the Digital Dividend

ACCAN believes that it is appropriate to maximise the social and economic impacts of the digital dividend. Consideration should therefore be given to how the freed up spectrum will meet social needs of communications consumers, for example by implementing measures to address the digital divide. ACCAN would also appreciate further information about the intended timetable of the spectrum licence auction program.

4.1 Social and economic value of spectrum uses

The *Green Paper* seeks detailed information on the specific benefits of the various spectrum uses, including mobile telecommunications and broadband, fixed wireless broadband, mobile television and other broadcasting uses. ACCAN sees merit in all of the possible uses but we are keen to ensure that the freed up spectrum is put to its greatest economic and social value.

In considering the uses of freed up spectrum, the European Union commissioned research to identify the private and external benefits of spectrum uses. The resulting report, *Exploiting the Digital Dividend - a European approach*, provides a good framework for considering the comparative social and economic value of Digital Terrestrial Television, Broadcast mobile TV and wireless broadband as well as other technologies. The report considers private values - that is the direct benefit to individuals from their own consumption of a service, less the cost of producing that service. The report also analyses the external value of the various technologies, defining external value as the additional benefit to consumers or third parties not reflected in the value of services to consumers. Here the study identifies six sources of public value encompassing educated citizens, informed democracy, cultural understanding, belonging to a community, access and inclusion and quality of life.



We encourage the Department of Broadband, Communications and the Digital Economy to undertake similar research to determine the greatest social as well as economic value of the available spectrum for individuals and communities.

4.2 Innovation reserve spectrum

One possible use of spectrum identified in the EU research is an innovation reserve, which would reserve a portion of spectrum specifically for experimental purposes such as trialling new technologies. ACCAN encourages the Government to consider the value of an innovation reserve in Australia. We would encourage the use of an innovation fund to support the provision of public interest communications services, such as those services which can address the needs of consumers with disabilities or otherwise address the digital divide. For example, ACCAN's recent research on *Broadband solutions for Consumer with Disabilities* outlines 16 innovative uses of high-speed broadband, many of which are combined with broadcast services that may struggle to come to market without access to suitable, affordable spectrum.

4.3 The NBN outsiders

The sale of spectrum opens up the possibility of specifically targeting mobile broadband services to those communities that will not be linked into the national broadband network. Improving services for the 10% who will not have access to super-fast broadband would generate a very great social and economic value and we encourage the Government to consider how the mobile broadband needs of the NBN outsiders could be prioritised in the freed up spectrum allocation.

5. Costs of maximising the Digital Dividend

5.1 Impacts of restacking on users

The *Green Paper* highlights concerns about the consumer impacts of restacking. ACCAN notes that the United Kingdom's switchover resulted in a great deal of frustration with equipment that was difficult to re-scan. In some cases, problems were isolated to specific models of set top boxes that were unable to re-scan. ACCAN urges the DBCDE to adopt an approach to restacking that minimises the need for rescanning. Rescanning can be a difficult process for a minority of households either as a result of limited technical skills or equipment that is poorly designed for the task. We also encourage the DBCDE to provide more consumer information about the useability of rescanning features on digital conversion equipment.

5.2 Indirect costs of spectrum uses

ACCAN is concerned about some of the costs associated with implementing the various spectrum uses, specifically those spectrum uses that will be associated with more transmission towers in urban areas. Transmission towers cause a great deal of stress in local communities. While we don't doubt the utility of the services provided by the transmissions they enable, it is also the case that local communities often resist the construction of the towers. We urge the DBCDE to consider the indirect costs and consequences of specific types of spectrum uses when considering how to allocate spectrum according to its greatest social and economic value.



Conclusion

This submission raises a number of areas of further work in respect of the digital dividend. We challenge the government to adopt a broader definition of the digital dividend and a new policy objective to ensure that the social and economic value of communications services are maximised. We call on the DBCDE to understand analysis of the private and public social and economic value of various spectrum uses and to consider reserving a portion of spectrum for innovation. Lastly, we encourage consideration of the revenue stream from the digital dividend to be directed into a Digital Innovation Fund to provide for long term innovation and service improvements in the interests of consumers.

ACCAN is very pleased to see careful thought going into many of the issues associated with the spectrum freed up by the digital switchover but there is still more serious engagement required to ensure that the best possible outcomes are delivered for consumers.

References

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