

Speech notes for the Network Insight Institute Seminar

Digital dividend: reaping the benefits of analogue switch off

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Session 3 – Broadcasting perspectives

Thanks to Mark (Armstrong) for inviting me to speak at this session.

Some of you would be aware of my role over the past decade or more in community broadcasting and my involvement in campaigning for community TV licensing... Since leaving the CBAA a year ago I no longer speak for community broadcasters but I most assuredly still uphold the values of access, diversity and independence that that sector embodies.

Today I want to try to unravel the concept of the digital dividend from the perspective of the consumer, the citizen and the public good.

I wonder if any of you have heard the recent series of BBC Reith lectures that Radio National is syndicating (via broadcast and podcast)? Michael Sandel who is a political philosopher and professor at Harvard has delivered them.

Sandel says that it is time to rethink the role of markets in achieving the public good. Put really simply, he says what we ought to do collectively cannot be left to economics or the market. It is now time to recognise the moral limits of markets and to reinvigorate public debate about what we value in public policy terms.

I want to emphasise that the future use of radiofrequency spectrum should not be left solely to the market to determine. But you'd be asking has the market ever really determined spectrum use in Australia and will it in the future? The 1992 triple-layered reforms – radiocommunications, telecommunications & broadcasting – notwithstanding, successive governments have maintained tight regulatory constraint on broadcasting spectrum and a rigorous planning & licensing regime.

In its landmark paper Five-year Spectrum Outlook 2009-13 ACMA acknowledges that government decisions and regulation determine spectrum requirements for radio and television services to a greater extent than market demand.

But this is not the case in telecommunications where market imperatives are gaining momentum.

There is huge pressure bearing down on our public policy processes to expedite putting to market retired analogue spectrum in the 700 MHz band for mobile broadband and there is counter-active pressure from the incumbent free-to-air

television industry to preserve and leverage upon the benefits of its protected market space.

ACMA's spectrum management principles are quite clear. They include the imperatives to:

1. Allocate spectrum to the highest value use or uses
2. Enable and encourage spectrum to move to its highest value use or uses
3. Use the least cost and least restrictive approach to achieving policy objectives.

With spectrum for radiocommunications and telecommunications uses the principal determinant of spectrum value is the market. But broadcasting services, both radio and television have long enjoyed moratoria on competition in exchange for providing high quality services and content free of charge to the public at large.

ACMA applies what is termed its "total welfare standard" in assessing the costs and benefits of different regulatory and market mechanisms and acknowledges that this often need to take into account both quantitative and qualitative factors. From a consumer perspective this is reassuring.

But bear in mind that the future of television services, the shape of the market and how the broadcasting services bands will be redefined is the sole preserve of the government not the regulator.

It will be the Communications Minister of the day subject to Cabinet and broader Parliamentary indulgence that will ultimately determine how the digital dividend is defined, what will be its scope and what it will deliver.

I suspect its not just me – I'm sure there are others here today and at large – but I find the term "digital dividend" a little slippery as a policy descriptor. It's more than a little ambiguous and I find its uncertain use in public discourse a little discomfiting.

So what is the "digital dividend"?

It has different connotations depending upon whether you approach it from the perspective of a carrier, a television network or the broader public interest.

The Telstra website called *NowWeAreTalking* defines the "digital dividend" as the term used to describe the *spectrum* which currently carries free to air television. But from the perspective of a mobile carrier clearly not *all the spectrum* left vacant by digital switchover (not VHF bands I to III) but specifically the top 120MHz slice off the UHF Bands (the range from 700MHz to 820MHz).

I have a pedantic quibble with equating the digital dividend with spectrum but its not just Telstra, OFCOM, DBCDE the New Zealand Ministry of Economic development do the same.

Maybe "Digital dividend" is not spectrum but a subtle metaphor!
ACMA's definition is a little more helpful - "the benefits that arise from the conversion

to digital television". But not the intrinsic benefits of digital television, like clearer reception, high definition pictures, electronic program guides (EPGs), etc. but the extrinsic benefits of switching off analog television services to free up spectrum in the VHF and UHF bands, and the flow-on opportunity for mobile video and interactive media, wireless broadband, advanced business services, DAB and the list goes on.

But surely most people would take "dividend" to mean a share of profits or a return on investment. By all accounts we have a government of the people and they are on the money. It was widely reported that Stephen Conroy envisages \$1 billion will be delivered to the public purse by auctioning the vacated spectrum for high yield uses like mobile broadband. And that's not even taking into account the putative \$7 - \$10 billion in economic boost that AMTA and Telstra described in the last session.

There are at least two medium-term constraints upon any government's ambition to monetise the digital dividend. In the press earlier this year Allan Fels and Fred Brenchley observed, that by any measure there is still a strong, abiding level of consumer support for free-to-air television services from consumers. This is despite the dumbing down of commercial TV and consumers' growing appetite for broadband and downloadable content. Free to air TV is still our most popular source of local content, entertainment, Australian drama, new & current affairs and children's programming.

The second stumbling block in the way of cashing in on the dividend is that the broadcasting services bands are a veritable layercake with all the good bits being ferociously defended by the incumbent broadcasters. And then there is the undelivered promises to NITV and community television stations for digital access as Rob Nichols pointed out. There is a huge unmet demand for specialised Indigenous, ethnic, special interest and locally-specific services.

It's well understood in this room but I'll state the obvious anyway, current spectrum assignments in the BSBs are non-contiguous and to do the job properly and reap the maximum yield, all digital channels would need to be re-stacked before spectrum was put to market.

So to maximise the digital dividend a contiguous block of spectrum would need to be crafted out of the BSBs but there would undoubtedly be costs to broadcasters and disruption to viewers in any restacking. No easy task for ACMA's engineers and planners I'd bet and not a process that could be rushed.

There are two notable examples of countries that are way, way further down the digital dividend track. In the USA they have already carved out a contiguous block of 108 MHz from retired analogue spectrum and already put more than half of it to auction.

In conducting its Digital Dividend Review the British regulator OFCOM emphasised that its duties are to further the interests of citizens and consumers and to secure the optimal use of spectrum. Their objective was to award the digital dividend in a way that maximises the total value to society from its future use. This includes value both

to citizens and to consumers. OFCOM expressly stated that it was not their aim to raise revenue for the Government.

After a detailed process involving public consultation and research about service preferences and technology demand, the UK has opted for offering up 112 MHz of restacked spectrum to the market on a technology neutral basis, i.e. without any service prescriptions.

Australians rely strongly on terrestrial broadcasting to a far greater extent than the US or the UK both of which have large primary infrastructure in cable and satellite to the home. What level of service disruption would restacking cause and to what extent would the project be supported by the incumbent industry and television viewers? Maybe we'll get a little light shed on this in the next session.

I don't want to reduce the "digital dividend" to the old ker-ching factor, the prospect of a solid kick-in to consolidated revenue for the second-term Rudd government once the downturn has lifted?

I rather hope not. It isn't too much to expect that "digital dividend" could be taken at its broadest sweep to denote a range of public benefits such as improvements in service utility, better or more services, improved public access, diversity, enhanced services or better signal coverage for free-to-air services.

Australian free-to-air television is a mix of commercial, public and community TV offerings but as a whole it represents an exceptionally high-value public good that in the face of other media alternatives still commands the lion's share of audience engagement. When it comes to free-to-air Australian television viewers arguably want more and better. Although free to air has dominated the mass market for 40 years there is the growing challenge to develop a new, sophisticated business model to avoid being eaten alive by IPTV.

But what is the sum of potential public benefit from the digital dividend? Maybe what we gain as taxpayers or enjoy as citizens in terms of fattening the public purse we lose slowly and inexorably in the longer term as consumers? How will the price of the dividend be recouped? Who will ultimately pay, how much will we pay and what value will we get for our money? All questions that an efficient, competitive market will resolve – maybe? Or maybe not.

Before we take any leap into the brave frontier of the digital dividend there should be a thoroughgoing process of public consultation, consumer research, economic modelling and policy debate to determine the appropriate mix of freely available public good services and discretionary media services provided in the market.

What to set aside for DTT and what to free-up up for enhanced and advanced services must be decisions made within a robust public policy context before a determined amount of freed up spectrum can be offered up for market-based allocation.