

It should be noted that Sony UK are members of “HD for All”, Intellect and the DTG. We are fully supportive of these submissions which go into more technical detail with regard to spectrum usage.

Digital Dividend Review - Consultation questions

Question 1: This executive summary sets out Ofcom’s proposals for the release of the digital dividend. Do you agree with these proposals?

Much of the comment is a straight forward statement of fact that we would have no wish to dispute, despite the fact that some of the augments are contradictory. We are concerned, however, that much of the analysis and research was undertaken up to two years ago. In the TV electronics market a great deal of change occurs in such a period, even if two years is not seen as a long period in Governmental circles. For instance two years ago the awareness of HD TV in the UK was minimal. The latest research we have seen suggests that it is now at a higher level than that for Digital TV.

Research shows that the number of HD ready sets sold has grown from under half a million in 2005 to nearly 3 million by the end of last year and is forecast to more than double that figure this year rising to a cumulative total of nearly 37 million by 2012 when Digital Switch Over occurs.

Question 2: Do you have any comments on our analysis of the essential constraints that will apply to the available UHF spectrum?

We have no specific comment here. It is recognised by industry that the spectrum released by the Digital Switchover is ideal for a number of uses. However it maybe possible to satisfy most of the “applicants” as the requirements for HD TV probably account for around a third of the released spectrum.

However there is a huge variety of TV receiving sets in use in British homes, ranging from new state of the Art sets to very old but serviceable products. Older products and some of the cheaper set top boxes are more vulnerable to interference and care must be taken when considering future spectrum uses. Testing must be exceptionally vigorous to ensure there are no problems.

Question 3: Do you agree with the more detailed analysis and proposals regarding these technical constraints as set out in Annex 10?

Intellect, our trade association comments that the results on proximity interference as detailed in A10.79/80/81 are as yet not complete. However this technical analysis has

concluded that there is a risk that domestic reception of the existing DTT services could be affected by the use of up-link services operating on adjacent and (to a lesser extent) image channel frequencies and that measures should be considered to mitigate against this risk. The results detailed in annex 11.62-67 show a wide variation of results. This is not surprising given the population of TV receiver types mentioned in the answer to question 2. Furthermore the sample size of 6 is not a robust enough analysis to give any confidence that two way mobile services can co exist with broadcast DTT services without excessive mitigation techniques including wasteful guard bands, a later study by ERA whilst more comprehensive still shows the management of interference to be a problem.

Question 4: Do you have any comments on Ofcom's assessment of the potential uses of this spectrum? Are there any potential uses which should be considered that are not mentioned in this document?

No Comments

Question 5: Do you have any comments on our analysis of the choice between a market-led and an interventionist approach to the release of this spectrum? Do you agree with the analysis of different mechanisms for intervening to remedy potential market failures?

Ofcom can not simply rely on market forces. The pace of technology change is so fast that bidders in an auction will have to assume that their technology will have developed sufficiently to take full advantage of the spectrum by the time of release. We witnessed how difficult this can be when the mobile phone companies bid for huge sums of money for spectrum for the third generation mobile phone services. To secure the necessary bandwidth the companies damaged their ability to invest in the technology for some years.

There is no realistic alternative spectrum for the terrestrially based broadcast of HD. Ofcom's consultation does not discuss the viability of concept of gifting spectrum on a temporary basis to the PSBs to allow simulcasting of SD and HD signals during the changeover. It is recognised that Ofcom's concerns relating to market intervention but such a move would allow for the possibility of launching HD services on the terrestrial platform. The current six multiplexers as explained later are insufficient to support 5 HD transmissions even with the move to 64QAM.

Should Ofcom decide to allocate spectrum to an individual company that did not use in accordance with its agreement the penalty could easily be set at spectrum confiscation.

Question 6: Do you agree with our proposals to continue making available channel 69 for use by low power PMSE devices? Do you agree with our proposal to make some or all of the spectrum available for use on a licence-exempt basis?

No Comment

Question 7: Do you agree that there should be transitional protection for professional PMSE users to ensure that they can continue to access interleaved capacity until at least the end of 2012? Do you have any views on the mechanism for providing future access to this spectrum?

No Comment

Question 8: Do you consider that additional spectrum from the digital dividend should be reserved for low power applications? If so, please provide as much evidence as possible about the nature of the application and its potential value to society.

Technology is developing all the time and low power applications are no exception. We can foresee a number of products in the future that will take advantage of any spectrum reserved for low power applications.

Question 9: Do you consider that it would be desirable to hold back some spectrum from award with a view to its potential use for future innovation? If so, please provide comments on how much spectrum should be held back, and for how long

This is always a difficult trick to complete successfully and could lead to Ofcom never allocating the reserved spectrum as there will always be something better coming along!

Question 10: Do you agree with our proposal that we should package the interleaved spectrum in a way that would be suitable for use by local television services, but not reserve spectrum solely for this use?

In principle yes but it is difficult to see how genuinely local TV services could be accommodated into a spectrum auction so that it is affordable for the would be broadcasters. Also as the technical options review has identified it is difficult to fit local TV services into the main multiplexers. This leaves the options of winning another multiplexer either cosseted with the main multiplexer or transmissions from a completely new site. In either case there is likelihood of the viewer having to purchase and have installed a new roof top aerial either because the new multiplexer is not in the same aerial grouping as the main multiplexer or a second aerial is required to face in a different direction.

Question 11: Do you agree with our proposal to package the spectrum in a way which does not preclude mobile broadband use, but to take no further action in relation to this use?

Consideration should be given to whether there is suitable band width elsewhere in the spectrum.

Question 12: Do you agree with our proposal that we should not intervene in the award of this spectrum to reserve spectrum for DTT? Do you agree that we should package the spectrum in a way which is suitable for DTT use?

TV is the most watched and used technical equipment in the UK. Most homes have and use multiple TV receiving devices. There is no doubt that HD will become the standard in the future (indeed as already established in other countries around the world). Failure to allocate additional spectrum to FreeView will mean that it remains a Standard Definition broadcaster for the next generation. Investment by broadcasters and TV manufacturers into the platform will cease in 2012 and the millions of consumers who have invested substantially in to the platform by purchasing IDTVs, Digital TV recording devices and set-top-boxes will have to be told that their platform of choice will be second class.

It must be noted that today's receivers are only compatible for DVB-T and MPEG-2 digital broadcasting. To take advantage of the more efficient technical standards, DVB-T2 and MPEG-4 (AVC), additional spectrum will be required to be allocated to prepare the path for a second switchover from MPEG2 to MPEG4. HD will be an excellent tool that will offer consumers a reason to migrate to newer and more efficient technologies.

Question 13: Do you consider that we have included in our analysis the most material risks in relation to market failure?

Market failure can also be caused by improper activity by the regulator. Should Ofcom fail to allocate spectrum to Freeview it is our view that Market Failure risks are immeasurably increased. We share the frequently expressed view that the findings of the social analysis suggesting that HD will be a premium service is totally irrelevant as HD will become the world broadcasting standard in a short period of time. We also suggest that these findings are out of date.

Question 14: Do you agree with our proposal to auction licences for the use of the available UHF spectrum?

We believe this is a major error in the whole consultation process and we believe Ofcom are asking the wrong questions. The consultation should have offered Auction as one of the options rather than suggesting it is the preferred course of action. Auctioning fails to recognise that the PSBs may have the strongest case but due to changes in business models do not have the funds available to bid for spectrum. Are we to see the Freeview platform and viewers investments wasted and the UK to fall behind world class broadcasting because a few mobile phone operators have exceptionally deep pockets?

Question 15 : Do you agree with Ofcom's proposals as to the timing of any auction? If not, what alternative proposal would you make and why, and what evidence and analysis can you provide in support of your alternative proposal?

No. It seems there is an unseemly rush to force decisions which might take longer – decide in haste – repent at leisure!

Also we believe that it is not necessary to auction the entire released spectrum at the same time. It maybe wise to allocate/auction the released spectrum in packages to ensure proper decisions are taken.

A auction timing schedule needs to be developed that takes account of the DDR Spectrum, the L Band, 2.5GHz and channel 36 to ensure best use of the spectrum without damaging long term requirements.

Question 16: Do you have any views on which of the packaging options identified for the cleared spectrum would be most suitable?

See answer to 15

Question 17: Do you have any views on which of the packaging options identified for the interleaved spectrum would be most suitable?

No Comment

Question 18: Do you have any views on which of the auction design options would be most suitable?

No

Question 19: Do you agree with Ofcom's proposals for the non-technical terms of the licences to be awarded for use of the UHF spectrum?

No Comment

Question 20: Do you agree with the analysis of the options as set out in this Impact Assessment?

There is an assumption apparent that Ofcom has decided that auctioning the spectrum is the best way forward. There is no mention of the inefficiencies and the cost to industry of the auction fees, or whether there is public benefit in this approach. There also appears to be a view that the UK is remote from world technological developments and little care about the UK's position in world broadcasting. A glance around Europe would help Ofcom understand where most countries broadcasting platforms are developing – towards HD.

Sony United Kingdom Limited

LETTER TO TONY BLAIR FROM SONY UK IN DECEMBER 2006

Dear Mr Blair

Thank you for your letter dated 17 October 2006.

Your present policy in favour of technology-neutral auctions when considering mechanisms for assigning spectrum takes no account of history, nor the long-term strategic use of the spectrum. It is also likely to be seen by the public as cynical and the whole digital programme as merely a money raising exercise by the treasury.

The British public will have invested up to £26 billion on converting their homes to receive digital broadcast signals. This money has been spent with the encouragement of the Government, supposedly on the grounds of improved broadcast quality, greater choice, efficient use of the spectrum and the opportunities for the public to benefit as a result of the “digital dividend”.

We know that the Public Service Broadcasters will have little intention to bid for increased spectrum for HD programming given that it will do nothing to increase their revenues whilst increasing costs. This leaves the way free for the mobile telecommunication companies and BSkyB to bid to allow them to offer mobile TV and other services, this despite the fact that there is scope for these services elsewhere in the broadcast spectrum (L Band).

We, together with the Public Service Broadcasters, strongly believe that spectrum, released by digital switchover, should be gifted to the PSBs to enable them to offer HD programming to ensure the UK remains at the forefront of TV broadcasting and the British public feel they have been given value for their digital investment.

It would after all, be a disastrous situation if the UK were to be one of the few countries in the world not to offer High Definition services on DTT, when you have the BBC committing to 100% HD program production by 2010.

Whilst under normal circumstances, we understand your technology neutral position, such actions in this particular instance would mean that we never get HD on DTT. This is not in the interest of the citizen, Public Service Broadcasting in the UK, Manufacturing or Retailing. In fact bad for UK PLC.

We shall, of course, be responding to the Digital Dividend Review, highlighting the potential consumer backlash that will be inevitable unless the Government acts. This may have a significant impact on the whole switchover process.

I'd like to meet with you personally to discuss this important issue face to face and shall ask my PA to contact your office within the next few days to arrange a suitable time. I very much hope that you will be able to spare the time in your very busy diary.

Yours sincerely

Steve Dowdle
Managing Director
Sony UKL