

DTV Supply Chain group response to Ofcom consultation on the Future of Digital Terrestrial Television

The Digital Television (DTV) Supply Chain Group (SCG)

The SCG is a representative group, formed by television receiver manufacturers, retailers and installers, in conjunction with the Digital Television Group (DTG), Intellect Consumer Electronics Council, the Radio, Electrical & Television Retailers Association (RETRA) and the Confederation of Aerial Industries Ltd (CAI). We estimate that our membership represents over 90% (volume and value) of DTV product manufacturers and retailers in the UK.

Our primary purpose is to ensure maximum Digital Switchover (DSO) support and implementation efficiency from SCG members through constructive interface and communications between the SCG and the official bodies responsible for DSO. In working to achieve this aim our members have invested, and continue to invest, in the manufacture, sale and installation of digital TV equipment for the open standard digital terrestrial television (DTT) platform in the UK.

This response has been drafted in consultation with SCG members at meetings in November and January and sent to all members for comment.

Introduction

Ofcom issued an announcement in December 2007 stating that as a result of the initial DDR consultation, they had decided that there would be no additional Spectrum available for delivering new HD services on the DTT platform and that it would have to be delivered from existing Spectrum.

Since December 2006 we have been encouraged by Ofcom to consult and comment on both the DDR and more recently on the DVBT, DVBT2 issues. However, the DTV supply chain has been in agreement that the availability of additional spectrum is critical in delivering HD, at the very least to use as a contingency through the delivery plan that is decided upon.

Since publishing their original consultation paper, and confirmed in their additional consultation paper ending on the 30th Jan, Ofcom have changed their view and accepted that HD is critical for the future of the DTT platform. In fact around 75% of their recent survey respondents are quoted as saying they expect to receive five HD channels on DTT.

Both spectrum and delivery technology are an intrinsic part of the argument and it is understandable that some advocates of the DVBT2 standard have emphasised that their views are based on the fact that Ofcom are adamant that there is no new spectrum. It does not seem reasonable for Ofcom to separate the two issues, thereby effectively narrowing the delivery options to one, DVBT2, whilst we are still in consultation.

As far as we can see, there has been no work done on a detailed consumer impact assessment on this decision. This suggests that if we adopt the Ofcom proposal to deliver HD on the DTT platform using DVBT2 with no additional spectrum we will be facing a considerable number of risks. These include the risk of timing, the risk of the quality impact on current services, the risk of broadening the 3 mux 6 mux issue, the risk of increasing the energy and waste burden on the consumer. There may also be an opportunity cost and risk associated with not utilising the DVBT HD option currently being built in as standard to much European market silicon, during the current switchover process. Despite all these risks, we appear to be committing ourselves without any contingency in place.

To ready themselves for digital switchover consumers are buying iTV's in greater numbers and spending more money on their iTV purchases than any other television reception device

available. In 2007 six million iDTV's were sold at an average price of circa £600 (Total £3.6bn) versus three point five million boxes at an average price of £50 (£175m).

From 2008 many iDTV sets are likely to be equipped with MPEG4 DVBT reception technology because it is already being built in to European silicon to meet demand in other markets. This means that at current sales rates and allowing for range changes, a further 24 million sets with HD reception built in could be in people's homes by the end of 2012.

Without the availability of new spectrum the arguments for DVBT2 efficiency are clear. However, it is not just about making existing spectrum more efficient, it is also about using the spectrum in the public interest, part of which is related to cost. We need to better understand where and how the public interest is being determined.

Key points

1. The SCG principal objective is to ensure we continue to offer the UK consumer a competitive, open standard, free to view DTT platform for the long term. By competitive, we mean in content, in service quality and in product cost to the consumer.
2. Whilst the SCG are cognisant of the different platform HD options available to the consumer, we have always stated that the DTT platform must be kept competitive against these options if it is to continue to be the consumers preferred choice for the future. The development of the platform must also justify the huge investment being made in digital switchover, not just in the infrastructure development but also the consumer investment in DTV equipment, particularly iDTVs. This is very important for switchover because annual iDTV sales are a growing fast.
3. In Ofcoms own report, published November 2007, they show a marked change in consumer attitude. Last year their research showed the consumer had little or no interest in HD on the DTT platform, but this year 74% of their respondents said they expected 5 HD channels on the DTT platform. (Fig page 35)
4. The majority of UK consumers will be switching over between 2008 and 2012. Only if HD specification can be agreed early will consumers be in a position to equip themselves for HD reception at the same time as buying their switchover product needs. The sale of HD ready TV sets is already growing faster than planned in the UK and consumer expectations are growing at a pace.
5. We discussed and agreed with Ofcom, in July 2007, that in order not to risk the same delays experienced in finalising a date for switchover, a specification was required urgently to deliver a minimum 4 to 5 channel HD DTT service. We agreed that it was important for the Industry that we have the broadcast specification of the DTT HD service finalised a.s.a.p. to allow us to maximise sales of MPEG4 products during the switchover process.
6. We stipulated, as a condition of our support for a five channel HD plan, that Ofcom agree to provide a contingency in the DDR to give us a fall back position for the targeted HD channels, but they have refused.
7. Latest indications suggest that utilising DVBT2 without extra spectrum, will not only limit the quality and availability of certain existing MPEG2 services to the consumer, it may also limit us to a maximum of 3 to 4 HD channels. This is despite our statement that any deterioration of existing services to the consumer would be unacceptable.
8. Bearing in mind the growing consumer demands for HD, any plan should consider how we maintain quality whilst we increase our HD content in the future. It is not reasonable to base the future of DTT in the UK on an unproven technology whilst at the same time plan the reduction of SD quality on the platform to make way for it.
9. Within the consultation document we see no longer-term vision for the future of the DTT platform beyond the DDR auctions. Questions that will need addressing could include; will

we require an MPEG2 switch-off and if so when? what is the planned roadmap for DVBT and can we expect a move to T3 at some point in the future?

A possible alternative

10. It is a fact that MPEG4-DVBT is compatible with the current MPEG2-DVBT services being broadcast by our 6 multiplexes. Another proposal for consideration could be to launch a 7th DVBT mux which could accommodate 3 new HD channels and allow for a flexible growth of HD services across all the current muxes. And at the same time introduce 2 new HD services in the capacity created on the current muxes switching to 64 QAM.
11. If we postpone the introduction of DVBT2 and introduce DVBT services in the first instance, we can utilise a proven technology in the reception devices available starting now. In fact it is reasonable to predict that we could equip the market with between 24 and 30 million devices and probably many more, by 2012.
12. The DTG are already a long way down the road in creating a simple CI upgrade module, for the future, so that any MPEG4 DVBT iDTV or reception device fitted with a CI slot, could be upgraded for DVBT2 reception using its existing MPEG4 circuitry. But this is for the future when the technology has been proven. New integrated sets would soon come to market but existing sets would be immediately convertible
13. In the meantime, with borrowed spectrum, the broadcasters could get to work planning an early introduction of MPEG4 DVBT services. This may prove faster because they wouldn't have to juggle services to make way for them.
14. The treasury downside of a DVBT strategy would be that a 7th Mux would be required to deliver 3 of the proposed new HD channels. This Spectrum would only be borrowed to be auctioned at a later date but could be valued at £3.3bn if it were sold off now.
15. The Broadcaster costs of rolling out a 7th Mux would need to be determined but Ofcom suggests that this would not be possible anyway. It is only 6 months ago that all the PSB's were arguing for more spectrum so we believe the issue needs to be properly assessed.

Conclusion

16. The SCG is unclear what the impact on the consumer will be of Ofcom's proposals to use DVBT2. We urge both Ofcom and Government to revisit the consumer cost benefit analysis
17. A spectrum contingency to mitigate risk should be part of the Ofcom proposal
18. At a time when the TV market is facing a growing cost concern over the electronic waste created by digital switchover, it is not clear what the cost to the environment created by a "second switchover" to DVBT2 will create.
19. We believe there is an interim DVBT European standard solution available that would require additional spectrum.
20. We believe our aim should be to have an HD-for-all London Olympics on the DTT platform as a start point.