



An ITV Response
to the
Government Consultation on the Role of
Integrated Television Sets in Achieving
Digital Switchover

September 2002

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1. Introduction

1.1 ITV welcomes the opportunity to comment on the role of iDTVs in achieving digital switchover. This response represents the collective view of the 15 regional companies that make up the ITV Network.

2. General Comments

2.1 ITV remains committed to digital broadcasting. ITV1 was first simulcast in digital on the DTT platform in November 1998. Today, it is available on all three major digital platforms, as is ITV2, its digital-only sister channel also launched in 1998. The renamed ITV News channel, now wholly owned by Carlton and Granada, will, it is hoped, also be available to all digital homes.

In addition through D3&4 Ltd, ITV jointly operates a multiplex on the DTT platform. Finally, it should not be forgotten that Carlton and Granada invested well over £1 billion in the roll out of DTT through ONdigital and subsequently ITV Digital.

2.2 The Government's timetable for achieving digital switchover between 2006 and 2010 remains an ambitious one. The availability and affordability of digital services and equipment will rightly be the main indicators dictating Government policy in this area. The development of a competitive, horizontal market for digital receivers is therefore a prerequisite for switchover and it is right that Government should be considering how best to deliver this. This mirrors debates in countries both inside and outside the EU. Notably, the FCC in the US recently announced that US manufacturers will be obliged to include digital tuners in all sets by 2007.

2.3 The potential role of iDTVs in the digital receivers market is assessed below in the answers to the consultation's specific questions. However, issues of price and availability of equipment should not be considered in isolation from the other main drivers of digital take-up. In particular, it is difficult to

envisage the development of a successful digital receiver market in the long term unless progress is made in the following key areas:

2.4 Climate for investment in new services/infrastructure. It is vital that the forthcoming Communications Bill creates the regulatory conditions necessary for sustainable investment in new services and in the rollout of the necessary digital infrastructure. As the Bill is currently drafted we are concerned that in two areas in particular, the Government risks curtailing that investment. The first is its proposal to withdraw the right to renew Channel 3 and Channel 5 licences after 2014 and thus return to the licence auctioning process of the early 1990s. The second concerns the lack of clarity over the terms of DTT multiplex licences going forward. The next phase of rollout is likely to require considerable investment from the public service broadcasters. We would therefore welcome a commitment from the Government to extend the zero rating of the current PSB multiplex licences for their second 12 year terms whilst offering licence holders the option of a third term of equal length.

2.5 Ensuring access to digital services. The Government recognises the importance to its digital switchover project of ensuring that viewers have access to as broad a choice of digital channels and services as possible. This is particularly important in a market where the presence of vertical integration and the use of proprietary technical standards provide operators of digital gateways with the motive, means and opportunity to effectively prevent access by third parties to the platform in question. On satellite, the difficulties faced by PSBs in gaining access to BSkyB's proprietary conditional access system could be avoided by the introduction of effective must carry rules. On DTT, viewer choice risks being undermined in a different way. Current arrangements rule out the possibility of the launch of a Pay-lite service, an option which is still being actively explored. Furthermore, the proposed mode change would seriously jeopardise the prospects for carriage of the ITV News Channel, which could not be accommodated on the D3&4 multiplex if it were forced to switch to 16QAM. In our view the benefits to reception from a change of mode are unlikely to justify the cost in terms of loss of capacity.

3. Specific Questions

To what extent do you think consumers can benefit from having digital decoders included in television sets? Are some consumers, such as those with disabilities, particularly affected?

3.1 The consumer advantages of iDTVs over analogue sets are well-rehearsed:

- an increased choice of free to air digital channels in addition to the digital simulcasts of the 5 terrestrial services,
- enhanced picture quality (in theory);
- future-proof against analogue switchoff;

3.2 However, iDTVs with greater functionality bring further benefits:

- interactivity (if fitted with an API);
- easily upgradeable to Pay TV (if fitted with a Common Interface and CA is embedded or modules are available);

3.3 Digital television should be available to all, including blind and partially sighted people as well as those who are deaf and hard of hearing. We therefore support the Government's proposal in the draft Communications Bill to extend requirements for the provision of ancillary services across all digital platforms.

ITV has also been actively involved through The Digital Network (TDN) in the development of equipment for audio description and in plans to develop the technology and equipment for closed signing. In particular, TDN has invested considerable sums in the development of an audio description module (ADM) which, once slotted into a Common Interface slot in an iDTV, will deliver audio-description on DTT. It is too early to pinpoint the technical requirements for closed signing equipment but it is hoped that this will deliver further benefit to digital viewers.

How far do you think iDTVs can contribute to encouraging take-up of digital services?

3.4 Clearly one of the factors that has driven digital take-up in the UK over the last few years has been the existence of competing platforms, improving choice and bringing down prices for consumers. However, there has been little effective competition in the digital receivers market. Consumers are now starting to see the benefits of competition in the set top box market, but the continuing high cost of iDTVs prevents them from becoming a genuine alternative to either cheap “converter” boxes or analogue TV sets.¹

Marketing campaigns such as the DVB kitemarking scheme improved sales significantly at certain times in 2001. However, there is little doubt that a voluntary agreement amongst manufacturers to move towards exclusive production of digital sets or mandation of digital tuners would bring a more sustained boost. Mass production should lead to cheaper prices for consumers and an ever-decreasing price differential between analogue and digital sets.

3.5 More TVs are sold in the UK than in any other EU country, including Germany – over 6 million in 2001. In a market where the price differential between an analogue and digital set is negligible or nil, iDTVs are likely to have a profound impact on the take-up of digital services.

How far do you think iDTVs can contribute to reaching the point at which analogue terrestrial transmissions could be switched off in the UK? And in the rest of Europe?

3.6 As stated above, whilst the establishment of a competitive market for digital receivers is vital to the achievement of switchover, it cannot be considered in isolation from the numerous other contributing factors.

3.7 That said, the contribution of the iDTVs market to the switchover process is potentially a significant one given the size of the market for TV sets in the UK. The fact that the vast majority of iDTVs produced are likely (at least at first) to be fitted with a DTT tuner is a further factor to consider. The perceived simplicity of this route to digital is likely to be attractive to consumers.

¹ DCMS’ report, “Digital Decisions: Viewer Choice and Digital Television”, published December 2001, found that iDTVs are not yet a driver of digital adoption and remain an expensive way of switching to digital.

3.8 However, if the Government were to consider the mandation route, it would seem logical to follow the graduated approach adopted by the US, where initially only sets above a certain size will need to contain a digital tuner. In the case of portable sets, one can foresee considerable problems with the idea of mandation, from both a technical and an economic perspective. Difficulties of reception are exacerbated by the simplicity of the aerials on portables whilst the lower price at which they retail means that the relative price differential between analogue and digital portables is greater than with larger sets. Mass production is therefore unlikely to bring the same benefits.

3.9 It is difficult to assess the potential of the market for iDTVs in other EU countries. Each Government has its own approach to switchover, based on the way in which its TV market has developed. However, despite the huge differences between EU markets, it is notable that over 50% of all households in the EU (some 75 million) still rely on terrestrial reception for their television – each of them a potential iDTV convert².

How might we ensure that any proposal to make sets contain a digital decoder did not favour one platform over any other?

3.10 It is our view that any proposal would not need to specify what type of digital decoder was to be fitted in the television, merely that it was obliged to have one. It is not practical to consider obliging manufacturers to include the full range of tuners in each set as the costs involved would likely wipe out any of the savings resulting from mandation. Rather, manufacturers should be free to decide what type of iDTVs to produce according to perceived consumer demand. A level of interoperability with other platforms would be maintained by the inclusion of the Common Interface in each set.

3.11 One area that needs to be closely monitored is the ability of platform operators to enter into agreements with television manufacturers to produce “platform-tailored” iDTVs. This enables proprietary operating systems, not simply decoders, to be embedded in the television set rendering it incompatible with other platforms. This ties consumers into that particular

² Source: “Digital Switchover in Broadcasting - a BIPE Consulting Study for the European Commission”, April 2002

platform for long periods and means that they face high switching costs if they wish to move platforms.

How might we ensure that any proposal to make sets contain a digital decoder was neutral with respect to the market models and technical choices made by individual service providers?

3.12 Within television markets there is already a fair degree of interoperability. For example, most equipment interconnects using a SCART; television is broadcast in only two aspect ratios (4:3 and 16:9); all encryption systems use the Common European Scrambling Algorithm etc. This level of interoperability has come about through a combination of mandation at national or European level and industry led consensus.

3.13 However, concerns remain about interoperability, particularly with regard to new gateways, and it is important national governments assess the most proportionate way of addressing these concerns.

3.14 For example, whilst we do not believe that mandating a European standard API for all receivers would be proportionate or practical, there are measures that could be taken to improve the situation of service providers like ITV who are at present subjected to high multi-authoring costs for interactive services. These measures could include an obligation on platform operators to use only open standard APIs or, in the case of users of proprietary software, to provide certain essential information to third parties to enable them to get their services to end users, e.g. information on data formats.

3.15 ITV also supports the notion that all TV sets should be DVB compliant. In addition, it is our view that it is both desirable and technically possible to specify that all iDTVs should be interoperable with all other European sets on all DVB transmission modes. ITV carried out research to show that this compatibility is possible, and the findings are published in a Report from May 2002.³

³ "Report on Response of DTT Set-top Boxes and iDTVs to Alternative Modulation Parameters and in the Presence of Interference". Copy available from ITV Network

If there was a proposal to make sets contain a digital decoder, what conditions should apply? For example, should the proposal apply only to sets of a certain size, or including certain features, or from a certain date? Should it include all receivers (including VCRs) with a PAL or SECAM decoder?

3.16 As set out above, in the event of a proposal to mandate digital tuners, the graduated approach to mandation favoured by the US (whereby the obligation initially only applies to larger sets) appears to be the most logical. The Government could then assess the effect this has on the market and come to a view about whether mandation for smaller sets was necessary or viable at a later date.

3.17 Whilst inclusion of the Common Interface in all large digital sets is already mandatory under EU law, it would make sense to apply this obligation to all sets where the inclusion of a digital tuner is made mandatory. This will ensure that consumers have access to the full range of services on offer, whether pay TV or ancillary services such as audio-description for people who are blind or partially-sighted.

3.18 As discussed above there should also be consideration of whether APIs should be included in digital TVs as standard in order to ensure that viewers have access to the full range of interactive services offered by broadcasters. In any event, APIs that are included should be of an open standard or comply with certain conditions as set out above.

3.19 Finally, it seems logical that any proposal to mandate digital tuners not be restricted to TV sets alone, but all related receiver equipment, e.g. VCRs. Appropriate consideration should also be given to Personal Video Recorders (PVRs) as well as the latest forms of content management.

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