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**OPINION PIECE**

**The case for DTT—What’s in it for the broadcasters?**

*By Mike Dallimore, Vice President International Business Development, Broadcast Australia*

There is much talk about the ‘digital dividend’—the potential rewards for governments through spectrum auctions following the closure of analogue TV services. There are also consumer benefits, with the introduction of additional channels, interactive content, better quality pictures in widescreen format, plus high definition content.

But how can the free-to-air (FTA) broadcasters benefit from the transition to digital television?

Broadcasters are faced with the significant cost of deploying new digital networks, perhaps operating simulcast analogue TV and DTT services for a government-mandated period, plus the need for investment in studio equipment. Such developments demand additional capital. The long-term promise of reduced operating costs post-analogue switch-off, accompanied by expanded delivery capacity, may not be, at this stage, a large enough incentive.

It is inevitable, however, that broadcasters will make the transition. Most studios went digital a long time ago and now the incremental costs of implementing 16:9 and HD formats are diminishing. Moreover, FTA broadcasters will need to keep pace with the quality and applications brought by alternate delivery mechanisms, such as digital cable/satellite, and ‘in-home’ entertainment systems, such as Blu-Ray hi-definition DVDs.

The challenge is therefore to identify new revenue streams by leveraging the vast potential of digital technology. Digital opens the door for broadcasters to explore the delivery of new types of services and to have a different type of relationship with viewers.

With the appropriate regulatory framework, broadcasters will be in the position to embrace DTT as a new opportunity and ultimately stand to profit from a broader revenue base.

### **The 'Freeview' model and Top Up TV**

A successful European model is Freeview, where a group of FTA broadcasters has banded together to market their services—both current and new—as a package of channels. This presents the viewer with new content diversity for zero cost, and stands to regain market share for the FTA broadcasters.

Depending on the regulatory environment, broadcasters could also consider paring off some of their allocated multiplex capacity to be used for optional subscription services. These could be reserved for premium content, such as live sports events or first-run movies. Alternatively, the subscription channels could be used for 'file-casting', where content is broadcast overnight using spare capacity and downloaded by a special model of set-top box (STB) for viewing later. This is the premise of the UK's remarkably popular Top Up TV.

### **Interactivity**

Transforming the passive 'lean back' experience of traditional TV viewing into an interactive 'lean forward' scenario, where the audience influences its own viewing experience, offers opportunities for new revenue. There are two types of interactivity, based on whether or not there is return path.

Without a return path, the viewing experience can still be enhanced, courtesy of carousel-style datacasting services, where data is cached within a specially designed STB. This 'walled garden' approach can be used to enhance a quiz show, where the viewer can answer questions via the STB, or to provide information such as news, sport and weather. Such applications can help improve audience share. Moreover, advertisements complemented by lists of local retailers, or details of travel packages for example, may well attract extra advertising dollars.

The addition of a return path for interactive applications offers even greater revenue potential. The simplest form of return path is a fixed telephone line connected to the STB. Whether the connection is 'live' or periodic, the presence of a return path creates possibilities for viewers to truly interact. Some potential applications include voting in reality TV series, answering quiz questions, or registering interest in TV giveaways. By charging for this service, FTA broadcasters could introduce an entirely new source of revenue. Yet another option would be for advertisers to be charged for applications that allow viewers to register interest in products.

### **Web streaming**

In Asia, where some regions have poor Internet penetration, FTA broadcasting could possibly be used to disseminate web content. Every DTT-enabled home essentially has a 20MB data pipe that could be used to download files to a specially designed STB. This is another form of file-casting

using off-peak overnight periods, except in this case the revenue would come from the owner of the information—such as advertisers or governments—rather than a viewer subscription. The issue of who pays for the enhanced STB still needs to be addressed, but various scenarios are possible. The STB would still be considerably cheaper than a PC.

### **Reselling surplus capacity**

Many digital systems will provide broadcasters with far greater transmission capacity than they require. Depending on the regulatory environment, broadcasters may be permitted to resell surplus capacity within a multiplex—perhaps on a part-time basis for special interest groups who cannot afford to own broadcast facilities. This could be another use for low-demand overnight periods, with viewers encouraged to record programs and watch at a more convenient time of day. The broadcaster may also become involved in the production of programs for these groups.

It is not certain whether or how each of these possibilities will pan out. Many will challenge the way regulators currently control the FTA market, and all depend on regulatory support if they are to come to fruition. It is certain, however, that the transition to digital will take place. Yet the precise shape of future TV viewing habits will depend largely on what services broadcasters ultimately offer, and those will be dependent on the business case for each. What is important now is that broadcasters begin to explore the opportunities inherent in moving to digital. With the assistance of the regulators, governments, broadcasters and viewers can all benefit.

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Mike Dallimore, Vice President International Business Development, Broadcast Australia

**Company background**

With over 70 years experience as the owner and operator of one of the most extensive terrestrial broadcast transmission networks in the world, Broadcast Australia provides end-to-end transmission services for radio and television (analogue and digital) broadcasters. The company's core competencies include planning and network design, engineering design and project management, complex systems integration, site development and installation, operations and network management and in-house repairs and maintenance.

Broadcast Australia also develops world-class solutions and applications for new and emerging technologies—such as Infocasting, Digital Radio and Mobile TV—working with strategic partners throughout the Asia Pacific region. Subsidiary companies include Hong Kong-based confined space coverage group, Radio Frequency Engineering Limited (RFE), systems integration and product supply specialist, The Bridge Networks, and critical application and hosting provider, Hostworks. Broadcast Australia is a 100% owned subsidiary of Macquarie Communications Infrastructure Group, an entity listed on the Australian Stock Exchange (ASX code: MCG).

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