

Office of the Minister of Broadcasting
Office of the Minister of Finance
Office of the Minister of State Owned Enterprises
Office of the Minister of Māori Affairs
Office of the Minister of Communications

Chair
Cabinet Policy Committee

DIGITAL TELEVISION: OVERVIEW OF PROPOSED APPROACH AND COST – BENEFIT REPORT (Paper 1)

Purpose

1. Following Cabinet’s approval in December 2004 of a Programme of Action for broadcasting policy (POL Min (04) 31/5), this paper proposes that Cabinet confirm the rationale and policy goals for government support for the launch of a free-to-air digital television (DTV) platform. It argues that a continued partnership between government and the television industry will be necessary to realise the benefits of digital television and to protect government’s public broadcasting objectives. It presents the key findings of a cost–benefit analysis of DTV: that a transition to free-to-air DTV is in the national interest, and that a combination of terrestrial and satellite transmission would best facilitate the transition. The paper also introduces two companion Cabinet papers that i) seek a set of first-tier decisions to enable government to respond to the plans of free-to-air broadcasters for a FreeView digital platform, and ii) address issues of content, regulation and the process for reaching the eventual switch-off of analogue transmission.

Executive Summary

2. Analogue transmission, a technology approaching obsolescence, is presently the chief vehicle for free-to-air broadcasting and thus for the various forms of public service broadcasting and local content supported by public funding and/or government ownership. A successful transition to digital transmission will preserve and enhance the value and impact of these interventions by government, and is consistent with National Digital Strategy objectives. Free-to-air broadcasters cannot make the transition in an optimal form without some government assistance. In other OECD countries, the transition to digital is the subject of co-ordinated government and industry action. This paper and its companions review decisions in support of the transition taken by Cabinet in 2003 and 2004. It asks Cabinet to confirm as the basis of its support for the introduction of free-to-air DTV, its wish (among related goals) to ensure the future of free-to-air television and of the public broadcasters, to protect and enhance the value of its investment in local and public service content, and to facilitate the introduction of the optimal form of DTV.

3. The paper introduces the proposal by the FreeView group of broadcasters (including public broadcasters and private providers of publicly funded local content) to combine their offerings on a jointly “branded” platform. The paper proposes that Cabinet also note the key findings of an independent report providing a cost–benefit analysis of free-to-air DTV. The report estimates a net national benefit in making the transition to free-to-air digital television of \$230 million, based on a switch-off of analogue transmission at 2015. If the transition is not made, free-to-air broadcasters’ household penetration and audience share will steadily decline. The analysis identifies the provision of new, digital-only services and content and the cost of home reception equipment as the biggest factors relevant to the success of the FreeView platform, affecting viewer take-up rates, the ability to achieve analogue switch-off, and the achievement of net consumer benefits. Addressing transmission options,

it finds that a combination of terrestrial and satellite transmission appears optimal in prompting viewer take-up (and thus ensuring the most efficient transition to analogue switch-off).

Accompanying Papers

4. This paper introduces two companion Cabinet papers that address in detail the issues that need to be settled now and in the near future if the industry is to proceed with the digital transition. A further phase of engagement with broadcasters is proposed. These two other papers contain detailed proposals relating to:

Platform and Spectrum (Paper 2)

- The desirability of a combined terrestrial (DTT) and satellite (DTH) platform to best achieve DTV objectives, as agreed (e.g. transition to analogue switch-off);
- Determining spectrum reservation and broad terms for allocation; and
- The allocation of funding towards platform costs.

Work Programme and Consultation (Paper 3)

- The objective of eventual analogue switch-off, as being in the national interest, with criteria and processes to be determined following consultation;
- Agreeing the importance of new content and services to ensure a successful take-up of free-to-air digital (the question of support for TVNZ's plans for digital services is to be determined later); and
- Directing officials to reassess regulatory policy (especially in the areas of competition and standards), through consultation in the light of changes implied by digital.

Costings in all papers are GST-exclusive unless otherwise noted.

Previous Decisions

5. In 2003 the government took a series of decisions intended to foster the development of free-to-air digital television services, including:

- requesting TVNZ and Māori Television to prepare plans for digital services;
- providing for the ability of holders of existing analogue licences to convert them to digital purposes;
- reservation of sets of spectrum licences for 'simulcasting' purposes;
- the possibility of higher costs for government in subsidising digital content, but accompanying opportunities for development of the production industry; and
- the importance of achieving the digital transition for the future viability of TVNZ and Māori Television. (EDC Min (03) 19/3; 19/4; 19/5; 19/6.)

In relation to these areas, papers 2 and 3 note in more detail the relevant previous decisions, and the revision that in some cases is required in the light of subsequent consultation. This set of papers as a whole indicates the progress made in carrying out the decisions taken in 2003, and the next steps to be taken.

6. In December 2004 Cabinet approved the policy programme, *Building a Strong and Sustainable Public Broadcasting Environment for New Zealand – A Programme of Action*. As well as confirming government's existing objectives for broadcast content and establishing a set of principles for policy (including that of universal access to desired content) the Programme reaffirms the direction of government policy for the digital transition, through the priority 'Facilitate the Successful Development of Digital Broadcasting Services' and the actions:

- *encourage* the development of digital television . . . by convening government-and-industry working groups;

- *work with* the sector to investigate spectrum allocation policies, infrastructural needs, economic models for digital services, successful free-to-air trials, and the appropriateness of setting dates for the switch-off of analogue transmission; and
- *enable* public broadcasters to take a leading role in providing digital services and to set standards of digital programming in accordance with their public broadcasting mandates. (POL Min (04) 31/5.)

On the basis of Cabinet's 2003 decisions and the reaffirmation of the direction of policy in the Programme of Action, officials have conducted extensive discussions with TVNZ, with the free-to-air broadcasters as a group, and with Broadcast Communications Ltd (BCL), the state-owned enterprise responsible for transmission. The joint approach to a digital platform, proposed by the broadcasters and outlined later in this paper, has been developed in consultation with government.

Significance of the Transition

7. A transition to digital broadcasting in some form for all New Zealand's television services is inevitable. This system-wide change will have a greater impact on the public than the introduction of colour, for example, in that all receivers must be either replaced or converted with a set-top-box (STB) to receive digital signals. In many OECD countries, a transition from analogue to digital free-to-air services is now under way or under consideration. In these countries, progress towards digital television is one of the markers of technological modernisation and has been a co-ordinated part of a movement towards a digitised 'information society'. The transition has generally been launched with a partnership between governments and the broadcasting sector, involving some level of co-operation, incentive and/or regulation. A common aim has been to ensure the long term future of free-to-air broadcasting, and the public service components within it. Some of New Zealand's key decisions to date have had the same goal. This goal is important because, while the arrival of digital technology is inevitable, the survival of public service broadcasting and a significant presence of local content is not.

8. Digital television in New Zealand has so far been restricted to the pay model, represented by SKY, which has used satellite capacity to provide a variety of niche services, but with commitment to New Zealand content focused only on sports coverage.¹ Free-to-air broadcasting, by contrast, is subsidised by government to ensure that a full range of content, especially local content, is universally available. As has been recognised by government in its decisions to date, digital television has the potential to strengthen public and other free-to-air television. It can do this both through the enhancement of content, and by removing the constraint on the number of channels, thus allowing audiences access to a wider range of content at more convenient times.

9. In the years since Cabinet's initial decisions on digital television policy, these features of digital broadcasting have increasingly been exploited in other countries and the long-predicted era of 'convergence' between broadcasting, telecommunications and the internet has begun. Traditional broadcasters now have in prospect a range of outlets for content, including satellite and terrestrial transmission, the internet and mobile and interactive devices, enabling them to exploit and distribute that content in new, 'non-linear'² ways, and allowing individuals to exercise greater control over how and when they access content.

10. With a managed transition, in which the industry and government work in partnership, the following benefits of digital television can be made possible:

- Existing free-to-air services delivered in high-quality pictures and sound to all New Zealanders;

¹ TVNZ and Māori Television do operate an independent free-to-air digital satellite service, but this is generally only accessed by SKY subscribers.

² 'Non-linear' refers to content that is accessed at the viewer's convenience, rather than through fixed ('linear') programme scheduling.

- New and enhanced free-to-air services, with some content fulfilling public service objectives, at more accessible times;
- Enhanced coverage of local news, current, cultural and sports events, providing a shared space for communities;
- New options for delivering health and education information to citizens;
- Interactive applications to enrich viewing experiences;
- Content streamed live or available on demand via new platforms or devices such as digital video recorders;
- New Zealand's audiovisual heritage made available through digital platforms;
- Innovative content specifically designed for digital media applications;
- A stronger impetus for broadband, as audience demand for digital content is stimulated and broadcasters are enabled to meet that demand;
- Strongly visible services with a clear public broadcasting and national identity mandate (TVNZ and Māori Television), achieving audience reach and impact, and giving our nation a clear voice in a globalised broadcasting environment.

11. The last point – the opportunity to reinforce services that provide clear alternatives for the New Zealand audience – is of particular interest to government as the owner and funder of public service broadcasting. For TVNZ in particular, the technical options offered by digital transmission allow for more effective performance against its Charter objectives in areas such as its provision for segments of the audience that are of less interest to advertisers.

12. The transition to digital presents challenges for broadcasters. While it is in the long-term interests of the free-to-air broadcasters, the need to satisfy shareholders in the short term works against the necessary commitment to capital investment and to bearing the costs of what may be a prolonged transition period. During this period, the broadcasters will need to 'simulcast' via both analogue and digital transmission, and via a combination of terrestrial and satellite delivery. Broadcasters, in committing themselves to an open, shared platform, will also be potentially exposing themselves to levels of competition that they have not faced in the era of scarce analogue spectrum. They will experience complex new forms of competition between packages of services delivered via a variety of distribution methods (satellite, terrestrial, internet, mobile devices, etc.). A free-to-air platform, as a highly visible 'bloc', is also likely to prompt new forms of competition from pay-TV content providers.

Rationale and Policy Goals for Public Support of Broadcasters

13. SKY's purchase of Prime reduces from four to three the number of separately owned operators providing television at the national level, with a potential reduction in the diversity of information available through television. It is important, therefore, that TVNZ can exploit the potential of digital to fulfil its mandate as the provider of a comprehensive service catering to the interests of each part of the national audience. The other free-to-air broadcasters' ability to launch simulcast and new free-to-air digital services, available to all New Zealanders and reflecting New Zealand content, equally becomes more important. Government needs to agree on the principles it will follow in committing any resources to the development and launch of free-to-air digital television services.

14. It is proposed that Cabinet confirm as the rationale for its interest in and support for the introduction of free-to-air digital television that it wishes to ensure positive outcomes in the following areas:

Universal access: ensuring that all New Zealanders have free access to DTV services;

Ownership: ensuring the future viability of government-owned broadcasting entities as vehicles for achieving policy objectives;

National identity: ensuring the continued presence of public service broadcasting and local content on free-to-air television; and

Transformation: ensuring that innovations in broadcasting keep pace with related initiatives (for example, government’s National Digital Strategy) in placing New Zealand at the forefront of technological development.

It is further proposed that, in pursuit of these outcomes, Cabinet adopt the following policy goals:

Analogue switch-off: ensuring the transition to analogue switch-off can be achieved efficiently and cost-effectively, and within the optimal time-frame;

Competition: providing equitable access to the digital platform for existing free-to-air broadcasters and opportunities for new entrants;

Open access: ensuring a free-to-air digital platform operates on open, fair, and neutral terms;

Commitment by broadcasters: ensuring support is conditional on broadcasters’ commitment to achieving the launch of and eventual switch-over to free-to-air DTV; and

Simulcasting: ensuring analogue free-to-air services can simulcast in digital until analogue switch-off.

Cost–Benefit Report: Findings

15. In order better to understand both the costs and benefits of achieving the transition, the Ministry for Culture and Heritage commissioned Spectrum Strategy Consultants to carry out an independent report.³ (The executive summary is attached as the appendix to this paper.) This paper also recommends that the report be made publicly available.

16. The report was based on extensive consultation with New Zealand stakeholders and analysis of locally available and relevant international data. It developed three forecast scenarios (a “do minimum” base case, a free-to-air digital platform launch with no analogue switch-off, and a launch with analogue switch-off within twenty years). The results of this forecasting were then used as inputs into a cost–benefit model, again presenting a base scenario and high and low variants. The report also assessed the impact of different analogue switch-off dates, of different transmission platforms (terrestrial, satellite, or a combination) and of different content offerings, and evaluated the impact for individual stakeholders of the digital transition. Throughout, it applied a discount rate of 10 per cent, in accordance with Treasury guidelines.

17. The report concluded that there is a significant net national benefit in making a transition to free-to-air digital television, provided analogue switch-off occurs. The overall benefit is calculated as \$230 million (in 2006 prices, with the discount rate of 10 per cent applied) if analogue switch-off occurs at the optimal date of 2015. In the absence of DTV, the free-to-air broadcasters’ penetration of households will fall to around 20 per cent (from 60 per cent today) by 2025, or even lower if pay-TV options are very successful. Their audience share will fall commensurately, from 80 to 50 per cent. The report finds that a transition to free-to-air digital television would be likely to produce a better competitive balance between platforms, leading to a new ‘mixed economy’ of free-to-air television and pay television, with both able to be delivered on new platforms such as internet protocol TV.

18. There are several areas of risk in proceeding with DTV services, which are largely outside direct Government control, and which are reflected in the cost–benefit report’s analysis of the ‘low’ and ‘high’ cases. The provision of new, digital-only services and content and the availability of low-cost home reception equipment are identified as the biggest factors in the success of free-to-air DTV, in the form of the combined platform proposed by broadcasters and described below. These factors will affect viewer take-up rates, the ability to achieve analogue switch-off, and the achievement of net national benefits. If new services are insufficiently attractive to viewers, the take-up rate may be lower than on the ‘base-case’, leading to an extended or overly costly ASO process and reduced national

³ The report was supported by the Television Broadcasters’ Council (TBC), representing free-to-air broadcasters, which had originally proposed it, and by BCL, but neither had a project management role or editorial influence. It was peer reviewed by leading advisers to Britain’s Digital Television Project.

benefits. In addition, a cooperative or competitive response from SKY to the FreeView platform could have a significantly positive or negative impact.⁴

19. Addressing transmission options, the report finds that a combination of terrestrial and satellite delivery, while involving some additional total cost, appears optimal in prompting viewer take-up (and thus ensuring the most efficient transition to analogue switch-off). This combination provides a digital option for all households but contains the cost of conversion, as satellite reception equipment and installation are more expensive. A terrestrial-only platform would not deliver a universal service, as the costs of extending terrestrial transmission to remote areas of the country would be prohibitive. A satellite-only option is likely to inhibit viewer take-up – and thus delay analogue switch-off – because of higher costs to consumers and a lack of differentiation from existing pay platforms.

20. There is a net cost to free-to-air broadcasters, for the first ten years, of making the digital transition, although the overall impact on them is positive if there is analogue switch-off (and the long-term cost of not making the transition, as noted, will be a collapse in audience numbers).⁵ While it has not been possible to quantify the net social benefits of public service broadcasting, the report concludes that the overall impact would be positive, and that such benefits – in the areas of education, promoting democracy, culture, minority interests and a sense of national identity – would be protected and, via new services, extended. For government, and for the country as a whole, there will be a ‘digital dividend’ at analogue switch-off, with the release of both VHF and UHF spectrum to be auctioned for other purposes. This is calculated to total \$131 million (assuming a combined, or hybrid, DTT/DTH transmission platform) if analogue switch-off occurs in 2015.

21. The report suggests that achieving the transition will require a campaign of public education, based on co-operation between government and broadcasters. It notes that a clear consensus between government and industry regarding the objectives of digital television would avoid the problems that have arisen in other markets. Clear promotion and coordination, with government, the broadcasters and the supply chain working together, are among the important factors affecting the transition from analogue to digital.

Position of Broadcasters

22. Paper 2 in this series, on *Platform and Spectrum*, discusses in detail the proposal for a combined DTV platform, with a request for support, presented to government by the free-to-air broadcasters. The proposed platform, with the working title of FreeView, is the result of discussions led by TVNZ in response to Cabinet’s 2003 decisions. A consortium of TVNZ, CanWest, Māori Television and Trackside, and Radio New Zealand (whose networks would be available digitally), would operate the platform on a non-profit basis and with open access for new entrants, while continuing to compete in content and services. A set of protocols would govern such matters as: procedures for adding and removing services, cost sharing, and the rights and responsibilities of participating broadcasters.

23. Although the FreeView participants have yet to formally agree to create the platform, pending a response from government and finalisation of agreements with BCL, agreement in principle and letters of support for the business plan have been forthcoming from all participating broadcasters and BCL, and most operational, marketing and technical matters have been resolved. While Prime was involved in the development of FreeView prior to its purchase by SKY, it suspended its involvement pending Commerce Commission clearance of the acquisition. Subsequently, FreeView has approached SKY in April 2006 concerning its possible participation in FreeView, but has yet to receive a response.

⁴ The cost-benefit report does not, however, model the impact of SKY launching a rival free-to-air platform.

⁵ The positive impact on TVNZ and BCL, as detailed in their own business cases for DTV, is addressed in paper 2 in this series.

24. The development of the FreeView concept has been informed by the British free-to-air platform of the same name, led by the BBC, which has now almost matched pay TV in household penetration. The concept's advantages are that:

- *for the broadcasters* it efficiently combines resources, compared with the alternative scenario of individual branded platforms; and
- *for the public* it bundles together free-to-air content, including all the content subsidised by government directly or through NZ On Air, with potential new services, as a visible and publicly attractive package, and at an affordable one-off cost for viewers in purchasing necessary reception equipment.

25. In their proposal to government the FreeView broadcasters identify a number of critical prerequisites. These include sufficient allocations of spectrum to make the 'simulcast' of existing services in digital cost-neutral during the transition period, and to allow for new services. Paper 2, on *Platform and Spectrum*, contains recommendations on spectrum allocation in response. The broadcasters' prerequisites also include government funding in relation to the platform (also detailed in paper 2) to help meet FreeView's operating costs associated with simulcasting current services, for five years, across a combined terrestrial and satellite platform. The broadcasters' funding request can be summarised as: \$4.7 million per annum for five years towards platform costs, plus spectrum allocation, plus \$1.35 million per annum in licence fee waivers until analogue switch-off. On the timing of analogue switch-off, the proposal asks government to commit itself to developing a process that would involve in due course setting a realistic date. Paper 3, on *Work Programme and Consultation*, proposes a response.

26. TVNZ is developing proposals for new digital services to supplement its Charter performance on its existing two channels and feature new content in fulfilment of the Charter, with a view to exploiting public service content more effectively for its intended audiences. While officials have been consulted on aspects of these proposals, they are still in development and decisions on particular services, including any direct contribution to their cost, are not sought from Cabinet at this time (and may be more appropriately considered by share-holding Ministers).

Possible Response to Broadcasters

27. The response to the FreeView broadcasters' funding request proposed in detail in paper 2 is that Cabinet consider, in principle, a package with the following components:

- Free DTT spectrum for the period of simulcast (opportunity cost of \$3–\$10 million); and
- Platform funding of up to \$5 million per annum for five years.⁶

Although broadcasters (including, as noted, TVNZ) have not sought new funding for content, it is recommended (in paper 3) that NZ On Air and Te Māngai Pāho be invited to consider creating a contestable fund for new digital content from within their baseline budgets, to support a transition to analogue switch-off. Paper 3 also recommends a commitment to analogue switch-off as a long-term objective.

Conclusion

28. The first-tier decisions sought by the current set of papers are prompted by the need to drive the digital transition. This is important both as part of the technological modernisation of New Zealand's communications, and in order to secure the future of government's ownership interests and policy objectives, particularly in relation to TVNZ and the provision of local programming as an essential expression of national identity. The cost-benefit analysis summarised in this paper has indicated the broader benefits to New Zealand as a developed society of achieving the transition.

⁶ The Minister of Broadcasting had previously proposed that a contingency be included in Budget 2006 for digital television. This proposal did not proceed as exact figures were unavailable at that time.

29. The industry proposal for a FreeView platform presents the best opportunity to achieve free-to-air DTV. Through combining and expanding the offerings of the participating broadcasters, it would be sufficiently diverse to serve the needs of the fragmenting national audience and present a viable alternative to pay television. It is a cost-effective way to facilitate the transition and to meet the government's public broadcasting objectives. It would bring together the strands of public service broadcasting as a distinct, visible offering. It involves a lower cost to the broadcasters and to government than would be incurred if each broadcaster attempted to make the transition separately (a scenario that would also be unsustainably fragmented for such a small market). In developing the FreeView proposal, TVNZ and the other free-to-air television companies have responded to the challenge put to them by government in its digital television decisions of 2003. The current set of papers presents ways that the government can respond in turn and, to the degree necessary, offer forms of support.

30. Taking the decisions necessary to advance the free-to-air digital transition is now a matter of urgency. New Zealand's pay television penetration is relatively high, but in digital free-to-air provision it is lagging behind comparable OECD countries. Although this has allowed for some lessons to be learned from other countries' mistakes in managing aspects of the transition, the transition to digital for free-to-air television needs to be accomplished while there is still a viable market for a credible alternative to pay television, and in time for the free-to-air broadcasters to create a coherent digital basis for a visible presence in the fast-approaching world of multiple channels and outlets. Digital technology continues to evolve rapidly, while the analogue system is approaching obsolescence. Proceeding with the digital transition will limit the period during which fresh capital investment will be required to maintain analogue infrastructure. Free-to-air television is constrained while it remains in analogue. It requires a platform from which to operate independently and provide multi-service offerings within the digital space, instead of being dependent on the SKY platform. The broadcasters have cooperated in an unprecedented manner to agree on a proposal, but have requested support from government to offset some of the initial costs and risks associated with a digital launch.

Consultation

31. This paper has been prepared by the Ministry for Culture and Heritage, in consultation with the Ministry of Economic Development, the Treasury, Te Puni Kōkiri, the Crown Company Monitoring Advisory Unit, and the Department of the Prime Minister and Cabinet.

Fiscal Implications

32. The accompanying papers in this series contain recommendations with fiscal implications, but none are included in the present paper.

Human Rights and Legislative Implications

33. None.

Treaty of Waitangi Implications

34. The establishment of a free-to-air digital television platform, which the recommendations in this paper support, would provide for the promotion and protection of Māori language and culture, through the participation of Māori Television, TVNZ and Radio New Zealand, and by the inclusion of programming funded by Te Māngai Pāho and NZ On Air.

Regulatory Impact and Compliance Cost Statement

35. Not required.

Publicity

36. It is proposed that, following Cabinet confirmation, the Minister of Broadcasting publish decisions arising from the three papers in this series where appropriate in view of commercial considerations and the progress of further negotiations with the industry. As noted earlier, it is proposed to release the cost-benefit report.

Recommendations

37. It is recommended that the Committee:

1. **note** that the present paper is part of a set with two companion papers, containing detailed proposals in the following areas:
 - i. *Platform and Spectrum* (Paper 2) – covering broadcasters’ preferred approach to launching a combined free-to-air digital television platform via terrestrial and satellite transmission, their request for government support, and a recommended response; and
 - ii. *Work Programme and Consultation* (Paper 3) – addressing the eventual switch-off of analogue transmission and issues of content and regulation;
2. **note** that in 2003 Cabinet took a series of decisions to foster the development of free-to-air digital television services, including requesting TVNZ to develop plans for digital services and encouraging co-ordinated planning by broadcasters;
3. **note** that officials have conducted extensive discussions with TVNZ and the free-to-air broadcasting industry as a group, and with Broadcast Communications Ltd, in accordance with Cabinet’s previous decisions and with the broadcasting Programme of Action (EDC Min (03) 19/3; 19/4; 19/5; 19/6; POL Min (04) 31/5);
4. **note** that TVNZ and the free-to-air industry have proposed, as the most efficient, affordable and publicly attractive means of establishing free-to-air digital television, a jointly owned digital television platform (FreeView) that would:
 - i. be operated on a non-profit, open access basis, and
 - ii. carry new and existing services;
5. **note** that an independent cost–benefit report commissioned by the Ministry for Culture and Heritage has found that:
 - i. there is a significant net national benefit in making a full transition to free-to-air digital television, estimated as \$230 million if analogue switch-off occurs at 2015;
 - ii. if the transition is not made, the free-to-air broadcasters’ penetration of households will fall to around 20 per cent (from 60 per cent today) by 2025, and its audience share to 50 per cent from 80 per cent, or even lower if pay-TV options are very successful;
 - iii. the provision of new, digital-only services and content and the availability of low-cost home reception equipment are identified as the biggest factors affecting viewer take-up rates and the ability to achieve analogue switch-off; and
 - iv. a combination of terrestrial and satellite delivery appears optimal in prompting viewer take-up (and thus the most efficient transition to analogue switch-off);
6. **note** that broadcasters have requested initial support from the government in the form of:
 - i. the provision of spectrum sufficient to allow simulcasting of existing services on a cost-neutral basis (detailed in the companion paper on Platform and Spectrum – paper 2);

- ii. a contribution towards the operating costs of the FreeView platform (detailed in the companion paper on Platform and Spectrum – paper 2); and
 - iii. government’s commitment to a process for determining a date for the ultimate switch-off of digital transmission (detailed in the companion paper on Work Programme and Consultation – paper 3);
- 7. **note** that the broadcasters intend to launch free-to-air digital TV via satellite by the end of 2006, but that the total costs of establishing a terrestrial platform in addition are such that government funding support is being sought;
- 8. **agree** as the rationale for government’s interest in and support for the introduction of free-to-air digital television that it wishes to ensure positive outcomes in the following areas:
 - i. **Universal access by the public:** ensuring that all New Zealanders have free access to DTV services;
 - ii. **Ownership:** ensuring the future viability of government-owned broadcasting entities as means of achieving public policy objectives;
 - iii. **National identity:** ensuring the continued presence of public service broadcasting and local content on free-to-air television; and
 - iv. **Transformation:** ensuring that innovations in broadcasting keep pace with related initiatives (for example, the government’s National Digital Strategy) in placing New Zealand at the forefront of technological development;
- 9. **agree** that, in pursuit of the outcomes set out in recommendation 8, government adopt the following policy goals:
 - i. **Analogue switch-off:** ensuring the transition to analogue switch-off can be achieved efficiently and cost-effectively, and within the optimal time-frame;
 - ii. **Competition:** providing equitable access for existing broadcasters and new entrants;
 - iii. **Open access:** ensuring a free-to-air digital platform operates on open, fair, and neutral terms;
 - iv. **Commitment by broadcasters:** ensuring support for FreeView is conditional on broadcasters’ commitment to achieving the launch of and eventual switch-over to free-to-air DTV; and
 - v. **Simulcasting:** ensuring free-to-air services can simulcast in digital until analogue switch-off;
- 10. **agree** that, following Cabinet confirmation, the Minister of Broadcasting publish decisions arising from the three papers in this series where appropriate in view of commercial considerations and the progress of further negotiations with the industry; and
- 11. **agree** that the cost–benefit report referred to in recommendation 5 above be made publicly available.

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