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DTT STATE OF READINESS : PRESENTATION TO PARLIAMENTARY PORTFOLIO COMMITTEE

21 September 2011

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TEAM

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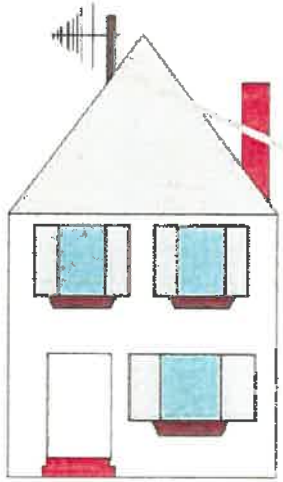
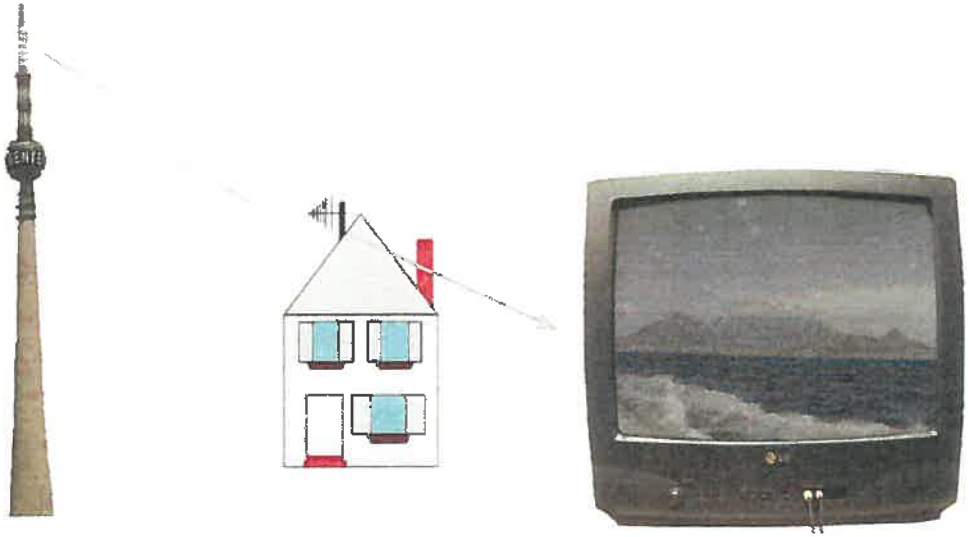
WHY ARE WE HERE?

- Until recently, analogue TV transmitters sent signals to analogue TV sets
- Worldwide countries now are moving to a digital system
- In future, digital transmitters will send signals over the air to digital TVs
- A simple converter is a temporary step to make analogue TVs work with digital transmitters

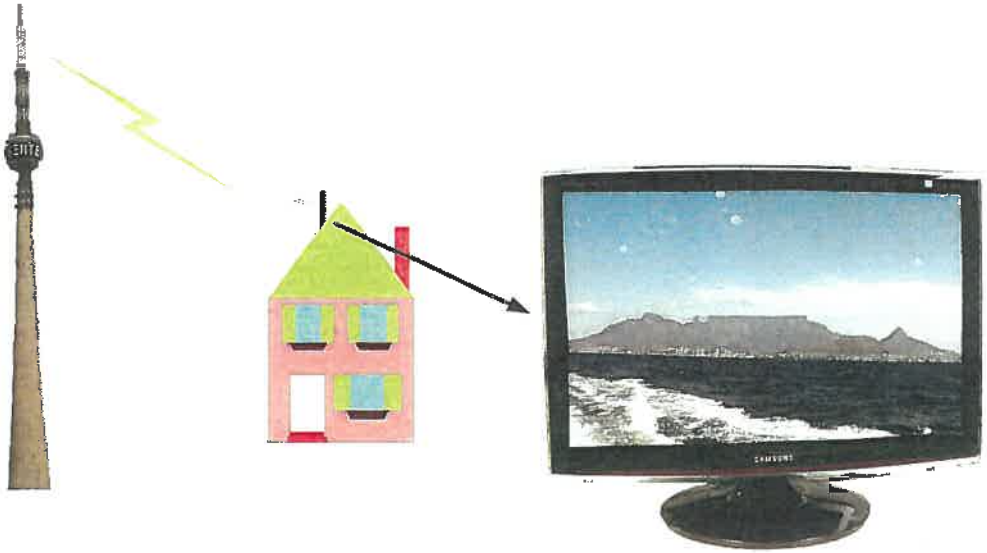
THE PAST



APRIL 2012 – START OF PERFORMANCE PERIOD



Analogue TV



Digital TV

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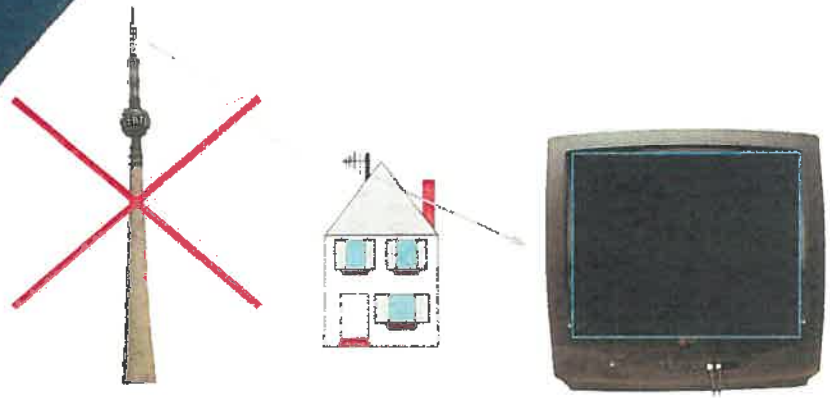
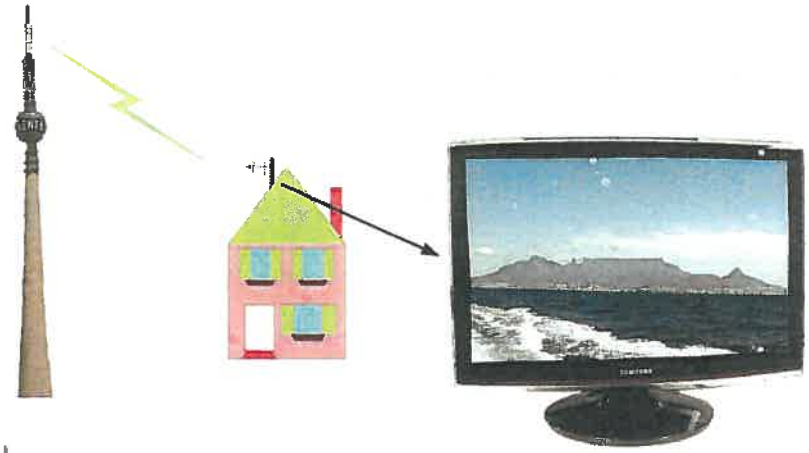
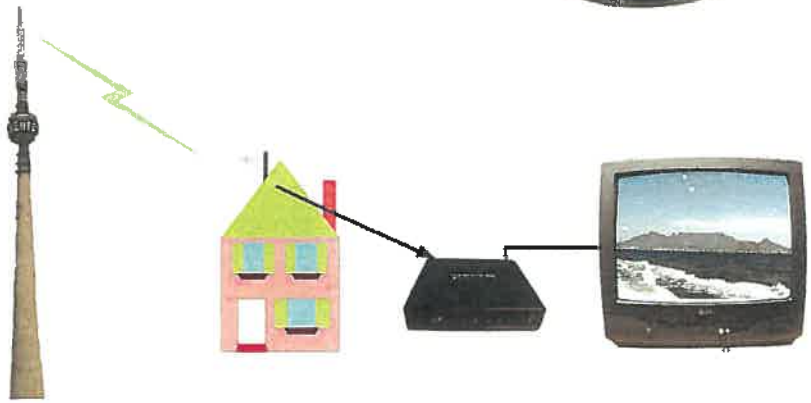
JANUARY 2014 – DUAL ILLUMINATION ENDS



Analogue TV

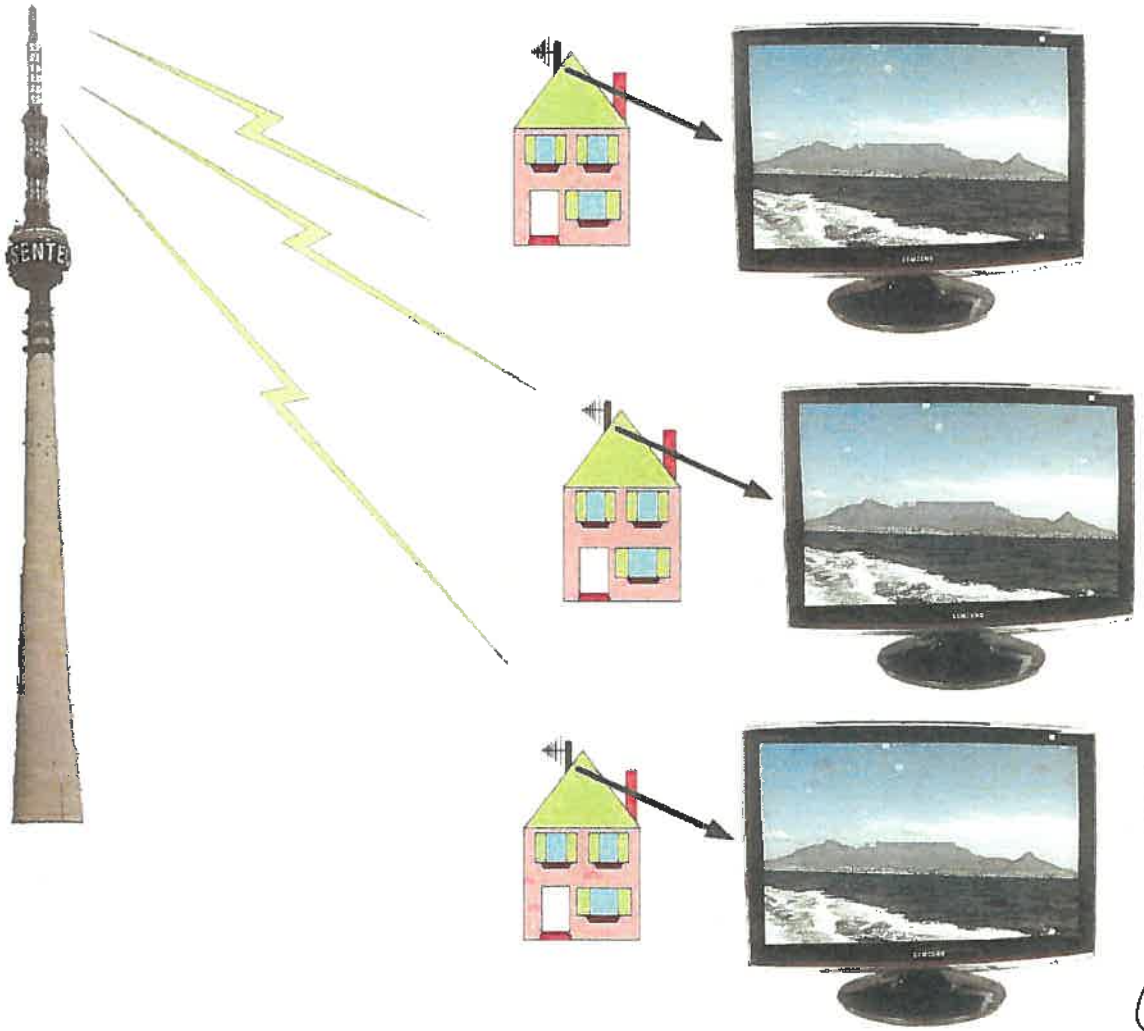


Digital TV



Analogue TV with converter

FUTURE: 2020



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HOW HAS THIS HAPPENED ELSEWHERE?

- Switch on of digital transmitters generated demand for digital TVs
- Price of digital TVs are falling
  - In the future will be cheaper than an analogue TV
  - Like analogue cell phones today
- In the UK today, the majority of TVs are already digital
- Analogue TV sets being phased out
- Ghana expressed concern that western countries will dump analogue TVs in Africa.

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WHAT IS HAPPENING IN SOUTH AFRICA?

- NO LAUNCH YET
- South Africa was first in Africa to plan for digital
- We've spent 10 years planning and anticipating launch of DTT
- Delays, delays and more delays!
- 10 years later other countries – Kenya, Uganda, Zambia have already launched
- We have yet to launch

THE COMPLICATED SOUTH AFRICA PLAN

- The current proposal unnecessarily complicates the process
- Takes a temporary device and makes it permanent by stipulating an STB with encryption
- Countries that have successfully migrated have not done this
- By 2020 these countries will be transmitting digital signals to digital TVs without an encrypted STB between the two.
- By 2020 South Africans will be stuck with encrypted STBs even when they have digital TVs
- This will increase costs as these encrypted STBs will have to be maintained and replaced when they fail – will government be forced to continue subsidies

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INCREASED COSTS

- Simple converter available at a price of R350
- Encrypted STB being proposed as South Africa's entry level free-to-air STB at a price of R700
- This is double the price of a simple converter
- Impact of this difference in price is enormous when applied to millions of TV households

IMPACT OF INCREASED COSTS

- Proposal to adopt an encrypted STB instead of a simple converter adds the following costs:
  - An extra R1.225 billion on government subsidies
  - R525million to be paid by poorest TV households as a contribution to subsidy
  - An extra R1.75 billion by non subsidised TV households to purchase a encrypted STB

WHY ADD R3.5 BILLION TO THE COST OF SOUTH AFRICA's DIGITAL MIGRATION?

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WHAT COULD BE DONE?

Simple converter	R350
Govt to fund the poor	100%
Poor households to pay	0%
Number of households subsidised	5 million
Total Govt subsidy	R1.225 billion
Contribution by poor households	0

Saving in subsidy = R1.225 billion

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LOCAL MANUFACTURE

- Subsidy perfect vehicle to support local manufacture
  - Why not use saving in retail subsidy for direct subsidies at manufacturing level?
- Government to choose exactly who will receive contracts for simple converters
  - Emphasis on BEE and new entrants
- Unique, encrypted STB for SA only is detrimental to local manufacture
  - Complexity means no export market
  - Favours incumbents
- Savings in subsidies could be used to assist new entrants

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REASONS FOR THIS COMPLEX STB

- "Prevent subsidized STBs leaving the country"
  - Sale outside SA is a remote
  - Resale of subsidised STBs in South Africa a more realistic threat

- "Disable stolen boxes"
  - Disabling stolen boxes will not restore services to consumers who have had their STBs (and probably their TVs) stolen
  - Ability to disable mobile handsets has not discouraged theft

- "Ensure conformance"
  - Encryption does not guarantee conformance
  - More effective to implement strict conformance regime

- "e-government services"
  - STBs are household not personal devices
  - Cell phones preferred - personal devices and one to one communication

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TIMING

- Introducing encrypted STBs will cause more delays
- Integrating encryption is complex
- This complex process will take 6 – 12 months

Launch in April 2012 not even a remote possibility

BDM POLICY

- Policy amendment reflects Cabinet decision to launch DTT in April 2012
- Proposal to adopt an encrypted STB with complex control mechanism will render all Cabinet timelines meaningless
- Policy amendment process presents an opportunity to revisit outdated assumptions made in 2008
- We should not waste this opportunity

ICASA: DTT REGULATIONS

- ICASA proposing to "repeal and re-open" DTT regulations
- Policy amendments do not require changes to the DTT regulations
- Previous process took 2 full years to finalise
- If we repeal and re-issue same delays likely
- Current regulations are adequate

IF DTT REGULATIONS REPEALED - NO-ONE WILL BE LAUNCHING IN 2012

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M-NET STATE OF READINESS

- Cabinet deadline for switch-off 31 December 2013
- M-Net committed to meet this date
- Planned to launch in August 2011
- ICASA requested M-Net not to launch until:
  - Amendments to policy finalised
  - ICASA gazettes performance period
- M-Net abided by ICASA's decision and did not launch

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CONCLUSION

- Success or failure within the given timelines will be determined by the cost and complexity of this process

- Current SA plan:
  - Too costly
  - Increases potential for digital migration to fail
  - Will hold South Africa back

- We must revisit our approach, join other African countries and launch DTT

THANK YOU