

Manager
Broadcast Industry and Planning
Licensed Broadcasting
Department of Communications,
Information Technology and the Arts
GPO Box 2154
CANBERRA ACT 2601

Dear Sir,

Sony appreciates the opportunity to provide a submission in relation to digital radio issues.

In this submission, Sony has outlined its views on several matters raised in the Issues Paper, 'Introduction of Digital Radio', released by the Department of Communications, Information Technology and the Arts in December, 2004.

By way of background, Sony is a manufacturer of a range of Digital Audio Broadcast (DAB) receivers, including stand alone radios and products integrated into audio/hi-fi systems.

Sony DAB equipment is manufactured at plants in Japan, Malaysia, Europe and a number of other countries

The company is already a major supplier of DAB product to European markets and has introduced receivers into Australia for testing purposes.

Sony wishes to make the following comments in relation to the introduction of digital radio to Australia:

1. Digital Radio Platform:

Sony supports the use of the Eureka 147 standard for Australia.

In order to avoid production problems, sourcing delays and price concerns, Sony believes it is important for consumers that a standard which has achieved a significant presence in the global market is adopted for use in Australia.

Eureka 147 is a relatively mature technology and has already been adopted by many countries in Europe and Asia. Manufacturers, including Sony, are currently producing significant volumes of Eureka 147 receivers ensuring both ready availability and a competitive price for Australian consumers.

Sony would support a model that utilised the VHF band for the main signal with L band being adopted as an additional frequency to address regional/rural and 'black spots' areas.

2. Implementation Issues

Sony believes that the Government should, as early as possible, finalise the arrangements for digital radio and provide for its full commercial launch in Australia.

Digital radio is already being implemented successfully in a number of countries. New digital services are being offered, consumers are demonstrating a growing interest in the technology and take-up is increasing dramatically. Digital radio is just one element of the digital phenomenon that consumers wish to embrace.

The UK Digital Radio Development Bureau (DRDB) released a report in October 2004 which highlighted some interesting market developments. These included:

- Consumer DAB awareness had increased from 16% (2002) to 52% (2004);
- DAB broadcasting services had increased from 19 (2000) to 405 (October 2004);
- DAB products had increased from a limited range of 19 tuners and in-car radios (2002) to more than 100 across the full range of Hi-Fi systems, boomboxes, clock radios in-car tuners, etc (2004);
- Product pricing has fallen dramatically from an **average** price of £360 (June/July 2002) to £108 (June/July 2004), with a digital radio available (October 2004) at a price of £49;
- Annual sales had increased significantly from 9,000 units (August 2001 to July 2002) to 466,000 (August 2003 to July 2004); and,
- DAB take-up rates (actual and forecast) are now consistent with those of other consumer products such as Colour TV, CD players, Home Internet, etc.

This research demonstrates that, as with other consumer technologies, there is a significant and growing demand for digital radio. Sony would expect that this situation would be duplicated in Australia.

In time, Sony believes that digital radio will replace analog services. In order to ensure consumer and market certainty and encourage the transition to the new digital technology, Sony believes that it is imperative that the Government agrees to an analog switch-off date. It will be important that this switch-off date be announced as early as possible.

3. Drivers of Take-up and Content Regulation

Digital radio is clearly and demonstrably a superior consumer experience compared to analog radio. It delivers significant benefits to the consumer through CD audio quality, enhanced services, improved reception, etc.

Sony believes that these advantages will drive consumer take-up in Australia. Moreover, price will not be an impediment. As with other consumer products, such as DVDs and digital TV, (and mirroring the recent digital radio experience in the UK), prices can be expected to fall dramatically in the period after commercial launch of digital radio services in Australia.

A key attraction of digital radio for Australian consumers will be the availability of new audio services. According to the DRDB report referred to above, the majority (71%) of consumers surveyed stated that the key factor influencing them to buy a digital rather than analog radio was to receive new digital stations. Content, as reflected in new digital stations, new programming and data services, will be king and will inevitably drive take-up of digital radio.

Sony does not believe that it is necessary to mandate simulcasting of analog services. Rather, Sony believes it should be left to the commercial judgement of the broadcasters as to whether they simulcast or offer a range of differentiated services on their digital channels.

Yours sincerely

Ian Lowe
Group Marketing Manager