



By Gerry Oberst

European Winners In The Digital Transition

Participants discussed who would be the winners and losers in the switch from analog to digital television at the “European Switchover Strategies 2006” conference in Brussels in March.

The challenges of shifting a large part of the European population from traditional analog over-the-air television to new digital formats was a major focus of the conference, but another major theme was how to ensure that government support for the switch is not unfair to the satellite industry that already provides plenty of digital signals to consumers across the continent.

The conference started with a presentation from Arne Wessberg, president of the European Broadcasting Union, who said that digital terrestrial television (DTT) is the “fastest growing digital platform in Europe.” Of course this is correct, primarily because DTT started from nothing in 2000 and has been a preoccupation of European governments ever since. Nevertheless, Wessberg’s own charts show digital satellite to be the main source of television across Europe even while DTT grows.

Several speakers described the massive government and private efforts to ensure the switch occurs on time. Arqiva, responsible for 50 percent of television transmission towers in the United Kingdom, showed that the switch would require re-engineering of all 1,154 antenna sites. Digital UK, a private body formed by the broadcasters to educate and lead consumers towards the transition, estimates that 40 million analog television sets in the United Kingdom must be either equipped with digital converter boxes or replaced, 4 million set-top antennas must be replaced and 2 million roof-top antennas will not work with digital transmissions. The organization also estimates that every household in the country would spend 100 British pounds each (about \$175), broadcasters would pay up to 500 million pounds (\$870 million) for digital transmitters, public education would cost 200 million pounds (\$350 million) and help for the disadvantaged and elderly would run another 400 million to 800 million pounds (\$700 million to \$1.4 billion) throughout the life of the transition.

All of this solely for the U.K. market of 26 million households.

Conference participants stressed that government support for this transition cannot turn into a pure giveaway to the terrestrial broadcasters. Under

European law, aid to the broadcasters must be technologically neutral. Nevertheless, satellite providers fear this aid will work completely to their disadvantage.

Per Norman, CEO of SES Sirius, a long-term and vocal critic of what it views to be unfair subsidies to terrestrial at the expense of satellite, reminded the conference that satellite complements other forms of distribution and development of new technologies, such as high-definition TV, while supporting consumer choices of niche channels.

Norman argued that his country, however, was favoring the development of digital terrestrial platforms, citing a directive from the Swedish government apparently focused solely on terrestrial service. SES Sirius claims that the Swedish government’s campaign that started in spring 2003 exclusively supports DVB-T (the digital video broadcasting — terrestrial standard), which enables the roll-out of that terrestrial platform to an extent that would not be feasible under normal competitive conditions.

The inevitable result, says Norman, is that terrestrial digital penetration of the Swedish market is increasing, with satellite market share decreasing, beyond what otherwise would be the competitive result. He fears this situation will distort consumer choices between what should be competitive alternatives. The company filed a complaint with the European Commission in 2001, which remains pending, and at the Brussels conference Norman announced SES Sirius had submitted that week a renewed complaint on the government information campaign.

These types of allegedly unfair subsidies and resulting complaints will likely continue through the conversion to digital. We wrote a few months ago about a European Commission ruling that subsidies in Berlin-Brandenburg, Germany were not compatible with the rules, and we expect further Commission rulings and investigations as the transition unfolds.

In his testimony before the U.K. Parliament in December 2005, Stephen Carter, the head of the U.K. regulator Ofcom, described the complex planning and costs of the digital transition. He also testified, however, that a central part of the program, and a point he wanted to be “firm and dogmatic” on, was that U.K. policy did not express a preference for one platform over the other. Satellite operators will be standing by to make sure that all government across Europe take the same position. ▽

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