

**FOR THE ATTENTION OF:**

The Chairman: The Portfolio Committee  
The Parliament  
Mr Ismail Vadi (MP)  
PO Box 15  
Cape Town  
8001

**30 May 2010**

Dear Sir

**ARIONBOMEMA'S POSITION ON THE INTRODUCTION OF THE ISDB-T BROADCAST STANDARD: A SUBMISSION**

**1. THE BACKGROUND**

ArionBomema Technologies (**ABT**) (Proprietary) Limited herewith presents our position with regards the consideration, proposition or imposition of a (new) broadcast standard, namely, the **Integrated Services Digital Technology (ISDBT)** be introduced or favored in the place of the established **Digital Video Broadcast-Terrestrial (DVB-T)**.

ABT is a Black Empowerment Company that is 72% owned by Black South Africans and the balance shares owned by groupings including our technology suppliers, ARION Inc. Since 2006 we adapted our business model from an imports trade company to a South African manufacturing business. We have since built a robust business model designed to take the company 2030.

Our business model was created on the anticipation that our government led by the Department of Communication (DOC), and supported by the Departments of Trade and Industry (The DTI), Science & Technology (DST) and the National Treasury would co-operate in building a "South African set-top-box (STB) industry with a potential and capacity for exports". Our model further anticipated that, since the digital migration is a global phenomenon, our business too has a global opportunity; and we have in the last two years used our resources to implement our plans accordingly.

Similarly, in the last three years since 2007, the DOC and –to a lesser extent– the DTI continuously engaged with us as the STB industry at various levels where we all co-operated in preparing all aspects for the eventual launch of the DTT project in the country. In all these engagements with government, not once was it hinted by the DOC that, at some stage there might be a reason to consider another broadcast system. The issue of a new standard was introduced to the industry and the public at large in the form of a DOC Symposium held at the Gallagher Estate on 29 and 30 of April 2010.

## 2. THE CONCERNS

The first and major concern is that, whilst the government had initially and correctly identified the digital terrestrial television as providing an opportunity to resuscitate South Africa's electronics industry, the same government is now dilly-dallying in many ways on this opportunity. The last of these being the attempted replacement of a broadcast system that has been tried and tested, the DVB-T by a rather new system that is only fully operated in Japan and Brazil with some few other South American countries still trialing it.

We find this problematic in many ways, including the following:

- 2.1. Since 2002 and in taking a cue from our government generally and the DOC specifically, ABT has built its skills base around the DVB-T system. We have familiarized ourselves with the other two main systems in the world being the ATSC (American standard) and the ISDB-T (the Japanese) standard. But in the end and as a result of the (project) leadership provided by the DOC we devoted time, effort and money on the DVB-T. There was never a doubt in our minds about where our government was headed in as far as the broadcast system was concerned.
- 2.2. We welcomed and embraced the DOC Standards Symposium only as brainstorming session but were critical of the following:
  - 2.2.1. The manner in which the Symposium was put together was unsatisfactory. The discussions were lopsided and perceived to be in favor of the ISDBT presenters (i.e. the Japanese and the Brazilians).
  - 2.2.2. The environment in the room was very hostile, to say the least; thus stifling the debate and creating a disturbing impression and an unfortunate perception that probably government (DOC) has "done some deal" with the Japanese, the Brazilians or both on adopting their system.
- 2.3. For at least one decade, as a country, South Africa engaged earnestly with the International Telecommunications Union (ITU) and our peer member states as pursuing the DVB-T system. To change the broadcast system at this late stage would therefore not be an inconvenience to internal/local stakeholders only but will certainly be concerning and disruptive to our peer member states' plans as well.
- 2.4. According to our own plans, the digital migration plan has fallen way behind our own numerous deadlines. As businesses, we plan (budget) considering, in the main, the periods when revenues are projected to generate. To miss these projections twice in one financial year is problematic. To miss the projections on two successive financial years certainly throttles business.
- 2.5. The introduction of a new broadcast system is threatening to further delay the industry. That means delaying job creation, delaying our off-shore market penetration and that means losing out the leadership to other countries Industrial Plans.

2.6. As a country, and contrary to what we are now told, South Africa did sign a convention, the RRC 06, where we committed to the ITU and our Region (Europe and Africa) that we will implement the DVB-T system. We believe that for us to state that we “reserved our rights” is agreeing to having actually signed the RRC 06, albeit with conditions. This is normal in any contract. We may withdraw or change our minds; but we may not pretend that we did not enter into this agreement in the first place; to pretend otherwise would be disingenuous of us.

2.7. By extension, as an electronics industry we ensured that we invest in the skills that are pertinent to the DVB-T system. We trained staff, equipped our factories and set up R&D facilities that would ensure optimum DVB-T outputs (STBs, broadcast quality, etc) that would satisfy the needs of the broadcasters in South Africa, in the Region and the world at large.

2.8. Our analysis shows that, should DOC continue to impose the ISDBT on the industry, then the South African electronics manufactures will not benefit from the migration as government (DOC, DTI and DST) had been hoping.

2.8.1. DVB-T is used in more than 90% of the countries in the world. This huge market will give the South African STB manufacturers a “bigger pond to fish from”. The converse would render the local manufacturers to only compete at home as there is no way we can compete in Japan on a Japanese technology.

2.8.2. The move to ISDBT will bring about a real danger of the South African manufacturers losing out on the economies of scale; this scenario will lead to more ISDBT STBs being sold locally but nowhere else in the Region 1. For the last six years, the industry and government has been deliberating on how we can make sure that our STBs are cheap and affordable to the poor television households. Many hours have been devoted to this discussion hence the change of the technology baffles the mind. Are we now suggesting that that effort not calculated? It will be difficult to convene business and the industry at large to redo a similar exercise.

2.9. By introducing ISDBT as a broadcast standard, South Africa’s business will certainly lose credibility in the African markets with these countries asking (rightly so) why should they procure from us a product that our own government has ditched.

### **3. OUR RECOMMENDATION**

Having participated in most of the government’s and industry’s consultative, policy forums and colloquiums including the latest Standards Symposium in April 2010, ABT is familiar with the broader industry and related issues.

We offer our humble recommendations as follows:

3.1. That, DVB-T be retained as South Africa’s broadcast standard whilst other options are being considered

- 3.2. A special Task Team comprising of broadcast engineers, business, government and other experts be formed to compile a Report on Broadcast Standards in South Africa and anticipate when, if at all, will which (new) standard be introduced and what how that introduction will affect all the stakeholders.
- 3.3. That the Task Team must work on a pre-agreed program of action with (i) clear objectives (ii) outputs and (iii) deadlines

#### 4. CONCLUSION

This submission is not exhaustive at all, but must be read as complementary to others. If need be, we are willing to prepare or participate in compilation of a detailed industry submission.

ABT appreciates this opportunity to make our input on this issue of broadcast standards in South Africa. We remain confident and hopeful that, in the end, a decision shall prevail that will be cognizant of our country's objectives, priorities and ideals.

Yours sincerely

**Muzi Makhaye**

President and Chief Executive Officer

Mobile: +27 (83) 212 9628

Email: [muzim@arionbomema.co.za](mailto:muzim@arionbomema.co.za)

Website: <http://www.arionbomema.co.za>

***Transmitted electronically***