

Allocation concept for grants of the Digitization Fund of RTR-GmbH for the period 2006 to 2010

Vienna, 14th December 2005

Content

Introduction	page 2
Report on the allocation of grants in 2004 and 2005	page 3
Allocation concept for grants by the Digitization Fund for the period 2006 to 2010	page 4

1. Introduction

Since the establishment of the working group "Digital Platform Austria" in February 2002 on the basis of the Private Television Act of 2001, Austria has been able to close the gap on those European countries which started early with the process of digitalising broadcasting. The Digitization Fund, established in 2004 by the legislator, is an important part of the strategy for quick and smooth digitalisation. The fund was set up at Rundfunk und Telekom Regulierungs-GmbH (the Austrian Regulatory Authority for Broadcasting and Telecommunications) and was originally endowed with EUR 7.5 million annually. At the moment, the fund has EUR 6.75 million at its disposal. Award decisions are made by the Managing Director of RTR-GmbH's Broadcasting Division. However, before fund allocation, the Austrian Communications Authority (KommAustria) must be given the opportunity to comment on decisions.

According to Paragraph 9 b of the KommAustria Act, the funds can be used for the following in particular:

1. Carrying out scientific studies and analysis on technical and economic programme-related and consumer-oriented questions in relation to the introduction of the digital transmission of broadcast programmes;
2. Subsidising pilot projects and research plans for the digital transmission of broadcast programmes;
3. The development of programmes and additional services, in particular services such as electronic programme guides, navigators, interactive and mobile applications, which underline the additional programme-related and interactive applications of digital broadcasting and exceed conventional broadcasting applications;
4. Measures which can be used as public information on the digital transmission of broadcast programmes;
5. The planning and installation of a terrestrial transmitter infrastructure for the transmission of digitally broadcasted programmes taking into consideration the optimisation of coverage and reaching an adequate level of coverage in rural areas, as well as the planning and installation of other infrastructure, as long as a more efficient level of coverage for the population is provided with digitally broadcasted programmes;
6. Supporting the purchase of customer premises equipment (CPE) which is necessary to receive digitally transmitted broadcast programmes;
7. Supporting broadcasters to facilitate the switch from analogue to digital transmission;
8. Measures to create financial incentives for consumers who switch to receiving digitally transmitted television programmes at an early stage;
9. Financing the expenses of KommAustria and RTR-GmbH for the development and implementation of the digitalisation concept (§ 21 PrTV-G).

The guidelines for the allocation of grants are platform-neutral and have been approved by the European Commission as permitted state aid, according to Article 87 EC-Treaty on 16.03.2005. The Digitization Fund in its platform-neutral alignment serves as a model for deliberations by other member states for creating their own support mechanisms to accelerate the digitalisation of broadcasting.

2. Report on the allocation of grants in 2004 and 2005

The project "DVB-T Testbetrieb Graz" (DVB-T Test Run Graz) was the main focus of RTR-GmbH's grant awarding activities in 2004. The purpose of the project, which involved 150 households, was to create and test a complete technical circuit for interactive television in the area around Graz, based on DVB-T in the forward channel and in MHP-Standard for additional interactive services. In addition, Telekom Austria's ADSL-Net was tested as an alternative forward channel in another 50 households.

In the course of the project, total expenses reached EUR 11.1 mln, of which EUR 9.7 mln were accounted for by the core partners. The remaining EUR 1.4 mln were distributed among the other participants in the project. The core partners were those project partners who worked on the development of the project design, as well as on the definition of the essential project targets of the test run, namely RTR-GmbH, ORF, Siemens AG Österreich and Telekom Austria AG. The remaining project partners were invited to take part in the test run of the Digital Platform after project design and project targets were defined to guarantee the comprehensive involvement of broadcasters and other businesses associated with the broadcasting market, so that significant results for the broadcasting branch could be achieved. EUR 5.1 mln came from the Digitization Fund. The Steirische Wirtschaftsförderungsges.m.b.H (SFG)/Styrian Business Promotion Agency gave EUR 1.5 mln to support the project, while the remaining funds came from core and other partners.

By using the funds according to the principles of cost consciousness, economy and usefulness, it was possible to carry forward EUR 1,659,273.89 into 2005.

A comprehensive report about the Digitization Fund's allocation of grants for 2004 can be found on the RTR-GmbH website www.rtr.at (category Digitization Fund).

So far, Digitization Fund grants amounting to EUR 894.877,47 have been agreed for 2005. Subsidised projects mainly include those to test DVB-T transmission from a large broadcasting facility, to create and test a platform-spanning Content Management System (CMS) and to test interactive games over a MHP platform. In addition to that, RTR-GmbH received grant applications for a DVB-C project which will take place in Linz in the third quarter of 2005. RTR-GmbH assumes that a maximum of EUR 1.7 mln in grants will be distributed in 2005, based on existing grant contracts and applications pending. In 2005, 20% of the Digitization Fund was budgeted for administration by RTR-GmbH and as refunds for the development and implementation of the digitalisation concept, as well as for reports and studies referring to the digitalisation of broadcasting. As of today, it can be assumed that a total minimum of EUR 5.4 mln from 2004 and 2005 can be carried forward into 2006

The final report on the allocation of grants from the Digitization Fund will be published on RTR-GmbH's website in the first quarter of 2006. So, the Digitization Fund will have a total of about EUR 12 mln at its disposal in 2006

3. Allocation concept for grants by the Digitization Fund for the period 2006 to 2010

3.1 Principles for the allocation of grants

The allocation of grants from the Digitization Fund follows the principle of platform neutrality in order to avoid distortion of competition by preferring individual platforms. Therefore, projects on all platforms suitable for broadcasting can be subsidised by grants from the Digitization Fund.

A further criterion for the allocation of funds is the digitalisation concept by the Austrian Communications Authority (KommAustria), which describes the legal, technical and time conditions for the digitalisation of Austrian broadcasting. Only such developments and customer premises equipment (CPE) will be subsidised which match the European standards published by the European Commission in the "List of standards and/or specifications for electronic communications networks, services and associated facilities and services" to offer an orientation guide for the consumer to purchase a CPE and to guarantee the interoperability of services.

Furthermore, all grants by the Digitization Fund are temporary and, where necessary, are digressive and will only be granted if the grant is necessary to conduct a specific project.

In addition to the general principles of the allocation of grants by the Digitization Fund, further criteria are added to individual subsidising measures. These will be summarised in the following paragraphs describing the individual measures.

The criteria for the allocation of funds originate from the KommAustria Act, which represents the legal basis of the Digitization Fund; the Digitization Fund's guidelines, which make the specifications of the KommAustria Act more concrete; as well as the reasoning behind the European Commission's decision, which can be found in the state-aid regulation approval of the Digitization Fund. The European Commission puts special emphasis on guaranteeing an open set-top-box market, the platform neutrality of grants, the verification before each allocation if such a grant is necessary, the time limit of grants, the transparency of proceeding and the results of individual measures and projects.

3.2 Focus of the Digitization Fund's operations

I. Consumer-oriented measures: 40%

These are grants for consumers which are supposed to facilitate and accelerate the change to digital broadcasting. There are plans to offer incentives to consumers who switch to the digital reception of digitally broadcasted programmes early on, as they notably help to accelerate the introduction process. Additionally, supporting the parts of the population with less purchasing power will be necessary, if they are in danger of being cut off from the information society due to the costs arising from a switch to receiving digital broadcasting. Special financial funds for the purchase of digital CPE are intended.

Criteria:

- Open Set-Top-Box market: Grants refer to all CPE independent of their origin.

- Purchase obstacle market price: CPE will only receive grants if and insofar as its price on the market represents an obstacle to their purchase. Special set-top-boxes which represent added value to the consumer in comparison to analogue receivers, in other words which go beyond the simple transmission of television signals and can represent the specific advantages of digitalisation, will receive grants. An example is interactive set-top-boxes with which the receiver can access additional services such as further information on programmes, online encyclopaedias, Video on Demand and other services.

II. Cushioning of additional costs for broadcasters: 20%

The goal is to cushion the additional costs for the broadcasters arising in the course of switching to digital broadcasting, in particular costs which arise through simultaneous analogue and digital transmission. Possible investments made by the broadcaster necessary for digital transmission can also be subsidised.

The estimate of the expected costs is based on a report by Prof. Dr. Thomas Hirschle, DI Walter Berner and Andreas Hamann from Landesanstalt für Kommunikation Baden Württemberg (LFK) (the regional office for communications in Baden Württemberg) in which the costs of analogue and digital television transmission in Austria have been calculated, among other items. The report can be accessed under www.rtr.at (category Portfolio/Schriftenreihe).

Criteria:

- Eligibility: Only broadcasters, as defined by the Private Television Act, Private Radio Act and ORF Act, are eligible.
- No grants for running costs: Costs of the ordinary running of broadcasting operations cannot be funded with money from the Digitization Fund, as this would exceed the mere cushioning of additional costs.
- Time limits of grants: The digitalisation concept of KommAustria earmarks a preferably short Simulcast phase (six to a maximum of 12 months from setting up digital coverage in the according region). The grant will, therefore, be limited to the appropriate period of time, based on the guidelines of the digitalisation concept to offer an incentive to the broadcaster for a quick switch.

III. Research projects to accelerate and facilitate the digitalisation of broadcasting: 20%

The co-financing of research and development operations represents an incentive for the market participants to contribute actively to the development of digital broadcasting and to invest in innovative developments and projects.

Criteria:

- Level of innovation: Developments outlining the additional benefits of digital broadcasting will be subsidised. Costs for running programmes and production costs for ordinary television programmes without specific additional benefits will not receive grants.
- Publishing of results: The conclusions of projects receiving grants from the Digitization Fund must be made accessible to the public.

IV. Administration and communication by RTR: 20%

On the one hand, these are the costs for financing the expenses of KommAustria and RTR-GmbH for developing and implementing the digitalisation concept according to Paragraph 21 PrTV-G (e.g. expenses for participation in international conferences on frequency planning) and, on the other hand, costs for informing the public about the digitalisation of Austrian broadcasting on all platforms. The intention is to guarantee market-independent and objective information about the different platforms. The public should be informed about regulatory activities during the digitalisation of broadcasting, the level of digitalisation on individual platforms, as well as the newest developments in this field.

3.3 Weighting of Fund Awards by the Digitization Fund

The allocation of weightings is in reference to the total period from 2006 to 2010 and not to each year. Therefore, it is possible that weightings in individual years do not correspond to the total, as the same amount of costs will not arise each year. In the period 2006 to 2010, a total of EUR 39 mln will be at the Digitization Fund's disposal. The allocation of funds will be examined continuously for its usefulness. If it should turn out that individual focuses cannot be kept in their original form, they will be adjusted accordingly.