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| To: | Professor Richard Snape | Date: | 16 th February 2000 | Ref: | 3815 |
| Company: | Productivity Commission | Fax no: | 9653 2199 | Pages: | 1 |

Dear Professor Snape,

Though it's too late for consideration I thought I should supply the following information for the record.

On further investigation the STB (set-top box) price question is not being approached comprehensively :

1. STB's vary greatly in quality and facilities. They go up to £4500 in the UK. To quote the cheapest option as if it does everything users would require is very misleading.
2. The free or low-cost STB situation in the UK is misunderstood in general.

At 21.30 yesterday I rang Ondigital in the UK (Phone: 0011 44 870 600 9696) and spoke to Lisa. There are a enormous variety of options. The "free" set top box remains their property, and the buyer is responsible for any damage or loss. The maximum contract is £35.98 per month which is a bit over A\$1000 per year. I'll get more details when I am overseas.

3. From Pace, the largest manufacturers of STBs in Europe and possibly the world, quoted in Home Entertainment December 99 : *"Explains Colin Macmillan, Head of Product Management and Market Information at Pace: If you look at the product lifecycle of a television it's around ten years, whereas most of the technology we are implementing at Pace only has a lifecycle of two to three years"*.
4. An unsubsidised Pace STB for Terrestrial Digital TV costs £400. I now see the A\$1000 area as a more realistic Australian price for a STB. I can't imagine subsidies in Australia as in the UK. Digital TV broadcasters in the UK are recompensed through subscription fees for providing lots of content, not datacasting.
5. The fact that for the services talked about you will need either to share a phone line (very inconvenient) or get another phone line, and must pay the ongoing costs doesn't get mentioned clearly as far as I can see. To assume all the additional services will be free would be naive.

Best regards,
Alex Encel.

