

DIGITAL SWITCHOVER

QUARTERLY PROGRAMME PROGRESS REPORT

July 2007

1. Programme Status

The overall programme status remains **red**. In the Quarter the Help Scheme workstream moved from red to amber status with the agreement of the BBC Trust to manage the Scheme, and the appointment of a contractor (Capita) to deliver the Scheme in the Copeland area (including Whitehaven).

Following intervention by Ofcom and their provision of guidance the Network Access agreements have been approved by Arqiva and NGW and reviewed by the OFT. The outstanding Managed Transmission Services contracts between Arqiva and SDN and Digital 3&4 remain unsigned and are holding the programme at **red**. Antennae specification work and ordering remains on track.

2. Programme Issues

Broadcast Workstream: Implications of French plans for analogue switch off in November 2011 on the switchover timetable for Meridian and the Channel Islands are being assessed. Ireland hopes to launch DTT in 2008 but a switchover date has not been announced.

Digital Equipment Workstream: High proportion of small screen TVs sold that are analogue, and continued sales of analogue recorders (particularly DVD-Recorders).

Housing & Property Workstream: Inability to identify and contact private landlords to convert aerial systems.

Project Copeland: Concern about potential supply chain bottleneck and late converters who will wait until after switchover to get digital TV.

3. Market Developments

On June 20th Ofcom published the 'Digital Progress Report' for Q1 2007. This showed continued strong growth in conversion: 81.7% of homes now have multichannel television, and 80.5% of homes have digital TV (excluding analogue cable). 870,000 homes converted in the quarter, with Freeview on primary sets now exceeding Sky subscriptions for the first time – although satellite including freesat remains ahead of DTT. 51% of all TVs are now

converted, which still leaves over 30 million analogue televisions. [See accompanying Digital UK / Ofcom slide pack].

The Digital UK / Ofcom Switchover Tracker shows that switchover awareness has increased to 84%, and understanding to 64%. Awareness in Copeland and Border is now almost universal at 96%, with Westcountry awareness at 92%. Key information requirements are the date of switchover and the impact on recording.

GfK sales data for Q1 2007 shows sales of digital TV equipment increasing to 58% of all TV equipment sold, but the majority of television sets sold remain analogue (57%). In Q1 2007 over 1 million analogue TVs were sold, with over 800,000 being small screen TVs (<26"). Most of these analogue small screens were sold through mass merchandisers (61%). The majority of DVD-Recorders sold (68%) were also analogue.

A Digital UK / Ofcom study demonstrated that one third (36%) of those with analogue TVs will throw one away at switchover. Further, the majority (79%) said energy information was important to them when buying TV equipment, and that energy efficiency would be an important factor in their purchasing decisions.

4. NAO Review of Digital Switchover

The National Audit Office are conducting 2 separate reviews – one into the BBC's preparations for switchover, focussing on Broadcast Infrastructure, Communications and Help Scheme, and one into the Government's preparations including the policy objectives, the cost benefit analysis and Government engagement with the implementation programme. The NAO's evidence base will be based on documentation, which is being provided by Government, Digital UK and Ofcom, and interviews with stakeholders. The BBC report is scheduled to be submitted to the BBC Trust in October, while the Government report is to be published in February 2008. The Digital Dividend Review is out of scope but is likely to be subject to a future post implementation decision review.

5. Helping the Vulnerable

The Digital Switchover Help Scheme Ltd. Company ('DSHS') has been set up by the BBC to manage the delivery of the Help Scheme. Peter White has been appointed Managing Director. Governance for the Help Scheme comes from the BBC Trust, BBC Management and the DSHS Project Board. This Board comprises 4 Directors from the BBC and 5 observers from DWP, DCMS, Digital UK, OGC and the BBC Trust. The first meeting was held on 12th June 2007. Project Board comprises:

BBC – Caroline Thomson
BBC – Tim Davie
BBC – Zarin Patel
BBC – Peter White

BBC Trust – Nicholas Kroll
DWP – Lyn MacDonald
DCMS – Keith Smith
Digital UK – Ford Ennals
OGC – Peter Smith

There is also a Quarterly Policy Review Board chaired by the DCMS. Capita supported by DSG (Dixons Stores Group) has been appointed as the contractor for Copeland and a series of project initiation meetings are underway.

The Main Scheme procurement process is now underway and will appoint a contractor by year end.

Digital UK has concluded its procurement process to appoint a voluntary sector partner to provide assistance to the hard-to-reach in the first four regions. We intend to make an appointment in July, and have the programme underway to support Project Scottish Borders in Q3 2007.

A joint Digital UK / Ofcom ACOD (Advisory Committee on Older and Disabled People) study into vulnerable groups underscored the need to educate and inform those helping the vulnerable, and to work with existing community infrastructures.

6. Launch of Online Property Managers Guide

The Switchover Online Property Managers' Guide was launched at the Chartered Institute of Housing conference in Harrogate on 20th June, attended by c.7,000 housing professionals.

The guide is available at: www.digitaluk.co.uk/propertymanagers and forms a core part of Digital UK's communications strategy for the property sector.

The Guide was produced by Digital UK in association with Government, the Chartered Institute for Housing, the National Housing Federation and other key partners, and is designed to help property managers of residential and commercial properties, and others responsible for communal TV aerial systems, to prepare for switchover. It is a comprehensive online guide covering options for different property types, costs, procurement routes, as well as information on service charges. It will offer downloadable factsheets, an RSS feed for updates, and the opportunity for property managers to share experiences.

Digital UK has announced the "homes set for digital" accreditation which will be awarded to organisations responsible for communal TV aerial systems that have proved they have a plan to be ready in time for switchover in their regions.

In the quarter Digital UK also ran a major communications campaign to tenants in the lead regions and continued to assess the readiness of social housing providers and private landlords.

7. Digital Switchover Briefing Packs

Digital Switchover briefing packs were sent to all MPs in May. A modified version of the pack is now being developed for distribution to Welsh Assembly Members and Members of the Scottish Parliament.

Additionally, a Local Authorities briefing pack is being developed for distribution in the Autumn.

There is ongoing political outreach via the All Party Parliamentary Group on Digital TV Switchover, and the All Party Parliamentary Group on Cable, Satellite and Digital; and via the Digital UK Regional and National Managers now operating in Border, Westcountry, Wales, West, Granada and Scotland.

8. International Switchover Update

Digital UK continues to monitor switchover progress abroad, and have recently spoken with the Finnish, German, Norwegian and Danish switchover programmes.

Finland

- Finland will switch off analogue terrestrial overnight on 31st August 2007, followed by a switch off of analogue cable in February 2008.
- The country has 2.4 million TV homes, of which half are connected to cable, and half rely on terrestrial television. Finland already has full digital terrestrial television coverage ahead of switchover, and currently estimates that 69% of homes are already converted (83% of homes using terrestrial, and 55% of cable homes).
- Communications are co-ordinated by the Government, regulator and broadcasters, who have formed the 'Digi TV' group. The group is distributing leaflets, posters and postcards giving information and 'checklists'; and are using the broadcasters' airtime to run adverts. There is a programme of events using a roaming advice centre (a bus).
- The broadcasters, cable and DTT operators have also joined together to form 'TV 2007', which is running a volunteer support programme whereby members of the public can phone and request assistance in setting up and using their equipment.
- There has been significant negative media on the project, and some confusion around the difference between the terrestrial and cable switch-offs.
- The stakeholders expect that 2-10% of homes will not convert by 31st August, but expect them to have converted within a month.

Germany

- Switchover is well underway in Germany, which has been switching its 9 regions since Berlin in August 2003. 76% of the country has now been converted, which will rise to 80% by the end of the year and complete during 2008.
- Germany is heavily cabled, and so only 5-6% of homes rely on terrestrial TV, and the challenge is therefore a lesser one than faced in the UK.
- The public was informed via TV trailers and on-screen captions, as well as via local press.
- Germany intends to switch its cable network to digital by 2010.

Norway

- Around 30% of Norway's 2 million homes rely on terrestrial television. There is currently no DTT in the country, which will only be launched 6 months ahead of analogue switch-off.
- Switchover will proceed on a regional basis, with the first of the 18 regions switching DTT on in Autumn 2007, and switching analogue off in Spring 2008. The last region is expected to switch off a year later, in Spring 2009.
- The Government have ear-marked funds for communications, but have not yet decided how it should be deployed.

Denmark

- Approximately 20% of Denmark's 2.5 million homes use terrestrial TV.
- DTT is already available nationwide, and the analogue terrestrial signal will be switched off on one day on 1st November 2009.
- Government has set aside funds to support the programme, but have not decided how it should be spent.

9. Digital UK Staffing

Digital UK staffing has now increased to 41 people. We have appointed a Scotland National Manager (Paul Hughes), a Head of Digital Equipment (David Harby), and a Retail Marketing Manager (Dawn Banks). We have recruited additional resource to support the Broadcast Infrastructure and Housing & Property workstreams, and are recruiting two Community Liaison Officers to cover Scottish Borders and Cumbria and Dumfries & Galloway.

Andy Townend, Digital UK COO, will be leaving to join Digital Australia as Executive Director. We have put in place interim working arrangements to cover Andy's legal and finance responsibilities, and the oversight of Project Copeland, which Ford Ennals will become directly involved in, working with Emyr Byron Hughes and John Askew.