

## **Digital Switchover Quarterly Progress Report**

### **1. Digital Progress Report**

In Q2 2006 unit sales of TV equipment grew by 18% vs. Q2 2005 (TVs and digital receivers and recorders) driven by the World Cup, the move to flat screen and digital conversion.

Digital TV sales increased from Q1 2005 by +23% to 468k units, which is a four fold increase from Q2 2005. The percentage of digital TV unit sales was 32% up from 24% in Q1 2006 and 10% in Q2 2005. By the end of Q2 Digital TV sales were the majority (52%) of the growing flat screen (LCD, Plasma) sector of the market, which now accounts for half of all TV unit sales

In the Quarter, Ofcom adjusted their methodology of household penetration calculation which saw a reduction of 2.8% of their original published estimate for Q1 2006 (from 72.5% to 69.7%). Their estimate of digital TV household penetration for Q2 2006 (excluding analogue cable) is 70.2%.

The overall household digital TV penetration grew by 0.5% which is a slow down in primary set conversion, half the level of growth of Q2 2005. There was a 2% increase in the proportion of TVs total converted to digital (42%) equivalent to the conversion of 1.2 million additional TVs as more people converted secondary sets.

### **2. Switchover Awareness and Attitudes**

The Digital UK/Ofcom Switchover Tracker shows increased public awareness of digital TV switchover for 3 months May/June/July rising to 72% from 60% in April. The 3 lead regions all show awareness above the National Average following the regional communications programmes in Border (86%), West Country (84%) and Wales (81%).

Public willingness to convert still remains high with only 2% planning not to convert any TVs – those not planning to convert are more likely to be older and cite as reasons, lack of interest in TV, opposition to the policy and cost.

Overall the public are comfortable with the process of digital TV switchover with 81% claiming to be happy or OK with it, 15% slightly worried and 3% threatened. Older people are less likely to feel happy but are not more worried or threatened.

Public awareness of the digital tick logo has increased to 53% to the end of July.

### **3. Project Whitehaven Programme**

On 20 July it was announced by Government that Whitehaven had been chosen as the lead area within Border for digital switchover in Q4 2007. Whitehaven is a community of 25,000 households and 70,000 people served by 5 different transmitter relays taking their signal from Caldbeck. The three main relays will switchover in October 2007, with 2 minor relays switching over with Caldbeck in Q2 2009. At the point of switchover, Five will not be available, but will become available when Caldbeck switches. Whitehaven will receive the core Freeview offer from the 3 PSB muxes but not the COMS muxes channels.

The programme of communications is underway and have included a letter to all households, a public meeting, a 1 year countdown leaflet to all households and tenants leaflets to libraries and CAB.

A Whitehaven Support Group has been established including representation from the Borough and County Council and Local Consumer Organisations and Voluntary Groups. A Ministerial visit is under consideration for early December.

A Whitehaven Project Team has been set up, led by Andy Townend – Digital UK's Operations Director who has provided a full project update on a separate paper.

Ofcom are leading a programme of tracking and monitoring to enable us to assess Whitehaven readiness and fully capture the programme learnings.

### **4. Transmitter Timetable**

Transmitter mast engineering works for the first 3 sites is moving ahead well with Selkirk completed, Caldbeck replacement mast on track and the Wenvoe temporary mast complete. The Reference Offers were republished on 29<sup>th</sup> September and are currently being considered by the MTS providers and broadcasters. Engineering work is proceeding as normal in the meantime.

The quarterly switchover dates for Whitehaven and the first 2 transmitters – Selkirk and Caldbeck were announced in July. The quarterly timetable for the switchover of the West Country, Wales and Granada transmitters will be announced in Q4 2006.

### **5. Autumn Communications Campaign**

BBC has signed off funds for the Q4 communications programme. The campaign commenced on 7 October initially on BBC National airtime and then on commercial airtime pre-Christmas.

As part of this programme, a door-drop leaflet is going to 3 million householders in the North West and will be available in 10 further languages (Arabic, Bengali, Cantonese, Farsi, French, Gujarati, Kurdish, Polish, Somalian and Urdu). Additionally, all Housing Associations are being mailed and there is a programme of tenant communication including advertising and leaflets.

Retailers are supporting the digital switchover programme with in-store merchandising featuring the digital tick logo and Digit AI, leaflets and by signing staff up to the digital advisor scheme.

Following the successful community event in Carlisle, there will be a Digital Days Roadshow event held in the West Country - Plymouth and Exeter, on 20<sup>th</sup> and 21<sup>st</sup> October.

## **6. Public Protection**

The key elements of the digital switchover public protection programme are:

- i) Equipment certification
- ii) Retail staff training
- iii) Aerial installer training and certification
- iv) Equipment usability

with the digital tick logo used as a reassurance mark of switchover readiness and expertise.

Most manufacturers and retailers are now signed up for the logo and are actively using it and displaying it. Use of the logo, and retail staff knowledge and advice on digital switchover is being monitored by a Quarterly Mystery Shopping programme. The first wave reported in September and indicated high levels of switchover material usage (particularly leaflets) and knowledge.

We are now exploring with Intellect of the basis on which voluntary withdrawal from sale of the analogue TVs could be introduced across the industry. Intellect are progressing this and will report at the meeting.

In October 2006 the approved Digital Advisor Scheme is being launched, supported by Multiples and Independent Electrical Retailers.

DTI and Digital UK have reviewed the Registered Digital Installer Scheme and have agreed to introduce an Associate Installer category and a programme of active promotion supported by the Installer Trade Organisations – CAI and IDSC.

DTI are leading a programme of consultation with Manufacturers on equipment usability, following research and consultation to identify key consumer usability requirements.

## **7. Resourcing**

Digital UK has increased its staffing to 30 heads and has appointed a Head of Housing and Property (Frances Kneller), Head of Customer Contact (Steve Black), West Country Regional Manager (Bill Taylor) and a National Manager for Wales (Gwenllian Carr).

Additionally, Jim Egan who has been Ofcom's Digital Switchover key contact has been appointed as Switchover Advisor to DCMS Secretary of State, Tessa Jowell. David Mahoney has replaced Jim at Ofcom.

Keith Smith has been appointed as new head of the DCMS' Digital Switchover team, in addition to Stuart Brand who has replaced Catherine Smadja.

## **8. Programme Risks**

The programme's status this month remains red because 3 areas of outstanding programme-level issues have not been resolved.

**8.1 Programme Funding:** There remain outstanding long term funding issues due to delays to the BBC's licence fee settlement.

- (i) The need for confirmation of the overall level of funding for the switchover programme from the licence fee.
- (ii) Digital UK is currently unable to sign long term contracts in the absence of confirmed long term funding;

The programme will remain at 'red' status until long term funding has been confirmed; either in the licence fee settlement or via other guarantees from Government. Digital UK is still awaiting a letter of comfort from the BBC/DCMS to enable it to enter into long term contracts (DCMS following-up). These issues are expected to be resolved shortly.

**8.2 The Targeted Help Scheme:** Three key issues that need resolution are: agreement between DCMS and BBC on the governance structure and approach to procurement for the delivery of the scheme; agreement on the level and approach to funding through the BBC licence fee negotiations; and securing an opportunity to introduce primary legislation to enable the scheme to identify eligible households using DWP data.

**8.3 Ofcom Reference Offer Process:** It has been assumed that the Ofcom Reference Offer Process will be resolved by October 2006 and that broadcaster underwriting will be in place to enable future transmitter orders to be placed on schedule. There is a deadline of 29 September for revised Reference Offers by Arqiva and NGW to be published.

## **9. MDU Conversion**

There is a risk relating to the timetable for social and private landlord conversion of multi-dwelling units and the potential public impact particularly the vulnerable living in MDUs. Government and DCLG are taking an active role in helping to brief Local Authorities, exploring scope for regulatory intervention and inspection based incentives. The Housing and Property Workstream is actively contacting Social Landlords and developing a programme for communicating with Private Landlords. In addition we are promoting best practice and developing proposals for a series of pilot conversions of MDUs. Tenant communications will commence in Northwest in Q4 2006.

The Digital TV Switchover Programme will be audited by the Office of Government Commerce (OGC) in November.