The Communications Market: Digital Progress Report

Digital TV, Q4 2009

This is Ofcom's twenty-fifth Digital Progress Report covering developments in multichannel television. The data are the latest available at the time of writing and include quarterly take-up figures derived from consumer research, alongside subscriber figures reported by platform operators and device sales data.

Publication date: 7th April 2010

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Background on survey methodology

The GfK consumer research used in this report is based on a panel of 12,000 homes surveyed quarterly via the internet and by telephone. The survey provides data on ownership and acquisition of television sets and related receiving equipment. The ratio of online to telephone interviews is designed to specifically meet demographic representative quotas. The error margin for the research results is estimated to be within 1-2 percentage points, (up to +/- 500,000 homes). This means that the survey results may move within the error margin while the actual figure being measured has not changed at all.

The survey records the means of viewing on each TV set, as reported by the respondent. This means that sets which are connected to more than one digital platform will only be recorded once for the purposes of measuring digital conversion.

Section 1

Overview

1.1 **Consumer survey results for the fourth quarter of 2009 show that take-up of digital television in UK households stood at 91.4%, up by 1.9 percentage points (pp) in the quarter and 2.6% year on year.**

1.2 Consumers are continuing to convert additional sets in the home. As a result almost **69% of all *secondary* TV sets had been converted to digital by the end of Q4, up by around 8.5 percentage points in a year.**

1.3 **Taking these figures together, 79% of *all* TV sets had converted to digital television by the end of Q4 2009** (up 6.7 percentage points on a year ago). The remaining 21% of sets continue to receive analogue terrestrial broadcasts.

Other findings

1.4 Other findings in the fourth quarter of 2009 include:

- Sales of DTT enabled equipment reached over 4.7 million units in Q4, the highest quarterly sales so far and up by 6% on Q4 2008. Integrated digital television sets (IDTVs) accounted for almost 74% of sales in the quarter (3.5 million units); with around 99% of TV sets sold now including an integrated digital decoder.

- Freeview set-top boxes accounted for almost 1.2 million sales in the quarter, down 7% on the previous Q4. In 2009 almost 13.7 million DTT units (IDTVs and set-top-boxes) were sold, compared to 12.5 million in 2008, an increase of 9%.

- The number of homes relying on DTT as their sole means of digital TV reception reached around 10.1 million according to survey results in Q4 2009. This was equivalent to almost 40% of all homes and up by around 1.6 percentage points on Q3 2009. Separately, Freeview also reported in December 2009 that it was the main digital TV service in 10 million homes.

- Q4 sales data from BBC/ITV *freesat* show that unit sales had reached over 900,000 by the end of December, up from around 650,000 units in Q3. Over three quarters (80%) of *freesat* decoders sold supported HD services by Q4. According to our consumer research results for Q4, around 643,000 homes claimed to be using some form of free-to-view digital satellite device as their primary means of viewing on their main set.

- In total, around 42% of households (10.8 million) received a free-to-view digital television service on their main set at the end of December; 39.6% had a non-pay DTT service and 2.5% had free-to-view satellite.

- The Q4 survey also indicated that approaching 9.2 million or almost 36% of homes, received satellite pay TV services, up 1.1 percentage points year on year. BSkyB reported that it added 172,000 subscribers to its pay television service in the UK and Republic of Ireland during the fourth quarter; we estimate that around 150,000 of these were UK additions.

- Research results for Q4 show that 12.4% of homes took cable television. Separately, Virgin Media reported net additions of over 34,000 TV subscribers, with its total TV customer base now over 3.7 million. Digital cable added around 57,000 subscribers in the quarter (when including conversions from analogue cable) and accounted for 98% of all cable television customers.

1.5 The following points to note on the platform shares in this report include:

- In calculating platform totals, DTT-only homes are defined as those where DTT is the only multichannel television platform in the home (figures for homes which have DTT as well as another platform are included in Sections 2 and 3 of the report).

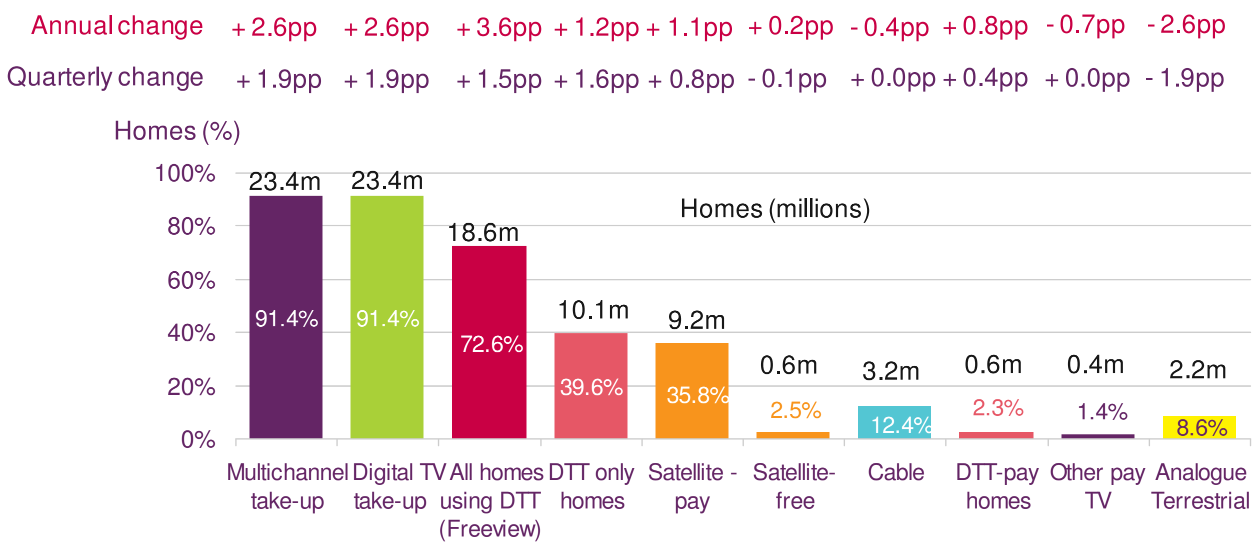
- A household with either a satellite or cable subscription in addition to DTT equipment may often be recorded primarily as a satellite or cable home by survey respondents.

Section 2

Platform figures Q4 2009

2.1 Figure 1 below summarises quarterly and annual multichannel growth. Take-up has now exceeded 9 in 10 homes, up by 2.5 percentage points year on year. The number of homes using DTT on any television set rose by 3.6pp in the year to over 7 in 10 homes by the end of Q4 2009. Homes where DTT was the sole platform exceeded 10 million homes during Q4, up 1.2pp in the year. Pay satellite take-up rose by 1.1pp over the year to 35.8% or 9.2m homes, with the cable share of homes stable year on year, at 12.4% (3.2m homes).

Figure 1: Platform take-up survey results



Source: GfK and Ofcom research. Homes receiving overseas satellite services are not included in the multichannel total in this report. Chart figures; m = million, pp = percentage points.

Notes on Figure 1:
1 For a market where quarterly growth in take-up is low, the changes illustrated may often be more a product of statistical survey fluctuations rather than material changes in the level of DTV take-up; the survey error margin can be up to + or - 2 percentage points.

2 Due to the increasing amount of overlap between platforms, the allocation of homes to a specific platform has become increasingly complex with many owning more than one DTV platform (see overlap diagram, Figure 4 on page 8). In particular, an increasing proportion of main sets are now able to receive more than one DTV service. Summary platform take-up percentages are also included in the multichannel trends table in Figure 8 on page 11.

3 Annual and quarterly changes in the chart are expressed in percentage points, i.e. the net change in total take-up rather than growth rate.

4 The individual platform figures may not always add up to the totals, partly due to overlap in homes that take more than one service and also due to rounding.

5 Figures for the smaller platforms may show substantial fluctuations from quarter to quarter that are not statistically significant. This can be due to the lower numbers involved and the uneven distribution of subscribers across the UK, these changes should be therefore treated with caution.

6 Multichannel homes now largely equates to digital TV homes, as analogue cable homes have declined over time and are no longer picked up by the survey.

Figure 1 notes continued:

7 *All homes using DTT* include satellite and cable homes which also use DTT on any set in the home. *DTT-only* relates to homes where DTT is the only multichannel platform. DTT-pay homes relate to homes claiming to have the facility to access Top Up TV (585,000 in Q4); these are a subset of the 10.1 million total for Q4.

8 *Pay satellite* homes may include an element of survey respondents who do not differentiate between pay and free satellite.

9 *Free-to-view satellite* homes include all homes with satellite TV on the main set which do not pay a subscription, including BBC/ITV *freesat*, Freesat from Sky, Sky churners who remain on the platform, and any other non-pay satellite.

10 *Other pay TV homes*: Survey results show that around 350,000 homes claimed to have access to the pay TV services provided by BT Vision and Talk Talk TV (formerly Tiscali TV) by Q4 2009.

11 *Analogue terrestrial* refers to homes which have no multichannel television services.

Digital TV progress on main sets

2.2 Of the total of 60.2 million television sets 25.4 million are ‘main’ sets (which equates to the most-watched set in each TV household), and approximately 34.9 million are ‘secondary’ sets (in bedrooms, kitchens, etc).

2.3 According to consumer survey results, 23.4 million households (91.4%) had digital television on their main set in Q4 2009, up by 2.6pp in a year.

2.4 Our research showed that Freeview was the most widely-used service on main sets, accounting for around 10.1 million (39.6%) homes in Q4. The number of homes using DTT on any set in the home increased to 18.6 million (72.6%) in Q4 2009.

2.5 Q4 survey results show that around 9.8 million (38.3%) of homes used satellite (free or pay) as their main means of receiving digital television, up by over 400,000 year on year. Pay satellite accounted for over 93% (9.2 million) of these homes (up by almost 300,000 year on year), with free satellite homes making up the remaining 650,000 (stable over the year).

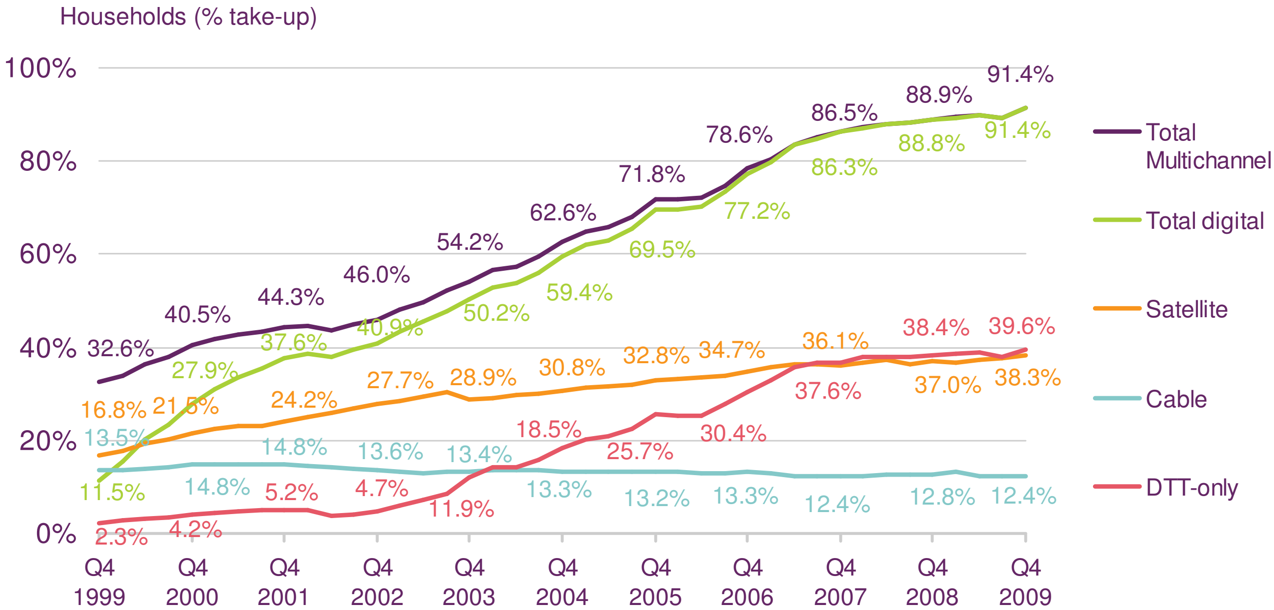
2.6 The number of homes using cable as their primary multichannel platform was 3.2 million (12.4%) with a small proportion of this total still receiving an analogue service. This survey-based total is lower than Virgin Media’s reported figure of just over 3.7 million subscribers. This might be explained by a number of cable homes owning more than one platform, which may result in the cable service not always being recorded on the consumer survey as connected to the primary set in the home.

2.7 The number of TV homes relying solely on analogue terrestrial television for their primary set was around 2.2 million (8.6%) homes. This figure was down by 0.7 million (-2.6pp) over the year.

2.8 BT’s fourth quarter results reported that subscribers to its DTT / ADSL television service, BT Vision, had reached 451,000 by Q4 2009. BT also reported that the average monthly VoD views per subscriber had reached 37 by Q4 2009 (up by 40% on Q4 2008).

2.9 Figure 2 illustrates the ten-year trend of TV platform take-up expressed as a proportion of all homes (grouping analogue with digital cable, and free-to-view with pay satellite). DTT take-up has risen from just under a fifth of homes five years ago to almost four in ten homes by the end of 2009, and is the most commonly used platform on main sets. Satellite, the next most frequently used platform, has grown by around 8pp over the past five years to over 38% of all homes. The use of cable on primary sets has been more stable and was down by 0.9pp over a decade at 12.4%.

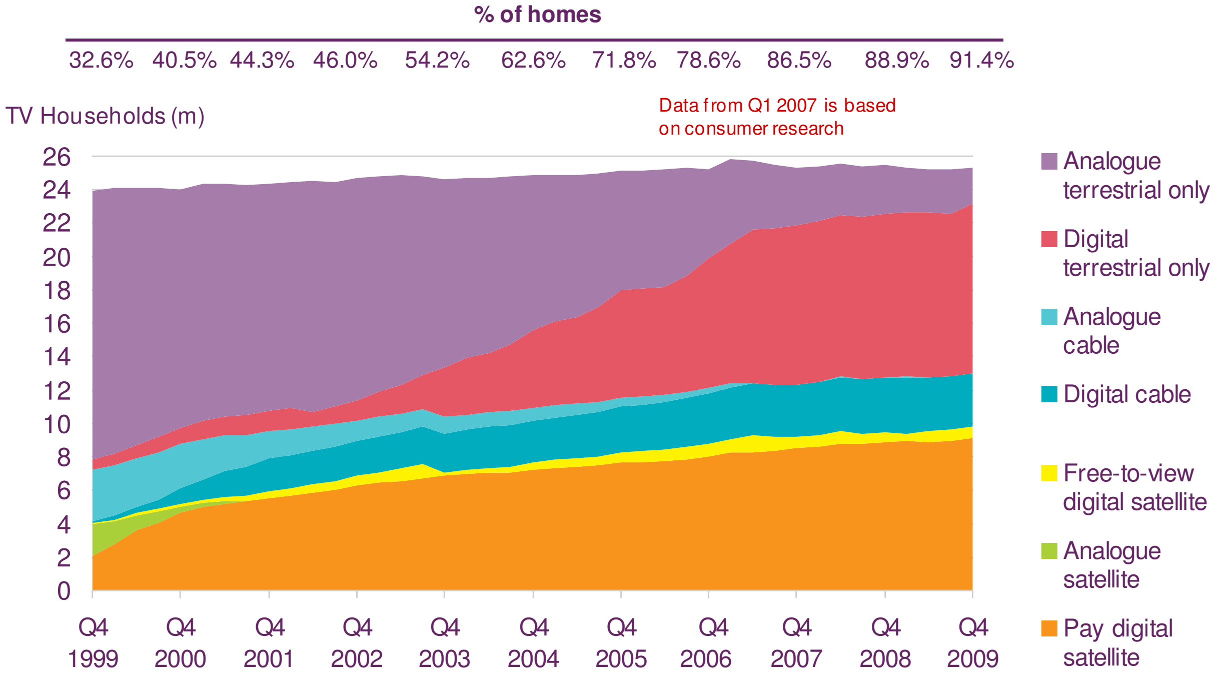
Figure 2: Multichannel take-up on main sets by platform 1999 - 2009



Source: GfK and Ofcom research from Q1 2007 onwards; previous quarters use platform operator data, research and Ofcom estimates. Note: TV over ADSL take-up is too low a percentage to represent on this chart.

2.10 Figure 3 shows the year on year decline in the number of households receiving an analogue terrestrial television (ATT) on main sets. Ten years ago around seven in ten homes relied solely on analogue terrestrial this had fallen to less than one in ten by Q4 2009. Digital terrestrial and pay satellite have emerged as the two most widely used digital television platforms on main sets over the past decade.

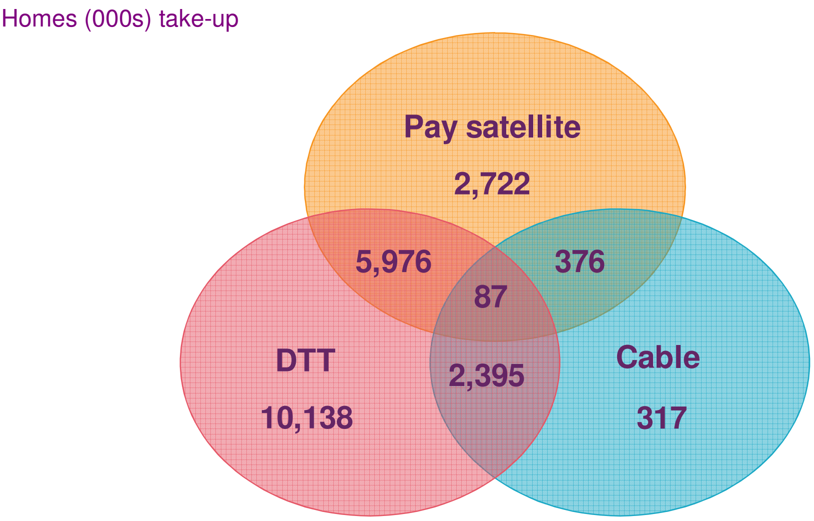
Figure 3: Multichannel take-up on main sets 1999 – 2009



Source: GfK and Ofcom research from Q1 2007 onwards; previous quarters use a combination of platform operator data, research and Ofcom estimates.

2.11 Figure 4 illustrates the degree of overlap between the multichannel platforms. This indicates the number of homes with access to one or more of the three main platforms (DTT, pay-satellite, cable). Of the 18.6 million homes with access to DTT, 10.1 million rely solely on DTT for digital reception, while 8.5 million satellite and cable homes also use DTT either on a primary or second set. Around 460,000 homes claim to have access to both satellite and cable, with around 87,000 homes owning all three platforms. A majority of cable homes (90%) also use another DTV platform, while the comparable figure for pay satellite homes was 70%.

Figure 4: Multichannel homes platform overlap Q4 2009

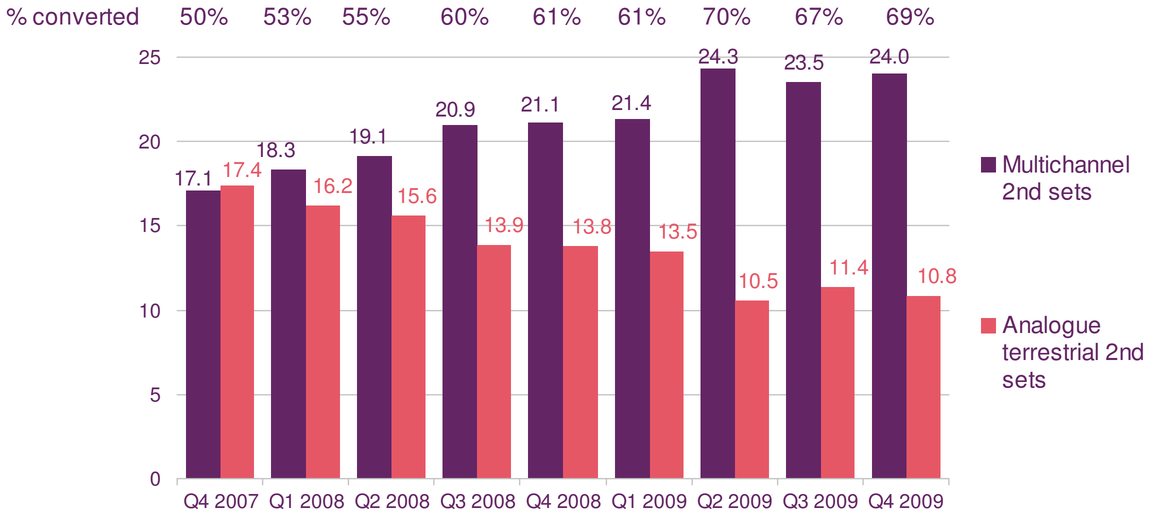


Source: GfK consumer research, Q4 2009.
Note: Due to the smaller sample size it is not possible to indicate the overlap amongst the other multichannel platforms.

Digital progress on secondary sets

2.12 With the average home owning 2.4 TV sets, there are around 35 million secondary sets in the market. By Q4 2009 around 24.0 million (69%) of these had been converted to multichannel using either the Sky Multiroom service, a second cable box or a DTT receiver. This figure was up by almost 3.0 million (8.5pp) year on year, and up by 1.6% on the previous quarter.

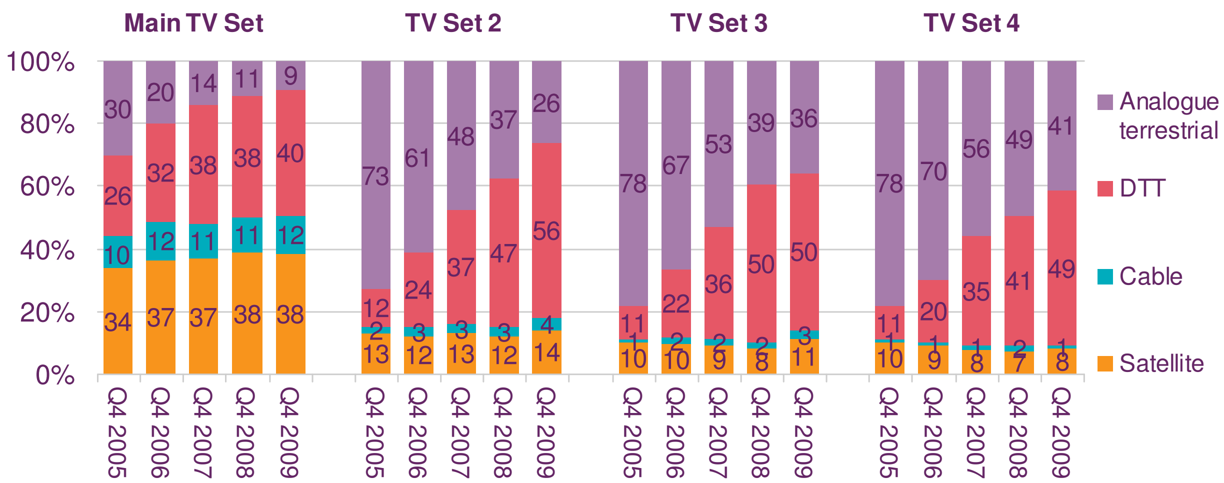
Figure 5: Total secondary digital sets across all platforms (millions)



Source: GfK research

2.13 The latest survey from Q4 2009 shows that DTT and satellite (free and pay) attracted similar shares of main sets (40% and 38% respectively). On second, third and fourth sets DTT was the most widely used platform with over half of secondary sets connected to DTT. By comparison, analogue terrestrial had a 26% share of second sets, 36% of third sets and 41% of fourth. Satellite (in the form of Sky Multiroom or free satellite services) was more commonly used on additional sets than cable (Figure 6).

Figure 6: Platform shares for TV sets 1 – 4

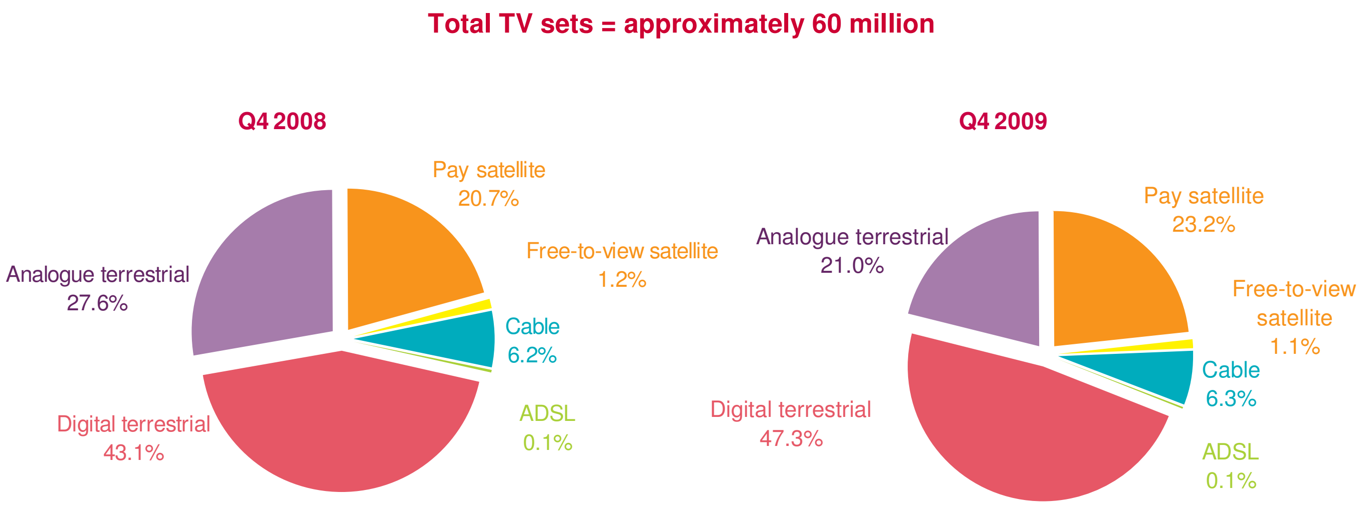


Source: GfK research / Ofcom

Digital progress on all sets

2.14 Of the total of 60 million television sets (main and secondary), 47.6 million (79.0%) had been converted to multichannel by Q4 2009, up by 4.0 million (6.7pp) over the year (Figure 7).

Figure 7: Platform shares among all TV sets



Source: GfK research
Note: Figures may not add up to 100% due to rounding.

2.15 Other all-sets figures in Q4 2009 included:

- Analogue terrestrial accounted for just over a fifth of the total set universe in Q4 at 21.0%, equivalent to around 12.6 million television sets. This was down by around 6.7pp from 27.6% of TV sets a year previously. Of the analogue sets, around 2.2 million were main sets and 10.4 million were secondary (in a bedroom or kitchen, for example).

- The number of digital terrestrial sets rose by around 2.5 million over the year to 28.5 million, equivalent to a 47.3% share of all sets in Q4 2009. This was up by 4.2pp from 43.1% a year ago. This was aided by an increase in total DTT sales (IDTVs and set-top boxes), which were up by 9% in 2009 compared to 2008. The number of DTT-enabled secondary sets is significantly higher than primary sets, 18.4 million versus 10.1 million by Q4 2009.

- Survey results indicate that over a fifth (23.2%) of all television sets were connected to a pay satellite service, up by 2.5pp on a year ago. BSkyB has continued to add both main set subscriptions and also second sets via its multiroom service. According to survey results, free satellite accounted for a 1.1% share of all sets by Q4 2009 similar to a year ago. The BBC / ITV *freesat* service has continued to report growing device sales over this period (see section 3, page 14).

- The number of cable connected TV sets increased over the year. There were around 3.8 million sets connected to cable by Q4 2009, equivalent to a 6.3% share of all sets, up slightly from 6.2% in a year.

Summary of multichannel trends Q3 2008 – Q4 2009

Figure 8: Take-up and share of primary and secondary TV sets

Homes (%)	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Multichannel take-up						
Cable	12.8%	12.8%	13.2%	12.2%	12.4%	12.4%
Satellite	36.6%	37.0%	36.8%	37.5%	37.6%	38.3%
DTT	38.1%	38.4%	38.5%	38.8%	38.0%	39.6%
Other platforms [1]	1.4%	2.1%	2.3%	2.1%	1.4%	1.4%
Total multichannel [2]	**88.2%**	**88.9%**	**89.6%**	**89.8%**	**89.5%**	**91.4%**
Pay TV take-up						
Cable	12.8%	12.8%	13.2%	12.2%	12.4%	12.4%
Pay satellite	34.2%	34.7%	34.8%	34.8%	35.0%	35.8%
Pay DTT	1.6%	1.5%	0.8%	1.2%	1.9%	2.3%
Other pay platforms [1]	1.4%	2.1%	2.3%	2.1%	1.4%	1.4%
Total pay TV [2]	**48.8%**	**49.5%**	**49.9%**	**49.6%**	**49.3%**	**49.3%**
Share of multichannel TV market						
Cable	14.5%	14.4%	14.7%	13.6%	14.1%	13.5%
Satellite	41.5%	41.6%	41.1%	41.8%	42.7%	41.8%
DTT	43.2%	43.2%	43.0%	43.2%	43.2%	43.2%
Other platforms [1]	1.6%	2.4%	2.6%	2.3%	1.5%	1.5%
TV sets conversion						
Secondary sets converted	60.2%	60.5%	61.3%	69.8%	67.4%	68.9%
All TV sets converted	72.1%	72.3%	73.1%	80.2%	78.5%	79.0%

Source: GfK and Ofcom research

Note:
1. Other platforms includes homes with BT Vision and Talk Talk TV (formerly Tiscali TV). Top Up TV homes are included in DTT and also shown separately in pay DTT.

2. Totals may not correspond to the individual platform figures due to an element of platform overlap and figures being rounded.

Section 3

Platform quarterly results

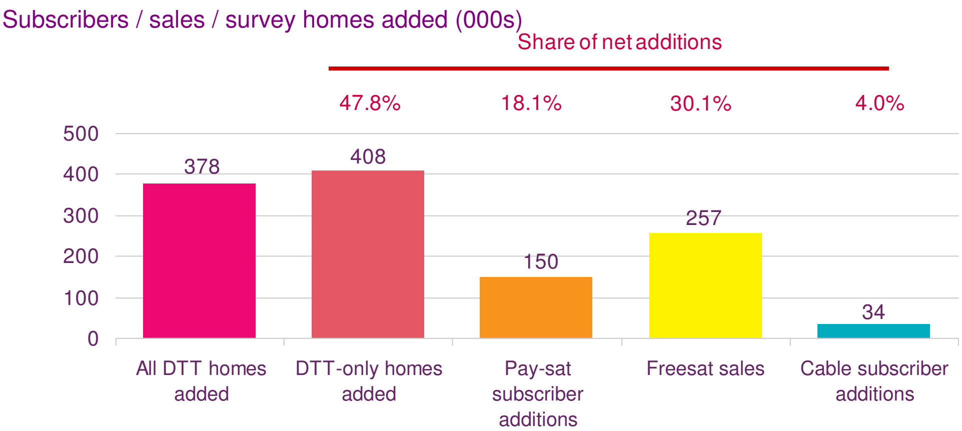
3.1 This section includes a comparison of net additions during the quarter. In the case of DTT these are based on the survey results. The satellite and cable platform numbers are based on figures reported by the main platform operators. These are included for information only and to help give context to our research; they do not feed into our calculations for multichannel take-up, as set out in sections 1 and 2.

3.2 Within the free-to-view sector, survey results suggested that homes using DTT on any TV set was up by around 380,000 in Q4 at 18.6 million homes. All homes using DTT includes satellite and cable homes using DTT on a secondary set. The number of homes which rely solely on DTT for digital TV increased by just over 400,000. The DTT-only additions were higher in Q4 than all DTT homes additions as a result of a combination of; homes churning off pay platforms to become DTT-only and / or as a result of survey fluctuation. In the free satellite market, BBC / ITV *freesat* reported sales of almost 260,000 during Q4.

3.3 BSkyB's Q4 results for the UK and the Republic of Ireland reported a net increase of 172,000 paying satellite subscribers. Based on the historical split of additions we estimate that approximately 150,000 of these were UK homes. Virgin Media reported net additions of almost 34,000 cable TV subscribers over the quarter and, with additional conversions from analogue, the increase in digital cable subscriptions stood at around 57,000.

3.4 Using these results as a guide, the DTT and satellite platforms experienced similar levels of additions in Q4. DTT-only homes net additions would be equivalent to just under 48% of all additions in Q4. While satellite had a slightly higher share at just over 48%. Free satellite sales would be equivalent to a 30% share of net additions, with pay satellite subscriptions equivalent to an 18% share and cable TV subscription additions accounting for the remaining 4.0%.(Figure 9).

Figure 9: Estimated net quarterly multichannel growth Q4 2009



Source: Pay platform additions based on Virgin Media reported results and Ofcom estimates based on BSkyB results. Free satellite additions based on BBC/ITV *Freesat* sales figures. DTT additions based on Q3 and Q4 2009 consumer survey results.
Note: Chart uses multiple sources and is therefore intended to be only considered as a general indication of quarterly performance.

Digital satellite – pay households

Figure 10: BSkyB Q4 2009 results*

Pay digital satellite – BSkyB	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Pay-TV satellite subscribers*	**9,238,000**	**9,318,000**	**9,442,000**	**9,536,000**	**9,708,000**
ARPU (annualised)**	£444	£452	£464	£469	£492
Churn**	9.9%	10.6%	9.9%	11.3%	9.6%
Basic package price	£16.50	£16.50	£17.50	£17.50	£18.00
Sky Multiroom	1,723,000	1,769,000	1,835,000	1,897,000	1,999,000
Sky +	4,650,000	5,056,000	5,491,000	5,902,000	6,455,000
Sky + HD	779,000	1,022,000	1,313,000	1,600,000	2,082,000

Source: BSkyB quarterly results 2008/09

* These figures are for BSkyB's subscribers in the UK and the Republic of Ireland.
** BSkyB's ARPU and churn rates relate to their total consumer division (services including TV, telephone, and internet).

3.5 BSkyB's Q4 results reported a 172,000 quarterly increase in subscribers to its television service, taking its total UK and Ireland subscriber base to 9,708,000, up 470,000 over the past year. Based on historic additions for the UK and Ireland we estimate that around 400,000 of these were new UK customers during 2009.

3.6 The number of subscribers taking the *Sky Multiroom* service (which enables an additional set in the home to receive *Sky*) rose by 102,000 during Q4 to 1,999,000 (with 276,000 additions over the past year). This means that 21% of *Sky* customers have at least one extra set connected to a pay satellite service in addition to their primary set.

3.7 BSkyB's digital video recorder service (DVR, also known as PVR - personal video recorder - or DTR - digital television recorder), *Sky+*, experienced its strongest quarter of growth so far, with 553,000 subscribers added in Q4. This took the total number of *Sky+* homes to almost 6.5 million, equivalent to two-thirds (66%) of its customer base.

3.8 The high-definition Sky + HD service added 482,000 subscribers in Q4, also the highest quarterly additions so far. With 1.3 million additions in 2009, total HD subscriptions are now over 2.0 million (21% of all *Sky* subscribers). By Q4 2009, 37 HD channels were available on this service, with three new HD channels added in Q4 including: E4 HD, Sky Movies Indie HD and MGM HD. Sky also announced that its Sky + HD customers would be able to access new services, with 3D television and video on demand being launched later in 2010.

3.9 Annualised average revenue per user (ARPU) reached a new high of £492 in Q4, up by £23 on the previous quarter and by £48 year on year. By the end of Q4, 18% of Sky customers (1.7 million) took three services – TV, broadband and telephony. Churn – the proportion of subscribers ending contracts - decreased quarter on quarter from 11.3% to 9.6%, also lower than the churn rate in the corresponding quarter in 2008 (9.9%).

Digital satellite - free-to-view households

Figure 11: Free-to-view satellite

Free-to-view digital satellite	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Free-to-view satellite households	597,000	503,000	682,000	667,000	643,000

Source: GfK research

3.10 There are currently four main categories of free satellite viewer:

- those who have churned from BSkyB's pay services but have retained their satellite equipment so that they can continue to receive free-to-view channels;
- users of BSkyB's own non-subscription services including *'Freesat from Sky'*, which requires a one-off installation payment of around £147.
- homes taking the *'freesat'* service offered by the BBC and ITV; and
- those which have obtained satellite-receiving equipment from suppliers other than *Sky* or *freesat*.

3.11 The freesat service from ITV and the BBC launched in May 2008 and is available to an estimated 98% of UK homes. This service currently provides access to over 140 digital TV and radio channels with no subscription. Standard-definition freesat digital boxes are available from around £30, with satellite dish installation costing a further £80. Freesat HD digital boxes retail from £67 with freesat + HD DVR receivers from around £200. Televisions with freesat receivers built in are also available. Freesat has said that the BBC iPlayer service will soon be fully available on the platform (currently in beta release), with ITV Player to join later in 2010.

3.12 By the end of Q4 2009, survey results indicated that around 650,000 homes were using free satellite as their primary television platform. Free satellite survey results have fluctuated over the past year, possibly due to sampling issues arising from measuring a smaller sector. There could also be an element of survey respondents not always differentiating between pay and free satellite. Separately the BBC / ITV freesat service reported further growth during the period, with total retail sales reaching 900,000 units by the end of December 2009, up from 643,000 units in Q3 2009. High definition receivers accounted for 80% of sales by Q4 2009. Freesat also confirmed that total retail sales had reached 1 million units, by the end of February 2010.

Cable

Figure 12: Virgin Media Q4 2009 results

Cable – Virgin Media	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Digital TV subscribers	3,469,000	3,510,400	3,543,300	3,599,300	3,656,200
Total TV subscribers	**3,621,000**	**3,651,600**	**3,672,000**	**3,709,000**	**3,743,200**
Total subscribers (TV, telephony, internet)	4,755,200	4,762,300	4,736,100	4,744,200	4,772,800
TV penetration rate *	28.8%	29.1%	29.2%	29.5%	29.8%
ARPU ** (annualised)	£508	£507	£519	£531	£538
Churn **	14.4%	13.2%	15.6%	18.0%	14.4%
Basic package price	£11.00	£11.00	£11.00	£11.00	£11.99
Virgin DVR (V+)	521,500	611,900	668,500	749,300	862,000

Source: Virgin Media quarterly results 2008/09

* TV penetration rate is the based on the number of homes passed by the Virgin Media cable network. The number of homes passed and marketed had reached over 12.5 million by Q2 2009.

** Virgin Media ARPU and churn rates relate to their total consumer division (services including TV, telephone, and internet).

3.13 Virgin Media's Q4 results included additions of 56,900 digital television subscribers (following on from 56,000 additions in Q3 2009). After allowing for the migration of analogue subscribers to digital cable, 34,200 net cable TV homes were added in Q4.

3.14 Virgin Media has added 122,200 net new television homes over the past year, (following around 143,000 the year before), Virgin now has over 3.7 million TV subscribers, the highest level of take-up for cable television to date. Virgin Media's digital video recorder (DVR) service *V+,* added 112,700 subscribers in Q4 to reach 862,000 in total, equivalent to over 23% of its TV subscriber base.

3.15 Virgin Media reported that over half (58%) of its digital customer base (equivalent to around 2.1 million TV customers) were using its video-on-demand (VoD) service on a monthly basis in Q4, this was up by 300,000 in a year. Average views per user per month in Q4 2009 were 35, up from 30 a year ago.

3.16 The number of Virgin Media customers taking three or more communications services reached 60.5% during Q4, up from 55.9% in Q4 2008. Annualised ARPU was up by almost £7 in the quarter to reach a new high of £538, a rise of over £30 year on year.

3.17 Virgin Media recently launched two new HD channels on the cable platform, in Eurosport HD and Discovery HD. Virgin also announced that the process of switching off the remaining analogue sections of its cable network should be completed by April 2010, thereby freeing up further spectrum for its other services.

Digital terrestrial television (DTT) equipment sales

Figure 13: DTT equipment quarterly sales

DTT quarterly sales (actuals)	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Freeview set-top boxes	1,409,220	922,320	684,600	696,360	1,247,000
Integrated Digital Televisions (IDTV's)	3,059,700	2,453,325	2,004,694	2,154,600	3,491,000
Total sales	**4,468,920**	**3,375,645**	**2,689,294**	**2,850,960**	**4,738,000**
DTT DVR sales*	394,000	291,000	213,600	203,805	329,000

Source: Sales figures from GfK, as adjusted by Freeview. The 5% upwards adjustment represents Freeview's estimate of the number of DTT set-top boxes and IDTVs sold in Northern Ireland and offshore islands.

*DVR sales include devices that combine DVR and DVD recording functionality.

3.18 DTT equipment sales in Q4 2009 reached over 4.7 million; this was up by 6% on the corresponding quarter last year. IDTVs accounted for almost three-quarters of these sales (almost 3.5 million), while the number of set-top-box sales reached over 1.2 million in Q4.

3.19 Year on year IDTV sales were up by over 431,000, or 14%, taking total sales in the 12 months to the end of Q4 2009 to 10.1 million. This compared to 7.9 million in the previous year. During Q4, around 99% of all TV sets sold included a digital tuner.

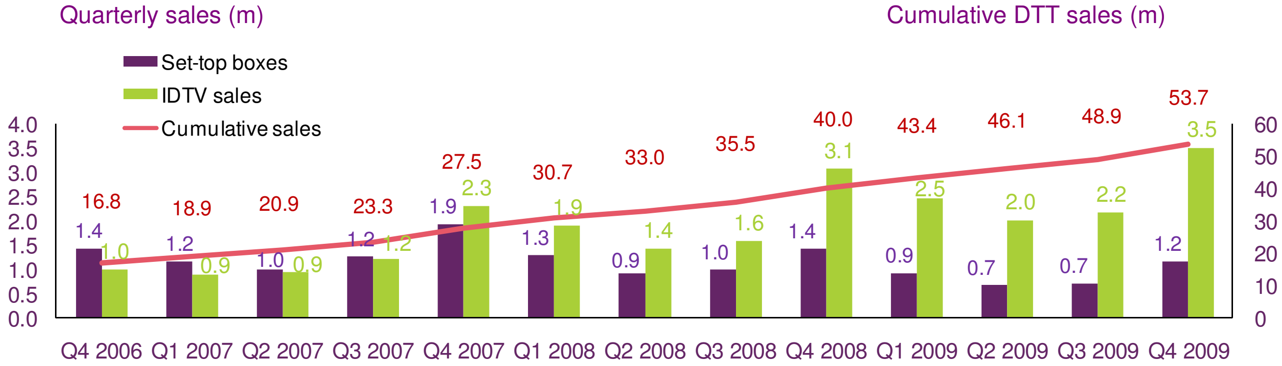
3.20 Cumulative sales of set-top boxes reached almost 3.6 million in the year to Q4 2009, down 22% from 4.6 million in the previous year. This decrease might be partly explained by higher sales of integrated TVs and the increasing maturity of the DTT platform.

3.21 Cumulative sales of DTT DVRs (digital video recorders) reached around 3.4 million by the end of Q4 2009, with almost 330,000 sales in the quarter. This represented just over a quarter (26%) of all DTT set-top-box sales in the quarter.

3.22 In March 2009 Freeview launched its HD service, with initial coverage being available to 4.5 million homes including the cities of Birmingham, Cardiff and Leeds. Three HD channels were available at launch including BBC HD, ITV HD and Channel 4 HD, with S4C set to launch its HD channel Clirlun in Wales in late April. Freeview estimated that HD coverage would reach 50% of UK homes by summer 2010, 60% by the end of 2010 and 90% by 2012. By Q4 2009 cumulative sales of HD ready televisions had reached almost 23 million.

3.23 Since Freeview's launch in October 2002, total sales of DTT devices have reached almost 54 million units, comprising almost 28 million IDTVs and over 26 million DTT set-top boxes (Figure 15).

Figure 14: DTT quarterly and cumulative sales of Freeview devices



Source: Sales figures from GfK, as adjusted by Freeview

3.24 An 'overlap' factor must be taken into account when evaluating the impact of IDTV sales on digital conversions. IDTV purchases are not always primarily motivated by the desire for an integrated DTT tuner, but often for other reasons such as larger screens or high-definition capabilities.

3.25 As a result, IDTVs are sometimes connected to existing satellite or cable receiving equipment. This leads to an overlap with the integrated DTT tuner, and therefore to a lower rate of DTT conversion than IDTV sales alone would imply. The GfK survey used in the report takes account of this effect by distinguishing homes where DTT is the sole digital platform from those where it is an additional platform.

3.26 Furthermore, an increasing number of DTT purchases are being made with the purpose of converting secondary sets in the home to digital, or as replacements for existing DTT set-top boxes on the primary set. Replacement purchases can be motivated by a desire to add new features such as seven-day programme guides, DVR functionality, greater storage capacity, or high definition services. These trends have led to a significant divergence between quarterly DTT sales and the number of homes converted to DTT. Over the past year survey results suggest an increase in the level of replacement DTT sales, as consumers upgrade older equipment.

DTT households and sets

Figure 15: DTT households and sets estimates

DTT sets and households (millions)	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Total number of DTT enabled sets	25.9m	26.1m	29.7m	28.8m	28.5m
Total number of homes using DTT equipment	17.7m	18.0m	18.2m	18.2m	18.6m
Number of homes where DTT is the only digital platform	9.8m	9.8m	9.9m	9.7m	10.1m

Source: GfK research
Note: Figures in the table are rounded

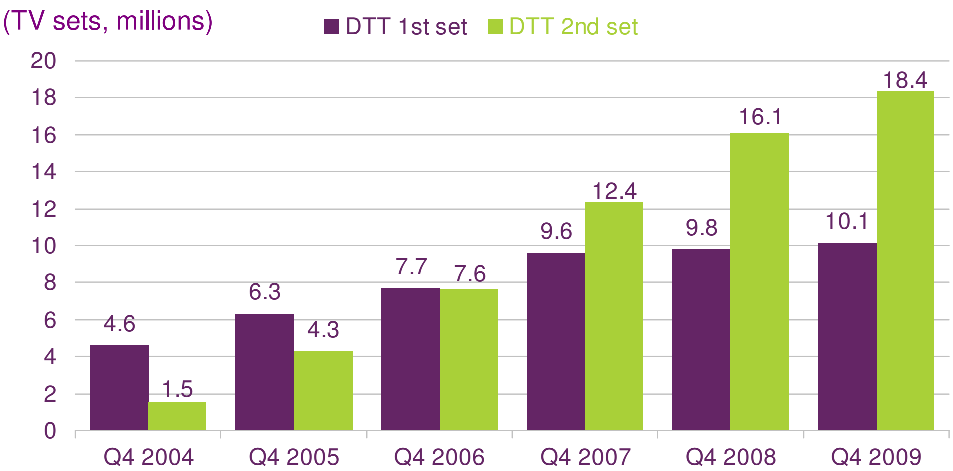
3.27 DTT equipment was being used in 18.6 million homes by the end of Q4, taking account of cable and satellite homes using DTT on secondary sets. This was up by almost 400,000 on the previous quarter and was up by 900,000 homes year on year. The survey showed that DTT was the only digital platform in 10.1 million homes by the end of 2009, up by 300,000 since Q4 2008.

3.28 The Q4 GfK ownership survey estimated the total number of DTT-enabled TV sets at around 28.5 million; this was up by over 2.5 million on Q4 2008. Cumulative DTT sales reached almost 13.7 million over the past year, following on from 12.5 million the previous year, growing sales have helped to increase the conversion of TV sets from analogue terrestrial to digital terrestrial. Almost half (47%) of all TV sets were connected to a DTT device by Q4, compared to just over a fifth of sets (21%) still relying solely on analogue terrestrial for reception.

DTT growth on primary and secondary sets

3.29 The number of DTT devices used on secondary sets overtook the number used on primary sets during 2007. By the end of Q4 2009 there were 28.5 million DTT-enabled sets, of which 10.1 million were primary and almost 18.4 million were secondary sets. This means that almost two-thirds (64%) of DTT devices are now connected to secondary sets (Figure 17).

Figure 16: DTT on primary and secondary sets



Source: GfK research