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Section 1

Foreword

1.1 This is the sixth year we have published our *Consumer Experience* reports. Since 2006 the *Consumer Experience* has become established as a key part of the way we assess and report on our work to further the interests of citizens and consumers.

1.2 We need to ensure that our work remains focused on consumers and citizens. This evaluation report considers the key findings and trends emerging from the accompanying detailed research report and uses these to assess the impact and direction of our work.

1.3 Since 2006 we have seen significant changes in the communications landscape. We have seen the number of households with fixed lines reduce from 91% in 2006 to 84% now. We have seen competition in that market increase: five years ago only 4% of households had their fixed-line with providers other than BT or cable; now around a third of households take their lines from alternative suppliers. In the fixed broadband market the number of unbundled lines has risen from 123,000 in September 2005 to 7.77 million in October this year – every unbundled line represents a communications provider other than BT offering services to consumers. Take-up of broadband has risen from 45% to 75% of households over that time, including 8% who are now only using mobile broadband services.

1.4 The number of adults with mobile phones has risen from 80% in 2006 to 91% now. Over a half of all mobile phone users now have a contract, as opposed to pre-pay services, compared with less than a third in 2005. Mobile contracts have become longer: 88% of contracts sold in 2005 were 12 months long and by 2011 almost 70% of contracts sold were 24 months long. This has in part been driven by the rise of smartphones with longer contracts increasing their affordability: 38% of mobile customers now own a smartphone.

1.5 We have also seen digital TV ownership rise since 2006 from 73% to 93% and the proportion of adults taking bundles of services – with various combinations of telephony, broadband and TV services – rising from a third in 2006 to over a half now.

1.6 Average monthly spend on communications services, adjusted for inflation, has fallen over the period measured by the *Consumer Experience* reports. Average household expenditure in 2010 was around £94 a month, 12% lower than in 2005.

1.7 These changes have in part been shaped through our regulatory intervention. The market conditions experienced by consumers have fed into our priorities and work focus. We have sought to target our work to establish a framework that enables competition to deliver the increased choice and falling prices for consumers that we have seen develop and provide the tools to empower consumers to make informed decisions and exercise choice.

1.8 While regulation has traditionally guaranteed the near universal availability of fixed-line, the competitive framework and the market has delivered widely available mobile, basic broadband and digital broadcasting services. As these services become more essential to consumers’ lives, our regulatory work has focused on mobile and broadband not-spots notably in rural areas. And as consumers demand more of networks so more of our work is aimed at ensuring the right regulatory framework to
support competition for superfast broadband services, and the release of spectrum for new mobile services.

1.9 The increase in bundles has brought consumers benefits in terms of lower prices. However, increased complexity of service bundles also brings challenges: this year’s report (and previous reports back to 2008) shows that a relatively high number of switchers (23% in 2011) found switching bundled services difficult. Our strategic review of consumer switching remains a priority to ensure consumers find it easier to switch and are therefore empowered to do so.

1.10 As consumers’ use of services changes and increases, our work increasingly focuses on ensuring that they have the information to help them make decisions. We have continued to publish comparative information about broadband speeds and our report shows increased consumer awareness of the speeds they are likely to receive. We have now accredited seven price comparison sites and have started publishing the total number of complaints we receive about each of the main providers. During 2011 we have also published comparative research about providers’ customer service and complaints handling.

1.11 One of our central roles is to ensure that consumers are protected from harm. Over the last six years we have addressed problems around mobile mis-selling, premium rate scams and early termination charges. We will continue to investigate and take action against providers and organisations that breach rules in these and other areas. A particular focus this year has been our work to tackle silent calls, fixed-line mis-selling and poor complaints handling. Our report shows some signs of improvement but these continue to be priority areas for us.

1.12 In October 2011 we took on regulation of the postal industry under the Postal Service Act 2011. This report does not cover our work on post. We will expand our research programme to include our new duties in relation to postal regulation and will cover the consumer experience for regulated postal services in 2012.

1.13 These reports record real progress over the last six years based on a range of indicators but also point to substantial challenges for the future. We are keen to have stakeholders’ views on the research findings and policy analysis. As we publish our Annual Plan shortly, we will continue our dialogue over our priorities and the actions most likely to achieve the outcomes we are seeking.
Section 2

Executive summary

Introduction

2.1 Ofcom’s principal duty, as set out in the Communications Act, is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. Making targeted improvements to the experience of consumers in the communications market is a central objective for Ofcom and is at the heart of nearly everything that we do.

2.2 To understand how we are doing against this objective, each year we undertake research to assess the consumer experience. Our research is published in the Consumer Experience Research Report. This is accompanied by this document which is a Policy Evaluation to explain how regulatory activity addresses issues identified through the research. This report considers the key findings and trends emerging from the accompanying detailed research report and uses these to assess the impact of our work.

2.3 We have been producing these reports since 2005. As in previous years, we are examining four central aspects of consumers' experience of the communications market: choice and value; availability and take-up; empowerment; and concerns and protection. The structure of this report is based on these central aspects.

Consumer choice and value

2.4 This year we continue to see evidence of choice in the fixed-line market. Nearly a third of fixed-line customers now use providers other than BT or cable for this service – rising from a quarter during 2009-10. BT’s share of residential fixed-lines fell from 60.2% to 48.8% between June 2009 and June 2011. Provision of services via Local Loop Unbundling (LLU) and Wholesale Line Rental (WLR) has continued to grow, albeit at a slower pace, with the number of unbundled lines reaching 7.77 million in October 2011, up from 123,000 in September 2005.

2.5 Bundling of services continues to be a feature of the communications sector. Half of consumers continue to purchase at least some of their services as a bundle. Recent pricing analysis suggests that bundling plays a key role in ensuring that consumers obtain the ‘best deal’ for their household’s communications services.

2.6 However, switching levels in electronic communications markets remain low compared to other sectors and, as in previous years, Ofcom’s research shows that significant numbers of consumers consider that it would be difficult to change providers. This may result in a reluctance to switch among some consumers, which may reduce the intensity of competition between providers.

2.7 There is some evidence to suggest that price is becoming increasingly important to consumers; three-quarters of adults agreed that they now make more of an effort

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1 http://www.ofcom.org.uk/updates/otaupdate20111101.htm
than in the past to find the best deal. However, not all consumers are benefiting from the lower prices that can be obtained through shopping around and it is likely that although the more engaged consumers are doing so, less engaged consumers may be paying more than average for some of their services.

2.8 This evaluation report generally reflects positive indicators about the level of choice and value for consumers. We will continue to monitor pricing trends and the distribution of impacts in the coming year.

2.9 The UK continues to perform well on price compared to the other countries we have surveyed, for fixed, mobile, broadband and bundled services.

2.10 Consumers’ overall level of satisfaction with communications services has generally remained stable at around 90%. Consumers purchasing their fixed broadband as a standalone service are the most dissatisfied (11%).

Availability and take-up

2.11 Our research indicates high levels of availability of communication services. This is broadly unchanged from previous years. Most households in the UK now have access to the key broadcasting and telephony services, with at least nine in ten consumers covered by fixed lines, basic broadband, mobile 2G, digital TV and radio.

2.12 Given the increasing consumer demands on technology, a continued focus of the past twelve months has been improving availability of services. In particular we have continued to progress our work on mobile not-spots and availability of superfast broadband. We are also in the process of implementing regulation for access to TV white space spectrum which we hope will facilitate the introduction of new innovative services to improve the availability of enhanced Wi-Fi and/or broadband in rural areas.

2.13 Take-up of all communications services except broadband has remained stable over the past 12 months. Homes are more likely to have a mobile than a fixed line. Broadband has now reached three-quarters of UK homes, with continued growth among the 65+ age group. It appears likely that any further growth in the internet market will need to be driven by mobile broadband and alternative devices such as smartphones and tablets, rather than just PC access from fixed broadband connections.

2.14 Laptops are driving the increase in take-up of internet-enabled devices, with homes now more likely to own a laptop (59%) than a desktop PC (44%). Netbooks and tablets are yet to become mainstream devices, with ownership at 5% and 4% respectively. Smartphones are growing in popularity - currently owned by 38% of mobile customers.

2.15 Mobile broadband take-up has continued to increase (17%), with the roll-out of 3G networks and the developments in new products and services. However, only a minority (5%) say they always use this connection outside the home, compared to the 29% who always use this connection inside the home – suggesting that mobile broadband is yet to become fully ‘mobile’.

2.16 While mobile broadband may continue to drive internet take-up, there are indications that this will be at a personal rather than a household level. Just under a third (29%) of multiple-occupancy homes with a mobile broadband connection reported only one
person with access to this connection. This compares to one in ten in relation to fixed broadband.

2.17 Since the introduction of smartphones (now owned by 38% of mobile customers, 55% of these on a contract with a subsidised handset) the mobile market has seen a significant shift from pre-pay to contracts. Now, fewer than half of mobile customers remain on a pre-pay tariff. The increase in contract lengths, noted last year, has continued; an increasing number of new connections are 24-month contracts.

2.18 Use of VoIP has continued to rise and now more than a fifth of adults say someone in their home currently uses VoIP.

2.19 Disabled people are active users of communications services and many disabled people rely on particular communications services. There are indications of falling landline ownership amongst people with a hearing disability and a corresponding rise in the proportions relying solely on a mobile phone (12% currently – up from 6% in 2010). In addition, while remaining significantly below average there has been growth in internet ownership among those with a mobility disability, up from 42% in 2010 to 47%.

2.20 However, involuntary non-ownership (non-ownership not through choice) of the internet is highest, and rising, amongst people with a hearing disability (34% from 25% last year).

2.21 Ofcom mandates a range of services for disabled users of telecommunications services and these are set out in Universal Service Conditions and General Condition 15. We are currently undertaking a review of the relevant Conditions in the light of amendments to the European Regulatory Framework and social and technological changes. We are also reviewing requirements on providers to offer relay services for hearing- and speech- impaired users. We have proposed improvements to the text relay services and the introduction of a video relay service for British Sign Language users.

2.22 Emergency SMS gives hearing and speech-impaired people the ability to contact the emergency services urgently when away from home using mainstream technology and a 24/7 relay service. This service was mandated by Ofcom in March 2011 in order to safeguard the service for those who rely on it. We also imposed an obligation on communications providers to publicise this service alongside other services for disabled people.

Consumer empowerment

2.23 The level to which consumers benefit from communications services is directly influenced (amongst other things) by the extent to which consumers actively engage and participate in markets. Active engagement and participation may enable consumers to compare services in terms of price and quality, and seek out new services and technologies.

2.24 In addition, consumer information plays a critical role in competitive markets. If consumers are not fully informed about the services available to them, they may make incorrect decisions and/or be reluctant to switch. Some consumers do not find it easy to make informed decisions or to compare services.
2.25 Our research indicates that participation levels remain unchanged since last year. However, there have been changes in some markets which may be limiting participation levels now and may continue to impact these in the future.

2.26 In the mobile market the shift from pre-pay towards longer contract lengths is likely to at least partly explain the reduction in participation noted between 2009 and 2011 (the proportion of engaged consumers fell from 26% to 19%). Many consumers in this market now have less flexibility to switch provider and therefore a reduced need to keep an eye on the market.

2.27 In the standalone fixed-line market the reduction in participation levels noted between 2008 and 2010, and sustained in 2011, may be a reflection of the shift to bundled services.

2.28 Engagement in the bundled market was initially driven by the rise in take-up of dual and triple-play bundles between 2005 and 2009. Since 2009 the proportion of consumers bundling communications services has remained stable at 51%. Despite this stability, the proportion of engaged consumers in the bundled market is higher than in either of the fixed-line, mobile or DTV markets, and is comparable with that in the standalone broadband market, at around a quarter. Switching levels in this market have stabilised at around one in ten (comparable with the mobile market).

2.29 For consumers to be able to switch, the process needs to be straightforward. However, despite high levels of consumer switching relative to single services, data suggests that switching in the bundled market is more difficult than each of the other markets. This is probably because many of these switchers switched more than one service at the same time and were therefore managing multiple processes for each component of their bundle.

2.30 Over the past two years, we have continued our review of consumer switching. We aim to ensure that switching processes do not get in the way of providers competing vigorously with each other to deliver benefits for all consumers. We will publish a second consultation, setting out our proposals for changes to the existing processes in the fixed voice and broadband markets, early next year.

2.31 On consumer information, we have made progress in a number of areas. A new Broadband Speeds Code of Practice came into force in July that aims to ensure that consumers are provided with a more accurate estimate of the speed they are likely to get. We will monitor compliance with this and hope that these changes will ensure that consumers have realistic expectations of the service they are likely to receive.

2.32 We now publish data from the Ofcom Consumer Contact team (CCT) quarterly, providing information for consumers on complaints we receive from major providers in the fixed voice, broadband and mobile voice markets. In May and November 2011 we published the results of a customer service satisfaction survey which also provided comparative information for each of the major providers.

2.33 We continue to work with accredited price comparison websites to facilitate the availability of comparative pricing information. Over the past 12 months Ofcom has accredited a further two price comparison websites, bringing the total number of sites to seven. But, despite this, around a fifth of consumers in each market continue to
say it is difficult to compare the prices of alternative providers. Evidence suggests this figure is comparable with gas and electricity providers\(^2\).

**Consumer protection**

2.34 A central role for Ofcom is protecting consumers from harm in the communications market. We achieve this through enforcement to protect consumers from scams and sharp practices, encouraging best practice in business behaviour, and through our empowerment strategy by ensuring consumers are well informed.

2.35 The three most significant areas generating consumer complaints continue to be abandoned and silent calls\(^3\), customer service, and mis-selling in the fixed-line market. There have been a number of developments in our work programmes associated with each of these issues this year.

2.36 In relation to abandoned and silent calls, from February 2011 we have focused our resources on identifying companies for enforcement action in line with our revised enforcement priorities. We have issued notifications under section 128 of the Communications Act 2003 to three companies – HomeServe, npower and TalkTalk.

2.37 Research indicates that the proportions of consumers receiving silent calls is in decline, suggesting our work in this area is helping to reduce the level of consumer harm associated with these types of calls. The rising number of complaints being received by the Ofcom Consumer Contact Team (CCT) suggests increasing consumer awareness of the ability to complain about them.

2.38 In relation to complaints handling, from 22 January 2011 communications providers are required to comply with amended complaints handling requirements. Among other things, they must now ensure fair and timely resolution of complaints; offer low-cost options for consumers to make a complaint; and provide easy access to their complaints code of practice. Since July 2011 it has also been a regulatory requirement that they write to consumers with complaints outstanding after eight weeks informing them of their right to take the complaint to Alternative Dispute Resolution. We will monitor providers’ compliance with these obligations throughout 2012, and will take action as appropriate should we find non-compliance.

2.39 In relation to fixed-line mis-selling, since 2005 when we introduced new rules, we have undertaken a programme of active compliance monitoring and enforcement through an industry-wide investigation. As part of this investigation we monitor allegations of mis-selling in order to identify companies whose sales and marketing activities may potentially require further investigation. These investigations allow us to take action, where necessary, to protect the interests of consumers.

2.40 To date, we have conducted 19 investigations into fixed-line mis-selling and related issues. As a result of those investigations, we have issued twelve contravention notifications under s94 of the Communications Act 2003.

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\(^2\) Customer Life in Britain survey reported 28% stated ‘not easy’ to compare prices of communications providers and 30% stated ‘not easy’ in relation to comparing prices of gas and electricity providers (http://www.andrewsmithresearch.co.uk/life-in-britain/customer-life-in-britain)

\(^3\) An abandoned call is where a connection is established but terminated by its originator in circumstances where the call is answered by a live individual. A silent call is a type of abandoned call where the person called hears nothing on answering the phone and has no means of establishing whether anyone is at the other end.
2.41 Since the introduction of new rules in March 2010, and through continued targeted enforcement, mis-selling complaint volumes have fallen.

**Ofcom priorities and workplan for 2012/13**

2.42 Ofcom’s draft Annual Plan will be published in December 2012 and will reflect the findings of this evaluation of our work and the accompanying research in developing our proposed priorities for 2012/13.

2.43 We encourage anyone with an interest in Ofcom’s work to contribute and respond to the draft plan. Our finalised Annual Plan for 2012/13 will be published in April 2012.
Section 3

Consumer choice and value

Introduction

3.1 Ofcom’s principal statutory duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers, where appropriate, by promoting competition. In doing so we must have regard, in particular, to the interests of consumers in respect of choice, price, quality of service and value for money.

3.2 Effective competition can drive consumer benefits by increasing innovation efficiency and choice and lowering prices.

3.3 In this section we report on the range of services and providers in communications markets, how the cost of services is changing and the levels of consumer satisfaction. We also discuss our policy work aimed at promoting competition in the communications markets in order to consider its impact on the choice, and value, of services available to consumers.

Range of services and providers

3.4 For fixed voice and broadband services, consumers have access to the networks of BT or KCOM in Hull, Virgin Media’s cable network, and the networks of other providers which use the Openreach network for access using wholesale products like Wholesale Line Rental (WLR) and Local Loop Unbundling (LLU).

3.5 However, availability of the various operators varies across the UK. For example, only around half of the UK has access to the cable network. More detail on the availability of various providers, including unbundled exchanges, is contained in the availability and take-up section of this report, and within Ofcom’s Infrastructure Report.4

As shown in Figure 1, the proportion of UK households relying on BT for their fixed-line services continues to decline. Since 2000, use of BT for fixed-line services has fallen by nearly 30 percentage points. The influx of LLU and WLR operators offering competitive services has had the dual impact of reducing BT’s market share and increasing the proportion of consumers using other suppliers (now at 32%).

For mobile services, consumers can access services provided by five mobile network operators (MNOs) – Vodafone, O2, Three, Orange and T-Mobile (the latter two now known as Everything Everywhere following their merger5). They can also access services from around 100 mobile virtual network operators (MVNOs) and service providers (SPs) who, by securing a wholesale agreement with one of the MNOs, are able to offer telephony services without having a spectrum allocation or their own wireless network.

Digital television is available over satellite, cable, digital terrestrial television and IPTV, although the channels available vary by platform. There are now 499 television channels available to consumers, nine more channels than this time last year. Thirteen of these are public service channels, with the remainder being commercial.

Digital radio is available over digital television, broadband and via digital audio broadcasting (DAB). There are now 192 stations available, 28 fewer stations than the number recorded in last year’s report.

Operators tend to incentivise consumers to purchase other services along with their broadband connection (for example, by including free calls packages at discounted prices). There are currently around thirteen providers offering various types of packages for consumers to choose from.

Over the past twelve months the bundled market has stabilised at around half of all households, and with little change in the types of packages consumers are choosing.

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5 In September 2009 the European owners of Orange and T-Mobile UK (France Telecom and Deutsche Telekom) announced that they would merge their UK businesses to create a 50/50 joint venture under the company name Everything Everywhere Ltd. Both Orange and T-Mobile will continue to exist, and according to information presented to their customers, other than being able to call and text in more places, nothing else changes.
to purchase (see Figure 2 below). Just under a third (34%) are aware that they received a discount, with a further 8% unsure if their package is discounted or not.

Figure 2: Take-up of bundles (with proportion of discounted bundles)

![Figure 2]  
Source: Ofcom communication tracking survey. Base: All adults 15+.  
See research report (figure 64).

Figure 3: Trends in purchasing multiple communications services from a single supplier

![Figure 3]  
Source: Ofcom communication tracking survey. Base: All adults 15+ who bundle at least two services.  
See research report (figure 65).

3.12 Bundled purchasing is most common in the fixed-line and fixed broadband markets with 83% and 67% of consumers in each of these markets respectively purchasing these services as a bundle. In the broadband market around two thirds of bundlers are aware that they receive a discount which compares to less than half of bundlers in the fixed-line market.

3.13 Just over half (53%) of pay-TV consumers purchase it as a single service, with 35% purchasing pay-TV as part of a bundle and aware that they receive a discount for doing so.

3.14 The majority (94%) of mobile customers purchase it as a standalone service.
3.15 Older consumers are most likely to purchase their landline service (i.e. fixed voice) as a single service (61% of those aged 65-74 and 79% of those aged 75+).

3.16 Whilst there was little overall change in 2011 in the proportions choosing to bundle, convergence continues to be a key trend affecting the consumer experience of communications services. Ownership of devices capable of accessing the range of content and services available over digital networks has continued to rise. Smartphones (owned by 38% of mobile customers) appear to be driving significant change in the mobile market both in terms of how consumers are using their phones and the payment and contract choices they are making.

3.17 Historically, the desktop PC was the main method of household internet access, but now it is more common to find a laptop in UK households (59% vs. 44%). The reason for this is unclear, but it may indicate changes in how consumers are using their home broadband connection. Alongside this shift (although not necessarily related) we see a rise in the use of VoIP services (from 10% to 22% since 2008).

3.18 Furthermore the introduction of broadband-enabled flat-screen TVs will improve consumer access to the range of services available, and add to their choice of platforms.

### Satisfaction with services

3.19 Satisfaction with overall services from communications suppliers remains broadly unchanged since last year. Broadband customers not purchasing this service as part of a discounted bundle are the least satisfied (81%) while all other markets report satisfaction levels of around 90%, as shown in Figure 5 below.
3.20 There has been little significant change in levels of satisfaction with value for money, with the mobile market reporting highest satisfaction, at 89%. However, there have been some shifts in relation to service reliability across other communications services over the past 12 months; specifically, more dissatisfaction with broadband reliability (among those who do not purchase it as part of a discounted bundle) and less dissatisfaction with digital TV reliability. Interestingly, satisfaction is higher among bundlers (the majority of whom bundle their fixed broadband service), both for reliability and value for money of the provider, than among those who do not bundle their fixed broadband service.

3.21 Dissatisfaction with reliability and with value for money of standalone fixed broadband services appears to be driven by those in socio-economic group C1, and by women rather than men.

Expenditure on services

3.22 On the whole, consumers appear to have been getting better value for money from their communications services over the past few years. Generally, prices appear to be falling while service offerings are improving. But, this may not be the case for all consumers. Prices have fallen since 2008, though there were increases for some services in 2011 (see paragraphs 3.25 onwards below). Consumers who are more engaged in the markets, and are willing to shop around and switch are most likely to get the best deal. Less knowledgeable or engaged consumers may be paying more for some of their services. Details of current expenditure and the trend in UK prices are set out below, with a full analysis in the research report.

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6 However, it should be noted that bundlers are providing an average score for all services provided by their provider and as such data is not directly comparable with that for individual services.

7 See Glossary for definitions of socio-economic groups.
Trend in household spend on communications services

3.23 Average monthly spend on communications services (in real terms, i.e. adjusted for inflation) has continued to fall in recent years. Average household expenditure in 2010 was around £94, down by 2.9% on 2009 and 12% lower than in 2005. Spend on communications services accounted for 4.66% of total household expenditure in 2010, compared to 4.78% in 2005. These falls in household spending coincide with enhancements to service offerings. For example, broadband speeds are increasing, data services are increasingly bundled into mobile phone access charges and the range of television channels and services is increasing.

3.24 While television subscriber spend and radio spend (licence fee funding) remained stable over the past year (at £27.97 and £2.54 respectively), spend on fixed internet declined for the first time in three years to £9.48 (-8.7%). This is a reflection of the shift towards bundled broadband services, which typically offer households the opportunity to reduce spending by purchasing broadband with fixed voice and/or television services in a discounted ‘bundle’. Average spend on fixed voice services fell slightly in 2010 (down 1.1%) as the number of connections and call volumes decreased. Expenditure on mobile services fell by 5.1% in the year due to lower prices, particularly on two-year pay-monthly contracts.

Figure 6: Average household spend on communications services

<table>
<thead>
<tr>
<th>Year</th>
<th>As a % of total household spend</th>
<th>£ per month (2010 prices)</th>
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<tbody>
<tr>
<td>2005</td>
<td>4.78%</td>
<td>£106.50</td>
</tr>
<tr>
<td>2006</td>
<td>4.77%</td>
<td>£104.22</td>
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<tr>
<td>2007</td>
<td>4.74%</td>
<td>£101.49</td>
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<td>2008</td>
<td>4.66%</td>
<td>£98.41</td>
</tr>
<tr>
<td>2009</td>
<td>4.63%</td>
<td>£96.42</td>
</tr>
<tr>
<td>2010</td>
<td>4.66%</td>
<td>£93.61</td>
</tr>
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Source: Ofcom / operators.
Note: RPI adjusted.
See research report (figure 101).

Pricing of services

Cost per minute – fixed and mobile voice calls

3.25 There are indications that the gap in cost per minute for fixed and mobile has continued to narrow, as shown in Figure 7 below. The average cost per minute for calls made from residential fixed lines has remained fairly stable (in real terms) since 2007, while the average cost of a mobile minute has fallen. Some caution should be applied to these figures as they may overstate the cost of voice minutes, and this cost per minute is not a proxy for price – full details are contained in the Consumer Choice and Value section of the research report.
The Consumer Experience: Telecoms, Internet and Digital Broadcasting 2011

Figure 7: Comparison of average residential fixed and mobile voice call charges

Source: Ofcom / operators.
Note: Includes estimates where Ofcom does not receive data from operators; fixed calculation excludes non-geographic voice calls; mobile calculation includes business calls; adjusted for RPI. See research report (figure 102).

Average cost per minute for fixed calls, by call type

3.26 Overall, the cost per minute of residential voice calls has increased since 2007, although increases have been below the rate of inflation (Figure 7). However, there have been differences in the changes in the costs of different types of calls.

3.27 The cost per minute for international calls has fallen significantly since 2005, as fixed-line operators have offered lower prices in order to compete with lower-cost mobile tariffs and Voice over IP (VoIP) operators. All the leading fixed-line operators now offer ‘add-ons’ which offer heavily discounted international calls for consumers paying an additional monthly fee.

3.28 The greatest increase has been in the cost of calls to mobile, which increased by 7% (in nominal terms) in 2011. However, there are indications that the price of calls to mobiles has fallen during 2011 following the reduction in mobile termination rates. For example, in May 2011 BT reduced per minute daytime calling prices by 13% and evening calling prices by 24%, and TalkTalk introduced a new option offering 500 minutes of calls to mobiles for £5 a month.

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8 The ‘Eurotariff’ imposed by the European Commission in June 2007 placed a cap on roaming charges for mobile calls within the EC, while MVNOs such as Lebara and Lyca Mobile have focused on offering low-cost international calls.

9 http://www.productsandservices.bt.com/consumerProducts/displayTopic.do?topicId=32810

Figure 8: Average cost per minute for residential fixed voice calls

Average prices of telecoms services and equipment

Overall, prices of telecoms services and equipment have increased since 2009, although generally at rates below inflation. After more than a decade of overall declines in the actual prices of telecoms services and equipment, there are indications that prices have been increasing since 2009. During 2010 the rate of increase in the price of a basket of telecoms services and equipment was higher than the overall rate of inflation. Prices of telecoms services and equipment continued to increase during 2011, but generally at below the overall rate of inflation.

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11 The ppm are total voice revenue (including rental) divided by total voice call volumes. NTS voice call revenues and volumes are excluded as we cannot split out narrowband internet.

12 See Consumer Value and Choice section of the research report for full details.
Trend in fixed-voice pricing

3.30 Analysis of the ‘lowest price offers’ available from the three largest UK providers for fixed voice services (BT, TalkTalk and Virgin Media\textsuperscript{13}) finds that lower prices were available in July 2011 than in July 2010. However, this fall is entirely due to the availability of BT’s \textit{Line Rental Saver} product which was launched in October 2010 and which offered a £3.90 a month discount on line rental to those who opt to pay 12 months in advance\textsuperscript{14}. Further analysis indicates that when this tariff is excluded, the weighted average price of a comparable basket of services has increased by 5.8\% (in nominal terms, inflation-adjusted prices have increased by 0.8\%).

3.31 It is also the case that since our data was collected in July 2011, Virgin Media (August) and TalkTalk (October) have implemented increases in standard line rental, and BT is increasing the price of its standard line rental from 3 December 2011 (BT has also announced that it will not make any further price increases until 2013). Further details of the ‘baskets’ are contained in the accompanying research report in the Consumer Choice and Value section, while additional analysis and a detailed description of the methodology will be published in Ofcom’s \textit{International Communications Market Report} (scheduled for publication on 14 December 2011).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure9.png}
\caption{Year-on-year changes in CPI}
\end{figure}

\textsuperscript{13} Analysis based on data weighted by market share.
\textsuperscript{14} In July 2011 BT Line Rental Saver offered 12 months’ line rental for £120 a year when paid in advance; this compared to standard line rental of £13.90 a month (http://www.productsandservices.bt.com/consumerProducts/displayTopic.do?topicId=29984).
## Composition of fixed voice baskets

<table>
<thead>
<tr>
<th></th>
<th>Basket 1</th>
<th>Basket 2</th>
<th>Basket 3</th>
<th>Basket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Typical'</td>
<td>A retired low-income couple</td>
<td>A couple of late adopters</td>
<td>A 'networked' family</td>
<td>Affluent couple with sophisticated comms use</td>
</tr>
<tr>
<td>household type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outbound calls</td>
<td>225mins</td>
<td>430mins</td>
<td>600mins</td>
<td>250mins</td>
</tr>
<tr>
<td>Type of calls</td>
<td>97% UK geog 3% to UK mobile</td>
<td>94% UK geog 3% to UK mobile</td>
<td>91% UK geog 2% to UK mobile 7% international</td>
<td>80% UK geog 12% to UK mobile 8% international</td>
</tr>
<tr>
<td>Time of day</td>
<td>58% daytime 25% evening 17% weekend</td>
<td>58% daytime 25% evening 17% weekend</td>
<td>59% daytime 25% evening 16% weekend</td>
<td>59% daytime 25% evening 16% weekend</td>
</tr>
</tbody>
</table>

## Trend in broadband prices

### 3.32 Analysis of tariffs available from the largest broadband providers in July each year shows general increases (in nominal terms) in the standard prices of broadband from the leading providers between 2008 and 2011. However, BT’s prices for a bundle of broadband and voice services have fallen since September 2009 when restrictions preventing BT from offering discounted bundles of voice and broadband services were removed. It is possible that some consumers remain on the previous
‘unbundled’ package from BT and are therefore not benefiting from this new discounted rate\textsuperscript{15}.

**Figure 11: Best price available for a basic voice and broadband bundle from the UK’s three largest providers**

<table>
<thead>
<tr>
<th></th>
<th>Broadband only</th>
<th>Broadband plus standard line rental</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>£15.99</td>
<td>£27.74</td>
</tr>
<tr>
<td>2009</td>
<td>£15.65</td>
<td>£28.15</td>
</tr>
<tr>
<td>2010</td>
<td>£15.99</td>
<td>£27.28</td>
</tr>
<tr>
<td>2011</td>
<td>£16.40</td>
<td>£25.60</td>
</tr>
<tr>
<td><strong>Virgin Media</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>£18.00</td>
<td>£21.00</td>
</tr>
<tr>
<td>2009</td>
<td>£21.25</td>
<td>£26.25</td>
</tr>
<tr>
<td>2010</td>
<td>£21.25</td>
<td>£25.74</td>
</tr>
<tr>
<td>2011</td>
<td>£21.00</td>
<td>£27.40</td>
</tr>
<tr>
<td><strong>TalkTalk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>£14.99</td>
<td>£17.00</td>
</tr>
<tr>
<td>2011</td>
<td>£15.31</td>
<td>£19.10</td>
</tr>
</tbody>
</table>

Source: Ofcom / Teligen.  
Notes: Nominal prices; based on tariffs available in July of each year; tariff prices do not include any special offers (such as discounts for an introductory period).

3.33 Ofcom’s annual analysis of tariffs enables us to compare the lowest price available for a basket of broadband and fixed voice services (a basic broadband connection and 430 voice minutes). We find that prices have increased since 2008, although the increase of 3.4% between July 2010 and July 2011 is below inflation.

\textsuperscript{15} It should be noted that the revenue data provided by operators does not include the line rental (this is allocated to voice).
Figure 12: Best price available for a basket of voice calls and a basic broadband service from the UK’s three largest providers

![Price chart](image)

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**Average cost of broadband**

3.34 The data provided to Ofcom by operators on residential broadband connections and revenues enables us to calculate the average cost of a broadband service\(^\text{16}\). This analysis indicates that the average cost has fallen significantly since 2005, although the 1.5% fall in 2010 was less than in previous years. This is likely in part to be driven by consumers increasingly taking lower-cost bundled services, particularly from operators using local-loop unbundling, as well as price cuts from BT following its introduction of bundled services in 2009. Therefore, although there may have been an increase in the lowest broadband prices available from some of the largest operators, on average consumers are paying less.

3.35 It is also the case that on average consumers are paying less for more in the broadband services they receive. Average headline (‘up to’) broadband speeds increased tenfold between 2005 and 2010, while Ofcom’s research into actual broadband speeds indicates that average UK broadband speeds increased from 3.9Mbit/s in November 2008 to 6.8Mbit/s in May 2011.\(^\text{17}\) And this comes at the same time as significantly increased average speeds and data use, enabling consumers to get more for their money. There have also been very significant increases in the amount of data broadband users download: data from TeleGeography finds that total...

---

\(^{16}\) Calculated by dividing operator-provided bb revenue data by the number of connections. The operators that provide data account for over 95% of total fixed bb connections, and where services are provided as part of a bundle the provider apportions part of the revenue to the broadband element of the service. It should be noted that the revenue data provided by operators does not include the line rental (this is allocated to voice).

data bandwidth used in terms of data used per second) was 40% higher in 2010 than in 2009.\textsuperscript{18}

**Figure 13: Average monthly cost of a residential broadband connection (excluding line rental)**

<table>
<thead>
<tr>
<th>Year</th>
<th>£ per month</th>
<th>Average headline speed (Mbit/s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>21.84</td>
<td>1.6</td>
</tr>
<tr>
<td>2006</td>
<td>18.77</td>
<td>3.6</td>
</tr>
<tr>
<td>2007</td>
<td>18.10</td>
<td>5.3</td>
</tr>
<tr>
<td>2008</td>
<td>16.13</td>
<td>6.9</td>
</tr>
<tr>
<td>2009</td>
<td>14.24</td>
<td>9.3</td>
</tr>
<tr>
<td>2010</td>
<td>14.02</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators.  
Notes: Nominal prices; includes VAT; includes estimates where Ofcom does not receive data from operators.

**Trend in mobile prices**

3.36 Our annual analysis of tariffs available from the largest retail providers enables us to track the prices available for ‘baskets’ of mobile services in the same way that we track fixed-line services (see Section 3.30 above). Figure 13 details the prices for eight different ‘baskets’ of mobile phone services, based on the lowest prices available from the four largest mobile network operators, weighted by retail market share.

3.37 Overall, we find that mobile prices declined significantly between July 2008 and July 2011. Across the eight ‘baskets’ of mobile phone services (i.e. nine connections with differing usage), the total cost fell by 9% between 2010 and 2011, and 27% between 2008 and 2011.

3.38 However, the largest falls have been in the price of the high-use connections, and our analysis finds that the prices for four of the five lowest use connections increased between 2010 and 2011. This reflects increases in pre-pay (pay-as-you-go) prices from some operators in the past year.

3.39 In July 2011, Vodafone and Orange introduced significant price increases on standard pre-pay tariffs\textsuperscript{19} while offering discounts to some high-user pre-pay customers, and in the same month Vodafone, O2 and Everything Everywhere all announced that they were stopping any subsidies on pre-pay handsets.\textsuperscript{20}

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\textsuperscript{18} TeleGeography, Global Bandwidth Forecast Service (includes all data transferred over UK networks (business and residential).
\textsuperscript{19} http://www.mobiledaily.co.uk/News/11951/Orange_and_Vodafone_hike_PAYG_charges_as_EU_slashes_roaming_fees.aspx
\textsuperscript{20} http://www.independent.co.uk/news/uk/home-news/mobile-operators-pull-pre-pay-phone-subsidies-2290895.html
3.40 Operators are increasingly incentivising customers to migrate to post-pay (pay-monthly) tariffs which typically deliver greater customer lifetime value to operators, as post-pay customers are less likely to churn. The current trends show that the pre-pay segment is changing and may increasingly comprise lower users, generally older 65+ consumers, and consumers in the DE socio-economic groups.

Figure 13: Prices for typical baskets of mobile phone services, 2008-2011

Composition of mobile phone baskets

<table>
<thead>
<tr>
<th>Handset type</th>
<th>Outbound voice minutes per month</th>
<th>Outbound SMS per month</th>
<th>Outbound MMS per month</th>
<th>Data use permonth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection 1</td>
<td>Basic</td>
<td>60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Connection 2</td>
<td>Basic</td>
<td>60</td>
<td>65</td>
<td>2</td>
</tr>
<tr>
<td>Connection 3</td>
<td>Basic</td>
<td>60</td>
<td>70</td>
<td>2</td>
</tr>
<tr>
<td>Connection 4</td>
<td>Mid-tier</td>
<td>180</td>
<td>160</td>
<td>4</td>
</tr>
<tr>
<td>Connection 5</td>
<td>Mid-tier</td>
<td>200</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Connection 6</td>
<td>Advanced</td>
<td>300</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30MB</td>
</tr>
<tr>
<td>Connection 7</td>
<td>Advanced</td>
<td>400</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30MB</td>
</tr>
<tr>
<td>Connection 8</td>
<td>Advanced</td>
<td>550</td>
<td>150</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100MB</td>
</tr>
</tbody>
</table>

‘Weighted average’ of best prices available from three largest operators

<table>
<thead>
<tr>
<th>Price per month</th>
<th>Connection 1</th>
<th>Connection 2</th>
<th>Connection 3</th>
<th>Connection 4</th>
<th>Connection 5</th>
<th>Connection 6</th>
<th>Connection 7</th>
<th>Connection 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>£200</td>
<td>£41.99</td>
<td>£36.01</td>
<td>£35.36</td>
<td>£33.23</td>
<td>£28.35</td>
<td>£19.94</td>
<td>£19.41</td>
<td>£19.04</td>
</tr>
<tr>
<td>£180</td>
<td>£36.94</td>
<td>£34.42</td>
<td>£29.73</td>
<td>£24.27</td>
<td>£20.95</td>
<td>£17.17</td>
<td>£17.08</td>
<td>£17.04</td>
</tr>
<tr>
<td>£160</td>
<td>£36.43</td>
<td>£34.40</td>
<td>£28.35</td>
<td>£19.94</td>
<td>£17.17</td>
<td>£17.76</td>
<td>£16.90</td>
<td>£16.05</td>
</tr>
<tr>
<td>£140</td>
<td>£36.38</td>
<td>£34.28</td>
<td>£29.73</td>
<td>£19.94</td>
<td>£17.17</td>
<td>£17.76</td>
<td>£16.90</td>
<td>£16.05</td>
</tr>
<tr>
<td>£120</td>
<td>£36.01</td>
<td>£34.01</td>
<td>£28.35</td>
<td>£19.94</td>
<td>£17.17</td>
<td>£17.76</td>
<td>£16.90</td>
<td>£16.05</td>
</tr>
<tr>
<td>£100</td>
<td>£30.60</td>
<td>£30.60</td>
<td>£22.83</td>
<td>£16.90</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
</tr>
<tr>
<td>£20</td>
<td>£12.00</td>
<td>£12.00</td>
<td>£22.83</td>
<td>£16.90</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
</tr>
<tr>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td>£22.83</td>
<td>£16.90</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
<td>£14.81</td>
</tr>
</tbody>
</table>

Source: Ofcom / Teligen.
Note: Calculated from lowest tariff available from each of the three largest mobile operators by retail market share in July of each year; nominal prices; full details of methodology, basket composition and in-depth analysis will be provided in Ofcom’s International Communications Market Report (scheduled for publication on 14 December 2011).

3.41 Sales data on new pay-monthly mobile contracts indicate the increasing availability and take-up of low-cost pay-monthly contracts. In Q1 2011 the majority of new contracts sold (51%) were for less than £25 a month, compared to just 15% of new contracts sold in Q1 2005.

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21 See Glossary for definitions of socio-economic groups.
3.42 Also evident is the growth of under £15 a month contracts, which accounted for 20% of new contracts sold in Q1 2011, and which were almost unknown four years previously. The low monthly cost and limited contractual commitment makes SIM-only contracts attractive to many pre-pay users who continue to use their existing handsets and facilitates their migration out of the pre-pay segment. Recently introduced tariffs offering unlimited texts for £10 a month make SIM-only tariffs particularly attractive to younger users, who are often high users of text messaging. Currently 5% of mobile customers say their main mobile phone is paid for on this basis.22

3.43 Lower prices for pay-monthly contracts are also associated with longer minimum contract periods: 68% of new mobile contracts sold in Q1 2011 were for 24 months, whereas two years previously 87% of new contracts were for 18 months or less (see Figure 25 below). Take-up of longer contract periods is also likely to have been impacted by the rapid take-up of smartphones, which tend to be purchased with longer minimum contracts.

Figure 14: Monthly line rental prices for new mobile contract connections

Proportion of sales (%)

Source: GfK Retail and Technology UK Ltd. Contract Handset Acquisitions: price segments. Notes: England, Scotland and Wales only (excludes Northern Ireland); based on GfK’s coverage of 94% of the consumer market; based on new post-pay connections; excludes contract renewals; only represents sales through consumer channels (i.e. most business connections are excluded).

Trend in price of premium TV services

3.44 Overall, prices for basic TV services have remained stable in the last few years. In October 2010 the government announced that the price of the TV licence would be frozen for six years (at £145.50 per year for a colour licence). The lowest available price for basic pay-TV services (defined as including channels not available on free-to-air platforms) fell significantly between July 2009 and July 2010, but had increased by £1 by July 2011.

3.45 However, the price of premium services (defined as Premier League football and a top entertainment package including movies) has steadily increased, with an additional premium for receiving these in high definition. But the range of channels available (particularly those in HD) has increased significantly for these premium services, as has the range of other services including on-demand/’catch-up’

22 See Figure 20 of the Consumer Experience Research Report.
programming and digital recording and storage. In July 2011 Sky announced that it was freezing its prices for existing customers until August 2012.23

Figure 15: Best price available for television services

![Graph showing best price available for television services]

Source: Ofcom / Teligen.
Note: Based on standalone television tariffs available from Virgin Media and Sky in July of each year. Excludes hardware and installation costs.

Bundle pricing

3.46 The analysis below illustrates that an element of bundling will help some households to achieve the lowest prices for its communications services. In 2010 a ‘typical networked family’24 would have obtained best value by purchasing a triple-play bundle including fixed voice, broadband and basic pay-TV. But by 2011 the analysis suggests that bundling fixed voice and broadband, and buying a separate basic pay-TV package, would provide the optimum price based on the basket of services used in the analysis.25

3.47 The lowest price for a ‘typical networked family’ fell by nearly £32 (25%) between July 2008 and 2011. There was a small increase between 2010 and 2011 (3.4%), although this was less than the average rate of inflation over the same period. This increase was driven primarily by higher prices for the two low-use mobile connections.

23 [Link to Sky's press release]
24 Household purchasing a fixed voice service (with fairly high use), a broadband connection, four mobile phones with varying usage and a basic pay-TV subscription.
25 Prices are based on single-service and ‘bundled’ tariffs from the UK’s largest operators.
**Figure 16: Lowest prices available for a basket of communications services typical of a ‘networked family’ household**

Lowest prices available for a basket of communications services typical of a ‘networked family’ household (fixed voice, fixed broadband, four mobile phones with differing usage, basic pay-TV service)

<table>
<thead>
<tr>
<th>Year</th>
<th>Price per month</th>
<th>Annual % change (nominal)</th>
<th>Annual % change (RPI adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>£99.39</td>
<td>-20.5</td>
<td>-19.4</td>
</tr>
<tr>
<td>2009</td>
<td>£101.75</td>
<td>-8.7</td>
<td>-12.9</td>
</tr>
<tr>
<td>2010</td>
<td>£92.87</td>
<td>+3.4</td>
<td>-1.5</td>
</tr>
<tr>
<td>2011</td>
<td>£96.05</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Ofcom / Teligen.*

**Notes:** Based on tariffs available from the largest operators (BT, Virgin Media, TalkTalk, Sky, Orange, T-Mobile, Vodafone, O2) in July of each year; TV excludes licence fee, but includes price of set-top box/decoder; full details of methodology, basket composition and in-depth analysis will be provided in Ofcom’s *International Communications Market Report* (scheduled for publication on 14 December 2011).

**Comparison of UK and international prices**

3.48 In Ofcom’s *International Communications Market* reports, we compare the prices available to UK consumers with those available to consumers in France, Germany, Italy, Spain and the US. This analysis defines baskets of communications services for five typical household types: a retired low-income couple, a couple of late adopters, a mobile-only ‘power user’, a networked family, and an affluent couple with sophisticated use.

3.49 When considering the prices available to consumers on a single-service basis (i.e. excluding bundles), the UK reports the lowest prices for all five baskets of services. This is driven primarily by lower prices for mobile phone services in the UK (which constitute the largest single pricing component for all households in most countries), but is also driven by the UK offering the lowest price standalone broadband services, and among the lowest prices for mobile broadband and basic pay-TV. Full analysis will be published in Ofcom’s *International Communications Market Report*.

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27 Calculated as the average price across the three largest operators for each service, weighted by retail market share.
Figure 17: Comparative ‘weighted average’ pricing of ‘single services’ for baskets of communications services typical of five household types

Source: Ofcom / Teligen.
Note: Based on weighted average of the best tariffs available from the three largest operators in each country in July 2011; PPP adjusted; TV excludes licence fee, includes price of set-top box/decoder and installation; full details of methodology, basket composition and in-depth analysis provided in Ofcom’s International Communications Market Report (due for publication on 14 December 2011).

3.50 The analysis also enables comparison of the lowest prices available from the largest operators in each country, including when the lowest overall price is achieved by buying some services in a ‘bundle’.

3.51 Again, UK pricing compares favourably with other countries. Overall prices in the UK were lowest for three of the five baskets, and the second lowest for the two others.
Figure 18: Comparative ‘weighted average’ pricing of ‘single services’ for baskets of communications services typical of five household types

Source: Ofcom / Teligen.

Note: Based on tariffs available from the three largest operators for each service in each country in July 2011; PPP adjusted; TV excludes licence fee, includes price of set-top box/decoder and installation; full details of methodology, basket composition and in-depth analysis provided in Ofcom’s International Communications Market Report (due for publication on 14 December 2011).

Ofcom’s work

3.52 We undertake a wide range of work aimed where appropriate at promoting competition in communications markets, covering telecoms and broadcasting. For all of this work our underlying objective is to drive consumer benefits by facilitating the availability of wider choice, innovation and lower prices.

3.53 The following section sets out the progress we have made in a number of areas in each of the communications markets. These include our work on WLA and LLU, provision of geographic numbers, mobile voice call termination charges, superfast broadband and the investigation into pay-TV.

Fixed line

3.54 In the fixed-line sector, regulation is focused on access and wholesale services. Access services are provided by Openreach, the access division of BT which provides equivalent inputs to services provided in downstream markets by other divisions of BT and other network and service providers28.

28 In 2005, BT offered and Ofcom accepted legally binding Undertakings to deliver Equality of Access between itself and its competitors through the operation of two principles: i) operational separation (essentially the creation of Openreach) and ii) equivalence of inputs (essentially the requirement for BT to provide the same products to all providers on the same terms and conditions that it provides itself (http://stakeholders.ofcom.org.uk/telecoms/policy/bt-undertakings/).
3.55 The wholesale fixed analogue exchange line (WFAEL) market review of December 2010\textsuperscript{29} and the wholesale local access (WLA) market review of October 2010\textsuperscript{30} identified BT as holding significant market power in the provision of fixed analogue exchange lines (telephone lines) and in local access (the physical assets supplying telephone and broadband to households). This conclusion was consistent with earlier market reviews.

3.56 As a result of these conclusions, Ofcom decided to continue the requirement for BT to provide wholesale line rental (WLR) and local loop unbundling (LLU). This is intended to promote competition in voice and broadband services for residential consumers and businesses. We also determined that it continues to be necessary to set the charges for these services. The charges are based on BT costs and a regulated return, and ensure the lowest reasonable charge is passed on to consumers.

3.57 Our approach has seen substantial changes to the market for such services over the last decade; there is now a competitive retail market for voice and broadband, benefiting consumers in terms of price and service choice.

3.58 Since we began these wholesale interventions we have seen a huge increase in the quality, supply and take-up of broadband services and falls in the cost of fixed-line services, as noted in Sections 3 and 4.

3.59 Consumers’ access to real choice has increased also. Since 2005, the percentage of households with access to an unbundled exchange and hence a greater choice of differentiated services, has increased from 39\% to 89\%\textsuperscript{31}. This has allowed us to deregulate the wholesale broadband market through most of the country. However, where competition has not reached Ofcom has intervened to set a maximum wholesale charge for broadband.

**Wholesale broadband access**

3.60 In December 2010 we published our conclusions on regulation in the wholesale broadband access (WBA) market\textsuperscript{32}. The success of LLU has resulted in almost 80\% of UK premises being connected to exchanges where there is a wide choice of broadband suppliers. To reflect this, we have not imposed any regulation downstream of access in these areas, because we believe competition will deliver the best outcomes for consumers. However, there is still 20\% of the country (largely rural areas) where we concluded that there is not enough competition.

3.61 We have imposed regulation on BT in these areas. Millions of homes and businesses in rural, less densely populated parts of the UK could receive better value broadband services by the end of this year.

\textsuperscript{29} http://stakeholders.ofcom.org.uk/binaries/consultations/review-wholesale-fixed-exchange/statement/statement.pdf
\textsuperscript{30} http://stakeholders.ofcom.org.uk/binaries/consultations/wla/statement/WLA_statement.pdf
\textsuperscript{31} http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMR_2011_FINAL.pdf
\textsuperscript{32} http://stakeholders.ofcom.org.uk/binaries/consultations/wba/statement/wbastatement.pdf
3.62 During 2010 we decided on the most appropriate way to increase the supply of geographic telephone numbers in area codes where we were running out of number blocks to allocate to communications providers. Telephone numbers are a critical and, in some cases, scarce national resource. They are fundamental to the communications requirements of consumers and businesses. Geographic telephone numbers (numbers beginning with ‘01’ and ‘02’) are the most widely recognised, valued and trusted by consumers.

3.63 We allocate blocks of telephone numbers to communications providers so that they can use those numbers to deliver services to their customers. However, our stock of geographic numbers is limited and we are facing challenges in ensuring the ongoing availability of sufficient number blocks to meet consumers’ demands. Scarcity of numbers may constrain providers’ ability to compete to provide services to consumers and may limit consumers’ choice of provider for new services.

3.64 We recognised that all the options for increasing the supply of numbers would necessarily cause some disruption to consumers and businesses and we looked for ways to minimise this.

3.65 Following our consultation issued in November 2010, which considered the challenges to geographic number availability and proposed options for how we could manage that resource, we issued a statement and a further consultation in September 2011. In that document which included the evidence gathered such as consumer research, focus groups and local engagement with consumers in affected areas, we decided that the least disruptive way to increase the supply in areas that were forecast to run out of numbers was to remove the local dialling facility. This means that callers would always need to dial the whole number (including the area code) when making calls in those areas. This releases for use additional local numbers beginning with the digits ‘0’ and ‘1’ which cannot be used while local dialling is possible, for technical routing reasons. A second area code would be introduced in any areas that subsequently needed more numbers.

3.66 We are consulting further on measures to delay the need to increase the supply of numbers in some areas. These proposals include a pilot scheme to charge communications providers for geographic telephone numbers, and strengthening our administrative processes for managing numbers. We expect to publish a statement concluding on our proposals in the first quarter of 2012. We will also consult in early 2012 on measures to strengthen administrative processes for geographic numbers.

Mobile

3.67 In 2009 we carried out a review of the mobile sector in order to assess current and possible future developments in the mobile market, and to map our strategic approach to the mobile sector.

3.68 We concluded that mobile markets are currently serving UK citizens and consumers well and competition between mobile operators is driving this success. We did however note that there were some areas where performance could be improved.

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most notably, regarding service availability and quality, and also accessibility – ensuring that all citizens benefit from mobile technology trends and the benefits they produce.

3.69 In concluding our assessment of the mobile sector, we noted that our regulatory focus should continue to be as it is today: helping to promote competition and innovation, while safeguarding consumer interests and tackling, where appropriate, problems that the market fails to solve adequately.

3.70 The outputs from this assessment have been used within the recent mobile voice call termination market review and within the competition assessment for the 4G spectrum auction.

**Mobile voice call termination**

3.71 Another significant piece of work undertaken by Ofcom in this area has been the completion of the aforementioned market review on wholesale mobile voice call termination. This is the service necessary for a network operator to connect a caller with the intended recipient on a different mobile network. In our statement, published in March 2011, we set out the conclusions of the review, including our conclusions on market definition, the existence of significant market power (SMP), the detriments likely to arise from the exercise of that SMP and the remedies which should be imposed. In particular, we set new rules which cap the mobile termination rates (MTRs) of the four national mobile communications providers (MCPs), and require all other designated MCPs to offer “fair and reasonable” MTRs. In most cases, we expect the outcome will be a single wholesale charge for MCPs on different networks, falling each year.

3.72 The new regime will benefit consumers in a number of ways: lower MTRs will promote sustainable competition and we expect the price of calls from fixed to mobiles to fall as a result of the charge controls. The new rules applied from 1 April 2011 and end on 31 March 2015.

**Broadband**

**Superfast broadband**

3.73 Superfast broadband is now available to over half of all UK households due to commercial investments in next generation access (NGA) networks over the past three years. Virgin Media is now supplying a 50Mb/s service across its entire network and its ongoing roll-out programme has made its 100Mb/s service available to many of its customers. BT’s superfast broadband service is now available to six million homes and it has recently launched a 100Mb/s service.

3.74 Over the next twelve months we expect that BT and Virgin Media will continue to extend these deployments, bringing superfast broadband services to more people in the UK. BT has increased the rate of its deployment so that it will reach 67% of the population by 2014, one year ahead of its original plan.
3.75 However, despite these developments, competition in the provision of superfast broadband services remains in its infancy. To support the future development of the market, it is essential that Ofcom continues its work on ensuring a clear regulatory framework, designed both to promote competition and to support continued investment and innovation.

3.76 In October 2010 we set out the conclusions of our analysis of the state of competition in the wholesale local access (WLA) market, and the measures that we are taking to promote competition in that market. These include the introduction of new requirements on BT, to provide virtual unbundled local access (VULA) to its new fibre-based access network and to open up access to its duct and pole infrastructure. Where BT deploys its fibre-based network, our regulation is intended to allow competition to develop, based primarily on VULA. Where BT does not commercially deploy a fibre-based network, access to BT’s ducts and poles could be an important enabler for other providers to roll out their own networks, including deployments based on public funding through the Broadband Delivery UK process (detailed in Section 4), where commercial roll-out is not economically attractive.

3.77 The increase in competition that these changes could facilitate will provide all the consumer benefits associated with increased competition such as greater choice, innovative services and lower prices.

3.78 Since we finalised our analysis in October 2010, we have been working with communications providers to develop this set of products. In January 2011 BT published its draft offer for access to its ducts and poles, and in October 2011 reduced its prices for Passive Infrastructure Access (PIA). In November 2011, Openreach published its final reference offer for access to ducts and poles. Trials of access to BT’s duct and pole infrastructure are underway, and the first customers have recently been connected to an alternative provider’s superfast broadband network in one of these trials.

3.79 Our decisions in this area matter, because they are intended to promote competition and investment in new superfast broadband networks in the important early development stages of those networks. While the focus of our regulation directly concerns those services provided between communications providers, decisions taken in this context will ultimately affect the prices, choice and availability of superfast broadband and related services in the retail market.

Broadcasting

Pay-TV investigation

3.80 Our competition work in the area of broadcasting has, in recent years, focused on our market investigation into pay-TV and its implications. This work has aimed to ensure that consumers benefit from improved access to ‘must-have’ content, increased choice, and in the longer term, investment leading to a range of innovative new services.

3.81 Following three consultations, we published our pay-TV statement in March 2010, which set out our decision that Sky should be required to offer to wholesale Sky
Sports 1 and 2 to other pay-TV retailers, at prices set by Ofcom for standard-definition versions of the channels. We also required Sky to offer to wholesale HD versions of these channels. At the same time, we decided to allow Sky’s pay digital terrestrial television (DTT) proposal (Picnic) to proceed, conditional on a wholesale must-offer obligation on Sky Sports 1 and 2 being in place, with evidence that it has been effectively implemented, and any movies channels available through Picnic also being made available to other DTT retailers. To date, Sky has chosen not to progress any plans to offer a pay-TV service on DTT.

3.82 On 4 August 2010 we decided to refer the movies market to the Competition Commission under the Enterprise Act 2002. The focus of the reference was concerns regarding the sale and distribution of subscription premium pay-TV movies, including the restricted exploitation of subscription video-on-demand rights. This issue is now being investigated fully by the Competition Commission and we continue to provide input into this process.

3.83 Our decision in the pay-TV statement has been appealed by Sky and other parties, and we await the Competition Appeal Tribunal’s judgment (correct at time of drafting). However, during this time we have already seen the launch of new pay-TV packages by competing retailers, using the channels included in the remedy under the interim relief arrangement. BT Vision and Top Up TV have both launched packages including Sky Sports 1 and 2, and Virgin Media now offers Sky Sports 1 and 2 in HD.

Spectrum

3.84 We have focused on maintaining a market-based approach to spectrum management, which maximises the benefits of competition and innovation to wireless services for the UK society and economy. We believe that, where appropriate, letting the market decide how spectrum is used, what services to provide over available spectrum, and what technologies to use for this, safeguards competition and consumer interests and creates major opportunities for innovation in wireless services.

3.85 We are continuing our work to free up spectrum that can be used for a wide range of new and growing consumer services, such as wireless and mobile broadband and high definition (HD) TV. In addition, we have an ongoing role to manage the frequencies that are used for broadcast radio and TV, and we will ensure that this is done, so that consumers continue to benefit from efficient competition in this market.

3.86 Full details of our work relating to spectrum issues are outlined in Section 4 below.
Section 4

Availability and take-up

Introduction

4.1 We have a responsibility to ensure that a wide range of electronic communication services, including high-speed data services, and television and radio services, are available throughout the UK.

4.2 In meeting this responsibility we must have regard, among other things, to the needs of:

- people with disabilities;
- older consumers;
- those on low incomes;
- people in the different parts of the United Kingdom;
- different ethnic communities within the United Kingdom; and
- people living in rural and in urban areas.

4.3 The following section considers the availability of communications services and the take-up and use of these services by consumers. It also outlines Ofcom’s role in addressing availability issues and in promoting take-up of services across the UK.

Availability

4.4 Overall availability of communications services is high and has not changed over the past four years. Most households in the UK now have access to the key broadcasting and telephony services, with all consumers covered by fixed lines, broadband and digital broadcasting.

Fixed line

4.5 Fixed-line services continue to be universally available to all consumers across the UK. BT and Kingston Communications (KCOM – the incumbent fixed telephony operator in Kingston-upon-Hull) are required to make access to voice services over the public switched telephone network (PSTN) available to the whole UK population at a standard charge.

4.6 However, where the installation of a fixed line from BT costs the provider over £3,400, which may be the case for homes in remote rural areas, consumers may have to pay an additional connection charge, above the standard charge for the provision of the line.

Mobile

4.7 Ofcom’s Infrastructure Report collected data on predicted mobile signal strength (based on operator planning models) for both 2G and 3G networks in the UK and
calculated two measures of coverage. The first considers the proportion of postal addresses that are within coverage of the networks ('premises coverage'), while the second considers the overall geographic coverage i.e. what the percentage of land mass is served ('geographic coverage'). We have based our analysis on a signal strength that should be sufficient to make or receive a call outdoors.

4.8 A summary of coverage across the UK and for each of the nations is shown below.

**Figure 19: Availability of mobile**

<table>
<thead>
<tr>
<th>Mobile Coverage</th>
<th>2G</th>
<th>3G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic coverage</td>
<td>Premises coverage</td>
<td>Geographic coverage</td>
</tr>
<tr>
<td>England</td>
<td>1.4%</td>
<td>83.8%</td>
</tr>
<tr>
<td>Scotland</td>
<td>15.5%</td>
<td>37.9%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>2.2%</td>
<td>73.4%</td>
</tr>
<tr>
<td>Wales</td>
<td>5.8%</td>
<td>59.0%</td>
</tr>
<tr>
<td>UK</td>
<td>6.4%</td>
<td>66.3%</td>
</tr>
</tbody>
</table>

Source: Ofcom's *Infrastructure Report*, see figure 12.

**Internet**

4.9 The availability of broadband internet connections, and the choice of providers, have continued to improve for consumers. Broadband services have improved in speed and availability. Whereas consumer broadband services a decade ago were limited to speeds of 1Mbit/s or below, most households are now on packages with much higher headline speeds, and superfast, fibre-based services offering speeds of 30Mbit/s or more are now available to nearly 60% of UK households, and continue to be rolled out further.

4.10 In response to increased demand for high bandwidth products and faster broadband connections, next generation access (NGA) has attracted significant commercial

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45 There are a number of other mobile coverage projects elsewhere, such as the BBC’s mobile coverage research (http://www.bbc.co.uk/news/technology-14582499) and OpenSignalMap (http://www.opensignalmaps.com/), both of which use consumer end devices to measure mobile coverage. The outcomes of this crowd-source approach are limited by the number of test devices and where the phones are used.

46 See Annex 1 in Ofcom’s *Infrastructure Report* for details on the signal thresholds used.

investment over the past three years, with both Virgin Media and BT committed to rolling out superfast broadband services across the UK. However, issues remain around availability and access to higher-speed services and Ofcom is working with government to address these. Our work on superfast broadband is set out below.

4.11 Local loop unbundling (LLU), digital subscriber line (DSL), cable and wireless technologies offer consumers a wide array of possibilities to access the internet. The percentage of premises that have access to unbundled LLU stands at 85%, with cable and ADSL availability remaining unchanged at 48% and 99.98% respectively.

### Figure 20: Availability of broadband internet

Source: Ofcom and operators. See research report (Figure 3).

**Digital Broadcasting**

**Television**

4.12 The availability of digital television has remained stable over the past few years, with 98% of households across the UK having access. The only change at a UK level is the greater availability of digital terrestrial – 85% of households can now receive at least 17 channels - due to continuing the digital switchover process. Digital satellite remains available to the majority of households (98%) although some households may be excluded due to specific local factors or housing agreements. Current DTT availability for 17 channels is 85% and just under half (48%) of UK homes have access to digital cable services.

**Radio**

4.13 Digital radio can be accessed through a wide range of platforms and devices. These include DAB digital radios, digital television, and devices that connect to the internet such as dedicated Wi-Fi radios, home PCs, and 3G mobile platforms.

4.14 As of 1 June 2011, the BBC DAB network consists of 196 transmitters across the UK, which provides indoor coverage to 92.2% of UK homes. By the end of 2011, the BBC expects to have brought a further 34 transmitters on-air, which will extend the network’s coverage to 93.8% of the population. The BBC plans to extend this to 97% of UK homes by 2017. The national commercial DAB network provided by Digital One has coverage of 84.6%, while local DAB covers 66.2%. The parameters on
which these coverage figures are based are the subject of a current Ofcom consultation\textsuperscript{48}.

4.15 The availability of radio services on the DAB digital radio platform varies across the UK. It is highest in the Greater London region, where listeners can receive around 60 radio stations, and lowest in Northern Ireland where the comparable figure is around 20 stations. Outside the London area, the majority of homes in the UK, where DAB coverage is available, receive between 30 and 50 stations.

**Ofcom’s work (availability)**

4.16 We believe that Ofcom’s duty to promote “the availability throughout the UK of a wide range of electronic communications services” has grown in importance as these services play an ever greater role in citizens’ and consumers’ lives. We also have important duties relating to the availability of TV and radio services.

4.17 In addition, the Digital Economy Act 2010 (“the Act”) gives Ofcom a new duty to provide a report to the Secretary of State every three years on the state of the UK’s communications infrastructure.

4.18 We set out below the progress that has been made in a number of areas relating to improving availability of services. These include: mobile not-spots, superfast and wireless broadband, DSO and HDTV, local TV and DAB coverage.

**UK communications infrastructure**

4.19 In 2011, Ofcom published its first infrastructure report. Data relating to broadband services delivered over fixed networks was published in July 2011\textsuperscript{49}, followed by the full report in November 2011\textsuperscript{50}.

4.20 The report considers the coverage, capacity and resilience of the main public networks and services available in the UK, including fixed-line and mobile telephony, broadband, digital radio and digital terrestrial TV. These were reported from both a UK perspective and at the level of county/unitary authority.

4.21 Alongside the reports, Ofcom has also published interactive maps to provide more detailed information on the coverage of fixed and mobile telephony, digital TV and digital radio networks. These are available on the Ofcom website at \texttt{http://maps.ofcom.org.uk}.

4.22 We are currently undertaking further research to better understand how the consumer experience of using mobile telephony services varies with mobile signal strength. We commissioned a specialist company to drive the main motorways and ‘A’ roads in the UK and gather information on mobile signal strength as well as the proportion of mobile phone calls that did not complete successfully. We are currently analysing the data and the results will inform our ongoing work on addressing mobile not-spots.

\textsuperscript{48}\texttt{http://stakeholders.ofcom.org.uk/binaries/consultations/dab-coverage-planning/summary/dab-coverage.pdf}


\textsuperscript{50}\texttt{http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bbspeeds2011/infrastructure-report.pdf}
Fixed Line

USO

4.23 The USO ensures that basic fixed-line services are available at an affordable price to all consumers across the UK.

4.24 The scope of the USO is defined by the European Universal Service Directive. The UK government specifies the services that must be provided throughout the UK in the Universal Service Order (the Order). The Order has been implemented by Ofcom through specific conditions on the current universal service providers, BT and KCOM in Hull.

4.25 Ofcom’s last review of the USO was in 2006, which resulted in some amendments to the obligations. Ofcom’s work plan on the USO for 2010/11 were:

- to continue to implement the existing Universal Service Order, making such changes as may be required to ensure effective universal provision of basic communications services;
- to engage with the UK government and the European Commission during the Commissions’ review of the scope of Universal Service; and
- to undertake a separate, detailed review of the provision of relay services to disabled people in the UK.

4.26 In the past 12 months Ofcom and the Department of Business, Innovation & Skills (BIS) issued a joint response to the Commission consultation. The Commission concluded in November that there is currently no need to change the basic concept, principles or scope of EU rules on Universal Service to include mobile telecommunications services and broadband connections at a European level. The details of our review of the provision of relay services to disabled people in the UK are covered in paragraphs 4.105-4.113 below.

Mobile

Spotlight – mobile coverage information for consumers

In November 2010 we published a research update exploring the reasons why not-spots exist and their impact on citizens and consumers. Following on from this we did further work to understand the importance of coverage in the choice of provider, and use and accessibility of the coverage information provided by mobile operators.

We tested mobile signal strength in Devon (as a case study) to assess whether the operator data underlying coverage checkers is accurate and comparable. We also commissioned research to consider the effect of the performance of different handsets on the consumer.

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53 http://stakeholders.ofcom.org.uk/binaries/consultations/access/uso_response.pdf
experience of using a mobile device.

As a result we signalled a number of positive aspects:

- mobile operators freely provide coverage information to consumers (online and in-store);
- the underlying operator coverage data is reasonably accurate for outdoor predictions; and
- consumers find coverage checkers easy to use and helpful in making supplier comparisons.

**Mobile not-spots**

4.27 Mobile not-spots are locations with no mobile coverage as illustrated in figure 19 above. The causes of mobile not-spots are highly local and complex; there is no single cause linking all coverage problems, and therefore, no standard solution. Following on from our November 2010 report, our work in this area continues, including promoting investment that would address mobile phone not-spots and considering what further measures are necessary to address mobile not-spots based on the regulatory mechanisms we have available.

4.28 We will also work with the Department for Culture, Media and Sport on improving mobile phone coverage. This follows the government's announcement on 3 October 2011 that it will invest £150m to improve mobile coverage for people who live and work in areas of the UK with poor or non-existent coverage, illustrated in figure 19 above. It is aiming to extend 2G mobile service coverage to 99% across the UK population by supporting the procurement of additional network infrastructure, with the procurement process expected to begin in 2012.

**Broadband**

4.29 The wide availability and affordability of broadband services today, and the benefits they deliver to citizens and consumers, have to a very large degree been driven by commercial investment and competition. We are contributing to this environment through our work on competition and consumer protection:

i) We aim to create a competitive environment that allows investors who see a case for deploying networks to do so, by giving players access to wholesale services at levels where competition can be effective and sustainable. This is the case for both current and next generation broadband.

ii) We aim to ensure that consumers can make informed choices about services and providers. We have continued to publish updated research on broadband speeds, providing information to consumers about the actual speeds that they are getting from their broadband providers. Further detail on these initiatives is contained in Section 5.

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Superfast broadband

4.30 Service providers are continuing to invest in next generation networks. Superfast broadband networks (offering speeds of over 24Mbit/s) now pass 58\% of UK premises, with BT planning to reach two-thirds of UK premises by the end of 2014.

4.31 Ofcom continues to provide expert advice to Broadband Delivery UK (BDUK)^60, created within the Department for Culture, Media and Sport (DCMS) to allocate and distribute £530m of funding, to bring superfast broadband^61 to the third of UK homes and businesses that will not be provided for by the normal operation of the market and therefore would otherwise fail to benefit from these services.

4.32 In addition to the four rural areas^62 selected last year to pilot superfast broadband throughout 2011, it was announced in May this year that Wiltshire, Norfolk, Devon and Somerset will all receive a share of a £50m funding package. Rural and hard-to-reach areas of Scotland, Wales and Northern Ireland are also set to benefit from the BDUK programme, with £68.8m^63, £56.9m^64 and £4.4m^65 (respectively) allocated for superfast broadband roll-out.

4.33 Over the next twelve months we will continue to support, as necessary, BDUK’s process for allocating funds for the roll-out of superfast broadband networks in areas not covered by commercial deployments.

4.34 Further detail on our work in relation to broadband speeds is covered in Section 5.

Wireless broadband

4.35 We are supporting the delivery of wireless broadband services by freeing up the use of existing mobile spectrum and making additional spectrum available. The aim is to facilitate the introduction of new services and technologies and new players into the market.

4.36 Our work during 2011 has comprised a package of measures arising out of a Direction made by the Secretary of State in December 2010 under section 5 of the Wireless Telegraphy Act 2006^66. In summary, the provisions of that Direction require us to:

- vary the 2G licences for 900 MHz and 1800 MHz spectrum, as well as the 3G licences for 2100 MHz spectrum (subject to the current licensees’ consent);
- make licences for 900 MHz, 1800 MHz and 2100 MHz spectrum tradable; and
- hold an auction of 800 MHz and 2.6 GHz spectrum^67, after assessing likely future competition in the markets for mobile communications services.

4.37 Details of the expected outcomes of these provisions can be found below.

[^61]: http://www.culture.gov.uk/what_we_do/telecommunications_and_online/7781.aspx
[^62]: Every home should have access to at least 2Mbit/s.
[^63]: Parts of Cumbria, the Highlands and Islands, North Yorkshire and the Golden Valley in Hertfordshire.
[^67]: After which we must amend the fees for the 2G licences for the 900 MHz and 1800 MHz spectrum
Varying 2G/3G licences

4.38 On 6 January 2011 we published a statement of our decision to vary the existing 900 MHz and 1800 MHz licences to allow their use for 3G mobile broadband delivery as well as GSM voice services, and to extend the period of notice for revocation (for spectrum management reasons) from 1 year to 5 years.

4.39 On 2 February 2011 we published a notice proposing to make a number of variations to the existing 3G licences, providing licensees consent, including:

- changing the termination date to allow the licences to run until revoked by Ofcom;
- and
- a new coverage obligation requiring the licensee to provide, by mid-2013, an electronic communications network that is capable of providing mobile telecommunications services to an area within which at least 90% of the UK population lives.

4.40 Having considered all the responses to the notice, we decided to vary the licences in line with our proposals. We have varied Three’s licence at their request.

Mobile spectrum trading

4.41 On 2 February 2011 we published a notice setting out how we proposed to introduce spectrum trading regulations for 900 MHz, 1800 MHz and 2100 MHz licences. In line with our proposals, we made the regulations on 4 July this year. These permit the current licensees to transfer all or part of the licence rights and obligations to other operators, subject to our consent which takes into account various factors including whether competition is likely to be distorted as a result of the transfer.

Auction of 800 MHz and 2.6 GHz spectrum

4.42 On 22 March 2011 we published a consultation setting out our assessment of future competition in the mobile market and proposals for the award of the 800 MHz and 2.6 GHz bands. We expect this spectrum to be used to deliver the next generation of mobile broadband services, using fourth generation (4G) mobile technologies such as LTE and WiMAX.

4.43 In the light of responses to this consultation we decided to undertake a further round of consultation. We aim to publish a statement detailing our decisions on the award in the summer of 2012. The auction itself would follow a few months later.

4.44 In the March consultation we proposed to include (in one of the 800 MHz licences) an obligation to provide a mobile broadband service by the end of 2017 to an area in which 95% of the UK population lives. We considered that this obligation should result in coverage levels of future mobile broadband services that approach today’s 2G coverage (c. 96% as reported in figure 19 above). We also sought views on

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69 With a 90% probability that users outdoors can receive the service with a sustained downlink speed of not less than 768Kbit/s in a lightly loaded cell.


72 [http://stakeholders.ofcom.org.uk/consultations/combined-award/](http://stakeholders.ofcom.org.uk/consultations/combined-award/)
imposing additional coverage obligations focused on particular geographical areas and on specific roads.

4.45 We are reviewing our proposals in the light of responses to the consultation and exploring possible alternative formulations of coverage obligations. This work is linked to our work on addressing existing mobile not-spots.

White space technology

4.46 Given the increasing consumer demands on technology, Ofcom has been looking at innovative methods of addressing these needs. In November 2010 we consulted on how to successfully launch ‘white space’ technology. ‘White spaces’ (or interleaved spectrum) refer to a range of frequencies that are not in use by the licensee all the time at all locations. White space technology would provide additional licence-exempt spectrum which could be used by new innovative services such as enhanced Wi-Fi, rural broadband connectivity and machine-to-machine communications.

4.47 Ofcom published a statement in September 2011 setting out its plan to allow licence-exempt wireless devices to access TV white space spectrum provided that no harmful interference is caused to existing services (i.e. DTT services, Programme Making and Special Events (PMSE) users or other future licensed users). These wireless devices coupled with a central database of spectrum usage in different locations provide a method of determining whether or not ‘white space’ is available to be used by other devices in specific locations. It protects current licence-holders from interference caused by other devices’ use of its spectrum, while also making unused radio spectrum available to third parties.

Broadcasting

Television

Digital switchover

4.48 Ofcom continues to be responsible for handling consumer issues arising from our spectrum planning work and the related coverage and reception issues. All other switchover-related issues that may affect consumers are within the remit of Digital UK.

4.49 Having commenced in October 2007 in Whitehaven, Cumbria, digital switchover is progressing smoothly, with completion anticipated at the end of 2012. Following last year’s focus on switching homes in Scotland and the Channel Islands, most of the activity in 2011 (the third full year of switchover) has been in the Midlands and the North of England. By the end of 2011, approximately 17 million homes will have been switched, which represents just over 63% of all UK homes.

4.50 As a result of digital switchover, increasing numbers of viewers have access to HD services on DTT. These were introduced in 2010, using a new transmission standard that provides greater capacity and will eventually allow up to five HD channels on one multiplex. There are currently four HD services on DTT; two from the BBC and one each from Channel 3 (ITV) and Channel 4.

74 www.digitaluk.co.uk
Local TV

4.51 Following Ofcom’s strategic purpose to “contribute to and implement public policy defined by Parliament”\(^{75}\), we anticipate a role in licensing new local TV services, potentially bringing consumer benefit in the form of new services at locations throughout the UK. Nine in ten adults regularly consume some form of local news and over three-quarters of people rate local news and weather as important\(^{76}\). But although the UK has an established regional TV service provision on BBC1 and Channel 3 (ITV), very little news, or other content is broadcast that is specific to smaller localities.

4.52 At the time of writing, DCMS is finalising three Orders to be laid before Parliament, which, if passed, will create the statutory basis for local TV licensing, spectrum allocation, and EPG prominence. These will give Ofcom the powers to license a local TV multiplex and local TV services using GI spectrum (receivable on free-to-air DTT).

4.53 We will consult on how we propose to do this as soon as Orders have been laid. If Orders are laid in late December, as DCMS predicts at time of drafting, we should be able to consult just before Christmas. Our consultation will set out an indicative timetable for the licensing and launch of services. We have already published a list of 65 locations where local TV would be technically possible, given the technical constraints\(^{77}\).

Radio

4.54 The government announced its Digital Radio Action Plan in July 2010. The plan emphasises that digital radio switchover should begin only when the market is ready and that it should be predominantly consumer-led. An aspirational target date of 2015 was supported by the report. But it also concluded that a decision on switchover could be made only once two criteria had been fulfilled:

- when 50% of all radio listening is via digital platforms; and
- when national DAB coverage is comparable to FM, and local DAB reaches 90% of the population and all major roads.

4.55 To inform a decision on switchover, Ofcom was asked to publish an annual report on the availability and take-up of digital radio services. In July 2011, we published our second such report\(^{78}\). This included data on digital radio devices’ share of radio listening, as well as information on consumer attitudes towards digital radio. In the report, digital radio is used in its broadest sense to include all platforms and technologies that allow listeners to access digital radio services.

4.56 Other work streams set out in the Digital Radio Action Plan have progressed this year. Ofcom is leading a process to consider the future spectrum planning requirements for DAB networks, to prepare for the proposed digital radio switchover and to make recommendations to ministers on the feasibility of matching DAB to FM.

\(^{75}\) http://www.ofcom.org.uk/files/2011/04/annplan1112.pdf (p.3, paragraph 1.4)
\(^{76}\) Ofcom’s Local and Regional Media in the UK report, September 2009: http://stakeholders.ofcom.org.uk/binaries/research/tv-research/lrmuk.pdf
\(^{78}\) http://stakeholders.ofcom.org.uk/binaries/research/radio-research/digital-radio-reports02/report280711.pdf
4.57 In a consultation published in June 2011, we proposed a possible approach to DAB coverage planning. This approach involves:

- defining the ‘editorial areas’ within which we aim to replicate on DAB, as far as practicable, the coverage of existing FM radio services;
- making underlying technical assumptions to predict acceptable levels of FM and DAB coverage for indoor portable and in-vehicle radio reception;
- calculating the extent of existing FM coverage within each editorial area; and
- investigating the feasibility of different radio switchover scenarios, illustrating how increasing levels of coverage can be achieved by using increasing numbers of transmitters.

4.58 We propose to provide a final report to government in Q1 2012.

**Take-up**

4.59 The past year has seen stable levels of ownership of most communications services, with a slight increase in broadband take-up. Homes remain more likely to have a mobile phone than a landline, and fixed broadband continues to be the most popular internet connection method.

![Figure 21: Take-up of communications services](source: Ofcom Communication Tracking Survey. Base: UK adults aged 16+.

4.60 Although consumers in the DE socio-economic group continue to have the lowest levels of internet and broadband ownership (55%), the rise in ownership noted last year among these consumers has been sustained.

**Non-ownership of communication services**

4.61 Understanding the reasons for non-ownership helps to identify any issues that need to be addressed to enable consumers to access communication services.
4.62 Non-ownership of most communications services remains unchanged since last year, in line with largely static levels of ownership. The highest rate of non-ownership of a communication service continues to be broadband internet (25%) and the lowest is digital TV (7%) closely followed by mobile services (9%). The proportion without a fixed line remains stable, at 16%.

4.63 There are many reasons for not owning a particular communications service, and these generally fall into one of two categories: voluntary and involuntary. Voluntary non-ownership is where potential consumers do without services because they perceive they do not need them, or because they are satisfied with alternative services. Involuntary non-ownership is where potential consumers do without services but not through choice; this is mainly due to affordability. The percentage and profile of consumers who have not taken up fixed-line or internet services for voluntary reasons has remained broadly stable since 2008. Voluntary reasons for not subscribing to digital TV have decreased from 10% in Q1 2007 to 2% in Q2 2011. This decrease will have been influenced by the overall increase in take-up of digital TV in the population as a whole.

4.64 Across all communications services, a lack of perceived need remains the main voluntary reason for not taking up services.

4.65 There has been no significant change in the percentage or profile of consumers who do not own communications services for involuntary reasons. The internet remains the market with the highest level of involuntary non-ownership, and affordability remains the main reason for involuntary exclusion from communications markets.

Usability

4.66 Difficulty using communications technology can affect people’s ability to make the most of the services that are available to them.

4.67 As in previous years, the mobile phone is the communications service that consumers, across all demographic groups, are most likely to experience difficulty with. The proportion of consumers saying they have difficulty using communications services has remained stable; just over one in ten mobile customers (13%) said they had difficulty using their mobile and there are indications of a gradual decline in the proportions stating difficulties with TV (8% of owners, down from 12% in 2008).

4.68 Difficulty in using communications services and devices is strongly correlated with age, in that consumers aged over 75 are more likely than others to have problems using a mobile phone, PC and/or television. To a lesser extent, people over 45 also find mobile phones difficult to use. Consumers living in rural areas were also most likely to state that they had difficulties using mobile phones (22%), and while some of this is likely to be related to the older profile of consumers living in these areas, it is also likely to include their interpretation of ‘difficulties’ to include coverage issues.

4.69 Consumers living in rural areas were more likely to say they had experienced reception issues in the month prior to the survey (71% vs. 57% in metropolitan areas).

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80 See figure 77 in the Consumer Experience Research Report.
81 See figure 80 in the research report.
82 See figure 84 in the Consumer Experience Research Report.
83 See figures 85 and 86 in the research report.
84 See figure 98 in the research report.
Fixed line

4.70 Following the decline in fixed-line ownership, noted last year, this has since stabilised at 84% and remains ten percentage points lower than the proportion of homes with a mobile. Consumers living in a rural environment are more likely to have a fixed line service than those living in an urban environment (89% vs. 83%) despite the average levels of mobile ownership in these areas. Older consumers remain more likely to purchase this service on a standalone basis than as part of a bundle.

4.71 Voice over internet protocol (VoIP) is an alternative to fixed-line voice communication. The proportion of households with at least one person using VoIP services has doubled since 2008, and now stands at a fifth. Younger age groups and higher income earners are driving the increased access to, and use of, VoIP services.

4.72 Figure 22 indicates that in the UK, as in all other comparator countries, there has been a fall in the number of fixed lines per head of population over the past five years. However, the decline in the UK has been significantly less than in some other countries.

4.73 These falls are due primarily to the increasing use of mobile, with an increasing number of households choosing to use a mobile for all of their telephony needs (and typically saving money, compared to having both fixed and mobile connections). Our research finds that in Q2 2011, 15% of households in the UK had a mobile phone connection but no fixed-line connection, up from 9% of households five years previously.

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85 See figures 13 and 15 in the research report.
Figure 22: Take-up of fixed lines, by country

Lines per 100 population

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
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</table>

Source: IDATE/ industry data/ Ofcom. See research report (Figure 7).

Mobile

4.74 As shown below in Figure 11, homes are now significantly more likely to have a mobile than a fixed line (94% versus 84%) with no change in level over the past 12 months. Furthermore, 91% of adults now personally use a mobile phone.
4.75 The biggest driver of change in the mobile market relates to the huge growth in smartphone take-up and use in the past 12 months. Ofcom’s *Communications Market Report 2011* reports that smartphone sales nearly tripled between Q1 2009 and Q1 2011, and by the first quarter of 2011, around half of new handsets sold were smartphones (defined by the operating system).

4.76 Ofcom research has been monitoring take-up of smartphones since the start of 2011, and, as the figure below shows, growth has continued into 2011. Thirty-eight per cent of UK mobile phone owners now claim to own a smartphone - an increase of eight percentage points since Q1. Ownership is highest among 16-34s, at over half of mobile phone owners in this age group. Smartphone ownership is also higher than average among men and those in socio-economic group AB.

4.77 Smartphones tend to be purchased on a contract basis (83% of smartphone owners are currently on a contract) and these tend to be anywhere between 18-24 months. It is therefore unsurprising that alongside this significant change in the type of handsets being used, there has been a corresponding shift in the way consumers are choosing to pay for these services.
4.78 More than half (52%) of mobile customers are now signed up to a mobile contract. For the majority (47%) this is a full term contract; a small proportion (5%) currently opt for a SIM-only package (these tend to be purchased on a rolling monthly basis). While this shift is consistent across most age groups (16-64) it is more pronounced among the youngest age bracket (16-24), with use of pre-pay falling 15 percentage points over the past year. Lower-use mobile users form the majority of pre-pay customers, these users are typically older and DE socio-economic groups.

4.79 Consistent with the rising take-up of smartphones, the biggest increase in connections since 2008 is for longer contracts, with just over two-thirds (68%) of new contract connections in Q1 2011 being made on the basis of a 24-month contract, largely at the expense of 18-month contracts.

4.80 There has been little change in the proportions opting to use SIM-only contracts. These came onto the market in Q3 2007, and in Q1 2011 accounted for almost a fifth (19%) of new mobile contract connections. They provide greater flexibility than contracts including new phones, and lower prices than pre-pay (pay-as-you go), allowing consumers to retain some level of control over their spending, while potentially benefiting from the lower call charges associated with contract phones. However, take-up of these has been slow in comparison to that of smartphones and longer (24-month) contracts.

Figure 25: Length of new mobile contract connection

Source: GfK Retail and Technology Ltd.
Notes: England, Scotland and Wales only (excludes Northern Ireland); based on GfK’s coverage of 94% of the consumer market; based on new post-pay connections; excludes contract renewals; only represents sales through consumer channels (i.e. most business connections are excluded). See research report (Figure 21).

86 See Glossary for full definitions of socio-economic groups.
4.81 There were over 80 million active mobile connections\(^{87}\) in the UK at the end of 2010, equivalent to 131 connections for every 100 people. Figure 14 indicates that this is comparable to Germany, the Netherlands and Sweden, is significantly higher than in France, the US, Canada and Japan, and is lower than in Russia, Sweden and Italy.

4.82 In a saturated market, multiple SIM ownership has driven increasing numbers of connections. In part this is due to multiple device ownership; for example, people may have one mobile for home use and one for work use, or one mobile phone connection and one mobile broadband connection. However, high numbers of connections are closely connected to the take-up and availability of pre-pay SIM cards. For example, in the UK and all the countries where there are more mobile connections than people, pre-pay accounts for the highest proportion of mobile connections and consumers may often have more than one mobile connection active at any one time. Because pre-pay SIM cards are typically very cheap (and sometimes even free), they may be infrequently used. The widespread availability of low-priced SIM cards also encourages consumers to acquire different SIM cards from different operators and swap them in and out of their handset in order to take advantage of different promotions and tariffs. There is, however, a growing trend in the UK away from pre-pay tariffs towards contract deals.

\(^{87}\) A mobile connection is considered active if it has been used in the previous 90 days.
Internet

Figure 27: Take-up of the internet at home

Source: Ofcom communications tracking survey. Base: UK adults aged 16+. See research report (Figure 36)

4.83 As Figure 15 illustrates, take-up of the internet has continued to rise steadily; 78% of households now have access. This is equal to the level of PC/laptop ownership.

4.84 Laptop ownership among UK adults now exceeds ownership of desktop PCs (59% and 44% respectively). This is evident in all but the oldest age groups (65+), lifting the age profile of laptop owners. Sixty-one percent of adults aged 45-64 now have a laptop in the home. Laptop ownership also increased across all except the DE socio-economic group, with ownership among the C2 group rising by 12 percentage points on last year (to 58%).

4.85 The proportion of internet-connected households using broadband as their main internet connection has remained stable for the third year running, at 97%. Mobile broadband is used in 17% of homes, with over half (54%) of these considering it to be their main method of internet connection at home (11%). Fixed broadband continues to dominate main home internet connections, at 86%.

4.86 Ofcom’s research suggests mobile broadband is being used as a personal method of internet connection rather than a household connection. Just under a third (29%) of multiple-occupancy homes with a mobile broadband connection said that only one person had access to this connection. This compares to one in ten in fixed-broadband homes, suggesting that this is seen as a ‘household’ connection. Another method of evaluating take-up is assessing “access to the internet anywhere”- 80% of UK adults said they access the internet somewhere, including use of smartphones.  

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88 See figures 19 in the Consumer Experience Research Report.
Take-up of broadband as a method of internet connection at home has continued to rise, and now 76% of households use either fixed and/or mobile broadband. The largest increase in broadband access has been among those aged 65-74, driven by the adoption of fixed broadband. This corresponds with the rise in device ownership (as defined above) among this age group. However, younger age groups continue to dominate the take-up of broadband and use of mobile broadband - in particular sole use of mobile broadband, which has seen significant growth among 25-44s (up from 4% in 2010 to 12% in 2011).
Figure 30: Socio-economic, urbanity and presence of children in the household profile of those who have broadband access at home


4.88 Figure 19 illustrates that with 31 broadband connections per 100 people, the UK has relatively high take-up of broadband services. This reflects the near-universal availability of DSL broadband since 2005, and also relatively low broadband pricing, compared to other countries, particularly when taken in a bundle with other services such as fixed-line voice or pay-TV.
Figure 31: Take-up of broadband, by country

Television

4.89 Prompted by the digital switchover (DSO), take-up of digital television rose consistently until last year, when ownership stabilised at 94% - a trend consistent across most communications services in the past year. Since 2009 the proportion of adults with pay-TV services in the home has risen significantly and now stands at 58% - up from 35% in 2009.

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89 This analysis includes both business and residential lines. See research report for full details.
Radio

4.90 Take-up of digital services that can deliver digital radio (i.e. digital TV and internet) has stabilised at around 97% of homes, after increasing steadily to 2009. However, two-thirds of consumers said they had access to digital radio services at home (via DTV, internet or DAB set). This suggests that around a third of consumers are unaware that they have access to digital radio services at home, or are perhaps simply unaware that the radio services they have are ‘digital’.

Figure 33: Take-up of digital radio services

Source: Ofcom communication tracking survey.
Base: UK adults aged 16+. See research report (Figure 61).

Ofcom’s work (take-up)

4.91 Ofcom’s work programme involves examining take-up and use of services by all consumers and potential barriers. In some cases, we have been given specific powers and duties, and, in others, the government has taken the lead and we have provided advice and support.

4.92 We have outlined below the latest progress made on the issues we have focused on in the last twelve months. These include media literacy, services for disabled people, emergency mobile roaming, and emergency SMS.
Media literacy

4.93 The promotion of media literacy is a responsibility placed on Ofcom and we have a duty to make arrangements for the carrying out of research.90

4.94 Media literacy enables people to have the skills, knowledge and understanding they need to make full use of the opportunities presented both by traditional and by new communications services. Media literacy also helps people to manage content and communications, and protect themselves and their families from the potential risks associated with using these services.

4.95 Ofcom’s definition of media literacy is:

“the ability to use, understand and create media and communications in a variety of contexts”

4.96 Our media literacy research informs three of Ofcom’s strategic priorities: to provide appropriate assurance to audiences on standards; to help communications markets work for consumers; and to contribute and implement public policy as defined by Parliament.

4.97 We conduct a regular programme of research which informs our view on media literacy and publish reports throughout the year. These reports (covering the views of children aged 5-15 and their parents, and adults aged 16+) are all available on our website91 which has recently been redesigned to make information more readily accessible in a user-friendly format.

4.98 Our research evidence base provides benchmark information on the general public’s digital media behaviour and attitudes, and is used widely both internally at Ofcom, and by stakeholders in the public and private sectors in the UK and internationally.

4.99 We communicate our findings to a range of stakeholders including: the UK Council for Child Internet Safety (UKCCCIS); the BBC; Get Safe Online; Race Online; the academic Media Communication and Cultural Studies Association (MECCSA), and we present our findings at a variety of seminars and conferences throughout the year.

Services for disabled users

4.100 Disabled people are active users of communications services and many disabled people rely on particular communications services. Ofcom has a number of statutory duties to help disabled people get the most from these services.

4.101 Ofcom mandates a range of services for disabled users of telecommunications services, and these are set out in General Condition 15. We are currently undertaking a review of General Condition 15 in the light of amendments to the European Regulatory Framework92 and social and technological changes.

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90 Communications Act 2003, Section 11 (1).
91 http://stakeholders.ofcom.org.uk/market-data-research/media-literacy-pubs/
92 The Telecoms Reform Package is European telecoms legislation that updates the previous 2002 legislation. It became law in November 2009, after which Member States had 18 months to transpose its provisions into their own national law. The Package amended five European Directives including the Universal Service Directive. The revised Universal Service Directive refers to the need for equivalence and choice for disabled end-users.
Television access services

4.102 Television access services comprise subtitling, sign language and audio description, and are provided on some TV programmes for use by deaf or hard of hearing and blind or partially sighted viewers. Ofcom is obliged to produce, and to periodically review, a guidance code on the application of, and exclusions from, statutory targets for provision of television access services (e.g. channels with very low audience shares and shopping channels are excluded due to the disproportionate cost in comparison with benefit to viewers). These access services are intended to assist television viewers with sight or hearing impairments to enjoy television.

4.103 In 2011, 70 channels were required to provide access services as well as over 30 time-shifted services (e.g. ITV2+1) and simulcast HD services (e.g. ITV1 HD). Viewing of these channels accounts for over 90% of the UK audience share. In 2012, 69 channels will be required to provide television access services. Ofcom receives and publishes semi-annual reports on the access services provided by broadcasters, and carries out periodic checks. These show that many channels exceed the targets for subtitling and audio description set out in Ofcom’s code. In particular, the BBC, ITV (in England and Wales), Channel 4 and Sky have voluntarily committed to audio-describe 20% of their programming.

4.104 Channels with smaller audiences may discharge their obligation to provide signed content by contributing to other ways of providing sign-presented programming. In 2011, some 50 channels opted to contribute funding to the British Sign Language Broadcasting Trust (BSLBT), which commissions sign-presented programming broadcast on the Community Channel and Film 4.

Video-on-demand services

4.105 Last year, in accordance with legislation that transposed the requirements of the European Audio Visual Media Services (AVMS) Directive, Ofcom designated ATVOD (the Association for Television on Demand) and the ASA (Advertising Standards Authority) to be the respective co-regulators of editorial and advertising content that appears in relevant ‘television-like’ video-on-demand (VOD) services. ATVOD and the ASA are required to give effect to rules governing the content of programmes and advertising. ATVOD is also required to encourage providers of VOD services subject to regulation to ensure that their services are made progressively more accessible to people with auditory and/ or visual disabilities.

Relay services

4.106 Under the Communications Act Ofcom is required to have regard to the needs of older and disabled people, and the Universal Services Order 2003 (set by government) requires us to secure the provision of one or more text relay services.

4.107 The recently revised Universal Services Directive (which came into force in May 2011) enables national authorities to specify, where appropriate, requirements to be met by providers to ensure that disabled end-users have access to electronic communications services equivalent to those enjoyed by the majority of end-users.

4.108 BT is currently required by Universal Service Condition to provide the funds for the operation of a text relay service for hearing and speech-impaired people. In addition,
by virtue of General Condition 15.3 communications providers are obliged to ensure their hearing- and speech-impaired customers are able to access a text relay service approved by Ofcom.

4.109 The only text relay service currently approved, provided by BT, involves a third party relay assistant in a call centre, typing what the hearing person says and voicing what the hearing (or speech impaired person) types.

4.110 We have been carrying out a review of relay services to consider the regulatory case for introducing new or improved relay services, in the light of changes in user requirements and technological developments since the service was introduced over 30 years ago.

4.111 We published a consultation document in July 2011, which included our analysis to date and set out our proposals.

4.112 We proposed enhancements to the existing text relay service to provide a more natural flow of conversation for users and to ensure that it can be used in different ways according to consumer needs. We proposed that the criteria for approval for text relay should be extended to include requirements to support simultaneous two-way speech with live captions/text and that the service should be accessible via off-the-shelf mainstream consumer electronics equipment such as PCs, while still supporting the current level of service to existing terminals. To implement these changes, which we refer to as Next Generation Text Relay, we proposed that the requirement would apply to all providers of publicly available telephone services.

4.113 In addition, we recognised the potential significance of a video relay service for users of British Sign Language, particularly those who struggle with written English. We proposed the introduction of a video relay service to improve equivalence for users of sign language. In the light of the potentially high costs of such a video relay service, together with practical issues related to the number of trained sign language interpreters in the UK who would be available for the service, we proposed a number of options for a form of restricted video relay service.

4.114 The consultation closed on 20 October 2011 and we are considering the responses to it. We intend to publish a statement, together with next steps, in 2012.

Emergency mobile roaming

4.115 Emergency (999/112) mobile roaming was launched nationally in the UK on 14 October 2009. Since then, mobile phones switch automatically to an alternative network for an emergency call if the user is outside their own service provider’s coverage area. Emergency mobile roaming was the result of co-ordinated efforts between mobile network operators, emergency authorities, the call handling agents and Ofcom.

4.116 We provide an update on last year’s emergency SMS trial in the spotlight section below.

95 http://stakeholders.ofcom.org.uk/consultations/review-relay-services/
Spotlight – emergency SMS made permanent in 2011

Emergency SMS gives deaf and speech-impaired people the ability to contact the emergency services urgently while away from home, using mainstream technology and a 24/7 relay service.

Following a highly successful voluntary trial, emergency SMS using 999 and 112 is now a permanent service in the UK. It was mandated by Ofcom in March 2011 in order to safeguard the service for the people who rely on it.

In order for disabled people to benefit from emergency SMS, they must be aware of it. We therefore also imposed an obligation on communications providers to publicise this service alongside other services for disabled people. More than 18,500 people have now registered for the service.
Section 5

Consumer empowerment

Introduction

5.1 The benefit available to consumers in competitive markets is driven by their ability to actively engage and participate in markets. Active engagement and participation may involve consumers knowing what services, providers and technologies are available, consumers comparing services in terms of price and quality and consumers seeking out new services and technologies. We describe consumers who do some or all of these things as ‘empowered’.

5.2 In the following section we consider the level of consumer engagement and participation in the communications market, switching suppliers, awareness of information sources and ease of making cost comparisons. We also outline our work in this area.

Ofcom research

Participation

5.3 Our research measures participation in the communications market by taking into account the wide range of ways in which a consumer can participate, including: switching suppliers, negotiating with current suppliers, staying informed, and being aware of changes in the markets. In addition to the standard demographic analysis we consider consumers according to their degree of ‘participation’ (which considers both past and present behaviour) set out below:

- **Inactive consumers** – who may have had some past involvement, but have low interest in the market. This group does not keep up to date with the market.
- **Passive consumers** – more likely than inactive consumers to have participated in the past and indicate some current interest in the market.
- **Interested consumers** – while broadly similar to passive consumers in terms of their past behaviour, they are more likely to keep an eye on the market, looking out for better deals.
- **Engaged consumers** – the most active group in terms of past behaviour and current interest.

5.4 Participation levels have remained stable over the past twelve months, confirming the fall in the proportion of ‘engaged consumers’ noted in the fixed-line, mobile and bundled services markets last year. The level of ‘engagement’, particularly but not exclusively in the mobile market, is likely to have been influenced by the increase in take-up of longer contracts (the participation index only takes account of switching in the past 12 months).

5.5 Across all the markets measured in this report the fixed broadband and bundle markets continue to demonstrate the highest levels of engagement, followed by the mobile market. The fixed-line market reports the lowest levels of engagement.

5.6 A factor likely to affect participation levels is the age profile of consumers in each market. Both the mobile and broadband markets grew between 2009 and 2010 with
significant growth amongst those aged 65+; a group who on average is less engaged than others.

Figure 34: Participation segments

Source: Ofcom Switching Tracker July to August 2007-11. Base: UK adults aged 16+. See research report (Figure 116).

Switching

5.7 The number of consumers purchasing a single service who claim to have switched their supplier in the past 12 months is broadly similar to last year across all four services. However, overall, switching in the standalone fixed-line, mobile and broadband markets has declined since 2008.

Figure 35: Switching in communications markets in the past 12 months

Source: Ofcom Switching Tracker, July to August 2007-11. Base: UK adults aged 16+. See research report (Figure 117).

5.8 Switching levels vary by market. In the mobile market, they are largely affected by the type of package being purchased (i.e. pre-pay or mobile contract) and by consumer age. Historically, pre-pay customers have tended to be less engaged, with lower usage and older age profile. Given the continuing shift towards contract packages by younger pre-pay customers, the profile of those remaining on pre-pay is becoming older and therefore increasingly likely to be less engaged. For the growing proportion of contract customers, switching levels have been, and will continue to be, influenced by longer contract periods.
5.9 Switching levels in each of the fixed-line and broadband markets are likely to have been impacted by the bundle market. The more engaged consumers in each of these markets tend to switch their service into a bundle – leaving a larger proportion of less-engaged consumers in each of these standalone markets.

5.10 Switching in the multichannel TV market is different from switching in other communications markets, because not all consumers are tied to a provider. Services such as Freeview allow consumers to purchase equipment for a one-off payment without any supplier relationship. If consumers then decide to use an alternative platform/supplier for their TV services they are free to do so without cancelling their existing service.

5.11 The proportion of consumers who said that they had switched main provider or platform in the multichannel TV market in the past 12 months stands at 2%.

5.12 Consumers were asked whether they had ever switched certain utilities suppliers. Telecoms markets tend to report lower levels of ‘ever switched’ than each of the electricity, gas and car insurance markets but higher than for bank accounts. The level of switching in the car insurance market rose to nearly three-quarters over the past 12 months, possibly affected by the significant changes that have been made to policies over that period.

Figure 36: Proportion of customers who have ever switched communications and utilities providers

Source: Ofcom Switching Tracker July to August 2008-11.
Base: UK adults aged 16+. See research report (Figure 133).

5.13 Most consumers who have switched in the past said that they considered it to be ‘very’ or ‘fairly’ easy to do so, in each of the communications markets. However, a higher proportion of consumers said they found it ‘very’ or ‘fairly’ difficult to switch the provider of services in their bundle, compared to the other communications services. Given that the vast majority of bundle switchers (91%) said they had switched both their fixed-line and fixed broadband services, it is possible that this higher stated difficulty relates to managing multiple switching processes.
Negotiating with suppliers

5.14 Switching suppliers is not the only measure of participation in the market. It is important to measure the extent to which consumers are negotiating packages with their current supplier.

5.15 Negotiating with providers varies by market, with consumers in the mobile contract market being most likely to do so and most likely to be successful, closely followed by the bundled market.

5.16 In total, 91% of mobile customers said they had never negotiated – higher for pre-pay (97%) than contract (87%), and 9% of contract customers have been successful in their negotiations. For bundled services, 10% had tried to negotiate and 7% had been successful.

5.17 Negotiating in each of the other communications market was less common – 7% had tried to negotiate a deal with their broadband provider and 4% were successful, 6% attempted to negotiate with their pay-TV provider and half of these were successful, and 4% tried to negotiate with their fixed-line provider and, again, half of these were successful.

Price comparison

5.18 Being able to compare prices and costs enables consumers to find the best deals and supports switching of suppliers.

5.19 There is some evidence to suggest that consumers are now willing to spend more time looking for a ‘good deal’ than before, and the internet aids this process.
recent survey[^96] found that about three-quarters (74%) of adults agreed that they “…make more effort than in the past to find the best deal” and 86% agreed that “the internet means it's easier than in the past to find the best deal”. Although this survey was not solely focused on communications markets, it provides useful insight into the general views of consumers in terms of purchasing behaviour and spending patterns.

5.20 Specifically in relation to the communications market, consumers are more likely to say it is easy to make cost comparisons in the fixed broadband (72%) and bundled (71%) markets than in other markets. This compares to around two-thirds of mobile customers (67%) and six in ten fixed-line (58%) and digital TV consumers (59%), who believe it is easy to make cost comparisons.

**Broadband speeds**

5.21 An important broadband service feature is speed. In recent years there has been strong evidence of consumer concern about their speeds not meeting expectations, but over the past 12 months the proportion of consumers expressing concerns has declined (from 35% in 2010 to 30% in 2011)[^97]. This may indicate that some consumers are achieving faster speeds, or that they now have more realistic expectations of their internet services although there is still some way to go.

5.22 Overall satisfaction with speed has remained relatively stable since 2008 at around 80%, with around one in ten dissatisfied; however, the proportion ‘very satisfied’ has been in decline since 2008. Ofcom’s broadband speeds research in 2011 showed that significant gaps remain between advertised speeds and achieved speeds, but encouragingly, this gap is narrowing.

![Figure 38: Satisfaction with speed of broadband service, over time](image)

Source: Ofcom communications tracking survey Q1 2008-11.
Base: UK adults aged 16+ with broadband internet at home. See research report (Figure 99).

**Trusted sources of information**

5.23 A variety of sources of information about communications services are available to consumers.

[^97]: See figure 167 in the *Consumer Experience Research Report*. 
5.24 The internet continues to be the most-mentioned source of information about all communications services, and, as stated above, is considered by many to make it easier to get the best deal. However, there has been a year-on-year increase in the proportions citing personal contacts and suppliers as information sources.

5.25 When sources of trusted information are broken down further, in all markets, the internet ‘in general’ is the largest source of information. This is followed by recommendations from family and friends. Sixteen per cent visit shops for advice about mobile phone technology, services and suppliers, and 10% use cost comparison websites to find advice on the internet and bundled services.

**Ofcom’s work**

5.26 Ofcom believes that competition delivers the best deal for consumers. But in order for consumers to benefit from competition, they need to have the knowledge and confidence to exercise choice and derive benefit from doing so.

5.27 Ofcom is currently working in a number of areas in relation to consumer engagement and empowerment, and these areas of work are outlined below. This relates mainly to improving consumer information on a variety of aspects of the communications markets, but also includes our work on ensuring that the switching processes work well for consumers.

**Consumer information**

5.28 Consumer information plays a critical role in competitive markets. If consumers are not fully informed about the services available to them, they may make incorrect decisions and/or be reluctant to switch. Some consumers do not find it easy to make informed decisions and compare services. This may be because appropriate information does not exist, or is not easily accessible to them or because the information they are presented with is complex, difficult to interpret and accessible in a number of different places.

5.29 Where these problems occur, Ofcom has a role to help consumers make effective choices based on easily available and accessible information. This is in line with our principal duty to further the interests of citizens and consumers, where appropriate by promoting competition.

5.30 Ofcom’s work in this area over the past 12 months has focused on: accreditation of price comparison websites; publication of provider-specific complaints and customer service data; raising awareness/improving expectations on broadband speeds, including traffic management/net neutrality; simplifying switching processes; and reducing the level of confusion around the costs of calls to non-geographic numbers. Each of these is discussed in more detail below.

5.31 Ofcom is also undertaking further work to identify and evaluate conditions in which consumer information remedies in the communications sector may be effective and conditions where they may not work. The work is based on a combination of desk research and stakeholder interviews to explore approaches taken by other industries and industry regulators, as well as drawing on Ofcom practice. The work will include the role of information provided by the regulator, product/service provider, and intermediaries.

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98 See figures 142 and 143 in the *Consumer Experience Research Report*. 
Price accreditation scheme

5.32 As reported above, around a third of mobile, internet and pay-TV consumers find it difficult to make cost comparisons. Alongside this, the internet is considered the most trusted source of information.

5.33 To help consumers get accurate, transparent and comprehensive advice in an accessible way, we launched a revised accreditation scheme in December 2006 for calculators used by price comparison companies.

5.34 Companies can apply to Ofcom for accreditation of their price comparison calculator. The accreditation process involves Ofcom running an independent audit of the company’s price calculator, which, if successful, may then be accredited by Ofcom. Once accredited, these companies can display the Ofcom price accreditation scheme logo (below) on their websites, and in any publicity campaigns.

5.35 To date, we have accredited seven organisations, two of which have been accredited in the past 12 months (Mobilife and Cable.co.uk):

- Homephonechoices.co.uk (www.Homephonechoices.co.uk);
- BillMonitor (www.billmonitor.com);
- BroadbandChoices (www.broadbandchoices.co.uk);
- Simplify Digital (www.simplifydigital.co.uk);
- Broadband.co.uk (http://www.broadband.co.uk/);
- Mobilife (www.mobilife.com); and
- Cable.co.uk (www.cable.co.uk)

5.36 Consumers can get access to information from these accredited price comparison calculators about the mobile, broadband, landline and TV markets, and be confident that it is accurate, up to date and comprehensive.

Satisfaction with customer service / Complaints received by Ofcom’s Consumer Contact Team

5.37 Ofcom’s Consumer Contact Team (CCT) is the main point of contact for consumers wishing to seek out advice or make complaints to Ofcom about problems in the communications market. Consumers can contact the CCT by phone, internet or post. The CCT receives around 14,000 phone calls from residential and business consumers every month, a large proportion of which are defined by the consumer as a complaint. Calls are dominated by telecoms issues (c 10,000 per month).
5.38 For some time now Ofcom has published some CCT data either in our *Telecoms Complaints Bulletins*[^99] or in our *Consumer Experience* reports. The data illustrate the level and types of complaints received by Ofcom across all the communications markets.

5.39 In April 2011, we published our CCT data by service provider, and we intend to continue this with quarterly updates. The second edition of provider-specific complaints was published in September 2011 and the third wave is due to be published in December 2011.

5.40 We recognise that no single source of information can give consumers a full picture of the relative performance of service providers. Therefore, in addition to the regular publication of Ofcom complaints data we have published two research reports (in February 2011 and November 2011) which compare levels of satisfaction with individual providers’ customer service. These reports provide a broader picture of complaints handling, across the communications market, than can be provided through analysis of CCT data alone.

5.41 While our telecoms complaints data have a number of important limitations[^100], we believe that this information, along with market research on customer satisfaction, and pricing data from Ofcom-accredited websites, provides consumers with some helpful comparative information to make informed choices about their communications services.

**Broadband speeds/Code of Practice**

5.42 We have continued to ensure that consumers have access to information on broadband speeds. This builds on our work in relation to the publication of comparative complaints data, and also the amendments made to the Broadband Code of Practice through which Internet Service Providers (ISPs) have committed to provide specific types of speeds information at the point of sale.

5.43 Ofcom has published two sets of fixed-line broadband speeds research this year, based on data collected in partnership with broadband measuring company SamKnows. The first, in March[^101], included speeds data captured during the previous November. The second, covering data captured in May, was published in July 2011[^102] and shows that average actual broadband speeds in the UK were 6.8Mbit/s, a 0.6Mbit/s (10%) increase on the November 2010 speeds. This increase in average speeds is the result of consumers increasingly moving to faster broadband services. However for ADSL broadband in particular (i.e. broadband delivered over the copper phone line which runs from the telephone exchange to the consumer’s premises) there is still a large gap between the actual speeds delivered and the ‘up to’ speeds advertised – our research found that 69% of consumers on ‘up to’ 20 or 24Mbit/s ADSL services received average speeds of less than 8Mbit/s.

5.44 This year Ofcom also published research into the speeds delivered by mobile broadband networks (based on data collected in Q4 2010 in partnership with

[^99]: Available at [http://stakeholders.ofcom.org.uk/enforcement/telecoms-complaints-bulletin/](http://stakeholders.ofcom.org.uk/enforcement/telecoms-complaints-bulletin/)

[^100]: There are three key limitations: (1) The data only covers complaints that consumers have chosen to report to Ofcom and does not represent complaints made to providers directly; (2) The complaints reflect the views of consumers as reported, we do not check the veracity of each complaint; and (3) Contact with Ofcom may reflect the relative quality of complaints handling services, as well as the quality of service received.


5.45 The move to faster headline speeds has led to a growing gap between the actual speeds delivered and the speeds that some ISPs use to advertise their services, though our most recent research showed that the gap has reduced. The differences between headline and actual speeds are most prevalent when broadband is delivered over copper lines that were originally designed for phone calls, and speeds slow down over long and poor quality lines; and because of electrical interference.

5.46 Ofcom responded by encouraging ISPs to provide more information before a customer signs up to any given speeds package. In July 2011, a new Code of Practice (agreed with industry the previous year) came into force. The new Code is an updated version of the one agreed in 2008, and requires providers to give consumers a more accurate estimate of speeds. The ISPs signing up to the 2010 Code have committed to providing a speed estimate in the form of a range. Eighteen providers have signed up and confirmed implementation of the revised Code.

5.47 The new Code also gives consumers who have been given inaccurate information about speeds the power to terminate their contracts in certain circumstances. It represents a significant step towards ensuring that consumers have a much more accurate expectation of the speed they are likely to receive. This is particularly important as speeds are still being advertised as a headline figure (e.g. ‘up to 8Mbit/s’ and ‘up to 24Mbit/s’) which is potentially misleading. Ofcom will conduct some mystery shopping over the coming months to ensure that ISPs are providing consumers with information that complies with the commitments made by ISPs to the Code.

5.48 As noted above, Ofcom continues to be concerned that theoretical ‘up to’ speeds have the potential to mislead consumers. Earlier this year Ofcom recommended to the Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP), the committees that write the advertising codes administered by the Advertising Standards Authority, that a typical speeds range (TSR) should be included in advertisements by ISPs which advertise the speed of their services. The CAP’s new guidance on broadband speeds advertising, published in September, contains a number of recommendations which will reduce the potential for consumers to be misled and we welcome these. But we are disappointed that it appears impossible to establish a single, clear and consistent TSR. Our view is that this is the best way to ensure that consumers can compare the wide range of packages that are available. We will watch closely to see how broadband providers implement the CAP guidance, as well as how the ASA uses it to tackle potentially misleading adverts, so that consumers get the right information before they buy.

Net-neutrality / traffic management

5.49 The fast pace of the internet market, in terms of increased availability and greater access to faster speeds, has delivered substantial benefits to consumers, and has increased user demand for bandwidth.

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5.50 These changes have created a challenge for network operators who must now consider how best to meet the new demands. Depending on the commercial rationale, they may respond by investing in new capacity, and/or by rationing existing capacity - which can include using traffic management techniques.

5.51 Managing data traffic to ration network capacity is neither new nor unusual; it is often inefficient to provide sufficient network capacity for all eventualities. Rationing capacity can also be used to protect safety-critical traffic such as calls to the emergency services, or to prioritise delay-sensitive traffic. Yet traffic management could also be used to limit capacity or restrict access to certain applications for reasons other than network efficiency, and so can give rise to consumer protection and competition concerns.

5.52 The debate about the uses of traffic management has taken place globally. In Europe it has been shaped by the Revised Framework which gives all European National Regulatory Authorities (NRAs) harmonised duties and powers in relation to consumer protection and traffic management. Under the Communications Act 2003, Ofcom has powers to impose various obligations, including to introduce specific requirements for greater transparency of traffic management and to impose a minimum quality of service.

5.53 Ofcom published a discussion paper on 24 November 2011 examining the issues surrounding managing web traffic and what can be done to improve consumer awareness and understanding.

Understandable information is necessary for all consumers

5.54 We believe that, in the first instance, effective competition amongst ISPs should deliver the benefits provided by the internet. However, this requires that consumers have access to sufficient, clear and understandable information on (among other things) providers’ traffic management policies, in order to make informed choices between providers; they must also be able to act on this information by switching providers where appropriate. A number of ISPs have recognised the need to provide clearer information to consumers on traffic management and this has led to the development of a traffic management transparency code. The aspect of the code relating to traffic management requires signatories to provide a ‘key facts indicator’ (KFI) on their websites, setting out their traffic management policies. If properly implemented, and complied with by all providers, this has the potential to provide appropriate, comparable and current information. However, the technical nature of the KFI means that it will not, by itself, provide information that is accessible to, and understandable by all consumers.

5.55 There is therefore, a challenge about how best to provide comprehensible information to all consumers. For the current self-regulatory approach to be effective,

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105 The Revised Framework now includes changes that enable regulators to enhance consumer protection, by requiring greater transparency as to the use of traffic management by network operators, and to protect the quality of ‘best efforts’ internet access by setting a minimum quality of service.


107 [http://www.broadbanduk.org/content/view/479/7](http://www.broadbanduk.org/content/view/479/7)

108 The KFI is a voluntary commitment by the major fixed and mobile UK ISPs to provide better and more easily comparable information in relation traffic management policies which has been led by the Broadband Stakeholder Group. The information will be provided in the form of a table outlining what services might be prioritised or slowed down at peak times, download caps and limits as well as a breakdown of traffic management used on different traffic types.
ISP need to consider how best to provide information that is accessible and understandible. We would like to see ISPs approach this challenge creatively, drawing on their own experience, and also on the lessons that can be learned from the sale of other complex products. We will monitor progress, and keep under review the possibility of issuing further guidance on transparency in relation to traffic management policies.

**Improving switching processes**

5.56 Our work is not limited to tackling informational barriers to switching; we are also active in other areas: ensuring consumers are able to **port their phone numbers** quickly and easily, and that **switching processes** ensure that the switching experience is as ‘hassle-free’ as possible for the consumer.

**Number portability**

5.57 On porting of numbers, we have made some changes to the process, to improve the consumer experience. Following a statement published by Ofcom in July 2010, from April 2011 mobile operators must ensure that it takes no more than one working day for a consumer to transfer their number to a new provider. They are also required to provide a porting authorisation code (PAC) immediately over the phone when a consumer requests it, or within two hours if provided by text message (SMS).

5.58 The requirement for porting to take place in one working day was also extended to the porting of fixed numbers, as part of a number of measures introduced to implement the revised EU Framework. In particular, for landline customers, the activation of their ported number must take place within one working day from when their new provider requests that activation from the customer’s existing provider. In addition, communications providers were required to put in place schemes which give reasonable compensation to subscribers following any porting delay or abuse. These requirements came into effect in May 2011.

**Switching processes**

5.59 Over the past year, we have made further progress in our consumer switching project by focusing on potential changes to the processes for switching fixed voice and broadband services on the Openreach network. Our aim is:

- to make an individual consumer’s experience of switching easy and free from unnecessary hassle, both now and in the future.
- to ensure that switching processes do not get in the way of providers competing with each other to deliver benefits to all consumers in terms of lower prices, greater choice and innovation and value for money.

5.60 In September 2010 we published an initial consultation on our strategic review of switching processes. We identified, when starting from first principles and if there were no existing processes in place, that consumers and competition would be best served by switching processes which are led by the gaining provider (i.e. the provider to which the consumer intends to switch). We highlighted the significant benefits that harmonised switching processes could bring for consumers. We acknowledged that improvements to the switching processes would need to take account of the costs of

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migrating from the current processes. Therefore in 2011 we have worked with industry (through the Switching Working Group – SWG) to evaluate the costs and benefits of options to improve current switching processes. These options have been supplemented by further work and we will consult on improvements to switching processes early in 2012.

Non-geographic numbers

5.61 Non-geographic numbers are those in the 03, 05, 080, 0843/4/5, 0870/1/2/3, 09, 118 and 116 number ranges. These numbers differ from geographic numbers, starting 01 and 02, in that they do not relate to a geographic location in the UK. They are generally used by businesses or organisations to provide consumers with access to their services including banks, General Practitioners (GPs), local Councils or voting lines for a TV show.

5.62 Following evidence to suggest that consumers are confused about what these numbers mean and how much they cost to call, Ofcom launched a consultation in December 2010 which aimed to explore ways of simplifying non-geographic numbers and improve consumers’ confidence in using these numbers.\(^{111}\)

5.63 We are concerned that some consumers who find the current system confusing may seek alternative methods to access these services (at a higher cost or a greater level of inconvenience) and others may incur higher costs than they had expected (due to their lack of awareness of costs). We are particularly concerned about the possibility that vulnerable consumers may be more disadvantaged, due to the higher costs associated with calling these numbers from mobiles; a quarter of those in socio-economic group DE\(^{112}\) live in mobile-only households.

5.64 Our initial consultation proposed several approaches to address these concerns. In particular, we proposed to simplify non-geographic number ranges, by rationalising the charges for non-geographic numbers and making 080 (‘freephone’) calls genuinely free to the caller (at present, these calls are typically charged for from mobiles). We also proposed standardising the way charges for these calls are presented to consumers – to improve transparency and consumer awareness of the price for these calls.

5.65 We received over 120 responses from a wide range of stakeholders, including telecoms industry players, consumer groups, government organisations, service providers, trade bodies and others. We have reviewed these responses, and undertaken further information gathering and analysis to help refine our proposed approach. We are also publishing several further pieces of analysis, including an econometric study by London Economics and University College London on the likely reaction of consumers to our proposed method of standardisation (‘unbundling’ - splitting the retail price into an ‘access’ and ‘service’ charge)\(^{113}\).

5.66 We plan to publish a further consultation, setting out our more detailed proposals on how to proceed, alongside a proposed roadmap for implementation, in the first quarter of 2012.

\(^{111}\) [http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-numbers/](http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-numbers/)

\(^{112}\) See Glossary for definitions of all socio-economic groups.

\(^{113}\) [http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/interventions-non-geographic.pdf](http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/interventions-non-geographic.pdf)
Section 6

Consumer protection

Introduction

6.1 A central role for Ofcom is to protect consumers from harm in the communications markets. We aim to achieve this by ensuring that our policies protect consumers from scams and sharp practices that can result in anxiety and financial harm, and where they do occur, we aim to ensure that they are dealt with effectively.

6.2 This section outlines the types and levels of complaint that consumers are making to us through our Consumer Contact Team (CCT) and consumers’ personal experience of problems in the communications sector. These two data sets complement each other and provide a broader picture of the issues facing consumers than can be provided by CCT data alone. We then discuss our work and policies in this area.

Consumer Contact Team (CCT) cases

6.3 As mentioned above Ofcom’s CCT is the main point of contact for consumers wishing to seek out advice or make complaints to Ofcom about problems in the communications market.

6.4 In September 2011 the monthly average of telecoms complaints was lower than in September 2010, continuing the decline in the number of telecoms contacts (in September 2009 they averaged 10,000 per month). The chart below illustrates the number of complaints specifically relating to telecoms issues, including internet/broadband services, compared to the other types of complaints that the CCT receives. Complaints about spectrum issues have also been in decline over the last couple of years – down from an average of 6000 per month in 2009 and 2010 to around 2000 per month in the latter half of 2011.

Figure 39: Number of complaints received by Ofcom: 20010-11, by month

Source: Ofcom, CCT data. See research report (Figure 151).

Source: Ofcom, CCT data. See research report (Figure 151).
6.5 Broadcasting complaints continue to be dominated by complaints about content. Complaints about *Big Brother*, and more recently, *The X Factor*, have consistently driven broadcasting complaints; high levels of complaints have been received over the past year due to *The X Factor*, and the World Cup coverage. Complaints about radio broadcasting have remained at a low level throughout the year. More information can be found in the *Broadcast Bulletins*, published on Ofcom’s website[^114].

**Figure 40: Trend in complaints about telecoms issues received by CCT**

Source: Ofcom, CCT data. See research report (Figure 152).

6.6 Complaints to Ofcom about telecoms services related to a variety of issues and varied from month to month between 2009 and 2010.

6.7 Silent calls, complaints handling and mis-selling in the fixed-line market continue to be the pre-eminent categories of telecoms complaints received by CCT in the year to September 2011.

6.8 Over the course of 2010-2011 CCT complaints about silent calls have risen, with a particularly sharp increase (from 590 to 1,924) between January and February 2011. Since then silent calls have been the most complained-about issue in telecoms. Further detail on our work in this area is outlined below.

6.9 Complaints about mis-selling/slamming in the fixed-line market have declined in the past 12 months. Further detail on our work in this area appears below.

6.10 Complaints about customer service have consistently appeared among the top three issues since June 2009, with just under 900 complaints in September 2011. These include categories such as complaints being ignored, refusal to escalate complaints...

[^114]: [http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/](http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/)
to managers and incorrect information being given. Details of our work in this area, and the impact on the quality of customer service, are set out below.

6.11 Complaint numbers about other issues have remained level or slightly increased.

Consumers’ experience

6.12 In order to get a broader picture about the extent of the problems being complained about to Ofcom we have continued to conduct consumer research. The resulting data help us to understand how many adults in Great Britain (GB) have personally experienced particular problems in each of the communications markets in the past six months, regardless of whether or not they have complained about them.

Fixed\textsuperscript{115}

6.13 Just under a quarter (23%) of GB adults with a fixed line say they have personally experienced a silent call in the last six months – down from 31% in 2010. The data indicates that the proportion of adults who have personally experienced a silent call in the past six months is significantly higher than the proportions who have complained to Ofcom about it, although this gap appears to be closing. This suggests that although incidence levels are in decline, consumers are more inclined /aware of the ability to make a complaint.

6.14 For the first time this year we asked about the experience of receiving an unexpectedly high fixed-line bill. Three per cent of adults claim to have experienced this in the past six months.

Mobile\textsuperscript{116}

6.15 Four per cent of GB mobile users said they had received a silent call on their mobile in the past six months (a decline from 9% in 2010).

6.16 Personal experience of abandoned calls on a mobile has also declined over the past year, from 10% to 4% of mobile users.

6.17 In the mobile market the proportion of consumers receiving an unexpectedly high mobile phone bill in the last six months stood at 3% (5% among contract customers).

Internet\textsuperscript{117}

6.18 As in previous years, the most commonly-experienced problem in the internet market is broadband speed being slower than expected, although the proportion stating this has declined from 35% in 2010 to 30%.

Broadcasting\textsuperscript{118}

6.19 Seventeen per cent of GB adults said they had personally experienced poor TV reception in the past six months.

\textsuperscript{115} See figure 165 in the \textit{Consumer Experience Research Report}.
\textsuperscript{116} See figure 166 in the \textit{Consumer Experience Research Report}.
\textsuperscript{117} See figure 167 in the \textit{Consumer Experience Research Report}.
\textsuperscript{118} See figure 168 in the \textit{Consumer Experience Research Report}.
6.20 Personal experience of poor radio reception in the last six months is significantly lower than for TV, at 5%. The proportion of GB adults who have been offended by language on the radio has steadily fallen (from 5% in 2009 to 1% in 2011).

General issues\textsuperscript{119}

6.21 Respondents were also asked about some general problems that they might have experienced in the past six months:

- 4\% had personally experienced difficulties resolving a problem with one of their communication services providers/ supplier (down from 9\% in 2009);
- 2\% experienced problems with security/access to personal information; and
- 4\% stated that they had been a victim of people making transactions using their bank details.

Ofcom’s work

6.22 We have a wide range of work aimed at protecting consumers from scams and unfair practices. These tend to take the form of three types of harm:

- **Entering contracts**: Consumers entering into contracts or signing up to/using services they have not fully consented to. Examples here include our work on fixed and mobile mis-selling and international calling cards.
- **In service issues**: Harm from process problems and harm once service is being provided. Examples include problems with silent and abandoned calls, sales and marketing calls, making complaints, premium rate services and ‘bill shock’.
- **Exiting contracts**: Consumers facing difficulties leaving providers. Examples here include our work on early termination, mobile number portability, Migration Authorisation Codes (MACs) and automatically renewable contracts.

6.23 Our work examining these areas is set out in more detail below.

Entering contracts

Fixed-line mis-selling

6.24 Ofcom first introduced rules to protect consumers from mis-selling/ slamming in May 2005\textsuperscript{120} and updated these in March 2010. The rules ensure that providers of fixed-line voice services establish, and comply with, sales and marketing codes of practice that are consistent with published Ofcom guidelines, and also afford consumers better protection from mis-selling/ slamming\textsuperscript{121}.

6.25 The current rules, called General Condition 24

- explicitly prohibit inappropriate sales and marketing activity;
- confirm the type and level of information that must be made available to new customers both at the point of sale and after the sale has been concluded (but

\textsuperscript{119} See figure 169 in the Consumer Experience Research Report.

\textsuperscript{120} Slamming is an extreme form of mis-selling, where customers are simply switched from one company to another without their express knowledge or consent.

\textsuperscript{121} http://stakeholders.ofcom.org.uk/binaries/telecoms/policy/narrowband/statement.pdf
before the service has actually been transferred). This includes providing important information about the key terms and conditions of the service, including contractual liabilities and cancellation rights; and

- specify record-keeping requirements for sales and marketing activities.

6.26 General Condition 24 also introduced obligations which apply to those communications providers who use “Cancel Other”\(^{122}\) to cancel orders placed by others, to protect their customers from slamming.

6.27 Since 2005, we have undertaken programmes of active compliance monitoring and enforcement through an industry-wide investigation with applicable rules. As part of this programme we monitor allegations of mis-selling in order to identify companies whose sales and marketing activities may potentially require further investigation. These investigations allow us to take action, where necessary, to protect the interests of consumers.

6.28 We measure fixed-line voice mis-selling issues using two different measures:

- Ofcom’s own mis-selling complaints data; and

- The volume of orders cancelled by providers following allegations of slamming by customers (i.e. Cancel Other).

6.29 To date we have conducted 19 investigations into mis-selling and related issues. As a result of those investigations, we have issued twelve contravention notifications, the most recent of which was issued to TalkTalk Group Ltd in May 2011. We have also fined two companies (Lo-Rate Telecom\(^{123}\) and most recently Telephonics Integrated Telephony Ltd\(^{124}\)) the maximum 10% of their relevant turnover and resolved problems with several providers without the need for formal notification.

6.30 There has been some reduction in complaints since the introduction of General Condition 24\(^{125}\). Currently Ofcom receives in the region of 700 mis-selling/slamming complaints per month.

6.31 In addition to the overall reduction in complaint volumes, our analysis of alleged slamming complaints indicates that a significant number of cases received were actually driven by deficiencies in switching processes, primarily the industry’s home-movers process, rather than by mis-selling. The result of these process-based problems is that consumers’ telephony services are erroneously switched to a new provider, without their knowledge or consent.

6.32 We have been working closely with the Office of the Telecoms Adjudicator (OTA), Openreach and the industry, as a priority, to remedy these problems, putting in place tactical fixes in the short term while we design and implement more robust strategic solutions for the longer term.

\(^{122}\) Cancel Other is a function that enables losing communications providers to cancel a request for transfer but only in certain circumstances, e.g. the customer is a victim of slamming.

\(^{123}\) http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_857/.

\(^{124}\) http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_01028/.

\(^{125}\) Fixed-line voice mis-selling/slamming complaints falling from 1060 in April 2010 to 732 in September 2011.
6.33 The first tactical solution was delivered at the end of 2010, with the introduction of the OTA’s *Homemovers Working Line Takeover Best Practice Guide* (the Guide). This comprehensive document sets out the steps that communications providers can take to prevent the avoidable and unnecessary harm caused when the working line takeover process goes wrong. Alongside the Guide, we have worked with the OTA and Openreach to introduce an industry process that allows providers to transfer consumers back to their provider of choice as soon as possible, when things go wrong. This process was made available to providers in November 2010.

6.34 We consider that industry-wide compliance with the Guide should have a very positive effect in reducing the incidence of these ‘erroneous transfers’ and the consequent consumer harm that they cause. However, having measured the extent to which the Guide has had a successful impact on complaint numbers to date, we are concerned that the anticipated improvement has not been realised as quickly as we hoped.

6.35 We are currently testing the feasibility of various options which could be developed into strategic fixes for implementation if the voluntary requirement to comply with the Guide fails to deliver the desired reduction in complaints.

**Mobile mis-selling**

6.36 In late 2006 mobile mis-selling became a significant area of concern, particularly around sales incentives in which some consumers were unable to receive cash-back offers they had signed up for. Since mid-2008, when Ofcom published its consultation document proposing new rules (a General Condition) for mobile providers regarding mobile sales and marketing, there has been a downward trend in mobile mis-selling complaints. Specifically (apart from a contained increase around the beginning of 2011), mobile cash-back complaints have remained a very low proportion of all mobile mis-selling complaints throughout the period shown. 2011 has, however, seen a slight upward trend in mobile mis-selling complaints in comparison to 2010 levels and, as such, Ofcom has taken action to understand the causes of this, as described below.

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127 Working line takeover was originally introduced by Openreach to help providers ensure consumers moving house could arrange for their new services at the new address to be delivered to coincide with the house move, in a seamless manner at minimal cost.

6.37 General Condition 23 (GC23), which came into force in September 2009, introduced new rules to ensure that mobile service providers do not engage in dishonest, misleading or deceptive conduct at the point of sale. Providers who breach the rules can be fined up to 10% of relevant turnover.

6.38 On the introduction of GC23, Ofcom opened a monitoring and enforcement programme to ensure industry compliance with the GC. As a result of the programme there was a reduction in complaint levels and Ofcom decided to close the programme in March 2010.

6.39 We have since continued to monitor complaints and a recent rise prompted Ofcom to open its first investigation under GC23 into Everything Everywhere (trading as Orange) in late September 2011. This investigation is currently ongoing and investigations of this nature typically take around six to eight months to complete.

International calling cards – Nowtel

6.40 This year, under the international calling card monitoring and enforcement programme, Ofcom opened an investigation into international calling card company Nowtel Management UK Limited.\textsuperscript{129}

6.41 We found that Nowtel’s advertisement of its international calling cards was likely to constitute misleading actions and misleading omissions, in potential contravention of the Consumer Protection from Unfair Trading Regulations 2008 (CPRs).

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\textsuperscript{129} \url{http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/cases-in-compliance/cw_01069/}
6.42 Ofcom engaged in consultation with Nowtel to bring the potential contraventions to an end and to ensure there would be no repetition of those potential contraventions in the future. The outcome of this consultation was that Nowtel gave, and Ofcom accepted, undertakings to address these issues, including making changes to Nowtel’s advertisements to make its pricing, and terms and conditions, clear.

6.43 Ofcom intends to continue its work in relation to calling card companies to ensure that they provide clear information to consumers and fair terms and conditions.

**In service issues**

**Abandoned and silent calls**

6.44 Most abandoned and silent calls may not be made with malicious or mischievous intent but are generated by technology used by call centres to automate the manual processes associated with physically making a call. However, regardless of their origin, these calls can still understandably cause annoyance, inconvenience and anxiety.

6.45 On 1 October 2010 we published a revised policy statement on Ofcom’s enforcement priorities in relation to the persistent misuse of an electronic communications network or service,\(^{130}\) including to further protect consumers from silent/abandoned calls. We continue to monitor the level of consumer harm caused by abandoned and silent calls.

6.46 We accept that some abandoned and silent calls may be generated by automated calling systems, but if companies comply with our policy these should only occur in very limited circumstances and consumer harm should be minimised.

6.47 We expect companies to follow all the principles set out in the revised policy statement from 1 February 2011. The new 24-hour policy that came into effect on this date prevents any company using answer-machine detection equipment more than once a day if an answer-machine is ‘detected’ on the first attempt. This means that consumers should no longer receive repeated silent calls from the same company over the course of a day. We continue to monitor and review complaints data in this area to identify companies against which we might need to take enforcement action.

6.48 In 2011 we have issued notifications under section 128 of the Communications Act 2003 to three companies – HomeServe, npower and TalkTalk\(^{131}\) – where we have reasonable grounds for believing that they persistently misused an electronic communications network or electronic communications services.

6.49 Following an increase in the maximum penalty level for persistently misusing an electronic communications network or electronic communications service by the government in September 2010, companies that, amongst other things, do not

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\(^{130}\) [http://stakeholders.ofcom.org.uk/consultations/silent-calls/statement/](http://stakeholders.ofcom.org.uk/consultations/silent-calls/statement/)
\(^{131}\) [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_905/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_905/)
comply with our abandoned and silent calls policy can be issued penalties of up to £2m.\textsuperscript{132}

6.50 Ofcom has on its website a consumer guide on how to deal with silent and nuisance calls.\textsuperscript{133} This outlines the steps that consumers can take if they receive silent and nuisance calls. We also continue to encourage companies that use call centres and call centre technology to make information available to consumers about how they can prevent silent calls.

6.51 There are indications that our work in this area is having an impact in reducing the level of consumer harm associated with these types of calls and increasing awareness of the ability to complain about them. So while CCT data shows a growing number of silent call complaints (figure 152 in research report), our consumer research suggests that the proportion of consumers receiving these types of calls is in decline (with abandoned calls down from 35% in 2009 to 23% in 2011 and silent calls down from 30% in 2009 to 24% in 2011).

Figure 42: Whether consumers experienced silent calls on fixed line in the past six months

Source: Ofcom consumer concerns tracker. Base: GB adults with a fixed line. See research report (Figure 165).

Sales and marketing calls

6.52 Under the Privacy and Electronic Communications (EC Directive) Regulations 2003 (“PECR”), Ofcom is required to maintain registers of the phone and fax numbers of people who do not wish to receive unsolicited direct marketing telephone or fax calls. Ofcom may arrange for a third party to discharge these functions.

6.53 The registers are currently maintained by the Telephone Preference Service Ltd (TPSL) – a subsidiary of the Direct Marketing Association (DMA), which provides the Telephone Preference Service (TPS), Corporate Telephone Preference Service (CTPS) and Fax Preference Service (FPS).

\textsuperscript{132} Other examples include misuse of automated calling systems, number-scanning, misuse of a CLI facility, misuse for dishonest gain – scams and misuse of allocated telephone numbers (for further detail please see A1.60 – A1.77 of the regulatory statement, \textit{Tackling abandoned and silent calls}).

\textsuperscript{133} \url{http://consumers.ofcom.org.uk/2009/08/silent-calls-2/}
6.54 It is a legal requirement that companies do not make direct marketing calls to numbers registered on the TPS list. Although Ofcom (or its designated third party) is required to maintain the list, the Information Commissioner’s Office (ICO) is the primary enforcer of PECR.

6.55 The number of complaints regarding the receipt of sales and marketing calls to consumers on the TPS received by Ofcom has remained below 70 per month on average over the past year.\textsuperscript{134}

Making complaints

6.56 Fair, transparent and effective complaints-handling processes both protect consumers and empower them in their dealings with providers. All communications providers in the UK are required under General Condition 14 to have complaints codes of practice that comply with standards set by Ofcom and provide access to an alternative dispute resolution (ADR) service approved by Ofcom.

6.57 ADR is, therefore, an important part of the consumer experience in communications markets. ADR schemes examine and make judgments about cases referred to them by consumers whose complaints are still unresolved after eight weeks. Such judgments can include a financial award and/or require the provider to take appropriate action. ADR can improve the outcome for those consumers whose complaints might otherwise be unduly lengthy or remain unresolved. It also gives communications providers additional incentives to improve their own complaints handling procedures and to resolve complaints quickly and effectively. There are two Ofcom-approved schemes:

- Ombudsman Services\textsuperscript{135}, and
- The Communications and Internet Services Adjudication Scheme (CISAS)\textsuperscript{136}.

6.58 To ensure that consumers can have their complaints resolved quickly and effectively, we established a number of new regulatory obligations during 2010 on communications providers, in the form of a Code of Practice (which came into force on 22 January 2011) and the requirement to improve consumer awareness of ADR (which came into force on 22 July 2011).

6.59 The new obligations require providers to:

- Comply with an Ofcom Code of Practice for Complaints Handling\textsuperscript{137}, which requires them, among other aspects, to:
  - ensure the fair and timely resolution of complaints;
  - have certain low-cost options for consumers to make a complaint; and
  - have a dedicated Code regarding their complaints process, which must be well publicised, including being no more than two clicks away from their primary webpage.

\textsuperscript{134} At the beginning of 2010 we started to use a metric that focused solely on complaints received that were strictly from citizens who were still receiving calls after the 30 day grace period after registration had passed.

\textsuperscript{135} \url{http://www.ombudsman-services.org}

\textsuperscript{136} \url{www.cisas.org.uk}

\textsuperscript{137} \url{http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/customer-code-practice/}
• write to consumers whose complaints have not been resolved within eight weeks
to inform them of their right to go to ADR; and

• include information about the availability of ADR on all paper bills.

6.60 We will be monitoring providers’ compliance with these obligations during 2012.

6.61 Throughout 2011, Ofcom has been conducting a periodic review of the two ADR
schemes, as required by the Communications Act 2003. This review has included:

• an assessment of the schemes against criteria set by Ofcom around
  accessibility, independence, fairness, efficiency, transparency, effectiveness and
  accountability; and

• a comparison of adjudications made at each scheme to understand if there are
  any significant differences in consumers’ experience of using either scheme.

6.62 We expect to announce the results of this review and proposed next steps in early
2012.

6.63 Another initiative aimed at improving complaints procedures and consumer
confidence and empowerment is the recently launched ParentPort website. Details of
the project are outlined in the following ‘spotlight’.
**Spotlight - ParentPort**

Ofcom and six other UK media regulators joined forces in July 2011 to create ParentPort, a new website aimed at helping parents, guardians and carers make their views heard on programmes, adverts, products and services they are concerned are unsuitable for children. ParentPort (www.parentport.org.uk) was launched in October 2011 to make it easier for parents to complain about material they have seen or heard across the media, communications and retail industries.

The website was jointly developed by Ofcom and the Advertising Standards Authority (ASA), the Authority for Television On Demand (ATVOD), the BBC Trust, the British Board of Film Classification (BBFC), the Press Complaints Commission (PCC) and the Video Standards Council (VSC). Ofcom has worked with these regulators because we share a common purpose – to help protect children from inappropriate material – and we are committed to helping parents make their views and concerns known.

ParentPort was created in response to Reg Bailey’s report of his *independent review of the commercialisation and sexualisation of childhood*, which recommended that regulators should work together to create a single website to act as an interface between themselves and parents.

ParentPort provides straightforward information on what parents can do if they feel they have seen or heard something inappropriate for their children. The site makes the process of making a complaint easier by directing parents to the right media regulator for their specific area of concern.

The website also provides a ‘Have Your Say’ section, which allows parents to provide informal feedback and comments which the regulators will use as an extra gauge of parental views. There is also advice on how to keep children safe online and what parents can do about other products like clothing and the display of magazines in shops.

In advance of ParentPort’s launch, we invited members of the parenting websites Mumsnet and Netmums to test the site and provide feedback. A total of 1,014 parents explored ParentPort. In summary, 96% said they would recommend ParentPort to others; 95% would visit it again; 90% gave the site an overall rating of excellent, very good or good; and 94% rated the ease of making a complaint to regulators as excellent, very good or good.

At its launch, ParentPort was welcomed by the Prime Minister and the Children’s Minister, Sarah Teather, as an important new tool for parents. Reg Bailey, Chief Executive of Mothers’ Union, and a number of other parenting groups, gave the site their strong support. In the first week of ParentPort’s operation, there were nearly 10,000 unique visitors to the site.

In the year ahead, Ofcom and the other regulators will continue to work together to ensure that as many parents, guardians and carers as possible are aware of ParentPort.
The Consumer Experience: Telecoms, Internet and Digital Broadcasting 2011

Watershed

6.64 As part of Ofcom’s ongoing work on the enforcement of the 9pm watershed, and in line with its statutory duty to protect under-18s, we have published new guidance on the TV watershed. This guidance was published in September 2011 and warned broadcasters to be more careful about programmes they show before 9pm that could be unsuitable for children.

6.65 This work was prompted by Ofcom’s investigation of several cases involving pre-watershed material that it judged to be unsuitable – or close to the limits of acceptability – for children. It followed a series of meetings with broadcasters to clarify the standards Ofcom expects from them, and aims to help broadcasters comply with the Broadcasting Code rules for pre-watershed content, with specific focus on:

- programmes broadcast before and soon after the watershed; and
- music videos broadcast before the watershed.

6.66 Broadcasters are expected to pay particular attention to family viewing programmes, trailers and soaps. Ofcom advises broadcasters to take particular care with post-watershed content that has been edited for pre-watershed viewing, for example by masking or editing offensive language.

6.67 Ofcom regularly conducts research among parents to monitor the level of concerns about the content their children watch on television. For example, fewer parents are now concerned about the TV programmes their children watch (31%) than they were in 2009 (36%).

6.68 We also measures parents’ views about the time of the watershed and the amount of TV regulation. Some 77% of parents think the watershed is at the right time, and 73% believe the amount of regulation of television is ‘about right’.

6.69 More recently, Ofcom has conducted research into parents’ and teenagers’ views on pre-watershed TV programmes. This builds on Ofcom’s existing research and the full results are available on our website138.

Premium rate services

6.70 Premium rate services (PRS) typically offer some form of content, product or service via fixed or mobile phone, fax, PC or interactive digital TV, and this is charged to users’ telephone bills. PRS are therefore a form of micro-payment for content, data services and value added services. Most PRS are for ‘impulse’ purchases; they are an easy way of purchasing a service because consumers can, for example, make the purchase using their telephone or mobile handset and need not provide any further authentication information.

6.71 There are a diverse and growing number of PRS, which include:

- Fixed-line services, such as live chat, information services (including directory enquiries), TV vote lines, internet PRS services and pay-TV; and

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• mobile services such as ring tones, apps, and media content, including music downloads.

6.72 PhonepayPlus\textsuperscript{139} receives and investigates complaints about premium rate services and undertakes the day-to-day regulation of the content, operation and promotion of services through its Code of Practice. The Code is approved by Ofcom and outlines rules to protect consumers, as well as the processes that PhonepayPlus applies when regulating the PRS industry. The Code applies to services that are defined in the Code as being controlled premium rate services (CPRS). PhonepayPlus has powers to give directions to, and impose sanctions on, PRS providers so as to protect consumers and ensure that the Code is upheld.

6.73 On 1 September 2011 the new, 12\textsuperscript{th} edition of PhonepayPlus' Code of Practice (the 'new Code'), came into force. Under the new Code, PhonepayPlus now regulates the activities of providers of controlled PRS at all parts of the premium rate value chain, including the end provider of the service. Therefore, those parties that are directly responsible for the operation or content of a PRS (i.e. communications providers and CPRS providers involved in the provision of PRS) are now held directly responsible for complying with the Code\textsuperscript{140}.

6.74 In addition, PhonepayPlus implemented a new registration scheme whereby all PRS providers have to register with PhonepayPlus before operating in the UK market. The shift in regulatory responsibility marked by the new Code, as well as the new rules governing the content/promotion/operation of PRS, were consulted upon extensively by both Ofcom and PhonepayPlus in 2010.

6.75 In July 2011 Ofcom opened a consultation on whether or not a number of PRS should continue to be subject to PRS regulation by PhonepayPlus (through the PRS Condition). The services in scope are mobile portal services, where a mobile communication provider sells its own content to its customers, PRS using "Payforit" as a payment mechanism offered by mobile communications providers for purchasing goods and services via mobile ‘phones. The consultation also considers fixed portal services which are not currently subject to this type of regulation but have parallels with mobile portal services. Depending on the outcome of the consultation, the PRS Condition could be amended and the statement setting out Ofcom’s decision will be published in early Q1 2012.

Unexpectedly high bills (bill shock)

6.76 Communications services feature usage-based charging, which combined with the availability of a wide variety of services priced at different levels, some of which are used infrequently, may lead to consumers finding themselves facing unexpectedly high bills. This is sometimes referred to as ‘bill shock’.

6.77 Concerns about unexpectedly high bills have been expressed directly by consumers in complaints received by Ofcom, as well as by MPs and through reporting in the media. Complaints received by Ofcom concerning unexpectedly high bills are usually in relation to mobile phone bills, but the issue can arise in relation to bills for fixed-line voice and broadband services.

\textsuperscript{139} \url{http://www.phonepayplus.org.uk/}

\textsuperscript{140} The Premium Rate Services Condition was modified to allow for this and took effect on 29 July 2011: \url{http://stakeholders.ofcom.org.uk/binaries/consultations/prs-2011/statement/statement.pdf}
In order to better understand the issue of unexpectedly high bills, on 10 May 2011, Ofcom invited consumers and stakeholders to share their experiences through a Call for Inputs. In parallel, Ofcom held discussions with communications providers about the steps that they take to protect their customers against unexpectedly high bills.

We have reviewed and analysed the responses to the Call for Inputs and the information gathered from communications providers, and are now considering the next steps.

Ofcom will communicate with stakeholders the findings of the Call for Inputs, including whether there might be a need for further action on the part of communications providers or Ofcom, through a statement which we aim to publish early in 2012.

Exiting contracts

Early termination and additional charges

Consumers often face additional charges from their communications providers over and above those they already pay for a service – whether home phone, mobile, broadband or pay-TV. These additional charges can be due to a number of factors, including:

- not paying by direct debit;
- late payment or costs associated with having service restored after it has been restricted or suspended following late payment;
- minimum contract periods (MCPs), subsequent MCPs and early termination charges (ETCs – terminating a contract within the specified minimum contract period);
- not complying with the minimum notice period where a consumer intends to terminate a contract;
- receiving a fully itemised or paper bill; and
- cease charges (when the consumer ceases his or her service from the supplier).

Consumers potentially suffer financial harm if they do not take these charges into account in choosing their communications provider, and as a result do not make the best choice for them, or if providers use their superior bargaining power or knowledge to impose burdens on consumers they would not otherwise bear. In addition, competitive pressures may not act to reduce these charges, which can then be set significantly above cost, and consumers who are not aware of these charges cannot take measures to avoid them.

In November 2010 Ofcom updated the guidance for communications providers, setting out Ofcom’s interpretation of how the Unfair Terms in Consumer Contract
Regulations (UTCCRs) 1999\textsuperscript{141}, apply to protect consumers - specifically in relation to additional charges including early termination charges\textsuperscript{142}.

6.84 Ofcom has an open monitoring and enforcement programme (the Programme) to assess compliance with the regulations\textsuperscript{143} and as a part of this work programme, we have actively engaged with providers about their terms and conditions.

6.85 The Programme so far has included extensive consultation with three major providers of fixed voice (and to some extent fixed plus broadband services): BT, TalkTalk and Virgin Media, during 2010. These providers have since implemented lower ETCs for fixed voice and fixed plus broadband (for TalkTalk and Virgin Media).

6.86 We have extended the initial Programme in order to continue our efforts to ensure that consumer contract terms relating to ETCs in the communications sector are fair. Specifically, we have concluded our work in relation to the fixed voice, fixed voice plus broadband and broadband-only sectors, having worked with a number of providers, in addition to those in the previous paragraph, in relation to the fairness of their terms relating to ETCs.

6.87 We have decided to extend the Programme for a further six months in order to continue our work on additional charges in consumer contracts.

6.88 Despite our particular focus on the fixed voice and broadband sector, we expect communications providers across all relevant sectors to comply with the law, and we may take action if we think they are not compliant.

**TalkTalk investigation – consumers charged for cancelled services**

6.89 This year Ofcom concluded its investigation (prompted by a number of complaints from former customers regarding charges for terminated services) into TalkTalk Telecom Limited and Tiscali UK Limited’s (the TalkTalk Group) compliance with General Condition 11.1 (GC11.1)\textsuperscript{144} by the deadline set out in a formal notification issued to it last year\textsuperscript{145}.

6.90 The notification required the TalkTalk Group to comply with the rules (which state that communications providers must ensure that bills sent to customers represent the true extent of any service provided) and to remedy the consequences of breaching the rules, by 2 December 2010.

6.91 The investigation found that while the TalkTalk Group had taken significant steps to remedy the consequences of its breach of GC11.1, it had not taken the steps Ofcom considered appropriate for complying with GC11.1 and had continued to breach that condition.

6.92 On 17 August 2011, Ofcom imposed a financial penalty of £3,037,120 on TalkTalk Group (comprising 1,524,728 on TalkTalk and £1,512,392 on Tiscali), for their contravention of GC11.1 from 1 January to 1 November 2010, in which period they billed 62,055 customers for services they had not provided (in particular, for

\textsuperscript{141}http://www.legislation.gov.uk/uksi/1999/2083/contents/made
\textsuperscript{142}The revisions took account of the Supreme Court’s judgment in the case brought by the Office of Fair Trading about the UTCCRs’ application to unarranged bank overdraft charges.
\textsuperscript{143}http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01019/
\textsuperscript{144}GC11.1 stipulates that communications providers must not send bills to customers unless every amount in those bills represents the true extent of any such service actually provided.
\textsuperscript{145}http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_01051/
cancelled services). Ofcom’s investigation also resulted in the TalkTalk Group making payments of almost £2.5m in refunds and goodwill payments to affected customers.

6.93 The TalkTalk Group paid the full penalty amount by the deadline imposed by Ofcom.

**Migration authorisation codes (MACs)**

6.94 Ofcom conducted an own-initiative industry-wide investigation between February 2007 and November 2009 to monitor compliance with the then newly-introduced broadband migration rules. The programme focused on monitoring compliance with the MAC process by the major ISPs and was closed on the basis that we had seen a significant decline in the number of broadband migration complaints received by CCT since February 2007.

6.95 The reduction in complaints, alongside the evidence gathered through our enforcement activity and analysis, indicated that compliance had improved considerably across the industry and that most consumers are able to move easily and quickly to a new broadband provider of their choice.

6.96 On closing the programme, we advised relevant ISPs (i.e. those attracting the most complaints) that should we see an increase in complaints, or identify trends relating to any ISP, whether we had written to them or not, we would not hesitate to open individual investigations, which would be published in the *Competition and Consumer Enforcement Bulletin*.

6.97 Although in recent months, the number of MAC complaints had begun to increase (see Figure 32), the complaint levels have fallen again, and are currently at a lower level than when the enforcement programme closed. We believe that this is the result of Ofcom following up those providers who may not have been following the correct switching processes.

**Automatically renewable contracts**

6.98 Automatically renewable contracts (ARCs) sometimes referred to as ‘rollover contracts’ or ‘rollovers’ are currently used in fixed-line communications markets. Under ARCs, consumers sign up to a minimum contract period (MCP) that is automatically renewed unless the consumer explicitly tells their communications provider that they do not want this to happen. If a consumer wants to leave during an MCP, they usually have to pay an early termination charge (ETC) under the terms of their contract.

6.99 Since they first became a prevalent feature of the residential fixed voice sector in 2008, Ofcom has been concerned that ARCs are damaging to consumers and competition in communications markets. As such, Ofcom has been monitoring ARCs in UK residential and business fixed voice markets since 2008, and we have carried out targeted research on their effects.

6.100 Throughout our period of enquiry, BT was the largest communications provider (CP) offering ARCs in residential and small business markets. Our research, in particular the econometric analysis that we commissioned on the switching behaviour of BT customers, indicated a clear causal link between ARCs and reduced levels of

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146 [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_946/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_946/)
consumer switching. We believed this effect stemmed from the opt-out nature of the process for contract renewal and that any example of such a contract would be likely to be harmful to consumers and to effective competition.

6.101 Our consultation document, published in March 2011\(^{147}\), set out proposals to modify General Condition 9 (GC9) to prohibit ARCs for residential customers and small businesses with no more than ten employees in the fixed voice and broadband sectors. The majority of respondents to the consultation were supportive of our proposals, including consumer groups and CPs. Two CPs opposed our proposals, and a number of others opposed elements of our proposals or analysis, but were generally supportive of our main proposals.

6.102 Having carefully considered all the consultation responses, we decided to proceed with our proposed prohibition of the ‘opt-out’ mechanism in ARCs. In September this year we published a statement setting out new rules via a modification to General Condition 9 to prohibit ARCs in the fixed voice and fixed broadband small business and residential sectors\(^{148}\).

6.103 The statement included a timetable for the removal of ARCs from the telecoms market which takes account of systems changes that will need to be made by communications providers. The sale of new ARCs to residential and small business customers will be prohibited from 31 December 2011. Ofcom will also require communications providers to migrate all residential and small business customers currently on ARCs to alternative deals, and to completely remove ARCs from the market by 31 December 2012.

\(^{147}\) http://stakeholders.ofcom.org.uk/binaries/consultations/arcs/summary/arcs.pdf
\(^{148}\) http://stakeholders.ofcom.org.uk/binaries/consultations/arcs/statement/ARCs_statement.pdf
Annex 1

Glossary of terms and definitions

2G Second generation of mobile telephony systems. Uses digital transmission to support voice, low speed data communications, and short messaging services.

3G Third generation cellular mobile.

ADSL Asymmetric digital subscriber line. A digital technology that allows the use of a standard telephone line to provide high speed data communications. Allows higher speeds in one direction (towards the customer) than the other.

Bandwidth Measure of maximum capacity of a data link in a telecommunications network. Usually expressed in Kbit/s or Mbit/s.

BCAP the Broadcast Committee of Advertising Practice.

Broadband A service or connection that is capable of supporting always-on services which provide the end-user with high data transfer speeds. A large-capacity service or connection that allows a considerable amount of information to be conveyed - often used for transmitting bulk data or video or for rapid Internet access.

Bundling Tying one service or product to the supply of others including some situations where the supply of services are linked through the use of discounts.

Cancel Other Industry term for a customer’s current provider cancelling the request from a new supplier to switch their customer account, due to the customer being slammed.

CAP The Committee of Advertising Practice.

Cashback A form of promotion offered to customers, in which a customer signs up for a mobile phone network, and in return is reimbursed for a proportion of the line rental payable under that contract.

CCT Consumer Contact Team (previously known as the Ofcom Advisory Team).


Complaints code of practice Document required of all communications providers that is easily accessible to consumers and sets out the correct procedures for consumers to follow should they need to make a complaint.

Connection speed The rate information can be transferred from the Internet to a computer. Dependent on the type of connection, i.e. modem, cable, DSL, etc.

Contention ratio An indication of the number of customers who share the capacity available in an ISP’s broadband network. Figures of 50:1 for residential broadband connections and 20:1 for business are typical.

DAB Digital audio broadcasting. A set of internationally accepted standards for the technology by which terrestrial Digital Radio multiplex services are broadcast in the UK.

149 These are not statutory definitions but written in layman’s terms to aid the reader.
DSL Digital subscriber line. A family of technologies generally referred to as DSL, or xDSL, capable of transforming ordinary phone lines (also known as ‘twisted copper pairs’) into high-speed digital lines, capable of supporting advanced services such as fast internet access and video-on-demand. ADSL, HDSL (high data rate digital subscriber line) and VDSL (very high data rate digital subscriber line) are all variants of xDSL.

DSO Digital switchover. The process of switching over the current analogue television broadcasting system to digital, as well as ensuring that people have adapted or upgraded their televisions and recording equipment to receive digital TV.

DTT Digital terrestrial television. Currently most commonly delivered through the Freeview service.

EPG An electronic programme guide allows consumers to navigate through, search, and select services on digital television.

Free to Air Television service which can be received in a given area without charge to the viewer. Some free-to-air services may be broadcast in scrambled form in order to limit access to viewers in a specific geographic area. Other free-to-air services may be broadcast in the clear – i.e. unscrambled.

Freeview Free digital service giving access to over 30 TV channels, over 20 radio stations plus a new whole world of interactive services.

GI (Geographic Interleave) spectrum Capacity available within the spectrum that will be used after DSO to carry the six existing DTT multiplexes. The interleaved spectrum is so called because it can be used at a local level on a shared – or interleaved – basis with the DTT multiplexes.

GSM Global System for Mobile Communications (or Groupe Speciale Mobile) is the international, operating standard for the second generation (2G) of digital cellular mobile communications. It enables mobile phones to be used across national boundaries.

Internet A global network of networks, using a common set of standards (e.g. the Internet Protocol), accessed by users with a computer via a service provider.

Involuntary non-ownership Where potential consumers are without access to a service but not through choice.

ISP Internet service provider. A company that provides access to the internet.

Kbit/s Kilo-bits per second (1,000 bits per second). A unit of measurement of data transmission speed.

LLU Local Loop Unbundling. Process by which a dominant provider’s local loops are physically disconnected from its network and connected to competing providers’ networks. This enables operators other than the incumbent to use the local loop to provide services directly to customers.

Local Loop Access network connection between the customer’s premises and the local PSTN exchange, usually a loop comprised by two copper wires twisted together.

MAC Migration authorisation code. Unique identifier used by broadband customers when they wish to switch broadband service provider.
**Mbit/s** Mega-bits per second (1,000,000 bits per second). A unit of measurement of data transmission speed.

**Micro-payment** Electronic payment method for small transactions.

**Mis-selling** A term that covers a range of sales and marketing activities that can work against the interests of both consumers and competition and can undermine confidence in the industry as a whole.

**MMS** Multimedia messaging service. The next generation of mobile messaging services, adding photos, pictures and audio to text messages.

**MNO** Mobile network operators.

**Mobile termination** The charge operators which originate calls have to pay to mobile operators to deliver calls to their mobile customers.

**MP3** A standard technology and format for compressing a sound sequence into a very small file (about one-twelfth the size of the original file) while preserving the original level of sound quality when it is played.

**Multichannel** In the UK, this refers to the provision or receipt of television services other than the main five channels (BBC One & Two, ITV1, Channel 4/S4C, Five) plus local analogue services. "Multichannel homes" comprise all those with digital terrestrial TV, satellite TV, digital cable or analogue cable, or TV over broadband. Also used as a noun to refer to a channel only available on digital platforms (or analogue cable).

**MVNO** Mobile virtual network operator. An organisation which provides mobile telephony services to its customers, but does not have allocation of spectrum or its own wireless network.

**Multiplex** A device that sends multiple signals or streams of information on a carrier at the same time in the form of a single, complex signal. The separate signals are then recovered at the receiving end.

**Narrowband** A service or connection providing data speeds up to 128Kbit/s, such as via an analogue telephone line, or via ISD.

**Off-net mobile calls** Calls to mobiles on a different network.

**Omnibus** Quantitative market research survey carrying questions on different topics.

**PC** Personal computer.

**Platform** The device on which a technology runs.

**Postcode** The geographic area identified by letters and numbers which appears as the first part of a post code, e.g. SW8.

**PhonepayPlus** Formerly known as ICSTIS. The regulator for premium rate charged telecommunications services.

**PRS Premium rate service** Services including recorded information and live conversation, run by independent service providers. All calls to these companies are charged at a higher rate than ordinary calls to cover the companies' costs in providing the content of the call and the operator's cost for the special network facilities needed.
**PSTN** Public switched telephone network, such as BT’s current copper telephone network.

**Silent call** Telephone call generated by a dialler which does not have an agent immediately available to handle the call.

**Slamming** Unauthorised switching of a customer’s phone service to another carrier.

**SMS** Short messaging service.

**Socio-economic Group (SEG)** A social classification, classifying the population into social grades, usually on the basis of the Market Research Society occupational groupings (MRS, 1991). The groups are defined as follows.

- **A.** Professionals such as doctors, solicitors or dentists, chartered people like architects; fully qualified people with a large degree of responsibility such as senior civil servants, senior business executives and high ranking grades within the armed forces. Retired people, previously grade A, and their widows.

- **B.** People with very senior jobs such as university lecturers, heads of local government departments, middle management in business organisations, bank managers, police inspectors, and upper grades in the armed forces.

- **C1.** All others doing non-manual jobs, including nurses, technicians, pharmacists, salesmen, publicans, clerical workers, police sergeants and middle ranks of the armed forces.

- **C2.** Skilled manual workers, foremen, manual workers with special qualifications such as lorry drivers, security officers and lower grades of the armed forces.

- **D.** Semi-skilled and unskilled manual workers, including labourers and those serving apprenticeships. Machine minders, farm labourers, lab assistants and postmen.

- **E.** Those on the lowest levels of subsistence including all those dependent upon the state long-term. Casual workers, and those without a regular income.

**Tag-on-line** When an internet connection with one supplier has not been removed from a fixed line. A new supplier cannot be used on the line until the previous suppliers ‘tag’ has been removed from the line.

**Tariff** Schedule of rates and charges for a service.

**Unbundle** See LLU.

**Usage cap** Monthly limits on the amount of data which broadband users can download, imposed by some ISPs.

**USO** Universal service obligation. The set of universal services that universal service providers are required to supply.

**Voluntary non-ownership** Where potential consumers are without access to services, primarily due to a perceived lack of need for a service or satisfaction with using alternative methods.

**VULA** Virtual unbundled local access provides a connection from the nearest ‘local’ aggregation point to the customer premise.
WLR Wholesale line rental is a regulatory instrument requiring the operator of local access lines to make this service available to competing providers at a wholesale price.