The Consumer Experience of 2012
Telecoms, internet, digital broadcasting and post

Policy Evaluation Report
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Section 1

Executive summary

Introduction

1.1 Ofcom’s principal duty, as set out in the Communications Act 2003 (“the 2003 Act”), is to further the interests of consumers in relevant markets, where appropriate by promoting competition, and of citizens in relation to communications matters. Making targeted improvements to the experience of consumers in communications markets is a central objective for Ofcom. To understand the degree to which we have fulfilled this objective, every year we carry out research assessing the consumer experience.

1.2 In October 2011, the Postal Services Act 2011 (“the 2011 Act”) came into force and Ofcom gained the responsibility and powers to regulate postal services. Our primary duty under the 2011 Act is to carry out our functions in relation to postal services in a way that we consider will secure the provision of a universal postal service. In this report we therefore also assess the consumer experience of the postal market for the first time.

1.3 The Policy Evaluation Report is published in parallel with the Consumer Experience Research Report, and is complementary to it. This report sets out our key regulatory activity, stemming in part from issues identified in the research. It considers the key findings and trends emerging from the accompanying detailed research report and uses these to assess the impact of our work.

1.4 We have been publishing these reports since 2006. This year we will be examining five central aspects of consumers' experience of communications markets: availability of services and providers; take-up and use of services and devices; consumer choice and value; consumer interest and activity; and consumer protection. The structure of this report will follow these central aspects.

Availability of services and providers

Research

1.5 Our research continues to indicate high levels of availability of communications services, in line with previous reports. The majority of UK households have access to the key broadcasting and telephony services, and access to postal collection and delivery services every working day (and Saturday for letters).

1.6 Choice in the fixed-line market is well established, and this year we continue to see evidence of this. Over half (52%) of fixed-line customers now use providers other than BT for this service – rising from a third in 2006 when we began publishing these reports. 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 8.7 million in November 2012, up from 123,000 in September 2005 (and 7.8 million in October 2011).

2 http://www.ofsta.org.uk/updates/otaupdate20121204.htm
Policy

1.7 In telecoms, the universal service ensures that basic fixed-line services are available at an affordable price to all citizens across the UK. Under the universal service obligations, BT and KCom (operating in the Hull area only) must provide a range of services including connection to the fixed network, ‘functional internet access’ (i.e. narrowband) and social tariffs for customers on low incomes.

1.8 With the growing demand for high-speed data services on fixed and mobile networks, we remain focused on improving the availability of these services. For example, in 2012 we have progressed our work on improving mobile coverage and the availability of superfast broadband. We have also set out detailed proposals on the regulatory requirements and technical specifications for white space devices, which we hope will drive innovation and improve the availability of services such as enhanced WiFi.

1.9 Royal Mail remains the main provider of postal services in the UK for standard mail items such as letters and greetings cards. It provides users with numerous access points across the UK - over 115,000 post boxes and 11,818 post offices. In the parcels delivery market, however, users have around 15 alternative providers, offering varying degrees of service (i.e. tracking, recorded) at a range of prices.

1.10 In 2012 we carried out extensive research into the needs and preferences of postal service users. This research will inform our Review of postal users' needs project, which will be complete in March 2013.

Take-up and use of services and devices

Research

1.11 Take-up of most communications services has remained stable in 2012, with the exception of fixed broadband, which continues to rise and mobile broadband (via a dongle or data card) which has fallen. Homes continue to be more likely to have a mobile phone than a fixed line. Over three-quarters of households have a fixed or mobile broadband connection or both, with sustained growth among consumers aged over 65.

1.12 Laptops continue to drive the increase in ownership of internet-enabled devices, with homes more likely to own a laptop (62%) than a desktop PC (46%) for the second year in a row. Although netbook ownership increased to 8% in 2012 (from 5%), tablets experienced a more significant rise in take-up, tripling to 12%. Smartphones also continued their exponential growth, with ownership up to 45% among mobile customers.

1.13 Mobile broadband take-up (as accessed via a dongle or data card) has fallen over the past 12 months (by 5 pp to 12%) although those continuing to use this service tend to have more ‘mobile’ usage patterns, with fewer mobile broadband customers using this service always in the home (down 7pp to 22%).

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3 A small, lightweight laptop that lacks certain features of a conventional laptop (such as a DVD drive) and is often cheaper.
1.14 Four in five consumers claimed to have sent at least one item of post over the previous month. On average, consumers receive 7.8 items of post per week (this equates to just over 30 items a month).4

1.15 In 2012, for the first time, we have included demographic splits by age and socio-economic group within the disability group in our research. We see the greatest variations between the disabled and the non-disabled groups by age when we compare their use of the internet at home; use is significantly lower among each of the disability groups reported. Among 15-34 year olds use is comparable, whether or not the consumer has a disability, but use tails off for those with a visual or mobility impairment at age 35+.

Policy

1.16 We are now delivering the auction of the 800 MHz and 2.6 GHz spectrum bands suitable for mobile services, and in particular 4G services such as LTE and WiMAX5. We expect the winning bidders to start rolling out 4G networks, using the auctioned spectrum, from the middle of 2013. This spectrum will enable delivery of new, faster mobile services, promote competition and ensure high levels of coverage across the UK.

1.17 During 2012 we have worked to improve the convenience of the postal service; for example, through our consultation and subsequent decision to allow roll-out of Royal Mail’s ‘Delivery to Neighbour’ scheme for undeliverable mail. The Review of postal users’ needs research and consultation will provide data on user preferences and the convenience of services.

1.18 Ofcom mandates a range of services for disabled users of telecommunications services, and these are set out in General Condition 15. We are undertaking a review of General Condition 15 in the light of amendments to the European Regulatory Framework, and social and technological changes. We have also continued our review of relay services6. In October 2012 we published a statement to mandate the provision of an improved relay service (next generation text relay – NGTR). We are continuing to work with consumer stakeholders, government and industry to facilitate voluntary provision of video relay (VR) for communications users who rely on British Sign Language (BSL) to communicate.

Consumer choice and value

Research

1.19 Bundling of services continues to be a feature of the communications sector. Over half (57%) of consumers buy 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.

1.20 Since the introduction of smartphones (now owned by 45% of all UK adults, 84% of whom are on a contract with a subsidised handset) the mobile market has seen a significant shift away from pre-pay to contracts. Now, less than half of all mobile

4 Ofcom research conducted in Q3 2012.
5 See Glossary for definitions of LTE, WiMAX and 4G.
6 A relay service enables people with hearing and/or speech impairments to communicate with others with the use of an intermediary relay assistant who is typically located in a call centre.
customers are on a pre-pay tariff. The increase in contract lengths, noted last year, has continued and more consumers are signing up to 24-month contracts.

1.21 This evaluation report generally reflects positive indicators about the level of choice and value for consumers. However, we have observed a rising trend in fixed-line telephony prices when they are purchased on a standalone basis (i.e. not as part of a bundled package).

Policy

1.22 As noted in the section on availability, consumers continue to enjoy high levels of choice in telecommunications markets. Overall, indicators are consistent with good value, with the majority of consumers subscribing to bundled packages at rates which provide significant discounts relative to buying standalone services. 2012 saw reductions in the lowest price available tariffs for fixed voice and broadband packages ('double play'), and fixed voice, broadband and pay-TV (triple play).

1.23 As reported, prices for fixed voice when purchased on its own are rising. Social tariffs are required under the universal service obligation to ensure accessibility for consumers who would otherwise find these services hard to afford. Options for consumers to offset rising fixed-line prices include the ability to purchase line rental packages at pre-pay discounted rates. However, this option will not be attractive to all consumers, and is likely to be difficult to afford for some. In 2013, Ofcom will continue to monitor price trends. We will also work to understand whether certain groups of consumers are particularly exposed to price increases, and hence whether there is a need for additional protection for some consumers.

Consumer interest and activity

Research

1.24 The level to which consumers benefit from communications services is directly influenced (among other things) by the extent to which consumers are interested, actively engage, and participate (e.g. keep an eye on the market, switch or negotiate with providers) 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.

1.25 Our research suggests that participation levels have increased in the past year, with the most significant rise seen among bundlers - up from 22% to 35% in the past year. Bundlers also report some of the highest levels of ‘interest’, at 41%.

1.26 With regard to switching, overall switching levels for each market (including bundles) remain broadly unchanged in each of the fixed-line (10%), mobile (9%) and fixed broadband (9%) markets.

1.27 The fixed broadband market continues to report the highest levels of stated difficulty in switching, at 15%. Stated difficulty in this market is broadly consistent regardless of purchasing behaviour (e.g. buying services as part of a bundle or as a standalone service), or whether additional services are switched at the same time.

1.28 This compares with 5% stated difficulty among standalone fixed-line switchers (most of whom only switched their fixed-line service). However, when fixed-line services are switched at the same time as at least one other service – most commonly fixed broadband – stated difficulty in the fixed-line market rises to 14%.
1.29 The gap between switching in communications markets and the gas and electricity markets is closing, with fixed-line switching now only slightly lower than gas (12%) and 3 percentage points lower than electricity (13%).

1.30 Despite the increasing speeds that are now available to consumers across the UK, the level of satisfaction with fixed broadband speeds remains unchanged at around 75%.

1.31 As reported in our section on consumer choice and value, the shift towards mobile contracts has continued in 2012, largely driven by take-up of smartphones. While switching levels in the mobile market appear unaffected, or at least are not in decline, around a quarter (27%) of consumers who considered switching did not do so at least partly because of the terms and conditions of their contract.

1.32 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%). Greatest dissatisfaction with value for money was reported in the fixed-line market among standalone purchasers – up from 10% to 15% in the past 12 months.

1.33 Satisfaction with the UK postal service stands at 83% of adults who are very or fairly satisfied. Satisfaction with the cost of post is significantly lower, with 48% very or fairly satisfied. This is consistent with price increases in the sector as of 30 April 2012.

Policy

1.34 Ofcom’s review of consumer switching in the communications markets continues. In February 2012 we consulted on options intended to make switching fixed voice and broadband providers easier for consumers, by addressing difficulties with switching processes. We are currently considering the evidence submitted to us by respondents to the consultation, and have also undertaken further work and analysis in some areas. We will inform stakeholders of the next steps once our assessment of all the evidence is complete. We expect this to be in Q1 2013.

1.35 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.

1.36 Ofcom has progressed its work on consumer information and broadband speeds. In particular, we continue to monitor ISPs’ compliance with the revised Broadband Speeds Code of Practice that aims to ensure that consumers are provided with a more accurate estimate of the maximum speed they are likely to get on their line. Our objective is to ensure that consumers have clear information on the service they will receive. We also continue to ensure that consumers have access to relevant information, by publishing ongoing research on fixed broadband speeds.

1.37 In 2012 Ofcom commenced a review of the transparency of the information available to consumers on internet traffic management practices. We published information on internet availability and traffic management in the Infrastructure Report, and in 2013.

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we will continue our work with stakeholders to understand whether changes are needed to the provision of consumer information on traffic management.

1.38 We also continue to publish data from the Ofcom Consumer Contact Team on a quarterly basis, providing information for consumers on the complaints we receive about major providers in the fixed voice, broadband and mobile voice markets. From June 2012, this publication has included data on complaints about pay-TV services. In December 2012 we published research on the quality of customer services from the major providers. This followed previous publications in July 2010, July 2011 and November 2011.

1.39 Ofcom continues to work with intermediary providers of information to consumers such as price comparison websites. This is an important element of our consumer information strategy because many consumers are not aware of the regulator, or do not regard it as an obvious source of comparative information. We operate an accreditation scheme under which we run annual audits of the price comparison calculators of six price comparison websites.

Consumer protection

1.40 A key role for Ofcom is protecting consumers from harm in the markets we regulate. Our consumer protection work covers our activities to protect consumers from scams and unfair practices. We do this through a variety of actions including encouraging best practice in business behaviour, ensuring consumer information and contract terms are clear and fair, and carrying out investigations where appropriate.

1.41 Silent and abandoned calls, fixed-line mis-selling and complaints handling continue to generate the most consumer complaints to Ofcom, although complaints about fixed-line mis-selling have come down over the past year. We therefore continue to invest resources in these areas. Complaints relating to postal services are low in comparison, and stand at around 45 per month.

1.42 In relation to abandoned and silent calls, we continue to focus our resources on identifying companies for investigation and possible enforcement action, in line with our enforcement priorities. In 2012 we concluded two formal enforcement investigations, into HomeServe and npower in relation to silent and abandoned calls, and imposed penalties of £750,000 and £60,000 respectively. Our investigation into TalkTalk is ongoing.

1.43 Between December 2011 and July 2012, monthly complaints to Ofcom relating to nuisance calls (silent and abandoned) rose to a peak of 3,392; since then complaints have declined to 2,600. Current consumer research also suggests a rise in the proportion of consumers experiencing silent calls, during the period March to September 2012, compared to the same period in 2011. In order to better understand our complaints data and reasons for the rise, we have reviewed our research methodology. This identified limitations with the current methodology in that not all

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8 Research suggests that 30% of UK adults have not heard of Ofcom. Data available here: http://stakeholders.ofcom.org.uk/binaries/research/statistics/2011sept/Wave2Sept2011.pdf#page=221
9 See Figure 133 in the Consumer Experience Research Report for sources of trusted information, including Government body or regulator.
10 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.
consumers react in the same way to nuisance calls. For example, 78% of those hearing a recorded message said they hung up immediately, while 22% listened to at least some of it. If the same inconsistency is true for silent calls, it is possible that a proportion of consumers hang up before the required time for the message to play – resulting in the perception of a silent call and an incorrect inflation of incidence levels.

1.44 We have therefore commissioned a separate pilot study to compare current data with those obtained via a panel of consumers who will be asked to hold on the line for five seconds and monitor their experience, if any, of nuisance calls received on their fixed line. We hope this additional research will provide further insight and greater confidence into the incidence and source of nuisance (including silent and abandoned) calls.

1.45 On fixed-line mis-selling, our programme of active compliance monitoring and enforcement, through an industry-wide investigation programme, continues. As part of this programme we monitor allegations of mis-selling made to Ofcom to identify communications providers whose sales and marketing activities may require further investigation. These investigations, and informal engagement with communications providers, allow us to take action, where necessary, to protect the interests of consumers.

1.46 To date, we have conducted 31 investigations into fixed-line mis-selling and related issues. This has resulted in 24 contravention notifications under s94 of the 2003 Act, and more recently, one penalty notification using sections 96A-96C of the 2003 Act.11

1.47 Since the introduction of new rules in March 2010, and through continued targeted enforcement, mis-selling complaint volumes have continued to fall.

1.48 Our own research, and complaints from other areas (for example, consumer advice organisations), have also indicated concerns with consumers receiving unexpectedly high bills and unexpected price rises in ‘fixed term’ contracts.12 We have therefore prioritised these areas for action over the past year.

Ofcom priorities and work programme for 2013/14

1.49 We are currently consulting on the Ofcom Annual Plan for 2013/1413, and will take account of responses to that consultation in shaping our priorities in all areas of our work, including those covered in this document, for the coming year. We intend to publish the Annual Plan by the end of March 2013.

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11 These investigations were carried out using several different General Conditions. Before 18 March 2010, 13 investigations relating to mis-selling and/or slamming were carried out using General Condition 14.5 and 10 investigations relating to the mis-use of Cancel Other were carried out using General Condition 1.2. On 18 March 2010 the rules covering mis-selling, slamming and Cancel Other were strengthened through the introduction of General Condition 24, with 8 investigations being carried out under this General Condition.

12 By ‘fixed term contracts’ we mean contracts that are “fixed” for a minimum contract period (usually 12, 18 or 24 months) and the consumer is tied into that contract unless they pay a penalty in the form of an early termination charge (“ETC”) to leave before the end of the minimum contract period. Such contracts may include clauses allowing the provider to make variations (price and non-price) to the contract.

13 http://stakeholders.ofcom.org.uk/consultations/draft-annual-plan-2013-14/
Section 2

Availability of services and providers

Introduction

2.1 Ofcom has a duty to ensure that a wide range of communication services, including high-speed data, television, radio and postal services are available throughout the UK.

2.2 Overall availability of communications services is high and has not changed over the past five years. Most households in the UK now have access to the key broadcasting, telephony and postal services, with:

- virtually all consumers covered by fixed lines, broadband and digital broadcasting;
- increased availability of 3G mobile services and the introduction of 4G;
- rising availability of high speed broadband services; and
- mail being collected and delivered every working day (and on Saturday for letters).

2.3 The following section considers the availability of communications services and providers to consumers. It also outlines Ofcom’s role in addressing availability issues across the UK.

Availability and range of services and providers

Fixed line

2.4 Fixed-line services remain universally available to all UK consumers. BT and Kingston Communications (KCOM)\textsuperscript{14} 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\textsuperscript{15}.

2.5 For fixed voice and broadband services, consumers also have access to 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). There are estimated to be around 115 operators offering services in the fixed-line market subject to the General Conditions of Entitlement\textsuperscript{16}.

\textsuperscript{14} The incumbent fixed telephony operator in Kingston-upon-Hull.

\textsuperscript{15} 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.

\textsuperscript{16} The conditions they must fulfil in order to offer communications services. Available at: http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/
2.6 The availability of various operators differs across the UK. For example, only around 45% of UK homes have access to the cable network for triple play services.¹⁷

2.7 As Figure 1 below illustrates, the proportion of UK households relying on BT for their fixed-line services continues to decline, falling below 50% for the first time. Use of BT for fixed-line services has fallen by over 30 percentage points since 2000. The entry and growth 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 (holding steady at 32%).

![Figure 1: Penetration of fixed-line suppliers: 2000 – 2012](source)

Source: Ofcom communications tracking survey. Base: UK adults with a landline phone at home.

2.8 Further details on the availability of various fixed-line providers, including unbundled exchanges, are contained within Ofcom’s Communications Market Report and updated Infrastructure Report.¹⁸

Mobile

2.9 Ofcom’s 2012 updated Infrastructure Report collected data on predicted mobile signal strength (based on operators’ 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. the percentage of land mass served (‘geographic coverage’). We have based our analysis on a signal strength that should be sufficient to make or receive a call outdoors.¹⁹

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

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¹⁷ While the most recent data available to Ofcom show that 45% of UK homes were able to receive triple play cable in May 2012, figures from June 2010 reported that 48% of households were in proximity to cable. As such, comparisons between the availability of cable in 2011 and previously should be treated with caution. May 2012 data can be found in the Communications Market Report 2012, available at: [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/CMR_UK_2012.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/CMR_UK_2012.pdf).


2.11 Four mobile network operators (MNOs) operate in the UK – Vodafone, O2, Three and Everything Everywhere. Since the 2010 merger of T-Mobile and Orange, Everything Everywhere has continued to operate two retail brands for its 2G and 3G offerings. EE’s 4G services are offered under the new brand name ‘EE’ and are available in the following UK cities or towns (as at 31 December 2012): Belfast, Bristol, Birmingham, Cardiff, Derby, Edinburgh, Glasgow, Hull, Leeds, Liverpool, London, Maidenhead, Manchester, Newcastle, Nottingham, Sheffield, Slough and Southampton. EE expects to launch 4G services in an additional 17 cities or towns by March 2013.

2.12 Consumers can also access mobile telephony services from dozens of mobile virtual network operators (MVNOs) and service providers (SPs) who, by buying a wholesale service from one of the four MNOs, are able to offer these services without having a spectrum allocation or their own wireless network.

Internet

2.13 The availability of broadband internet connections, and the choice of internet service providers, keeps improving for consumers. LLU, digital subscriber line (DSL), cable and wireless technologies offer consumers a wide range of options to access the internet. The proportion of households that have access to unbundled LLU has increased significantly to 92%, while the availability of all types of broadband remains unchanged at 99.98%.

Source: Ofcom’s *Infrastructure Report 2012 update*, see Figure 19.

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2.14 The speed of broadband services also continues to improve. Ofcom research has found that the overall average actual download speed in the UK had increased to 9.0Mbit/s in May 2012, from 7.6Mbit/s in November 2011 (see Figure 3)\textsuperscript{22}. This rise is due to a number of network and service upgrades.

2.15 Superfast, fibre-based services offering speeds of 30Mbit/s or higher are now available to 65% of households in the UK, and continue to be rolled out further. Both Virgin Media and BT remain committed to rolling out superfast broadband services across the UK. However, some issues persist around availability and access to higher-speed services, and Ofcom continues to work with government to address these. Our work on superfast broadband is set out below and in paragraphs 4.59 to 4.65 of Section 4.

![Figure 3: Average actual broadband speeds: November/December 2010 to May 2012](image)

Source: SamKnows measurement data for all panel members with a connection in May 2012. Panel Base: 1,105. See Consumer Experience Research Report (Figure 12).

Digital broadcasting

Television

2.16 Digital television is available over satellite, cable, digital terrestrial television and IPTV\textsuperscript{23}, although the channels available vary by platform. The availability of digital television has remained relatively stable over the past few years, with 99% of UK households having access. However, as the UK approached the completion of digital switchover in late 2012 the coverage of digital terrestrial television rose significantly from 85% (in 2011) to near-universal coverage of 98.5%. Digital satellite is still available to the majority of households (98%) although some households may be excluded due to specific local factors or housing agreements.

2.17 There are now 525 television channels available to UK consumers, 26 more channels than noted in last year’s Consumer Experience reports. Twenty-one channels are public service channels (including their HD and +1 variants), with the remainder being commercial.

\textsuperscript{22}http://stakeholders.ofcom.org.uk/binaries/research/broadband-research/may2012/Fixed_bb_speeds_May_2012.pdf

\textsuperscript{23}Internet protocol television. See Glossary for full definition.
2.18 In addition to traditional television services, consumers are also able to access a wide range of over-the-top (OTT) film and TV services on demand via an internet-connected device. Examples include Netflix, LoveFilm and iTunes.

Radio

2.19 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 WiFi radios, home PCs, and 3G/4G mobile platforms.

2.20 As of May 2012, the BBC DAB network consisted of 230 transmitters across the UK, and provided indoor coverage to 94.3% of UK homes. 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% of households. Local DAB covers 66.4% of UK homes. However, there are plans to increase this coverage significantly – coverage improvements are planned for a number of existing multiplex areas, including Liverpool, Leeds, Wolverhampton and South Yorkshire. Multiplex operators have also confirmed their intention, as set out in the joint Memorandum of Understanding (MoU) signed by the Government, the BBC, the commercial radio industry and Ofcom, to commence broadcasting from at least five new local multiplexes by the end of 2013. Details of the MoU are included in our radio work below.

2.21 There are now 219 stations broadcasting on DAB, 11 more stations than the number recorded in Ofcom’s 2011 Digital Radio Report. However, the availability of radio services on the DAB digital radio platform continues to vary across the UK. As in 2011, it is highest in the Greater London region, where listeners can receive around 61 radio stations, and lowest in Northern Ireland where the comparable figure is around 21 stations. Outside the London area, the majority of homes in the UK where DAB coverage is available currently receive between 30 and 45 stations.

Post

2.22 Royal Mail is the designated universal service provider in the UK and is therefore subject to certain legal requirements and regulatory conditions, including the requirement to provide one delivery and one collection of mail for every UK household and business six days a week. The universal service obligation also requires prices for regulated services to be affordable (and uniform) throughout the UK.

2.23 Royal Mail must also provide sufficient post boxes and other access points (e.g. at post offices) to meet the reasonable needs of users of the universal postal service. This includes a requirement that, in postcode areas where there are at least 200 delivery points per km², there must be sufficient access points so that 99% of the population in those areas are within 500 metres of an access point and, across the UK as a whole, at least 95% of postal users are within 5 km of an access point capable of receiving large postal items (i.e. in practice, a post office). Currently the UK has over 115,000 post boxes and 11,818 post offices.

2.24 Consumers wanting to send a stamped addressed letter or greetings card predominantly use the universal service provider, Royal Mail. However, those

24 As discussed previously in this section (under mobile availability), 4G services are currently only provided by EE in a select number of cities.
wanting to send parcels have a range of providers to choose from. Over 15 companies have been identified as operating significant parcels networks in the UK, including both international operators (for example, DHL, UPS, FedEx, TNT and DPD) and national operators (for example, City Link, UK Mail, Yodel and Hermes).26

2.25 A range of parcel collection and delivery services are offered by a number of providers at a range of prices. The types of services offered allow users to choose a service that best meets their needs, in terms of whether it includes tracking, insurance, or timed delivery slot. Some providers limit their coverage by excluding areas such as Northern Ireland and the Highlands of Scotland; this has an impact on the level of choice in these areas.

2.26 For business customers sending substantial volumes of mail, there is a choice of access27 providers to collect and transport their mail before it is handed to Royal Mail for final delivery. The number of large mailers using access services has grown since its introduction in 2004. In 2011, 44% of total mail volumes are handled through access agreements. End-to-end28 competition for delivery services also exists in the UK, although on a far smaller scale than access competition. The volume of mail handled by end-to-end operators is relatively small, reflecting the smaller geographical areas served by these operators. In 2011, operators other than Royal Mail delivered 8.5 million items entirely through their own networks, whereas Royal Mail delivered 16.6 billion items29. End-to-end operators typically handle local business mail from small and medium enterprises within a defined geographical area, often covering a number of postcode districts within one postcode area. Details of our work in this area can be found at paragraphs 4.77 to 4.80 in Section 4.

Ofcom’s work

2.27 We believe that Ofcom’s responsibility 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 responsibilities relating to the availability of TV and radio services and, under the 2011 Act, we are compelled to secure the delivery and collection of mail everywhere in the UK.

2.28 Furthermore, the Digital Economy Act 2010 requires Ofcom to provide a report to the Secretary of State every three years on the state of the UK’s communications infrastructure. The first Infrastructure Report was published in November 2011. As there have been rapid developments in the availability and use of fixed and mobile broadband networks since then, we decided there was merit in publishing an update to the Infrastructure Report in November 2012.

2.29 Below, we outline the progress that has been made in a number of areas relating to improving availability of services. These include: mobile coverage, superfast and wireless broadband, DSO and HDTV, local TV and DAB coverage.

26 See the Consumer Experience Research Report for more details.
27 Allowing other companies operating in the postal market, or other users of postal services, to use Royal Mail’s facilities for the partial provision of a postal service.
28 Operators other than Royal Mail that provide a full postal service from collection to delivery.
29 Data from the Communications Market Report 2012 - http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr12/
UK communications infrastructure

2.30 In November 2012, Ofcom published an update to the *Infrastructure Report*\(^{30}\). The updated report continues to consider 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.

2.31 Some of the most notable changes over the past year, highlighted in the updated report, include:

- the growing availability and take-up of superfast broadband;
- the rising use of mobile internet services; and
- completion of digital TV switchover.

2.32 Alongside the updated report, Ofcom has published updated interactive maps on its website\(^{31}\) that provide more detailed information on the coverage of fixed and mobile telephony, digital TV and digital radio networks. For the first time we have also included detailed information on the availability of fixed superfast broadband across the UK, and the current speeds received.

Provision of communications services in the nations

2.33 Ofcom produces extensive research covering communications services used by citizens and consumers. The availability of those services varies between the four nations of the UK (England, Scotland, Wales and Northern Ireland), with rural communities facing particular challenges.

2.34 During 2012, Ofcom has been assessing levels of coverage for telecommunications, broadcasting and postal services across the nations, building on data published in its *Communications Market Reports* and *Infrastructure Reports*. It has sought to understand where there are differences and why, and it has looked at the ways in which the UK devolved and local authorities, as well as communities themselves, are working to reduce them.

2.35 Ofcom will bring this work together into a report, to be published in early 2013, that will for the first time address in one place:

- why the availability of communications services matters to citizens and consumers;
- how and why availability varies by service and location;
- the role of markets in service provision; and
- what interventions can increase availability beyond commercial levels.

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\(^{31}\) [http://maps.ofcom.org.uk](http://maps.ofcom.org.uk)
2.36 It will also explore how Ofcom addresses those challenges within its remit, where responsibilities and opportunities lie with other bodies and what implications past interventions hold for future actions.

2.37 The report’s primary audience will be policy-makers and opinion-formers (including elected officials, civil servants, academics and think tanks) who are interested in the availability of communications services and their potential to support economic growth, social capital and community cohesion, but may not be experts in communications policy.

Fixed line

Universal service obligation (USO)

2.38 The USO ensures that basic fixed-line services are available at an affordable price to all consumers across the UK. Its scope is defined by the European Universal Service Directive (USD)\textsuperscript{32} and the UK Government specifies the services that must be provided throughout the UK in the Universal Service Order (the Order)\textsuperscript{33}. The Order has been implemented by Ofcom through specific conditions on the current universal service providers, BT and KCOM in Hull.

2.39 The only significant changes to the USO during 2012 relate to the revocation of the requirement on BT to fund a text relay service and social tariffs.

2.40 In relation to the obligation on BT to fund a text relay service, this obligation was revoked following Ofcom’s decision on next generation text relay, which imposes obligations on all communications providers (CPs) via the General Conditions of Entitlement.\textsuperscript{34} Our work on relay services, including the creation of a new obligation on all CPs for provision of a modernised next generation text relay service can be found in Section 3, paragraphs 3.58 to 3.64.

2.41 In relation to social tariffs, the universal service conditions require BT and KCOM to provide at least one scheme to assist customers who have difficulty affording telephone services.

2.42 BT’s social tariff \textit{BT Basic} has been in place since 2006 when it replaced the Light User Scheme (LUS). It has a line rental of £14.40/quarter and includes £4.50 worth of calls. There are currently about 500,000 people on \textit{BT Basic}, down from 600,000 when the LUS closed.

2.43 \textit{BT Basic} is currently available to people who are claiming one of the following benefits:

- Income Support;
- Income-based Jobseeker’s Allowance;
- Employment and Support Allowance (income-related); or


\textsuperscript{33} The Electronic Communications (Universal Service) Order 2003 (SI 2003 No 1904), see: http://www.opsi.gov.uk/SI/si2003/20031904.htm

\textsuperscript{34} See further: http://stakeholders.ofcom.org.uk/consultations/relay-services-review-12/statement/
• Pensions Credit (Guaranteed Credit).

2.44 As a result of the Welfare Reform Act\textsuperscript{35}, the first three benefits are being merged into a new benefit, Universal Credit. New eligibility criteria will therefore be needed in order to ensure that BT Basic can continue to be available to people who need it. Pensions Credit (Guaranteed Credit) is unaffected, and no pensioners will be affected by these changes.

2.45 From April 2013, people on Universal Credit who have no earnings will be eligible to apply for BT Basic. No earnings does not mean no income - people will be able to receive, for example, interest on investments or a private pension while receiving Universal Credit. The new criteria match the previous criteria as closely as possible and in fact make the scheme slightly more targeted. Sixty per cent of those who will gain eligibility are among the poorest 10\% of the population. Among those who will lose eligibility, only 10\% are in the bottom income distribution.

2.46 The overall number of people who will be eligible to apply for BT Basic will rise from 3.9 million to 4.3 million, although approximately 100,000 households who are currently able to apply will lose eligibility. However, the people who will lose eligibility are the least likely to apply for a social tariff, as BT Basic is mainly used by people of retirement age.

2.47 BT has given an assurance that it has no plans to remove anyone currently on BT Basic as a consequence of this change.

2.48 The formal exchange of letters between BT and Ofcom has been published on the Ofcom website\textsuperscript{36}. We expect that KCOM will notify us of its planned approach in the near future.

Mobile

Improving mobile coverage

2.49 Ofcom has a long-standing programme of work examining mobile coverage in the UK. In November 2010, we defined the types of coverage problems consumers can experience:

• Complete not-spots – where there is no voice or broadband coverage from 2G or 3G networks. These can be over wide geographic areas or localised within urban areas and rural areas.

• Partial not-spots – where coverage is provided by one or more (but not all) mobile network operators (MNOs).

• In-building coverage – where coverage is poor or non-existent within buildings (which may arise for a variety of reasons).

• Interrupted coverage on the move – where reception is interrupted while travelling by rail or road.


\textsuperscript{36} http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/specific-conditions-entitlement/universal-service-obligation/bt-basic-criteria/
• Mobile broadband (data) not-spots – where there is no 3G coverage but there is 2G coverage.

2.50 Our most recent analysis in the 2012 *Communications Market Report*\(^{37}\) shows that overall the UK population has very good mobile coverage – 99.7% of UK premises can receive an (outdoor 2G) signal from at least one operator, and 93.6% of UK premises receive a signal from all operators. Across the UK, this leaves just 0.3% of premises in complete not-spots, with 6.1% of premises in partial not-spots.

2.51 Expressed in terms of geographical area, coverage figures are lower, because mobile masts are more commonly installed near centres of population. At present, 12.8% per cent of the UK area is not covered by any 2G signal. Extending coverage to these more remote areas can be challenging, particularly where the costs of doing so are disproportionately high. However, we recognise that geographic coverage remains a concern for some citizens and consumers.

2.52 The UK Government is providing funding of up to £150m to reduce the number of complete not-spots, as the Chancellor announced in the Autumn Statement in October 2011. To achieve this, the Department for Culture, Media and Sport’s (DCMS) mobile infrastructure project (MIP)\(^{38}\) is currently procuring a supplier to build new mobile masts in areas where coverage is poor or non-existent. The MIP is also seeking to improve coverage along at least ten of the busiest roads in the UK that still have poor coverage. The Government is also examining the issue of mobile coverage on trains\(^{39}\).

2.53 Alongside this work announced by the Government, our programme of work has explored whether market developments might address any of the five types of coverage problems. The market has been developing in a number of areas:

• continued 3G roll-out, supported by the increased coverage obligation to 90% of UK premises by mid-2013\(^{40}\), which is improving mobile broadband coverage;

• mergers and commercial network-sharing arrangements between mobile operators which will reduce partial not-spots, including:
  - the merger of T-Mobile and Orange which led to consolidation of their legacy networks under EE\(^{41}\) and has already delivered coverage improvements for their customers;
  - EE and Hutchison 3G UK’s site-sharing agreement under MBNL (Mobile Broadband Network Ltd), which continues to deliver its programme of improvements (in 2010, MBNL achieved outdoor 3G coverage to 99% of the population); and
  - Telefónica (O2) and Vodafone’s strengthened site-sharing agreement which will create one ‘national grid’ supporting the two companies. This will result in coverage improvements for their customers from gaining access to additional masts in areas where respective operators previously had poor or non-existent

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\(^{38}\) [http://www.culture.gov.uk/what_we_do/telecommunications_and_online/8757.aspx](http://www.culture.gov.uk/what_we_do/telecommunications_and_online/8757.aspx)

\(^{39}\) The UK Government’s plans in this area are set out in its National Infrastructure Plan 2011 – [http://cdn.hm-treasury.gov.uk/national_infrastructure_plan201111.pdf](http://cdn.hm-treasury.gov.uk/national_infrastructure_plan201111.pdf)

\(^{40}\) The licences of all mobile operators were varied during 2012 to increase this obligation from 80% of UK premises.

\(^{41}\) Previously Everything Everywhere.
The Consumer Experience: Telecoms, Internet and Digital Broadcasting 2011

coverage. Under these plans, the operators are committed to achieving 98% indoor coverage for 2G and 3G services by 2015;

- solutions such as femtocells - small, low-power base stations which connect to broadband networks, typically designed for use in homes or by small businesses to help improve indoor coverage; and

- following the award of 800MHz spectrum, 4G roll-out, underpinned by a coverage obligation which will further improve mobile broadband coverage. The coverage obligation requires one licensee to provide, by 2017, indoor reception at 98% of premises within the UK, and 95% of premises within each nation. Importantly, the 4G coverage obligation goes further than any previous obligation, as an indoor requirement is likely to mean even higher coverage outdoors. EE has separately indicated that it intends to reach 98% of the UK population by 2014 using existing (1800 MHz) spectrum to deliver 4G services.

2.54 These developments have already improved coverage, and have the potential to deliver further, very material, improvements. However, they are still evolving and it is too early to determine how effective they will be. In the light of the range of developments currently led by the market, our ongoing work is focused on understanding their effect on consumers.

2.55 We are, for example, currently carrying out an ongoing programme of research into consumer perceptions of mobile reception, specifically considering the location and type of mobile use. We are also extending the research to cover the views of small business users and will publish the results of our research shortly, using the outcomes of the research to target any future activities. We have not ruled out further action in the future if a significant problem remains, but consider we should do so only when we better understand the impact of the current developments.

2.56 In the interim (and further to our work on the coverage information available to consumers, outlined in the 2011 Consumer Experience Policy Evaluation Report), we updated our advice to consumers this year on how they can maximise their coverage. In particular, we advise consumers to:

- use mobile operators’ coverage checkers to ensure they choose the best provider for their area (to reduce the problem of partial not-spots);
- consider solutions such as dual SIM phones if they live in partial not-spots; and
- where coverage is very important, to consider satellite solutions.

**Broadband**

2.57 The continuing wide availability and affordability of broadband services, and the benefits they deliver to citizens and consumers, have largely been driven by commercial investment and competition. Ofcom is playing a role in these developments through its continued work on competition and consumer protection. We aim to:

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42 Ofcom estimates that more than 99% of premises across the UK as a whole will be covered, and that outdoor coverage within Wales, Scotland and Northern Ireland will be around 98-99%. Ofcom’s work on the 4G award is discussed further in our piece on wireless broadband below.

• Create a competitive environment for both current and next generation broadband that allows providers to deploy networks, and gives them access to wholesale services at levels where competition can be effective and sustainable. See Section 4 of this report for details of our work in relation to competition.

• Ensure that consumers can make informed choices about services and providers. We continue to publish research on broadband speeds on an ongoing basis, providing information to consumers about the actual speeds performance of broadband networks. We are also working on the transparency of traffic management practices, and we continue to work with price comparison websites to help make comparison of prices, and others service features, easier. Further detail on these initiatives is contained in Section 5.

• Ensure that consumers can switch their broadband service without too much hassle, as discussed further in Section 5.

Superfast broadband

2.58 BT and Virgin Media are continuing to invest in next generation access technology. Superfast broadband (offering speeds of 30Mbit/s or higher) is now available to an estimated 65% of UK premises. BT’s superfast broadband network is currently available to over 40% of UK premises and it is planning to extend this to two-thirds of UK premises by the end of 2014. Virgin Media’s superfast broadband network is available to almost half of UK premises.

2.59 Ofcom continues to provide expert advice to Broadband Delivery UK (BDUK), a procurement/delivery group established within DCMS. BDUK has a central budget of £530m to fund the deployment of superfast broadband services in the third of the UK where there are currently no commercial investment plans – an area generally referred to as ‘the final third’. It is expected that local authorities will match this central funding and that additional commercial investment will be unlocked through this intervention. Total investment in ‘the final third’ is therefore likely to be about £1.5bn.

Wireless broadband

2.60 We continue to support the delivery of wireless broadband services by freeing up 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. Details of our work in this area can be found below.

Varying EE’s licence to allow use of LTE and WiMAX technologies

2.61 In August 2012, we varied EE’s licence for the 1800 MHz band to allow it to use LTE and WiMAX technologies. Since then, EE has launched 4G services to consumers

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47 [http://www.culture.gov.uk/what_we_do/telecommunications_and_online/7763.aspx](http://www.culture.gov.uk/what_we_do/telecommunications_and_online/7763.aspx)
48 See the statement at [http://stakeholders.ofcom.org.uk/consultations/variation-1800mhz-lte-wimax/?a=0](http://stakeholders.ofcom.org.uk/consultations/variation-1800mhz-lte-wimax/?a=0)
in a number of UK cities. This decision has enabled the first roll-out of 4G services in the UK and is thereby providing benefits to consumers.

**Award of the 800 MHz and 2.6 GHz spectrum bands**

2.62 We are now delivering the auction of these frequencies, suitable for mobile services, and in particular 4G services such as LTE and WiMAX. In July 2012 we consulted on our proposal to make regulations in connection with the award of these bands, and in November we published our statement finalising the regulations that define the process of the auction.

2.63 We expect that the winning bidders are likely to start rolling out 4G networks, using the auctioned spectrum, from the middle of 2013. The availability of this spectrum and the rules of the auction will promote new, faster mobile services with greater capacity, promote competition, and ensure high levels of coverage across the UK.

**UHF strategy: Securing long-term benefits from scarce low-frequency spectrum**

2.64 As we outlined in our UHF Strategy Statement in November 2012, consumers continue to increase their demand for mobile capacity, with growth of 119% in the past year. Spectrum policy will play a key role in meeting this growing demand, alongside technology and network improvements such as the move to LTE, increasing the number of cells and offloading wireless data to fixed networks. At the same time, UHF spectrum will continue to be important for digital terrestrial television (DTT), which delivers near-universal, low-cost access to public service broadcasting (PSB) content, choice for consumers in services, receiver equipment and platforms, and frequencies for programme-making and special events (PMSE).

2.65 As a result, we have set out our UHF spectrum strategy, to support the international process and seek to enable a potential release of 700 MHz for harmonised mobile use. The strategy also seeks to ensure that the DTT platform, local TV, PMSE and white space device-based services can access the 600MHz spectrum band, assuming a change of use at 700MHz.

2.66 To implement this strategy, we will commence a range of activities to prepare for the potential future change of use of the 700MHz band:

- International engagement on harmonisation, including future band plans for 700 MHz and frequency co-ordination negotiation relating to DTT uses.
- Examining how and when a future change of use at 700 MHz can be secured to best serve consumer and citizen interests.
- Exploring options to reduce costs and disruptions associated with any future re-plan of UHF spectrum.
- Working with multiplex operators to consider the necessary technical and regulatory changes to safeguard the benefits of DTT.

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52 Ultra-high frequency. See Glossary for full definition.
• Enabling continued and future provision of PMSE and local TV services.
• Supporting government activities related to future decisions on spectrum allocation for emergency services.

**White space technology**

2.67 Growing use of smartphones and other types of technology has increased the demands on spectrum. Ofcom has therefore been looking at innovative methods of meeting this demand. Over the last few years we have consulted on how to make efficient use of ‘white space’ spectrum. White space spectrum would provide additional licence-exempt spectrum on an opportunistic basis. It could be used by new innovative services such as enhanced WiFi, rural broadband connectivity and machine-to-machine communications.

2.68 In September 2011 we published a statement setting out our plan to allow licence-exempt wireless devices to access TV white space spectrum, provided that no harmful interference is caused to existing services (for example, DTT and PMSE). These wireless devices transmit only after receiving information from an Ofcom-qualified database on whether or not ‘white space’ is available to be used at their locations. It protects current licence-holders from interference caused by other devices’ use of its spectrum, while making unused radio spectrum available on an opportunistic basis to third parties.

2.69 Following this, Ofcom published a consultation in November 2012 setting out detailed proposals on the regulatory requirements and technical specifications for white space devices, including an illustrative example of the legislation to exempt the use of white space devices from the need to hold a licence.

2.70 The closing date for responses to the consultation is 10 January 2013. Ofcom will then consider the feedback received, finalise its proposals and notify the European Commission of its draft regulations and device specifications. This will be followed by a ‘standstill’ period of three months for the Commission to inform other Member States and to allow opportunity to comment on Ofcom’s plans.

2.71 Ofcom also plans to finalise in 2013 the arrangements for the Ofcom-qualified databases and the technical parameters needed to ensure that white space devices can operate harmoniously with existing spectrum users. This means that white space technologies could potentially be launched in the UK towards the end of 2013.

**Digital Broadcasting**

**Television**

**Digital switchover**

2.72 Having commenced in October 2007 in Whitehaven, Cumbria, digital switchover was completed on 24 October 2012. Following last year’s focus on switching homes in the Midlands and the North of England, most of the activity in 2012 (the fourth and final full year of switchover) was in the south-east and north-east of England, and in Northern Ireland. By the end of 2012, all of the 27 million homes in the UK had been switched. A number of areas of the UK will undergo further frequency changes in

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54 [http://stakeholders.ofcom.org.uk/consultations/whitespaces/](http://stakeholders.ofcom.org.uk/consultations/whitespaces/)
2013 to complete the clearance of spectrum to enable the launch of 4G mobile broadband services.

2.73 As a result of digital switchover, HD services on DTT are now available to 98.5% of the population. These were introduced in 2010, using a new transmission standard that provides greater capacity and will eventually allow at least 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.

2.74 On 24 October 2012, a new multiplex was launched from three transmitters in Northern Ireland to coincide with digital switchover in the area. The new multiplex carries services from the Republic of Ireland (TG4, RTÉ One and RTÉ Two) into Northern Ireland. The launch of this multiplex brings the terrestrial availability of these services to 94% of the population, when combined with the overspill coverage from transmitters in the Republic of Ireland.

Local TV

2.75 Ofcom was given powers and duties in early 2012 to license new local television services. Three Orders were passed by Parliament. Respectively, these Orders:

- created the legislative framework for licensing a new class of local television services;
- directed Ofcom to reserve spectrum for these services; and
- established the status of these services in relation to Electronic Programme Guides (EPGs).

2.76 These gave Ofcom the powers to license a local TV multiplex and local TV services on DTT (receivable on free-to-air DTT).

2.77 Ofcom consulted on how it would exercise its new powers and duties to license local television services and published a Statement in May 2012. We advertised local licences (L-DTPS licences) at 21 locations across the UK. We received 57 applications for 19 of these locations and since September 2012 we have been awarding these licences.

2.78 As at December 2012, 12 licences have been awarded in the following locations: Belfast, Birmingham, Brighton, Bristol, Cardiff, Grimsby, Newcastle, Norwich, Nottingham, Oxford, Sheffield and Southampton.

2.79 These services will potentially bring consumer benefit in the form of locally targeted DTT services at locations throughout the UK. Ofcom research conducted in May 2012 on consumers’ use of local media indicates that 76% of adults watch regional or local news on television at least once a week, with almost six in ten (59%) rating this activity as a 7 or above in importance (where 10 is extremely important and 1 is not important at all). But although the UK has an established regional TV service provision on BBC One and Channel 3 (ITV), very little news, or other content, is broadcast that is specific to smaller localities.


56 Ofcom Local Media Attitudes and Use Omnibus - [http://stakeholders.ofcom.org.uk/binaries/research/research-publications/LMTables.pdf](http://stakeholders.ofcom.org.uk/binaries/research/research-publications/LMTables.pdf)
2.80 Local services must launch within two years of the licence award, and we expect some services could start broadcasting from late 2013 onwards, depending on the build-out schedule of the local transmission network.

Radio

2.81 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.

2.82 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 October 2012, we published our third such report. 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.

2.83 Other work streams set out in the Digital Radio Action Plan have progressed this year. In June 2012, the Government, the BBC, the commercial radio industry and Ofcom signed a joint Memorandum of Understanding (MoU) to establish the framework for up to £21m of new investment in DAB radio infrastructure. As part of this agreement, Ofcom has established, and is now chair of, the JPRG (Joint Planning for Radio Group), which is tasked with producing a technical plan and an implementation plan for radio switchover. Under the process set out in the MoU, it is anticipated that Ofcom will submit these two plans to the Government by the end of June 2013.

Post

2.84 Ofcom committed to looking at the regulatory requirements regarding post boxes (‘access points’ for mail that can fit through a post box and does not require a signature) in both our Review of Regulatory Conditions - Postal Regulation and our statement on Securing the Universal Postal Service - Decision on the new regulatory framework.

2.85 We stated that we would assess whether the current density requirements relating to post boxes are appropriate and, if not, what density requirements should replace them. In our consultation on the Review of postal users’ needs, we said that we will be consulting on this issue separately from the review, and we plan to issue a consultation on the regulatory requirements regarding post boxes in early 2013.

2.86 Our work in relation to the new regulatory framework for post is set out in Section 4, paragraph 4.76; while details of our Review of postal users’ needs can be found in Section 3, paragraphs 3.87 to 3.90.

58 [http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/](http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/)
60 [http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/](http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/)
Section 3

Take-up and use of services and devices

Introduction

3.1 In this section we highlight the extent to which consumers have communications services and devices available in their household and/or on the go. We also outline our policy work in this area.

3.2 By examining take-up and use of communications services we are able to identify certain issues that may require further scrutiny. In particular, our work considers the access to and use of services by groups whose needs we have regard to in meeting our responsibility to ensure the wide availability of communication services. These groups include:

- 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.

Take-up

3.3 2012 has continued to see stable levels of ownership of most communications services, with broadband take-up continuing its steady increase. Homes are more likely to have a mobile phone than a landline, and fixed broadband remains the most popular internet connection method.

Figure 4: Take-up of communications services in the household

Source: Ofcom communications tracking survey. Base: All adults 16+. See Consumer Experience Research Report (Figure 17).
Take-up among disability groups

3.4 Ownership of communications services among people with a disability tends to be lower, with the exception of fixed lines, where ownership is equal to or higher than that among those without a disability across each of the demographic groups analysed.

3.5 For those with a visual impairment, fixed-line ownership is significantly below that of non-disabled consumers in the two youngest age groups, but comparable or higher in the older age groups (55-64s are more likely to have a landline).

Figure 5: Fixed-line ownership - comparing people with a single disability to non-disabled consumers, by age and socio-economic band

Source: British Population Study. Base: All adults 15+. See Consumer Experience Research Report (Figure 75).

3.6 Mobile ownership is lower for people with a disability across each of the groups analysed and in particular among those in the C2DE socio-economic group. The trend in ownership by age follows a similar pattern to the UK average - higher among those aged 15-64 and lowest among those aged 65+.

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61 The data below amongst non-disabled consumers is not comparable with the data amongst UK adults contained early in this section of this report. The non-disabled sample has a younger than average age profile largely due to the strong correlation between age and disability.
3.7 Ownership within all age groups except the oldest is broadly comparable, for consumers both with and without a disability. Over-65s with a visual impairment are significantly less likely than other over-65s to have a mobile (65%).

3.8 We see the greatest variations between the disabled and the non-disabled groups by age when we compare their use of the internet at home. This is significantly lower for each of the disability age groups except the youngest (15-34 year-olds) where use is comparable, whether or not the consumer has a disability. People with hearing impairments report levels of home internet use close to those for non-disabled consumers across each of the age groups with the exception of the over-65s (47% vs. 54%).
3.9 Further details of our analysis of ownership among people with a disability can be found in the *Consumer Experience Research Report*. Ofcom’s work in relation to services for disabled users is covered in paragraphs 3.54 to 3.71 below.

**Non-ownership of communications services**

3.10 Understanding non-ownership and the reasons for it tells us whether there are any problems that need to be addressed to enable consumers to access communication services.

3.11 Non-ownership of most communications services has continued its steady decline, with small falls in non-ownership of mobile, internet, broadband and digital TV services. Broadband internet continues to have the highest rate of non-ownership of a communication service (23%) and the lowest is digital TV (at 5%) closely followed by mobile services (8%). The proportion without a fixed line remains unchanged (16%).

3.12 There are various reasons for not owning a particular communications service, and these can be categorised as voluntary or 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. Affordability is a significant reason for this, but low technology skills and media literacy may also contribute. The percentage and profile of consumers who have not taken up internet services for voluntary reasons has declined steadily since 2008. Just over one in five (22%) of those over 75 years old voluntarily decide not to take up internet services. There is little differentiation in voluntary non-ownership among those not taking up fixed-line services.

3.13 The internet continues to be the market with the highest level of involuntary non-ownership, and remains significantly higher among the 65-74s (22%) and the over-75s (42%). This rise among the over-75s is a significant increase on 2011 (at 35%).

**Usability**

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

3.15 The mobile phone continues to be the communications device that consumers are most likely to experience difficulty with (across all demographic groups). The proportion of consumers claiming they have difficulty using communications services remained stable in 2012; one in ten mobile customers said they had difficulty using their mobile and there continues to be a slow decline in the proportions stating difficulties with TV (7% of owners, down from 12% in 2008).

3.16 Difficulty in using communications services and devices is strongly linked to age. Consumers aged over 75 remain more likely than others to have problems using a mobile phone, PC and/or television. To a lesser degree, people over 45 also continue to find mobile phones difficult to use. In contrast to 2011, only 10% of consumers

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62 See Figure 66 in the *Consumer Experience Research Report*.
63 See Figure 69 in the *Consumer Experience Research Report*.
64 See Figure 70 in the *Consumer Experience Research Report*.
65 See Figure 72 in the *Consumer Experience Research Report*.
living in rural areas stated that they had difficulties using mobile phones (down from 22%), equal to the figures reported for urban mobile users.  

**Fixed and mobile**

3.17 As illustrated by Figure 8 below, homes remain significantly more likely to have a mobile than a fixed line (94% versus 84%), with no change in level over the past two years. The proportion of UK households with a mobile phone connection but no fixed-line connection has also stabilised at 15%. Furthermore, 92% of adults now personally use a mobile phone, 45% of whom specifically use a smartphone - eleven percentage points higher than in 2011.

![Figure 8: Take-up of mobile services: 2000-2012](image)

Source: Ofcom communications tracking survey. Base: All adults 16+. See **Consumer Experience Research Report** (Figure 27).

3.18 Consumers living in rural areas remain more likely than those living in an urban environment to have a fixed-line service (89% vs. 84%) despite the average levels of mobile ownership in these areas.

3.19 VoIP services are an alternative to fixed-line voice communication. Awareness and current use of VoIP both continued to increase in the UK in 2012. Awareness of the ability to make voice calls over the internet rose to 79% and just over a third of adults (35%) said they had access to VoIP services at home. Twenty-nine per cent said they currently used these services - almost three times the level reported in 2008 (10%).

3.20 The three main VoIP suppliers that consumers say they are using are Skype, MSN Messenger and BT.

3.21 Comparing take-up of fixed services internationally, the decline in take-up of fixed services in the UK remains significantly less than in the other countries considered in our research: France, Netherlands, Germany and Sweden. The main two reasons for this are:

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66 See figures 73 and 74 in the *Consumer Experience Research Report*.  
67 See figures 24 and 30 in the *Consumer Experience Research Report*.  
68 See Figure 25 in the *Consumer Experience Research Report*.  
69 See Figure 22 in the *Consumer Experience Research Report*.  

28
• the requirement to pay for line rental in order to receive DSL broadband\textsuperscript{70}; and

• the pricing strategies of fixed and mobile operators. For example, BT’s introduction of an advance payment option for line rental cut the monthly cost by £3.85. The Line Rental Saver product locks in customers for 12 months because it requires an upfront annual payment\textsuperscript{71}. BT also offers unlimited off-peak calls and free calling features (such as voicemail) to try to persuade customers not to abandon their fixed line.

3.22 Further details can be found in the \textit{Consumer Experience Research Report}.

3.23 In the mobile market the international comparison shows there were 82 million active mobile connections in the UK at the end of 2011, equivalent to 130 connections for every 100 people\textsuperscript{72}. This is comparable to Poland, Austria and Spain; it is significantly higher than in France, the US, Canada, India and Japan; and it is lower than in Russia, Sweden and Italy.\textsuperscript{73}

3.24 Multiple SIM ownership continues to drive increasing numbers of connections in a saturated market. This is partly due to multiple device ownership\textsuperscript{74}, but the high level of connections remains closely linked to the take-up and availability of pre-pay SIM cards. For instance, in countries with more mobile connections than people, pre-pay represents the highest proportion of mobile connections and consumers may often have more than one mobile connection active at any one time. As pre-pay SIM cards are usually very cheap (or sometimes free), they may be infrequently used. However, there is a continuing growing trend in the UK away from pre-pay tariffs and towards contract deals\textsuperscript{75}.

\textsuperscript{70} Those countries where cable broadband, unbundled with fixed voice, has higher take-up (e.g. the US) have seen a sharper fall in fixed-line connections. Similarly, in countries where ‘naked DSL’ is available (that is, where consumers can buy DSL without having to purchase a telephone service, such as the Netherlands, Sweden and France), a higher proportion of households have opted to give up their voice line and use mobile for their phone calls.

\textsuperscript{71} With no refund for any early contract termination, so giving a reduced monthly price for consumers only if they remain customers for a full fixed term. Ofcom has powers in respect of contract terms that are unfair in this regard.

\textsuperscript{72} A mobile connection is considered active if it has been used in the previous 90 days.

\textsuperscript{73} See Figure 28 in the \textit{Consumer Experience Research Report}.

\textsuperscript{74} For example, one mobile for home use and one for work use.

\textsuperscript{75} More details are provided in the \textit{Consumer Experience Research Report}.
Internet

Figure 9: Age and gender profile of those who have broadband access at home

Source: Ofcom communications tracking survey. Base: UK adults aged 16+. See Consumer Experience Research Report (Figure 37).

3.25 Take-up of the internet has continued to rise steadily, with 80% of households now having access. Considering broadband ownership in particular, take-up of this method of internet connection at home has continued to rise, with 77% of households using either fixed and/or mobile broadband in 2012. The largest increase in broadband access has been among those aged 65-74, driven by the adoption of fixed broadband. Younger age groups dominate the take-up of broadband, while over-75s remain the least-likely group to have broadband access at home.

3.26 Even though consumers in the DE socio-economic group continue to have the lowest levels of internet and broadband ownership at 57%, take-up in this group has increased every year since 2009.

3.27 Mobile broadband (as accessed via a dongle or data card) remains most popular among younger age groups - in particular sole use of mobile broadband. However, both 16-24s and 25-44s have had notable falls in mobile broadband-only access (down from 10% to 7% and 12% to 8% in 2012 respectively).

3.28 Despite the ‘mobile’ functionality of mobile broadband, large amounts of use continues to take place in the home, with 93% of adults with mobile broadband saying they use it at home. However, fewer mobile broadband customers are always using this service in the home (down 7pp to 22%). There has also been a significant increase in 2012 in the proportion of consumers who use mobile broadband equally inside and outside the home (46% versus 34%). Twelve per cent of those with mobile broadband access mainly use it outside the home, while just 7% say they always use it outside the home.

3.29 Another way of evaluating take-up is assessing ‘access to the internet anywhere’ and our research here suggests that 81% of UK adults have access to the internet somewhere, including via a smartphone.

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76 See Figure 33 in the Consumer Experience Research Report.
77 See Figure 38 in the Consumer Experience Research Report.
78 See Figure 39 in the Consumer Experience Research Report.
79 See Figure 41 in the Consumer Experience Research Report.
3.30 As indicated by Figure 10 below, international comparisons show that the UK continues to have relatively high take-up of broadband services, with 33 broadband connections per 100 people. This is comparable to countries such as France, Germany, Canada and Sweden. It reflects the near-universal availability of DSL broadband since 2005, and also the UK’s 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 10: Take-up of fixed broadband, by country

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
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<tbody>
<tr>
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<td>33</td>
</tr>
<tr>
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<td>35</td>
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<tr>
<td>CHN</td>
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</tr>
</tbody>
</table>

Source: IDATE/industry data/Ofcom. See Consumer Experience Research Report (Figure 40).

Television

3.31 Prompted by the digital switchover (DSO), take-up of digital television rose consistently to 2010, when ownership stabilised. In 2012 DSO was completed, and ownership now stands at 95%. The proportion of adults receiving pay-TV remained stable at 57% in 2012. However, there was a significant fall in the 16-24 age group; from 64% in 2011 to 59% in 2012. The overall pattern, however, remains unchanged with those aged 64 and over being less likely to have pay-TV.

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80 This analysis includes both business and residential lines. See the Consumer Experience Research Report for full details.
3.32 The UK has the second-highest proportion of DTV homes per 100 TV households across the countries where we carried out our research, second only to Spain.81

3.33 As mentioned in Section 2, there are currently numerous providers offering OTT film and TV services to consumers. Research indicates that between October 2011 and October 2012 LoveFilm led the market (growing by 45% in 12 months to c. 2.5 million unique users), with Yahoo!Movies in second position with 1.3 million unique users. There were also some notable changes in early 2012 with the arrival of new entrants, particularly the launch of Netflix in the UK in January 2012, which by October 2012 had consolidated third position within the over-the-top service market, with 1.1 million unique users (Figure 12).

Figure 12: Unique audiences for selected online film and TV sites (millions)

Source: UKOM/Nielsen, home and work panel. See Consumer Experience Research Report (Figure 51).

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81 See Figure 44 in the Consumer Experience Research Report.
Radio

3.34 Ofcom research indicates that in Q2 2012 over a third (37%) of the UK population had listened to a digital radio service on a weekly basis, up three percentage points from Q1 2011. This equates to almost half (46%) of radio listeners. A further 7% of radio listeners claimed to have done so monthly. Older consumers (those aged over 65) are less likely to listen to digital radio than other age groups, with just over a third listening on a weekly basis (36%) and a further 4% monthly.

3.35 This same research shows that the FM platform continues to be the most popular among radio listeners in Q2 2012, being used by just over half (54%) of consumers on at least a monthly basis. With regard to digital platforms, a third of radio listeners (31%) reported listening to radio services through a DAB set at least monthly, while a quarter made similar statements about listening via a DTV set (26%). Just over one in ten consumers (13%) reported listening to the radio via the internet on a monthly basis.

Figure 13: Frequency of radio listening, by platform

Source: Ofcom research, Quarter 2 2012. Base: Adults aged 16+ who listen to radio. Note: Remaining percentages are ‘Don’t know’ responses. See Digital Radio Report 2012 (Figure 19).

Connected devices

3.36 Laptop ownership among UK adults continues to exceed ownership of desktop PCs (62% and 46% respectively) in all but the oldest age groups (65+), lifting the age profile of laptop owners. Sixty-four per cent of adults aged 45-64 now have a laptop in the home. Laptop ownership increased (on average by 3 pp) across all socio-economic groups, with ownership among the AB group rising by 7 percentage points on the previous year (to 77%). Tablet ownership tripled to 12% by Q2 2012.

3.37 The huge growth in smartphone ownership and use in the past two years continues to be the biggest driver of change in the mobile market.

3.38 Ofcom research has monitored take-up of smartphones since the start of 2011, and, as Figure 14 below shows, growth has continued into 2012. Forty-five per cent of UK

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82 This compares to a figure of 44.8% from RAJAR for those listening to radio on a digital platform for five consecutive minutes in an average week in the 12 months to Q2 2012.
83 See Figure 17 in Ofcom’s 2012 Digital Radio Report, available here: http://stakeholders.ofcom.org.uk/market-data-research/other/radio-research/digital-radio-reports/digital-radio-2012/
mobile phone owners now claim to own a smartphone - an increase of 11 percentage points since Q2 2011. Ownership is highest among 16-44s, at over two-thirds of mobile phone owners in this age group. Smartphone ownership is also higher than average among those in socio-economic group AB.

Figure 14: Age, gender, socio-economic and urbanity profile of smartphone owners

3.39 Smartphones continue to be purchased mainly on a contract basis (84% of smartphone owners are currently on a contract) and these tend to be 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. Further details can be found in Section 4.

Post

3.40 In Ofcom research conducted from July to September 2012, 80% of consumers claimed to have sent at least one item of post in the previous month, with 12% sending over ten items per month. Those aged 35-54 send more items per month on average than other age groups, while the ABC demographic on average send 1.5 more items per month than those in C2DE. Overall, 18% of respondents said they did not send any items of post in the previous month, rising to a quarter (26%) among the 16-34 age group.85

3.41 On average, consumers taking part in our research claim to have received 7.8 items of post in the week prior to interview, which equates to just over 30 items a month. Twenty one per cent of the population received over ten items of post, while 9% claimed not to have received any post in that previous week. Those in the 16-34 age group claimed to receive less post on average than those in other age groups (6.0 items per week), whereas those in the 35-54 age groups are receiving the most post, with an average of 9.2 items per week.86

3.42 The most common type of post received is bills, invoices and bank statements, with 84% of respondents in July to September 2012 reporting having received one of

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84 See Glossary for definitions of socio-economic groups.
85 See Figure 55 in the Consumer Experience Research Report.
86 See Figure 56 in the Consumer Experience Research Report.
these types of communication in the last month. Those over the age of 55 are most likely to have received a personal letter in that time (at 31%).

3.43 Further details of our research into consumers’ use of the postal services are provided in the Consumer Experience Research Report.

Ofcom’s work

3.44 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 responsibilities, and, in others, the Government has taken the lead and we have provided advice and support.

3.45 Below we set out the latest progress made on the issues we have focused on in the past year. These include media literacy, services for disabled people, emergency SMS, our review of postal users’ needs and Royal Mail’s Delivery to Neighbour scheme.

Media literacy

3.46 The 2003 Act requires Ofcom to promote, and to make arrangements for research into, media literacy.

3.47 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 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.

3.48 Ofcom’s definition of media literacy is:

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

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

3.50 We conduct a regular programme of research that 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 website.

3.51 Our most recent research report, Children and Parents - Media Use and Attitudes, was published in October 2012. The report provides an accessible overview of media use, attitudes and understanding among children and young people aged 5-15. For the first time it also provides information about access to, and the use of, media among children aged 3-4. The report also includes findings on parents' views about their children’s media use, and the way parents seek – or not – to monitor or limit such use.

87 See Figure 59 in the Consumer Experience Research Report.
88 www.ofcom.org.uk/medialiteracyresearch
89 http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/oct2012/main.pdf
3.52 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.

3.53 We continue to communicate our findings to a range of stakeholders including: the UK Council for Child Internet Safety (UKCCIS); the BBC; Get Safe Online; Go On UK and the academic Media Communication and Cultural Studies Association (MECCSA). We also continue to present our findings at a variety of seminars and conferences throughout the year.

Services for disabled users

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

3.55 Ofcom mandates a range of services for disabled users of telecommunications services, and these are set out in General Condition 15. We have undertaken work to ensure that GC15 is complied with, and are undertaking a review of the General Condition in the light of amendments to the European Regulatory Framework and social and technological changes.

3.56 On 12 December 2012 we published a call for inputs, asking for evidence on a number of proposals under consideration, including:

- Updating the rules on the provision of accessible contracts to benefit other disabled end-users, not just blind and visually impaired people, and to require fixed and mobile broadband providers (not just voice operators) to comply with this condition.

- extending the requirement to provide a priority fault repair service for certain disabled end-users to all fixed broadband providers (not just voice operators).

- extending the current safeguard scheme for third-party bill management to benefit all disabled end-users who could benefit with help in managing their affairs, and to require fixed and mobile broadband providers (not just voice operators) to comply with this condition;

- extending the safeguard scheme to allow disabled end-users to nominate a third party who can notify their provider of faults with the service (to apply to voice and broadband providers); and

- adding an obligation for CPs to regularly inform disabled subscribers of the products and services suitable for them.

3.57 The closing date for inputs is 22 February 2013. Subject to the responses received and any further evidence we collect, Ofcom plans to consult on any specific proposals later in 2013.

90 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 USD. The revised USD refers to the need for equivalence and choice for disabled end-users.
Relay services

3.58 The USD enables national authorities to specify 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.

3.59 Under the 2003 Act, Ofcom is required to have regard to the needs of older and disabled people, and the USO (set by government) requires us to secure the provision of one or more text relay services. General Condition 15.3 requires CPs to provide their customers with access to a relay service approved by Ofcom. Currently, the only relay service approved by Ofcom is the text relay service provided by BT.

3.60 Relay services enable people with hearing and/or speech impairments to communicate with others through telephone or textphone equipment. Under the current system, a relay assistant acts as an intermediary to convert speech to text and vice versa for the two parties.

3.61 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. On 17 October 2012 we published our statement, following on from our May 2012 and July 2011 consultations, to improve communications services for people with hearing and/or speech impairments.

3.62 Our decision means that all UK landline and mobile providers must provide their customers with access to a next-generation text relay service, approved by Ofcom, by 18 April 2014. The new service will offer significant improvements, including:

- parallel two-way speech, which makes use of an internet connection to allow users to interject, instead of having to wait until the end of a message. Conversation flows much more quickly and naturally as a result; and
- a wider range of equipment for accessing the service, including easier use of text relay on the move via mobile phones.

3.63 As well as mandating these improvements to text relay, Ofcom will be working with industry and disability representatives to explore the impact of speech recognition technology on the accuracy and speeds of current and future relay services.

3.64 In addition, we recognise the potential significance of a video relay service for users of British Sign Language, particularly those who struggle with written English. Ofcom is working with government, industry and disability groups to encourage the provision of video relay services by CPs, organisations and businesses on a voluntary basis.

Emergency SMS

3.65 The emergency SMS service gives deaf and speech-impaired people who register with the service the ability to contact the emergency services from mobile handsets. Text messages are routed via the text relay call centre, where they are converted into speech and passed to the emergency services. Users receive replies in text, so they can be assured that help is on the way and given advice about what to do in the meantime (for example, to open the door so that the ambulance crew can run straight in when they arrive).

91 http://stakeholders.ofcom.org.uk/consultations/relay-services-review-12/statement/
Following a successful voluntary trial, emergency SMS was made a permanent service in the UK in 2011. Mobile network operators are obliged both to provide access to the service and to publicise it. Registrations have continued to rise in the past year, with over 37,000 people having registered. The number of emergency calls (i.e. series of messages) remains fairly steady and the service is considered to be working well and delivering real benefit to deaf and speech-impaired people.

**Television access services**

Subtitling, sign language and audio description are all television access services provided on some TV programmes for use by deaf or hard-of-hearing and blind or partially-sighted viewers. They are intended to help this particular group of viewers to enjoy television. Ofcom is obliged to produce, and to periodically review, a code on the application of, and exclusions from, statutory targets for provision of television access services.

In 2012, 69 channels as well as over 30 time-shifted services (e.g. ITV2+1) and simulcast HD services (e.g. ITV1 HD) were required to provide access services. Viewing of these channels accounts for over 90% of the UK audience share. In 2013, 70 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 the majority of channels exceed their 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.

Channels with smaller audiences may discharge their obligation to provide signed content by contributing to other ways of providing sign-presented programming. In 2012, some 50 channels chose 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**

Ofcom has general duties in relation to the regulation of on-demand programme service (ODPS). We work in conjunction with two ODPS co-regulators, the Authority for Television On Demand (ATVOD) as the co-regulator for editorial content, and the Advertising Standards Authority (ASA) as the co-regulator for advertising content. 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.

In the past year Ofcom has undertaken a formal review of ATVOD’s work as a co-regulator, leading to the amended re-designation of ATVOD in September 2012. We are currently reviewing the ASA’s work as a co-regulator.

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92 Six channels (Quest, Comedy Central Extra, Really, MTV Hits, Sky Atlantic and Sky Living Loves) that had no obligation to provide access services in 2012 will have an obligation in 2013 and five channels (Sky Movies Classic, Blighty, National Geographic, Discovery History and Discovery Real Time) will no longer have an obligation.

93 Reports (including targets) can be found here: [http://stakeholders.ofcom.org.uk/market-data-research/market-data/tv-sector-data/tv-access-services-reports/?a=0](http://stakeholders.ofcom.org.uk/market-data-research/market-data/tv-sector-data/tv-access-services-reports/?a=0)
Geographic telephone numbers

3.72 Telephone numbers are a critical and, in some cases, scarce national resource. Geographic telephone numbers (numbers beginning with ‘01’ and ‘02’) are the most widely recognised, valued and trusted by consumers. They are fundamental to the communications requirements of consumers and businesses.

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

3.74 We have been looking closely at the way in which we manage geographic numbers to ensure CPs use them efficiently and that sufficient numbers remain available for allocation across the UK.

3.75 We recognised that each of the options for increasing the supply of geographic numbers would unavoidably cause some disruption to consumers and businesses and we looked for ways to minimise this. Following consultation94, we concluded that the least disruptive measure would be that in a small number of areas of the UK, where phone numbers are becoming very scarce, people would need to dial the whole number when making local calls. This releases additional local numbers beginning with the digits ‘0’ and ‘1’ which cannot be used while local dialling is possible, for technical routing reasons. In the future, a second area code may need to be introduced in any areas that subsequently need more numbers.

3.76 We introduced this measure for the first time in 2012. As of 1 November, people living in Bournemouth, Poole and Christchurch must now dial the 01202 area code when making a local call. Callers who omit the 01202 code when dialling locally will hear a free message telling them to include it when they redial. This makes almost 200,000 more 01202 numbers available for use.

3.77 We also concluded on two measures to promote more efficient use of geographic numbers. We finalised our proposals for a pilot scheme to charge CPs for geographic telephone numbers allocated by Ofcom. The pilot scheme will be introduced in April 2013 and will cover the 30 geographic area codes with the fewest blocks remaining available for allocation to providers. We also concluded on proposals for smaller number blocks to be allocated to providers in 11 area codes covering relatively small populations. Both these measures are designed to postpone the need for number supply measures (such as the need to dial the whole number) and their associated disruption for consumers. Over the coming year we will continue our work on strengthening our administrative processes for geographic numbers.

Online copyright infringement

3.78 The Digital Economy Act 2010 placed new duties on Ofcom to make a code (the “Initial Obligations Code”) governing new obligations imposed on ISPs, aimed at tackling the online infringement of copyright. These measures form part of a multi-pronged approach aimed at reducing online copyright infringement through a complementary mix of enforcement, consumer education and encouragement to

94 http://stakeholders.ofcom.org.uk/consultations/safeguarding-geographic-numbers/
industry to develop and promote online services offering lawful access to copyright works.

3.79 Under the Code, ISPs must:

- notify their subscribers if the internet protocol addresses associated with them are reported by copyright owners as being used to infringe copyright; and
- provide to copyright owners on request anonymous details of subscribers against whom multiple such reports have been made, so that copyright owners can target enforcement action against the most persistent offenders.

3.80 The Code provides a number of safeguards for consumers who receive notifications from their ISP. These include:

- a requirement for notifications to include information—
  - to increase consumer awareness and understanding of online copyright, including information about the purpose of copyright and advice about where consumers can obtain licensed content online; and
  - on the steps consumers can take to secure their home networks against online copyright infringement.
- requirements for robust and transparent evidence of online copyright infringement; and
- a right of appeal against reports of copyright infringement to an independent body to be established by Ofcom.

3.81 If the Digital Economy Act proves to be successful in reducing overall levels of online copyright infringement, it may also lead to additional consumer benefits such as:

- increased availability of licensed online content services; and
- continued investment in content and innovative services.

3.82 Ofcom first consulted on a draft Code in May 2010. Following several delays (largely due to minor changes that Government was required to make to the scheme as a result of a legal challenge to the Digital Economy Act), Ofcom published a revised draft Code and an accompanying statement for further brief consultation in June 2012.

3.83 Further progress in implementing the Digital Economy Act provisions requires passage of secondary legislation to determine the allocation of the costs of the scheme. This is currently on hold pending review of the cost-sharing arrangements by HM Treasury and DCMS; no new date for scrutiny of the relevant legislation has yet been set.

3.84 Once Parliament has approved the cost-sharing arrangements, Ofcom will publish its revised draft Code for scrutiny by the European Commission under the Technical Standards Directive. Ofcom can then establish an independent body to hear subscriber appeals under the Code; submit the Code to Parliament for final approval; and secure industry participation in the scheme. Around a year later the first letters to
subscribers will be sent, once ISPs have built the necessary systems to process the reports of copyright infringement.

3.85 Ofcom also has duties to report quarterly to the Secretary of State on progress in reducing levels of online infringement, and, on an annual basis, on the extent of steps taken by copyright owners to enable lawful access to copyright works and to educate consumers about copyright infringement.

3.86 Finally, the Secretary of State has the power to move to a ‘technical obligations’ regime involving the imposition of sanctions against infringers (such as bandwidth throttling or temporary account suspension), following consideration of Ofcom’s reports on the effectiveness of the Initial Obligations. Such a move would require a further report from Ofcom assessing whether a technical obligations regime should be imposed, further consultation by Government, and the creation of a new Code by Ofcom.

Postal users’ needs

3.87 The 2011 Act requires Ofcom to carry out an assessment of the extent to which the market for the provision of postal services is meeting the reasonable needs of postal users. As part of the process of gathering evidence on the reasonable needs of users, we have undertaken extensive market research, both through workshops and surveys, of residential and business users. We have also considered, wherever possible, whether the costs of delivering aspects of the service are in line with the benefits that users and society derive from them. We published a consultation document on the findings of our research on 16 October 2012, inviting responses by 18 December 201295.

3.88 Some of the key findings of our research include:

- users rely less on the postal service than they used to, except in relation to packets. For instance, the volume of items residential users reported sending by post was on average 1.5 items per week (per user) compared to 3.5 items in 2006;

- in most respects the current service largely satisfies users’ ‘core’ needs. Our qualitative research identified that these ‘core’ needs include trust, simplicity, and providing a range of services. The need for a range of services was identified because users want to be able to meet the following three ‘core’ needs in different circumstances: delivery speed, affordability/value for money and the desired level of control about mail delivery, such as tracking the item. Some users also identified the need for a postal service that fits in with the demands of modern life, and large businesses said they needed predictability of delivery times;

- about nine in ten residential and business users said they find the current service acceptable. There is general satisfaction with the service;

- users want more convenient packet services and re-delivery options (largely relating to packets);

- there is a trend towards less reliance on next-day delivery; in so far as users consider that in many cases a two-day service would be sufficient; and

95 http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/
Royal Mail, as the universal service provider, must collect and deliver letters Monday to Saturday, and other packets Monday to Friday\(^{96}\). Participants in our qualitative research discussed the scenario of reducing the number of collection and delivery days from six to five. Overall our research shows that users would find that removing a weekday would be detrimental to them, especially because businesses find it valuable. However, participants considered that removing Saturday collections and deliveries would be acceptable, as long they could collect packets and signed-for goods from delivery offices in the evening and on Saturdays. Residential users placed a higher value than businesses on Saturday collections and deliveries.

Following our consultation, we will issue a statement presenting our assessment of the extent to which the market for the provision of postal services is meeting the reasonable needs of users of postal services. As required by the 2011 Act, we must conclude this assessment by 31 March 2013. If, following our assessment, we consider that any changes to the regulatory framework for the universal postal service should be made, we will consult further on our detailed proposals for change.

Our work in relation to the new regulatory framework and end-to-end competition for postal services is set out in Section 4 of this report.

**Royal Mail's Delivery to Neighbour scheme**

On 27 September 2012, we published a statement giving our approval for Royal Mail to roll out its ‘Delivery to Neighbour’ scheme across the UK\(^{97}\).

This will allow Royal Mail to leave some mail items with a neighbour in the event that consumers are not at home to receive them themselves, although an addressee may choose to opt out of the scheme. The new scheme will reduce the need for consumers to collect items from Royal Mail delivery offices or Post Offices, or for items to be re-delivered.

Our decision follows consideration of consultation responses and the positive results from trials of the scheme, covering 748,000 addresses in six areas across the UK. It also brings Royal Mail into line with other UK postal operators which are already able to leave items with neighbours as part of their standard delivery practice.

\(^{96}\) Unlike other aspects of the universal service covered by our research, the number of days per week post is collected and delivered can only be changed by Parliament. Section 31 of the Act sets out certain “minimum requirements” of the universal postal service. These minimum requirements can only be amended by Parliament or by an Order of the Secretary of State subject to approval from Parliament by affirmative resolution. The Government has made clear that it has no intention of reducing the minimum requirements of the universal postal service during this Parliament (see House of Lord Report - 17.05.11 - Hansard vol.727, col. 1319, available here: [http://www.publications.parliament.uk/pa/ld201011/ldhansrd/index/110517.html#contents](http://www.publications.parliament.uk/pa/ld201011/ldhansrd/index/110517.html#contents))

\(^{97}\) [http://stakeholders.ofcom.org.uk/consultations/royal-mail-delivery-neighbour/](http://stakeholders.ofcom.org.uk/consultations/royal-mail-delivery-neighbour/)
Section 4

Consumer choice and value

Introduction

4.1 Ofcom’s principal statutory duty under the 2003 Act 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 and value for money.

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

4.3 In addition, Ofcom’s primary duty under the 2011 Act is to carry out our functions in relation to postal services in a way that we consider will secure the provision of a universal postal service: the delivery and collection of mail everywhere in the UK at affordable and uniform prices, every working day (and on Saturday for letters).

4.4 In this section we report on the purchasing choices consumers are making, how the cost of services is changing across the UK and how these compare internationally. We also discuss our policy work aimed at promoting competition and facilitating consumer choice in communications markets, in order to consider its impact on the consumer experience.

Purchasing choices

4.5 Increasingly, providers offer services to consumers in bundles or packages – for example, landline access and calls are typically bundled together, and broadband and sometimes pay-TV are added to these packages to create ‘double play’ and ‘triple play’ bundles. Bundling is most popular in the fixed voice and broadband markets, with around two-thirds of consumers in the fixed voice and three-quarters in the fixed broadband markets choosing to bundle these with other services. In the mobile market, the vast majority of consumers purchase mobile as a single service and in the pay-TV market single service purchasing is slightly more popular than bundling.
4.6 Between 2011 and 2012, the proportion of UK adults choosing to bundle any of their communications services increased to 57% (from 53%), with fixed voice, broadband and multichannel TV bundles, and fixed voice and broadband bundles, both rising by 3 percentage points since the previous year (see Figure 16 below).

4.7 Consumers over 65 years old are most likely to have dual-play landline and broadband (64%), with the average for all age groups standing at 48%. However, they are less likely to have a triple-play bundle. For example, only 18% of over-65s bundle their landline, broadband and multichannel TV (versus an average of 33% for all age groups).

4.8 A large proportion of bundling in rural areas is dominated by dual-play landline and broadband bundles (71%), compared with 45% of consumers in urban areas with this
type of bundle. Over a third (36%) of consumers in urban areas have triple-play landline, broadband and multichannel TV, compared to 16% in rural areas.\(^8\)

**Monthly contracts**

4.9 Smartphones (owned by 45% of mobile customers) continue to drive significant change in the mobile market, both in terms of how consumers use their phones and the choices they make relating to payment and contracts.

4.10 As indicated in Figure 17 below, more than half (57%) of mobile customers are signing up for a mobile contract. In most cases (51%) this is at least a yearly contract, with very few consumers choosing SIM-only packages that are usually purchased on a rolling monthly basis (holding steady at 5%). This continued shift is consistent across most age groups (16-75+), although it is more pronounced among the oldest age bracket (75+), with use of pre-pay falling by 11 percentage points since 2011 (to 84%)\(^9\).

**Figure 17: Take-up of mobile packages**

![Figure 17](image)

Source: Ofcom communications tracking survey. Base: Adults 16+ who personally use a mobile phone. See Consumer Experience Research Report (Figure 84).

4.11 With the sustained growth of smartphone ownership, longer contracts continued to attract the biggest increase in connections since 2008, with two-thirds (67%) of new contract connections in Q1 2012 being made on the basis of a 24-month contract (see Figure 18).

4.12 Since our last reports, use of SIM-only contracts has fallen by 5 percentage points to 14% (the lowest proportion since Q1 2008), despite providing greater flexibility than contracts including new phones, and lower prices than pre-pay (pay-as-you go).

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\(^8\) See Figure 83 in the *Consumer Experience Research Report*.

\(^9\) See Figure 85 in the *Consumer Experience Research Report*. 
4.13 Below we set out our analysis of current expenditure and the trend in UK prices. Full details of this analysis are included in the Consumer Experience Research Report.

Expenditure on services

Change in spend on residential telecoms services

Average UK household spend on communications services continued to decline in 2011 in real terms (i.e. adjusted for inflation), despite increasing take-up of fixed broadband, mobile and pay-TV services during the year (Figure 19). On average, UK households spent £97.62 per month on communications services in 2011, £2.53 (2.5%) less than in 2010 and £12.88 (11.7%) less than in 2006. This was equivalent to 4.6% of total household spend in 2011, down 0.1 percentage point compared to 2010, and 0.2 percentage points less than in 2006.

Data is based on Q4 of each year.
Pricing of services

Fixed voice pricing

Standalone fixed telephony prices are increasing

4.15 In order to track the price of UK residential communications services, Ofcom commissions pricing consultancy Teligen to collect data on all tariffs available from the largest retail providers in July of each year. The pricing model used identifies the minimum price required to fulfil ‘baskets’ of communications services using each of these operator’s tariffs, these baskets being designed to be representative of the communications needs of five ‘typical’ households.\(^{101}\)

4.16 Although a growing majority of UK consumers now purchase fixed voice services as part of a bundle (Ofcom’s technology tracker research suggests that the proportion of homes buying bundled communications services increased from 45% to 57% in the three years to Q1 2012)\(^{102}\), some consumers still purchase fixed voice separately from other communications services. In order to monitor residential fixed voice service prices for these standalone consumers, we calculate a ‘weighted average’ price from the standalone best-offer prices available from the three largest providers (BT, TalkTalk and Virgin Media in the case of fixed voice services), weighted by retail market share.\(^{103}\) When calculating the ‘weighted average’, tariffs that are over 100% higher than those offered by the lowest-priced provider are excluded from the weighted average in order to avoid ‘skewing’ the results (the aim being to exclude tariffs which are clearly not targeted at the usage profile we are analysing).

4.17 Figure 20 below shows the weighted average standalone best-offer price of the fixed voice elements of those baskets which include this service, both including and excluding line rental pre-payment tariffs. Line rental prepayment tariffs enable consumers to save money by paying the line rental element of their fixed telephony service a year in advance\(^{104}\), and these tariffs were available from BT in July 2011 and from BT and TalkTalk in July 2012 (Virgin Media has subsequently launched its own line rental pre-payment tariff).

4.18 The analysis indicates that when line rental pre-payment tariffs are taken into account, ‘weighted average’ standalone fixed voice prices for the two higher-use household types (Baskets 2 and 3) were lower in July 2012 than in July 2011, and the overall price of fulfilling the usage requirements of all four baskets fell over the same period (by 0.7% in nominal terms and by 3.8% when inflation is taken into account). However, in 2012 the price of Virgin Media’s lowest-priced tariff for the usage profiles of Baskets 2 and 3 were excluded from the calculation as they were more than twice that of the lowest priced service. When Virgin Media’s tariffs are included in the analysis, the ‘weighted average’ price of these two baskets also

\(^{101}\) These baskets allow the comparison of prices with those in previous years, but do not necessarily indicate the prices paid by average consumers as they may not reflect average consumers’ usage, nor do they consider tariffs available from providers other than the largest three providers in each market. In addition, the weighted average the calculation assumes that standalone consumers are on the optimal tariff for their usage profile, which will seldom be the case.

\(^{102}\) By May to July 2012 this had risen to 60%.

\(^{103}\) ‘Fixed voice’ is taken to mean ‘calls plus access’ throughout this section of the report.

\(^{104}\) Provided they remain customers for the full term of the contract. Should they end the contract early, relevant contract terms often seek to allow the provider’s retention of the whole of the pre-payment. The savings to customers do not take into account any amount that may be foregone on early termination, nor any other matter relating to contract terms and termination.
increases, and the overall cost of all four baskets increased by 10.0% in nominal terms and by 6.6% when inflation is taken into account.

4.19 When line rental pre-payment products are excluded from the analysis (and Virgin Media’s services are included in the weighted average calculation), the increase in the cost of fulfilling all four baskets was higher in the year to July 2012, averaging 17.7% in nominal terms and 14.1% when inflation is taken into account. Our analysis therefore suggests that UK residential landline users who purchase the service outside a bundle, and in particular those who are do not pay 12 months of line rental in advance, are likely to have seen prices increase in the year to July 2012.

4.20 The majority of UK homes (54%) purchase their fixed voice service as part of a bundle, in most cases together with fixed broadband, and the analysis of standalone fixed voice telephony pricing is not relevant to the pricing experience of these consumers. The analysis of bundled services pricing, later in this section, may be more relevant to understand the experience of most UK fixed-line users.

---

105 Ofcom Technology Tracker, Wave 2 2012 (May to July 2012).
106 Indeed some providers do not actively market standalone fixed-voice services to consumers, and higher standalone fixed voice prices may be maintained in order to make bundled services more attractive to potential customers (as the extra cost related to additional service/s is lower).
Figure 20: Fixed-line voice - prices for typical baskets of standalone voice services: 2008 to 2012

<table>
<thead>
<tr>
<th>‘Typical household type’</th>
<th>Basket 1</th>
<th>Basket 2</th>
<th>Basket 3</th>
<th>Basket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>A retired low-income couple</td>
<td>223</td>
<td>428</td>
<td>593</td>
<td>246</td>
</tr>
<tr>
<td>A couple of late adopters</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A ‘networked’ family</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affluent couple with sophisticated use</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outbound call minutes</th>
<th>Basket 1</th>
<th>Basket 2</th>
<th>Basket 3</th>
<th>Basket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of calls</th>
<th>Basket 1</th>
<th>Basket 2</th>
<th>Basket 3</th>
<th>Basket 4</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Time of day</th>
<th>Basket 1</th>
<th>Basket 2</th>
<th>Basket 3</th>
<th>Basket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

Including line-rental pre-payment tariffs

<table>
<thead>
<tr>
<th>Monthly cost (£)</th>
<th>2010</th>
<th>2011</th>
<th>2012 excluding Virgin Media</th>
<th>2012 including Virgin Media</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.59</td>
<td>21.60</td>
<td>22.54</td>
<td>22.54</td>
</tr>
<tr>
<td></td>
<td>22.08</td>
<td>22.05</td>
<td>20.73</td>
<td>25.62</td>
</tr>
<tr>
<td></td>
<td>20.98</td>
<td>20.87</td>
<td>19.53</td>
<td>23.54</td>
</tr>
<tr>
<td></td>
<td>18.88</td>
<td>18.21</td>
<td>19.31</td>
<td>19.31</td>
</tr>
</tbody>
</table>

Excluding line-rental pre-payment tariffs

<table>
<thead>
<tr>
<th>Monthly cost (£)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.59</td>
<td>23.57</td>
<td>26.62</td>
</tr>
<tr>
<td></td>
<td>22.08</td>
<td>24.02</td>
<td>29.70</td>
</tr>
<tr>
<td></td>
<td>20.98</td>
<td>22.84</td>
<td>27.62</td>
</tr>
<tr>
<td></td>
<td>18.88</td>
<td>20.18</td>
<td>22.72</td>
</tr>
</tbody>
</table>

Source: Ofcom / Teligen

Note: Tariff data collected in July each year; nominal prices.
There have been changes in the prices of different call types

4.21 Individual call prices need to be considered in the context of a broader pricing trend, which has seen the bundling of calls into line rental, and the increase in price of calls outside these bundles, over the past five years (the same approach as that taken by mobile operators). This can lead to anomalies in price measurements based on types of call, as it does not reflect changes in consumers’ use of services in responses to price changes.

4.22 While the overall average price per minute of fixed-originated residential voice calls remained fairly stable since between 2007 and 2011 (falling by 0.7% in real terms over the period), there have been larger variations in the prices of different call types. The main driver behind changes in average fixed call prices is the price of UK geographic calls (these figures are calculated including the line rental fee as this fee usually includes an element of bundled calls to geographic numbers). The average for all call types is closely aligned to that for UK geographic calls (as is shown in Figure 21), as calls to geographic numbers make up over 80% of UK residential fixed call volumes.

4.23 The average per-minute price of a residential fixed-originated call to an international destination fell by 49% to 5.1 pence per minute in the four years to 2011, as traditional fixed-line operators have offered lower prices in order to compete with low-priced international mobile call tariffs and those offered by voice over IP (VoIP) providers. Most of the major residential fixed-line operators now offer service ‘add-ons’ which offer either discounted or ‘free’ international calls for consumers who pay an additional monthly fee.

4.24 The average pence-per-minute charge for residential fixed-to-mobile calls increased by 4% to 15.0 pence per minute between 2007 and 2011, although the average price of these calls has been falling since 2009. This may be due to a reduction in mobile termination rates, which has enabled fixed providers to cut the price of calls to mobiles and introduce ‘add-ons’ that include these calls.

Figure 21: Average per-minute residential fixed voice call charges

![Figure 21: Average per-minute residential fixed voice call charges](image)

Source: Ofcom / operators
Note: Nominal prices. See Consumer Experience Research Report (Figure 94).
Fixed broadband pricing

The prices of most residential broadband services are increasing in nominal terms

4.25 The Ofcom analysis of Pure Pricing data in Figure 22 shows the tariffs available from the largest broadband providers in September of each year, and indicates general increases in the price of broadband from the leading residential providers between 2008 and 2012 (in nominal terms at least). However, prices available from BT for a bundle of broadband and voice, and broadband, voice and basic pay-TV services fell slightly in 2012, partly because in September 2009 restrictions, which prevented BT from offering discounted bundled services, were removed.

Figure 22: Best price available for broadband bundles from the UK’s largest ISPs

<table>
<thead>
<tr>
<th></th>
<th>Broadband</th>
<th>Broadband and basic landline</th>
<th>Broadband, basic landline and basic pay-TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
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<td></td>
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<td>2009</td>
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<td></td>
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<td>2011</td>
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<td>2012</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Virgin Media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>17.00</td>
<td>20.00</td>
<td>30.00</td>
</tr>
<tr>
<td>2009</td>
<td>19.57</td>
<td>24.47</td>
<td>34.25</td>
</tr>
<tr>
<td>2010</td>
<td>20.00</td>
<td>24.49</td>
<td>29.99</td>
</tr>
<tr>
<td>2011</td>
<td>21.00</td>
<td>27.40</td>
<td>32.99</td>
</tr>
<tr>
<td>2012</td>
<td>22.50</td>
<td>28.40</td>
<td>33.90</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TalkTalk</td>
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<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2009</td>
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<td></td>
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<tr>
<td>Sky</td>
<td></td>
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<td></td>
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<tr>
<td>2008</td>
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<td></td>
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<td>2009</td>
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<td></td>
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<tr>
<td>2012</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Ofcom / Pure Pricing UK Broadband Pricing Briefings.
Notes: Nominal prices. See Consumer Experience Research Report (Figure 95).
Line rental pre-payment tariffs offset price increases for some consumers

4.26 Ofcom’s annual analysis using Teligen’s communications service pricing model enables us to compare the lowest price available for a basket of fixed broadband and fixed voice services (a basic fixed broadband connection and 428 voice minutes) among those providers included in the model. We find that, when all tariffs are included, prices increased in 2011 and fell in 2012, and in 2012 the lowest-price option included a fixed-line rental pre-payment option, which meant that the price of fulfilling the basket fell in both nominal and real terms (down 7.8% and 10.6% respectively) during the year (Figure 23). However, when pre-payment tariffs are excluded from the analysis, the nominal and real prices both increased during the year (up by 4.1% and 0.9% respectively).

Figure 23: Best price available for a basket of voice calls and a basic broadband service

Source: Ofcom / Teligen
Notes: Nominal prices. See Consumer Experience Research Report (Figure 96).

Average revenue per residential fixed broadband connection continues to decline despite improved product offerings

4.27 We are able to calculate the average price of a residential fixed broadband connection from connection and revenue data provided to Ofcom by ISPs (Figure 24). When compiling these figures, ISPs split revenues from bundled services across those services included in the bundle, so the figures below should be purely for the fixed broadband element of any bundled services, and are based on the accounting conventions used to allocate bundled revenues. Our figures indicate that the average price of a residential broadband connection fell by a third to £15.73 a month in the five years to 2011, although the rate at which the average connection price is declining has slowed significantly, and the 1.4% fall in nominal terms in 2011 was significantly lower than those in previous years.

4.28 Falling residential revenue per broadband connection is to a large extent a result of consumers switching to lower-priced bundled services, particularly those provided by operators using local loop unbundling (LLU) to provide ADSL broadband. One factor behind the slowing decline in average revenue per broadband connection is likely to be consumers migrating to faster services, including those classed as being superfast (i.e. with an advertised speed of 30Mbit/s or more). These typically require
a price premium of £5 to £10 a month over a standard broadband connection, and Ofcom data show that in the year to May 2012 the proportion of UK residential fixed broadband connections that were superfast increased from 2% to 8%.

4.29 While average revenue per fixed broadband connection has continued to fall, service offerings have improved: the average actual speed of a UK residential fixed broadband connection increased by over 70% to 9.0Mbit/s in the two years to May 2012107 and the data allowances included with many ISP packages have also become more generous.

**Figure 24: Average monthly price of a residential broadband connection (excluding line rental)**

<table>
<thead>
<tr>
<th>£ per month</th>
<th>2.5Mbit/s</th>
<th>4.8Mbit/s</th>
<th>6.4Mbit/s</th>
<th>8.3Mbit/s</th>
<th>12.8Mbit/s</th>
<th>16.8Mbit/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>£23.60</td>
<td>£20.51</td>
<td>£18.09</td>
<td>£17.59</td>
<td>£15.96</td>
<td>£15.73</td>
</tr>
<tr>
<td>2007</td>
<td>-15.4%</td>
<td>-13.1%</td>
<td>-11.8%</td>
<td>-2.8%</td>
<td>-9.2%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>2008</td>
<td>-18.0%</td>
<td>-16.7%</td>
<td>-15.2%</td>
<td>-2.2%</td>
<td>-13.3%</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
Notes: Nominal prices. See Consumer Experience Research Report (Figure 97).

**Mobile pricing**

There is evidence that the largest mobile providers may be increasing the price of some packages

4.30 Our annual analysis of tariffs available from the largest retail communications service providers enables us to track the prices available for ‘baskets’ of mobile services in the same way that we track those of fixed voice services.

4.31 Figure 25 below details the ‘weighted average’ prices for nine different ‘baskets’ of mobile phone services, based on the lowest prices available from the three largest mobile network operators, weighted by retail market share. This analysis considers the tariffs of the three largest mobile operators, and therefore excludes those offered by smaller providers such as Three, Tesco Mobile, giffgaff, Lebara and Lycamobile, all of which have grown in market share over the past few years.

4.32 Overall, we find that the total ‘weighted average’ price of these nine connections, calculated using the tariffs available from these three mobile providers, was higher in July 2012 than in July 2011, having increased by over 10% during the year (in 2011 it fell by 12.8%). During the year to July 2012, the weighted average cost of the two

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107 Ofcom fixed-line broadband performance reports: http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/?a=0
lowest-use connections and the three highest-use connections all increased, although it is unclear whether these increases are due to the baskets used in the analysis, or if there was an actual increase in residential mobile prices. This uncertainty is due to the necessary simplifications made when monitoring prices, and also the need to ignore the fact that consumers may change their usage patterns in response to price changes.

4.33 The four highest-use connections in our mobile pricing analysis all require an element of mobile data use, and the largest weighted average price increases among all nine connections were for connections 7, 8 and 9, which all require monthly data use of 300MB or more. Over the past year, unlimited mobile data packages have become increasingly uncommon, as network operators attempt to use prices to manage network capacity and increase mobile data revenues. While tariffs offering unlimited data allowances are now relatively scarce, tariffs offering unlimited SMS, or unlimited voice and SMS, have become increasingly common.

4.34 Over recent years, EE, O2 and Vodafone have incentivised consumers to switch from pre-pay tariffs to SIM-only monthly contract services. This has been achieved by increasing pre-pay pricing or making subsidised smartphones available only on post-pay packages, and is part of a continuing effort to secure longer-term revenue from their customers via post-pay contracts with 18 or 24 month minimum terms. As the larger mobile providers have prioritised post-pay, there has been rapid growth in specialist pre-pay providers. These include Lebara, which focuses on low-priced overseas calling, and giffgaff, which has sought to reduce the cost of offering services by having a web-only self-service interface.

4.35 One element of the larger mobile providers' strategy to increase post-pay has been to increase the attractiveness of 'SIM-only' tariffs (whereby customers do not receive a subsidised handset when signing a new mobile contract, but are supplied with a SIM card to use in a handset they already own). SIM-only tariffs often offer lower monthly charges for similar levels of included minutes, SMS and data (thereby indicating that there is a saving due to the network not having to recoup the handset subsidy). These SIM-only tariffs often have shorter contract lengths, usually 1 month or 12 months. In the UK almost half (44%) of the best-offer tariffs feeding into the July 2012 UK weighted average best-pricing analysis were SIM-only contracts, up from 30% in July 2011 (our model factors in the cost of buying a handset separately).

4.36 Post-pay contracts have also proved popular with mobile users in the context of increasing smartphone take-up: high-end handsets have always been more expensive than less-featured handsets, and these have now been replaced by smartphones. Therefore, just as the price of a high-end phone has remained static, the benefit of a monthly contract (in that it enables consumers to spread the cost of the handset, which is often several hundred pounds, across the contract's lifetime), has remained. By the end of June 2012, 51.1% of mobile phone subscribers were on post-pay contracts, up from 47.4% a year previously.
**Pay-TV pricing**

**Promotions mean that pay-TV prices fell in the year to July 2012**

4.37 The TV licence fee was unchanged in 2012, as in October 2010 the government announced that it would be frozen for six years (at £145.50 per year for a colour licence).

4.38 The lowest price available for a basic TV service (which is defined as one that includes channels which are not available on free-to-air platforms) has fallen since 2008, and although it fell in the year to July 2012, the decline (from £12.50 per month to £9.75 per month) was due to an increase in the monthly charge for Virgin Media’s TV Size M+ with V HD service being offset by a promotional discount which halved its monthly fee for six months (Figure 26).

4.39 The lowest price available for a premium pay-TV service (which is defined as a package including both live Premier League football and a top entertainment package, including films) has increased steadily since 2008. However, the number of channels included (particularly the number of HD channels) has increased significantly for these premium services over the period, as has the range of additional services included in a subscription, such as a DVR and on-demand/catch-
up’ programming. In fact, the lowest price available for premium pay-TV services (both in standard definition and HD) fell slightly in the year to July 2012, these decreases (for Sky World and Sky World + HD Mix) also being due to the price increases during the year being offset by the introduction of promotional offers giving a reduced monthly fee for six months.

**Figure 26: Best price available for television services**

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

### Bundled service pricing

4.40 In order to represent the prices available to consumers, it is necessary to include ‘bundled’ services as well as those available on a single-service basis (Ofcom’s technology tracker research suggests that 60% of UK households bought communications services as part of a bundle in May to July 2012).

4.41 Figure 27 shows the lowest prices available for a household purchasing a fixed voice service with high use (593 minutes per month), a fixed broadband connection, four mobile phones with varying usage levels and a basic pay-TV subscription (including a DVR), based on single-service and ‘bundled’ tariffs from the UK’s largest providers. In all three years the lowest prices available involved buying some of these services in a bundle, although in 2012 the difference between the best-offer price and the lowest price of fulfilling the basket’s requirements using stand-alone services was just £6 a month (5%).

4.42 The services that were included in the ‘best-offer’ bundle were different in July 2012 to those in July 2010 and 2011: in 2012 the lowest-priced option included a fixed voice and broadband double-play offer and standalone pay-TV and mobile services (the bundle was TalkTalk’s Essentials with Line Rental Saver service with bolt-ons giving inclusive anytime calls, inclusive calls to 36 international destinations and 100 minutes of calls to mobiles), while in 2010 and 2011 it was a Sky triple-play of fixed voice, broadband and pay-TV, and separate mobile services.

4.43 The lowest price for this basket of services fell by nearly over £9 a month (8%) in the year to July 2012, with this decrease primarily being driven by declining prices for the three lower-use mobile connections that are included in the basket.
Figure 27: 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 levels, basic pay-TV service)

![Diagram showing monthly costs for different services from 2010 to 2012]

Source: Ofcom / Teligen. See Consumer Experience Research Report (Figure 101).

Cost of first and second class stamps

4.44 The prices for sending individual letters and postcards have increased every year since 2004. Until 2006, however, the increases in stamp prices did not keep pace with inflation. The largest increase in stamp prices took place in 2012 as both first and second class stamps rose by 14p; to 60p and 50p respectively. Details of Ofcom’s work in this area are outlined below in our spotlight on the new regulatory framework for postal services (paragraph 4.76).

Figure 28: Royal Mail first and second class stamp prices: 2000-2012

![Diagram showing price changes for first and second class stamps from 2000 to 2012]

Source: Royal Mail. Figures are nominal. See Consumer Experience Research Report (Figure 107).

Ofcom’s work

4.45 Ofcom carries out a wide range of work aimed where appropriate at promoting competition in communications markets, covering telecoms, broadcasting and postal services. Throughout our work, the core objective is to drive consumer benefits by facilitating the availability of wider choice, innovation and lower prices.
4.46 The following section outlines our progress in a number of areas in each of the communications markets (including post). These involve our work on reviewing the narrowband market, the provision of geographic numbers, superfast broadband, competition in pay-TV and the new regulatory framework for postal services.

**Fixed line**

4.47 In the fixed-line sector, regulation is focused on access and wholesale services. Access services are provided by Openreach, the wholesale access division of BT which provides equivalent inputs to services provided in downstream markets by other divisions of BT and other network and service providers. Regulation of these markets facilitates competition and choice for consumers in downstream retail markets, and hence regulation in retail markets is focused in those areas where there are demand side market failures – for example, barriers to switching and deficiencies in consumer information or transparency. Our work in these areas is explained in Section 5.

4.48 Our pricing analysis shows that, overall, indicators are consistent with good value for most consumers purchasing telecommunications services. The majority of consumers subscribe to bundled packages at rates which provide significant discounts relative to buying standalone services. 2012 saw reductions in the lowest price available tariffs for fixed voice and broadband packages ('double play'), and fixed voice, broadband and pay-TV ('triple play').

4.49 We have observed that prices for fixed voice when purchased on its own (i.e. not as part of a bundle) are rising. This is likely to affect some consumers and groups of consumer more than others. There are options for consumers to offset rising standalone fixed-line prices, for example by purchasing line rental packages at discounted pre-pay rates (also available from some providers for the line rental element of bundled packages). This option will not be attractive to all consumers, and is likely to be hard to afford for some. Social tariffs are available (and required under the USO) to ensure accessibility for consumers who would otherwise find these services difficult to afford. In 2013, Ofcom will continue to monitor price trends. We will also work to understand whether certain groups of consumers are particularly exposed to price increases, and hence whether there is a need for additional protection for some consumers.

**Narrowband review**

4.50 We are currently undertaking a narrowband market review to examine retail and wholesale narrowband fixed telephony services. The review covers the period October 2013 - September 2016. In this review we assess the state of competition in these markets and where markets are not effectively competitive we make proposals on how best we should regulate the behaviour of any company we find to have significant market power (SMP), which is the power to influence markets in a way that could be detrimental to consumers.

4.51 For the purposes of this review, retail fixed narrowband telephony services are calls provided by retail CPs/service providers to citizens, consumers and businesses.

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108 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/)。
Wholesale fixed narrowband telephony services are products used by retailers to provide services to citizens, consumers and businesses.

4.52 We last reviewed these markets in 2009. Since then there have been a number of developments, including growth in the use of LLU to provide narrowband services. We plan to conclude this review in summer 2013, and will publish our findings in a statement then.

**Mobile**

4.53 In 2011/12 we did not conduct any market reviews directly relating to mobile networks or services. However, Ofcom engaged in a significant amount of work covering competition issues in mobile markets, relevant to our work in spectrum policy (specifically, in the lead-up to the 4G spectrum auction) – see Section 2 above.

4.54 We also monitored market developments and engaged with industry on a variety of issues, including:

- understanding shifts towards shared access networks by mobile spectrum licensees;
- the impact on the retail markets of growing smartphone penetration; and
- the changing role of handset manufacturers and third-party app providers.

4.55 Where relevant, this work informed the analysis in our various *Communications Market Reports* and other publications.

**Broadband**

**Wholesale broadband access**

4.56 In December 2010 we published our conclusions on regulation in the wholesale broadband access (WBA) market. The success of LLU had resulted in almost 80% of UK premises being connected to exchanges where there is a wide choice of broadband suppliers. To reflect this, we did not impose any regulation downstream of access in these areas, because we believed that competition would deliver the best outcomes for consumers. However, we found that approximately 20% of premises across the country were in areas (largely rural) where we concluded that there was not enough competition.

4.57 We imposed regulation on BT in these areas. The aim of this regulation was to allow millions of homes and businesses in rural, less densely populated parts of the UK to receive better value broadband services.

4.58 We have recently commenced our next review of the wholesale broadband access market, which will set the regulatory rules for these services in the UK for the period from April 2014 to March 2017. In this review we will assess the effectiveness of our previous regulation and the extent to which we need to impose new regulation where competition is not effective in delivering good outcomes for consumers.

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Superfast broadband

4.59 Superfast broadband is now available to approximately 65% of UK premises as a result of commercial investments in next-generation access (NGA) networks by BT and Virgin Media.

4.60 BT started offering superfast broadband services at the beginning of 2010 and it is now supplying services up to 80Mbit/s to over 40% of UK premises. Virgin Media started offering superfast broadband services in mid-2008 and it is now supplying services up to 100Mbit/s across its entire network, which is available to approximately 50% of UK premises.

4.61 Over the next twelve months we expect BT and Virgin Media to continue investing in superfast broadband. BT is planning to extend its NGA network to two-thirds of UK premises by the end of 2014 and to introduce higher-speed services based on fibre-to-the-premises (FTTP). Virgin Media is currently upgrading existing customers to higher speeds and is increasing the speed of its 100Mbit/s service to 120Mbit/s. Take-up of superfast broadband services currently stands at over 2.5 million households.

4.62 Nonetheless, competition in the provision of superfast broadband services is still a developing area. In order to keep supporting the future development of the market, we must remain committed to our work on ensuring a clear regulatory framework, designed both to promote competition and to support continued investment and innovation.

4.63 Following our October 2010 review of the wholesale local access (WLA) market which analysed the state of competition in this area, we imposed obligations 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 infrastructure110.

4.64 Under the EC framework we are required periodically to review these markets and to this end we have recently embarked on reviewing the WLA market. This review will be conducted throughout 2013, when we will assess, among other things, the effectiveness of the existing remedies, the willingness of other operators to invest in superfast broadband and what (if any) remedies are appropriate to promote effective competition in the period to 2017. Our intention is to publish a consultation document in 2013 and a final statement in early 2014.

4.65 Ofcom’s decisions in this area are important, as they are designed to promote competition and investment in new superfast broadband networks during their critical early development stages. Although our regulatory focus tends to directly affect those services provided between CPs, changes adopted in this context ultimately affect the prices, choice and availability of superfast broadband and related services in the retail market.

110 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 (BDUK) process (detailed in Section 3 of this report).
Digital Broadcasting

Competition in pay-TV

4.66 In the past few years, our competition work in the area of broadcasting has focused on our market investigation into pay-TV and its implications. This work aims 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.

4.67 In March 2010 we published our Pay TV Statement\textsuperscript{111}, 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.

4.68 On 4 August 2010 we decided to refer the films 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 films, including the restricted exploitation of subscription video-on-demand rights.

4.69 Our decision in the Pay TV Statement was appealed by the Premier League and Sky, arguing that we lacked legal powers for our intervention, which they regarded as unmerited and disproportionate; and from BT and Virgin Media arguing that our remedy did not go far enough. In August 2012 the Competition Appeal Tribunal concluded that we have the power to impose a wholesale must-offer remedy, but found no restriction of supply in relation to Sky Sports 1 and 2. Also in August 2012, the Competition Commission concluded its investigation into Pay TV films, finding that there remains a lack of effective competition in the pay-TV retail market, but that no action was merited in relation to pay-TV films in particular.

4.70 However, in the two and a half years since Ofcom’s pay TV decision, consumers have benefited from greater choice and innovation through the wider availability of premium content. They can access Sky Sports 1 and 2 through BT Vision’s platform and through Top Up TV as a direct result of our must-offer obligation on Sky. Virgin Media’s cable TV customers can also subscribe to high-definition versions of these channels. We welcome also Sky’s agreement to make its premium sports channels available through TalkTalk’s new TV service, which we see as a further positive development.

Spectrum

4.71 Ofcom’s preference is to use market-led approaches to spectrum management, while recognising that in some instances there is a need for regulatory action. In determining our approach, our objective is to maximise the benefits of competition and innovation in the provision of wireless services for UK consumers, citizens and the economy. We believe that, where appropriate, we should let the market decide how spectrum is used and by whom. In this way, we enable industry to provide services that consumers and citizens want and need, in the most cost-effective way. At the same time, in some cases, more direct regulatory action is warranted to secure the optimal use of spectrum; for example, to safeguard competition, and hence consumer and citizen interests.

\textsuperscript{111} http://stakeholders.ofcom.org.uk/binaries/consultations/third_paytv/statement/paytv_statement.pdf
4.72 We have an ongoing commitment to free up spectrum that can be used for a variety of new and developing consumer services, such as wireless and mobile broadband and high definition (HD) TV. Furthermore, we continue to have a role in managing 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.

4.73 Our work in relation to spectrum issues is addressed in more detail in Section 2 above.

Post

4.74 The universal postal service has been under threat in recent years. Electronic substitution has resulted in a significant decline in mail volumes and further structural decline in the traditional postal market is anticipated. Royal Mail is currently the only operator capable of providing the universal service in the UK and this is likely to remain the case for the foreseeable future. However, Royal Mail has accumulated unpredictable and sustained losses over a number of years.

4.75 On 1 October 2011, responsibility for regulation of the postal sector transferred to Ofcom from Postcomm under the Postal Services Act 2011. Our primary duty is to carry out our functions in relation to postal services in a way in which we consider will secure the provision of a universal postal service. The 2011 Act also requires us to have regard to the need for the provision of the universal service to become efficient within a reasonable period, and remain efficient, and for the universal service to be financially sustainable.

4.76 We provide details of our work in relation to the new regulatory framework for postal services in the spotlight below.

Spotlight – the new regulatory framework

Following consultations in October and December 2011, on 27 March 2012 we published a statement — *Securing the Universal Postal Service, decision on the new regulatory framework*[^112]. In that document we set out our overall approach to regulation of the postal sector and how we intended to secure the provision of the universal service. It set out our conclusions and decisions in relation to a range of issues, namely:

- We granted Royal Mail greater pricing flexibility to ensure that it can continue to provide universal services on a financially sustainable basis;
- We decided to establish an ongoing monitoring regime to track Royal Mail’s performance in respect of quality of service, the affordability of the universal service, and the level of efficiency improvement;
- We highlighted the importance of ensuring that the benefits of competition are realised in a manner that supports the universal service;
- We imposed a safeguard cap on second class stamps for letters and parcels up to 2kg, to ensure that a basic affordable universal service is available to all;
- We granted further commercial and operational freedoms to Royal Mail so that it is better able to respond to customer requirements, and adapt to the challenging market environment in the postal sector; and
- We placed obligations on Royal Mail to provide detailed financial information to Ofcom, to a level sufficient to enable us to fulfil our regulatory duties.

[^112]: http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
The pressing need for Royal Mail to improve its financial position meant that the most immediate effect on consumers of the new regulatory regime was Royal Mail’s decision to use its new commercial freedom to significantly increase prices, in particular on stamps. The prices of first class and second class stamps for standard letters went up to 60p and 50p respectively.

In November 2012 we published the first of our annual monitoring updates\(^\text{113}\). This report sets out information about the postal market, and Royal Mail in particular, for the financial year that ended in March 2012, the last year under the old regulatory framework. This will form a baseline position for our future monitoring. It will also provide a baseline against which Ofcom can measure whether the new regulatory regime is achieving the desired outcomes.

**Competition in the postal market**

4.77 End-to-end competition is where operators collect, process and deliver mail directly to the recipient, without the need to use Royal Mail’s network. By contrast, the prevalent form of postal competition in the UK for letters is access competition, where the operator collects mail from the customer and transports it around the country, but relies upon Royal Mail’s delivery network in order for it to reach the recipient.

4.78 In April 2012, TNT Post UK began trialling end-to-end delivery operations in West London. TNT has since extended its services to cover most of central London. Dependent on the results of its trial, TNT is planning to roll out a broader end-to-end service to selected parts of the country.

4.79 However, this type of competition has a significantly greater impact on the revenues of the universal service as Royal Mail retains 85-90% of the total revenue for access mail. As a result, end-to-end competition has the potential to affect the provision of the universal service, both positively (by encouraging efficiency and innovation) and negatively. It is therefore important that we continue to monitor the development of end-to-end competition in the postal market. Where Ofcom considers that it gives rise to a threat to the provision of a universal service, Ofcom has powers to take proportionate regulatory action and will do so if it considers it is necessary and appropriate, in the light of the evidence available to it.

4.80 In July 2012 we published an update on end-to-end competition\(^\text{114}\). This document confirmed, for the purposes of regulatory certainty and clarity, that we did not consider it necessary at that time to exercise our regulatory powers (under the 2011 Act) to impose new regulatory conditions on operators in order to secure the ongoing provision of a universal postal service. To provide greater clarity to the market, in October 2012 we published draft guidance on Ofcom’s approach to end-to-end competition in the postal sector\(^\text{115}\).


\(^{114}\) [http://stakeholders.ofcom.org.uk/binaries/post/update.pdf]

\(^{115}\) [http://stakeholders.ofcom.org.uk/consultations/e2e-guidance/]

Section 5

Consumer interest and activity

Introduction

5.1 The benefits to consumers in competitive markets are driven by the extent to which they are interested in, and actively engage with, the communications markets. Interest and active engagement may involve consumers

- knowing what services, providers and technologies are available;
- being able to compare the price and quality of services; and
- being able to switch providers easily and safely.

5.2 In this section we consider: the level of consumer interest and activity in the communications and postal markets; switching suppliers; satisfaction with services; awareness of information sources; and ease of making cost comparisons. We also outline our specific work in this area.

Ofcom research

Participation\textsuperscript{116}

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\textsuperscript{117}:

- **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 indicating 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 Over the past twelve months, levels of engagement have risen among each of the mobile and fixed-line standalone markets. There has also been a notable rise in engagement among bundlers - up from 22% to 35% in the past 12 months. The bundle market also reports some of the highest levels of ‘interest’, at 41% (Figure 29).

\textsuperscript{116} All data exclude home-movers. See the Consumer Experience Research Report for details.

\textsuperscript{117} Further details on the participation index can be found in Annex 3 of the Consumer Experience Research Report.
5.5 We are now able to look at levels of participation in each market as a whole and according to how consumers have chosen to purchase these services (Figure 30). Over a fifth of consumers in each of the fixed (24%), mobile (23%) and fixed broadband (22%) markets are defined as ‘engaged’. There is a significantly lower level of engagement reported in the digital TV market (12%).

5.6 Comparing levels of engagement within each market by purchasing behaviour we see higher levels of engagement amongst bundlers than standalone purchasers. The exception to this is the fixed broadband market.

Figure 29: Standalone purchasers and bundlers, by participation segment

Source: Ofcom decision making survey carried out by Saville Rossiter-Base.
Base: All adults aged 16+ who are the decision maker for fixed line. See Consumer Experience Research Report (Figure 109).

Figure 30: Total market and purchasing behaviour, by participation segment

Source: Ofcom decision making survey carried out by Saville Rossiter-Base.
Base: All adults aged 16+ who are the decision maker for fixed line. See Consumer Experience Research Report (Figure 110).
Switching

5.7 New analysis for 2012 reports that nearly a fifth (19%) of consumers across the communications markets switched at least one service in the last 12 months and nearly a third of these said they switched at least two services simultaneously.

5.8 Overall switching levels for each market (including any switching of services within bundles) remain broadly unchanged (indications of a rise for fixed-line) at around one in ten in each of the fixed-line (10%), mobile (9%) and fixed broadband (9%) markets. The total level of switching main TV provider remains lower, at 3%.

5.9 In total, 14% of consumers who bundle at least two services have switched provider for at least one of these in the past 12 months, up from 10% last year.

Figure 31: Switching in communications market in the past 12 months

Source: Ofcom decision making survey, carried out by Saville Rossiter-Base. Base: UK adults aged 16+. See Consumer Experience Research Report (Figure 112).

Switching communications provider now comparable with utilities

5.10 Looking at other sectors, consumers remain most likely to switch their car insurance provider on a yearly basis (38%). A slight decline in reported switching levels in the gas and electricity markets means that for the first time yearly switching levels across utilities and communications markets (except digital TV) have moved closer. The level of people switching their main digital TV provider is similar to the proportion switching bank account, at 3% and 4% respectively.

\[118\] All data is excluding movers. See the Consumer Experience Research Report for details.
Barriers to switching communications services

5.11 Around one in ten consumers in all except the TV market (lower at 3%) have switched their provider in the past 12 months. A consistent proportion of consumers (2-4%), in all markets, say they are ‘actively looking for an alternative provider’. However, nearly twice as many (6-8%) said they started looking, but did not switch\(^\text{119}\).

5.12 Changes across the communications markets have the potential to create additional barriers to switching for consumers.

5.13 As highlighted in the Consumer choice and value section of this report, the shift towards mobile contracts has continued, largely driven by take-up of smartphones. Currently, switching levels in the mobile market appear unaffected, or at least are not in decline. However, a rising proportion of mobile customers who considered switching but did not do so said that the reason they did not was due to their terms and conditions (27%), up from 20% in 2011.

\(^{119}\) See Figure 113 in the Consumer Experience Research Report.
5.14 ‘Hassle’ continues to be a key factor preventing considerers from switching in the fixed-voice market (24%) and even more so in the fixed broadband market, where nearly a third (33%) of considerers said they did not switch due to either the actual or the perceived hassle involved. ‘Hassle’ stated as a reason for not switching has declined in the fixed voice market (down 6 percentage points) but grown for fixed broadband – up 2pp from 31% in 2011.

5.15 Lack of perceived cost benefit is another continuing, and increasing, reason why consumers in each of the communications markets decide not to switch provider. There are indications that lack of cost benefit was a greater barrier for bundlers than for standalone purchasers. In the standalone fixed voice market 28% stated lack of cost benefit as a reason why they considered but didn’t switch; this compares to 35% in the total fixed voice market, where around two-thirds are bundlers. Factors which may affect this include consumers’ ability to compare providers on cost (this is covered in more detail below) and consumers negotiating or being offered a better deal with their current provider.

5.16 The proportion of consumers in each market who have been offered a deal by their current provider is higher than the proportions actively seeking one for themselves. Around a quarter of consumers in each market said they had been offered a deal by their provider in the past six months.

5.17 Around half of those offered a deal accepted it, and for around one in ten consumers in each of the fixed, mobile and fixed broadband markets, this acceptance meant extending their contract with their existing provider.
Ease of switching communications provider

5.18 On the whole, the majority of switchers across the communications markets continue to say that it was either very, or fairly, easy to switch (85%-89%). The fixed broadband market continues to report the highest levels of difficulty with switching, at 15%.

5.19 Stated difficulty in this market is broadly consistent regardless of purchasing behaviour. In addition, where fixed-line services are switched at the same time as at least one other service – most commonly fixed broadband – stated difficulty in the fixed-line market rises to 14%. This compares to 5% amongst standalone fixed-line customers.

5.20 This suggests that either having to manage multiple processes and/or problems relating to the fixed broadband switch are having an impact on the ease of switching for fixed-line customers.

5.21 Among single-service purchasers there has been very little change in ease of switching over the past 12 months\textsuperscript{120}.

\textsuperscript{120} Due to changes in methodology, trend analysis is currently available only among standalone purchasers.
Figure 35: Consumer opinions about ease of switching supplier, by purchasing behaviour

Source: Ofcom decision making survey. Base: All adults aged 16+. See Consumer Experience Research Report (Figure 120).

Satisfaction with services

5.22 Most customers in each communications market remain satisfied with their services overall, with dissatisfaction at between 6% and 10% across markets - highest in the fixed broadband market.

5.23 Levels of overall satisfaction have remained fairly consistent over the past 12 months across each of the communications markets.
5.24 In the fixed-line market there has been a marked shift towards bundling, and alongside this trend there has been an increase in dissatisfaction with value for money among the remaining standalone purchasers. Dissatisfaction among these consumers rose 5 percentage points in 2012 to 15% and this is now the group most dissatisfied with value for money. This rise is consistent across all but the oldest age group. Analysis by socio-economic group indicates that C1-DEs report the largest rise in dissatisfaction, up by at least 6 percentage points\(^{121}\).

5.25 Levels of satisfaction and dissatisfaction with value for money across each of the other markets have remained fairly stable over time, with dissatisfaction ranging from 7% to 11%.

Satisfaction with broadband speeds

5.26 The rise noted last year in the proportion who were ‘very satisfied’ with their speeds has been maintained this year, with 41% of fixed broadband customers who expressed an opinion satisfied with the speed of their broadband service. In total around three-quarters were satisfied, with 17% citing dissatisfaction. While this data is based on standalone purchasers, the findings are not dissimilar at a total market level\(^{122}\).

\(^{121}\) See figures 125 and 126 in the Consumer Experience Research Report.

\(^{122}\) 42% very satisfied, 36% fairly satisfied, 6% neither, 10% fairly dissatisfied, 6% very dissatisfied.
Figure 37: Satisfaction with speed of fixed broadband service, over time

Source: Ofcom decision making survey, carried out by Saville Rossiter-Base. Base: All adults aged 16+ who are the broadband decision maker who expressed an opinion. See Consumer Experience Research Report (Figure 130).

Satisfaction with postal services

5.27 Overall, there is a high level of satisfaction with the UK postal service, with 83% of adults very or fairly satisfied (Figure 38). There is lower satisfaction with the cost of post, with 48% very or fairly satisfied. Cost is more of an issue with the over 55s, with 43% satisfied (Figure 39). This is consistent with price increases in the sector (e.g. first and second class stamps), effective from 30 April 2012.

Figure 38: Overall satisfaction with postal service

Source: Ofcom Post tracking survey. Base: All respondents Q3 2012 (1232). See Consumer Experience Research Report (Figure 132).
5.28 A variety of sources of information about communications services are available to consumers.

5.29 Over 90% could name at least one source of trusted information on aspects of the mobile (92%) and bundle markets (93%). However, the proportion able to cite at least one source of information on the fixed-line market was nearly 10 percentage points lower than each of those markets, at 83%. Awareness of information on ways of receiving multichannel TV, and the packages and providers available, stood at 87% of adults.

5.30 Awareness of trusted sources of information falls dramatically among older consumers in each of these markets. The proportions of consumers aged 65-74 who are unaware of any trusted sources of information are around double the average, and range between 13% in the mobile market to 27% for fixed-line. This lower awareness may indicate a lack of interest in these markets but may also act as a barrier to participation or switching, by increasing the level of hassle involved for these consumers in searching for alternatives.

Price comparison

5.31 With the different ways consumers are using their devices, and the vast number of alternative tariffs and packages for consumers to choose from, it is important that they are able to make comparisons across providers on the aspects important to them with relative ease.

5.32 In the mobile contract market, research into mobile bill shock highlighted a proportion of consumers who said they wanted additional information on the cost of out-of-bundle calls and data.

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123 Data are not directly comparable to those for 2011 as the aspects of each market we are asking about have changed and we are now more focused on provider choices.
5.33 Consumers are least likely to say it is easy to make cost comparisons in the fixed-line market (at 58%), compared to at least two-thirds in each of the other communications markets. Stated difficulty in comparing the costs of communications services rises with age, highest among those aged 65+. Around two-fifths (38%) of this age group stated it is/would be difficult to make cost comparisons between bundle providers; this compares to a 26% average.

Figure 40: Consumers’ opinions on the ease of making cost comparisons

Source: Ofcom decision making survey. Base: All adults aged 16+ who are the decision-maker for fixed line. See Consumer Experience Research Report (Figure 134).

**Ofcom’s work**

5.34 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.

5.35 Ofcom is currently working in a number of areas in relation to ensuring that consumers who are interested in the communications market are able to participate easily and effectively, and these areas of work are outlined below. This covers improvements to consumer information where needed, and our work on ensuring that the switching processes work well for consumers.

**Consumer information**

5.36 Consumer information plays a crucial role in competitive markets. Consumers who are not fully informed about the services available to them may end up making incorrect decisions and/or be reluctant to switch. Some consumers find it difficult 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 complicated, or hard to interpret.

5.37 Ofcom has a role in helping consumers make effective choices based on easily available and accessible information. This is aligned with our principal duty (as set out in the 2003 Act) to further the interests of citizens and consumers, where appropriate by promoting competition.
5.38 Ofcom’s efforts in this area over the past year continued to focus on: accreditation of price comparison websites; publication of provider-specific complaints and customer service satisfaction data; raising awareness on broadband speeds, including net neutrality / traffic management; reducing the level of confusion around the costs of calls to non-geographic numbers; and simplifying switching processes. Full details of this work can be found below.

5.39 In addition, we are continuing our work to evaluate the pros and cons of consumer information remedies. 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 includes the role of information provided by the regulator, product/service provider and intermediaries.

**Price accreditation scheme**

5.40 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.

5.41 To help consumers get accurate, transparent and comprehensive advice in an accessible way, Ofcom runs an accreditation scheme for calculators used by price comparison companies.

5.42 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.

![Ofcom price accreditation scheme logo](image)

5.43 At present we have six accredited members of the scheme:

- 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 (http://www.cable.co.uk)

5.44 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.

5.45 We are currently carrying out a review of the scheme to ensure that it is working effectively and its scope remains appropriate.
Publication of complaints received by Ofcom’s Consumer Contact Team (CCT)

5.46 Ofcom has published CCT data, either in its *Telecoms Complaints Bulletins* or in its *Consumer Experience Reports* since March 2009 and November 2006 respectively. The data illustrate the level and types of complaints received by Ofcom across all the communications markets.

5.47 In April, September and December 2011 we published reports detailing Ofcom complaints data by provider. In 2012 this became a quarterly publication. The June 2012 report was the first to include complaints relating to the provision of pay-TV services. We have also published an annual report comparing satisfaction with the quality of customer service across the main providers in each of the communications markets. The most recent publication, in December 2012, included BT Vision for the first time in the pay-TV sector.

5.48 We believe that publication of our complaints data, along with other information, can be informative for consumers when seeking to compare providers. We observe that this data may be of interest to intermediaries such as consumer groups, journalists and price comparison sites who look to advise consumers.

5.49 This transparent approach is consistent with the Government’s consumer empowerment strategy which argues that publishing complaints data is "a good way of encouraging businesses to improve their performance without the need for heavy-handed legislation, as no company wants to be last in an indicator of performance or customer satisfaction".

Broadband speeds/Code of Practice

5.50 We have continued to ensure that consumers have access to information on broadband speeds. One of Ofcom’s priorities in 2012/13 is to work to ensure that consumers have accurate information on the fixed and mobile speeds available when they make their choice of broadband supplier. We have continued to publish our on-going research on fixed broadband speeds, allowing consumers to see how speeds vary across different providers, technologies and time periods. We are currently exploring how we can conduct research on mobile broadband speeds so that consumers have similar information as for fixed broadband.

5.51 On 15 August 2012, we published the latest results of our fixed broadband speeds research from data collected in May 2012. Our research found that UK fixed-line residential broadband speeds continued to increase during the first half of 2012, and in May 2012 the average actual download speed was 9.0Mbit/s, a 1.4Mbit/s (19%) increase on the 7.6Mbit/s average recorded six months previously in November 2011 (and published in February 2012).

5.52 Our research now includes some new ‘superfast’ packages, including Virgin Media’s ‘up to’ 60Mbit/s service and BT’s Infinity 2 ‘up to’ 76Mbit/s service, the launches of which have contributed to the rise in average speeds. The continuing trend of

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126 [http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/complaints/?a=0](http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/complaints/?a=0)
increasing speeds recorded in the research confirms that consumers are migrating to faster services. However the main driver of this has been Virgin Media migrating its customers onto faster packages. Our next publication is expected in February 2013, based on data collected in November 2012.

5.53 We have also undertaken mystery shopping to test ISPs’ compliance with the Voluntary Code of Practice on Broadband Speeds (“the Code”). The research tested the sales processes of ISPs, both online and over the telephone. The research took place between 17 December 2011 and 19 January 2012, and the results were published on 15 May 2012. Overall, we have found that the level of compliance by ISP signatories has improved since our previous mystery shopping exercise in 2009. The results show that better information is available to consumers through online sales channels, particularly ISPs’ own websites. Information on speeds provided over telephone sales channels was generally less complete than for online channels. We found weaknesses in telephone sales processes for some ISPs, particularly in relation to customers not being given information on their maximum line speed without explicitly requesting it.

5.54 We have discussed the results with the largest ISPs and reinforced the need for them to improve their training and processes for telephone sales agents regarding the provision of information to consumers under the Code. We will undertake further mystery shopping in 2013 and, as previously, will publish the results on an ISP-specific basis.

Net-neutrality / traffic management

5.55 The debate about the uses of traffic management has taken place globally. In Europe, it has been shaped by the Revised Framework which now identifies net neutrality as one of several policy objectives, in that end-users should be able to access and distribute information or run applications and services of their choice. In particular, the Revised Framework has introduced requirements for greater transparency, and harmonised the position by requiring Member States to ensure that their National Regulatory Authorities (NRAs) have a discretionary power to impose minimum quality of service requirements. Under the 2003 Act, 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, as well as consumer protection rules specific to the electronic communications sector.

5.56 In November 2012, Ofcom published information on the use and application of traffic management policies by UK ISPs, as part of the updated Infrastructure Report. We concluded that there are likely to be no substantive concerns about traffic management practices in the fixed sector. Some ISPs have adopted a policy where there is no active management at all and, of those who do apply some degree of prioritisation, there is no overt blocking of any legal traffic or the application of levels of prioritisation (often known as ‘throttling’) that would make particular services or applications unusable.

5.57 However, in the mobile sector, some MNOs are blocking particular VoIP services such as Skype on some of their tariffs. It seems likely that demand for the use of


these applications will grow with the increasing popularity of smartphones. We will monitor developments in this sector to ensure that the interests of consumers are appropriately protected.

**Non-geographic numbers**

5.58 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, such as banks, doctors’ surgeries and local councils to provide consumers with access to their services, and for premium-rate services, such as voting lines for a TV show.

5.59 Evidence suggests 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 them.\(^{131}\)

5.60 In April 2012 we published detailed proposals for changes to simplify non-geographic call services by making the pricing structures clearer and removing confusing and misleading inconsistencies. Our key proposals were to make freephone (080) and 116 numbers free from all telephones, fixed and mobile, and to introduce a new tariff structure (‘the unbundled tariff’). The unbundled tariff, which will apply to all 08, 09 (premium-rate) and 118 directory enquiry numbers, will ensure that consumers know, for the first time, how much of their money is paid to their phone company and how much is passed to others, such as the organisation or service being called. The amount that consumers will pay to their phone company for a call will be made up of two separate charges:

- The access charge, which will cover the costs and revenues of the phone company which originates the call; and
- The service charge, which will be paid to the terminating companies and the company providing the service for the number (a bank for example) to cover or contribute to their costs.

5.61 In the April 2012 consultation we also set out our intention to separately consult on potential changes to some of the other number ranges which were not covered by our two main proposals, in particular the 055/056, 0500 and 070/076 ranges.

5.62 In October 2012 we published options for the 0500 range, outlining a preference to withdraw the 0500 range in order to reduce consumer confusion, secure the best use of telephone numbers and to enhance the clarity and simplicity of the new freephone regime (080) for the benefit of consumers and businesses. Alongside our 0500 consultation we published research which showed that consumers have very low awareness of the 0500 number range.\(^{132}\) Overall, 4% of people with telephones were aware of, and correctly understood that 0500 numbers were freephone numbers.

5.63 The research that we published in October also showed that there may be concerns about the level of consumer understanding of 055/056 and 070/076 numbers, which contributes to a risk of fraud.

\(^{131}\) [http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-numbers/](http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-numbers/)

5.64 We expect to publish our decisions about freephone and the unbundled tariff this financial year, with implementation in 2014. We expect these changes to lead to a substantial improvement in consumers’ understanding and experience of non-geographic numbers and consequentially, to benefit the market with new services and greater competition.

5.65 We also hope to publish a decision about the withdrawal of the 0500 range and to consult on proposals for the 055/056 and 070/076 ranges in the first quarter of 2013.

**Improving switching processes**

5.66 Our work is not limited to tackling informational barriers to switching; we are also active in ensuring that the switching experience is as ‘hassle-free’ as possible for consumers. Details of our work in this area are set out in the spotlight below.

**Spotlight – review of switching processes**

One of Ofcom’s annual plan priorities for 2012/13 is to develop and implement policies that will improve the ease and efficiency of switching processes between providers. Our review of switching processes is focused on ensuring that:

- an individual consumer’s experience of switching is easy and free from unnecessary hassle; and
- 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, innovation and value for money.

The first phase of our review is to address the switching processes for copper-based services using the Openreach network. In February 2012 we consulted on various options intended to make changing fixed voice and broadband providers (delivered over the Openreach copper) easier for consumers. We identified a number of problems with the current processes:

- Multiple processes – these can create a lack of clarity and increased hassle for consumers, particularly where consumers switch bundles and may need to navigate different processes at the same time.
- Back-end deficiencies – inter-operator switching systems and processes can lead to the wrong line being switched, or consumers losing their service for a significant period when switching bundles, or consumers having to follow a more cumbersome process to switch their services.
- Insufficient consumer consent and slamming – harm can be created where a consumer is switched to another provider without their explicit knowledge or consent.
- Lack of awareness of the implications of switching – consumers may suffer harm if they are not made fully aware of the implications of switching (such as early termination charges) as part of the switching process.
- Unnecessary hassle – consumers may spend more time than necessary when switching, depending on the process used.
- ‘Reactive save’ – can be damaging to competition because it favours incumbents over new entrants and providers looking to grow.

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134 See Glossary for definition.
We explained in the consultation that our preferred option is a harmonised process in which the new provider would manage the switching process, including the transfer of services from the old provider. The preferred option would also address the back-end deficiencies to ensure that issues such as reliability and loss of service were addressed. To guard against slamming, the switch would be checked and verified by an independent third party.

We received a significant number of responses to the consultation from industry stakeholders, industry groups, consumer groups, individual respondents and other interested parties. We are currently considering the evidence submitted to us by respondents to the consultation, and have also undertaken further work and analysis in some areas. We will inform stakeholders of next steps once our assessment of all the evidence is completed - we expect this to be in Q1 2013.

5.67 Separate to our review of switching processes, we are currently undertaking research into current drivers and barriers to switching. The focus of this research is on pay-TV, mobile contracts and bundles of any fixed-line, fixed broadband and pay-TV services. We expect to publish the results later this year.
Section 6

Consumer protection

Introduction

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

6.2 Below, we outline the types and levels of complaint that consumers make to us through our CCT, and consumers’ personal experience of problems in the communications and postal sector. These two datasets complement each other and provide a broader picture of the issues facing consumers than can be provided by CCT data alone. We subsequently set out our work in this area.

Consumer complaints

6.3 The proportion of consumers that feel that they have cause to complain are highest for post and internet services (10%). At an overall level consumers in the internet market are most likely to say they have made a complaint about their service.

6.4 However, not all consumers actually progress these complaints. The proportion of consumers with cause to complain who actually do so is lowest in the postal market at 60%, which compares to 75% for fixed lines and 82% for mobile and broadband services.

6.5 Data from our latest survey on quality of customer service suggest that the proportions of consumers in each of the fixed, fixed broadband and pay-TV markets contacting their provider, either for a complaint or a general query, has fallen over the past 12 months. This was most notable in the fixed broadband market, where the proportion of consumers contacting their provider fell from 26% to 17%. This survey also suggests that satisfaction with customer service relating to complaints is lower than average within each market, at around 40%. Furthermore, a separate study identified that 6% of adults who had experienced difficulty had resolved the issue with their CP in the previous six months.

6.6 While consumers who wish to complain should, and often will, contact their provider in the first instance, some also, or alternatively, complain through other avenues such as Ofcom, other advisory bodies (e.g. Citizens Advice Bureaux) and MPs.

6.7 For consumers seeking to contact Ofcom for advice or to make a complaint in the communications and postal markets, the main point of contact is Ofcom’s CCT.

6.8 The telecoms sector continues to account for the majority of contacts to Ofcom. In September 2012 the monthly average of telecoms complaints was slightly lower than in September 2011 (6,414 and 6,731 respectively), continuing the decline in the number of telecoms contacts, albeit at a slower rate (in September 2010 they averaged 9,000 per month). The chart below illustrates the number of complaints across sectors. 2012 was the first full year that postal complaints were collected by

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135 Respondents were asked if they had contacted their provider in the three months prior to fieldwork.
the CCT. As demonstrated by Figure 41 below, Ofcom received fewer complaints about post than about any other broad categories, with an average of 45 complaints per month. This is similar to the average number of radio broadcasting complaints received monthly (averaging 54 between September 2011 and September 2012).136

Figure 41: Number of complaints received by Ofcom, by month: 2011-12

Broadcasting complaints to Ofcom continue to be dominated by complaints about content. Complaints about The X Factor and Big Brother have consistently driven broadcasting complaints between September 2011 and October 2012; however, the most complained-about individual programme was The Wright Stuff, with 2,358 complaints in December 2011. Conversely, complaints about radio broadcasting have remained at a low level throughout the year, with 54 complaints in October 2012 (compared to 2,489 complaints about television). Further information can be found in the Broadcast Bulletins, published on Ofcom’s website.137

6.10 Ofcom intends to improve further the consumer pages of its website, and is moving towards a new integrated complaints and advice portal which will make it easier for consumers to complain online.

Telecoms-related complaints

6.11 Complaints to Ofcom about telecoms services related to a range of issues and varied periodically between 2011 and 2012.

6.12 Silent and abandoned calls, complaints handling and fixed-line mis-selling/slamming continued to be the most complained-about issues to the CCT in the year to October 2012.

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136 See Figure 147 in the Consumer Experience Research Report.
137 http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/
6.13 Over the course of 2012 CCT complaints about silent and abandoned calls rose, with a notably sharp increase (from 1,132 to 2,161) between January and February 2012, and then again between February and March 2012 (from 2,161 to 2,921). The sharp rise noted in February 2012 was due in part to the Telephone Preference Service (TPS) ceasing to record complaints received about silent and abandoned calls and instead advising all complainants to contact Ofcom. Notwithstanding this development, silent and abandoned calls have been the most complained-about issue in telecoms since February 2011. Ofcom is currently conducting additional research to build on our understanding of the incidence of these calls. The study is due to run during early 2013. Further detail on our work in this area is outlined below.

6.14 Complaints about fixed-line mis-selling/slamming have continued to decline in the past year, although Ofcom continues to receive over 400 complaints of this type each month. Complaints relating to mobile mis-selling remain fairly constant (between 200 and 300 each month), although this is higher than in 2009-2010, when the number of monthly complaints fluctuated between 100 and 200. Details of our work in this area appear below.

6.15 Complaints about complaints handling have consistently appeared among the top three issues in the past three years. January to September 2012 saw a decrease in these complaints, with an average of 716 complaints per month in that period, down from an average of 759 per month in 2011. However, complaints increased again to over 900 in October 2012. Our research indicates that 6% of consumers had difficulty resolving an issue with their CPs in 2012. Further detail on our work in this area is outlined below.

6.16 We also publish an annual report comparing consumers’ satisfaction with each of the main providers’ customer service. The latest report, published in December 2012, suggests that:

- UK CPs offer a contact experience that leads to between 62%-69% of customers being satisfied, with low levels of dissatisfaction in comparison (11%-17%);
- satisfaction with customer service remains lowest in the broadband sector (62%), despite year-on-year improvement, and highest in the pay-TV sector (69%); and
- satisfaction levels in the landline and mobile markets are 64% and 67% respectively. Both complaints and dissatisfaction with customer service have increased in the mobile sector over the last few years.

6.17 Details of our work in this area are set out below.

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138 Following a change to the TPS contract in January 2012.
139 See Figure 155 in the Consumer Experience Research Report.
140 http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/customer-satisfaction.pdf
141 Of landline, broadband, mobile and pay-TV services.
**Post-related complaints**

6.18 Figure 43 below indicates that almost half (44%) of adults claimed to have had a problem with the postal service in the past 12 months. By far the biggest issue cited by postal users was mis-delivered post (70% of those with a problem), followed by delayed mail (41%), damaged mail (41%) and lost mail (34%).

![Figure 43: Problems with the postal service in the past 12 months](image)

Source: Ofcom residential consumer postal tracker. Base: All respondents. See Consumer Experience Research Report (Figure 157).
Ofcom’s work

6.19 We carry out a range of work to protect consumers from scams and unfair practices, which tend to fall into three types of harm:

- **Entering contracts:** Consumers entering into contracts or signing up to/using services to which they have not fully consented. Examples here include our work on fixed and mobile mis-selling.

- **In-service issues:** Harm from process problems and harm once service is being provided. Examples include problems with erroneous landline transfers, nuisance calls, making complaints and ‘bill shock’.

- **Exiting contracts:** Consumers facing difficulties leaving providers. Examples here include our work on early termination charges and automatically renewable contracts.

6.20 Most of our work over the past 12 months has focused on issues relating to consumers entering into contracts, and in-service issues, although we have continued to take action in relation to unfair contract terms, including early termination charges, as appropriate. Our work in these areas is set out below.

**Entering contracts**

**Fixed-line mis-selling**

6.21 Ofcom first introduced rules to protect consumers from mis-selling/ slamming in May 2005\(^{142}\) and updated these in March 2010\(^{143}\). 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 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.

6.22 General Condition 24 also introduced obligations which apply to those CPs who use “Cancel Other”\(^{144}\) to cancel orders placed by others, to protect their customers from slamming.

6.23 Since 2005, we have undertaken an industry-wide monitoring and enforcement programme through which we actively monitor providers’ compliance with the applicable rules\(^{145}\). As part of this programme we monitor allegations of mis-selling

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\(^{142}\) Slamming is an extreme form of mis-selling, where customers are simply switched from one company to another without their express knowledge or consent.


\(^{144}\) Cancel Other is a function that enables losing CPs to cancel a request for transfer but only in certain circumstances, e.g. the customer is a victim of slamming.

\(^{145}\) [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01045/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01045/)
and Cancel Other misuse in order to identify companies whose sales and marketing activities, and retention activities, may potentially require further investigation. These investigations allow us to take action, where necessary, to protect the interests of consumers.

6.24 In the past 12 months we have conducted one investigation into fixed-line mis-selling and related issues. As a result of this investigation, we issued a penalty notification for £30,000 under section 96C of the 2003 Act to Axis Telecom in May 2012 regarding its use of Cancel Other.\(^\text{146}\) We have also resolved issues with a number of providers without the need for formal notification.

6.25 There has been a significant reduction in fixed-line mis-selling complaints since the introduction of General Condition 24. This downward trend has continued over the last 12 months, with overall fixed-line mis-selling complaints consistently being below 500 per month\(^\text{147}\), the lowest levels since GC24 was introduced. This reduction has been across all complaints categories and most notably in ‘no contact’ slams. We believe this further improvement is likely to be a direct result of our regular and targeted engagement with industry to ensure that it invests appropriate resource into reducing fixed-line mis-selling complaints (including erroneous transfers).

6.26 Although we have seen an overall reduction in complaints, there was a spike in complaints for October 2012, to just over 500 complaints, for the first time since March that year. This was caused by a significant increase in complaints from two CPs who previously generated only a very small volume of complaints. We have since opened an investigation into one of these CPs, Supatel Limited trading as TimeTalk,\(^\text{148}\) and have met with the other CP. We are confident that the action we are taking will bring overall complaint levels back to below 500 per month.

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

6.28 This was reinforced by a recent study of our fixed-line mis-selling complaints data, which showed that a significant number of complaints logged as slamming were actually the result of consumers being erroneously transferred to a new provider\(^\text{149}\). It should be noted that to a consumer an ‘erroneous transfer’ looks the same, and has the same impact, as a deliberate ‘slam’.

6.29 We continue to work closely with the Office of the Telecoms Adjudicator (OTA), Openreach and the industry, as a priority, to remedy these problems.

6.30 At the end of 2010, the OTA’s Homemovers Working Line Takeover Best Practice Guide\(^\text{150}\)(the Guide) was introduced. This document sets out the steps that providers

\(^\text{146}\) [http://stakeholders.ofcom.org.uk/binaries/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01045/axis.pdf](http://stakeholders.ofcom.org.uk/binaries/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01045/axis.pdf)

\(^\text{147}\) See Figure 44 below under mobile mis-selling.

\(^\text{148}\) [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01096/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01096/)

\(^\text{149}\) These complaints were originally logged as ‘no contact’ slams before they were identified as actually being erroneous transfers. The majority of these were re-allocated following an assessment of the CP-specific data, which is not available to the CCT at the time of the categorisation.

\(^\text{150}\) [http://www.offta.org.uk/BPG-WLTO.pdf](http://www.offta.org.uk/BPG-WLTO.pdf)
can take to prevent the avoidable and unnecessary harm caused when the working line takeover\textsuperscript{151} process goes wrong, and to restore consumers’ services back to their provider of choice when things do go wrong. We believe that industry-wide compliance with the Guide has had a positive effect in reducing the incidence of these ‘erroneous transfers’ and the consequent consumer harm that they cause\textsuperscript{152}. However, we recognise there is more that can be done to combat the issue of erroneous line transfers.

6.31 We have recently tasked the OTA to work with industry to undertake a root cause analysis into erroneous line transfers, and will amend the Guide to reflect the results of this. In addition, a new MPF Access Line Identification (ALID) helpline has been set up, which will enable providers placing working-line takeovers and migrations for MPF lines (the main drivers behind erroneous transfers) to more accurately identify the correct target line\textsuperscript{153}. This went live on 5 November 2012 and is anticipated it will further reduce the potential for erroneous line transfers to occur.

6.32 As already noted at paragraph 6.28 above, we recently completed a study into the accuracy of our fixed-line mis-selling complaints\textsuperscript{154}. The main objectives of this study were:

- To identify the accuracy of Ofcom’s fixed-line mis-selling complaints as currently categorised by the CCT, and to identify any deficiencies that might exist within the current system for capturing and recording these complaints;

- To provide recommendations on how the accuracy of the data could be improved to ensure greater robustness, as well as how best to monitor the integrity of the data on an ongoing basis;

- To provide a recommendation on the most suitable metric(s) to be used in order to allow for appropriate and meaningful comparisons to be made between CPs, based on relevant sales activity.

6.33 We are currently working through the recommendations and considering our options for implementation.

Mobile mis-selling

6.34 Coming into effect in September 2009, General Condition 23 (GC23) set out 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.

6.35 On the introduction of GC23, Ofcom opened a monitoring and enforcement programme to ensure industry compliance. This led to a reduction in complaint levels

\textsuperscript{151} 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.

\textsuperscript{152} As part of Ofcom’s GC24 enforcement and monitoring programme, Ofcom monitors the volume of ELTs which give rise to consumer harm, looking at both ELT complaint volumes as well as ELT complete volumes as a proportion of the volume of WLTOs placed. Over the past 12 months, there has been a fall both in ELT complaints and in the proportion of ELT complaints placed against WLTOs.

\textsuperscript{153} http://www.offta.org.uk/MPFALIDHelpLineTactical%20Process.pdf

\textsuperscript{154} http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/fixedline-mis-selling.pdf
and Ofcom decided to close the programme in March 2010. We did, however, continue to monitor complaint levels.

6.36 In early 2011 complaint volumes rose to around 200-300 each month and remained at this higher level throughout 2011 and 2012.

**Figure 44: Mobile mis-selling complaints**

![Graph showing mobile mis-selling complaints from March 2010 to October 2012.](source: Ofcom, CCT data.)

6.37 Following analysis of the complaints data, we opened our first investigation under GC23 into EE (trading as Orange) in September 2011.

6.38 This investigation examined Orange’s compliance with GC23 from 1 February to 31 August 2011 (the ‘relevant period’) and was concluded in October 2012. Following a thorough assessment of all the evidence gathered, we decided not to take any further enforcement action at this stage. Our reasons for this were as follows:

- The information and evidence examined throughout the investigation did not highlight systemic compliance issues, or a significant pattern of conduct consistent with a breach of GC23 over the relevant period.

- Orange had already started to make improvements to its processes and systems to facilitate increased compliance with its obligations under GC23 in the following areas:
  - better monitoring of complaints and retailer feedback (for both direct and indirect sales channels);
  - the appointment of a compliance manager for indirect sales and improved visibility of performance by Orange’s individual sub-dealers;
o an increased focus on compliance monitoring and auditing in its retail sales channels; and

o more systematic tracking of staff training in the retail sales channels.

6.39 However, Ofcom did identify some areas of weakness in respect of Orange’s compliance with GC23 during the investigation. Ofcom has accepted written assurances from Orange in respect of those weaknesses and how it will address them moving forward. In summary, the assurances which we have accepted cover the following four key areas:

i) strengthening Orange’s approach to validating telesales;

ii) ensuring that Orange customers receive a sufficiently completed customer information form, containing details of the contract, in the retail channel;

iii) improving the visibility of the information that Orange provides to consumers at the point of sale, regarding contract termination procedures; and

iv) improving Orange’s system for ensuring that welcome and upgrade letters are sent to customers.

6.40 We will continue to monitor complaints in this area, and take action as appropriate.

In-service issues

Nuisance calls and messages

6.41 The main types of nuisance calls and messages are\(^{155}\): 

- live marketing (sales) calls, typically where a company or organisation is trying to sell a product or service;

- marketing texts, where an organisation trying to sell a product or service sends a text message to a consumer’s mobile phone;

- recorded message marketing calls, where consumers hear a recorded message;

- abandoned calls\(^{156}\), where although a call is made by a call centre, the call is not passed to a call centre agent to deal with the call. They typically occur because call centres make more calls than they can answer (so as to maximise the time call centre agents are talking to consumers). Ofcom policy is that where this occurs, the call centre plays a recorded message that identifies on whose behalf the call was made, and provides a phone number the consumer can use to opt out of future sales and marketing calls from that organisation; and

- silent calls\(^{157}\), where a consumer answers a call and hears nothing at the other end of the line that enables them to identify who has called them.

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\(^{155}\) The Information Commissioner’s Office (ICO) is the lead regulator for the first three types of calls and messages whilst Ofcom is responsible for the final two types.

\(^{156}\) 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.

\(^{157}\) A silent call is a type of abandoned call where the person hears nothing on answering the phone and has no means of establishing whether anyone is at the other end.\/
6.42 Such calls and messages may cause annoyance, inconvenience and anxiety for the recipient. For more vulnerable consumers, they can cause considerable distress. If certain calls or messages are linked to scams, they may also lead to financial losses for consumers.

6.43 Complaints received by Ofcom’s CCT, and an examination of consumer forums, indicate that consumers find it difficult to distinguish between different types of nuisance calls and messages. As a result, consumers are unsure which regulatory body deals with the different types of nuisance calls and messages, and what action they can take to protect themselves from receiving them in the future.

6.44 We have therefore engaged with the Information Commissioner’s Office (ICO), the Ministry of Justice (which regulates claims management companies), the OFT\textsuperscript{158} (which regulates debt management companies) and others, and have developed a consumer guide to provide a clear and comprehensive source of information about nuisance calls and messages for consumers. This was published by Ofcom in October 2012.\textsuperscript{159}

6.45 The Consumer Guide explains the different types of nuisance calls and messages that consumers might receive and why they occur. It explains what action consumers should take, including whom they should complain to if they receive them. Consumers can choose to look at a short guide on a specific type of nuisance call or message (e.g. marketing text messages) or a guide that covers the full range of nuisance calls and messages. Ofcom’s website also provides links to complaints pages on the websites of the relevant regulators\textsuperscript{160}.

6.46 The Guide has been endorsed by four consumer groups: the Communications Consumer Panel, the Citizens Advice Bureau, the National Consumer Federation and Consumer Focus. In the year ahead Ofcom and the other regulators will continue to work together to tackle the issue of nuisance calls and messages, ensuring that consumers are well-informed.

6.47 Ofcom is also aware of concerns that recipients of unsolicited calls and messages sometimes cannot identify the calling number (known as the calling line identification – CLI) or the company behind the call. We have started two initiatives that we expect will improve this situation:

- First, we are working with BT to encourage it to provide international CLI on calls received. Currently, a BT customer receiving an international call will not see the number on their handset display, or be able to find out the number if they dial ‘1471’. This means that they cannot choose to accept calls only from numbers they recognise, and if they receive an unsolicited call from overseas, they cannot make a note of the number and report it. BT is currently assessing the options for displaying the telephone numbers of calls from abroad, to tackle this issue.

- Secondly, we are working with industry to develop a formal process for tracing and blocking calls to enable us to identify and take action against unsolicited calls, where the company involved has failed to present the correct CLI.

\textsuperscript{158} The Office of Fair Trading.
\textsuperscript{159} \url{http://consumers.ofcom.org.uk/2012/10/tackling-nuisance-calls-and-messages}
\textsuperscript{160} Ofcom’s CCT and local Citizen Advice Bureaux are able to provide hard copies of the Consumer Guide to those who may not have internet access.
6.48 Below, we provide updates of our work into the following nuisance calls: abandoned and silent calls; and sales and marketing calls.

Abandoned and silent calls

6.49 Ofcom has set out a number of steps that call centres should take to avoid, as far as possible, making abandoned and silent calls, and to limit the harm to consumers when abandoned and silent calls are made. This is in line with our powers under the 2003 Act in relation to the persistent misuse of electronic communications networks and services.\(^{161}\)

6.50 If companies are found to be in breach of the persistent misuse provisions, Ofcom can take enforcement action, including fining companies up to £2m. In the past year we have concluded two investigations into silent and abandoned calls. In April 2012 we concluded our investigation into HomeServe plc, imposing a penalty of £750,000.\(^{162}\) In December, we concluded our investigation into npower, imposing a penalty of £60,000.\(^{163}\) A further investigation, into TalkTalk, is ongoing. Alongside these cases, we have taken informal action by sending warning letters to organisations that cause consumer complaints. In addition, following the HomeServe decision, we also wrote to over 120 organisations reminding them of the persistent misuse provisions and the principles with which they need to comply, or risk facing an investigation.

6.51 Despite our enforcement action, Ofcom complaints and market research data suggest a rise in the proportions of adults receiving silent and abandoned calls in 2012.

6.52 There may be a number of factors that are driving this increase, as discussed above, including the public’s heightened awareness of how to complain.

6.53 To improve our evidence base and our understanding of what is behind this increase in complaints, we have commissioned a new piece of consumer research. This will measure the number, type and frequency of unsolicited calls that UK consumers receive on their home landline phone, as well as information on the companies making such calls.

Sales and marketing calls

6.54 Ofcom is required, under the Privacy and Electronic Communications (EC Directive) Regulations 2003 (“PECR”), 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 can arrange for a third party to discharge these functions, and the registers are currently maintained by the Telephone Preference Service Ltd (TPSL), a subsidiary of the Direct Marketing Association (DMA). TPSL provides the Telephone Preference Service (TPS), Corporate Telephone Preference Service (CTPS) and Fax Preference Service (FPS).

6.55 TPSL records and monitors complaints from those who have registered with TPS, CTPS and FPS but have received an unsolicited marketing call or fax. In August


\(^{162}\) [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_905/?utm_source=Media%2BUpdate&utm_medium=Media%2BEmail&utm_campaign=silentcalls-cw905-media](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_905/)

\(^{163}\) [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/)
2012 we began publishing the number of complaints made to the TPS by consumers, as part of our regular Telecoms Complaints Bulletin. There was a strong upward trend in complaints made to the TPS during the first half of the year, with complaints peaking at 9,803 in July. This rise can be attributed in part to increased marketing activity by payment protection insurance (PPI) and accident claims companies. In addition, complaints may have been affected by changes in consumer awareness about such issues, as the peak in complaints coincided with a *Panorama* programme on nuisance calls. Complaints have followed a downward trend since then.

**Figure 45: Complaints made to the TPS**

Source: Ofcom’s November 2012 *Telecoms Complaints Bulletin*.

6.56 Under PECR, the ICO has primary responsibility for taking enforcement action when a company makes unsolicited live marketing calls to a person registered with the TPS; it is also responsible for taking enforcement action against companies leaving unsolicited recorded message calls and marketing text messages. The ICO expanded its enforcement team in 2012, and in November it served monetary penalties totalling £440,000 on two individuals responsible for distributing millions of unlawful spam texts, over the past three years, through the marketing company Tetrus Telecoms.

**Standard terms in contracts for communications services**

6.57 Consumers are generally subject to standard terms and conditions when they enter into contracts for fixed-line telephone, broadband and mobile services. All standard

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164 By consumers who had been registered with the TPS for at least 28 days. This allows call centres to obtain the latest version of the register.
terms in consumer contracts must comply with the Unfair Terms in Consumer Contract Regulations 1999 ("UTCCRs"). In addition, General Condition 9 ("GC9") requires all CPs to include certain minimum contract terms. As it is the contract that determines the relationship between the consumer and the CP, it is important that Ofcom ensures that CPs comply with the relevant regulations so that consumers’ rights are protected.

6.58 GC9 sets out the requirement to offer contracts with minimum terms. The condition includes requirements relating to the provision of information, the length of contracts and the conditions for termination.

6.59 In May 2011, and following public consultation, Ofcom made modifications to GC9 to take account of the changes to the USD. In September 2011, GC9 was further modified to take account of Ofcom’s decision to prohibit automatically renewable contracts (ARCs) to residential customers (and businesses with ten or fewer employees) in the fixed voice and broadband sectors.

6.60 In the light of the changes mentioned above, we opened a monitoring and enforcement programme in January 2012 to monitor CPs’ compliance with all the provisions in GC9. Our objectives for this programme are:

i) to identify any problems (including consumer concerns) in relation to CPs’ compliance with GC9 and, where appropriate, the UTCCRs;

ii) to identify any problems raised by CPs in relation to the interpretation of the provisions in GC9; and

iii) to take appropriate action dependent on the nature and extent of issues identified.

6.61 Ofcom has gathered information from CPs, reviewed contract terms and analysed relevant consumer complaints data, in order to assess CPs’ compliance with GC9. We will continue to do this under this programme, which has been extended until the end of January 2013, and will take action as appropriate.

6.62 Throughout this programme we have identified that the main area of concern was related to the effectiveness of the current rules with which CPs have to comply when making variations to contract terms within the life of the contract; and the requirement that the CP must notify consumers and allow them to exit without penalty if the change is likely to be of ‘material detriment’ to the consumer.

6.63 In addition, we were aware of specific issues regarding mid-contract price rises, through complaints made to our CCT, following the announcement of price rises by a number of providers in 2011/12. This issue was also highlighted by the UK consumer body Which? in its ‘Fixed Means Fixed’ campaign, which has gained more than 36,000 supporters as at December 2012.

6.64 Therefore, in January 2013, we published a consultation on how to protect consumers from unexpected price rises within fixed contracts for landline, broadband and mobile services. The consultation discusses related issues including the

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167 http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01082/
168 http://www.which.co.uk/campaigns/technology/fixed-means-fixed/
169 http://stakeholders.ofcom.org.uk/consultations/price-rises-fixed-contracts/
transparency of price variation terms, and the information provided to consumers at the point of sale.

6.65 The consultation closes on 14 March 2013 and Ofcom expects to publish a decision in June 2013.

Complaints handling and redress

6.66 Fair, transparent and effective complaints handling processes both protect consumers and empower them in their dealings with CPs and postal operators.

6.67 All CPs in the UK are required under General Condition 14 to have a complaints code of practice that complies with standards set by Ofcom, and to provide access to an alternative dispute resolution (ADR) scheme approved by Ofcom.

6.68 All postal operators in the UK are required under Consumer Protection Condition 3.2 to have simple, inexpensive and transparent procedures in place for dealing with complaints, which facilitate the fair and prompt settlement of disputes. In addition, regulated postal operators must have a complaints handling procedure which meets the requirements of Consumer Protection Condition 3.3, publish a consumer complaints report and be a member of a redress scheme (e.g. an ADR service) approved by Ofcom.

6.69 ADR and redress schemes are, therefore, an important part of the consumer experience in communications and postal markets. They examine the evidence and make independent decisions about eligible cases referred to them by consumers whose complaints have not been resolved by the CP or regulated postal operator (in telecoms, this can be after a period of eight weeks). Decisions can require the CP or regulated postal operator to take appropriate action to put the matter right, and may also include some form of compensation such as a financial award. This process will usually improve the outcome for those consumers whose complaints might otherwise take too long to resolve or even remain unresolved. It also gives CPs and regulated postal operators additional incentives to improve their own complaints-handling procedures and to resolve complaints quickly and effectively.

Telecoms

6.70 In telecoms, there are two Ofcom-approved ADR schemes:

- Ombudsman Services;
- The Communications and Internet Services Adjudication Scheme (CISAS).

6.71 In 2011 we established a number of new regulatory obligations on CPs to ensure that consumers can have their complaints resolved quickly and effectively. These took the form of requiring CPs to have in place procedures which comply with certain

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170 A Consumer Protection Condition is a regulatory condition imposed in accordance with section 51 of, and paragraph 3 of Schedule 6 to, the Postal Services Act 2011.

171 For complaints about regulated postal services, consumers can go to ADR if the regulated postal operator notifies them that it is unable to resolve the complaint, after the time period the regulated postal operator has specified for resolving the complaint has expired, or if the consumer has been unable to log a complaint with the regulated postal operator despite making reasonable attempts to do so.

172 [http://www.ombudsman-services.org](http://www.ombudsman-services.org)

173 [www.cisas.org.uk](http://www.cisas.org.uk)

94
minimum standards, including obligations to improve consumer awareness of ADR. Specifically, the obligations require providers to:

- Comply with the Ofcom Code of Practice for Complaints Handling\(^{174}\), which requires them, among other things, 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 web page.

- 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.

6.72 Since the introduction of these new rules, we have monitored complaints to the Ofcom CCT, and have engaged informally with some CPs about their performance in respect of complaints handling. As a result, some individual CPs’ performance has improved, but overall the number of complaints remains at around 700 per month. We have therefore set up new research to support our ongoing monitoring of CPs’ compliance with these obligations, and give us a clearer understanding of any problems. We will use these data to help us assess what more we might need to do in this area during 2013, including enforcement action if appropriate.

6.73 Over the past 18 months, Ofcom has also evaluated whether the two approved ADR schemes still meet our approval criteria. These criteria cover a range of factors including accessibility, fairness and effectiveness. During the course of the review, both schemes introduced a number of improvements. Notably, the schemes and their processes are now more accessible and efficient, with more consumers than ever before using them.

6.74 In addition to the improvements made voluntarily, Ofcom has introduced additional measures to improve the consistency of decision-making across the two schemes.

6.75 Under these measures, the two schemes must follow a set of common principles when considering consumer complaints. These ‘decision-making principles’ will help safeguard against any potential inconsistencies in the way the schemes deal with and resolve consumer complaints, which should result in better outcomes for consumers. The schemes will develop common compensation guidelines, designed to help them reach consistent and fair decisions when awarding compensation.

6.76 Ofcom will work with the ADR schemes to ensure that the new decision-making principles are working well in practice, and will keep them under review.

Postal services

6.77 In post, there is one Ofcom-approved scheme: The Postal Redress Service (POSTRS)\(^{175}\).

\(^{174}\)http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/customer-code-practice/
6.78 In March 2012, Ofcom confirmed the new regulatory regime for post, including the consumer protection conditions\textsuperscript{176}. Ofcom will continue to monitor compliance with these obligations and monitor their effectiveness.

**Unexpectedly high bills – ‘bill shock’**

6.79 In last year’s Policy Evaluation report we highlighted the issue of unexpectedly high bills (UHBs), also known as ‘bill shock’. Details of our 2012 work in relation to bill shock are outlined in the following spotlight.

**Spotlight – bill shock**

Concerns about bill shock have been expressed directly by consumers, via complaints to our CCT, as well as through correspondence from MPs, but the overall numbers are not high relative to other complaint areas. There has also been considerable media coverage about particularly high UHBs – the real shockers. Therefore, to better understand the scale and nature of the problem, we conducted a review of unexpectedly high bills in the communications sector. In May 2011, consumers and stakeholders were invited to share their experiences through a Call for Inputs. We carried out market research with consumers, reviewed complaints received by our CCT, and gathered detailed information from CPs about the steps they took, or could take, to protect their customers from this problem. We published the findings of this review in March 2012\textsuperscript{177}.

Our review identified that UHBs are experienced more often by mobile contract customers than in other sectors of the telecommunications market, with problems most commonly arising when consumers use their mobiles abroad (roaming) particularly when using data outside the EU. While there was a Roaming Regulation\textsuperscript{178} in place to provide protections for consumers within the EU, our review suggested that consumers roaming outside the EU were vulnerable.

In our March Statement we signalled that we had concerns with the level of consumer harm from UHBs and explained that we would undertake further work to better understand the causes and assess what measures would be most appropriate in tackling the problem. We also said that we had used, and would continue to use, the evidence that we had collected to support a proposal by the Body of European Regulators for Electronic Communications (BEREC) to extend certain roaming protections to consumers roaming beyond the EU.

A key development since March has been the introduction of a re-cast Roaming Regulation\textsuperscript{179}, which came into effect on 1 July 2012. This extends certain protections so that they now apply to consumers who roam within the EU and worldwide, namely:

- As soon as consumers switch on their phone abroad and connect to a foreign network, operators must send them a text setting out the costs of using data on their phone in the country they are visiting.

\textsuperscript{175} http://www.postrs.org.uk/
\textsuperscript{176} http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
\textsuperscript{177} http://stakeholders.ofcom.org.uk/binaries/consultations/unexpectedly-high-bills/statement/statement.pdf
• Consumers are also protected by a data roaming limit of no more than 50 Euros (excluding VAT) per month, wherever they travel abroad. Mobile operators must alert customers when they reach 80% and then 100% of the limit; consumers can then opt out of the limit and to continue to use data if they wish.

Since the regulation was revised, we have been actively working with operators to ensure compliance with these new measures. In addition to our focus on the Roaming Regulation we have:

• carried out additional research to help better understand the causes and impact of all the main types of UHBs;
• monitored our own CCT complaints captured since January;
• engaged with mobile operators to understand what steps they have taken in response to our review or as part of their own strategies to reduce risk of UHBs; and
• reviewed the tariff information that operators present on their websites.

We plan to publish an updated Statement in early 2013 to:

• provide progress against the next steps we identified in March; and
• explain how the further evidence we have gathered has enabled us to review progress and identify the appropriate next steps in this area.

6.80 Separate to our enforcement work to protect consumers from harm, as outlined in the section above, Ofcom has also been involved in a cross-media initiative aimed at improving complaints procedures and consumer confidence. Details of this project, ParentPort, are outlined below.

ParentPort

6.81 In June 2011, Reg Bailey’s review of the sexualisation and commercialisation of childhood, Letting children be children, was published. The report set out a number of recommendations for regulators, broadcasters, industry and a wide range of other stakeholders. One recommendation was the development of a web hub for parents to cover all regulatory complaints about children’s exposure to unsuitable material.

6.82 In October 2011 Ofcom joined forces with other UK media regulators to launch ParentPort180, a website to make it easier for parents to complain about material they have seen or heard across the media, communications and retail industries.

180 http://www.parentport.org.uk/
6.83 The website was jointly developed by the Advertising Standards Authority (ASA), the Authority for Television on Demand (ATVOD), the BBC Trust, the British Board of Film Classification (BBFC), Ofcom, the Press Complaints Commission (PCC) and the Video Standards Council (VSC)/Pan-European Game Information (PEGI).

6.84 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 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 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.

6.85 Since the site’s launch, the ParentPort regulators have been working to raise parents’ awareness of ParentPort. A ParentPort toolkit was developed to include promotional information and materials and has been distributed to key industry stakeholders, many of whom have featured ParentPort on their websites, in newsletters and other correspondence. In early 2012, many of the major broadcasters gifted digital advertising to ParentPort on their websites, which brought new visitors to the site.

6.86 In January 2012, the ParentPort regulators launched partnerships with Mumsnet and Netmums, the two biggest online parenting communities in the UK, to provide threads on the sites for parents to discuss the issues and share their views and concerns on sexualisation and commercialisation of children. Both Mumsnet and Netmums also gave parents easy routes to access ParentPort through clickable badges and links.

6.87 More recently, ParentPort has partnered with Get Safe Online Week and Parents’ Week. The ParentPort regulators are now working on new plans to develop the content on the site further, with a focus on:

- providing further helpful information for parents on children and the media; and
- new ways of raising parents’ awareness of the site.
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 of mobile systems. Provides high-speed data transmission and supports multi-media applications such as video, audio and internet access, alongside conventional voice services.

4G Fourth generation of mobile systems. It is designed to provide faster data download and upload speeds on mobile networks.

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.

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 (or multi-play) A marketing term describing the packaging together of different communications services by organisations that traditionally only offered one or two of those services.

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.

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

Communications Act Communications Act 2003, which came into force in July 2003.

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 at which information can be transferred from the internet to a computer. Dependent on the type of connection, i.e. modem, cable, DSL, etc.

CP Communications provider. A person or company providing an electronic communications network or providing an electronic communications service.

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.

DCMS Department for Culture, Media and Sport

181 These are not binding or statutory definitions but are written in broad layman’s terms to aid the reader. More comprehensive definitions are in other Ofcom or legislative documents.
**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.

**ETC** Early termination charge. A charge for consumers who terminate their contract before the end of any Minimum Contract Period (or Subsequent Minimum Contract Period).

**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 interactive services.

**GI (geographic interleaved) 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.

**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** Whereby potential consumers are without access to a service but not through choice.

**IP (internet protocol)** The packet data protocol used for routing and carrying messages across the internet and similar networks.

**IPTV** Internet protocol television. The term used for television and/or video signals that are delivered to subscribers or viewers using internet protocol (IP), the technology that is also used to access the internet. Typically used in the context of streamed linear and on-demand content, but also sometimes for downloaded video clips.

**ISP** Internet service provider. A provider of access to the internet.

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

**LLU** Local loop unbundling. Process whereby incumbent operators (in the UK this is BT and KCOM) make their local network (the lines that run from the customers’ premises to the telephone exchange) available to other communications providers. The process requires the
competitor to deploy its own equipment in the incumbent’s local exchange and to establish a backhaul connection between this equipment and its core network.

**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.

**LTE** Long term evolution. This is a 4G technology which is designed to provide faster upload and downloads speeds for data on mobile networks.

**Mbit/s** Megabits 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 operator, a provider who owns a cellular mobile network.

**Mobile broadband** Various types of wireless, high speed internet access through a mobile telephone or a mobile data dongle.

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

**Multichannel** In the UK, this refers to the provision or receipt of television services other than the main five channels (BBC One and 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).

**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.

**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 and instead, buys a wholesale service from a mobile network operator.

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

**Net neutrality** The principle that all traffic on the internet should be treated equally, regardless of content, site or platform.

**Next generation access networks (NGA)** New or upgraded access networks that will allow substantial improvements in broadband speeds and quality of service compared to today’s services. This can be based on a number of technologies including cable, fixed wireless and mobile. Most often used to refer to networks using fibre optic technology.

**Not-spot** An area which is not covered by any mobile networks.
Omnibus  Quantitative market research survey carrying questions on different topics.

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 providers.

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 postcode, e.g. SW8.

Postal Services Act  Postal Services Act 2011, which came into force in October 2011.

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. The network that manages circuit switched fixed-line telephone systems (e.g. BT’s current copper telephone network).

Reactive save  Where the losing provider (LP) is able to accurately identify, as a result of information the LP receives as part of the formal switching process, all those customers intending to switch and to make them a counteroffer not to switch. The LP is informed of the imminent switching either by the consumer via the code request under a LPL process or by the GP placing the order to transfer the service under a GPL process. The term does not refer to counteroffers requested by a consumer who explicitly contacts the LP with the purpose of obtaining a better offer. Also known as targeted save activity.

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

SIM-only  A mobile contract that is sold without a handset.

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

Smartphone  A mobile phone that offers more advanced computing ability and connectivity than a contemporary basic ‘feature’ phone.

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.

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

**UHF** Ultra-high frequency. The frequency range from 300 MHz to 1 GHz.

**Unbundle** See LLU.

**Usage cap** Monthly limits on the amount of data users can download, imposed by fixed and mobile operators for some of their packages.


**USO** Universal service obligation. An obligation placed on a universal service provider requiring it to supply a service.

**VoIP** Voice over Internet Protocol. A technology that allows users to send calls using internet protocol, using either the public internet or private IP networks.

**Voluntary non-ownership** Whereby 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.

**WiMAX** A wireless MAN (metropolitan area network) technology, based on the 802.16 standard. It can be used for both fixed and mobile data applications.

**WLR** Wholesale line rental. A regulatory instrument requiring the operator of local access lines to make this service available to competing providers at a wholesale price so those other providers can offer services to retail customers using those lines.