The Consumer Experience of 2013
Telecoms, internet, digital broadcasting and post

Policy Evaluation Report
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## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>29</td>
</tr>
<tr>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>5</td>
<td>74</td>
</tr>
<tr>
<td>6</td>
<td>94</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annex</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>115</td>
</tr>
</tbody>
</table>
Section 1

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, we publish our Consumer Experience reports every year.

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. Therefore, in this report we also assess the consumer experience in the postal market.

1.3 This Policy Evaluation Report is published in parallel with the Consumer Experience Research Report, and is complementary to it. It sets out our key regulatory activity, stemming in part from issues identified from our research. It also 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 the Consumer Experience reports annually since 2006. As in 2012, we will be examining five central aspects of consumers' experience in communications and postal 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.

1.5 We are aware that the cost of living in the UK has become an issue of focus for a number of stakeholders in regard to the cost and value of services in regulated sectors. In 2013, Ofcom continued to monitor price trends and also undertook work to review the affordability of universal postal services and essential or core communications services (see section 4). An analysis of the cost and value of communications services in the UK is published alongside this report.

Availability of services and providers

Research

1.6 Our research continues to indicate high levels of availability of communications services, in line with previous reports. The overwhelming 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).

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2 The reports include the latest data available to Ofcom. In some cases, the latest data we have available are up to 2012 only.
1.7 Choice in the fixed-line market is well established. Provision of services via local loop unbundling (LLU) and wholesale line rental (WLR) has continued to grow, with the number of unbundled lines reaching 9.6 million in December 2013\(^3\), up from 123,000 in September 2005 (and 7.8 million in October 2011).

1.8 The availability of broadband internet connections, and the choice of internet service providers (ISPs), keeps improving for consumers. Superfast, fibre-based broadband services offering speeds of 30Mbit/s or higher are now available to an estimated 73% of UK premises, and continue to be rolled out.

1.9 For mobile services, in 2013 we estimated that 99.6% of premises had an outdoor mobile signal from at least one 2G operator and 99.1% by at least one 3G mobile operator, using data taken from network operators planning tools\(^4\).

1.10 Quality of communications services matters as much as availability, and is increasingly important for consumers. In 2014, Ofcom will be carrying out new research into the quality of mobile reception and coverage, which could include information such as the percentage of 'dropped' calls, as well as the sound quality of calls. Separately we will be publishing the average mobile broadband speeds received by 3G and 4G customers. We believe this information will help consumers make the right choices and encourage providers to improve their performance.

1.11 For postal services, users have around 15 alternative providers in the parcels delivery market, offering various service options (i.e. tracking, signed for etc.) at a range of prices. Royal Mail remains the main provider of postal services in the UK for standard mail items such as letters and greetings cards sent by residential consumers and SMEs. It provides users with numerous access points across the UK - over 115,000 post boxes and 11,780 post offices.

**Policy**

1.12 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.

1.13 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 2013 we published a five point plan on improving mobile coverage\(^5\) and in October, we announced the participants in the pilot to road-test ‘white space’ technology, which could help support the next wave of wireless innovation\(^6\).

1.14 We completed 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 WiMAX\(^7\). Of the winning bidders, Telefónica (O2) and Vodafone started to roll out 4G networks using

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\(^3\) [http://www.offta.org.uk/updates/otaupdate20131203.htm](http://www.offta.org.uk/updates/otaupdate20131203.htm)

\(^4\) We recognise that the planning tools are subject to a margin of error and local factors, such as tall buildings or trees, can affect the signal at different locations. In addition, the quality of mobile services are affected by factors other than signal strength, such as network capacity, number of simultaneous users and quality of handset. In 2014 we will be undertaking work to measure the actual consumer experience.


\(^7\) See Glossary for definitions of LTE, WiMAX and 4G.
the auctioned spectrum in summer 2013 and Three started offering its 4G services in December, thereby offering more choice to consumers who previously could access 4G services only from EE.

1.15 The auctioned spectrum will enable delivery of new, faster mobile services, promote competition and ensure high levels of coverage across the UK. Ofcom estimates that more than 99% of premises across the UK as a whole will be covered by 4G, and that outdoor coverage within Wales, Scotland and Northern Ireland will be around 98-99%.8

1.16 In May, we published a report outlining the availability of different communications services across the UK, examining how coverage varies between areas and how it might be improved. We found that variations in availability between nations and regions is largely due to some parts of the UK being more rural than others. Once factors such as population density and the nature of the landscape – such as hills, valleys and buildings – are taken into account, the probability of good coverage is relatively similar across different parts of the UK.

**Take-up and use of services and devices**

**Research**

1.17 Take-up of most communications services remained stable in 2013, with the exception of mobile broadband (via a dongle or data card) which fell for the second consecutive year. Households 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, although over half of mobile broadband users say that they use the service mainly or always in the home. The number of superfast broadband connections more than doubled in the year to March 2013.

1.18 In relation to postal services, four in five consumers claimed to have sent at least one item of post over the previous month. On average, consumers receive 8.4 items of post per week (which equates to just over 36 items a month). However, regardless of how frequently people are using post, there is evidence that consumers remain reliant on postal services as a means of communication. Just under two thirds (64%) stated they were either ‘very’ or ‘fairly’ reliant on the postal service. Furthermore, half (51%) said that they would feel cut off from society if they could not send or receive post.

1.19 In 2013, for the first time, we published a standalone *Consumer Experience Report* on disabled consumers’ ownership of communications services9. The report provides a detailed analysis of ownership among people with hearing, visual, mobility and multiple impairments, making comparisons by type of disability and by demographic group. It draws out differences between disability groups and makes comparisons with non-disabled consumers.

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8 One of the 800MHz spectrum licences we auctioned carries an obligation on the holder to provide indoor coverage to 98% of consumers at speeds of 2Mbit/s by 2017, with at least 95% coverage being provided in each of the nations. This spectrum was purchased by O2, which has subsequently said that it intends to hit the UK target by the end of 2015. We expect the 98% indoor coverage obligation to result in outdoor coverage of over 99%. Other mobile operators have indicated that they will seek to match O2’s coverage, enabling the large majority of consumers to be able to access 4G services in their homes.

1.20 In March 2013, we published a statement following our review of postal users’ needs. We concluded that the postal market is currently meeting the reasonable needs of users and is highly valued by residential users and businesses across the UK. Therefore, we decided not to change the scope of the universal service. It is important for Ofcom to continue to understand the needs of users of postal services and how these needs may change in the future. This is an issue which we will keep under review as the postal market develops to meet users' evolving needs.

1.21 In relation to our work to protect vulnerable consumers, amongst other things, Ofcom mandates a range of services for disabled users of telecommunications services, and these are set out in General Condition 15. We have reviewed General Condition 15 in the light of amendments to the European Regulatory Framework, and social and technological changes.

1.22 We have also continued our review of relay services. In October 2012, we said that communications providers (CPs) must provide access to an improved ‘next generation’ text relay (NGTR) service for all landline and mobile customers by 18 April 2014. The improvements will enable users to have faster, more fluent conversations as they can interject; and use a variety of devices to access the service - including easier use of text relay on the move via smartphones and tablets. In November 2013 we consulted on approving BT as a relay service provider for NGTR. We intend to publish a statement on the approval before April 2014. 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.

1.23 In 2013 we also consulted on proposals to improve the quality of live subtitling on UK TV to improve the benefit to deaf and hard-of-hearing viewers. In light of responses, Ofcom decided broadcasters should be required to measure certain dimensions of quality, including the number and type of errors (i.e. minor spelling errors, major omissions or factually misleading subtitles), every six months for two years. Broadcasters’ measurements will be validated by independent experts and Ofcom aims to publish the first report in Spring 2014.

**Consumer choice and value**

**Research**

1.24 Bundling of services continues to be a feature of the communications sector. Over half (60%) of consumers now 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 a better deal for their household’s communications services.

1.25 Since the introduction of smartphones (now owned by 56% of all UK adults) the mobile market has seen a significant shift away from pre-pay to contracts. The proportion of mobile customers opting for contract packages has increased every year since 2005 with over three in five (62%) mobile users now in a contract. In 2013, 38% of all mobile customers were on a pre-pay tariff compared to 59% in 2008. Over

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10 [http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/statement/](http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/statement/)

11 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.
half of all mobile customers are on at least a 12 month contract and the proportion of consumers on mobile SIM-only packages has doubled since 2010 (8% vs. 4%).

1.26 This evaluation report generally reflects positive indicators about the level of choice and value for consumers. 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, as the average UK household spend on communication services fell in real terms. There was an increase in household communications spend on fixed internet services mainly as a result of growth in household take-up of fixed broadband services and consumers switching to superfast services (with a headline speed of ‘up to’ 30Mbit/s or higher).

1.27 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). Consumers are able to mitigate price rises to some extent by purchasing communications services in bundles and/or opting for line rental pre-payment.

Policy

1.28 Social tariffs are required under the universal service obligation to ensure accessibility for consumers who would otherwise find fixed voice services hard to afford. While there is an option for consumers to offset rising fixed-line prices by purchasing line rental packages at pre-pay discounted rates, this option will not be attractive to all consumers, and is likely to be difficult to afford for some.

1.29 We are aware that the cost of living in the UK has become an issue of focus for a number of stakeholders in regard to the cost and value of services in regulated sectors. In 2013, Ofcom continued to monitor price trends and also undertook work to review the affordability of universal postal services and essential or core communications services (see Section 4). An analysis of the cost and value of communications services in the UK is published alongside this report.

1.30 The evidence we collected to inform our review indicated that universal postal services are affordable both for residential consumers (including low income and other vulnerable consumers) and for businesses (including small and medium businesses) at 2012 prices. We also reviewed the price changes that took effect from 2 April 2013 (as announced by Royal Mail in March 2013), and noted that we considered that universal postal services would continue to be affordable based on these new prices.

1.31 Ofcom is undertaking a project to understand if there are situations where the affordability of essential communication services is a barrier to participation in the use of these services. As part of this work, we will seek to define ‘essential’ telecoms services, and in particular, in which situations, or for what use, some services are deemed essential; and explore whether consumers, and in particular specific consumer groups, find that essential telecoms services are unaffordable, to the extent that affordability is a barrier to participation in the use of those telecoms services.

Consumer interest and activity

Research

1.32 The level to which consumers benefit from communications services is directly influenced (among other things) by the extent to which they are interested, actively
engage, and participate in markets (e.g. keep an eye on the market, switch or negotiate with providers). Active engagement and participation enables consumers to compare services in terms of price and quality, and seek out new services and technologies.

1.33 Our research found that at a total market level, between Q3 2012 and Q3 2013, there have been small but significant falls in engagement in each of the fixed line and fixed broadband markets. These have fallen by 4 and 5 percentage points respectively. In the fixed broadband market this has been driven by falling levels of engagement among standalone purchasers (-9pp to 15%) while engagement among bundlers remains stable (19%).

1.34 With regard to switching, overall switching levels for each market (including any switching of services within bundles) remain broadly unchanged at around one in ten in each of the fixed-line (9%), mobile (11%) and fixed broadband (9%) markets. The total level of switching main TV provider remains lower, at 3%. A quarter of all switchers switched multiple services at the same time – not significantly different to 2012.

1.35 The lure of a cheaper service and frustration with a poor service are common reasons why consumers switch communications provider. Cost was stated by between 54% and 62% of switchers in each of the fixed voice, fixed broadband, mobile and TV markets. ‘Poor service’ was mentioned as a reason for switching by around half as many in each market - ranging from 20% in the mobile market to 29% in the fixed broadband market.

1.36 The majority of consumers remain satisfied with their communications services overall, with dissatisfaction at between 5% and 11% across markets – highest in the fixed broadband market. The only significant change in satisfaction levels has been among bundlers, where dissatisfaction with value for money stands at 14%, nearly twice the level reported in 2011 and 2012 (8%).

1.37 Two in five fixed broadband customers who expressed an opinion said they were very satisfied with the speed of their broadband service and in total, three-quarters were satisfied.

1.38 Satisfaction with the UK postal service stands at 87% of adults who are very or fairly satisfied . People aged 75+ were most likely to say they were ‘very satisfied’ with the service (53% compared to 39% average).

Policy

1.39 Our work on improving the switching process for consumers continued this year; we announced new measures to help consumers change landline and broadband providers with greater ease, confidence and convenience. In August 2013 we published our decision that CPs will need to migrate to a single process for switching between providers on the Openreach network (e.g. BT, Sky, TalkTalk, EE, Post Office) where the consumer only needs to contact the new provider to make the switch. We also consulted on improvements to the process to promote the interests of consumers and published our final statement on this in December 2013, with the changes being implemented in 2014 and 201512.

1.40 Consumer information plays a critical role in competitive markets. If consumers are not fully informed about the services available to them, they may make bad decisions and/or be reluctant to switch. Some consumers do not find it easy to make informed decisions or to compare services.

1.41 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. We are currently undertaking a review of the Code to ensure that its provisions are still appropriate for consumers’ needs in the fast-changing broadband market. 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.

1.42 In September 2013, Ofcom published a guide to help consumers understand how the internet is managed at busy times. This followed a review of the transparency of the information available to consumers on internet traffic management practices which included research to understand how consumers are buying and using fixed broadband services, and their knowledge of traffic management policies. We also publish information on internet availability and traffic management in our annual update to the Infrastructure Report.

1.43 We continue to publish data from the Ofcom Consumer Contact Team (CCT) 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. Since June 2012, this publication has included data on complaints about pay-TV services. In December 2013 we published research on the quality of customer service from the major providers. This followed previous publications in July 2010, July 2011, November 2011 and December 2012.

1.44 Ofcom continues to work with intermediary providers of information to consumers such as price comparison websites (PCWs). 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.

1.45 Since 2006, we have operated an accreditation scheme under which we run annual audits of the price comparison calculators of six price comparison websites. In 2013, we reviewed the scheme to ensure that it remains relevant to consumers and, following consultation, decided to implement a number of new requirements on accredited PCWs to help inform consumer choice. We also introduced quarterly ‘spot checks’ of accredited PCWs to monitor their compliance with the scheme and to further improve the accuracy of the information provided to consumers.

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18 See Figure 133 in the *Consumer Experience Research Report* for sources of trusted information, including government body or regulator.
Consumer protection

1.46 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.

1.47 In 2013, we consulted on and published a decision to issue guidance to secure fairness in respect of price rises to the agreed core subscription price during the fixed term of contracts. Our guidance makes clear to providers that they should give consumers and small businesses at least 30 days’ notice of any increases to the agreed core subscription price and allow them to exit their contract without penalty.

1.48 We have continued our work to reduce the level and impact of unexpectedly high bills (UHBs) experienced by mobile contract consumers. The steps operators have taken as a result of our engagement, along with work to increase consumer awareness of how to avoid an UHB appears to be having a positive effect. There has been a notable reduction in the number of UHB complaints received by our Consumer Contact Team (CCT) and consumer research from March 2013\(^\text{19}\) indicates a decline in the overall proportion of consumers experiencing UHBs, along with a drop in the average level of harm experienced.

1.49 Silent and abandoned calls\(^\text{20}\), 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 40 per month\(^\text{21}\).

1.50 Complaints to the CCT about abandoned and silent calls reached a peak of 3,900 in April but have declined since then and by September were less than 3,000 (the lowest since December 2012). However, Ofcom remains concerned about the level of complaints and tackling this harm continues to be a major work area for us in our draft Annual Plan 2014/5. With regards to nuisance calls, Ofcom’s market research suggests that the incidence of nuisance calls declined during 2013.

1.51 Nuisance calls are a complex and challenging issue to address, and regulatory responsibilities are split across several regulators. Ofcom’s primary focus is on addressing the problem of abandoned and silent calls using our powers relating to the persistent misuse of electronic communications networks and services. We continue to work to identify companies for investigation and possible enforcement action, in line with our administrative priorities. Since April 2012, we have issued fines amounting to over £1.5m to organisations for making abandoned and silent calls.


\[^{20}\] 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.

\[^{21}\] Ofcom does not publish data for consumer complaints about postal services. However, all regulated postal operators including Royal Mail are required to publish annual complaints data. Additionally, Royal Mail is required to publish quarterly reports showing the amount of compensation paid. [http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf](http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf)
1.52 Enforcement action is crucial to reducing consumer harm. However, used alone it can only tackle part of the problem. It is recognised that a broad collaborative approach is needed from regulators and industry to significantly reduce consumer detriment from all types of nuisance calls. For this reason, Ofcom and the Information Commissioner’s Office (ICO) published a joint action plan in July 2013. This plan includes work to trace nuisance calls and messages, to carry out effective coordinated action, to improve guidance both for consumers and for businesses engaged in direct marketing, and work on new proposals to help tackle nuisance calls. We plan to publish an update on progress against the joint action plan in the first quarter of 2014.

1.53 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 CPs whose sales and marketing activities may require further investigation. These investigations, and informal engagement with CPs, allow us to take action, where necessary, to protect the interests of consumers.

1.54 To date, we have conducted 27 investigations into fixed-line mis-selling and related issues. This has resulted in 19 contravention notifications under s94 of the 2003 Act, with two CPs being fined the maximum 10% of their relevant annual turnover, and more recently, two penalty notifications using sections 96A-96C of the 2003 Act. Since the introduction of new rules in March 2010, and through continued targeted enforcement, mis-selling complaint volumes have continued to fall.

1.55 Complaints about CPs’ complaints handling have consistently appeared among the top three issues in the past four years. On average, we received around 800 complaints each month about this issue between October 2012 and October 2013. Details of our work to ensure providers have effective complaints handling procedures are outlined further in Section 6 below.

**Ofcom priorities and work programme for 2014/15**

1.56 We are currently consulting on the Ofcom Annual Plan for 2014/15, 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 2014.

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22 These investigations were carried out using several different General Conditions. Before 18 March 2010, 15 investigations relating to mis-selling and/or slamming were carried out using General Condition 14 and six 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 nine investigations being carried out under this General Condition. Some of these investigations were conducted using more than one of the above General Conditions which is why the total figure of 30 is more than the 27 investigations noted here.

Section 2

Availability of services and providers

Introduction

2.1 Ofcom has duties to secure the availability, throughout the UK, of a range of communications services, including electronic communications services, television, radio and the universal postal service.

2.2 Overall availability of communications services is high, and households in the UK have access to broadcasting, telephony and postal services, with:

- virtually all consumers covered by fixed line, broadband and digital broadcasting;
- increased availability of 3G mobile services and the roll-out 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 UK consumers. BT and Kingston Communications (KCOM) 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.

2.5 For fixed voice and broadband services, many 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 around 114 operators offering services in the fixed-line market subject to the General Conditions of Entitlement.

2.6 The availability of various operators differs across the UK. For example, the most recent data available to Ofcom show that 48% of UK homes have access to the cable network for triple-play (fixed line, broadband and pay TV) services.

24 The incumbent fixed telephony operator in Kingston-upon-Hull.
25 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 areas, consumers may have to pay an additional connection charge, above the standard charge for the provision of the line.
26 The conditions they must fulfil in order to offer communications services. Available at: http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/
2.7 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*²⁷.

**Mobile**

2.8 In 2013, we estimated that 99.6% of premises were covered by at least one 2G operator and 99.1% by at least one 3G operator. Ofcom’s *Infrastructure Report* includes data on predicted mobile signal strength (based on operators’ planning models) for both 2G and 3G networks in the UK, and calculates two measures of coverage²⁸. 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 outdoors²⁹.

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

**Figure 1: Mobile coverage (based on predicted coverage)**

<table>
<thead>
<tr>
<th>Mobile Coverage</th>
<th>2G</th>
<th>3G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Geographic coverage</td>
<td>Premises coverage</td>
</tr>
<tr>
<td>no signal from any operator</td>
<td>signal from all operators</td>
<td>no signal from any operator</td>
</tr>
<tr>
<td>England</td>
<td>4.6%</td>
<td>72.8%</td>
</tr>
<tr>
<td>Scotland</td>
<td>26.2%</td>
<td>41.7%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>8%</td>
<td>56.5%</td>
</tr>
<tr>
<td>Wales</td>
<td>15.7%</td>
<td>52.8%</td>
</tr>
<tr>
<td>UK</td>
<td>12.7%</td>
<td>62.4%</td>
</tr>
</tbody>
</table>

Source: Ofcom’s *Infrastructure Report 2013 update*, see Figure 36.

²⁸ There are a number of other mobile coverage projects elsewhere, such as the BBC’s mobile coverage research ([http://www.bbc.co.uk/news/technology-14582499](http://www.bbc.co.uk/news/technology-14582499)) and OpenSignalMap ([http://www.opensignalmaps.com/](http://www.opensignalmaps.com/)), both of which use consumer-end devices to measure mobile coverage. The outcomes of this crowd-sourcing approach are limited by the number of test devices and where the phones are used.
2.10 There are four mobile network operators (MNOs) in the UK (Everything Everywhere, Telefónica UK (which operates the O2 brand), Three and Vodafone) providing services using a variety of mobile technologies. The last 12 months have seen the introduction of 4G networks, providing a faster data service to consumers, joining 2G and 3G networks (which provide voice and slower data services). EE was the first network to offer these services, in October 2012, and Vodafone and O2 launched their services at the end of August 2013. Ofcom estimates that, by 2017, more than 99% of premises across the UK as a whole will have 4G outdoor coverage.

2.11 Consumers continue to be able to choose from mobile services offered by four mobile network operators (MNOs) – Vodafone, O2, Three and Everything Everywhere. Since the 2010 merger of T-Mobile and Orange, Everything Everywhere has continued to operate three retail brands, selling 2G and 3G services through T-Mobile and Orange and 4G services through EE. There are also many virtual mobile network operators (MVNOs) and resellers.

2.12 Public Wi-Fi hotspots also play a role in complementing mobile networks for data services, and more and more councils have been providing public Wi-Fi, either free of charge or for a subscription fee.

Internet

2.13 UK consumers are able to access a wide choice of broadband products as a result of the availability of local loop unbundling (LLU), ADSL fibre, cable and mobile broadband and the ability to purchase services as part of a bundle. At the end of 2012 94% of UK premises were connected to an LLU-enabled BT local exchange, while by June 2013 the proportions of premises that were in postcodes served by BT Openreach/KCOM fibre broadband networks, and that were passed by Virgin Media’s cable broadband network, were 56% and 48% respectively. Overall, over 99.9% of UK premises were able to access ADSL fixed broadband services at the end of 2012, although factors such as distance from the exchange and the quality of local networks may limit availability.

2.14 The average speed of UK residential fixed broadband connections is continuing to increase. Our research found that in May 2013 the average actual download speed was 14.7Mbit/s, a 2.7Mbit/s (22%) increase on the 12Mbit/s average recorded six months previously in November 2012 (and published in March 2013). This rise is largely due to increasing take-up of superfast broadband services (i.e. those with a speed of at least 80Mbit/s) and the deployment of fibre networks.

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30 In the UK, operators are rolling out 4G networks using a new mobile technology called Long Term Evolution (LTE).
31 One of the 800MHz spectrum licences we auctioned carries an obligation on the holder to provide indoor coverage to 98% of consumers at speeds of 2Mbit/s by 2017, with at least 95% coverage being provided in each of the nations. This spectrum was purchased by O2 and it has subsequently said that it intends to hit the UK target by the end of 2015. We expect the 98% indoor coverage obligation to result in outdoor coverage of over 99%. Other mobile operators have indicated that they will seek to match O2’s coverage, enabling the large majority of consumers to be able to access 4G services in their home.
32 An MVNO or reseller is a company that resells services from one of the four network operators but does not own its own mobile network infrastructure. For example, Virgin Mobile uses the T-Mobile network (which is being integrated with the EE network) and Tesco Mobile uses the O2 network.
33 LLU is the process whereby the incumbent operators (in the UK it is BT and Kingston Communications) make their local network (the lines that run from customers premises to the telephone exchange) available to other communications providers.
headline speed of ‘up to’ 30Mbit/s or higher) which accounted for 19% of all residential fixed broadband connections by May 2013, up from 8% a year previously35.

**Figure 2: Average actual broadband speeds: May 2011 to May 2013**

Source: SamKnows measurement data for all panel members with a connection in May 2013. Panel Base: 1,105. See Consumer Experience Research Report (Figure 22).

2.15 Superfast, fibre-based services offering speeds of 30Mbit/s or higher are now available to an estimated 73% of UK premises, and continue to be rolled out. Both Virgin Media and BT have continued to invest in upgrading their networks to support superfast broadband services, and have committed to rolling out superfast broadband services across the UK.

**Digital broadcasting**

**Television**

2.16 Digital television is available over satellite, cable, digital terrestrial television and IPTV36, although the channels available vary by platform. Digital terrestrial television (DTT) has near-universal coverage of 98.5% as the UK completed digital switchover in late 2012. 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. Cable coverage capable of offering cable fixed telecoms and/or pay-TV services stands at 48% of UK homes.

2.17 There are currently 519 television channels. Thirteen of these are public service channels and their HD and +1 variants, with the remaining 506 being commercial channels.

2.18 In addition to traditional television services, consumers are able to access a wide range of over-the-top (OTT) film and TV services on demand via an internet-connected device. Examples include BBC iPlayer, Netflix, LoveFilm and iTunes.

35 The next publication is expected in February 2014 based on data collected in November 2013.

36 Internet protocol television. See Glossary for full definition.
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 mobile handsets that can connect to the internet.

2.20 The BBC has the most widespread DAB coverage, with its network of 11 stations available to 94.4% of UK households. The national commercial DAB network, Digital One, broadcasts 14 commercial stations and provides coverage to 98.5% of households. Local DAB covers 71.7% of UK homes. The extension of the Digital One multiplex to Northern Ireland and the launch of additional local commercial multiplexes have increased the proportion of households and roads that are served by commercial DAB radio.

2.21 There are now 250 stations broadcasting on DAB, 31 more stations than the number recorded in Ofcom’s 2012 Digital Radio Report. However, the availability of radio services on the DAB digital radio platform continues to vary across the UK. As in 2012, it is highest in the Greater London region, where listeners can receive around 61 radio stations, and lowest in Dumfries and Galloway, the Scottish Borders, Cumbria, North West Wales, Somerset and Suffolk, areas where the comparable figure is around 25 stations. Outside the London area, the majority of homes in the UK where DAB coverage is available currently receive between 26 and 35 stations.

Post

2.22 Royal Mail is the designated universal service provider in the UK and is subject to regulatory conditions, including the requirement to provide collection of letters, and their delivery to every UK home or premises six days a week. Prices for universal services must 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 there should be a post box within 0.5 miles of at least 98% of premises nationally; and for the remaining 2% of premises, Royal Mail must provide sufficient access points or other means of access to the universal service (e.g. collection on delivery from very remote or isolated locations such as farmhouses) to meet the reasonable needs of users (having regard to the costs and operational practicalities of doing so). Currently, the UK has over 115,000 post boxes and 11,780 post offices.

2.24 Consumers wanting to send a stamped addressed letter or greetings card predominantly use Royal Mail. However, those wanting to send parcels have a range of providers to choose from. Apex Insight has identified more than 15 companies which operate significant parcels networks in the UK, including international operators such as DHL, UPS, FedEx, TNT and DPD, as well as national operators including City Link, UK Mail, Yodel and Hermes. Although the majority of these

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37 See Figure 4 in Ofcom’s Digital Radio Report 2013, http://stakeholders.ofcom.org.uk/binaries/research/radio-research/drr-13/2013_DRR.pdf
38 as imposed by Ofcom, http://stakeholders.ofcom.org.uk/post/conditions/
39 Apex Insight is an independent provider of research, analysis and advice covering business-to-business markets.
40 See the Consumer Experience Research Report for more details.
operators primarily offer services to businesses, they also offer services to consumers wishing to send parcels and packets.

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 a timed delivery slot etc. Some providers limit their coverage by excluding areas such as Northern Ireland and the Highlands of Scotland or by charging more to deliver to those areas; this has an impact on the level of choice in these areas.

Ofcom’s work

2.26 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 must secure the delivery and collection of mail everywhere in the UK.

2.27 In addition, we must have regard to the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and urban areas. Because of these duties, we undertook to assess the provision of communications services in the nations as a priority in our 2012/13 Annual Plan. We sought to understand the differences between the nations and to look at the ways in which the UK, devolved and local authorities, as well as communities themselves are working to reduce these differences. Our analysis is presented in a report on the Availability of Communications Services in the UK published in May 2013.

2.28 Furthermore, the Communications Act 2003 now 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 have published updates to the Infrastructure Report in November 2012 and more recently in October 2013.

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, local TV, DAB coverage and universal service access points for postal users.

UK communications infrastructure

2.30 In October 2013, Ofcom published its third annual Infrastructure Report. The report continues to consider the coverage, capacity and resilience of the main public electronic communications networks and services available in the UK, including fixed-line and mobile telephony, broadband, digital radio and digital terrestrial TV.

41 http://www.ofcom.org.uk/about/annual-reports-and-plans/annual-plans/annual-plan-201213/
43 The Digital Economy Act 2010 amended the Communications Act 2003 to create this duty.
2.31 Some of the most notable changes in 2013, highlighted in the report, include:

- strong growth in the availability and take-up of superfast broadband;
- the initial deployment of new 4G mobile broadband networks;
- a significant increase in the availability and use of public Wi-Fi hotspots; and
- preparation for the launch of new HD and local TV services on terrestrial TV.

2.32 In the report we recognised that, as the availability of next generation data services improves, there will be an increased focus on quality of service and the resulting consumer experience. We are, therefore, also undertaking further work to explore how the quality of experience on fixed and mobile networks can be measured and the extent to which it varies between operators and across the UK.

2.33 Alongside the report, Ofcom published updated interactive maps on its website\(^\text{45}\), providing more detailed information on the coverage of fixed and mobile telephony, digital TV and digital radio networks. There is also detailed information on the availability of fixed superfast broadband across the UK, and the current speeds received.

### Provision of communications services in the nations

2.34 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.

2.35 The availability of communications services matters because of the increasing integration of digital communications within daily life. These networks provide consumers with access to important political, educational, cultural and economic resources. They offer businesses the opportunity to increase efficiency, develop new services and reach new markets. And they make possible new and more effective means of providing public services to citizens.

2.36 Ofcom assesses levels of coverage for telecommunications, broadcasting and postal services across the nations, building on data published in its *Communications Market Reports* and *Infrastructure Reports*. In May 2013, Ofcom brought together and supplemented this work in a report on the *Availability of Communications Services in the UK*\(^\text{46}\). The report examines how and why the availability of communications services varies across the UK and how it could be improved. The report found that:

- Several services have almost universal availability in the UK. Fixed telephony and postal services are subject to universal service obligations, and DTT is also available in almost all households following digital switchover.

- Other services differ more widely. For example, the availability and speed of fixed broadband internet access varies according to what technology is available and proximity to telephone exchanges, while superfast broadband is still being rolled out, especially in more rural areas.

\(^{45}\) [http://maps.ofcom.org.uk/](http://maps.ofcom.org.uk/)

\(^{46}\) [http://media.ofcom.org.uk/2013/05/16/ofcom-examines-communications-services-across-the-uk/](http://media.ofcom.org.uk/2013/05/16/ofcom-examines-communications-services-across-the-uk/)
• For mobile services, even where outdoor coverage delivered to households is
good, there can be particular challenges associated with providing coverage
inside buildings, on roads and on rail.

• While analogue radio coverage is nearly ubiquitous, DAB digital radio is not.

2.37 The report also found that the variations in availability between nations and regions
are largely due to some parts of the UK being more rural than others. Once factors
such as population density and nature of the landscape – such as hills, valleys and
buildings – are taken into account, the probability of good coverage is relatively
similar across different parts of the UK.

2.38 We recognised that it may be possible to anticipate market shortfalls at an early
stage and plan suitable interventions to ensure that those locations do not
permanently lag behind the rest of the UK. For example, we identified that where
markets cannot deliver coverage to those who need it, public bodies often take
action. The report looks at several case studies to consider the effectiveness of these
types of intervention.

Fixed line

Universal service obligation (USO)

2.39 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{47} and the Secretary of State specifies the services that must be
provided throughout the UK in the Universal Service Order (the Order)\textsuperscript{48}. The Order
has been implemented by Ofcom through specific conditions on the current universal
service providers, BT and KCOM in Hull.

2.40 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.

2.41 BT discharges this obligation through its social tariff, BT Basic, which in 2013 had a
line rental of £14.85/quarter which included £4.50 worth of calls\textsuperscript{49}. There are currently
about 500,000 people on BT Basic, which is available to people who are claiming
one of the following benefits:

• Income Support;
• Income-based Jobseeker’s Allowance;
• Employment and Support Allowance (income-related);
• Pension Credit (Guaranteed Credit); or
• Universal Credit (with no earnings).

\textsuperscript{47} Directive 2002/22/EC of the European Parliament and of the Council on universal service and
users’ rights relating to electronic communications networks and services.

\textsuperscript{48} The Electronic Communications (Universal Service) Order 2003 (SI 2003 No 1904), see:

\textsuperscript{49} Current pricing can be found on BT’s website: http://www.bt.com/includingyou/other-products-
services-bt-basic.html
2.42 KCOM’s social tariff, the Social Access Package, has similar eligibility criteria.

2.43 BT and KCOM also have universal service obligations to provide connection on reasonable request and to maintain an adequate network of public call boxes.

**Mobile**

**Improving mobile coverage**

2.44 Improving mobile coverage for consumers is a priority area for Ofcom. We are leading or supporting initiatives to improve mobile coverage, as part of a five point plan. In December 2013, we met all of the UK’s mobile network operators (MNOs) to discuss consumer concerns about coverage and service quality.

2.45 We also want to help consumers make the right choices by providing them with good quality, reliable and transparent information about mobile reception and we have published a guide on how consumers can maximise their mobile coverage.

2.46 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 be for a variety of reasons).
- Interrupted coverage on the move – where reception is interrupted while travelling by rail or road.
- Mobile broadband (data) not-spots – where there is no 3G coverage but there is 2G coverage.

2.47 Our most recent analysis in the 2013 Communications Market Report shows that overall the UK population has very good mobile coverage – 99.6% of UK premises can receive an (outdoor 2G) signal from at least one operator, and 94.1% of UK premises receive a signal from all operators. Across the UK, this leaves just 0.4% of premises in complete not-spots, with 5.9% of premises in partial not-spots.

2.48 We have based our analysis of coverage on Mobile Network Operators’ predictions from computer models, assuming a signal strength that should be sufficient to make or receive a call outdoors. Accurately predicting mobile reception for a specific location and handset is complex, due to the effects of local geographic features and

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52 [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/2013_UK_CMR.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/2013_UK_CMR.pdf)
53 The proportion of premises in areas with outdoor 2G coverage recorded in June 2013 is slightly lower than the 99.7% figure calculated from 2011 data, which was included in the 2012 Communications Market Reports, and we are investigating this discrepancy.
buildings, signal loss into buildings and variations in handset performance. As a result, while the predictions provide a useful indication of coverage, they will not be accurate in every case. In 2014 we will be undertaking work to measure the actual consumer experience.

2.49 Expressed in terms of geographical area, coverage figures are lower, because mobile masts are more commonly installed near centres of population. At present, 12.7% 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.

2.50 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)\(^\text{54}\) has placed a contract with Arqiva to build new mobile infrastructure to bring services to homes which have not had them before. The first of these masts went live in mid September in Weaverthorpe in North Yorkshire, providing services to 200 premises in what was previously a complete ‘not-spot’.

2.51 The government is also examining the issue of mobile coverage on trains\(^\text{55}\). The Department of Transport recently announced that the rail industry is to roll out high speed mobile broadband on the busiest parts of Britain’s rail network\(^\text{56}\).

2.52 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\(^\text{57}\), which is improving mobile broadband coverage;
- mergers and commercial network-sharing arrangements between mobile operators, which we expect to reduce partial not-spots, including:
  - the merger of T-Mobile and Orange which led to consolidation of their legacy networks under EE\(^\text{58}\), and
  - Telefónica (O2) and Vodafone’s strengthened site-sharing agreement which will create one ‘national grid’ supporting the two companies. This should result in coverage improvements for their customers through gaining access to additional masts in areas where the respective operators previously had poor or non-existent coverage.
- following the award of 800MHz spectrum, 4G roll-out, underpinned by a coverage obligation which should further improve mobile broadband coverage. The

\(^{54}\) [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)

\(^{55}\) 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_plan291111.pdf](http://cdn.hm-treasury.gov.uk/national_infrastructure_plan291111.pdf)


\(^{57}\) The licences of all mobile operators were varied during 2012 to increase this obligation from 80% of UK premises.

\(^{58}\) Previously Everything Everywhere.
coverage obligation requires the licensee, O2, to provide, by 2017, indoor reception at 98% of premises within the UK, and at 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. Vodafone has said that it intends to achieve similar levels of coverage by 2015\textsuperscript{59}, EE has indicated that it intends to reach 98% of the UK population by 2014 using existing (1800 MHz) spectrum to deliver 4G services, and Three has plans to cover 98% of population by end of 2015\textsuperscript{60}.

- In order to roll-out 4G services, operators are deploying new equipment on masts which not only support 4G, but also upgrade existing 2G and 3G equipment and improve coverage.

2.53 In the light of this range of developments, currently led by the market, our ongoing work is focused on understanding their effect on consumers.

2.54 Telefónica has a licence obligation relating to the coverage of its 4G network which it must meet by 31 December 2017, and Ofcom will measure Telefónica’s compliance shortly after this date. In 2013, Ofcom confirmed that Telefónica, Three and EE met their 3G coverage obligations, and we will assess Vodafone’s compliance in Q1 2014.

2.55 In addition to assessing compliance with licence obligations, Ofcom monitors the coverage of the mobile networks annually for its Infrastructure Report and Communications Market Report, reporting both on premises and geographic coverage of 2G, 3G and 4G networks.

2.56 In November 2012 we carried out research into consumer perceptions of mobile reception, specifically considering the location and type of mobile use.\textsuperscript{61} We published the research findings alongside the publication \textit{Measuring Mobile Voice and Data Quality of Experience Call for Inputs} in January 2013.\textsuperscript{62}

2.57 Following the call for inputs, we have focussed on understanding consumers’ information requirements. As part of our ongoing work, we intend to consider whether appropriate information on the indoor and outdoor coverage provided by each operator is or should be available to consumers, both to ensure that competition is an effective means of driving improved coverage in general, and also so that consumers who do not receive coverage from all operators can choose the service which is best for them.

2.58 We recognise that coverage information alone is insufficient to predict overall quality of experience. In 2014, Ofcom will be carrying out new research into the quality of mobile reception and coverage, which could include information such as the percentage of ‘dropped’ calls, as well as the sound quality of calls. Separately we will be publishing the average mobile broadband speeds received by 3G and 4G customers. We believe this information will help consumers make the right choices and encourage providers to improve their performance.

\textsuperscript{59} \url{http://www.vodafone.co.uk/cs/groups/configfiles/documents/contentdocuments/vfst044690.pdf}
\textsuperscript{60} \url{http://blog.three.co.uk/2013/08/29/get-ready-for-4g/}
\textsuperscript{61} \url{stakeholders.ofcom.org.uk/binaries/consultations/mobile-voice-data-experience/annexes/usage.pdf}
\textsuperscript{62} \url{http://stakeholders.ofcom.org.uk/consultations/mobile-voice-data-experience/summary/condoc.pdf}
The Consumer Experience of 2013: Telecoms, Internet, Digital Broadcasting and Post

**Broadband**

2.59 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 and empowerment. We aim to:

- create a competitive environment for both current and next generation broadband which 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 speed performance of broadband networks. In 2013, we published a guide to help consumers understand how the internet is managed at busy times, and we continue to work with price comparison websites to help make comparison of prices, and other service features, easier for consumers. Further detail on these initiatives is contained in Section 5; and

- ensure that consumers can switch their broadband service simply and quickly, as discussed further in Section 5.

**Superfast broadband**

2.60 BT and Virgin Media have continued to invest in upgrading their networks to support superfast broadband services. Superfast broadband (offering speeds of 30Mbit/s or higher) is now available to an estimated 73% of UK premises. BT’s superfast broadband network is currently available to approximately 57% of UK premises and Virgin Media’s superfast broadband network is available to approximately 48% of UK premises.

2.61 In addition to these commercial deployments of superfast broadband the government has made £530m of funding available to extend the coverage of superfast broadband to at least 90% of premises in the UK. This programme is being coordinated by Broadband Delivery UK (BDUK) and, as of September 2013, 42 of the local authority-led procurement contracts had been signed, leaving only two to be finalised. This programme is already delivering additional superfast broadband coverage, with the aim of providing coverage to at least 90% of premises in the UK by 2015.

**Wireless broadband**

2.62 We concluded the 4G auction in March 2013. We continue to support the delivery of wireless broadband services by freeing up existing mobile spectrum and making additional spectrum available. Details of our work in this area can be found below.

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Award of the 800 MHz and 2.6 GHz spectrum bands

2.63 The award process concluded on 1 March 2013, with five winners – BT (through its subsidiary, Niche Spectrum Ventures), EE, H3G, Telefónica and Vodafone. Telefónica won the licence with a population coverage obligation across the UK as well as in each of the nations.

2.64 All the existing national operators have announced plans for fast roll-out of services to 98% of the population. As at November 2013, EE, Vodafone and Telefónica were offering 4G services to consumers and Three started to roll out 4G services in December 2013. BT explained that it does “not intend to build a national mobile network. Instead, this spectrum will complement [its] existing strategy of delivering a range of services using fixed and wireless broadband”.

2.65 Telefónica has a licence obligation relating to the coverage of its 4G network which it must meet by 31 December 2017, and Ofcom will measure Telefónica’s compliance shortly after that date. In 2013, Ofcom confirmed that Telefónica, Three and EE were meeting their 3G coverage obligations, and we will assess Vodafone’s compliance in Q1 2014.

2.66 In addition to assessing compliance with licence obligations, Ofcom monitors the coverage of the mobile networks annually through its Infrastructure Report and Communications Market Report, reporting on both premises and geographic coverage of 2G, 3G and 4G networks.

Future use of the 700 MHz band: Implementing Ofcom’s UHF strategy

2.67 In our UHF Strategy Statement, published in November 2012, we said that we would support the international process, and conduct preparatory work, to enable the harmonised release of the 700 MHz spectrum band for mobile use. We said that we would seek to ensure that the DTT platform, local TV, PMSE and white space device-based services can access the 600 MHz band, assuming a change of use at 700 MHz.

2.68 We are now working to implement the UHF spectrum strategy, and in April 2013 we published a call for inputs to our implementation work. One of the key strands of future work identified was to undertake a cost benefit analysis (CBA) of a potential release of the 700 MHz band for mobile broadband. We are aiming to consult on this CBA in the first half of 2014, with a view to publishing a statement later in 2014.

66 http://media.ofcom.org.uk/2013/02/20/ofcom-announces-winners-of-the-4g-mobile-auction/
67 https://explore.ee.co.uk/our-company/newsroom/ee-switches-on-4g-in-14-more-towns. EE has plans to cover 98% of the population by 2014” [with 4G].
68 http://www.threemediacentre.co.uk/About-us/About-us-304.aspx. “We’ll be adding 4G to our network from December 2013, with 50 cities covered by the end of 2014 and 98% of the population covered with 4G by the end of 2015.”
69 http://www.o2.co.uk/network/future. “We’re currently aiming for 98% indoor and outdoor [4G] coverage by 2015, up to two years before the anticipated regulatory requirement.”
70 http://www.vodafone.co.uk/cs/groups/configfiles/documents/contentdocuments/vftst044690.pdf. “Vodafone is targeting indoor 4G coverage across 98% of the UK population by 2015.”
71 http://www.btplc.com/News/Articles/ShowArticle.cfm?ArticleID=1933E628-6973-4835-AF50-5548CD979649
72 http://stakeholders.ofcom.org.uk/consultations/uhf-strategy/statement/
73 http://stakeholders.ofcom.org.uk/consultations/700mhz-cfi/
Supporting the government’s Public Sector Spectrum Release programme

2.69 The release of public sector spectrum holdings is expected to make a significant contribution to future spectrum availability for mobile broadband. As part of this, we are managing the sale and release of around 200 MHz of spectrum in the 2.3 GHz and 3.4 GHz spectrum bands formerly used by the Ministry of Defence (MoD).

2.70 In October 2013 we published a call for inputs to seek views on our current thinking about the award, and to give interested parties further information on how the bands might be made available\(^{74}\). The information we received will assist Ofcom in designing the most appropriate award. Our intention is to conduct an auction for this spectrum in 2015/16.

Developing a long-term UK perspective on demand and supply options and monitoring ongoing developments

2.71 Over the coming years we will need to maintain an informed view of how demand for mobile data continues to evolve, and how international, market and technology changes affect mitigation options for increasing mobile data capacity requirements. As an important first step, following on from our spectrum management strategy consultation,\(^{75}\) we are developing a mobile data strategy. Our aim is to understand how we can enable long-term growth in mobile data alongside the wide range of other spectrum uses that deliver significant benefits to the UK.

2.72 In November, we published a consultation which sets out our initial thinking on potential long-term priorities in relation to spectrum for mobile and wireless data services\(^{76}\). This included consideration of network and technology trends that might shape future demand for mobile spectrum, and the prospective bands for future mobile data use. We expect that the subsequent statement will act as an initial high-level plan for our future programme of work on spectrum for mobile data services.

Assessing the future role of spectrum sharing for mobile and wireless data services

2.73 One approach to increasing the future supply of mobile broadband spectrum is to clear spectrum currently used by other services for use by mobile broadband services. However, it is becoming increasingly difficult to find significant amounts of additional spectrum that can be fully cleared for this purpose, in particular for highly sought-after spectrum below 6 GHz. Spectrum accessed on a shared basis provides a potential solution to many of these demands for more spectrum.

2.74 In September 2013 we published a consultation seeking views on the role spectrum sharing could play in the mobile broadband and machine-to-machine (M2M) sectors\(^{77}\). In particular, we are seeking to understand the role that spectrum shared on a licensed, a licence-exempt, or a dynamic spectrum access basis might play in opening up access to more spectrum and supporting innovation.

2.75 Responses to this consultation will be used to inform our long-term approach to spectrum sharing, which we intend to publish in a statement in 2014.

\(^{74}\) [http://stakeholders.ofcom.org.uk/consultations/2.3-3.4-ghz/](http://stakeholders.ofcom.org.uk/consultations/2.3-3.4-ghz/)


\(^{77}\) [http://stakeholders.ofcom.org.uk/consultations/spectrum-sharing/](http://stakeholders.ofcom.org.uk/consultations/spectrum-sharing/)
White space technology

2.76 In the future it is likely that not only mobiles and tablets will be connected to the internet; many other things, including cars and cardiac monitors, will also be connected, using tiny slivers of spectrum to get online. Such new spectrum uses are likely to deliver large benefits to society, but the supply of spectrum to meet this demand is limited. That is why we need to explore new ways of unlocking the potential of spectrum.

2.77 Dynamic spectrum sharing is one part of our work to address the growing demand for mobile data, and implementing access to TV white spaces is a first step in achieving this.

2.78 The term ‘white space spectrum’ refers to frequencies that are not being used by existing licensees at all times, or in all locations. TV white spaces are the frequencies in the spectrum band 470 MHz to 790 MHz (also known as the UHF band) that are not being used at particular times or in particular locations for the existing licensed uses: DTT, and wireless microphones for programme-making and special events (PMSE).

2.79 Location-aware wireless devices, assisted by databases which provide information on white space availability, taking into account existing licensed use, offer the promise of opportunistic access to under-utilised frequency bands around the UK for innovative and useful services. We believe that such a database-based approach could be used to support dynamic sharing of spectrum in other spectrum bands in the future.

2.80 We have been working to deliver a pilot of the framework for accessing TV white spaces, which commenced in December 2013. Earlier in the year we published a consultation on coexistence between white space devices (WSDs) and other services, in and adjacent to the UHF band78.

2.81 Our work in the area of TV white spaces will continue in the following areas:

- Pilot trials – we expect the pilot to run during the first half of 2014, although we will facilitate trials beyond this point if there is stakeholder demand. We expect a number of industry trials supported by databases to be conducted in different parts of the country, exploring different uses of TV white space spectrum. We will be testing the framework during these trials.

- Coexistence testing – we expect to run a programme of coexistence testing with stakeholders also during the first half of 2014. This will comprise tests at the pilot trials, and bespoke tests. We see this as key to ensuring that our proposed approach to allowing access to TV white spaces is effective in ensuring a low probability of harmful interference. Alongside this testing, we will be considering the responses to our consultation on coexistence.

- We will review the lessons learnt from the pilot trials and the coexistence testing and evaluate whether, and how, to move forward with the launch of a full solution for implementing access to TV white spaces. We anticipate that this will take place during 2014/15.

78 http://stakeholders.ofcom.org.uk/consultations/white-space-coexistence/
2.82 Trials are being planned by Microsoft, BT, Nuel, Click4internet, KTS and SineCom with companies including Google, Nominet, LS telcom, iconectiv, Key Bridge, Fairspectrum and Spectrum Bridge interested in providing and testing databases. 

Digital broadcasting

Digital terrestrial television developments

Local TV

2.83 Under its powers and duties to license new local television services, Ofcom continued to award and advertise local TV licences on free-to-air DTT, as well as a local TV multiplex.

2.84 We advertised Phase 1 local licences (L-DTPS licences) at 21 locations across the UK in 2012 and received 57 applications for 19 of these locations. We also received four applications for the local multiplex licence.

2.85 By February 2013, 19 licences had been awarded in the following locations: Belfast, Birmingham, Brighton, Bristol, Cardiff, Edinburgh, Glasgow, Grimsby, Leeds, Liverpool, London, Manchester, Newcastle, Norwich, Nottingham, Oxford, Preston, Sheffield and Southampton. The local multiplex licence was awarded to Comux UK in January 2013.

2.86 In May 2013 we advertised seven Phase 2 locations across England and Wales, and received ten applications. As at December 2013, four licences have been awarded in Cambridge, Middlesbrough, Scarborough and York.

2.87 In September 2013 we advertised a further 11 Phase 2 locations, and we expect applications in January 2014. We expect to advertise the remaining nine Phase 2 locations early in 2014.

2.88 These services will potentially bring consumer benefits 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 indicated 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). 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.

2.89 Local services must launch within two years of the licence award. The first service to start broadcasting was Estuary TV in Grimsby, in November 2013. We expect the remaining Phase 1 local services to launch over the course of 2014, while new Phase 2 local services could begin to launch towards the end of 2014.

New 600 MHz multiplexes

2.90 Following an open process of consultation, Ofcom announced its intention in July 2013 to award a licence to transmission services provider Arqiva, to build and operate two new digital television multiplexes. The new multiplexes use one of the

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80 Ofcom Local Media Attitudes and Use Omnibus - http://stakeholders.ofcom.org.uk/binaries/research/research-publications/LMTables.pdf
frequency bands (known as the 600 MHz band) which was released by digital television switchover.

2.91 Transmitters carrying the first of the new 600 MHz multiplexes came into service during late 2013, and further transmitters will progressively launch during the first half of 2014, with Arqiva expecting 70% of the UK population to be covered by summer 2014.

2.92 The new multiplexes use the efficient DVB-T2 transmission standard, which can carry several new HD services and/or standard definition services.

2.93 The 600 MHz services represent the largest single increase in licensed data capacity on the UK DTT platform since the launch of DTT services in 1998.

2.94 The 600 MHz licences have a minimum term to 2018: this is because the 600 MHz spectrum is likely to be required to accommodate existing DTT services, should a decision be made to clear the 700 MHz band for mobile broadband services.

**Completion of channel 61 and 62 clearance**

2.95 The clearance of DTT services from channels 61 and 62 was completed on 31 July 2013, paving the way for the launch of new high-speed mobile broadband services across the UK, using 800 MHz spectrum. The project, co-ordinated by Digital UK in conjunction with the DTT broadcasters, transmission provider Arqiva, DCMS and Ofcom, finished five months earlier than originally planned and was delivered under budget.

2.96 The clearance project resulted from the need for the 800 MHz frequencies released by digital switchover in the UK to be aligned with the bands released in Europe. The UK had initially been planning to release a specific band of 800 MHz frequencies, but subsequently, other European countries decided to release a slightly larger range of 800 MHz frequencies. Therefore, two of the UHF channels (61 and 62) which had originally been allocated to DTT services in the UK’s digital switchover plan had to be re-allocated to lower frequencies.

2.97 In order to minimise impact on viewers, and costs, the clearance of channels 61 and 62 was integrated into the digital switchover programme wherever possible. However, it was not possible to integrate the new frequencies at all transmitter sites, so engineering work to effect these frequency changes was carried out after the completion of switchover, where necessary. These post-switchover changes began in late 2012 and were completed in July 2013, and involved nearly 300 separate frequency and/or power modifications at transmitters across the UK.

**Radio**

2.98 The government announced its Digital Radio Action Plan in July 2010. The plan emphasised 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 when 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.
2.99 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 September 2013, we published our fourth such report81. 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.

2.100 Other work streams set out in the Digital Radio Action Plan have progressed this year. In particular, in line with the commitments set out in the Memorandum of Understanding (MoU) signed by the government, the BBC, commercial radio multiplex operators and Ofcom in June 2012 to establish the framework for up to £21m of new investment in DAB radio infrastructure, Ofcom led the JPRG (Joint Planning for Radio Group) in producing a technical plan and an implementation plan for radio switchover. These plans were submitted to the government in July 2013.

Access points for universal postal service

2.101 Ofcom is committed to looking at the regulatory requirements regarding post boxes ('access points’ for mail that can fit through a post box aperture) in our Review of Regulatory Conditions consultation and our subsequent March 2012 statement on the new regulatory framework for post82,83.

2.102 Following consultation in spring 2013, in June we published our decision on a modification to the regulatory obligations on Royal Mail for the provision of post boxes.84,85 The previous framework was considered to be unfit for purpose because:

- it covered only 61 out of the 121 UK postcode areas (PCAs)86; and
- it did not protect those postal users who are most likely to need protection – those in rural areas where post boxes typically have lower volumes of mail and higher costs of collection per item than in urban areas.

2.103 We decided to extend regulatory protection to all UK delivery points87 such that:

- there should be a post box within 0.5 miles of at least 98% of delivery points nationally; and
- for the remaining 2% of delivery points, Royal Mail must provide sufficient access points or other means of access to the universal service (e.g. collection on

82 http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/
83 Ofcom, Securing the Universal Postal Service - Decision on the new regulatory framework, March 2012: http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
84 Ofcom, Regulation of the provision of post boxes – Consultation on a proposed modification to the current regulatory obligations on Royal Mail for the provision of post boxes (DUSP 1.8), March 2013: http://stakeholders.ofcom.org.uk/binaries/consultations/provision-post/summary/condoc.pdf
85 Ofcom, Regulation of the provision of post boxes – Decision on the modification to the regulatory obligations on Royal Mail for the provision of post boxes (DUSP 1.8), June 2013: http://stakeholders.ofcom.org.uk/binaries/consultations/provision-post/statement/statement.pdf
86 A postcode area refers to the first letter(s) in a postcode, for example “SE” in the postcode of Ofcom’s address, SE1 9HA.
87 Delivery points are the points at which a post person delivers post. For example, a block of flats may contain numerous households but if mail is delivered to a central point in that block then that will be regarded as one delivery point.
delivery from very remote or isolated locations such as farmhouses) to meet the reasonable needs of users.\textsuperscript{88}

\textbf{2.104} This modification to the regulatory requirements regarding the provision of post boxes was intended to address shortcomings in the previous regulation – we currently have no evidence of consumer harm, or that the current network does not meet the reasonable needs of postal users now. However, we will monitor Royal Mail’s compliance with the new criteria, its ongoing provision of post boxes (including post box removal, relocation and installation figures by nation) and related customer complaints data.

\textsuperscript{88} Collection on delivery refers to a case where the post person makes a final collection of mail at the same time that post is delivered in that area.
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 move. We also outline our policy work in this area.

3.2 Ofcom has a number of duties that reflect the need for all citizens to be able to participate in society. These include duties to:

- further the interests of citizens in relation to communications matters;
- secure the availability of a wide range of electronic communications services;
- have regard to the needs of disabled and older consumers, people on low incomes and people in different parts of the UK in carrying out its functions;
- promote media literacy, and
- encourage the availability of equipment that is easy to use.

3.3 Ofcom also has responsibilities to ensure the availability of specified electronic communications services through the imposition of universal service obligations. These include obligations requiring the provision of access to publicly available telephone services on request, the provision of relay services for disabled users, and tariff packages for those on low incomes or with special social needs.

3.4 Many of these duties reflect the need to intervene on behalf of consumers for whom the market will not always deliver, and who might otherwise be at risk of exclusion.

3.5 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.

Take-up

3.6 In 2013 there continued to be stable levels of ownership of most communications services, with broadband take-up continuing its steady increase. Households are now more likely to have a mobile phone than a landline, and fixed broadband remains the most popular internet connection method.
Take-up among disability groups

3.7 Nearly 12 million (11.9 million) people in the UK have a limiting long-term illness, impairment or disability.\(^{89}\)

3.8 Ofcom has a specific duty under the Communications Act 2003 to have regard to the interests of disabled consumers in carrying out its functions. In order to meet these responsibilities and to respond to stakeholder requests for better information on the experiences of disabled consumers, we have worked with the British Population Survey (BPS)\(^{90}\) to produce a separate Consumer Experience report focussing its analysis on ownership of communications services among disabled consumers.

3.9 The report was published in September 2013\(^{91}\). It provides Ofcom’s most robust analysis yet of disabled consumers’ household ownership of, and access to, communications services, across Great Britain.

3.10 Details of Ofcom’s work in relation to services for disabled users can be found below.

Non-ownership of communications services

3.11 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.

3.12 Non-ownership of most communications services has continued its steady decline, with small falls in non-ownership of mobile, internet and broadband. Broadband internet continues to have the highest rate of non-ownership of a communication service (22%) and the lowest is digital TV (where non-ownership has fallen from 5%\(^{89}\).

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89 Family Resources Survey 2011/12: [https://www.gov.uk/government/.../family-resources-survey-201112](https://www.gov.uk/government/.../family-resources-survey-201112)

90 British Population Survey: [http://www.thebps.co.uk/](http://www.thebps.co.uk/)

to 2% due to digital switchover) closely followed by mobile services (7%). The proportion without a fixed line remains unchanged since 2010 (16%)\(^92\).

3.13 There are many reasons for not owning a particular communications service, and these generally fall into one of two categories: 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.

3.14 The percentage of consumers who have not taken up internet services for voluntary reasons declined steadily between 2008 and 2012, but increased by 1% in 2013. Just over one in five (21%) of those over 75 years old voluntarily decide not to take up internet services\(^93\).

3.15 There was a decline in the overall level of involuntary non-ownership of the internet from 9% in 2012 to 7% in 2013. The level has remained relatively stable over time for those aged from 16 to 64. Although involuntary non-ownership remains significantly higher among those aged 65-74, and over 75, the levels have fallen for these older consumers since 2012 (from 22% to 15% and from 42% to 33% respectively)\(^94\).

Usability

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

3.17 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 2013; just under one in ten mobile customers said they had difficulty using their mobile, and there continues to be a slow decline in the proportion stating difficulties with TV (5% of owners, down from 12% in 2008)\(^95\).

3.18 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.

Fixed and mobile

3.19 As illustrated by Figure 3, households remain significantly more likely to have a mobile than a fixed line (95% versus 84%), with little change over the past three years.

3.20 The proportion of UK households with a mobile phone connection but no fixed-line connection has remained stable since 2010 and stood at 16% in 2013. Furthermore, 93% of adults now personally use a mobile phone, 56% of whom use a smartphone - 11 percentage points higher than in 2012.

\(^{92}\) See Figure 87 in the Consumer Experience Research Report.

\(^{93}\) See Figure 90 in the Consumer Experience Research Report.

\(^{94}\) See Figure 91 in the Consumer Experience Research Report.

\(^{95}\) See Figure 93 in the Consumer Experience Research Report.
3.21 Consumers living in rural areas are far more likely than those living in an urban area to have a fixed-line service (91% vs. 83%) despite the comparable levels of mobile ownership in these areas.\(^{96}\)

3.22 VoIP services may be an alternative to fixed-line voice communication for some consumers. Awareness and current use of VoIP both continued to increase in the UK in 2013. Awareness of the ability to make voice calls over the internet rose significantly from 78% in 2012 to 83% in 2013, and over a third of adults (40%) said they had access to VoIP services at home. Thirty-one per cent said they currently used these services - over three times the level reported in 2008 (10%)\(^{97}\).

**Internet**

3.23 Take-up of the internet at home has continued to rise steadily, and now stands at four in five households (82%)\(^{98}\). Among those with internet access, 1% of adults say they use a dial-up internet connection for their home internet and 4% have access only via their mobile phone. These sample sizes are too small to analyse data further.

3.24 Considering broadband ownership in particular, take-up of this method of internet connection at home is stable since 2012, with 78% of households using either fixed and/or mobile broadband in 2013\(^{99}\). Use of fixed broadband has not changed significantly, with 74% of adults using a fixed connection, this includes 4% also using mobile broadband. Total use of mobile broadband (via a dongle or data card) has fallen for the second consecutive year, from 17% in 2011 to 12% in 2012 and 8% in 2013\(^{100}\). The decline is noted among those with only a mobile broadband connection (down to 4% from 6% in 2012) and those with both mobile and fixed broadband, also down to 4% from 6% in 2012.

3.25 Overall, broadband access, through fixed and/or mobile broadband, has not changed significantly for any age group or gender since 2012. Younger age groups continue to dominate ownership of broadband, while the over-75s remain the least-likely group to have broadband access at home, and also the least likely to own any connected device.

3.26 While mobile broadband (via a dongle or data card) continues to be most popular among younger age groups, there has been a decline in use of mobile broadband among 16-24s and 25-44s, where use fell from 14% to 9% and 15% to 12% respectively.

\(^{96}\) See Figures 35 and 40 in the *Consumer Experience Research Report*.

\(^{97}\) See Figure 5 in the *Consumer Experience Research Report*.

\(^{98}\) See Figure 43 in the *Consumer Experience Research Report*.

\(^{99}\) Note to participants in Ofcom’s tracking survey to define mobile broadband: “In addition to standard home fixed broadband connections, you can access broadband services on your PC or laptop using a mobile network. You plug in as USB modem stick sometimes called a “dongle” or use a SIM card in your tablet or PC and you can then access broadband internet services “on the move” using a mobile network”.

\(^{100}\) See Figure 2 in the *Consumer Experience Research Report*. 
3.27 Despite the ‘mobile’ functionality of mobile broadband, large amounts of use continues to take place in the home; 95% of adults with mobile broadband say they use it at home. In 2013 there was a significant decrease in the number of consumers who ever used mobile broadband outside the home (60% vs. 77%) and an increase in those who only used mobile broadband in the home (38% vs. 22%). There is no statistically significant change in those using mobile broadband equally in and outside the home (46% vs. 38%)101.

3.28 Another way of evaluating take-up is assessing ‘access to the internet anywhere’ and our research here suggests that 82% of UK adults have access to the internet somewhere, including via a smartphone102.

Connected devices

3.29 Ownership of any connected device remained stable in 2013; at 80%. This follows a steady increase in ownership between 2000 and 2012.

3.30 Laptops are now the most popular connected device in the household, with two-thirds (66%) of adults having one in the household, an increase from 62% in 2012. Desktop PC ownership has steadily declined since 2009, with just over a third (36%) of adults having one in the household, a decrease from 46% in 2012. Ownership of a netbook remains static at 8%, with the growth in ownership of tablet computers more than doubling from 12% to 29% in 2013103.

3.31 The huge growth in smartphone and tablet ownership over the past three years is the biggest driver of change in the mobile market.

3.32 Ofcom research has monitored take-up of smartphones since the start of 2011, and growth has continued into 2013 with 56% of UK mobile phone owners now stating they personally own a smartphone device: an increase from 46% in 2012. Ownership has increased in all demographic groups and is highest among 16-44s. Just over half

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101 See Figure 50 in the Consumer Experience Research Report.
102 See Figures 52 and 53 in the Consumer Experience Research Report.
103 See Figure 79 in the Consumer Experience Research Report.
of consumers (53%) now report accessing the internet on their mobile (up from 49% in 2012).

Figure 5: Age, gender, socio-economic and urbanity profile of smartphone owners

Source: Ofcom communications tracking survey. Base: Adults 16+ who personally use a mobile phone. See Consumer Experience Research Report (Figure 82).

Television

3.33 Digital TV take-up currently stands at 98% of households, following completion of digital switchover, from analogue terrestrial, in 2012. The remaining 2% represents households without a working television. Satellite ownership has remained at just over four in ten households since 2011, while cable has remained at 13% since 2003.

Figure 6: Take-up of digital TV services, by platform

Source: Ofcom Digital Television Update, figures rounded up to a whole %. See Consumer Experience Research Report (Figure 54).
3.34 As mentioned in Section 2, there are numerous providers offering OTT film and TV services to consumers. In October 2013, 6.6 million people visited the BBC iPlayer website, the most popular online television and film website on a laptop or desktop computer (see figure below). Channel 4’s 4oD service was the second most popular (2.9 million unique visitors), followed by Netflix (2.6 million).

3.35 Despite their popularity, the unique audiences of BBC iPlayer and 4oD both declined in the year to October 2013 by 19% (although this could be explained by a shift in the use of these services to other devices such as tablets, smartphones and video on demand set top boxes). By contrast, the unique audience of Netflix grew by 61% in the same period.

**Figure 7: Unique audience for selected online film and TV sites on a laptop and desktop computer**

![Unique audience graph](source: comScore MMX, UK, home and work panel. See Consumer Experience Research Report (Figure 62).

**Radio**

3.36 The government launched its Digital Radio Action Plan in July 2010. Ofcom was asked in the Action Plan to publish an annual report on the availability and take-up of digital radio services. The data below are taken from our latest annual digital radio report.

3.37 Ofcom research indicates that in Q2 2013 40% of the UK population had listened to a digital radio service on a weekly basis, up three percentage points from Q2 2012. This equates to half (51%) of all radio listeners. A further 6% of radio listeners

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104 In this context, “unique” audience/visitors means the total number of unique persons who visited a website or used an application at least once in a given month. Persons visiting the same website more than once in the month are therefore counted only once in this measure. The data are based only on users visiting from a laptop or desktop computer.


106 This compares to a figure of 52.5% 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 2013.
claimed to have done so monthly, and 4% less frequently than that. Older consumers (aged over 65) are less likely than other age groups to listen to digital radio, with just over a third listening on a weekly basis (36%) and a further 2% monthly\textsuperscript{107}.

3.38 This same research shows that the FM platform continues to be the most popular among radio listeners, being used by just over half of listeners (52%) on at least a monthly basis – the same proportion as in Q2 2012. With regard to digital platforms, almost a third of radio listeners (32%) reported listening to radio services through a DAB set at least monthly, while a quarter made similar statements about listening via a DTV set (25%). Seventeen per cent of listeners claimed to have used the internet to listen to radio on a monthly basis, up from 13% the previous year, with 3% claiming to do so on a daily basis.

### Figure 8: Frequency of radio listening, by platform

<table>
<thead>
<tr>
<th>Platform</th>
<th>Proportion of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM anywhere</td>
<td>56</td>
</tr>
<tr>
<td>AM anywhere</td>
<td>31</td>
</tr>
<tr>
<td>DAB</td>
<td>34</td>
</tr>
<tr>
<td>DTV</td>
<td>33</td>
</tr>
<tr>
<td>Internet</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Ofcom Technology Tracker Wave 2 2013. Base: Adults aged 16+ who listen to radio. Note: Remaining percentages are ‘Don’t know’ responses. See Digital Radio Report 2013 (Figure 23).

### Post

3.39 In Ofcom’s research on consumers’ use of postal services, four in five (81%) consumers claimed to have sent at least one item of post (this includes letters, cards and parcels) in the previous month, with 16% sending over ten items per month. Those aged between 16 and 24 sent significantly fewer (3.1) items than any of the other age groups. Overall, almost one-fifth (18%) of respondents said they had not sent any items of post in the past month. This rises to a third (34%) of those aged 16-24\textsuperscript{108}.

3.40 Consumers in socio-economic group AB claimed to have sent an average of 9.3 items in the past month, compared to an average of 5.2 items for those in socio-economic group DE. There was no significant difference in the amount of post sent by people living in urban or rural areas\textsuperscript{109}.

3.41 In terms of postal product used, three in five consumers (59%) said they bought First Class stamps all or most of the time and just under one in five (18%) said they

\textsuperscript{107} See Figure 22 in Ofcom’s 2013 Digital Radio Report, available here: http://stakeholders.ofcom.org.uk/binaries/research/radio-research/drr-13/2013_DRR.pdf

\textsuperscript{108} See Figure 68 in the Consumer Experience Research Report.

\textsuperscript{109} See Figure 69 in the Consumer Experience Research Report.
bought Second Class stamps all or most of the time. Second Class stamps are used most frequently by consumers aged over 75 (31%) compared to all consumers (18%).

Figure 9: Use of First Class vs Second Class postage, by age and gender

Source: Ofcom post tracking survey. Base: All adults 16+. See Consumer Experience Research Report (Figure 75).

3.42 On average, consumers receive 8.4 items of post a week, which equates to an average of about 36 items received in a month. Twenty-four per cent of all adults claimed to have received over ten items of post, while 8% claimed not to have received any post in the previous week. Those aged 16-24 claimed to receive less post on average than other age groups (4.0 items per week), whereas those in the 55-64 age group claimed to receive the most post, with an average of 10.7 items received in the past week.\(^{110}\)

3.43 Overall, consumers claim to be using post less than they were two years ago, largely due to increased use of digital communications such as email, text messaging and, for older consumers, voice calls using fixed-line telephones\(^ {111}\).

3.44 However, regardless of how frequently people are using post, there is evidence that consumers remain reliant on postal services as a means of communication. Just under two-thirds (64%) stated they were either ‘very’ or ‘fairly’ reliant on the postal service. Furthermore, half (51%) said that they would feel cut off from society if they could not send or receive post.

3.45 The chart below illustrates consumers' stated reliance on post as a way of communicating. Levels of claimed reliance on the postal service increases with age, particularly the proportion claiming to be ‘very reliant’, with 18% of 16-24 year olds

\(^{110}\) See Figure 71 in the Consumer Experience Research Report.
\(^{111}\) See Figures 6 and 7 in the Consumer Experience Research Report.
stating they were 'very reliant' on the postal service, compared to 30% of those aged 65-74 and 41% of those over 75 years old.

Figure 10: Reliance on post as a way of communicating, by age and gender

Source: Ofcom post tracking survey. Base: All adults 16+. See Consumer Experience Research Report (Figure 67).

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

Ofcom’s work

3.47 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.

3.48 Below we set out the latest progress made on the issues we have focused on in the past year. This includes a spotlight providing an overview of our work on promoting participation and addressing consumer vulnerability, before turning to related work including: media literacy, services for disabled people and the completion of our review of postal users’ needs.
Spotlight: participation and vulnerability

Some consumers’ ability to participate in communications markets and society is affected by factors such as their age, disability, income or geographical location. Life events such as bereavement or serious illness can temporarily reduce people’s ability to participate in society and/or increase their dependence on certain communications services.

Vulnerability is about consumers’ circumstances, which can change over time. It can have a range of negative consequences:

- Consumers may suffer financial detriment, for example if they are a victim of mis-selling or are unable to access the best deals.
- They may become isolated if they are unable to keep in touch with family and friends.
- They may not be able to participate as fully in society as they would wish.

We have specific duties under the Communications Act to take account of particular groups of citizens and consumers who may be vulnerable to harm. These include the requirement for Ofcom to have regard to consumers who are older, disabled, on low incomes or living in rural areas. Examples of where Ofcom has intervened to promote participation and address consumer vulnerability of such consumers include:

- Mandating the text relay service so that consumers who are deaf or speech-impaired can make and receive telephone calls.
- Ensuring the provision of subtitles, sign language and audio description on television, so that people with hearing or visual impairments can understand and enjoy television.
- Ensuring that communication providers offer services for some disabled consumers such as priority fault repair and free directory enquiries.
- Requiring (under the universal service obligation) that consumers can have a connection on reasonable request at uniform prices, irrespective of geographical location, and that special tariffs are available for people on low incomes.
- Penalising companies guilty of making silent and abandoned calls.

However, in regulating in the interests of consumers and citizens, Ofcom needs to have regard to the needs of all consumers in vulnerable circumstances. Any consumer can be vulnerable to harm temporarily, for example after an accident or in an emergency. Ofcom requires a range of measures to ensure that no one is prevented from making an emergency call because of vulnerable circumstances:

- Public call boxes - provided under the USO - are useful for people without a mobile phone or whose phone has been stolen, who have run out of credit or have no mobile signal.
- Emergency calls are free, so citizens can call 999 or 112 without cash or to have credit on a prepay mobile. Consumers whose line has been restricted for non-payment can still call 999.
- Mobile 999 or 112 calls benefit from Limited Service State (‘roaming’), meaning that people can call the emergency services over other available mobile networks when out of range of their home network.
- Deaf and speech-impaired people can use text relay to call 999 or 112.
Other examples of our work ensuring the participation and protection of vulnerable consumers include:

- Ofcom’s code and guidance on providers’ complaints handling sets particular requirements in respect of disabled consumers and also makes clear that a reasonable complaints escalation process should include procedures for frontline staff to identify and treat appropriately complaints from consumers ‘that are vulnerable in any way’.

- Our guidance on fixed line mis-selling regulation states that it would be inappropriate for sales representatives to take advantage of vulnerable customers - we give the examples of those who are elderly or whose first language is not English. Ofcom has taken enforcement action against a provider found to fail to protect vulnerable customers.

- In broadcasting, enforcement activity has a particular focus on potential harm affecting vulnerable consumers, including children and those who are seriously ill.

- In carrying out our work on nuisance calls, we are mindful that certain groups of consumers may be more vulnerable to nuisance calls and seek to take this into account in our work.

We have also taken steps to benefit vulnerable consumers in areas that are outside the scope of our direct regulatory powers. For example, we published information in response to complaints from deaf consumers that banks and other service providers had refused to accept calls via text relay. Ofcom does not regulate banks and therefore cannot instruct them to accept these calls, but has published relevant advice from the Equality and Human Rights Commission and the Information Commissioner that sets out why such calls should not be refused.

To ensure that we identify and take account of consumer vulnerability creating a barrier to participation or a risk of harm, we collect and analyse complaints data to our contact centre. However, we recognise that people whose circumstances make them vulnerable may make them unwilling or unable to complain. Ofcom carries out research designed to increase our understanding of consumer vulnerability (for example, we have produced Consumer Experience reports on the ownership of communications services among disabled consumers), and we also engage with a range of stakeholder organisations to understand these issues better and to identify areas for intervention.

The Consumer Interest Toolkit, which was developed by the Communications Consumer Panel and adopted by Ofcom, helps ensure that the consumer interest is taken into account. The toolkit has a number of references to vulnerable consumers and to Ofcom’s duty to consider the interests of citizens as well as consumers. As the Toolkit says, markets may work to someone’s disadvantage for reasons that do not stem from their ability to have access to a particular good or service at a reasonable price.

To define the consumer interest in line with the Toolkit, Ofcom must take account of the fact that consumer needs vary widely, both between different consumers and also at different times. For each Ofcom project, a detailed assessment of whether consumers are vulnerable to harm is undertaken. This includes any vulnerability that the project seeks to rectify, and also potential future harm, either as a consequence of the proposed policy change or as a result of not making the change.

In addition, to promote and ensure effective co-ordination of our work on participation and vulnerability, relevant colleagues from across the organisation meet quarterly in the Participation and Vulnerability Coordination Group, chaired by the Director of Consumer Policy to review Ofcom’s work on in these areas, ensure linkages are managed, and discuss ways in which it can be taken forward.
Working for disabled customers

3.49 In 2013, Ofcom progressed a number of projects to deliver an improved experience to disabled users of communications services. We highlight some of this work below.

Services for disabled users

3.50 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 have reviewed the General Condition in the light of amendments to the European Regulatory Framework\(^{112}\) and social and technological changes.

3.51 In December 2012 we published a call for inputs\(^{113}\), 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 from 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.

3.52 The Call for Inputs made it clear that if the evidential threshold was not reached, extending the General Condition in the way being explored would not be possible.

3.53 The evidence submitted was not sufficient to enable Ofcom to meet the threshold that would have been needed to change the General Condition.

3.54 In some areas, CPs submitted evidence demonstrating that they were going beyond the requirements in the General Condition. In other areas, although some stakeholders supported extending the General Condition to broadband, they were not able to provide any additional evidence as to why this was necessary.

3.55 Ofcom also commissioned research into the value of broadband to disabled people. This showed that disabled people were not dependent on broadband to a greater

\(^{112}\) 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.

extent than the general population. It also showed that the main reason given by disabled people who have not taken up broadband was lack of interest.

3.56 Although we did not receive sufficient evidence to warrant changing the General Condition as part of our review of the General Condition, we became aware in the course of the review that the existing wording was not completely clear in two areas – access to relay services for people who are not disabled, and billing for relay calls.

3.57 We have therefore consulted on proposals to clarify aspects of the existing General Condition 15.3

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 In October 2012 we published our statement114, 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 In November 2013, we published our consultation on approving BT as a relay provider to provide the improved service from 18 April 2014115.

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

3.65 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

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114 [http://stakeholders.ofcom.org.uk/consultations/relay-services-review-12/statement/](http://stakeholders.ofcom.org.uk/consultations/relay-services-review-12/statement/)
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.

‘Easy Read’ mobile phone guide for people with learning disabilities

3.66 In December 2013, Ofcom published a guide to using a mobile phone, designed to be easily understood by people with learning disabilities. Ofcom is the first UK regulatory body to publish consumer advice in the ‘Easy Read’ format, which makes information more accessible to people with learning disabilities.

3.67 Easy Read presents information in a clear and simple way and uses pictures to support the meaning of the text. It can also be helpful for those with a limited knowledge of the English language.

3.68 The Easy Read guide offers advice to people with learning difficulties on how to get the most out of their mobile phone and on how much it could cost. It gives useful information on:

• the different types of mobile phone handsets available;
• the costs of mobile phone calls and ways to pay;
• free services available for disabled customers; and
• how to complain when things go wrong.

Television access services

3.69 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 the provision of television access services.

3.70 In 2013, 70 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 2014, 76 channels will be required to provide television access services. Ofcom receives and publishes bi-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.

3.71 Channels with smaller audiences may discharge their obligation to provide signed content by contributing to other ways of providing sign-presented programming. In 2013, some 50 channels chose to contribute funding to the British Sign Language

117 The full list can be found at http://stakeholders.ofcom.org.uk/broadcasting/guidance/other-guidance/tv_access_serv/channels-access-services-2014/.
118 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
Broadcasting Trust (BSLBT), which commissions sign-presented programming broadcast on the Community Channel and Film 4.

Quality of live subtitling

3.72 In 2013 Ofcom carried out a public consultation on proposals to improve the quality of live subtitling on UK TV to benefit deaf and hard-of-hearing viewers. In particular, Ofcom proposed that broadcasters should measure the key dimensions of quality (speed, latency and accuracy), so that these measurements could be made public and be used to help identify areas of best practice and areas where improvements might be possible.

3.73 In the light of responses to the consultation Ofcom decided that broadcasters should be required to measure the following dimensions of quality every six months for two years: 119

- the average speed of the subtitling;
- the average latency of the subtitling (the delay between speech and live subtitling), and the range of latencies; and
- the number and type of errors (i.e. minor spelling errors, major omissions or factually misleading subtitles).

3.74 Broadcasters’ measurements will be validated by independent experts. Ofcom aims to publish the first report in spring 2014.

Media literacy

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

3.76 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.

3.77 Ofcom’s definition of media literacy is:

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

3.78 Our media literacy research informs three of Ofcom’s strategic purposes: to promote opportunities to participate; to protect consumers from harm; and to contribute to and implement public policy as defined by Parliament.

3.79 Our media literacy research has garnered a strong reputation among stakeholders from a variety of sectors. We publish an in-depth annual report on the media use and attitudes of children aged 3-15 and their parents, and an in-depth annual report on adults aged 16+. We also carry out innovative qualitative research which tracks the same 15 or so individuals and conducts video interviews with them each year asking

119 Ofcom’s statement and consultation can be found on the our website at the following address http://stakeholders.ofcom.org.uk/consultations/subtitling/.
about their media habits. All of these studies have been running since 2005 and so are able to provide useful trends over time. We publish the reports and the underlying data, for stakeholders to use further, including slides, questionnaires, and data tables\textsuperscript{120}.

3.80 Our most recent research report: *Children and Parents - Media Use and Attitudes*, was published in October 2013\textsuperscript{121}. The report provides an accessible overview of media use, attitudes and understanding among children and young people aged 5-15. It also provides information about access to, and the use of, media among children aged 3-4. The report includes findings on parents’ views about their children’s media use, and the way parents seek – or not – to monitor or limit such use.

3.81 Our research evidence base provides benchmark information on people’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.

3.82 We continue to communicate our findings to a range of stakeholders including: the UK Council for Child Internet Safety (UKCCCIS); 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.

**Geographic telephone numbers**

3.83 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.

3.84 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 numbers to meet demand. Scarcity of numbers may constrain providers’ ability to compete to offer services to consumers, and may limit consumers’ choice of provider for new services. We have looked closely at the way we manage geographic numbers, to ensure CPs use them efficiently and that sufficient numbers remain available for allocation across the UK.

3.85 Following consultation\textsuperscript{122}, we concluded that the least disruptive measure for increasing the supply of geographic numbers would be to make changes to the way people dial local numbers. In a small number of areas of the UK, where phone numbers are becoming very scarce, people will need to dial the whole number, including the area code, when making local calls. This releases additional local numbers beginning with the digits ‘0’ and ‘1’ which cannot be used while local dialling without the area code is possible, for technical routing reasons.

3.86 We introduced this measure for the first time in November 2012. People living in Bournemouth, Poole and Christchurch must now dial the 01202 area code when

\begin{itemize}
  \item \textsuperscript{120} \url{www.ofcom.org.uk/medialiteracyresearch}
  \item \textsuperscript{121} \url{http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/october-2013/research07Oct2013.pdf}
  \item \textsuperscript{122} \url{http://stakeholders.ofcom.org.uk/consultations/safeguarding-geographic-numbers/}
\end{itemize}
making a local call. This has made almost 200,000 more 01202 numbers available for use.

3.87 In July 2013 we announced that five additional area codes required action to ensure the continued supply of numbers. Following consultation, we confirmed that we would close local dialling in Aberdeen (01224), Bradford (01274), Brighton (01273), Middlesbrough (01642) and Milton Keynes (01908) on 1 October 2014.

3.88 In 2013 we launched a pilot scheme to charge CPs for geographic telephone numbers allocated by Ofcom. The pilot scheme covers the 30 geographic area codes with the fewest blocks remaining available for allocation to providers. This measure is designed to promote CPs’ efficient use of numbers and to postpone the need for number supply measures (such as the need to dial the whole number) and their associated disruption for consumers.

Postal users’ needs

3.89 In October 2011, the Postal Services Act 2011 (“the Act”) gave Ofcom the responsibility and powers to regulate postal services in the UK. Our primary duty under the 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 universal service is defined by the Act, together with the Universal Postal Service Order and the designated universal service provider conditions imposed on Royal Mail as the designated universal service provider. Key features of the universal service are the delivery and collection of mail everywhere in the UK at affordable and uniform prices, every working day (and on Saturdays for letters).

3.90 The 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 within 18 months of our taking responsibility for postal regulation, i.e. by 31 March 2013.

3.91 In the spotlight below, we provide details of our work in relation to the review of (postal) users’ needs which was concluded in 2013.

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123 http://stakeholders.ofcom.org.uk/consultations/local-area-codes/
**Spotlight: review of postal users' needs**

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. In October 2012 we published a consultation document setting out the results of our research and our analysis, and inviting comments and further evidence from stakeholders\(^\text{126}\).

In March 2013, we published our statement following our review of users’ needs\(^\text{127}\). We concluded that the postal market is currently meeting the reasonable needs of users and is highly valued by residential users and businesses across the UK. Therefore, we decided not to change the scope of the universal service.

However, our research also indicated that while users generally are satisfied with the current services available, different users rely on post to varying degrees, and users’ needs and preferences are evolving. For example:

- users would like more convenient options for the delivery of parcels. Given the steps Royal Mail is taking in this area and the competitive nature of this part of the market, we think that these consumer benefits are more likely to be delivered through innovation by Royal Mail and other postal operators than through additional regulation; and
- some users indicated that there may be less need for next-day delivery (First Class), and others are less reliant on collections and deliveries six days a week, including Saturdays. But over half of our research participants indicated that they would continue to use First Class, and nearly half of businesses believe their First Class mail should arrive next day\(^\text{126}\). Unlike businesses, residential users attributed a high value to deliveries and collections six days a week\(^\text{129}\).

It is important for Ofcom to continue to understand the needs of users of postal services and how these needs may change in the future. This is an issue which we will keep under review as the postal market develops to meet users’ evolving needs.

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

\(^{126}\) [http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/](http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/)

\(^{127}\) [http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/statement/](http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/statement/)

\(^{128}\) Over 80% of residential users agree they will always need to send things by post. Of those, 57% say they would use First Class. In addition, 46% of businesses say all/most of the post they send First Class has to arrive next day.

\(^{129}\) Some businesses valued Saturday collections and deliveries, but this is offset by other businesses which do not value this aspect of the universal service.
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 in relevant markets, where appropriate, by promoting competition. Effective competition can drive consumer benefits by increasing innovation efficiency and choice and by lowering prices. In performing our functions, we must have regard, in particular, to the interests of consumers in respect of choice, price, quality of service and value for money.

4.2 In addition, Ofcom’s primary duty under the 2011 Act is to carry out its functions in relation to postal services in a way that it considers 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).

4.3 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.

4.4 We are aware that the cost of living in the UK has become an issue of focus for a number of stakeholders in regard to the cost and value of services in regulated sectors. In 2013, Ofcom continued to monitor price trends and also undertook work to review the affordability of universal postal services and essential or core communications services (see Ofcom’s work below). An analysis of the cost and value of communications services in the UK is published alongside this report.

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 ‘dual-play’ and ‘triple-play’ bundles.

4.6 Bundling is most popular in the fixed voice and broadband markets, with over half of consumers in the fixed voice and the fixed broadband markets choosing to bundle these with other services. In the mobile market, the vast majority of consumers (86%) purchase mobile as a single service and in the pay-TV market there are almost identical numbers of those who bundle (28%) and those who take the service as a single purchase (29%).
4.7 Between 2012 and 2013, the proportion of UK adults choosing to bundle any of their communications services increased to 60% (from 57%). Dual-play fixed-line and broadband bundling levels remained unchanged in 2013, following the increases between 2011 and 2012. There has been an increase in triple-play fixed line, broadband and multichannel TV in 2013 (21% up from 19% in 2012).

4.8 Dual-play fixed-line and broadband bundles are most popular among older age groups with over half of 45-64s (52%) and over 65s (54%) having this type of bundle. This compares to younger consumers who are more likely to have a triple-play fixed-line, broadband and multichannel TV bundle, with around four in ten of those aged between 16 and 44 purchasing these types of bundles.\(^{130}\)

\(^{130}\) See Figure 97 in the Consumer Experience Research Report.
4.9 Dual-play fixed-line and broadband bundles account for a large proportion of bundling in rural areas (66%); this compares to 43% of those in urban areas with this type of bundle. Triple-play fixed-line, broadband and multichannel TV is more popular in urban areas with just over one in three (37%) purchasing this service, compared to 21% in rural areas.\textsuperscript{131} The lower level of triple-play in rural areas is likely to be linked to the lower cable availability.

**Mobile contracts**

4.10 The proportion of mobile customers opting for contract packages has increased each year since 2005, and now over three in five (62%) of mobile users have a contract service, with the majority (54%) on at least a 12-month contract.\textsuperscript{132} Although there has been an increase in contracts of 12 months or longer (54% vs. 51%), the SIM-only option has doubled in popularity since 2010 (8% vs. 4%).

4.11 The continued rise in the take-up of pay-monthly and longer contracts can be attributed to the growth in take-up of smartphones, as users repay much of the cost of an expensive handset over a number of months, rather than upfront. In Q2 2013, 83% of adults with a smartphone were on a monthly contract.

4.12 In addition, as internet access on mobile phones becomes more widespread, pay-monthly tariffs may be more attractive than pre-pay tariffs, as the majority of post-pay tariffs now include an element of bundled data use.

![Figure 13: Take-up of mobile packages](source: Ofcom communications tracking survey. Base: Adults 16+ who personally use a mobile phone. See Consumer Experience Research Report (Figure 99).

4.13 Two-thirds of new pay-monthly mobile sales in Q1 2013 had a minimum contract period of 24 months, unchanged from 2012. At the same time, 18-month contracts, which accounted for almost three-quarters of contract sales five years ago, had all but disappeared by Q1 2013, partly due to increasing smartphone take-up (as longer contracts enable consumers to spread the cost of the handset, which can be hundreds of pounds, across more monthly payments, therefore keeping monthly fees down).

\textsuperscript{131} Ibid.

\textsuperscript{132} Please note that “Other contract” and “SIM only contract” figures are rounded to calculate the percentage of mobile customers with a contract service.
4.14 In Q1 2013, 32% of new mobile contracts had a minimum term of 12 months or less, up two percentage points compared to Q1 2012. All of the 14% of new connections that were one-month contracts, and many of those with a 12-month minimum term, are likely to be SIM-only contracts, under which the user receives a new SIM to be used in a mobile handset that they already own. These have proved to be popular with consumers, as SIM-only contracts are usually much cheaper than those which include a new handset.

Figure 14: Length of new mobile contract connection

Source: GfK Retail and Technology UK Ltd. Notes: England, Scotland and Wales only (excludes Northern Ireland). See Consumer Experience Research Report (Figure 102).

4.15 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 communications services

4.16 Average UK household spend on communications services fell in real terms (i.e. adjusted for inflation) in 2012, the most recent year for which data were available (Figure 15). UK households spent an average of £113.61 per month on communications services in 2012, £1.55 (1.3%) less than in 2011 and £12.28 (9.8%) less than in 2007. This was equivalent to 5.4% of total household spend in 2012\(^{133}\), slightly lower than in 2011, and unchanged from 2007.

4.17 Average household spend fell for all services in 2012 except fixed internet services, where it increased by 5.8% to £11.92 as a result of growth in household take-up of fixed broadband services and consumers switching to superfast services (i.e. those with a headline speed of ‘up to’ 30Mbit/s or higher).

4.18 Average monthly household spend on mobile services fell by 1.0% to £46.12 during the year, despite the growing use of mobile data services that is attributable to increasing smartphone take-up.

4.19 Average spend on fixed voice services fell by 4.0% to £21.83 in 2012, largely as a result of falling call volumes (which declined by 8% during the year), while average

\(^{133}\) Or 3.4% of average gross annual income.
spend on TV services fell by 2.6% to £28.88 and average spend on radio (which is funded via the TV licence fee) declined by 1.3% to £2.69 per month. Average household spend on post was unchanged at £2.17 per month during the year.

Figure 15: Average household spend on communications and postal services

<table>
<thead>
<tr>
<th>Year</th>
<th>Post</th>
<th>Radio</th>
<th>Television</th>
<th>Fixed internet</th>
<th>Mobile services</th>
<th>Fixed voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>£25.98</td>
<td>£10.74</td>
<td>£29.40</td>
<td>£5.4%</td>
<td>£2.17</td>
<td>£29.40</td>
</tr>
<tr>
<td>2008</td>
<td>£26.62</td>
<td>£11.35</td>
<td>£28.66</td>
<td>£5.3%</td>
<td>£2.69</td>
<td>£28.66</td>
</tr>
<tr>
<td>2009</td>
<td>£25.33</td>
<td>£11.44</td>
<td>£29.37</td>
<td>£5.4%</td>
<td>£2.99</td>
<td>£29.37</td>
</tr>
<tr>
<td>2010</td>
<td>£24.67</td>
<td>£10.92</td>
<td>£29.69</td>
<td>£5.3%</td>
<td>£2.70</td>
<td>£29.69</td>
</tr>
<tr>
<td>2011</td>
<td>£22.74</td>
<td>£11.27</td>
<td>£29.66</td>
<td>£5.3%</td>
<td>£2.47</td>
<td>£29.66</td>
</tr>
<tr>
<td>2012</td>
<td>£21.83</td>
<td>£11.92</td>
<td>£28.88</td>
<td>£5.4%</td>
<td>£2.39</td>
<td>£28.88</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators / ONS. Figures are adjusted for RPI and includes VAT. See Consumer Experience Research Report (Figure 104).

Pricing of services

Fixed voice pricing

Standalone fixed telephony prices are increasing

4.20 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 each year. The pricing model used identifies the minimum price required to fulfil ‘baskets’ of communications services using each of these operators’ tariffs, the baskets being designed to be representative of the communications needs of five ‘typical’ households.

4.21 Although most 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 40% to 60% in the five years to Q1 2013), some consumers still purchase fixed voice services on a stand-alone basis. In order to monitor residential fixed voice service prices for consumers who purchase fixed voice telephony services on a stand-alone basis, we calculate a ‘weighted average’ price from the cheapest prices available to fulfil the fixed voice usage requirements across our household profiles, using the stand-alone tariffs offered by the three largest residential fixed telecoms providers, weighted by their retail market shares.

134 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’ use, 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.

135 http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK_1_Market_in_context_char1.pdf, Figure 1.10.

136 ‘Fixed voice’ is taken to mean ‘calls plus access’ throughout this section of the report.
4.22 The analysis indicates that ‘weighted average’ stand-alone fixed voice prices increased for all but one of the household types (Household 1) between July 2012 and July 2013, and the overall price of fulfilling the usage requirements of all four baskets increased by 9.5% in nominal terms (and by 6.2% when inflation is taken into account) over the same period. However, Virgin Media withdrew its stand-alone fixed voice services between July 2012 and July 2013, and excluding Virgin Media from the weighted average in 2012 (to enable a like-for-like comparison of tariffs) shows that the cost of all four baskets increased in 2013, with the average increase across all four being 16.2% in nominal terms and 12.7% when inflation is taken into account.

4.23 Over half of all UK homes (55%)\(^{137}\), equating to almost two-thirds of homes with a landline service purchased a fixed voice service along with other communication services as part of a bundle in Q1 2013. As a result, the analysis of stand-alone fixed voice telephony pricing is not relevant to the majority of UK fixed-line users (an analysis of bundled service pricing can be found later in this section). However, older and less affluent households are less likely to purchase bundled landline services, and stand-alone pricing is therefore likely to be more relevant to these consumers.

\(^{137}\) Ofcom Technology Tracker, Wave 2 2013 (May to July 2013).
Average calls to mobiles and international call charges are falling, although the average across all call types has increased

4.24 We are able to calculate average residential per-minute fixed voice call charges, using revenue and call volume data provided to Ofcom by telecoms providers. These data include use by consumers buying landline services on both a stand-alone and a bundled basis (operators are asked to allocate a proportion of bundled service revenues to fixed voice services), and we include line rental fees in the calculation of the average price of calls to UK geographic numbers.

4.25 Our analysis shows that the average price of a residential fixed voice call minute increased by 6.2% in real terms in 2012. This was largely the result of an increase in the average price per minute of calls to UK geographic numbers (which make up over 85% of total call volumes for the call types shown below); it increased by 9.4% during the year (again, in real terms) due to two main factors:

- **Increasing line rental fees**: the result of higher line rental prices (BT, TalkTalk, Virgin Media and Sky increased their standard line rental charges by an average...
of 6% in nominal terms in 2012) and increasing numbers of consumers buying line rental services that include additional ‘free’ bundled calls or reduced-rate calls in return for a higher monthly fee.

- **Falling call volumes per line**: average monthly outgoing call minutes to UK geographic numbers per residential fixed line fell by 9% in 2012, so a larger proportion of the line rental/call bundle fee has been allocated to each call minute when calculating an average pence-per-minute call charge.

4.26 The average price of a call from a UK fixed phone to an international destination fell by over 10% in real terms, to 4.8 pence per minute, in 2012. This was less than half the 10.5 pence-per-minute average in 2007, and was a result of traditional fixed-line operators having reduced prices in order to compete with low-priced international mobile call tariffs and those offered by voice over IP (VoIP) providers. Most major UK residential fixed-line operators now offer service ‘add-ons’ which give either discounted or ‘free’ international calls for consumers who pay an additional monthly fee: BT offered a number of international calling plans in January 2014, while TalkTalk customers were able to purchase a call ‘add-on’ offering 500 minutes of calls to certain international destinations for £5 per month.

4.27 The average pence-per-minute charge for residential fixed-to-mobile calls fell by 7.0% to 14.5 pence per minute in 2012, partly due to a reduction in mobile termination rates, which has enabled fixed providers to cut the price of calls and introduce ‘add-ons’ that include calls to mobiles.

**Figure 17: Average per-minute residential fixed voice call charges**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rental and UK geographic calls</th>
<th>International calls</th>
<th>Calls to mobiles</th>
<th>All of these call types</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10.2%</td>
<td>8.4%</td>
<td>10.5%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2008</td>
<td>5.7%</td>
<td>0.4%</td>
<td>4.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2009</td>
<td>0.1%</td>
<td>0.6%</td>
<td>7.9%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2010</td>
<td>3.7%</td>
<td>3.0%</td>
<td>8.2%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2011</td>
<td>-0.9%</td>
<td>3.0%</td>
<td>8.7%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2012</td>
<td>3.7%</td>
<td>0.4%</td>
<td>10.2%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
Note: Nominal prices, adjusted for RPI and excludes VAT. See Consumer Experience Research Report (Figure 107).

4.28 While the increase in stand-alone residential fixed-line voice service prices, and in particular monthly line rental fees, has been notable, some consumers are able to mitigate these price increases by altering the way in which they purchase communications services.

4.29 One way of doing this is to buy fixed-line voice services in conjunction with other communications services from the same provider as part of a bundle, as doing so

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138 [http://sales.talktalk.co.uk/product/boost/18213](http://sales.talktalk.co.uk/product/boost/18213)
typically costs less than purchasing each service separately. Ofcom research suggests that in Q2 2013 69% of UK homes with a landline purchased a bundle of services from the same provider, and 17% took advantage of line rental pre-payment tariffs. Overall, almost three-quarters of homes with a landline (74%) bought a bundle and/or a line rental pre-payment tariff, with 12% taking both 139.

4.30 Another way is by taking advantage of a recent development in residential fixed-line tariffing: the introduction of line rental pre-payment tariffs. These are now offered by all of the UK’s largest residential landline providers, and enable consumers to make savings on the price of the line rental element of their service by paying an upfront amount (typically between £110 and £150 per year) instead of a monthly line rental fee of around £15 to £16 (£180 to £192 per year).

4.31 These options will not be attractive to all consumers, and are likely to be hard to afford for some. However, social tariffs are available (and required under the USO 140) to ensure accessibility for consumers who would otherwise find these services unaffordable.

Fixed broadband pricing

4.32 We are able to calculate the average price of a residential fixed broadband connection from connection and revenue data provided to Ofcom by ISPs. 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 by the ISPs to allocate bundled revenues. Our figures indicate that the average price of a residential broadband connection increased by 1.2% to £16.38 in 2012, having been unchanged in 2011.

4.33 Increasing average revenue per residential fixed broadband connection is to a large extent a result of consumers switching to superfast broadband services, (i.e. those with an advertised speed of 30Mbit/s or more), which typically command a price premium of £5 to £10 a month over standard broadband services. Ofcom data show that in the year to May 2013 the proportion of UK residential fixed broadband connections that were superfast increased from 8% to 19%) 141, and this change in the mix of fixed broadband services (rather than increasing prices for either standard or superfast services) has resulted in increasing average revenues per connection, and faster average residential fixed broadband download speeds, which increased by from 9.0Mbit/s to 14.7Mbit/s over the same period 142.

139 See Figure 114 in the Consumer Experience Research Report.
140 See Section 2.
141 http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-slow-speeds/broadband-speeds-may2013/
142 http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-slow-speeds/broadband-speeds-may2013/
The premium for superfast broadband services is falling

4.34 Teligen’s communications service pricing model enables us to compare the lowest price available for a basket of fixed broadband and fixed voice services, using the tariffs provided by those operators that are included in the model. Below we compare two service combinations: a fixed line with 400 minutes of outgoing voice calls along with a fixed broadband connection with a minimum headline speed of ‘up to’ 4Mbit/s and 15GB of data use per month, and a combination which is identical to the first in all respects other than that it requires a superfast broadband connection (i.e. one with a headline speed of at least ‘up to’ 30Mbit/s).

4.35 This analysis shows that the lowest available price available for both service combinations continued to fall in nominal terms in the year to July 2013, when the rate of decline in the price of the basket which includes a superfast broadband service (8.2%) was higher than that of the standard broadband basket (3.2%). In 2013, the difference between the lowest price available for each of the baskets was just over £8 per month, down from £10 per month in 2012 and £12 per month in 2010.
Mobile pricing

Our analysis indicates that mobile prices have fallen in 2013

4.36 Our annual analysis of the tariffs available from the largest retail communications providers enables us to track the prices available for eight mobile connections of varying use in the same way that we track those for fixed voice services.

4.37 Overall, we found that the total ‘weighted average’ price of these eight connections, calculated using the tariffs available from the UK’s three largest mobile providers (EE, O2 and Vodafone) fell by just under a quarter (22.6%) in real terms in the year to July 2013, with the weighted average price of all but three of the connections used in our analysis having fallen during the year143.

4.38 Post-pay mobile services have proved popular with mobile users in the context of increasing smartphone take-up, as they enable consumers to spread the cost of the handset, which is often several hundred pounds, across the contract’s lifetime (see Figure 13).

4.39 ‘SIM-only’ tariffs enable consumers to make savings on the cost of their mobile service in return for not receiving a new handset. Instead, they are supplied with a SIM card which is used in a handset that they already own, and the mobile provider is able to pass on the lower costs associated with not having to subsidise a new handset, in the form of lower service prices. In the UK, 86% of the tariffs feeding into the UK average best-pricing analysis of our eight connections in July 2013 were SIM-only offers, up from 46% in July 2012 (where a tariff is SIM-only, the model factors-in the cost of buying a mobile handset separately).

143 It should be noted that the tariffs offered by the UK’s largest mobile providers are not necessarily the cheapest available to UK consumers. The total weighted average price of the eight connections, calculated using the prices of the three cheapest services offered by the mobile operators whose tariffs are included in Teligen’s pricing model, was 32% lower than that calculated using the three largest providers’ tariffs in 2013.
Pay-TV pricing

Stand-alone pay-TV prices increased in the year to July 2013

The TV licence fee was unchanged at £145.50 per year (£12.13 per month) for a colour licence in 2013, since the government froze it for six years in 2010. When comparing the price of pay-TV services we use two service tiers:

- **basic pay-TV**: a service that includes channels which are not available on free-to-air platforms; and

- **HD premium pay-TV**: a package including live Premier League football and a top entertainment package, including first-run Hollywood films and HD channels.

The lowest price available for a stand-alone basic pay-TV service (including promotional discounts and the cost of hardware/installation, which is amortised over three years) increased by 7% to £12 per month in 2013, although this was lower than the lowest price of a similar service in 2008 (£16 per month). The increase in 2013 was the result of Virgin Media having increased the base monthly charge for its *TV Size M+ with V HD* service (the lowest priced service both in 2012 and 2013) from
£13.00 per month to £14.00 per month (in both years a promotion offering half-price rental for six months was available).

4.42 The lowest available price for an HD premium pay-TV service has increased since 2008, although the number of channels included (particularly the number of HD channels) has increased for these premium services, as has the range of additional services included in a subscription, such as on-demand and ‘catch-up’ programming.

4.43 The lowest price available for HD premium pay-TV services was £66 per month in 2013, an 8% increase compared to 2012, as a result of Sky (which provided the lowest-cost services in both 2012 and 2013) withdrawing a promotional discount that had been available in 2012 and increasing the price of its HD premium pay-TV service. In 2012 its lowest-cost HD premium pay-TV service, Sky World and Sky World + HD Mix, required an additional £10.25 a month to receive channels in HD, giving a total monthly price of £63.25 per month (which was discounted by just over £5 per month for six months), while in 2013 the lowest-priced package, Sky Entertainment Extra+ with Sky Sports & Movies + HD Mix, included HD entertainment channels, and required an additional £5.25 per month to view the sports and movie channels in HD, giving a total price of £65.75 per month.

Figure 21: Best price available for pay-TV services

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Premium</th>
<th>Basic</th>
<th>Premium</th>
<th>Basic</th>
<th>Premium</th>
<th>Basic</th>
<th>Premium</th>
<th>Basic</th>
<th>Premium</th>
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<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>2009</td>
<td>28</td>
<td>45</td>
<td>29</td>
<td>47</td>
<td>26</td>
<td>48</td>
<td>26</td>
<td>48</td>
<td>26</td>
<td>48</td>
<td>26</td>
<td>48</td>
</tr>
<tr>
<td>2010</td>
<td>71</td>
<td>70</td>
<td>69</td>
<td>69</td>
<td>71</td>
<td>70</td>
<td>71</td>
<td>70</td>
<td>71</td>
<td>70</td>
<td>71</td>
<td>70</td>
</tr>
<tr>
<td>2011</td>
<td>74</td>
<td>10</td>
<td>73</td>
<td>10</td>
<td>74</td>
<td>10</td>
<td>73</td>
<td>10</td>
<td>74</td>
<td>10</td>
<td>73</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>78</td>
<td>9</td>
<td>78</td>
<td>9</td>
<td>78</td>
<td>9</td>
<td>78</td>
<td>9</td>
<td>78</td>
<td>9</td>
<td>78</td>
<td>9</td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

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; nominal prices; includes VAT. See Consumer Experience Research Report (Figure 112).

Bundled service pricing

4.44 In order to represent the prices available to consumers, it is necessary to include ‘bundled’ services as well as those available on a stand-alone basis (Ofcom’s technology tracker research suggests that 60% of UK households bought communications services as part of a bundle in Q2 2013).

4.45 The figure below shows the lowest prices available based on the stand-alone and bundled tariffs offered by the UK’s largest providers of residential communications services, for a ‘networked family’ household purchasing:

- a fixed voice service with above average use (500 minutes of outgoing calls per month);
• a fixed broadband connection with an advertised speed higher than ‘up to’ 10Mbit/s and 50GB of data use per month;

• four mobile phones with varying use of voice calls, SMS messages and mobile data use; and

• a basic pay-TV subscription including HD channels and a DVR.

4.46 In all of the three years to 2013, the lowest-priced combination of services required to fulfil this household’s usage requirements involved purchasing some of the required services as part of a bundle, and in 2013 the difference between the lowest available monthly price including bundles (£92.31) and excluding bundles (£107.18) was £15 a month, a £14% saving. While in both 2011 and 2012 the lowest-priced combination of services had included a double-play bundle of fixed voice and fixed broadband services, the option in 2013 involved buying a triple-play bundle of fixed voice, fixed broadband and pay TV: TalkTalk’s Plus TV with Line Rental Saver + TV Starter Boost + 100 Mobile Minutes Boost service. This included TalkTalk’s newly-launched TV service that is based on the YouView free-to-view TV platform, pre-payment of the fixed voice line rental, and a call add-on giving 100 minutes of calls to mobiles for £3 per month.

4.47 The household’s usage profile includes four mobile phones with varying use of voice, SMS and data services, and the lowest available price for fulfilling the requirements of these four connections fell by a third (33%) to £49.21 in the year to July 2013. The percentage fall in the lowest price available for the connections included in the household’s profile ranged from 23% for the two connections used by the household’s teenage children (requiring an intermediate handset, 100 minutes of outgoing calls, 300 SMS messages and 400MB of data per month) to 45% for the highest-use handset (requiring an advanced handset, 250 call minutes, 100 SMS messages and 300MB of data) during the year.

4.48 The total price of the mobile element of the household’s use was the major contributor to the 25% fall in the total lowest available price for the household’s usage profile in 2013, although the combined price for the household’s fixed voice, fixed broadband and pay-TV also fell, by 14%, during the year.

Figure 22: 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)

Source: Ofcom / Teligen. See Consumer Experience Research Report (Figure 113).
Cost of First and Second class stamps

4.49 The prices for sending individual letters and postcards increased in April 2012; First Class stamps rose by 14p and Second Class stamps rose by 15p, to 60p and 50p respectively. Those prices remained the same in 2013, which might explain why the proportion of consumers who were able to correctly state the price of First and Second Class stamps rose significantly in the past year. Research participants stating the correct price of a First Class stamp rose from 9% in December 2011 to 30% in June 2013 and from 6% in 2011 to 18% for Second Class stamps.

Figure 23: Awareness of price of First and Second Class stamps - trend analysis: 2009-2013

Source: Postcomm customer survey 2009, Ofcom postal omnibus 2011 and Ofcom post tracking survey. See Consumer Experience Research Report (Figure 128).

4.50 When consumers were asked about their reaction to the rise in the price of First and Second Class stamps, three in five (60%) claimed that the rise had had no impact on their behaviour. The claimed impact of the price rise increased with age, with over two thirds (68%) of those aged 16-24 saying it had had no impact. This compares to just over half of those aged 55 to 64 (54%), 65 to 74 year olds (52%) and those over 75 (56%)144.

4.51 Overall, just over one in ten (12%) said they now bought more Second Class stamps than before the price rise. Those aged over 75 (19%) were most likely to have done this.

4.52 The price rise had a greater reported impact on those living in rural areas than on those in urban areas: 52% of those living in a rural area claimed it had had no impact on their behaviour, compared to 62% of those living in an urban area. Among those in rural locations 14% claimed that since the price rises they bought fewer stamps than they did before, and now use other communication methods such as phone and email. This is significantly higher than in urban locations.

144 See Figure 73 in the Consumer Experience Research Report.
4.53 We also note that 67% of consumers are satisfied with the value for money of postal services in 2013 (see section 5).

Ofcom’s work

4.54 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.

4.55 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, superfast broadband, competition in pay-TV and the affordability of universal postal services and essential services.

Fixed line

4.56 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

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145 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 to itself (http://stakeholders.ofcom.org.uk/telecoms/policy/bt-undertakings/).
markets facilitates competition and choice for consumers in downstream retail markets. Therefore, regulation in retail markets is focused in those areas where the market is not delivering completely for consumers, or particular groups of consumers. Our work on these areas is explained in Sections 3 and 5 and, in summary, includes reform of processes to remove barriers to switching, our work to ensure consumers have access to transparent, accurate and clear information to enable them to make effective choices, and work to broaden participation.

4.57 In 2013, Ofcom continued to monitor price trends and took action to protect consumers from mid-contract price increases (see further detail in Consumer protection section).

Narrowband review

4.58 In September 2013, Ofcom published its final statement setting out its decisions in relation to the Fixed Narrowband Market Review, which covers the retail and wholesale markets for voice calls in the UK.

4.59 For the purposes of this review, retail fixed narrowband telephony services are calls provided by retail CPs/service providers to citizens, consumers and businesses. Wholesale fixed narrowband telephony services are products used by retailers to provide services to citizens, consumers and businesses. 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.

4.60 As part of the review, we assessed the state of competition in these markets and, where we found that markets were not effectively competitive, we made 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.

4.61 Ofcom’s decision was that the fixed retail call markets in the UK (excluding the Hull area) remain effectively competitive, as no company held a position of ‘significant market power’ (SMP). However, Ofcom concluded that BT had SMP in the market for wholesale call origination in the UK (excluding the Hull area) and in fixed call termination. We therefore imposed remedies, including charge controls, on BT in these markets and in relation to interconnect circuits. Ofcom also found that KCOM had SMP in the market for wholesale call origination in the Hull Area, and we imposed a series of remedies in this market and in relation to interconnect circuits.

4.62 In relation to providers of fixed call termination other than BT, Ofcom has concluded that they have SMP, and has imposed a requirement to provide network access on reasonable request and a requirement to notify charges. We have also set out guidance that the termination rates set by these other providers will be presumed to be fair and reasonable where the rate (24 hour average) is no higher than the rate set by BT compliant with its charge control in fixed call termination.

4.63 This final statement follows the draft statement that was notified to the European Commission on 20 August 2013.

Access services

4.64 Ofcom is currently carrying out a review of various fixed access markets in the UK. The wholesale markets included in this review are the basis for a wide range of communications services, including voice calls and broadband internet services
(including superfast next-generation fibre-based services - see below for further details on superfast broadband)\textsuperscript{146}

4.65 In July 2013, December 2013 and January 2014, Ofcom published consultations setting out proposals to promote competition in these markets. Our provisional findings are that BT has Significant Market Power (SMP) in these wholesale access markets in the UK excluding the Hull Area and that that KCOM has SMP in the Hull Area. We have therefore proposed a range of access remedies aimed at ensuring these markets, and therefore the retail services on which they rely, are competitive.\textsuperscript{147}

4.66 In particular, we have proposed maintaining the Local Loop Unbundling (LLU) and Wholesale Line Rental (WLR) remedies, which require BT to provide wholesale products allowing other communication providers (such as Sky and TalkTalk) to supply voice and broadband services to consumers. We have also proposed to maintain the Virtual Unbundled Local Access (VULA) remedy, which allows other communication providers to provide fibre-based services, including superfast broadband, in a similar way.

4.67 To ensure that other communication providers are able to use these access products on competitive terms (thus enabling communication providers to set competitive retail prices for consumers), we have also proposed charge controls for LLU and WLR services controlling the prices that Openreach, BT's network access division, can charge for these wholesale services.

4.68 In our July, December 2013 and January 2014 consultations, we set out our proposals for charge controls for wholesale rental and associated services. The combined effect of our proposals is to slightly reduce the charges for full LLU rental (MPF) and WLR rental in real terms. The proposals will significantly reduce charges for partial LLU rental (SMPF) in the first year, with more modest further reductions over the remainder of the control period. We propose that new controls will take effect in 2014 and last until early 2017.

4.69 While we have not proposed a specific charge control for VULA, we have proposed detailed guidance on how we would assess BT's compliance with a fair and reasonable pricing in specific relation to its margin for the VULA product. This will help to ensure that the price BT charges for its wholesale VULA product will allow other communication providers to price their own retail fibre broadband offering competitively with BT's own retail fibre broadband product.

4.70 In addition, to ensure that other communication providers are able to provide reliable services based on BT's access products, the consultations in July and December 2013 proposed a range of measures to ensure that Openreach maintains an appropriate level of performance in repair and provisioning of access services needed by consumers and business. The proposals include requiring Openreach to

\textsuperscript{146} Wholesale local access ('WLA') – the connection from the local exchange to the end user which supports fixed line services such as voice calls and broadband internet access; Wholesale fixed analogue exchange lines ('WFAEL') – analogue exchange lines provide consumers with the capability to consume narrowband services in the form of voice calls, facsimile and dial-up internet access; and ISDN2 and ISDN 30 exchange lines – a digital telephone lines service that provides up to 2 or up to 30 digital lines supporting a wide range of services including basic telephony with features additional to those available on analogue exchange lines, and data services. Ofcom is also reviewing various retail markets downstream to these wholesale markets.

\textsuperscript{147} We have also provisionally found that no regulation should be imposed in the various retail markets reviewed.
report a wider range key performance indicators (KPIs) on its performance, some of which will be presented in the public domain; specification as to which elements of the service must have targets and compensation agreements (service level agreements and service level guarantees) and new minimum performance targets in repair and new line provisioning.

4.71 The proposed new minimum standards relate to Openreach’s most-used products, which are used by telephone companies to offer phone and broadband to consumers and businesses. The aim of imposing the minimum standards through an SMP condition is to establish a baseline of service that allows the delivery of regulated products to a standard which, in our view, will not have a material detriment on competition in the retail market. Ofcom’s proposals should ensure better service for telephone and broadband customers in future, while also avoiding any significant effect on prices\(^{148}\). Under Ofcom’s proposals the large majority of consumers and businesses encountering a fault with their telephone or broadband service would see it repaired within two working days; while the large majority of those requiring a new line would receive an offer of an appointment within 12 working days.

**Broadband**

**Wholesale broadband access**

4.72 In December 2010 we published our conclusions on regulation in the wholesale broadband access (WBA) market\(^{149}\). 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. However, we found that approximately 20% of premises across the country were in areas (largely rural) where we concluded that there was not effective competition.

4.73 We imposed appropriate regulation on BT in these areas, the aims of which included enabling millions of homes and businesses in largely rural, less densely populated parts of the UK to receive better value broadband services.

4.74 Our next review of the wholesale broadband access market is now in progress. It will set the regulatory rules for these services in the UK for the period from April 2014 to March 2017. We proposed in our consultation in July 2013\(^{150}\) to de-regulate approximately half of the area we regulated in 2010, due to further LLU roll-out, but to continue to control wholesale prices for the remaining approximately 10% of premises where there is still insufficient competition.

**Superfast broadband**

4.75 Superfast broadband is now available to approximately 73% of UK premises as a result of commercial investments in next-generation access (NGA) networks by BT and Virgin Media.

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\(^{148}\) Any increase in charges resulting from the changes would be at wholesale level, and estimated by Ofcom to be in the order of a few pennies per month. Telecoms bills have fallen in real terms over the past ten years, and Ofcom wishes to ensure that services remain competitive and affordable for consumers.


\(^{150}\) [http://stakeholders.ofcom.org.uk/consultations/review-wba-markets/](http://stakeholders.ofcom.org.uk/consultations/review-wba-markets/)
4.76 BT started offering superfast broadband services at the beginning of 2010 and it is now capable of supplying services up to 80Mbit/s to over 55% of UK premises. Virgin Media started offering superfast broadband services in mid-2008 and it is now capable of supplying services up to 100Mbit/s across its entire network, which is available to approximately 50% of UK premises.

4.77 Over the next 12 months we anticipate that BT and Virgin Media will continue investing in superfast broadband. BT is planning to further extend its commercial deployment of NGA and Virgin Media is continuing to upgrade its existing customers to higher speeds. As of June 2013 take-up of superfast broadband services stood at over 4.7 million households.

4.78 In 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 infrastructure to support investment in superfast broadband.\textsuperscript{151}

4.79 Although BT and Virgin Media continue to be the dominant providers of superfast broadband services to retail consumers, in 2013 we have seen significant activity by other providers such as EE, TalkTalk and Sky. These providers are using VULA to support their offerings and are starting to gain market share.

4.80 Under the EU telecoms framework and the 2003 Act we are required periodically to review these markets and to this end we published a consultation document on our findings and proposed remedies in July 2013.\textsuperscript{152} Our intention is to complete this review in early 2014.

4.81 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.

**Mobile**

4.82 In autumn 2013 we commenced a review of the market for wholesale mobile call termination services (MCT). MCT is the service necessary for a fixed or mobile operator to connect a caller with the intended recipient of a call on a mobile network. When fixed and mobile operators offer their customers the ability to call UK mobile numbers, they pay mobile CPs a wholesale charge to complete those calls. The rates that operators pay are called MCT charges or ‘mobile termination rates’ (MTRs).

4.83 We are aiming to conclude this review in early 2015, in order to determine the correct regulatory approach for March 2015 to March 2018. In the previous review,\textsuperscript{153} we set prices for mobile call termination based on the long run incremental cost of providing these services, with the result that the price of MTRs is currently around 0.8 pence per minute, having fallen from around 4 pence per minute in 2010/11.

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\textsuperscript{151} [http://stakeholders.ofcom.org.uk/consultations/review-wholesale-fixed-exchange/](http://stakeholders.ofcom.org.uk/consultations/review-wholesale-fixed-exchange/)

\textsuperscript{152} [http://stakeholders.ofcom.org.uk/consultations/fixed-access-market-reviews/](http://stakeholders.ofcom.org.uk/consultations/fixed-access-market-reviews/)

\textsuperscript{153} [http://stakeholders.ofcom.org.uk/consultations/mtr/charge-ceiling-13](http://stakeholders.ofcom.org.uk/consultations/mtr/charge-ceiling-13)
4.84 We will be considering whether regulation of these services continues to be necessary, and if so in what form.

**Digital broadcasting**

**Competition in pay-TV**

4.85 In recent years, a focus for our competition work has been competition in pay TV and its implications. This work aims to ensure that consumers benefit from improved access to key content, increased choice, and in the longer term, investment, leading to a range of innovative new services.

4.86 Two significant investigations in this area in the past few years have been our Pay TV Review and the Competition Commission’s subsequent investigation into Movies on Pay TV. In 2010 we published our Pay TV Statement\(^{154}\), setting out our decision that Sky should be required to offer to wholesale Sky Sports 1 and 2 to other pay-TV retailers. This decision was appealed by various parties; some arguing that intervention was unjustified, and others arguing that the remedy did not go far enough. The litigation is ongoing and is now before the Court of Appeal. Separately, in 2012, the Competition Commission concluded that there was no basis to take action in relation to pay-TV films, although there remained a lack of effective competition in the pay TV retail market as a whole.

4.87 In 2013, we received a Competition Act complaint from BT concerning the terms on which Sky was prepared to grant wholesale supply of Sky Sports 1 and 2 to BT’s YouView platform. We are currently investigating this complaint.

4.88 In the last few 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 TalkTalk’s YouView service, and HD versions of these channels are available not only on Sky’s satellite platform but also to Virgin Media’s cable TV customers. Beyond sport, ongoing developments in over-the-top (OTT) offerings and on-demand content (e.g. Lovefilm and Netflix) have increased the choices available to consumers. In addition, there continue to be significant developments in the sector, notably the launch of BT Sport.

**Spectrum**

4.89 Spectrum is a valuable resource, and securing its optimal use is key to delivering significant benefits for UK citizens and consumers. In order to deliver optimal spectrum use, we rely on market mechanisms where possible, and effective, but take regulatory action where necessary.

4.90 We consider that, in general, the optimal use of spectrum is most likely to be secured for society if spectrum is used efficiently, that is, it is used to produce the maximum benefit (or value) for society. We intend the benefits from efficient use to include those enjoyed by providers and consumers of services as well as the wider social benefits, or the indirect benefits, of services provided using spectrum.

4.91 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

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\(^{154}\) [http://stakeholders.ofcom.org.uk/consultations/third_paytv/statement/](http://stakeholders.ofcom.org.uk/consultations/third_paytv/statement/)
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.

4.92 Our market-led approach to spectrum management was articulated in the 2005 *Spectrum Framework Review*[^155]. Over the past eight years we have largely completed the work programme we set then. This has included a number of major initiatives, culminating with the completion of the digital switchover, the 4G auction of spectrum at 800 MHz and 2.6 GHz, and the liberalisation of mobile licences.

4.93 Looking forward, a number of important trends are emerging that could have a significant impact on spectrum use, including mobile broadband growth, the emergence of new uses such as machine-to-machine (M2M) communications and increasingly sophisticated techniques for sharing spectrum. Therefore, Ofcom has started a review of its spectrum management strategy to consider the major priorities for our work in this area over the next ten years[^156].

4.94 Our work in relation to spectrum issues in 2013 is addressed in more detail in Section 2 above.

**Post**

4.95 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 unpredicted and sustained losses over a number of years, a trend which has changed only recently[^157].

4.96 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 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 to remain efficient, and for the universal service to be financially sustainable.

**The regulatory framework for post**

4.97 Ofcom introduced a new regulatory framework for the postal sector on 27 March 2012 in its statement: *Securing the Universal Postal Service* (‘the March 2012 statement’)[^158]. The decisions in that statement gave Royal Mail greater pricing freedom so that it could return the universal service to financial sustainability, subject to certain safeguards. These safeguards included a cap on the price of Second Class stamps (up to 2kg) and an effective and ongoing monitoring regime to track Royal Mail’s performance.

4.98 In November 2013 we published an annual monitoring update which covered the first year of the new regulatory framework (i.e. April 2012 to March 2013)[^159]. This report

[^155]: http://stakeholders.ofcom.org.uk/consultations/sfrip/sfrip/
[^157]: See section 3 of the annual monitoring report on the postal market update for more details of Royal Mail’s financial performance in the 2012-13 financial year.
[^158]: http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
covered the four key areas that we said in the March 2012 statement we would focus on:

- the financial performance of the universal service;
- Royal Mail’s rate of efficiency improvement;
- customers and consumers; and
- business customers and competition.

4.99 Overall, there was a positive but mixed picture in the first year of the regulatory framework with respect to these key metrics. There were signs of progress in relation to the improvement in financial performance and Royal Mail’s productivity gradually increased. However, it failed to meet some of its quality of service targets and Ofcom has told Royal Mail to improve its compliance with these obligations. We will continue to monitor the market and Royal Mail’s metrics closely so that we can better understand market developments and assess the effectiveness of the regulatory regime.

Competition in the postal market

4.100 There are two main forms of competition in the postal sector: access and end-to-end. ‘Access’ competition is where the operator collects the mail from the sending customer and transports it to the inward mail centre, but then relies on Royal Mail’s network to deliver the item to the recipient. End-to-end competition is where operators collect, process and deliver the mail directly to the recipient, without using Royal Mail’s network.

4.101 To date, access has been the main form of competition in the postal sector in the UK. Approximately 47% of mail is handled by operators other than Royal Mail (up from 26% in 2008-09\textsuperscript{160}. However, access operators earn only about 2% of total market revenues, as the significant majority of cost (and therefore revenue) is in the delivery part of the Royal Mail network, and they have largely targeted high volume but low value business mailers.

4.102 There has, however, been very little growth in end-to-end competition since the market was fully opened to competition in 2006. This is in contrast to other European countries where, to the extent that competition has developed, the main form has been end-to-end. In 2012-13 other operators delivered 24 million letters which equates to less than 0.2% of the market. However, this was a 200% increase on the level of end-to-end competition in 2011-2012.\textsuperscript{161}

4.103 This increase in end-to-end competition has largely been due to TNT Post UK which started trialling end-to-end delivery operations in west London in April 2012. It has since expanded its delivery operations into central and south-west London, and in November 2013 started delivering in Greater Manchester. TNT Post UK announced that it was delivering 1.2 million items per week at the end of Q3 (September), which equates to approximately 0.4% of total market volumes\textsuperscript{162}.

\textsuperscript{160} \url{http://stakeholders.ofcom.org.uk/post/monitoring-report-12-13}
\textsuperscript{161} Ibid.
\textsuperscript{162} \url{http://www.postnl.com/Images/20131104-postnl-2013-q3-press-release_tcm216-680779.pdf}
4.104 Our primary duty in relation to post is to secure the provision of a universal postal service. Competition in the sector has the potential to have an impact on this (both positively by encouraging efficiency and innovation and negatively if there is a significant reduction in universal service revenues). On an equivalent basis, end-to-end competition has a significantly higher impact than access competition on the universal service, Royal Mail retains 85-90% of access revenue.

4.105 We published guidance in March 2013 on our approach to assessing the impact of end-to-end competition in the postal sector\(^\text{163}\). This guidance set out the process that we intend to use to assess the impact of end-to-end competition on the universal service, and discusses the options for regulatory intervention should this become necessary. As set out in this guidance, we intend to continue to monitor the development of end-to-end competition in the postal market as well as the financial sustainability of the universal service.

**Ofcom’s work on affordability**

**Affordability of universal postal services**

4.106 The Postal Services Act 2011 and the EU Postal Services Directive 1997 require universal postal service prices to be affordable. In our March 2012 statement, we committed to an effective and ongoing monitoring regime to track Royal Mail’s performance on (among other things) the affordability of universal postal services.

4.107 We also committed to further consider our approach to assessing whether universal postal services are affordable. In March 2013\(^\text{164}\) we published a report on our findings regarding the affordability of universal postal services, which included consumer research.

4.108 Our analysis focused on those residential consumers and businesses that we considered to be most likely to be at risk of not being able to afford universal postal services. For residential consumers this comprised consumers on low incomes, and those who may be particularly reliant on postal services including the elderly and disabled, and those who lack internet access. For businesses, it comprised small and medium-sized businesses for which postal services are a critical input.

**Our research indicates that universal services are affordable**

4.109 In summary, the evidence we collected indicated that universal postal services are affordable at 2012 prices, both for residential consumers (including low income and other vulnerable consumers) and businesses (including small and medium businesses). We also reviewed the price changes that took effect on 2 April 2013 (as announced by Royal Mail in March 2013), and noted that we considered that universal postal services would continue to be affordable based on these new prices.

4.110 Our research findings indicated that there are some very limited circumstances in which a residential consumer could be at risk of not being able to afford universal postal services. These circumstances are where they are in significant financial difficulty, or have a very low income, and a frequent need to send post items they consider to be essential. This reflects very specific circumstances and severe financial hardship. It is likely that residential consumers in such circumstances would,\(^\text{163}\) [http://stakeholders.ofcom.org.uk/consultations/e2e-guidance/statement/]

unfortunately, have concerns about the price of postal services even at much lower prices. Although we also found that a very small proportion of businesses might potentially be at risk of being unable to afford universal postal service prices\textsuperscript{165}, we did not find (nor have we received) any evidence to show that such businesses are in fact unable to afford universal postal services, or that the commercial viability of businesses would be significantly impacted by 2012 prices or at prices which took effect from April 2013.

Monitoring affordability in the future

4.111 We will continue to use our new quantitative consumer survey for residential consumers and businesses to enable us to monitor use of post, and to assess the affordability of universal postal services, value for money and satisfaction with post and postal prices. We would also seek to commission further consumer research to explore consumer views and the experience of affordability if we considered this necessary to supplement our ongoing monitoring.

Affordability of essential communications services

4.112 Ofcom has a project underway to understand whether there are situations where the affordability of essential communication services is a barrier to participation in the use of these services. In general, we consider that a good or service is considered to be affordable for a consumer if a consumer is able to purchase it without suffering undue hardship.

4.113 The proposed objectives of the current project regarding affordability of essential communications services are:

- to seek to define “essential” telecoms services and, in particular, in which situations or for what uses some services are deemed essential; and

- to explore whether consumers and, in particular, specific consumer groups, find that essential telecoms services are unaffordable, to the extent that affordability is a barrier to participation in the use of telecoms services.

4.114 We will employ various approaches to better understand how to define essential services, and whether there may be situations in which these are not affordable, including:

- Commissioning a literature review of research papers on what makes services ‘essential’.

- Using qualitative and quantitative research to explore in particular:
  
  - the benefits of different services;
  
  - to explore the relative importance of different telecoms services, circumstances in which services are really essential, and whether this has evolved over time, and
  
  - for groups that might be more likely to have their overall spending affected by the cost of telecoms, whether services are affordable and whether, for some

\textsuperscript{165} These would be specific types of business which have low turnover, low spend on mail, and where mail is ‘core’ to their business.
groups of consumers and in some situations, some essential services may not be affordable.

- Using existing data to compare spending on different communications services with income, and against other items, over time.

- Reviewing our existing research on the costs of communications services and usage of consumers.

- Assessing any other information that may be relevant, for instance, views and evidence from those interested in our work, or complaints we receive.

4.115 While any research looking at what is deemed as ‘essential’ services will aim to capture the UK-wide perspective of all consumers and citizens, we will focus our analysis of potential affordability issues on those consumers most likely to be at risk of not being able to afford essential telecoms services.

4.116 We envisage that this project will result in the publication of a report on the affordability of essential services in autumn 2014.
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, 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

Consumer participation in communication markets\textsuperscript{166}

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), as set out below\textsuperscript{167}:

- **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 At a total market level over the past 12 months, there have been small but significant falls in engagement in each of the fixed-line and fixed broadband markets, down by 4 and 5 percentage points respectively. Engagement levels stand at around a fifth in each of the fixed-line (17%), fixed broadband (18%) and mobile (20%) markets, but remain lower and unchanged at just over one in ten (12%) in the digital TV market.

\textsuperscript{166} All data exclude consumers who switched service provider(s) as part of moving house. See the Consumer Experience Research Report for details.

\textsuperscript{167} Further details on the participation index can be found in Annex 3 of the Consumer Experience Research Report.
5.5 Further trend data can be found in previous *Consumer Experience* reports, but these should be viewed as indicative only, as a change in methodology introduced in 2012 means that they are not directly comparable. As such the charts on participation in this report (and the *Consumer Experience Research Report*) show the trend between 2012 and 2013 only.

5.6 As noted in Section 4, three in five consumers purchase communications services as part of a bundle. The most popular bundles include fixed-line and fixed broadband services. In fact, the majority of consumers in the fixed-line (65%) and fixed broadband markets (74%) purchase these services as part of a bundle. As such, levels of engagement in these markets are skewed towards that of bundlers.

5.7 Levels of ‘engagement’ and ‘interest’ stand at around 60% among bundlers in each of the fixed-line and fixed broadband markets. This compares to levels of 50% and 46% respectively among standalone purchasers in these markets.
As shown above, the most notable changes in levels of engagement were in the fixed broadband and fixed-line standalone markets, down by 9 percentage points and 6 percentage points respectively.

The changing profile of standalone fixed broadband purchasers is likely to explain at least some of this decline. Standalone purchasing in this market has declined from 28% to 25% over the past year, while the proportion bundling rose by 3%. At the same time, total broadband take-up remains stable, so it is fair to assume that much of the growth in bundling of fixed broadband services (+3pp) was driven by switching from standalone purchasing.

Further analysis of the fixed broadband participation segments among standalone purchasers suggests that the decline in engagement has been driven by fewer consumers considering switching. Despite a rise in switching levels among this group (from 4% in 2012 to 9% in 2013) this has led to lower levels of engagement.

In the fixed-line market, levels of engagement have fallen among both standalone and bundle purchasers. We found that significantly fewer standalone purchasers in this market are ‘considering switching’ compared to the proportion doing so in 2012. This, combined with a fall in switching, has led to reduced levels of engagement in this market.

The apparent decline in engagement among mobile bundlers is not statistically significant.

See Figure 131 in the Consumer Experience Research Report.
Switching

5.12 In 2013, we found that a fifth (20%) of consumers across the communications markets had switched at least one service in the past 12 months and a quarter (26%) said they had switched at least two services simultaneously. There has been no significant change in these levels since 2012.

5.13 Overall, switching levels for each market (including any switching of services within bundles) remain broadly unchanged, at around one in ten in each of the fixed-line (9%), mobile (11%) and fixed broadband (9%) markets. The total level of switching the main TV provider remains lower, at 3%, and 4% among those with a pay-TV service. In the mobile market, contract customers (13%) are twice as likely as pre-pay customers (6%) to have switched provider in the past year.

Figure 27: Switching in communications markets in the past 12 months, bi-annual comparison

Source: Ofcom decision-making survey carried out by Saville Rossiter-Base. Base: All adults aged 16+ who are the decision-maker for fixed-line, mobile, broadband, digital TV and bundles. See Consumer Experience Research Report (Figure 132).

Cost and poor service are the main stated reasons for switching

5.14 There are two main reasons why consumers say they switch, which are consistent across all markets: (a) cost – another provider offering a cheaper service; and (b) poor service – previous service not meeting requirements.

5.15 Cost was stated by between 54% and 62% of switchers in each of the fixed voice, fixed broadband, mobile and TV markets. ‘Poor service’ was mentioned as a reason for switching by around half as many in each market - ranging from 20% in the mobile market to 29% in the fixed broadband market.

5.16 In addition to these two reasons, others are common across markets, e.g. bundling for convenience (most popular in the fixed voice and fixed broadband markets).

5.17 However, all markets other than fixed voice have their own distinct drivers of switching. In the mobile market, reception (15%) and handsets (13%) are key factors that drive consumers to change provider, with a minority switching in order to obtain

All data exclude consumers who have switched due to moving house. See the Consumer Experience Research Report for details.
a 4G service (5%). For fixed broadband switchers, faster speeds (15%) are a key factor, and for TV the choice of channels (18%) is driving switching.

**Figure 28: Reasons for switching by market among those who switched in the past 12 months, by market**

Source: Ofcom decision-making survey carried out by Saville Rossiter-Base. Base: All adults aged 16+ who switched provider in the past 12 months for fixed-line, mobile, fixed broadband and pay-TV. See Consumer Experience Research Report (Figure 137).

**Ease of switching communications provider**

5.18 The majority of switchers (between 84% and 92%) considered it 'very' or 'fairly' easy to switch provider. But for some switchers (between 6% and 14%) changing provider was something they considered 'difficult'. Stated difficulty varied by market.

5.19 The fixed broadband market continues to report the highest levels of stated difficulty in switching, at 13%. Stated difficulty in this market is broadly consistent regardless of purchasing behaviour, or whether additional services are switched at the same time. In the fixed voice market difficulty rises to 14% when this service is switched alongside other service/s – most commonly fixed broadband.
Satisfaction is increasingly mentioned as the main reason for not switching

5.20 As noted above, 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.

5.21 Changes across the communications markets have the potential to create or enhance existing barriers to switching for consumers.

5.22 As highlighted in Section 4, the shift towards mobile contracts with longer minimum terms 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, the mention of ‘terms and conditions’ as a reason for not switching among considerers is highest in the mobile market (23%) where we see a growing proportion of consumers tied into a contract (up from 57% to 62% in the past 12 months).

171 Considerers (within each market) are those who have considered switching provider in the 12 months prior to interview but have not done so, and are not currently ‘actively looking to change provider’.
5.23 Hassle, or at least ‘perceived hassle’ continues to be a factor in consumers’ decision on whether to switch, stated by between 21% and 26% of considerers across the communications markets.

5.24 In all except the TV market, satisfaction is one of the most-mentioned reasons for not switching provider, among those who have considered doing so. Three in ten of these consumers in each of the fixed voice, fixed broadband and mobile markets cited satisfaction as the reason they didn’t switch – proportions that have risen significantly since 2012. Further details on satisfaction can be found below.

**Satisfaction with communication services and providers**

5.25 The majority of customers in each communications market remain satisfied with their services overall, with dissatisfaction at between 5% and 11% across markets - highest in the fixed broadband market. Just over one in ten (14%) fixed broadband customers said they had had cause to complain about their fixed broadband service in the past 12 months, as reported in the Section 6, which is higher than reported in each of the communications markets.

5.26 Levels of overall satisfaction have remained fairly consistent between 2012 and 2013 across each of the communications markets, with very little variation in levels of dissatisfaction across the demographic groups within each market.

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172 ibid
5.27 The only significant change in satisfaction levels is with value for money among bundlers, where dissatisfaction now stands at 14%, nearly twice the level reported in 2011 and 2012 (8%)\textsuperscript{174}. Dissatisfaction appears to be driven by levels of engagement and type of package, rising to 23% among bundlers classified as ‘engaged’ – driven by significantly higher dissatisfaction among those who have considered switching in the past 12 months (31%). Triple-play bundlers are less satisfied with value for money (17% dissatisfied) than dual-play bundlers (11%).

5.28 The rise in dissatisfaction with value for money among bundlers is consistent across all demographic groups; up by at least 6 percentage points, with the highest rises noted among people in socio-economic groups AB (+8pp) and DE (+10pp).

**Satisfaction with broadband speeds**

5.29 As stated in Section 2, Ofcom research found that the speed of broadband services has increased. We found that in May 2013 the average actual download speed was 14.7Mbit/s, a 2.7Mbit/s (22%) increase on the 12Mbit/s average recorded six months previously in November 2012 (and published in March 2013)\textsuperscript{175}.

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\textsuperscript{173} Data adjusted in 2012 to report total market satisfaction and as such data prior to 2012 are not directly comparable, so although analysis provides a good indication of trend, we cannot be certain whether any changes indicated are real or due to the change in methodology

\textsuperscript{174} See Figure 150 in the Consumer Experience Research Report.

5.30 Two in five (39%) fixed broadband customers who expressed an opinion said they were very satisfied with the speed of their broadband service and, in total, three-quarters were satisfied.

**Figure 32: Satisfaction with speed of fixed broadband service while online: 2012-2013**

Source: Ofcom decision-making survey carried out by Saville Rossiter-Base in July. Base: All adults aged 16+ who are the broadband decision-maker who expressed an opinion. See Consumer Experience Research Report (Figure 152).

**Satisfaction with postal services**

5.31 Almost nine in ten (87%) of all residential consumers were satisfied with the postal service as a whole. Those aged over 75 were the most likely to state they were satisfied with the postal service (93%).

**Figure 33: Overall satisfaction with the postal service, by age and gender**

Source: Ofcom post tracking survey. Base: All adults 16+. See Consumer Experience Research Report (Figure 153).
5.32 Overall, 67% of consumers said they were satisfied with the postal service in terms of value for money. However, 16-24s reported a lower level of satisfaction than other age groups\textsuperscript{176}.

5.33 Satisfaction levels are significantly higher amongst participants in rural and remote locations. Consumers in Scotland (78%), Northern Ireland (73%) and remote rural locations (75%) were most likely to be satisfied with the postal service in terms of value for money.

Figure 34: Satisfaction with the postal service: value for money, by nation and location

Source: Ofcom Post tracking survey. Base: All adults 16+. See Consumer Experience Research Report (Figure 157).

5.34 When asked about the value for money of the First and Second Class stamps, just under half of consumers (49%) considered that First Class stamps offered good value for money, while two in five (41%) considered that Second Class stamps good value\textsuperscript{177}. Perceptions about value of money could explain our findings that the increase in the price of stamps in April 2012 has had no impact on the behaviour of almost three in five (60%) residential postal consumers (see section 4).

Trusted sources of consumer information\textsuperscript{178}

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

5.36 Over 90% could name at least one source of trusted information on aspects of the mobile (92%), broadband (94%) and bundle markets (95%) – broadly unchanged

\textsuperscript{176} See Figure 156 in the Consumer Experience Research Report.

\textsuperscript{177} See Figure 158 in the Consumer Experience Research Report.

\textsuperscript{178} 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.
since 2012. The proportion able to cite at least one source of information on the fixed-line market was lower than in each of these markets, at 86%, but indicates a rise in awareness since 2012. Awareness of information on ways of receiving multichannel TV, and the packages and providers available, stood at 89%.

5.37 However, awareness of trusted sources of information falls dramatically among older consumers in each of these markets. The proportion of consumers aged 65+ unaware of any trusted sources of information is around double the average, and ranges from 13% in the mobile market to 26% for fixed-line. This lower awareness may indicate a lack of interest in these markets, but may also act as a barrier to switching, by increasing the perceived level of difficulty for these consumers when searching for alternatives.

Price comparison

5.38 The different ways in which consumers are using their devices, and the vast number of alternative tariffs and packages available, makes it important that consumers are able to make comparisons across providers on the aspects important to them, with relative ease.

5.39 Consumers’ opinions on the ease of making cost comparisons are becoming more comparable across markets. While consumers continue to be less likely to say that it is easy to make comparisons in the fixed market (61%), the stated ease of cost comparisons is broadly comparable across each of the other markets at around seven in ten.

Figure 35: Consumers’ opinions on the ease of making cost comparisons

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Source: Ofcom decision-making survey carried out by Saville Rossiter-Base. Base: All adults aged 16+ who are the decision-maker for communications services (including bundles). See Consumer Experience Research Report (Figure 166).

These data are based on standalone purchasers in each market, compared to bundlers as a whole, as consumers who bundle their services are unlikely to be able to separate out costs for individual services.
5.40 Consumers aged 45-74 are most likely to find it difficult to make cost comparisons across each of the markets. The lower stated difficulty among older consumers (aged 75+) may indicate a lack of interest, as opposed to less difficulty.

**Ofcom’s work**

5.41 Ofcom believes that competition delivers better deals 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.

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

**Consumer information**

5.43 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 the 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.

5.44 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.

5.45 Ofcom’s efforts in this area over the past year have 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 publishing consumer guidance and advice where it is needed. Full details of this work can be found below.

**Price accreditation scheme**

5.46 In order to help consumers make effective choices in the communications markets, in 2006 Ofcom established an accreditation scheme for price comparison websites (PCWs) that aims to provide assurance that the price comparison calculations offered by accredited companies on fixed-line, mobile, broadband and television services are accessible, accurate, up to date, transparent and comprehensive.

5.47 Companies can apply to Ofcom for accreditation of their price comparison service. The application process involves an independent audit of the company’s price comparison service, 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.

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180 See Figure 167 in the Consumer Experience Research Report.
5.48 At present we have six accredited members of the scheme:

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

5.49 In May 2013 we reviewed the scheme to ensure that it remains relevant to consumers, and consulted on proposed changes to its scope and operation. Most of our proposals involved requiring PCWs to provide a certain level of information regarding quality of service, for example information on broadband speeds, data usage limits, customer service, complaints handling and traffic management policies.

5.50 Following our consultation, in November 2013 we decided to implement a number of requirements on accredited PCWs to help inform consumer choice. These include:

- providing information about any limits on data use that apply to services identified in comparison searches;
- explaining that traffic management policies may apply and providing links to CPs’ policies where available;
- providing ‘up to’ broadband speeds for fixed broadband packages and explaining that actual broadband speeds experienced may vary;
- providing general information on, and a link to, Ofcom’s work on broadband speeds;
- providing tools, or links to tools, for consumers to test the speed of their line;
- linking to Ofcom’s comparative information on customer service and complaints handling;

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• alerting consumers that their communications provider may increase the cost of their monthly deal and that they should be allowed to exit their contract without penalty if this occurs; and

• having fair and timely processes in place for consumer complaints handling.

5.51 Accredited websites must now update their price comparison data at least every two weeks, down from eight. We have also introduced quarterly ‘spot checks’ of accredited PCWs to monitor their compliance with the scheme and to further improve the accuracy of the information provided to consumers.

Publication of complaints received by Ofcom’s Consumer Contact Team (CCT)

5.52 Ofcom has published CCT data, in its Telecoms Complaints Bulletins and in its Consumer Experience Reports, respectively. The data illustrate the level and types of complaints received by Ofcom across all the communications markets.

5.53 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. In December 2013 we published research on the quality of customer services across the major providers in each of the communications markets. This followed previous publications in July 2010, July 2011, November 2011 and December 2012.

5.54 We believe that publication of our complaints data, along with other information, can be informative for consumers when seeking to compare providers. We consider that these data may also be of interest to intermediaries such as consumer groups, journalists, and price comparison sites, all of which aim to advise consumers.

5.55 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

5.56 We have continued to ensure that consumers have access to information on broadband speeds. One of Ofcom’s ongoing priorities in 2013/14 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

183 http://stakeholders.ofcom.org.uk/enforcement/telecoms-complaints-bulletin/
184 http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/?a=0
185 Ofcom does not publish CCT data for complaints about postal services. However, all regulated postal operators, including Royal Mail, are required to publish annual complaints data. Additionally, Royal Mail is required to publish quarterly reports showing the amount of compensation paid. http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf
186 http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/complaints/?a=0
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.

5.57 On 7 August 2013, we published the latest results of our fixed broadband speeds research, from data collected in May 2013. Our research found that UK fixed-line residential broadband speeds had continued to increase during the first half of 2013, and in May 2013 the average actual download speed was 14.7Mbit/s, a 2.7Mbit/s (22%) increase on the 12Mbit/s average recorded six months previously in November 2012 (and published in March 2013).

5.58 The continuing trend of increasing speeds recorded in the research confirms that consumers are migrating to faster services. However, the main driver of this has been Virgin Media doubling the speed of most of its broadband connections. Our next publication is expected in February 2014, based on data collected in November 2013.

5.59 We have also undertaken a mystery shopping exercise, following a similar exercise in 2012, 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 March and May 2013, and the results were published on 23 July 2013. Overall, we have found that the level of compliance by ISP signatories has continued to improve since the mystery shopping exercise in 2011/12. For example, the results show an improvement in the provision of speed estimates over the phone without mystery shoppers needing to prompt for this information, and an increase in the provision of speed estimates in the form of a range on the phone (rather than a single figure estimate). While there has been overall improvement and considerable progress by some ISPs, for a small number performance has fallen or stayed the same in some areas.

5.60 We will follow up with ISPs, where the provision of information has failed to improve or deteriorated, to ensure they take the necessary actions to improve.

5.61 We will continue to conduct further mystery shopping to monitor ISPs’ performance and to assess how ISPs with weaker areas of compliance, exposed by the current research, have addressed this.

5.62 We are currently undertaking a review of the Code to ensure that its provisions are still appropriate for consumers’ needs in the fast-changing broadband market.

Net-neutrality / traffic management

5.63 The debate about the use of traffic management is taking 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

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188 http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/broadband-speeds-may2013/
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.

5.64 In 2012, Ofcom published information on the use and application of traffic management policies by UK ISPs, as part of the Infrastructure Report. This information was updated recently in the 2013 Infrastructure Report\(^{191}\). We concluded that there are unlikely to be any substantive concerns about traffic management practices in the fixed sector. Some fixed ISPs have adopted a policy under which there is no active management at all, and of those which retain the option of applying some degree of prioritisation, there is no overt blocking of any legal traffic or application of levels of prioritisation (often known as ‘throttling’) that would make particular services or applications unusable.

5.65 Some mobile network operators are blocking some services, such as Skype’s VoIP service, on some of their packages. We consider that competition between operators should be an effective means of addressing any problems arising from blocking services, as long as consumers are made aware of these practices. We have not identified any traffic management practices in use by mobile operators and that are not publicly reported. We will nonetheless monitor developments in this sector to ensure that the interests of consumers are appropriately protected.

5.66 Separately, in 2013 we undertook work (including research\(^{192}\)) to consider the transparency of information on traffic management, to ensure consumers are getting all that they need to make effective choices. This work, in collaboration with the Broadband Stakeholder Group\(^{193}\) and the ISPs, resulted in the publication of our Consumer Guide to Traffic Management\(^{194}\). The guide outlines what traffic management is and how it might affect the consumer experience. It also provides direct links to information about traffic management by the major fixed and mobile CPs.

Non-geographic numbers

5.67 Non-geographic numbers include 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 with 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.

5.68 We initiated a strategic review of non-geographic numbers in 2010 in response to concerns that consumers were confused about what these numbers meant and how much calls cost.\(^{195}\) Following several detailed consultations with stakeholders, we published a final statement in December 2013 which confirmed our decision to make


\(^{192}\) http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/traffic/

\(^{193}\) http://www.broadbanduk.org/about-1/


\(^{195}\) http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-numbers/
wide-ranging changes, to simplify the non-geographic calls market and to address the consumer harm we had identified.\footnote{http://stakeholders.ofcom.org.uk/binaries/consultations/simplifying-non-geo-no/statement/final-statement.pdf} That statement confirmed our decision to:

- make the 080 and 116 ranges free-to-caller for consumers from both fixed and mobile phones; and
- introduce a new ‘unbundled tariff’ structure for calls made by consumers to the 084, 087, 09 and 118 number ranges.

5.69 We consider that making 080 and 116 numbers free-to-caller from all telephones will offer direct benefits to callers and organisations as well as being an important element in restoring trust in non-geographic numbers overall. The change will enable service providers on these ranges to advertise a clear message to consumers that these numbers are always free.

5.70 The unbundled tariff 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 (e.g. a bank) to cover or contribute to their costs.

5.71 Taken together, these changes will simplify the UK’s numbering system and allow consumers to gain a better understanding of what different numbers mean, as well as their cost. 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.

5.72 Given the scope and significance of these changes, we have allowed an implementation period of 18 months. The new regime will therefore come into effect in June 2015. There will be a significant amount of work for both Ofcom and the industry to do during this time and we have already started the process of engaging with stakeholders, establishing communications materials and ensuring the necessary processes and systems are in place for a smooth launch and ongoing successful operation of the new regime.

5.73 There are some other non-geographic number ranges which are not captured by the changes outlined above, in particular the 0500, 055/056 and 070/076 number ranges. We are considering these ranges as part of separate reviews. In particular:

- **0500**: this is a Freephone range (similar to 080). In December, we published a consultation setting out detailed proposals for how the 0500 range could be withdrawn\footnote{http://stakeholders.ofcom.org.uk/consultations/re-consultation-0500-freephone/}. Our preference is to withdraw this low-usage range in order to reduce consumer confusion, secure the best use of telephone numbers and enhance the clarity and simplicity of the new Freephone regime (080) for the
benefit of consumers and businesses. We intend to publish a final statement setting out our decision in 2014.

- **055/056**: these ranges are designated for corporate numbers and VoIP services. We are currently reviewing whether any changes are needed to these ranges in the light of the wider changes to other non-geographic numbers. We will continue to monitor their use.

- **070/076**: these ranges are designated for personal numbering and radio-paging services. There is some evidence of consumer confusion with 07 mobile numbers, and of the ranges being used for fraud. We are therefore continuing to gather evidence and review the use of these ranges. We hope to issue a consultation in 2014.

### Consumer advice and guidance

5.74 Ofcom publishes consumer guides to give practical advice to consumer on various issues in the communications sector. The guides are available to view on our website[^198].

5.75 In 2013, we published a number of new consumer guides on topics which include: managing the costs of communications services; using a mobile phone (in ‘Easy-Read’ format); protection from nuisance calls and messages; understanding traffic management; and how to prevent bill shock when using a mobile phone.

### Switching

5.76 Well functioning communications markets require effective switching processes. The ability to switch allows consumers to exercise choice, purchase the service or combination of services which best meet their needs, and switch away if they are dissatisfied with a provider. So consumers need switching processes that enable them to switch between Communications Providers quickly, easily and without loss of service.

5.77 In 2010 we initiated a strategic review of switching processes. This included review of issues arising for consumers and competition as a result of switching processes already in place across the fixed and mobile telecommunications, broadband and pay TV sectors, the identification of any deficiencies and the development of a plan to tackle these on a priority basis.

5.78 Our work also set out a view on the type of switching process that would deliver better consumer and competition outcomes assuming we were starting from first principles and there were no existing processes in place. In particular we considered the relative merits of Gaining Provider Led (GPL) and Losing Provider Led (LPL) switching processes. Under a GPL switching process, the consumer only needs to contact their (new) Gaining Provider to switch. Under a LPL switching process, the consumer needs to inform their current (losing) provider that they wish to switch. We concluded that in principle GPL switching processes offers advantages over LPL processes in terms of both consumer and competition outcomes.

5.79 We decided to prioritise our work on the switching processes for fixed voice telephone and broadband services offered over BT Openreach’s copper network. Our work therefore identified and analysed a number of problems that consumers face.

can encounter when switching fixed voice or broadband over Openreach’s network, as follows:

- Multiple processes. The existence of multiple processes creates confusion and lack of clarity, which can deter some consumers from switching. It also creates added complexity and difficulty for consumers switching bundles, if they have to follow multiple processes simultaneously.

- Consumer difficulty and unnecessary switching costs. For some broadband switches, the current LPL Migration Authorisation Code (‘LPL MAC’) process makes the consumer’s desired switch subject to the actions of a provider which has little incentive to make the switch happen. This results in delays, increased costs, and sometimes unwanted pressure on the consumer to reverse their decision.

- Lack of awareness of the implications of switching. Consumers often do not receive specific and neutral information from suppliers as to the implications of a switch.

- Insufficient customer consent. There are concerns over consumers being switched against their will, or ‘slammed’.

- Erroneous transfers. Switches where the wrong line is inadvertently switched account for a large proportion (estimated 46%) of the switches that happen without consent - often as a result of home moves.

- Loss of service. A significant minority of consumers (estimated 20%) suffer some loss of service when switching – primarily when switching to or from a bundle of fixed voice and broadband services.

- Platform neutrality. Consumers are unable to use industry-agreed switching processes when switching between some providers, using specific types of wholesale services. Consumers also face difficulties when switching between different networks that provide fixed voice and broadband services; for example, switches between cable and the Openreach network.

- ‘Reactive save’. We also identified risks to competition associated with the fact that a LPL system provides the losing provider with prior contact with every consumer seeking to switch away. This enables losing providers to engage in ‘reactive save’ activity, which may lead to indirect consumer harm as it risks a dampening of the competitive process.

5.80 We set out and discussed a number of options for switching processes that could address the issues we identified for the Openreach network. These options included a switching process already in use, called Notification of Transfer (NoT), which is a GPL process.

5.81 In August 2013 we set out our decision that all switches for fixed voice and/or broadband services over the Openreach network would be harmonised to a single GPL model based on the existing NoT process. At the same time, we consulted on five enhancements intended to improve the NoT process (a solution we termed ‘GPL NoT+’).

5.82 In our December 2013 Statement we confirmed our decision to implement the enhancements. These comprise requirements for:
• CPs to keep records of each consumer’s consent to switch, to protect against slamming;

• CPs to use systems and processes to minimise loss of service when switching bundles;

• LPs to provide better information to switching consumers on the implications of switching; and

• CPs to take measures aimed at minimising risks of erroneous transfers in circumstances where a consumer is moving property and wishes their service also to be transferred, by mandating two elements of industry best practice:
  
  o that CPs place WLT orders only where they have an exact match for the line;
  
  and

  o that LPs notify end-users that their line or service is due to be taken over.

5.83 We also explained that this was the first stage in a two stage approach to changing the process for switching fixed voice and broadband services. This first stage includes implementation of changes required to harmonise to GPL NoT+. Given the need for industry engagement and work, we anticipate that the harmonised switching process could be in place by June 2015. We think however that the individual enhancements to the existing NoT process can be implemented independently, giving an implementation timetable of nine months.

5.84 Implementation of the harmonised GPL NoT+ switching process should help consumers change landline and broadband providers using the Openreach network with greater ease, confidence and convenience. Harmonisation to a GPL process will mean that consumers need only contact their new provider when switching. Improved ease of switching should also facilitate competition in these markets.

5.85 Our second stage of work will consider whether there are further changes required in relation to the Openreach network, in particular to address the issue of erroneous transfers. We will also consider whether it would be appropriate to extent the switching processes to include other technologies and networks.
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 and actions 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 consumer complaints received by Ofcom’s Consumer Contact Team (CCT), and the research findings on consumers’ experience of problems in the communications and postal sectors. These two datasets complement each other and provide a broader picture of the issues facing consumers than can be provided by CCT data alone.

Consumer complaints

Communications Services

6.3 The analysis below shows the proportion of customers using each service who said they had had reason to complain about the provider of their broadband, landline and/or mobile service in the 12 months prior to interview. Fieldwork was conducted between August and September 2013, therefore complaints date back to August 2012.

Figure 36: Proportion of consumers with reason to complain in the past 12 months: 2009-2013

Source: Ofcom omnibus survey. Base: All UK households. See Consumer Experience Research Report (Figure 169).

199 Fieldwork was conducted between August and September 2013, therefore complaints date back to August 2012.
6.4 Overall, broadband customers are the most likely to say they had reason to complain to their provider (14%), followed by mobile (9%) then landline consumers (7%). However, not all consumers actually make a complaint.

6.5 For broadband customers, the main reasons for complaint were speed of internet connection (34%) and disruption of service (29%)\(^{200}\). Among landline customers, disruption of service (31%) and poor quality of service (26%) were the main reasons for complaints\(^{201}\). For mobile customers, poor coverage (23%) was the main reason for complaints\(^{202}\).

Postal services

6.6 For postal users, one in ten (9%) reported that they had had a cause to complain, but only 6% claimed to have made a complaint.

6.7 In total, 36% of the survey participants claimed to have experienced at least one problem with postal services in the past 12 months. By far the biggest issue cited by postal users was mis-delivered mail (60% of those with a problem), followed by delayed mail (45%), lost mail (35%) and damaged mail (29%).

Figure 37: Problems experienced with Royal Mail’s postal service in the past 12 months

Source: Ofcom residential consumer postal tracker. Base: All adults 16+. See Consumer Experience Research Report (Figure 174).

6.8 See below for more information about how Ofcom monitors Royal Mail’s quality of service performance and other consumer-related issues.

\(^{200}\) See Figure 170 in the Consumer Experience Research Report.

\(^{201}\) See Figure 171 in the Consumer Experience Research Report.

\(^{202}\) See Figure 172 in the Consumer Experience Research Report.
Complaints to Ofcom’s Consumer Contact Team (CCT)

Overview

6.9 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.

6.10 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.

6.11 The telecoms sector continues to account for the majority of contacts to Ofcom, with levels broadly similar to 2012 at between 6,000 and 7,000 complaints per month. This compares to about 1,000 complaints about broadcasting standards, and around 40 complaints relating to postal services per month\(^\text{203}\). The chart below illustrates the number of complaints received by Ofcom per month across sectors.

Figure 38: Number of complaints received by Ofcom, by month: 2012-13

Source: Ofcom, CCT data. General = ‘General enquiries’ and could relate to broadcast, spectrum or telecoms issues. See Consumer Experience Research Report (Figure 177).

6.12 The level of broadcasting complaints increased in October 2012 due to complaints about The X Factor Results Show (ITV1). There were also small rises in January 2013, largely due to complaints about Celebrity Big Brother (Channel 5), in March 2013, largely due to complaints about Comic Relief: Funny for Money (BBC 1), in May 2013, largely due to complaints about the broadcast news coverage of the

\(^{203}\) Ofcom does not publish CCT data for complaints about postal services. However, all regulated postal operators, including Royal Mail, are required to publish annual complaints data. Additionally, Royal Mail is required to publish quarterly reports showing the amount of compensation paid. [http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf](http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf)
Woolwich incident on 22 May 2013 (various channels), and in October 2013, largely due to complaints about The X Factor Results Show (ITV).  

6.13 Complaints about radio broadcasting have remained at a low level throughout the year, with 61 complaints in October 2013 (compared to 1,581 complaints about television). Further information can be found in the Broadcast Bulletins, published on Ofcom’s website.  

Telecoms-related complaints  

6.14 Complaints to Ofcom about telecoms services related to a range of issues and varied periodically between 2012 and 2013.  

6.15 Silent and abandoned calls, complaints handling and fixed-line mis-selling/slamming continued to be the issues most complained about to the CCT in the year to October 2013. Details of our work to improve the consumer experience and protect customers from harm in these areas can be found below.  

Figure 39: Number of telecoms complaints received by Ofcom, by month: 2012-2013  

Source: Ofcom, CCT data. See Consumer Experience Research Report (Figure 178).  

6.16 Silent and abandoned calls has been the most complained-about issue in telecoms since February 2011. These complaints reached a peak of 3,900 in April 2013 but have declined since then, and by September 2013 were less than 3,000 (the lowest since December 2012). However, Ofcom remains concerned about the level of complaints, and tackling this harm continues to be a major work area for us in our draft Annual Plan 2014/5. With regard to nuisance calls, in 2013 Ofcom conducted additional research to build on our understanding of the incidence of these calls.  

See Figure 195 in the Consumer Experience Research Report.  
See Figure 194 in the Consumer Experience Research Report.  
http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/
6.17 Complaints about fixed-line mis-selling/slamming have continued to decline in the past year, with overall fixed-line mis-selling complaints averaging 442 per month between October 2012 and October 2013, a significant decrease from an average of 542 per month between October 2011 and October 2012.

6.18 The proportion of complaints about mis-selling/slamming which relate to the mobile market is lower than for the fixed-line market, at between 150 and 250 each month.

6.19 Complaints about complaints handling have consistently appeared among the top three issues over the past four years. On average, we received around 800 complaints each month about this issue between October 2012 and October 2013. Details of our work to ensure that providers have effective complaint handling procedures is outlined further below.

6.20 Since 2009, Ofcom has conducted research to quantify levels of satisfaction with providers’ customer service, among the main communications providers in the UK (defined as those providers with a market share of 4% or more within a sector). This research enables Ofcom to monitor the customer service experience, understand whether this varies by the type of issue being dealt with, and to evaluate changes over time by market and provider.

6.21 The latest report, published in December 2013, suggests that:

- UK CPs offer a contact experience that leads to between 66%-77% of customers being satisfied, with low levels of dissatisfaction in comparison (7%-12%).

- Overall satisfaction with customer service is highest in the pay-TV and mobile markets. In both sectors, levels have increased year on year – from 69% in 2012 to 77% in 2013 for pay TV, and 67% in 2012 to 75% in 2013 for mobile.

- Comparable levels of satisfaction with overall customer service are lower for both landline and broadband, with two-thirds of consumers (66% respectively) satisfied with the customer service received. Current satisfaction levels for landline and broadband are, however, significantly higher than when Ofcom began researching customer service performance in 2009.

**Ofcom’s work**

6.22 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 mid-contract price rises, erroneous line transfers, nuisance calls, making complaints and unexpectedly high bills.

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208 Of landline, broadband, mobile and pay-TV services.

209 In 2009, overall customer service satisfaction was 58% for landline and 60% for broadband.
• **Exiting contracts:** Consumers facing difficulties leaving providers. Examples here include long notice periods, automatically renewable contracts and other practices which act as disincentives/barriers for consumers to switch.

6.23 Most of our work over the past 12 months has focused on issues relating to consumers entering into contracts such as mis-selling, and in-service issues, such as mid-contract price rises. We have also taken action in relation to disincentives to switch, and unfair terms, under our monitoring and enforcement programmes on contract terms and our additional charges programme, as appropriate and in line with our administrative priorities.\(^\text{210}\).

**Entering contracts**

**Fixed-line mis-selling**

6.24 Ofcom first introduced rules to protect consumers from mis-selling/slamming in May 2005\(^\text{211}\) and updated these in March 2010\(^\text{212}\). The rules are set out in General Condition 24 (GC24) which:

- explicitly prohibits inappropriate sales and marketing activity;
- confirms 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
- specifies record-keeping requirements for sales and marketing activities.

6.25 GC24 also includes obligations on CPs who use “Cancel Other”\(^\text{213}\) to cancel orders placed by others, to protect their customers from slamming.

6.26 Since 2005, we have undertaken an industry-wide monitoring and enforcement programme through which we actively monitor providers’ compliance with the applicable rules.\(^\text{214}\) As part of this programme we monitor allegations of mis-selling and Cancel Other misuse in order to identify companies whose sales and marketing activities, and retention activities, may require further investigation. These investigations allow us to take action, where necessary, to protect the interests of consumers.

6.27 There has been a significant reduction in fixed-line mis-selling complaints since the introduction of GC24. This downward trend has continued over the past 12 months, with overall fixed-line mis-selling complaints consistently being below 500 per month averaging 442 per month between October 2012 and October 2013, the lowest levels

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\(^{211}\) Slamming is an extreme form of mis-selling, where customers are simply switched from one company to another without their express knowledge and/or consent.


\(^{213}\) 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.

\(^{214}\) [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/)
since GC24 was introduced\(^{215}\). This reduction has primarily been across all the mis-selling categories and the ‘no contact’ slamming category. 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 and slamming.

6.28 In particular, in November 2012 we opened an investigation into Supatel Limited, trading as timetalk, following a spike in complaints in October. Our investigation concluded that Supatel had contravened General Condition 24 during the Relevant Period considered and, specifically, the provision relating to slamming, GC24.3(d). This resulted in June 2013 in Ofcom issuing Supatel with a notification imposing a penalty of £60,000 under section 96C of the 2003 Act for engaging in slamming\(^{216}\). This swift enforcement action resulted in an immediate decrease in complaints about Supatel Limited. We have also resolved issues with a number of providers without the need for formal notification.

6.29 Despite this overall reduction in complaint volumes, there was an increase in one complaint category: erroneous transfers (‘ETs’). ETs are caused by deficiencies in switching processes, primarily weaknesses in the industry’s home-movers process, rather than by intentional mis-selling. The result is that consumers’ fixed-line voice services are erroneously switched to a new provider, without their knowledge or consent.

6.30 A study in 2012 of our fixed-line mis-selling complaints data, showed that a significant number of complaints logged as slamming were actually the result of ETs\(^ {217}\). It should be noted that to a consumer an ET looks the same, and has the same impact as a deliberate ‘slam’. Following this study we improved the way we log complaints and are now able to more accurately distinguish between a ‘no contact’ slam and an ET which has partly resulted in the increased reporting of instances of ETs.

6.31 At the end of 2010, the Office of the Telecoms Adjudicator (OTA) published a Homemovers’ Working Line Takeover Best Practice Guide\(^ {218}\) (the Guide). It set out the steps that providers can take to prevent the avoidable and unnecessary harm caused when the working line takeover (‘WLT’)\(^ {219}\) process goes wrong, and to restore consumers’ services back to their provider of choice if things do go wrong. We believe that, despite the increase in numbers of complaints recorded, industry-wide compliance with the Guide has so far had a positive effect in reducing the incidence of ETs when viewed as a percentage of all WLTs placed.\(^ {220}\)

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\(^{215}\) See Figure 40 below on mis-selling complaints.

\(^{216}\) [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_01096/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/closed-cases/all-closed-cases/cw_01096/)

\(^{217}\) 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.

\(^{218}\) The Guide has since been updated (latest version is 12 August 2013) to reflect various changes and industry initiatives aimed at reducing the level of ETs. [http://www.ofita.org.uk/HomemoversBPG-WLT-AnnexB-v7.1.pdf](http://www.ofita.org.uk/HomemoversBPG-WLT-AnnexB-v7.1.pdf)

\(^{219}\) WLT 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.

\(^{220}\) As part of Ofcom’s GC24 enforcement and monitoring programme, Ofcom monitors the volume of ETs which give rise to consumer harm, looking at both ET complaint volumes as well as ET complaint volumes as a proportion of the volume of WLTs placed. Over the past 12 months, despite there being
6.32 However, we are still concerned about the current volume of reported ETs and we continue to work closely with the OTA, Openreach and the industry, as a priority, to remedy these problems.

6.33 We have recently engaged with several CPs and the OTA to undertake a root cause analysis into the recent examples of ETs. We will use this information to amend the Guide as necessary. We will also engage directly with CPs to address any ETs which are due to CPs’ error rather than deficiencies in the current switching processes. This will include encouraging all CPs to use the MPF Access Line Identification (ALID) helpline, which was set up in November 2012. This helpline enables providers placing WLTs and migrations for MPF lines (the main drivers behind ETs) to more accurately identify the correct target line.\footnote{221 http://www.offtea.org.uk/MPFALIDHelpLineTactical%20Process.pdf}

Mobile mis-selling

6.34 General Condition 23 (GC23) sets out rules to ensure that mobile service providers (MSPs) do not engage in dishonest, misleading or deceptive conduct when selling mobile services. GC23 came into effect in September 2009 and MSPs 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, particularly in relation to cashback complaints. Ofcom decided to close the programme in March 2010, although we did 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. October 2012 to October 2013 saw further variations within a general downward trend, with an average of 190 complaints per month.
6.37 We opened our first investigation under GC23 into EE (trading as Orange) in September 2011 to examine compliance with GC23, and this was concluded in October 2012. Following a thorough assessment of all the evidence gathered, Ofcom decided not to take further enforcement action because the evidence did not highlight systemic compliance issues or a significant pattern of any kind of conduct consistent with a breach of GC23 over the relevant period of the investigation. In addition, Orange had already started to make improvements in its performance of its obligations under GC23. It had improved retail staff training and the monitoring of complaints about its direct and reseller channels, and put an increased focus on compliance monitoring and auditing in its retail sales channels.

6.38 Ofcom accepted written assurances from Orange in relation to certain aspects of its obligations under GC23. Since closing the investigation, we have engaged with Orange to ensure that these improvements have been implemented and will be sustained. Since January 2013 we have seen some improvement in Orange’s mobile mis-selling complaint numbers, particularly in relation to its re-sellers.

6.39 In September 2012 Ofcom became aware that Orange had decided to remove its ‘free broadband’ contract offer to mobile customers. This issue was the main driver behind the high levels of mobile mis-selling complaints during October and November 2012. We engaged with Orange on this issue and Orange agreed to take steps to benefit affected customers. We no longer receive complaints about this specific issue.

6.40 We continue to monitor complaints in relation to mobile mis-selling and take action as appropriate.
In-service issues

Nuisance calls and messages

6.41 The main types of calls and messages that may be a nuisance are:

- live telesales calls, typically where there is a person on the line from a company or organisation trying to sell a product or service;
- automated marketing calls, where consumers hear a recorded marketing message;
- spam texts, where an organisation trying to sell a product or service sends a text message to a consumer’s mobile phone;
- abandoned calls, 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. These 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 should play a recorded message that identifies on whose behalf the call is being 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, where a consumer answers but hears nothing and has no means of knowing whether anyone is at the other end of the line.

6.42 Some of these calls and messages can cause annoyance and inconvenience for the recipient. For more vulnerable consumers, they can cause considerable anxiety and distress. If calls or messages are linked to scams, they may also lead to financial losses for consumers.

6.43 Ofcom’s new omnibus surveys suggest that the incidence of nuisance calls declined between February and July 2013, and has been broadly stable since then with about 70% of consumers in the survey reporting in November that they had received a nuisance call on their landline in the previous four weeks (compared with 82% in February 2013).

6.44 Complaints about nuisance calls rose in early 2013 but then declined. Specifically, complaints to the TPS about live telesales calls peaked at 10,373 in February 2013 before declining to 6,447 in October. Complaints to Ofcom about abandoned and silent calls peaked at 3,900 in April before falling below 3,000 by September 2013 (the lowest since December 2012).

6.45 Nuisance calls remain a serious concern for Ofcom; this has been identified as a major work area in our draft 2014/5 Annual Plan. This is, however, a complex and challenging issue to address. Ofcom’s nuisance calls diary research, published in

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222 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.

223 A silent call is a type of abandoned call.

224 Under the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR) Ofcom is required to maintain the register of persons who do not want to receive live telesales calls. Telephone Preference Service Ltd provides the register, the Telephone Preference Service (TPS), on Ofcom’s behalf. Under PECR, the Information Commissioner’s Office has primary responsibility for enforcement action when unsolicited live telesales calls are made to a person registered with the TPS.
May 2013\textsuperscript{225}, suggests that the issue is widespread, and that the key sectors generating such calls include payment protection insurance (PPI) claims, energy, insurance, pensions and home improvements. This study also found that participants were able to identify the name of the company calling in only one in five nuisance calls (20\%) and the telephone number in only one in three nuisance calls (34\%).

6.46 From a regulatory perspective, the two key agencies with responsibilities here are:

- The Information Commissioner’s Office (ICO), which takes the lead in tackling unlawful live telesales calls, automated marketing calls and spam texts using its enforcement powers under the Privacy and Electronic Communications (EC Directive) Regulations 2003 (“PECR”).

- Ofcom, which addresses abandoned and silent calls using its persistent misuse powers under sections 128-131 of the Communications Act 2003.

6.47 In addition to the ICO and Ofcom, a number of other regulatory bodies and government agencies have an interest in this area, including: the Claims Management Regulation Unit of the Ministry of Justice (which regulates claims management companies), the Advertising Standards Authority (in respect of misleading advertising), PhonepayPlus (premium rate number scams), Action Fraud (scams more generally), and the National Crime Agency (if serious fraud is involved).

6.48 In July 2013, Ofcom and the ICO published a joint action plan, setting out priority areas for the two organisations. This is a commitment to work in partnership to tackle the issue and replaces the five-point action plan that Ofcom published in January 2013\textsuperscript{226}.

6.49 The priority areas set out in the ICO/Ofcom action plan are:

- **Ongoing, targeted enforcement action.** The ICO and Ofcom will continue to take enforcement action, where appropriate. Ofcom has issued over £1.5m in penalties to organisations making abandoned and silent calls since April 2012. The most recent fine was for £750,000 on TalkTalk for making abandoned and silent calls (April 2013). In August 2013, Ofcom notified Redress Financial Management, trading as Redress Claims, that it had reasonable grounds for believing that Redress Claims had made an excessive number of abandoned calls\textsuperscript{227}. Ofcom has also taken informal enforcement action against a range of organisations. In 2013, Ofcom took such action against 25 organisations following consumer complaints about abandoned and silent calls.\textsuperscript{228} As a result, complaints linked to the telephone numbers used by 16 of those organisations have stopped, complaints in relation to five have fallen significantly, and engagement with the remaining four is ongoing.

\textsuperscript{225} \url{http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/nuisance-calls-research/}

\textsuperscript{226} \url{http://media.ofcom.org.uk/2013/01/08/action-plan-to-tackle-nuisance-calls/}

\textsuperscript{227} See the update of 28 August 2013 in the Competition and Consumer Enforcement Bulletin \url{http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_905/}

\textsuperscript{228} Section 393 of the Communications Act 2003 places restrictions on the disclosure by Ofcom of any information about individual businesses obtained in the carrying out of Ofcom’s functions under the Act. As a result of these restrictions, our usual practice is not to disclose the names of organisations that are subject to informal enforcement action. However, in cases where we decide to initiate formal enforcement action, we usually publish a summary of the investigation including the name of the business under investigation on our website.
• **Improving the tracing of nuisance calls and messages.** For appropriate enforcement action to be taken, it is vital for Ofcom and the ICO to be able to identify the organisations generating the calls. The ICO has been working with the GSMA, the trade association for the UK and international MNOs, to improve the tracing of spam texts. Ofcom has been working with industry to improve call tracing processes to track down those responsible for making nuisance calls and to look at ways of preventing such calls. In addition, BT has agreed to display full telephone numbers of inbound calls from abroad as routine (currently BT customers with phones with caller display only see “INTL”); all customers should have this facility by autumn 2014.

• **Effective coordinated action.** A range of coordinated action is taking place, including the ICO’s Operation Linden, (a strategic threat assessment and delivery plan focusing on the relationship between lead generation and unwanted marketing communications), and a joint ICO /Ofcom piece of research into the impact of TPS registration on live telesales calls.

• **New ICO guidance on consent.** The ICO has issued new direct marketing guidance for business, including on the key issue of consent, and good practice in obtaining consent from consumers to receive marketing calls or messages.

• **Updated consumer guides on nuisance calls and messages.** In October 2012 we published online consumer guides on the different types of nuisance calls and messages, in collaboration with other regulators and consumer groups. By October 2013, these had been viewed online over 208,000 times. The guides set out clearly which organisation the consumer should complain to and also provide advice on steps consumers can take to help reduce nuisance calls. The complex nature of the regulatory framework and the wide range of different types of calls and messages make such guidance of particular importance for consumers. In the light of this, we have reviewed the guides in discussion with consumer groups and others and the updated guides are now available online.

• **New proposals for tackling nuisance calls.** In November, we provided an update to DCMS on a range of possible technical and non-technical measures to help tackle nuisance calls including call centre (or caller) accreditation, information about charges for caller display, the development of new industry standards and issues relating to network based call blocking. The Culture, Media and Sport Select Committee published its nuisance calls inquiry report in December 2013 and we plan to respond to this shortly.

6.50 We have also carried out consumer research to help us better understand where consumers look for information about how to stop nuisance calls or to whom they should complain. The most popular ways identified were calling the phone provider and using an internet search engine. We plan to work with stakeholders to help ensure that consumers receive consistent advice irrespective of how they access this information. One area in which we have already made progress is ensuring that consumers have access to information about the main services that communication

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229 By December 2013, these had been viewed 250,000 times.
231 [http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcumeds/636/63602.htm](http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcumeds/636/63602.htm)
providers provide to help protect consumers from nuisance calls, and details of any charges that apply.\textsuperscript{232}

6.51 Ofcom and the ICO will provide an update on the priority areas set out in the joint action plan in the first quarter of 2014.

**Standard terms in contracts for communications services**

6.52 Consumers are generally subject to standard terms and conditions when they enter into contracts for fixed-line telephone, broadband and mobile services. All standard 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. The contract defines key aspects of the relationship between the consumer and the CP, so it is important that Ofcom ensures that CPs comply with the relevant regulations to protect consumers’ rights.

6.53 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.

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

6.55 Since January 2012, we have been monitoring CPs’ compliance with GC9 under a monitoring and enforcement programme.\textsuperscript{233} Our objectives for this programme are:

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

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

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

6.56 This year, we continued to gather information from CPs, reviewed contract terms and analysed relevant consumer complaints data, in order to assess compliance with GC9. We wrote to a number of providers who still had clauses in their published terms and conditions which allowed them automatically to renew contracts. As a result, the providers in question have taken appropriate action, including amending their terms, to ensure compliance with the rules that prohibit them from automatically renewing consumer and small business contracts, which came into force on 1 January 2013. We also identified some concerns around excessively long notice periods and have worked closely with the relevant CPs on these issues.


\textsuperscript{233} [http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01082/](http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01082/)
6.57 This programme is ongoing to ensure that providers are taking the necessary steps to address our compliance concerns, particularly in relation to automatically renewable contracts (ARCs) and excessively long notice periods. We will continue to review relevant consumer complaints and will monitor providers’ compliance in these areas as well as with other GC9 requirements. We will consider further action, including enforcement, where necessary.

6.58 Under this programme, we have also identified that one main area of concern relates to the effectiveness of the current rules with which providers have to comply when making variations to contract terms within the life of the contract, particularly in relation to price (‘mid-contract price rises’). In the spotlight below, we provide details of our 213 work on addressing consumer harm from mid-contract price rises.

**Spotlight: price rises in fixed term contracts**

Our work on mid-contract price rises was identified in our 2013/14 Annual Plan as a priority under our strategic objective to protect consumers from harm. All CPs must follow a set of Ofcom rules called ‘General Conditions’. General Condition 9.6 (GC9.6) requires that CPs give consumers at least one month’s notice of any changes to a contract that are likely to be of ‘material detriment’ and allow them to exit that contract without penalty.

We noted a significant rise in complaints to Ofcom due to core subscription price increases by most of the major mobile providers, from the end of 2011 onwards. Which? also asked Ofcom to stop mobile providers making in-contract price rises and we received a smaller number of complaints from customers of fixed line CPs.

In January 2013 we published a consultation on addressing consumer harm from price rises in fixed term contracts following a review of the current rules, in the light of the consumer complaints and other evidence. We identified that consumers have been treated inconsistently under the current rules, with some allowed to leave their contract without penalty following price increases, while others were not.

Following consideration of over 300 stakeholder responses, we issued our decision in October 2013 which addresses the uncertainty in the current rules and seeks to put consumers in a fairer position. It also reflects European rules (in the Universal Service Directive) and acknowledges the significance of core subscription prices and price rises to telecoms consumers.

Ofcom issued guidance on GC9.6 in relation to price increases during fixed-term contracts and the cancellation rights it expects providers to give consumers following such price increases. The guidance secures fairness for consumers and small businesses in respect of price rises to the core subscription price in a fixed-term contract.

Our decision makes it clear that Ofcom is likely to consider any increase to the agreed monthly subscription charge to be materially detrimental to a consumer. For such price increases, the guidance states that consumers and small businesses should be given at least 30 days’ notice of the increase by their provider, and also be allowed to exit their landline, broadband or mobile contract without penalty.

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234 [http://www.ofcom.org.uk/files/2013/03/annplan1314.pdf](http://www.ofcom.org.uk/files/2013/03/annplan1314.pdf)
235 [http://www.which.co.uk/campaigns/mobile-phone-price-rises/](http://www.which.co.uk/campaigns/mobile-phone-price-rises/)
238 Small businesses are defined as those with fewer than 10 employees.
We also considered the possibility of CPs responding to Ofcom’s decision by reducing the call and/or text and/or data allowance included in a customer’s monthly subscription price. We would regard such action as a price increase – as consumers would be getting less for the same money. The guidance would still apply in those circumstances.

The guidance also sets out that any changes to contract term, pricing or otherwise, must be communicated clearly and transparently to consumers.

The new guidance comes into effect on 23 January 2014 and will apply to any new landline, broadband, and mobile contracts (including in some cases bundled contracts) entered into after this date.

Complaints handling and redress

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

6.60 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.

6.61 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.\(^{239}\)

6.62 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)\(^{240}\). 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

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

- Ombudsman Services\(^{241}\); and

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\(^{239}\) A Consumer Protection Condition is a regulatory condition imposed in accordance with section 51 of, and paragraph 3 of Schedule 6 of, the Postal Services Act 2011.

\(^{240}\) 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.

\(^{241}\) [http://www.ombudsman-services.org](http://www.ombudsman-services.org)
Following a review of the ADR schemes, Ofcom has worked with the schemes on the introduction of a number of 'decision-making principles' that will help safeguard against any potential inconsistencies in the way they deal with and resolve consumer complaints, which should result in better outcomes for consumers.

We have also been working with the schemes to develop common compensation guidelines, designed to help them reach consistent and fair decisions when awarding compensation.

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.

In 2011 we established a number of new regulatory obligations on CPs to ensure that consumers have their complaints resolved quickly and effectively. These require CPs to have in place procedures that comply with certain 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, 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.

**Telecoms complaint handling: monitoring and enforcement programme**

Since the introduction of these new rules, despite informal engagement with a number of CPs about their performance, and some individual improvements, overall complaint numbers remain at around 800 per month. We therefore opened a monitoring and enforcement programme in February 2013 to assess CPs’ compliance with the rules.

In addition to our concerns about the number of complaints received (complaints handling accounts for around 11% of all telecoms complaints), we are concerned that CPs may not be making complainants aware of their right to go to ADR if the complaint remains unresolved after eight weeks, as required by the Ofcom Code.

Research that we published in August 2013 validated our ADR awareness concerns, showing that only 30% of complainants who are eligible for ADR are aware of it and

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242 [www.cisas.org.uk](http://www.cisas.org.uk)
15% (of those eligible) were referred to ADR by their provider. Therefore, a further objective of the programme is to ensure that CPs are making complainants aware of ADR.

6.71 Under the programme, we conducted desk research and formally requested information from the main fixed and mobile CPs about their complaints handling processes. Following an assessment of the evidence gathered, we are continuing to engage with a number of CPs.

6.72 We also opened a formal investigation under GC14.4 into Three in September 2013. The investigation is ongoing and will run in accordance with our published enforcement guidelines.

Postal services

6.73 In post, there is one Ofcom-approved scheme: The Postal Redress Service (POSTRS).

6.74 In March 2012, Ofcom confirmed the new regulatory regime for post, including the consumer protection conditions. We continue to monitor compliance with these obligations and monitor their effectiveness.

Unexpectedly high bills (UHB) – ‘bill shock’

6.75 Concerns about bill shock have been expressed directly by consumers and 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 extreme cases of UHBs.

6.76 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.

6.77 Over the past year we have continued our work to reduce the level and impact of UHBs experienced by mobile contract consumers. Our engagement with mobile operators and the steps they have taken to date, along with work we and other stakeholders have undertaken to increase consumer awareness about how to avoid UHB appears to be having a positive effect. There has been a notable reduction in the number of UHB complaints received by our CCT, and consumer research from March 2013 indicates a decline in the overall proportion of consumers experiencing UHBs, and a drop in the average level of harm experienced.

244 Full study can be found here: http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/adr-august-2013/ADR_august2013.pdf
245 Where relevant, by issuing a deadlock letter where the complaint cannot be resolved and/or is more than eight weeks old and unresolved.
246 http://www.postrs.org.uk/
247 http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
248 http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bill-shock/Billshock_data-tables.PDF
6.78 However, although numbers of complaints remain low compared with other areas, and financial harm tends to cluster around lower values, a small number of cases result in more significant levels of harm (sometimes featured in the media).

6.79 We published an update document in March 2013\(^{249}\) setting out: progress made in relation to the different types of UHBs we had identified; findings from research undertaken in 2012 to better understand the causes and impact of UHBs; and planned next steps. Key outcomes over the past year, including those resulting from work undertaken since the update document, are:

- Engaging with operators to ensure compliance with consumer protection measures in the EU Roaming Regulation\(^{250}\). A number of operators made improvements to their processes and procedures as a result. Some operators provided remedies (in the form of refunds) to individual consumers who had suffered harm as a result of failures to comply with some aspects of the Roaming Regulation by 1 July 2012.

- Sharing with operators our findings from desk-based research looking at website information on the out of allowance/exceeding allowance charges that appear to generate UHBs, in order to encourage greater transparency and clarity. Operators have responded positively, reviewing and updating the information that they provide and taking steps to help consumers understand such charges.

- Encouraging operators to adopt measures to help reduce UHBs. All of the main mobile operators now provide SMS alerts when consumers reach their data allowance, and some have also introduced the same for voice allowances. Many have improved the usability of account management tools, such as apps that help consumers monitor their use and manage their spend, and have worked to increase consumer awareness and use of such tools.

- Working with operators to help ensure that consumers are well informed about how to reduce the risk of UHBs as a result of unauthorised use of a lost/stolen phone and can easily report lost or stolen phones, especially when abroad.

- In March 2013 we published a revised set of consumer guides and videos with tips on how to avoid UHBs, and in summer 2013 we published a guide on using data while abroad. In December 2013 we published a guide to help parents who are looking to buy their child a new mobile phone or tablet. The guide includes things to think about when looking at devices and deals and ways to help manage their child’s spend.

6.80 We continue to have particular concerns about UHBs caused by lost/stolen phones. Currently, consumers are liable for charges for any unauthorised usage from the moment their phone is lost or stolen up to the point at which they notify their operator of the loss/theft. Consumer research from July 2013\(^{251}\) suggests that this affects a small proportion of consumers but we know from consumer complaints to the CCT and the media that the harm to individual consumers can be significant with bills sometimes running into thousands of pounds.

\(^{249}\) http://stakeholders.ofcom.org.uk/binaries/consultations/unexpectedly-high-bills/statement/report.pdf  
\(^{251}\) http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bill-shock(Ofcom-Billshock-2013.pdf
6.81 We raised this issue with the Department of Culture Media and Sport (DCMS) and suggested that it should consider introducing legal provisions, similar to those in the payment card market, to cap a consumer’s liability for charges for unauthorised use. DCMS announced as part of its telecoms strategy paper that it would work with industry to introduce a code of practice to help prevent this and other types of UHBs\textsuperscript{252}.

6.82 In December 2013, the government further announced, as part of its Telecoms Consumer Action Plan, that it would undertake detailed work with Ofcom and CPs to determine the level of a monetary cap on customers’ liability for usage charges associated with a lost or stolen mobile phone, and the conditions that would apply to it, with the aim of introducing the cap in spring 2014\textsuperscript{253}.

6.83 Over the next year we plan to:

- Support DCMS in its work with mobile and other CPs to tackle UHBs.
- Contribute to the development of the European Commission’s Single Market Regulation proposals, which may help to further reduce the risk of UHBs.
- Continue to monitor consumer experience through complaints made to our CCT and research, raising and discussing areas of concern with operators as appropriate.
- Engage with CPs to understand how they intend to implement Ofcom’s proposals to increase the transparency of non-geographic numbering\textsuperscript{254}.
- Continue to ensure compliance with the Roaming Regulations.

\textit{Inadvertent roaming}

6.84 Mobile phone users in Northern Ireland (NI), particularly in border regions, may incur international roaming charges without ever leaving the country. Inadvertent roaming occurs when the signal from a domestic UK network is weak or unavailable and a phone picks up a stronger signal from a mast in the Republic of Ireland. In these cases, users can be charged more expensive international roaming rates, which can lead to unexpectedly high bills.

6.85 EU legislation requires that mobile operators take reasonable steps to protect their customers from paying inadvertent roaming charges. Over the past 18 months, Ofcom has been working with the main operators in Northern Ireland to understand the steps they have taken and to encourage further action.

6.86 Operators have tackled this problem in a number of different ways. Some offer special tariffs and apps that can help reduce inadvertent roaming costs. Operators also provide specific advice to their customers about reducing the exposure to these charges, including on their websites. Ofcom recently published a consumer guide


\textsuperscript{254} http://media.ofcom.org.uk/2013/12/12/telephone-call-charges/
with information on inadvertent roaming in NI including advice on how consumers can help to reduce or avoid expensive inadvertent roaming charges.\(^{255}\)

**Postal services**

6.87 We monitor Royal Mail’s performance on an ongoing basis and bring this together in our *Annual monitoring update of the postal market report*.\(^{256}\)

6.88 Ofcom also meets Royal Mail on a quarterly basis to discuss any customer-related issues of concern including quality of service performance and consumer complaints.\(^{257}\) We identify areas where we expect Royal Mail to improve its performance, failing which we could consider taking enforcement action.

**Video-on-demand services**

6.89 Ofcom has general duties in relation to the regulation of on-demand programme services (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.

6.90 Ofcom retains the power to sanction ODPS providers which do not adhere to ATVOD’s rules. Over the course of the last year, we have sanctioned a number of providers who failed to protect children from the sexually explicit adult material they provide on their services. Playboy TV UK / Benelux Ltd was fined £100,000 for breaches on two of its services (‘Demand Adult’ and ‘Playboy TV’), one of which contained R18 equivalent material outside the pay wall, and both of which had ineffective age verification processes that meant under-18s could potentially access sexually explicit material. Further, Ofcom fined Strictly Broadband £60,000 for the unrestricted adult content on its ODPS, which appeared both inside and outside the pay wall.

6.91 Ofcom has also issued a Direction suspending the service www.jessicapressley.com, which featured hard-core pornographic material which under-18s were able to access. Following a lengthy period of non-cooperation with ATVOD, the day after the Direction was issued the site was removed by the service provider, which acknowledged that it had done so as a result of Ofcom's intervention.

6.92 Ofcom has published research to help it better to understand which on-demand audiovisual services tend to be considered as competing alternatives to watching linear scheduled TV (channels) by consumers, when they want to watch TV programmes, and why. The work, undertaken by Essential Research, sets out which VOD services were considered by users as competing alternatives to linear TV and contributes to Ofcom’s ongoing function to determine which on-demand services fall within our and ATVOD’s remit.


\(^{257}\) Ofcom does not publish data for consumer complaints about postal services. However, all regulated postal operators including Royal Mail are required to publish annual complaints data. Additionally, Royal Mail is required to publish quarterly reports showing the amount of compensation paid, [http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf](http://www.royalmail.com/sites/default/files/RoyalMail_ConsumerComplaints_and_Compensation_Report_201213.pdf)
6.93 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.

6.94 In October 2011 Ofcom joined forces with other UK media regulators to launch ParentPort²⁵⁸, a website to make it easier for parents to complain about material they had seen or heard across the media, communications and retail industries.

6.95 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).

6.96 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 a barometer of parental views.

6.97 In March 2013, ParentPort was updated to include a wide range of useful tips and safety advice for parents to help them keep children safe when they are online, using mobiles, social networking sites, watching films, advertising and playing video games. There is a lot of useful safety advice already available online, but it is often fragmented and difficult to find. ParentPort has brought this information together and organised it into a number of easily accessible categories to help parents learn more about how they can protect their children in these areas.

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.

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

259 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.
**DEADLOCK LETTER** A letter or email from a Communications Provider to a Complainant agreeing that the Complaint can be referred to the relevant Alternative Dispute Resolution scheme.

**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.

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

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

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

**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.

**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.

**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.

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

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

**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 limit** 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.