The Communications Market 2007
Nations and Regions
English Regions

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Foreword

This is Ofcom's second annual review of telecoms, television and radio markets across the nations and regions of the UK. In it we aim to present the most comprehensive picture possible of trends in these markets, in order to establish the context for policy decisions by Ofcom and other types of decisions by other public and private sector organisations.

Last year's report [1] concluded that differences in the availability, take-up and consumption of communications services across the UK could be explained by whether an individual lives in a rural or urban location, their age and socio-economic profile and attitudes towards communications technology. It pointed to significant gaps in the availability of communications services in areas with larger rural populations such as Northern Ireland, Wales, Scotland and the South West. Take-up of services was lower in rural areas and in locations with a higher proportion of C2DEs - Wales, Scotland, Yorkshire & the Humber, the North East and Northern Ireland. We also found that age was a key influence on adoption of mobile phones and the internet.

This year's report shows that the gap between 'leaders' and 'laggards' on key indicators has narrowed over the period, with availability and take-up in rural areas closing on urban conurbations. For instance, the gap between the parts of the UK with the lowest and highest internet penetration narrowed from 16 to 13 percentage points. A similar reduction was seen for broadband internet access where the gap fell from 17 to 7 percentage points. Moreover, a 19 percentage point gap in 2005 DTV penetration by nation and region had narrowed to 13 percentage points in 2006. The impact of age also appeared to be less of a differentiating factor in 2006, with increased use in mobile phone use driven by enhanced take-up of mobile telephony among consumers aged over 45.

Following the 2006 report and recognising the importance of the rural/urban divide, stakeholders asked us to commission a programme of research to help improve our understanding of the challenges faced by people living in rural parts of the UK. Research was conducted in early 2007 to examine the take-up of, and demand for, communications services in rural areas of the UK. It confirms last year's findings that take-up of certain communications services (notably digital television, broadband and 3G mobile) is lower in rural areas. However, among those yet to acquire these technologies, only a small minority have been prevented from doing so by lack of availability.

In other areas, this report adopts the approach of the 2006 report, once again drawing on the latest operator data, research findings from Ofcom's communications tracking survey and industry data from BARB and RAJAR. This allows us to provide a comprehensive statistical digest of availability, take-up and consumption of communications services throughout the UK. Wherever possible, these sources have been used to provide the most up-to-date industry metrics. In the case of digital television penetration and broadband take-up, however, this report relies on 2006 *average* figures (because this allows for robust regional analysis), rather than using Ofcom's latest published figures[2].

Two enhancements have also been introduced this year.

The first involves reporting on analysis we have undertaken on minority ethnic groups' consumption of communications services. The second innovation is that the report provides an industry overview for each nation – highlighting, for example, the scale of investment

[1] See http://www.ofcom.org.uk/research/cm/
[2] For the latest figures for digital television and broadband homes visit Ofcom's website.

made by the BBC and ITV1 in nations and regions television output and their hours of broadcast output.

The report is divided into five sections:

- **Section 1** summarises the report's main findings;
- **Section 2** offers a comprehensive analysis of communications markets across the UK's four nations starting with, by way of background, a short socio-demographic and economic portrait of the four nations. It goes on to examine recent communications market developments, before summarising the results of the research that has been commissioned for this report. It concludes with a comparative analysis of communications markets in each nation; and
- **Sections 3 to 5** provide in-depth analyses of the television, radio and telecommunications markets across the four nations.

This report forms the first of Ofcom's three 2007 publications examining different aspects of the UK's communications markets. The *Communications Market 2007*, to be published in the summer, will consider the UK-wide market in depth and *The International Communications Market* report, to be published around Christmas, will make comparisons between the UK and overseas markets.

We would welcome any comments and feedback that you might have on this report. Please email Ofcom's Market Intelligence team on market.intelligence@ofcom.org.uk.

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1.1 Executive summary

1.1.1 Recent developments in England

Local TV services for English viewers begin to emerge
In March 2007 ITV extended its 'Local TV' service into London and central regions, having first launched it as a pilot service in Brighton and Hastings. Similarly, August 2006 saw the conclusion of the BBC's ultra-local television pilot across the West Midlands. The trial was based around existing local radio station patches and used multi-media centres in each station to connect with a control hub in Birmingham. The services were available on digital satellite, digital cable and broadband.

ITV makes changes to its regional news output during 2006
ITV made proposals to Ofcom to change six of its 11 regional news services in May 2006. The changes affected the volume and geography of ITV's sub-regional news services. Ofcom agreed to reduce overall minutage of sub-regional news but at the same time, the number of fully sub-regional news bulletins at 6pm increased. ITV has also scaled back a number of its production departments across the English regions, and announced in June 2006 that it was closing its Factual programme-making centre in Bristol.

BBC begins planning its move to Salford
The BBC has proposed to move 1,500 of its staff from London to Salford by 2010. A 200-acre site was selected in June 2006 and is expected to house five departments - Children's, Sport, New Media, Research and Development and Five Live and Five Live Sports Extra.

Norwich boasts the largest community wireless broadband network in the UK
In Norfolk, a two-year wireless broadband pilot called Norfolk Open Link has been launched. It provides the only network in the UK to offer free mobile internet access to the public, businesses and public sector employees. It is also the first wireless broadband network pilot to cover both rural and urban locations. The pilot runs from August 2006 to April 2008 and is managed by Norfolk County Council and funded by the East of England Development Agency (EEDA).

Digital Radio Mondiale is piloted in Plymouth
In April 2007 BBC Radio and National Grid Wireless began conducting a medium wave trial of the digital radio mondiale (DRM) standard in Plymouth. The trial will broadcast BBC Radio Devon using DRM from the existing medium-wave transmitter. The BBC World Service is already available on short-wave using the technology to some parts of western Europe and north Africa.

1.1.2 Ethnic minorities' consumption of communications services

4.5m minority ethnic consumers live in England – 96% of the UK total
2001 Census data suggested that there were 4.5 million people in the UK from an ethnic minority group (MEG), 96% of whom lived in England. Demographically, minority ethnic groups have a younger age profile when compared to the UK average, with the mixed-race group exhibiting the youngest profile of all (50% aged under 16, compared to 20% for the UK as a whole).

MEG households tend to be larger than average and more likely to contain children
MEG households are generally larger (4.5 for Bangladeshi, 4.1 for Pakistani compared to the UK average of 2.3) and are more likely to include children. Owing to higher levels of unemployment among MEG groups, household income levels are likely to be lower than the UK average, although there is substantial variation by ethnic group.

Fixed line penetration lower than average among MEGs but more high spenders
Fixed-line penetration among MEG households was 4% lower than the UK average, and with BT enjoying 67% share among MEGs (compared to the 62% for the UK as a whole), it appears that switching is less common among MEG consumers. A higher proportion of MEG fixed-line customers than the UK average claimed to spend in excess of £70 per quarter (32% vs. 25%).

MEG mobile take-up exceeds UK average
Mobile penetration among MEGs was higher than the UK average, at 83% in 2006 (versus 80% for the UK as a whole). Penetration was particularly high among black African and Pakistani respondents, at 88% each. Prepay tariffs were less frequently chosen among MEGs (55% vs. 65% nationwide) and the most popular network was T-Mobile (compared to O2 on a UK basis). MEG groups were more likely to claim that they received more incoming calls on their mobile phone than they did on their fixed line – 44% claimed to do so compared to 31% of the population as a whole.

Perceived cost explains why some minority ethnic consumers do not have mobiles
Both among MEG consumers and all UK adults who did not have a mobile phone, cost was the most common reason given for not having one (57% and 58%). However, MEG consumers were more likely to say that they would like to own one – only 37% of MEGs sampled agreed with the statement 'I'd never use a mobile phone if I had one', in contrast to 54% of all UK adults.

MEG homes more likely to have broadband
By and large, internet penetration at home was as high in MEG households as it was for the UK as a whole (55% vs 52%), although black Africans were far less likely to have internet access (42%). Of those with access, MEGs were more likely to have a broadband connection (80% versus 74% of all UK adults with internet access). Of those currently without access, MEGs were less likely to agree that they 'might not' get a connection in the next 12 months (59% of MEGs said they were unlikely to do so versus 73% of the total population).

Fewer MEGs have digital television, but of those who do, more choose to subscribe
Digital television penetration among minority ethnic groups was below the UK average in 2006 (68% versus 74% of all of those sampled), but a higher proportion overall chose to subscribe to cable/satellite television services than the total population (60% versus 52%) – reflecting the range of subscription services available to minority ethnic audiences in England.

1.1.3 Access to rural communications services across the UK

To complement the supply-side analysis of digital communications service availability that we first presented in 2006, we have now carried out research with consumers in urban and rural areas across the UK's four nations to find out how well they understand which communications services they have access to, and their attitudes towards getting access to those services they believe they do not currently have.

Take-up of services in rural Scotland, Wales and Northern Ireland lags behind urban areas
The survey shows that for some communications services – in particular multichannel TV, broadband and 3G mobile, take-up in rural areas is lower than in urban areas in all of the UK's nations. The exception is England, where take-up is broadly equal between rural and urban dwellers.

Perceived availability of services is also lower in rural areas when compared to urban
Consistent with take-up levels, the research found that perceived service availability is lower in rural areas of Scotland, Wales and Northern Ireland than in urban areas. Again, in England the survey shows little evidence that rural areas lag behind urban ones.

Demand for services by people who cannot currently receive them is low
By and large, the survey found that interest among those consumers without access to communications services was relatively low across all nations – particularly in England and Scotland. Demand was greatest in Wales and Northern Ireland where 3G mobile and digital radio, in particular, attracted the interest of between 7% and 11% of those in rural areas in Wales and Northern Ireland.

1.1.4 The television market

DTV penetration in England averaged 75% in 2006
Take-up of digital television among individuals in England averaged 75% in 2006, on a par with Scotland but lagging behind Wales (82%). The proportion of individuals using free-to-air TV (analogue or digital) at home was highest in England (53%). Of those choosing pay-TV, 69% of individuals in England chose satellite, a lower proportion than in Wales (83%) and in Northern Ireland (84%).

Total TV production spend per head in England reached nearly £40 in 2006
Regional TV production spend per head of population in England was the lowest among the four nations in 2006, at £3.80 per head, compared to the UK average of £5.30 per head and the peak in Northern Ireland of £19.10. Taking account of network production across the UK, however reveals that England benefitted from nearly £40 per head of total television production in 2006 (compared to £23 - £25 per head in the other nations).

English regional television output cost £25k per hour in 2006
On a cost-per-hour basis, English regional output was valued equal to that of Northern Ireland, at £25k per hour in 2006, compared to the UK average of £26k in 2006 and the peak in Scotland of £34k per hour.

Television schedules in England are the least regionalised in the UK
The schedules of the English regions are the least regionalised in the UK, with 3.3% of all hours dedicated to programmes for English viewers, compared to the UK average of 3.8% (and the peak in Northern Ireland of 5.5%).

People in London and the West of England are the lightest consumers of TV in the UK
People in London and the West of England were the lightest consumers of television in 2006, with 3.31 and 3.32 hours per head per day respectively, compared to the UK average of 3.75 hours per day. The share of the five main networks in England ranged from 59% in the Border region to 74% in the South West of England, the highest share in 2006 of all the nations and regions.

Local news popular with people in the East of England – and least popular in London
Viewing of local news on television varied substantially across the UK. The combined share of early evening local news bulletins on BBC One and ITV1 ranged from 36% in London and 38% in the North East to 59% in the East of England; with the UK-wide average standing at 48% in 2006.

1.1.5 The radio market

Listeners in England have the widest choice of local radio stations in the UK
Listeners in England have access to an average of 6.1 local stations available per head. This compares to 4.5 stations in Scotland, 5.5 in Wales and 3.1 in Northern Ireland. There were

also almost 100 local community radio stations licensed in England by April 2007 (although not all of these stations were on air by this time).

Commercial radio revenue per head in England second highest in the UK
The English commercial radio stations generated revenue of £379m in 2006, equivalent to around £7.81 per head of population, in comparison to Scotland at £9.93 per head, Wales at £6.69 and £6.66 in Northern Ireland.

BBC network radio more popular in England than anywhere else
Forty-five per cent of all listening hours in 2006 in England were devoted to the BBC's UK network stations (i.e. BBC Radio 1-5). This was similar to levels in Wales (46%) and higher than in Scotland (36%) and Northern Ireland (27%). Listening to local commercial radio stations in England was also higher than average, accounting for 32% of all listening hours in 2006, compared to 24% in Wales, 27% in Northern Ireland and 43% in Scotland.

Most popular local stations in England
The most popular stations in England, in terms of percentage of local population reached, tended to be located on the islands off the coast of England or in more remote areas of the country, where the choice of stations is often lower. Manx radio, on the Isle of Man, had the highest reach of all stations in England, with 53% of the local population tuning in on a weekly basis. Two stations on the Channel Islands, Channel 103 FM on Jersey and Island FM 104.7 on Guernsey, reached 52% and 51% of the local population respectively, while BBC Radio Jersey reached 39% of the local population. Other stations with a high weekly reach in England included Lantern FM covering the North Devon area (43% reach), Isle of Wight Radio (42%) and Spire FM in Salisbury (40%).

1.1.6 The telecommunications market

Broadband availability high, cable and LLU varies
LLU and cable broadband availability in England (74% of premises and 48% of households respectively) were the highest of all the nations. In line with the other UK nations, almost all premises in England are connected to a DSL-enabled exchange, although a small proportion may not be able to receive broadband services. The availability of DSL and cable broadband in England did not change significantly during 2006, although the proportion of premises able to receive LLU broadband increased by over 25 percentage points during the year.

2G and 3G mobile coverage highest among the nations
Across England almost all people (100.0%) lived in a postcode district with 95% 2G area coverage from at least one mobile operator, and 95% of people lived in a postcode area with 50% 3G area coverage. Both of these levels of coverage were higher in England than in the other nations.

Internet and broadband penetration highest among the nations
Ofcom research indicates that 62% of individuals in England lived in a household with an internet connection in 2006, an increase from the 59% reported in 2005. Over the same period household broadband penetration increased from around 36% of households to 45%, similar to levels in the other nations. Research among SMEs suggested that nearly four in five (79%) SMEs in England used the internet in 2006.

Spend on telecoms services in line with UK averages
Average claimed monthly spend on fixed-line and internet services were £17.53 and £13.70 respectively for households in England taking those services in 2006. Similarly, the average monthly mobile spend among people in England who used a mobile phone was £21.09.

Three in ten households and one in four SMEs bundle telecoms services
Ofcom research indicates that 30% of households and 26% of SMEs in England bought

more than one telecoms service from a single provider in 2006. Bundling among households was highest in Northern Ireland (32%) while SME bundling was highest in Scotland (33%). Growth in bundling among individuals is being fuelled by increasing broadband take-up and LLU availability.

Satisfaction levels among consumers high

In England 91% of mobile users, 90% of people with a home fixed line and 88% of people with a home internet connection were happy with their service in 2006. These satisfaction levels were similar to the corresponding levels in 2005.