Communications Market 2007
Nations and Regions
Northern Ireland

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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 research commissioned by Ofcom on inadvertent roaming by mobile users in Northern Ireland on to networks in the Republic of Ireland. The second innovation is that the report provides an industry overview for each nation – highlighting, for

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

example, the scale of investment 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.

Ed Richards
Chief Executive

The information set out in this report does not represent any proposal or conclusion by Ofcom in respect of the current or future definition of markets and/or the assessment of licence applications or significant market power or dominant position for the purposes of the Communications Act 2003, the Competition Act 1998 or other relevant legislation. We endeavour to ensure that the data in this report are the most accurate currently available.

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1.1 Executive summary

1.1.1 Recent developments in Northern Ireland

Local loop unbundling taking hold in Northern Ireland
Twenty-two exchanges were equipped to handle local loop unbundling (LLU) by the end of 2006 with 10.2% of homes in Northern Ireland connected to a LLU-enabled exchange. TalkTalk emerged in 2006 as the largest LLU operator with a 7% share of all Northern Ireland fixed lines.

Inadvertent roaming on Republic of Ireland networks remains a concern
Occasions when a mobile phone user in Northern Ireland inadvertently makes a call on the Republic of Ireland's mobile telecommunications network remained a source of concern in 2006. Two reports on the matter were published by the ComReg/Ofcom Joint Working Group in January 2005 and October 2006 and discussions have been ongoing with mobile operators on three fronts – coverage (to identify where roaming was occurring); consumer information (to raise awareness of the problem) and tariffs (to encourage operators to offer tariffs designed to eliminate or mitigate the effects of the problem). The mobile operator 3 recently introduced a tariff which effectively removes roaming charges between Northern Ireland and the Republic of Ireland, while O2 has an Ireland bolt-on for £1.99 a month targeted at pre-pay customers (who make up the majority of all customers) which can effectively eliminate the problem for 3 and O2 customers who take-up these tariffs.

Broadband penetration grew rapidly in 2006
With 100% availability of broadband in Northern Ireland, take-up grew rapidly in 2006; the fastest rate of broadband take-up in any of the UK's four nations. Take-up is in line with the rest of the UK, at 42% of the population.

TG4 available on the Virgin Media network since January 2007
The Republic of Ireland's Irish language station, TG4, became available to Virgin Media subscribers in Northern Ireland in January 2007, adding to its availability on digital satellite, and via cross-border analogue transmissions and an analogue relay in the Belfast area.

Irish Language Broadcast Fund awards grants of nearly £3m in 2006
The Northern Ireland Film and Television Commission (NIFTC) manages the Irish Language Broadcast Fund (ILBF) which provides grants to part-finance the production of analogue, digital, online and interactive material in the Irish language in Northern Ireland. It also funds training in production skills for Irish language speakers. Figures published by the NIFTC show that during 2006, grants totalling nearly £3m helped fund programmes ranging from Drama and Light Entertainment to Children's series and documentaries. These programmes have been broadcast, or are due to be broadcast, primarily on TG4, but also on other channels, including BBC Northern Ireland.

Nine community radio applications received by Ofcom in January 2007
In response to its recent licensing round, Ofcom received nine applications for new community radio stations - Aldergrove & Antrim FM, Ballykinler FM, Belfast Student Radio, Drive FM (Londonderry/Derry), Holywood FM, Lisburn City Radio, Riverside FM (Londonderry/Derry), Star FM (North Down & Ards) and Vibe FM (Enniskillen).

BBC extended DAB coverage to 87% of the population during 2006
DAB services available in Northern Ireland include the BBC's national multiplex (carrying the five analogue services plus Five Live Sports Extra, 6Music, BBC7, BBC World Service and the Asian Network) and a single local multiplex operated by Emap. Emap estimates that its local multiplex reached 88.6% of the population of Northern Ireland, although this is an

indicative figure. The BBC has recently extended the coverage of its multiplex in Northern Ireland, with the addition of three new transmitters at Brougher Mountain, Limavady and Sheriff's Mountain in Londonderry; this brought BBC DAB coverage up to 87% in 2006.

Legislation of Community Audio Distribution Systems (CADS)
Northern Ireland was one of two places in the UK (West Yorkshire was the other) which were the subject of a pilot, beginning in 2004, to enable communities to use CB radio on a 'one to many' basis. The scheme proved to be particularly popular with churches in Northern Ireland which used the systems to relay services to the elderly, sick and other housebound. In order to make these systems available throughout the UK the DCMS passed secondary legislation to exempt CADS from the need to hold Broadcasting Act licences, which enabled Ofcom to deregulate their use.

Some significant developments in cross-border connectivity
The Armagh – Monaghan Digital Corridor, the Bytel Belfast – Dublin Link and the Londonderry/Derry – Letterkenny Link all marked improvements in cross-border connectivity during 2006. Agreement by Ofcom and ComReg to co-ordinate the release of spectrum in the 1785-1805 MHz band provided a further opportunity.

1.1.2 Inadvertent roaming in Northern Ireland

An estimated 74% of border-area mobile users experienced inadvertent roaming
Most mobile consumers are aware of this problem and those who are aware are spread quite evenly across the whole border area of Northern Ireland. There are an estimated 142,000 border region mobile phone users (aged 10+) and research commissioned by Ofcom suggests that 74% of these users, or approximately 105,000 people, claim to have experienced the problem.

An estimated 32% experienced the problem daily
Mobile users who claimed to have experienced inadvertent roaming were asked where and how frequently they had experienced the problem. Thirty two per cent of those surveyed claimed to have experienced the problem daily in at least one location.

An estimated 48% inadvertently roamed once a week and incurred costs as a result
A diary study was drawn from the sample of border region mobile phone users and mostly consisted of those users who were already aware of the problem or had experienced it, with 48% or 50,000 – 68,000 affected on a weekly basis.[3]

Awareness of the problem is high, awareness of special tariffs is low
An estimated 85% are aware of the problem, with varying degrees of knowledge. Most of those affected are not aware of special network tariffs; many avoid inadvertent roaming by not making/receiving calls or selecting the network manually; very few ask their operator to lock to manual or obtain a Republic of Ireland phone/SIM card. Only 7% of mobile users in border areas (around 10,000 people) say they are using a special network tariff to deal with inadvertent roaming.

Many in Londonderry/Derry were affected regularly
In Londonderry/Derry (Northern Ireland's second largest city) an estimated 54% of mobile customers had experienced the problem in the city and a quarter said they did so every day.

[3] We have provided an estimated range (50,000 to 68,000) on the basis that diary participants were more likely to be knowledgeable about the topic. The lower figure assumes that all diary participants were knowledgeable about the problem. The higher figure assumes that they were no more or less knowledgeable than the main study participants.

An estimated 10m instances of inadvertent border roaming occur each year
The diary study suggested that there could have been as many as 26,500 cost-incurring calls per day due to inadvertent roaming (nearly 10 million per year).

The annual cost to consumers of inadvertent roaming could be as high as £10.9m
If the average length of a mobile phone call made or received is assumed to last on average two minutes in total, the estimated additional cost of inadvertent roaming to mobile customers in the border area would be around £30,000 each day or £10.9 million per year.

If the average call length is one minute, the total annual cost would be £5.4 million.

This would mean that the 105,000 mobile customers in the border area affected by this problem could each be incurring charges of between £50 - £100 a year.

These are likely to be reasonably conservative estimates because they do not include extra costs for SMS messages, or take account of consumers from elsewhere in Northern Ireland, or indeed from elsewhere in the UK, who may also experience inadvertent roaming but less often than those interviewed. Also, the figure does not attempt to measure the 'opportunity cost' of calls that are not made.

1.1.3 Communications services in urban and rural areas

To complement the supply-side analysis of digital communications service availability, first presented in the 2006 report, Ofcom has this year examined whether consumers in urban and rural areas across the UK's four nations were aware of whether or not they had access to those communications services and, if not, whether they would wish to have access.

People in the rural areas of Northern Ireland, Scotland and Wales lag behind those in urban areas in take-up of many communications services
The survey shows that for some communications services – in particular multichannel TV and 3G mobile, take-up in rural areas is lower than in urban areas in all of the UK's nations, with the exception of England.

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

Demand for services to be made available is highest in Northern Ireland and Wales
The survey found that interest in having communications services made available was greatest in Northern Ireland and Wales. 3G mobile and digital radio in particular attracted interest from between 7% and 11% of people in rural areas in Northern Ireland and Wales.

1.1.4 The television market

Regional investment in television highest in the UK, network investment lowest
UK-wide investment in regional television output totalled £5.40 per head in 2006, while in Northern Ireland the per-capita investment was the highest of any UK nation, at £19.10. Conversely, investment in *network* production across all five terrestrial channels was lowest in Northern Ireland, at £3.85 per capita compared to a UK-wide figure of £32 per head.

UTV and BBC Northern Ireland schedules are the most regionalised in the UK
There is a higher incidence of regionalised output in the schedules of BBC One Northern Ireland, BBC Two Northern Ireland and UTV than in any other schedule in the UK, with 5.5% of all hours devoted to regional output (compared to the UK average of 3.8%).

Northern Ireland's regional output cost £25k per hour
On a cost-per-hour basis, Northern Ireland output cost £25k per hour in 2006, compared to the UK average of £26k per hour, having fallen by 19% in the five years to 2006.

UTV most popular channel in Northern Ireland
The share of the five terrestrial networks in Northern Ireland homes came in at 67% in 2006 – in line with the national average. BBC One and BBC Two attracted four fewer percentage points of share when compared to the UK average of 32%. UTV, on the other hand, had a 24% share compared to the national average of 20%.

DTV take-up lowest in the UK at 69%
Sixty-nine per cent of individuals have digital television at home in Northern Ireland – in comparison to 75% of people on a UK-wide basis; the lowest of the four nations.

People in Northern Ireland are light consumers of TV
On a per-capita basis, Northern Ireland television viewers consumed less television than people in most other UK nations and regions in 2006, with 3.34 hours of TV per day (the UK average was 3.75 hours). This figure was 11.9% lower than in 2002 – a fall greater than anywhere else in the UK.

Northern Ireland viewers rely on television more than others in the UK for all types of news
People in Northern Ireland rely on television for international news in greater numbers than in other nations. A full 90% of respondents in Northern Ireland cite television as their primary source, in comparison to 72% on a UK-wide basis. Television is the main source for news about the UK, Northern Ireland and local news. UTV is most frequently cited as the preferred channel for local news.

1.1.5 The radio market

Commercial revenue per capita of £6.66 in 2006
Commercial revenue generated by Northern Ireland's radio industry stood at £6.66 per head in 2006, which compared to a UK-wide figure of £7.89. The BBC, meanwhile, committed funds to radio in Northern Ireland totalling £6.77 per capita compared to the UK average of £2.68.

Fewer local commercial radio services per million of population
Per million of population covered, Northern Ireland listeners have access to the lowest number of local commercial analogue radio services in the UK, at 2.1 per million versus 4.7 per million across the UK. Of the ten commercial licensees in Northern Ireland, five cover an area of more than 250k people, while the remaining five cover small regions of under 100k.

BBC local radio most popular in Northern Ireland
BBC local radio is more popular in Northern Ireland than in any other nation, attracting a 27% share in 2006 versus the UK average of 11%. This came primarily at the expense of BBC network radio (27% versus 44% UK average), although commerical local radio was also low (27% versus 44% UK average).

BBC Radio Ulster and Radio Foyle the most popular local radio stations in Northern Ireland
With over half a million listeners to BBC Radio Ulster and Radio Foyle on a weekly basis, these two stations were the most popular radio services across Northern Ireland in 2006. The most popular commercial stations included: Cool FM (417k listeners per week), Downtown Radio (288k) and Citybeat 96.7 FM (137k).

1.1.6 The telecommunications market

LLU-enabled exchanges cover a smaller proportion of the population than UK as a whole

Ten per cent of premises in Northern Ireland were connected to an LLU-enabled exchange at the end of 2006, compared to a UK average of 67%. Cable broadband was available to 30% of homes in Northern Ireland at the end of 2006, compared to a UK average of 46%. Under the terms of the Northern Ireland Department of Enterprise Trade and Investment's contract with BT a broadband connection is available to 100% of homes in Northern Ireland, primarily to a DSL-enabled exchange but in some areas via satellite.

2G and 3G mobile coverage

Almost all people in Northern Ireland (99.6%) live in a postcode area with at least 95% area coverage by one or more 2G mobile networks. 3G coverage in Northern Ireland was the lowest among the nations, with only 59% of the population living in a postcode area with more than 50% area coverage at the end of 2006, compared to the UK average of 91%.

Household internet penetration the lowest among the nations at 56%

Household take-up of the internet in Northern Ireland stood at 56% in 2006 compared to a UK average of 61%. For SMEs, 71% had internet access while the UK-wide figure was 77%.

Household broadband take-up of 42% compared to UK average of 45%

Broadband, meanwhile, had been adopted by 42% of households in 2006, in line with the UK average. At the same time 52% of SMEs in Northern Ireland had access to broadband compared to the UK average of 62%.

Monthly mobile telephony spend the highest in the UK at £23.97 per month

Average claimed monthly spend on mobile telephony by individuals with a mobile phone in Northern Ireland was, at £23.97 in 2006, the highest among the UK nations. Similarly, average monthly household spend on fixed-line services by those with a fixed line in Northern Ireland (£20.57) was the second highest among the nations after Wales. Average internet spend among those with an internet connection in Northern Ireland was £10.15 per month, the lowest among the nations and 25% lower than the UK average.

15% of people with the internet in Northern Ireland have ever used VoIP

In 2006, 15% of people with an internet connection in Northern Ireland claimed they had at some point used Voice over Internet Protocol (VoIP) telephony. That compared to an average of 18% of people across the UK. Meanwhile, 7% of SMEs in Northern Ireland reported that they had ever used VoIP, in comparison to 15% for the UK as a whole.