



The Consumer Experience

Telecoms, Internet and Digital Broadcasting 2007

Policy Evaluation

Publication date: 20 November 2007

Contents

Section		Page
	Foreword	1
1	Executive Summary	2
2	Choice and range of service	5
3	Access	10
4	Consumer Empowerment	24
5	Consumer Protection	31
6	Conclusions and next steps	43
Annex		Page
1	Glossary	45

Foreword

Ofcom's principal duty under the Communications Act is to further the interests of citizens in relation to communications matters; and to further the interests of consumers in relevant markets, where appropriate by promoting competition. The two reports we are publishing today help us to evaluate the experience of consumers and citizens and to assess the impact of Ofcom's policies and priorities.

The research report sets out the results of comprehensive research measuring how well consumers are faring in terms of four aspects of their relationship with communication services: choice and range; availability and take-up; level of engagement; consumer protection and concerns. We track the research results over time and benchmark them against other countries.

The policy evaluation examines the research data and uses it to assess the impact of our regulatory policies and activities. This evidence will help us make sure that we have the right priorities and that our actions are securing positive outcomes for citizens and consumers. It provides an opportunity to consider the effect of our policy work and market developments on all consumer groups - in particular older people, children, disabled consumers and consumers on low-incomes.

We have changed aspects of this year's reports in response to suggestions we received from stakeholders last year. We provide more details on older consumers – reporting separately on those between 65 and 74 and on the over 75s rather than a single 'over 65s' group – and on disabled consumers, reporting separately on visual, hearing and mobility impairments. This year the reports also include international price comparisons. And to provide a richer understanding of barriers to take-up and use, we have included reports of two qualitative studies on consumers with hearing impairments and on low-income households.

This year's reports also show convergence becoming a reality. With consumers increasingly able to obtain services from a range of alternative platforms and to choose bundles of services on the same platform, the reports examine how consumers are taking up and using services provided in this way.

We are keen to have stakeholders' views on the research findings and the policy analysis. We want to continue our dialogue over our priorities and the actions most likely to achieve the results we are seeking. We will be arranging various opportunities over the coming months to discuss the reports and we urge you to take part and let us have your views.

David Currie
Chairman

Ed Richards
Chief Executive

Executive Summary

This is the second annual publication of Consumer Experience in which we report on Ofcom's progress in carrying out our principal duty to further the interests of citizens and consumers in relation to communications matters.

Each year we examine the consumer's experience in four aspects of their relationship with communication services: choice and range; availability and take-up; level of engagement; consumer protection and concerns.

Choice and range

Effective competition is one of the main drivers of consumer benefits in terms of innovation, more choice for consumers, higher quality and lower prices.

Ofcom takes vigorous measures to promote competition, including ensuring the full implementation of BT's undertakings to provide equivalent access to its competitors as it does to its own retail business. Our report shows positive results with greater choice and falling prices for consumers.

Local Loop Unbundling (LLU) enables other providers to take over from BT the operation of the local line between the exchange and the customer's premises. 67% of lines are now connected to LLU exchanges – a rise from around 44% in 2006.

2007 saw the **increased availability of bundles** of products, combining different services into packages and often containing a 'free' element, such as free broadband or free calls. 40% of households are now taking more than one services from the same provider – up a third on last year.

Competition is continuing to drive **price reductions**. A household bill for a 'basket' of fixed, mobile and broadband services has fallen in real terms from £113 a month in 2001, to £76 in 2006 and further to £69.85 a month in 2007. Our analysis indicates that prices are now typically lower in the UK for fixed-line, post pay mobile and broadband services than in Germany, Italy and US.

Access

Availability of services remains at very high levels driven by competition and a regulatory framework that encourages investment and ensures that essential services are available. The Universal Service Obligation effectively ensures 100% availability of fixed-line services. Coverage for 2G mobile services remains very high but not universal with lower levels of coverage in some rural areas.

BT reports 99.6% of its lines can now receive broadband with speeds of at least 512kbit/s. With growing expectations, the policy focus is now turning to the availability of higher speeds and next generation networks.

98% of households are able to receive digital satellite television with 73% able to receive Freeview, rising to 98.5% at digital switchover. 45% of households can access digital cable.

Take-up of services continues to rise, driven by this wider availability, increased choice and falling prices. Household take-up of mobile phones is higher than fixed-line for the first time. 71% of adults are now using the internet.

There are positive signs that the size of the differential between the levels of take-up by older consumers and other groups is now reducing. We are now seeing some of the biggest increases in PC ownership and take-up of the internet and of digital TV services amongst the 65-74 age group and in particular by consumers over 75s. However, older consumers continue to have lower absolute levels of take-up across all services, with the exception of fixed lines.

Consumers with hearing, visual and mobility impairments have generally lower levels of take-up of services. However levels are increasing, particularly amongst consumers with hearing and mobility impairments, and appear broadly consistent with their age and income profiles.

However this growth in take-up is leaving a group of consumers who are increasingly hard to reach. For them costs seem to be less of a barrier than other factors. Among low-income consumers, barriers exist around other factors such as lack of a bank account and variability of income. Our research amongst consumers with hearing impairments indicates that barriers remain around the cost and usability of equipment and difficulties using telephone-based customer service and in dealings with retail sales staff.

This sets challenges for suppliers and policy makers to understand and address the needs of those who may still wish to take up services. Our work on **digital inclusion** and on **media literacy** is examining the barriers to take-up and use and developing proposals on how they might be tackled. As cost and availability appear to be becoming less significant barriers than other social and economic factors, we will need to work closely with stakeholders to identify possible solutions.

Empowerment

It is vital that consumers can compare and change providers and products easily to secure the benefits of competition. As the competitive market and convergence deliver more choice for consumers - with different platforms and an expanding range of options and bundles available - it becomes harder for consumers to make informed choices.

Our research shows that there is **increased participation** in markets by consumers – actively switching, comparing services or negotiating new deals – but that they are finding comparing quality of service (QoS) more difficult than making price comparisons. To help consumers compare providers, over the last year we have introduced a new price accreditation scheme and are working with industry to develop QoS initiatives further, in particular to provide broadband comparisons.

Our research shows falling level of satisfaction with broadband services. One area of complaint has been that advertised headline **broadband speeds** do not reflect actual speeds delivered. Ofcom is currently working to make sure consumers have clear and accurate information about broadband speeds to address concerns.

We reported in 2006 that consumers seeking to **switch broadband** providers were experiencing considerable difficulties and delays. We introduced new measures in February 2007 to address these problems. These appear to be having a very positive effect with a significant reduction in complaints and similar improvements being shown in data from industry.

Protection and concerns

Consumer protection is a priority for Ofcom. Our work aims to prevent scams and unfair practices from occurring as far as possible and that, when they do, we respond effectively.

We have introduced new rules to combat **mis-selling and slamming** (where consumers are transferred to another supplier without their permission) in respect of fixed-line services and have taken enforcement action against the worst offenders. Complaint levels have stabilised with some industry data indicating that aspects of mis-selling activity may be reducing.

There has been a significant rise in complaints from consumers about the mis-selling of mobile services, notably about the use of **'cash-back'** deals. Ofcom wishes to see this problem resolved urgently. Mobile providers introduced a voluntary Code of Practice over the summer to address the issue. Ofcom is now examining the effectiveness of the code and will consider whether more formal regulation is needed to protect consumers.

Silent calls are generated by automatic calling systems which create silence or terminate calls if a call-centre agent is not available when the call is answered. They can cause inconvenience and anxiety. Ofcom introduced new rules in 2006 to tackle this problem and has taken enforcement action against a number of organisations. These measures appear to be having success with the level of complaints to Ofcom and BT falling significantly over the last year.

On **additional charges**, it is essential that consumers have confidence that any charges are fair, transparent and justified. Ofcom is carrying out a review of the use of these additional charges across the industry.

We also ask consumers what concerns they have generally about communication services. Concerns overall have fallen sharply over the last year. As in 2006, the highest levels of consumer concern relate to **children's** access to internet content and to **internet security** generally.

Internet protection, particularly with regard to children, is an area where we actively support the work of other stakeholders. In particular we are working with the Home Office to develop a British standard for internet access control software to be introduced next year which will allow adults to easily control children's access to internet-based content. We will also be submitting evidence to the Byron review commissioned by the government to assess the risks to children from exposure to potentially harmful or inappropriate material on the internet and in video games.

Section 1

Choice and range of service

- 1.1 In this section, we assess the impact of our policies by reporting on the range of providers in the market, the prices of services and how these have changed over time and how they compare with prices in other countries. We also report on consumers' awareness of providers and on the levels of consumer satisfaction.
- 1.2 Effective competition is one of the main drivers of consumer benefits in terms of innovation, more choice for consumers, greater range of services and lower prices. A good regulatory framework helps promote the competition that drives these developments.
- 1.3 Major elements of our regulatory framework are implementing BT's undertakings to provide 'equivalence of input' and ensuring the optimal use of spectrum.
- 1.4 Following Ofcom's Strategic Review of Telecommunications, BT Group plc agreed to offer legally binding undertakings under the Enterprise Act 2002 that implement 'Equivalence of Input' (EoI). Under EoI all communications providers – including BT Retail - purchase the same wholesale products through the same systems. The undertakings were designed to enable competition at the deepest level of infrastructure for the benefit of consumers and the communications sector. EoI is currently being implemented in BT's network. Ofcom is monitoring the delivery of the undertakings.
- 1.5 Ofcom has a programme to release around 400MHz of prime spectrum over the coming years; to introduce measures that will enable organisations to buy and sell rights to use spectrum; and to reduce or remove restrictions that limit the use of spectrum for a particular purpose or technology. More efficient use of spectrum brings significant benefits to consumers, with the launch of new technologies and increased competition between service providers, bringing the potential for greater choice and lower prices.

Convergence

- 1.6 Ten years ago, the internet could only be accessed using a dial-up connection and analogue multi-channel television was the only alternative to the public service broadcasters. Second generation mobile networks were still being rolled-out and text messaging was in its infancy. Content was often carried to consumers over a specific network, usually to a defined consumer device. The picture today is very different: a wide variety of devices are capable of supporting many different media and can connect to at least one digital communications network, changing the consumer's relationships with content, networks and devices.
- 1.7 The report shows that the convergence of services is increasingly delivering choice for consumers, in terms range of access platforms, choice of services and the extent of bundled offers.
- 1.8 Consumers are increasingly able to obtain services from a range of alternative platforms – for example TV and internet over mobile phones, voice calls, TV and radio over broadband. Local loop unbundling is increasingly available – 67% of lines are now connected to LLU exchanges, a rise from around 44% in 2006. The extent of 3G mobile has increased with the proportion of the population living in a postal

district where at least one provider reported at least 50% coverage rising from 84% to 91%. Digital broadcasting is available over satellite, internet and digital terrestrial platforms.

- 1.9 The range of services is also increasing. In broadband for example the most common speed available in 2002 was 512kbit/s - now speeds of up to 2Mbit/s, 8Mbit/s and 24Mbit/s are often available (although this extension of choice is raising consumer information issues which we discuss in section 3). Blended headline broadband speeds have increased from 1.6Mbit/s at the end of 2005 to 4.6Mbit/s in June 2007. The number of television channels continues to increase.
- 1.10 From a small number of providers offering a narrow set of communications packages, 2006/7 saw new players offer broader bundles. Often containing free elements – notably ‘free’ broadband or calls - bundles can bring consumers real benefits in terms of lower prices and a single point of contact for bills and service provision. 40% of consumers are now buying bundled services.

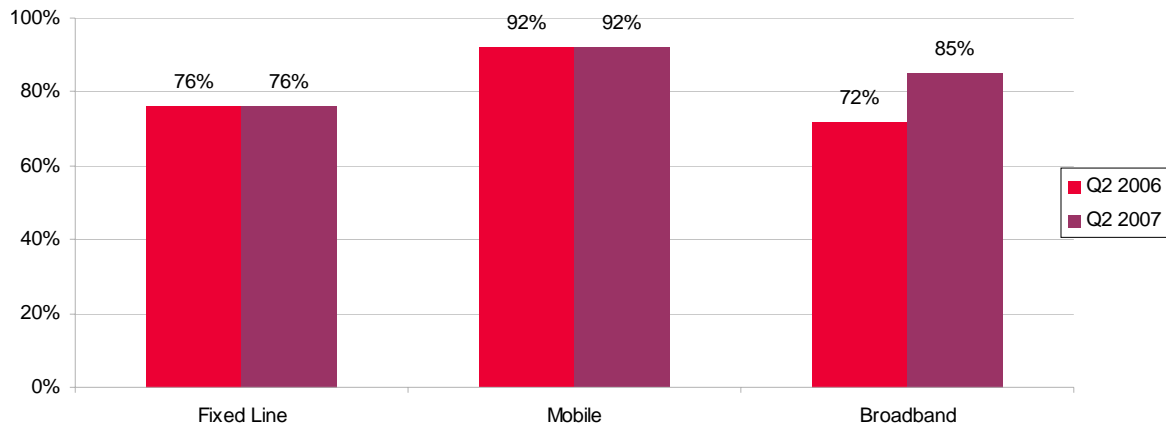
Range of services and providers

- 1.11 Choice is available to fixed-line consumers for voice and internet services through:
- network providers such as BT and Virgin Media;
 - providers offering Indirect Access (IA) and Carrier Pre-Selection (CPS) services where consumers route calls over alternative networks but pay line rental to BT;
 - Wholesale Line Rental (WLR) where BT customers can switch both their calls and line rental to another provider who rents the line on a wholesale basis from BT. The customer pays a single bill to the retail provider.
 - providers offering broadband services using wholesale products from BT;
 - local loop unbundling where a provider places equipment in a BT exchange which enables that provider to take over from BT the operation of the local line between the exchange and the premises. LLU allows providers to use different technologies from BT, which can enable broadband services at higher speeds.
- 1.12 There are over 3.36 million unbundled LLU lines and 4.41 million WLR lines.
- 1.13 The UK mobile sector has five network operators and a number of virtual network operators. Services are sold by network providers directly and also through resellers.
- 1.14 Digital television is available from satellite, cable, Freeview and broadband internet (IPTV) offering a wide variety of channels and genres. Digital radio is available on digital television, broadband internet and Digital Audio Broadcasting (DAB) with a large choice of stations available.

Awareness of suppliers

- 1.15 Competition and marketing drive consumer’s awareness of suppliers. This has remained broadly constant in fixed and mobile markets over the year but has risen sharply in the broadband market (see figure 1.1). Spontaneous awareness of multiple broadband suppliers has significantly increased with half of broadband consumers aware of three or more suppliers (up from 38% in 2006 to 50% in 2007).

Figure 1.1 Total prompted awareness of two or more suppliers



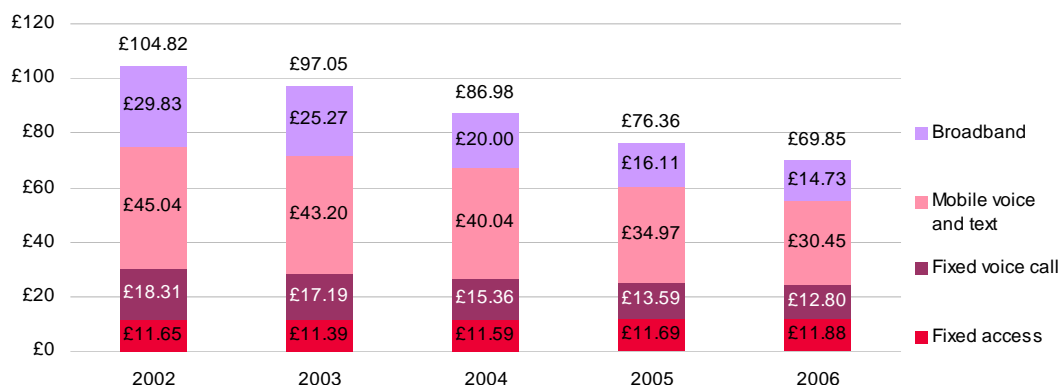
Base: All adults 15+ with fixed line, mobile, broadband Source: Ofcom communications tracking survey Q2 2007.

1.16 The research shows slightly lower levels of awareness amongst older consumers and those living in low-income households.

Price changes

1.17 Competition is continuing to bring reductions in prices. Consumers have been benefiting from price reductions across services for a sustained period of time; these trends are continuing. Our analysis of the cost of a typical basket of residential telecoms services shows that consumers would have paid £6.51 (9%) less for the same bundle of services in 2006 than in 2005. In the five years to 2006 the cost saving on the same bundle of services was 38% in real terms (figure 1.2).

Figure 1.2: Real cost of a basket of residential telecoms services



Source: Ofcom Figures include VAT

1.18 The largest like-for-like cost reduction in 2006 was in mobile services, down 13%. This was driven both by an increase in the numbers of inclusive minutes in contracts and by a drop in pre-pay prices. The average cost of a residential broadband connection fell by around 9% during 2006, despite a doubling of the average blended

headline speed to 3.6Mbit/s (rising to 4.6Mbit/s by June 2007). The cost of fixed access charges and calls at 2006 volumes fell by 2% per residential line.

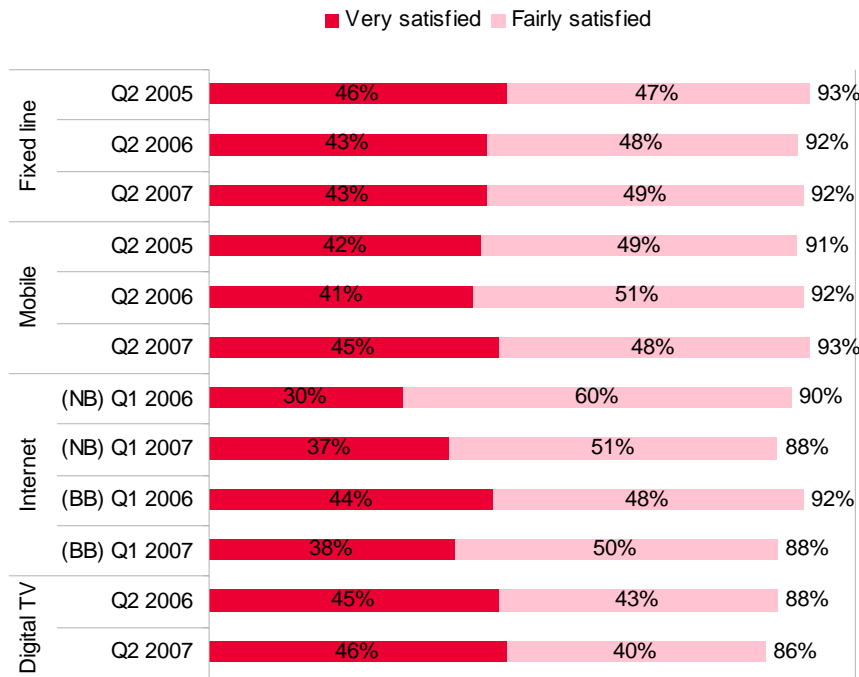
- 1.19 We have compared prices of communications services in the UK with four other countries - France, Germany, Italy and the USA. For each type of communications service, we have defined a 'typical' basket of services that a 'typical' consumer might use on average during a month and identified which tariff offered by each of the three largest suppliers offers the lowest price.¹
- 1.20 Our analysis indicates that the UK is the least expensive of the countries analysed for fixed-line service with the UK 'basket' being 5-15% lower than the other European countries.
- 1.21 For the post-pay mobile basket of services, prices available to UK consumers are much less expensive than Germany, slightly less expensive than Italy and the USA and very similar to those in France. For pre-pay mobiles, the prices of the basket of services in the UK are much less than France and lower than the US, but more than in Germany and Italy.
- 1.22 Our analysis shows that prices in the UK for the service element of broadband are around 30-40% lower than in France, Germany, Italy and the USA. This is based on a minimum speed of 'up to' 2Mbit/s and excludes other service elements often included in bundled rental charges.

Consumer Satisfaction

- 1.23 Competition appears to be driving and generally maintaining high levels of consumer satisfaction. Over nine in ten fixed-line and mobile users are satisfied with the overall service they receive. Among internet and digital TV consumers, satisfaction is slightly lower, with around eight in ten consumers being very or fairly satisfied.
- 1.24 Satisfaction with fixed-line, mobile and digital TV services have remained at similar levels since 2006. The percentage of consumers who are very satisfied or fairly satisfied with their broadband supplier has decreased by six percentage points (figure 1.3).
- 1.25 In general there are few demographic variations in overall satisfaction levels. The exception is a tendency for over-75s to have higher levels of satisfaction with fixed-line telephony and multi-channel TV providers than other groups. Consumers who have a hearing, visual or mobility impairment are less likely to be satisfied than the general population.

¹ Further detail on the methodology used in this comparison is set out in the research report

Figure 1.3: Satisfaction with overall services from communications supplier over time



Base: All adults 15+ with a service

Section 2

Access

- 2.1 Ofcom has a duty to ensure that a wide range of electronic communications services - including high speed data services - is available throughout the UK. In carrying out our duties generally we must have regard to, amongst other things, the needs of persons with disabilities, of older consumers, of those on low incomes and of consumers living in rural areas.
- 2.2 This section considers the extent of the availability of communication services and the take-up and use of these services by consumers.

Availability

- 2.3 Overall availability of communications services has not altered significantly over the past 12 months. There is wide availability of services with at least 9 in 10 consumers covered by fixed line, mobile, internet and digital broadcasting.

Fixed and mobile services

- 2.4 As a result of the Universal Service Obligation (USO) all households in the UK have access to a landline. The scope of USO is the responsibility of the Department for Business, Enterprise and Regulatory Reform (BERR) and set out in The Electronic Communications (Universal Service) Order 2003; Ofcom implements that Order, designating Universal Service providers – currently BT and Kingston Communications in the Hull area – and setting specific Universal Service conditions.
- 2.5 The research report shows that under the USO fixed line services over the public switched telephone network (PSTN) are available to 100% of the UK population. Additional connection charges apply when they are so remote that installation would cost over £3,400 ('the £3,400 rule'); otherwise under the USO all households pay the same charge regardless of costs of supply.

Mobiles

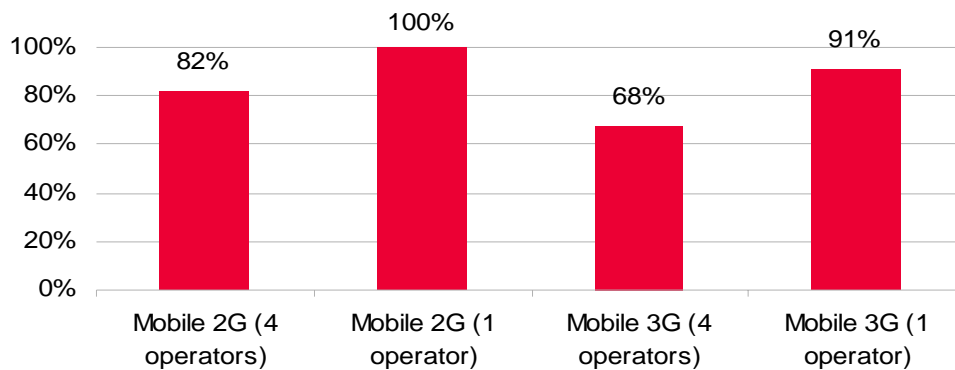
- 2.6 2G mobile services are available to the entire population - all residents live within a postal code that has coverage by at least one 2G operator and 82% from four or more operators.²
- 2.7 While nine in ten post code districts are covered by at least one 3G operator, more than two thirds (68%) of post code districts are covered by at least four 3G operators.³

² For a mobile network to be included in the data as having 2G coverage, its network footprint had to cover at least 95% of the post code area.

³ For a mobile network to be included in the data as having 3G coverage, its network footprint had to cover at least 50% of the post code area; this differs from the methodology for measuring the rollout obligations contained in 3G licenses. A description of this methodology can be found at:

http://www.ofcom.org.uk/consult/condocs/3g_rollout/

Figure 2.1: Availability of mobile by population



Source: Ofcom

Internet

- 2.8 Narrowband services are covered by the USO which requires that the Universal Service providers meet all reasonable requests for connection at speeds that provide “functional Internet access” (FIA). Ofcom has published guidance that defines FIA as a minimum of 28.8kbit/s.
- 2.9 BT data shows that 99.9% of premises in the UK are connected to broadband-enabled exchanges. However, some premises within these exchange areas are not suitable for delivery due to local technicalities such as distance from the exchange or poor quality of networks. BT indicates that, taking these factors into account, its network has 99.6% coverage of DSL broadband at minimum speeds of 512kbit/s.
- 2.10 46% of UK homes are passed by cable broadband. Availability of cable broadband is higher in urban areas, where it is available to 52% of households, than in rural areas where 23% can receive it.

Digital broadcasting

- 2.11 Approximately 98% of households across the UK are able to receive digital satellite services. A small number of homes are unable to receive satellite services due to specific local factors or housing agreements.
- 2.12 Currently at least 73% are able to receive digital terrestrial television (DTT) from both BBC and commercial service providers. Coverage is at its highest in Scotland where 82% of the population are able to receive services from all six Freeview multiplexes. It is at its lowest in Wales, where coverage extends to 57% of the population. Coverage will rise to 98.5% once the programme of digital switchover is completed in 2012. Digital cable broadcasting is available to 45% of homes.
- 2.13 Digital radio is available across the UK through a range of service platforms - the internet, digital television and digital audio broadcasting (DAB) radio. The number of radio stations broadcasting in the UK on AM, FM or DAB, excluding very local community stations, has increased from 372 in 2004 to 384 in 2007.

Ofcom's policy

Fixed and mobile services

- 2.14 Ofcom completed a review of the USO in 2006, making minor amendments to guidelines about the requirement on USO providers to meet all reasonable requests. The European Commission intends to publish a consultation on the scope of Universal Service during 2008.
- 2.15 Coverage obligations for 2G services were set in the mobile providers' licences that were issued under the Telecommunications Act 1984. These were met and exceeded by providers; no coverage obligations have been set under conditions of entitlement under the Communications Act 2003. Rollout obligations are in place for 3G services to reach at least 80% of the population by the end of 2007.⁴
- 2.16 While the research shows that coverage levels are generally high, there are some rural areas where there is no or limited coverage. Providers are free to reach mast-sharing and inter-network roaming agreements on a commercial basis, subject to competition law. Moreover, national, regional and local government may consider providing public funds to address shortfalls in coverage, working with the mobile providers subject to normal public procurement policy and state aid rules.
- 2.17 As part of our work on digital inclusion, we are assessing the extent of gaps in mobile coverage – particularly in rural areas - and how these might be addressed. This will include examining any technical, commercial and public policy issues that may be preventing coverage and how these might be addressed.
- 2.18 The availability of good coverage is particularly important in circumstances where users away from home or work need to make emergency calls. Ofcom commissioned a study to examine the practicalities for introducing roaming in the case of mobile calls to the emergency services. This would allow consumers dialling 999 or 112 to use other providers' networks when they are out of their home network's coverage. The study indicated that roaming for emergency calls could be introduced with limited technical modifications required to mobile providers' networks. We are currently discussing the implementation of such facilities with mobile providers, emergency authorities and other stakeholders, which we hope will be in place during 2008.

Broadband services

- 2.19 In carrying out our duty under the Act to secure the availability throughout the UK of a wide range of electronic communication services, Ofcom has to have regard to the desirability of encouraging the availability and use of high speed data transfer services throughout the UK. We are seeking to carry out this duty primarily through competition and spectrum allocation policies.
- 2.20 As explained in section 1, Ofcom's view is that greater competition in the fixed line telecoms market, at the deepest level of infrastructure, creates new investment in emerging technologies and innovation in broadband services and price competition. We are looking to achieve this by ensuring access to BT's local loop on a wholesale level and through LLU. In particular the implementation of BT's undertakings to provide equivalent access should continue trends in extended networks and increased competition.

⁴ Ofcom set out our approach to the assessment of those obligations in a document published on 22 October 2007: http://www.ofcom.org.uk/consult/condocs/3g_rollout/3GRolloutobligation/

- 2.21 In terms of Ofcom's spectrum allocation policy, the release of spectrum may allow the opportunity for wireless broadband to be provided in rural areas. Ofcom will be releasing a significant amount of spectrum which could be suitable for this use over the coming years. In particular, the Digital Dividend Review is examining the options arising from the release of spectrum freed-up by the switch-off of analogue television between 2008 and 2012. This could enable the launch of a wide range of possible services which might include advanced business and broadcasting services, wireless broadband services or additional television channels using standard or high definition.⁵
- 2.22 In May 2007 Ofcom introduced new regulations to extend wireless broadband access across the country. The regulations cover the 5.8 GHz band, currently used by a number of operators to provide fixed wireless broadband services in the UK. Under the regulations, the operators are now able to increase power levels, potentially extending the range and variety of services into parts of the country that were previously not covered. This is likely to have its most marked effect in rural areas.⁶
- 2.23 In September Ofcom consulted on proposals to open up certain spectrum bands used by mobile phone operators which are presently limited to 2G use. The consultation looks at how these spectrum bands could be used for 3G and other technologies and the effect that changing the use of these key spectrum bands could have on competition and consumers including improved rural coverage and greater availability mobile broadband services.⁷
- 2.24 Apart from market-led initiatives, public sector bodies are working with industry to identify and address gaps in broadband coverage. The various **public broadband schemes** differ in their characteristics. Ofcom considers the best targeted schemes to be those that bring a standard level of broadband access to businesses or households which would not otherwise be supplied by the market. These schemes can offer substantial benefits to the regions and consumers they cover, and offer little danger of distorting competition in the market. Where public schemes seek to increase broadband schemes beyond a standard level, or where they aim to accelerate deployment in a particular region, they represent a much greater danger of distorting competition in the market, even if they achieve other regional development objectives.
- 2.25 As part of our work on digital inclusion, Ofcom is identifying the extent of gaps in broadband coverage. We are considering coverage at speeds of 512kbit/s (which BT use to report 99.6% coverage by lines) and also at higher speeds. We will also assess the various means of addressing those gaps and consider the range of initiatives underway. Our aim is to provide information on the costs and benefits of various approaches to assist public bodies further considering investment decisions to extend broadband coverage.
- 2.26 Looking ahead at future network developments, providers are currently considering how best to respond to the continuing growth in demand for bandwidth and the commercial case for significant investment in new technologies. **Next Generation Access** (NGA) is a technology that would potentially provide consumers with access to very high speed networks and services. They also raise the prospect of significant benefits for the UK economy.

⁵ <http://www.ofcom.org.uk/radiocomms/ddr/>

⁶ <http://www.ofcom.org.uk/consult/condocs/powerlimits/power/>

⁷ <http://www.ofcom.org.uk/consult/condocs/liberalisation/>

- 2.27 Ofcom is currently considering what the right approach is to regulating NGA. These are significant and potentially risky investments. We must ensure that inappropriate regulation does not dis-incentivise efficient investment. At the same time, we are keen to promote strong competition in NGA. There are also citizen considerations for these new developments, including issues around the geographic availability of services and the risk of exclusion. Ofcom published a consultation document in September on these issues.⁸

Broadcasting

- 2.28 The Government announced in 1999 its intention to stop analogue TV transmissions and move to all digital-TV transmissions, a policy that has become known as 'digital switchover'. In 2005 the Government confirmed that switchover will be rolled out by region. The switchover process began on 17 October 2007 in Whitehaven in Cumbria. Border will be the first region to switchover in 2008. The switchover process will be completed across by 2012.
- 2.29 Ofcom's responsibility for addressing consumer issues arising from digital switchover is mainly focused on the outcomes of our spectrum planning work and its impact on the coverage and reception of DTT. Digital UK takes the lead on the vast majority of other consumer issues.
- 2.30 Coverage plans announced in 2005 by Ofcom, and accepted by the Government, require three public service multiplexes to provide DTT coverage to at least the same proportion of households (98.5%) that currently receive robust analogue transmissions, although not necessarily with the same coverage patterns.
- 2.31 The digital radio market and technology landscape are changing rapidly with stations promoting the availability on the widest possible range of digital platforms such as DAB, digital TV, mobile phones and the internet.
- 2.32 Ofcom has a licensing programme for DAB which will lead to a significant expansion in both national and local digital radio services over the next three years, as set out in Ofcom's statement in July 2006 on The Future Licensing of DAB Digital Licensing.
- 2.33 In July 2007 Ofcom awarded the second national radio multiplex licence to 4 Digital Group Limited. The licence allows the broadcast of a number of radio services as well as the delivery of other multimedia services such as text and data services. 4 Digital Group is committed to launching its service by July 2008.
- 2.34 Reflecting this growing importance of digital radio platforms Ofcom published a consultative document in April 2007 setting out a possible framework for future regulation and licensing of the radio sector.⁹

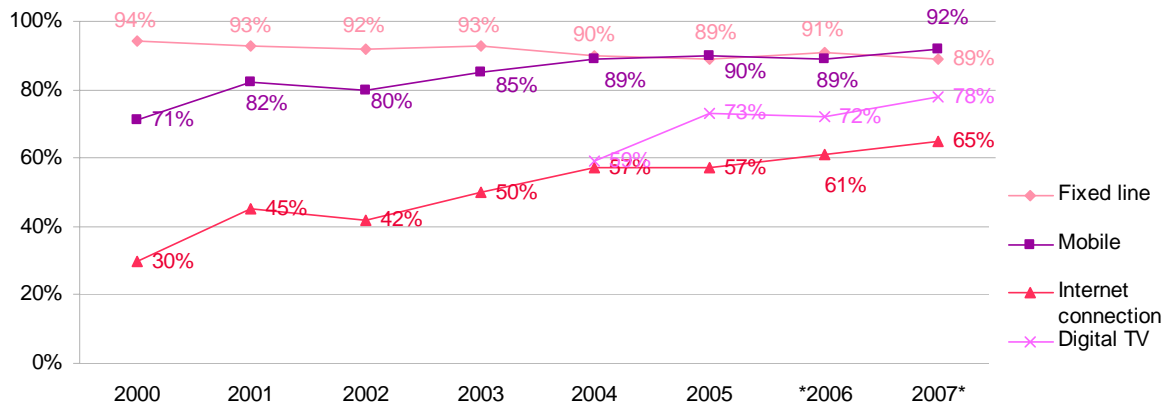
Take-up

- 2.35 Take-up of services continues to rise, driven by wider availability, increased choice and falling prices. Household take-up of mobile phones is higher than fixed-line for the first time. 65% of adults are now using the internet at home; 71% at any location.

⁸ <http://www.ofcom.org.uk/consult/condocs/nga/>

⁹ <http://www.ofcom.org.uk/consult/condocs/futureradio/>

Figure 2.2: Take-up of services at home



Source: Ofcom as reported by consumers. * Data for 2006 and 2007 based on Q2 data, all other data based on Q4.

Fixed line

- 2.36 The research report shows that around nine in ten adults have a fixed line at home. Take-up is highest in England and Northern Ireland and lowest in Scotland. The UK has slightly lower take-up than Germany, Sweden and the USA, but higher than France, Italy, Spain and Japan.
- 2.37 Consumers with either a hearing, visual or mobility impairment are as likely to have access to a fixed line as others. Households with the lowest incomes (less than £11.5K) are less likely to have a fixed line at home than other income groups (77% against 89%). However the number of consumers who choose not to have a fixed line because they say they see no need for one or are satisfied with alternatives, principally mobile services, increased during the year.

Mobiles

- 2.38 Around 86% of adults in the UK have a mobile phone, an increase from 80% in 2006. There have been significant increases in the proportion of consumers who use mobile services in Scotland, Wales and Northern Ireland.
- 2.39 Our international comparison research shows that the UK has higher take-up rates than France, Germany, Ireland, the Netherlands, Sweden and the USA. Of the countries surveyed only Italy showed a higher number of mobile consumers.
- 2.40 While older consumers (65+) are still less likely than others to personally have a mobile phone, there has been the biggest growth in take-up among this group. 69% of 65-74 year olds (an increase of 13 percentage points) and over a half of 75+ year olds (an increase of 19 percentage points) now have a mobile phone.
- 2.41 Those earning less than £11.5K are still less likely to personally have a mobile phone than others (75% versus 86%). However, take-up has increased by eight percentage points since Q2 2006. Although the majority of consumers who have a visual, hearing or mobility impairment personally have a mobile phone, they are less likely to

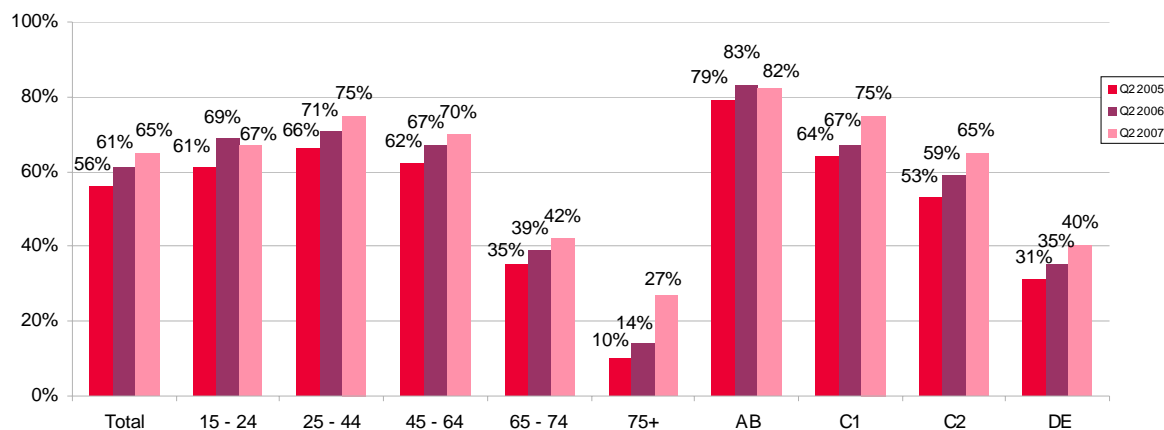
have one than the general population. Those who have a mobility impairment have the lowest level of take-up amongst disabled consumers.

- 2.42 One tenth of the population rely on their mobile only for their voice telephony requirements. Consistent with fixed line take-up, those consumers who have a mobile only in the household are more likely to be younger (15-24 year olds) and among those earning less than £11.5K. Reliance on only mobile services among 15-24 year olds has significantly increased since 2005 (18% vs 22%), while among the general population take-up of mobile only communications has remained at a fairly similar level.

Internet

- 2.43 The research findings show positive signs with regard to access to the internet, with increasing take up of PCs, internet and broadband. Growth is accelerating particularly amongst groups and in regions who have previously been slow to take up services.
- 2.44 PC ownership has accelerated – rising to 72% in 2006 from 68% in 2005. The increase in PC ownership in the last 12 months has been highest among socio-economic groups C1s and C2s and those aged over 65, in particular those over 75. This is however from a lower base and overall take-up remains the lower for these groups.
- 2.45 Internet take-up has continued to increase – rising 4% over the last year; 9% over the last two years – with over two thirds of the population now stating they have access to the internet at home. Use of the internet anywhere has increased from 66% in 2005 to 71% in 2007. While take-up has increased most among 75+ year olds, it has also significantly increased among C1s, C2s and DEs.

Figure 2.3: Age and socio-economic profile of those who use the internet at home



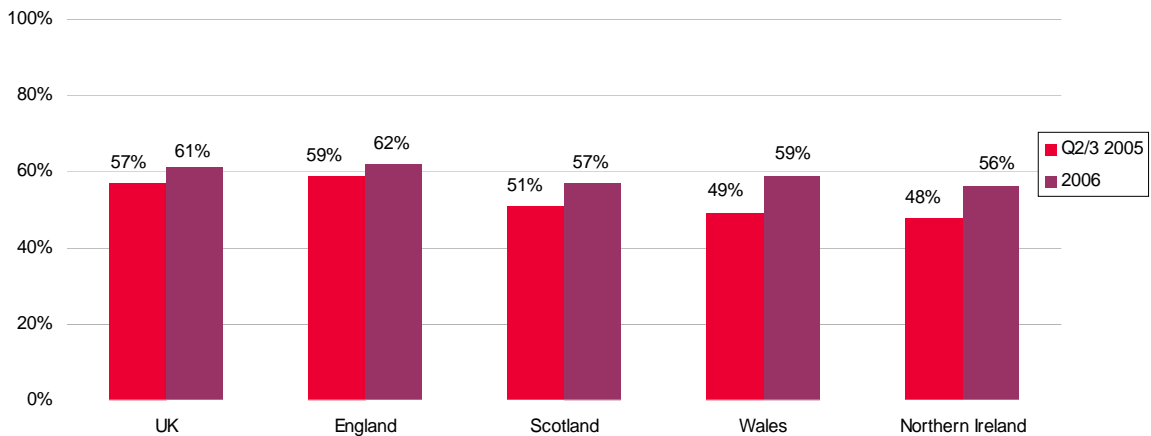
Base: All adults 15+ Source: Ofcom communications tracking survey

- 2.46 Despite an overall increase in take-up of the internet at home, consumers who have a visual, hearing or mobility impairment or are on a lower income (less than £11.5K) continue to be less likely than the general population to have the internet at home.
- 2.47 Broadband penetration has continued to increase significantly over the last 12 months – rising from 45% of households in 2006 to 55% in 2007. This increase is at

the expense of narrowband as we see a drop in narrowband penetration. In 2007, 86% of internet owners have a broadband connection compared with 73% in 2006.

- 2.48 Older consumers are beginning to catch up with younger consumers in terms of broadband take-up. The biggest increases in take-up are amongst consumer in the 45-64, 65-74 and 75+ age groups. Nevertheless, take-up among older consumers, those earning less than £11.5K, or who have a visual, hearing or mobility impairment is still significantly less than the average.
- 2.49 An interesting trend has been a significant increase in take-up of internet at home in Scotland, Wales and Northern Ireland (figure 2.4).

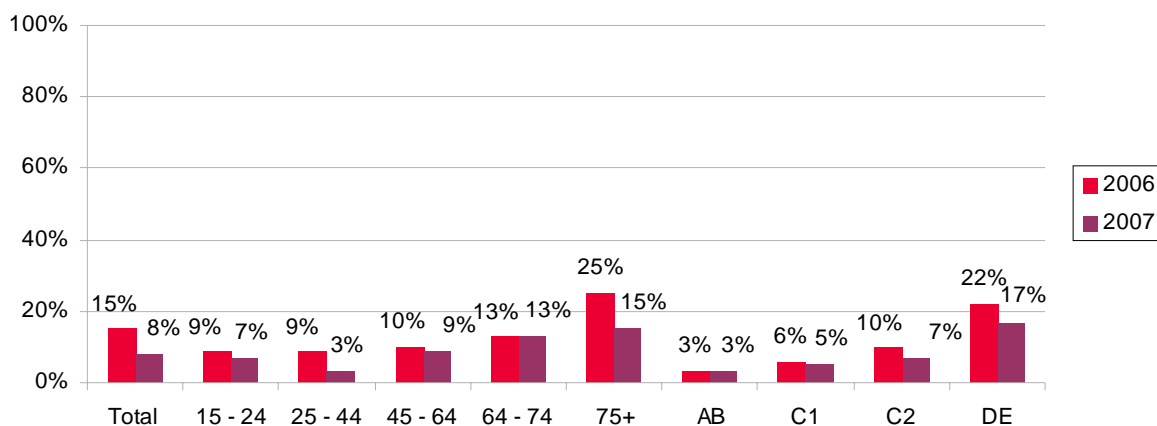
Figure 2.4: Nations profile of those who have internet access at home



Base: All adults (Annual 2006, 5692) Source: Ofcom communications tracking survey

- 2.50 Despite these very positive trends in PC, internet and broadband take-up over the last year, those without these services are less likely to give ‘involuntary’ reasons - such as cost - for not having the service and more likely to give lack of interest and having no need as reasons. This suggests that achieving take-up levels significantly above current levels will be increasingly challenging for suppliers and policy makers (figure 2.5).

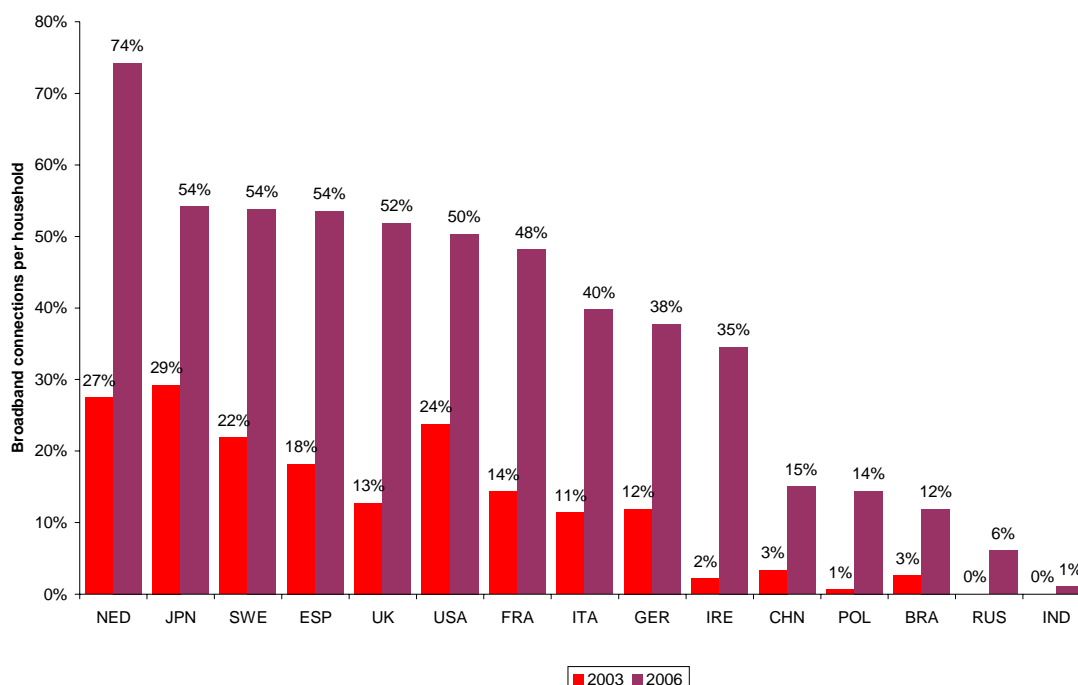
Figure 2.5: Involuntary (mostly cost related) non-ownership of internet by age and socio-economic group



Base: All adults 15+ Source: Ofcom communications tracking survey Q1 2006 and 2007

2.51 With over 50% of households having broadband, the UK is ahead of most of the other large European countries and now has penetration levels which match those in US and Japan. In 2003 the UK was ranked 7th in the number of broadband connections per capita. Since 2003 the UK has moved two places to fifth place, moving ahead of the USA and France.

Figure 2.6: Take-up of broadband – international comparisons

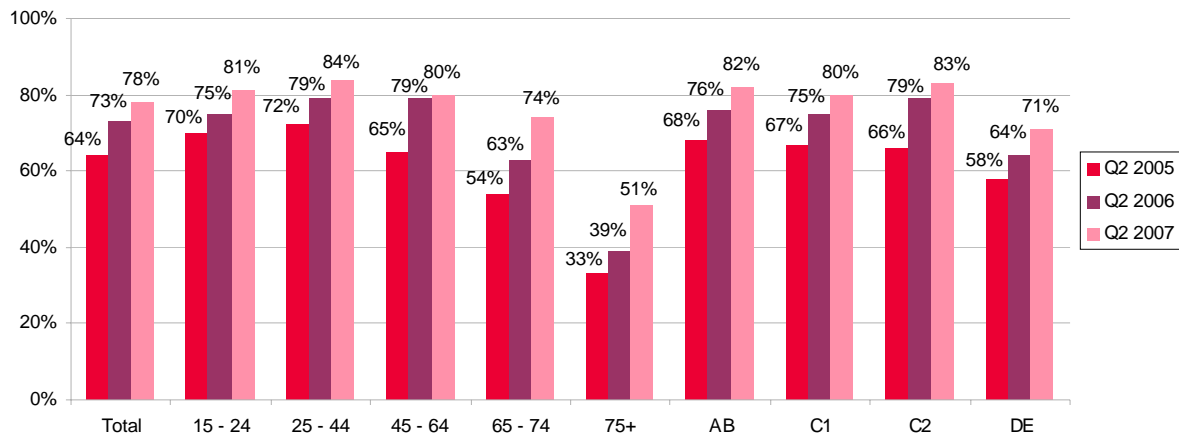


Source: Ofcom / national regulators 2006. Base: total population

Digital Broadcasting

- 2.52 There has been continued growth of digital TV ownership with an increase in household take-up from 70% in Q1 2006 to 80% in Q1 2007¹⁰. Take-up has increased consistently year on year since 2003. This is mainly driven by the continued increase in the take-up of Freeview.
- 2.53 The proportion of consumers who have Freeview has increased since 2006 across most age and socio-economic groups and, as with internet take-up, older consumers have recorded the highest increases. Only half of those over 75 have digital TV though.
- 2.54 Take-up of digital TV has increased across most income groups. There have also been increases in take-up among consumers who have a hearing or mobility impairment, although across the hearing and visual impairment groups take-up is still lower than average.

Figure 2.7: Age and socio-economic profile of those who have digital TV

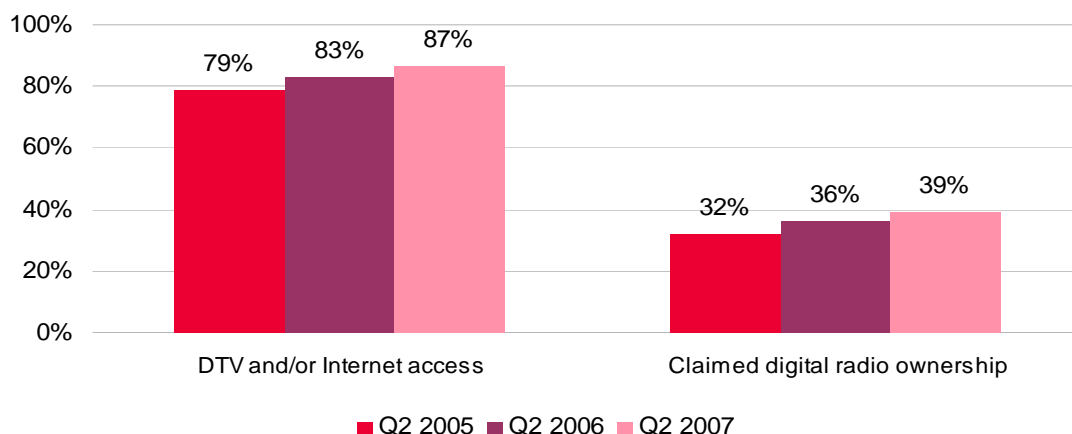


Base: All adults 15+ Source: Ofcom communications tracking survey

- 2.55 Overall take-up of digital TV is higher in the UK than the other countries assessed by Ofcom. Looking at the individual platforms the UK has the highest take-up of digital terrestrial services and second highest take-up of digital satellite, behind Japan. The UK has the third highest take-up of cable behind the US and Ireland.
- 2.56 Take-up of digital radio access has remained relatively stable with 39% claiming to have access to the service. Considering that 87% of consumers have access to digital TV or the internet which enables access to digital radio services this continues to highlight the lack of awareness consumers have about how they can access the service. Consumers who earn over £17.5K are more likely to be aware they have digital radio access than others, while consumers who have an impairment, whether hearing, visual or mobility are less likely than average.
- 2.57 With cumulative sales reaching 5 million in March 2007, Ofcom research suggests that 17% of UK homes have DAB radio sets at Q1 2007.

¹⁰ Based on industry data. Ofcom consumer data is used in figures 2.2 and 2.7

Figure 2.8: Take-up of digital services

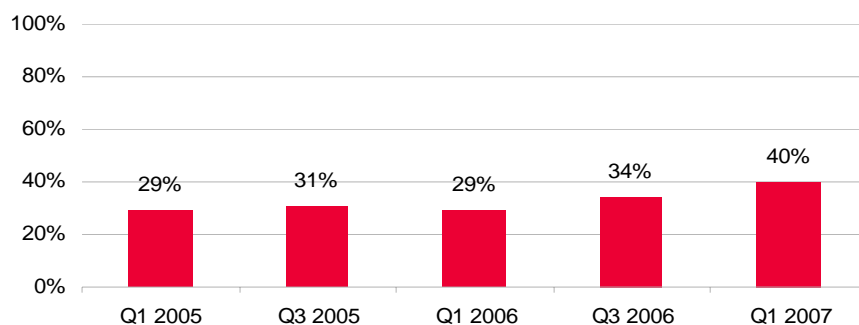


Base: All adults 15+. Source: Ofcom communications tracking survey

Take-up of bundles

2.58 There have been increases in the communications services offered as ‘bundles’ to consumers. This was particularly evident through 2006 with the launch of bundled offers, particularly in the area of fixed line and broadband, which included discounts for taking up two services together. This increase has been sustained and now two in five consumers have at least two of their communications services provided by the same supplier.

Figure 2.9: Percentage of consumers bundling services



Base: All adults Source: Ofcom communications tracking survey

2.59 Take-up of bundles is highest among consumers aged under 65 years and amongst ABC1s. Consumers who have a hearing, visual or mobility impairment are less likely than average to have bundled communications services of some description (20%-23% against 40%).

Consumers with hearing impairments

2.60 Ofcom commissioned qualitative research to understand the experience of consumers with hearing impairment and the barriers to take-up of services.

2.61 The research showed that internet and mobile text services have significantly improved access to communications markets for consumers with hearing

impairments. Many of those who had the internet at home commented that they perceived fewer hearing-impairment related barriers to take-up for the internet than for all the other communications services.

- 2.62 Barriers to take-up remained. Many reported that the cost and usability of specialist equipment and aids to facilitate use of fixed line phones were significant barriers. In addition, some identified the lack of training and awareness of retail staff as a barrier to obtaining the right equipment.
- 2.63 Several said that they were unlikely to complain and use services due to a dislike of telephone-based customer service systems, which were not felt to be user-friendly for people with hearing impairments. They also expressed a fear that it would be difficult to make themselves understood.

Consumers on low incomes

- 2.64 Our quantitative research findings show that consumers on low incomes have lower levels of take-up of services than other consumers but, more positively, that levels have increased significantly across all services over the last year. To understand better the experience of consumers on low-incomes and the barriers to take-up of services, we commissioned some qualitative research for this year's report.
- 2.65 Take-up of communications services varied considerably among low income consumers and tended to be based on a range of different social and environmental factors, in which price was a consideration but by no means the key driver. Unsurprisingly, those on the lowest incomes – often young singles or families on full benefit or older people on state pensions – were most affected by the cost of the service in decisions on take-up but, even among this audience, income level was rarely the only factor.
- 2.66 Other factors having a strong influence on take-up were, variously: variability of income; family status; working status; financial management; changing circumstances; lack of permanent accommodation. A significant number of those on the lowest incomes did not have a bank account and they saw this as a significant barrier to take-up of new services as providers increasingly offered services only to consumers who would pay by direct debit.
- 2.67 Pay-as-you-go was viewed as the ideal payment method by low income consumers. The vast majority interviewed had mobile phones, including many of the over-60s, and almost all were on pay-as-you-go rather than contract.

Ofcom's policy

- 2.68 As technology changes and services converge and as access to the internet becomes more important to people in order to participate fully in social and economic life in the UK, examining issues around the take-up and use of services by all consumer groups will be a priority for us. Ofcom has two major programmes of work examining take-up issues: media literacy and access and inclusion including work on universal service and usable equipment.

Access and inclusion

- 2.69 Ofcom's programme of work on access and inclusion seeks to understand more fully the nature of obstacles to the take-up of service and consider whether we should and

how we can act, either directly or through a facilitation role, to remove or overcome them.

- 2.70 Issues around take-up are particularly challenging as they are affected by broader factors such as skills, awareness and understanding. For example, our research shows that attitudes amongst those without the internet are moving away from cost-related concerns to ones around not seeing the benefit of services. Our research among lower-income households similarly shows that communication services are seen as increasingly affordable and that barriers to take-up are around other socio-economic issues such as living in short-term accommodation, variable income levels and lack of a bank account.
- 2.71 Many of the solutions to these issues may not be within Ofcom's direct regulatory remit. We recognise that there are significant initiatives underway across government and by other stakeholders addressing digital inclusion including the Digital Strategy¹¹, the Transformational Government Strategy¹² and the Alliance for Digital Inclusion¹³. In seeking to understand barriers and obstacles to take-up we will work alongside these initiatives and with our stakeholders.
- 2.72 Our work over the last year has included gathering data and carrying out research to understand the extent of, and issues around, the lack of take-up of services. Over the next year we aim to address issues raised by this data and the research we are publishing today. In particular we wish to understand and develop proposals to address barriers to take-up and use of services by **disabled consumers**. To assist this, we will extend our qualitative research programme to examine barriers for consumers with mobility, cognitive and visual impairments.
- 2.73 This focus on disabled consumers will include work on **text relay services** for hearing-impaired consumers. The USO requires BT to provide text relay services. All communications providers are required to make sure their consumers have access to relay services. Over the next year we will work with stakeholders to ensure that these services can develop to meet changing consumer needs and expectations.
- 2.74 We will also continue our work understanding issues around **ease-of-use of communications equipment** – such as phone handsets, TVs, radios, computers, remote controls and set-top boxes. Section 10 of the Communications Act gives Ofcom a duty to encourage others to secure that domestic electronic communications apparatus is developed which is capable of being used with ease, and without modification, by the widest possible range of individuals, including disabled people.
- 2.75 We recently published a research audit of the ease-of-use problems experienced by consumers using equipment at home¹⁴. The audit found that consumers encounter ease of use issues at every stage of interaction with communications equipment. They may not understand what marketing terminology means and therefore be unsure about what to purchase. They may not feel confident about how to connect and set up devices, or fear “breaking” complex equipment if an error message appears or the device stops working normally. We plan to hold a stakeholder event in early 2008 to discuss the issues raised in this research.

¹¹ Prime Ministers Strategy Unit (2005), Connecting the UK: The Digital Strategy, http://www.strategy.gov.uk/work_areas/digital_strategy/

¹² Cabinet Office (2005), Transformational Government: Enabled by Technology, http://www.cio.gov.uk/transformational_government/strategy/

¹³ <http://www.citizenonline.org.uk/adi>

¹⁴ <http://www.ofcom.org.uk/research/tv/reports/easeofuse/>

- 2.76 Our work on access and inclusion includes ensuring the implementation of the USO which, amongst other things, mandates BT and Kingston to provide affordable voice telephone services to consumers with low-incomes through special pricing schemes. BT currently offers the Light User Scheme and In Contact which are aimed at providing affordable services for consumers who make few calls. BT will shortly be introducing **BT Basic** with a line rental charge of £4.50 a month including an inclusive call allowance of £1.50. It will be available for consumers in receipt of Pension Credit, Income Support or Job Seekers Allowance and is scheduled to be introduced in January 2008.

Media Literacy

- 2.77 Ofcom's definition of media literacy is 'the ability to access, understand and create communications in a variety of contexts'. Our work has been concentrated on achieving greater understanding of media literacy in the UK, and encouraging greater awareness of and confidence and competence in the use of new communications technologies.
- 2.78 We carried out a **Media Literacy Audit** in 2005 to evaluate levels of media literacy in the UK across the main digital platforms including the internet. This included examining children and adults' access to, usage of and opinions of the internet. It also included views on internet security. Ofcom is currently undertaking a second wave of the Audit and will report its findings in early 2008.
- 2.79 We support **Adult Learners' Week** and Silver Surfers' Day. Media Literacy has been a key theme of Adult Learners' Week for the last three years. A range of events occur across the UK during the week, culminating in Silver Surfers' Day. Silver Surfers' Day is the biggest annual media literacy campaign for older people throughout the UK. It has been held every year since 2002.

Digital Broadcasting

- 2.80 Viewers who have sight or hearing impairments benefit greatly from the availability of **television access services**. This includes subtitling and signing for deaf and hard of hearing people and audio description for blind and partially-sighted people. Ofcom is responsible for setting the criteria for deciding which channels should provide access services.
- 2.81 From 2008, 84 channels (representing over 90% of UK television viewing) will be required to provide access services. Ofcom is currently conducting work examining the effectiveness of the current signing provisions on low audience channels, and is working with broadcasters and the RNIB on an Audio Description awareness campaign to be broadcast in early 2008.
- 2.82 Digital UK takes the lead on the consumer issues around 'digital switchover' and Ofcom supports this work where appropriate. Digital UK's work includes the establishment of a Help Scheme for consumers aged 75 years old or over and those in receipt of certain benefits. Digital UK estimates that approximately 7 million households will be eligible.¹⁵

¹⁵ <http://www.digitaluk.co.uk/en.html>

Section 3

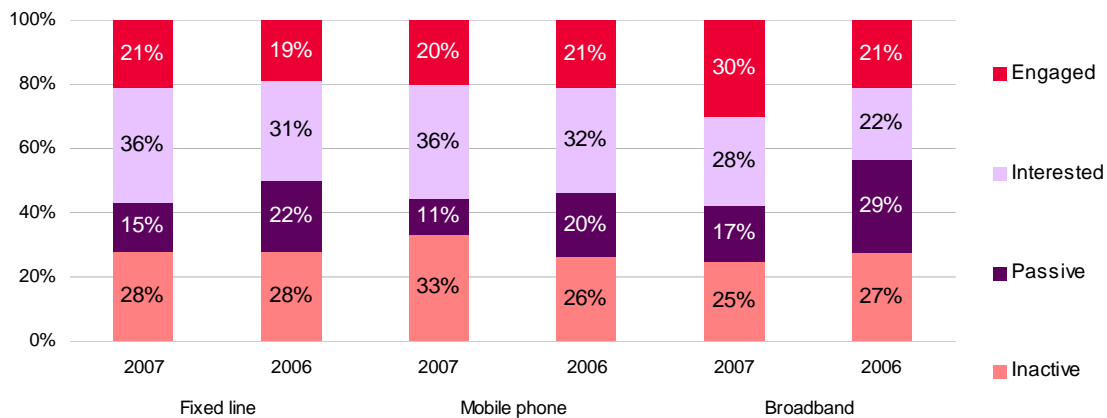
Consumer Empowerment

- 3.1 Active consumer behaviour is a key condition for healthy competition to exist in a market. Consumers can influence a market in many ways – searching out the best offers in terms of price and quality, switching between existing or new suppliers and adopting new technology and services. The ability to do this can be characterised as ‘consumer empowerment’.
- 3.2 This section considers the extent to which consumers are participating in the communications markets and reports on Ofcom’s activities and priorities.

Participation

- 3.3 We measure participation by taking into account a wide range of ways consumers can participate in the market including; switching suppliers, negotiating with current suppliers and staying informed and aware of changes in the markets. Our approach categorises consumers into four types of participation:
- **Inactive consumers** - they 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** – they have participated in the past and indicated some current interest in the market.
 - **Interested consumers** – they are more likely than passive consumers to keep an eye on the market, looking out for better deals, and more likely to act on their future intentions.
 - **Engaged consumers** – the most active group in terms of past behaviour and current interest.
- 3.4 Our research shows there are similarities in levels of participation across fixed, mobile and internet markets, with a significant minority of consumers inactive and between 19% and 30% engaged.
- 3.5 There have been some changes in levels of participation over the last 12 months. In the fixed line market the most significant change is the increase in the proportion of consumers who are interested in the market (31% in 2006; 36% in 2007). This increase has been the result of a movement from passive to interested participation.
- 3.6 In the mobile market, while there has been a small increase in ‘interested’ participation, there has been a significant movement from passive to inactive participation. Broadband shows a significant increase in those engaged or interested (43% in 2006; 58% in 2007).
- 3.7 Multichannel TV has quite a different participation profile compared with other communications services. Less than one in ten consumers are engaged in the market with nearly two in five interested. Comparing the markets, multi-channel TV is the least participatory, which is perhaps not surprising considering there are comparatively fewer operators than in the telecoms and internet markets.

Figure 3.1: Participation segments over time



Base: All adults 15+ who are the decision maker. Source: Ofcom Decision Making Survey 2006/7

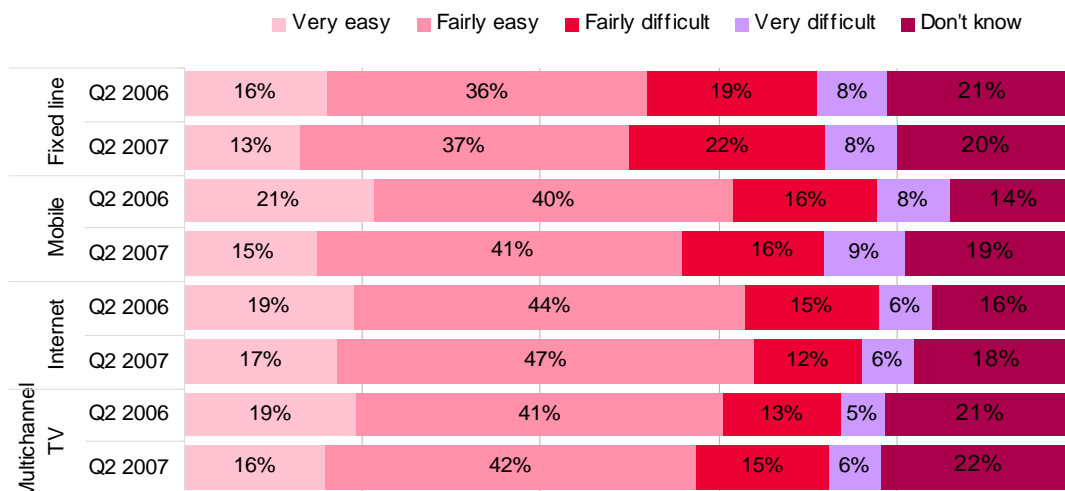
3.8 With regard to demographic trends in the level of participation, there are not significant variations. Younger consumers and those from ABC1 groups appear to be more engaged and interested generally than other consumers.

Information

3.9 The majority of consumers can name at least one trusted source of information they would use to explore communications markets. The most frequently mentioned trusted source for consumers is friends, family and colleagues. Around a quarter of consumers mentioned websites and around a fifth supplier sources. This is broadly similar across markets and has not changed significantly over the last year.

3.10 While a majority of consumers believe it is very or fairly easy to make cost comparisons, there is a significant proportion of consumers who find it either difficult or they don't know whether it is easy or difficult. With respect to making cost comparisons among mobile suppliers there has been a significant decrease in the proportion of consumers who think it is easy (figure 3.2).

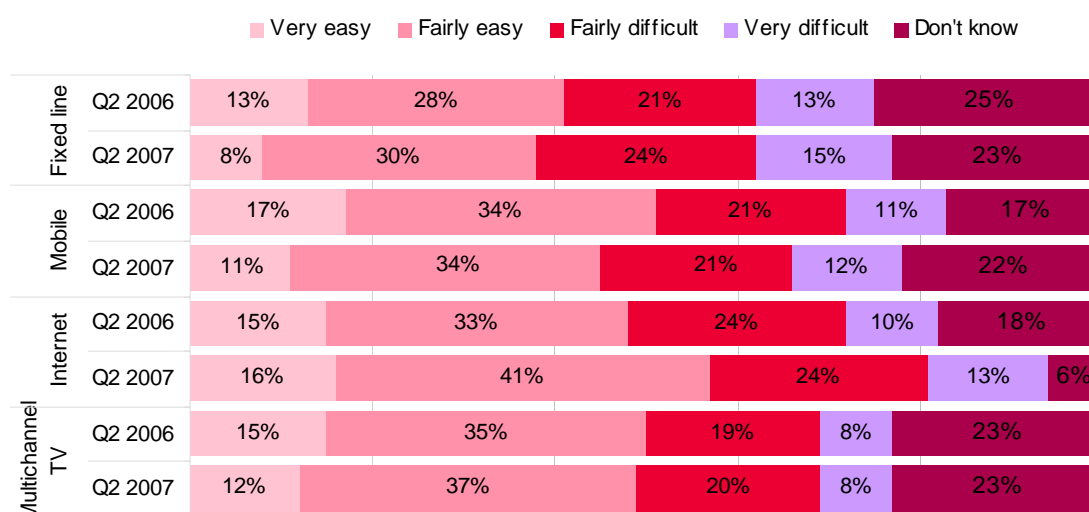
Figure 3.2: Consumer opinions on ease of making cost comparisons



Base: All Adults with fixed line, mobile, internet and multichannel TV

- 3.11 Consumers are more likely to state that making cost comparisons in the fixed-line and mobile market are difficult compared with the internet and multichannel TV markets. In general, consumers aged 45-64 years are more likely to state it is difficult compared with other groups across all services.
- 3.12 Across each of the communications markets there are a lower proportion of consumers who state it is easy to make quality of service comparisons, compared with cost comparisons. Comparing the markets consumers are more likely to say it is easy to make quality of service comparisons in the internet market than any of the other markets. In fact there has been a significant increase in the proportion who say it is easy compared with 2006 (figure 3.3).

Figure 3.3: Consumer opinion on ease of making quality of service comparisons



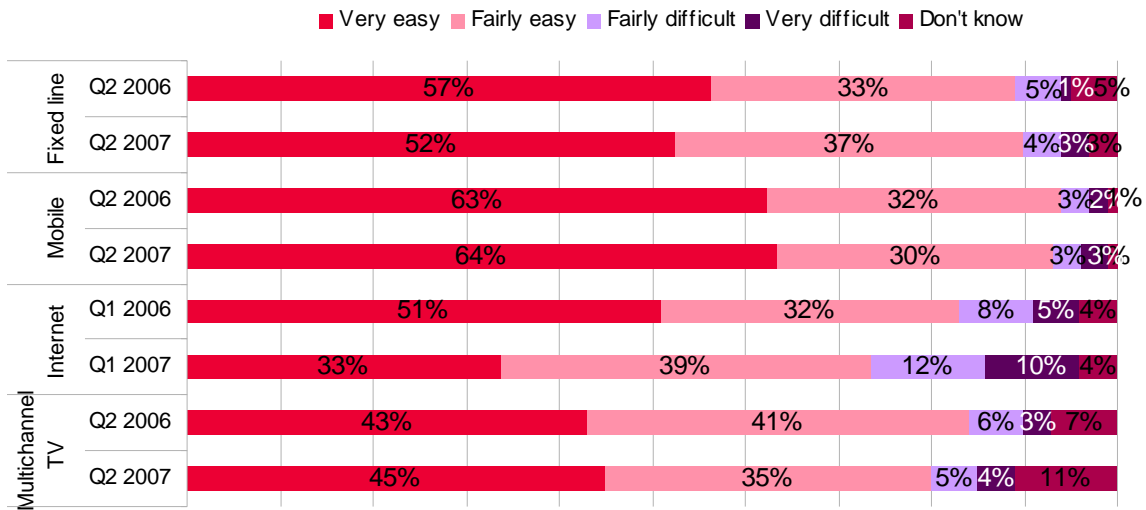
Base: All Adults with fixed line, mobile, internet, multichannel TV. Source: Ofcom communications tracking survey Q2 2007

Switching

- 3.13 Switching levels have increased in fixed, mobile and internet markets. Switching is highest in the mobile markets and is now beginning to rise steeply in the internet from recent lower levels.
- 3.14 Lower levels of switching are shown in multi-channel TV. Only fourteen percent of multi-channel consumers have ever switched, with most of this switching taking place more than four years ago.
- 3.15 Switching of bundled services has not yet developed significantly. To date, only 4% have ever changed the supplier of their entire bundled package.
- 3.16 Amongst consumers who have considered switching but decided to stay with their existing supplier, the main reasons given for not switching is satisfaction with the existing supplier and the amount of time needed to compare services and to change.
- 3.17 The majority of consumers who have switched in the past state that it is very or fairly easy to do so in each of the communications markets. There has been little change in how easy consumers think switching is in fixed line and mobile markets. However, there has been a decrease in the ease of switching internet services. This is

consistent with a significant, though falling, number of complaints received by Ofcom about broadband switching during 2006 and 2007.

Figure 3.4: Consumer opinion of ease of switching supplier among those who have ever switched



Base: All adults who have ever switched fixed line, mobile or internet supplier.
Source: Ofcom communications tracking survey Q1 2006 and Q1 2007

Ofcom's policy

Comparing prices

- 3.18 We believe it is vital for a competitive market that consumers can compare and change providers and products easily.
- 3.19 The PASS scheme was established in 2002 to enable us to accredit websites which compare prices of different suppliers and provide impartial advice. In December 2006, Ofcom announced a new price comparison accreditation scheme to better meet the requirements of a market which has changed significantly since 2002 and to address low awareness of the PASS scheme.
- 3.20 The objectives of the new scheme are to:
- accredit calculators offering price comparisons on a wide range of communications services;
 - ensure the application process for accreditation is fair and transparent;
 - ensure the approval criteria on which applicants are judged leads to accurate and easy to use information for consumers; and
 - promote consumer awareness of accredited calculators and boost the value of accreditation.
- 3.21 The accredited price comparison calculators are required to be accessible, accurate, transparent and comprehensive and to be available to all consumers – in particular disabled users and consumers without internet access.

Comparing quality of service

- 3.22 Ofcom has encouraged the market to provide information on quality of service for fixed and mobile voice through an industry led approach in which network operators and service providers define and manage schemes and collectively publish indicators for use by consumers.
- 3.23 Fixed-line providers operate the website TopComm (www.topcomm.org.uk). The site provides comparable information on service provision, fault incidence and fault repair, complaints processing and upheld billing complaints.
- 3.24 The mobile providers operate the website TopNet (<http://www.topnetuk.org/>). The site provides the geographic network performance and voice call quality of each of the mobile network operators: O2, Orange, Vodafone and T-Mobile.
- 3.25 Ofcom is currently exploring suitable parameters to enable broadband quality of service to be captured in future. We would expect these measurements to be incorporated into the TopComm site. Ofcom intends to consult on proposals in this area in early 2008.
- 3.26 Ofcom's work on broadband quality of service will take account of recent concerns about advertised headline broadband speeds differing from actual speeds delivered. Potential consumer harm that we are examining includes:
- consumers choosing inappropriate broadband packages, for example where a consumer is sold a 24Mbit/s service but their line can only receive 4 Mbit/s, they may be better off on a lower speed service at a lower price;
 - consumers purchasing applications that can be delivered at the maximum speed but not on the actual speed received; and
 - consumers finding it increasingly difficult to make informed purchasing and switching decisions when comparing providers' QoS.
- 3.27 Ofcom is carrying out research and examining the issue in discussion with industry, consumer stakeholders and the Advertising Standards Authority. We will consider a range of possible measures, including different ways to improve the information available to consumers at point of sale and in advance of purchase decisions.

Switching

- 3.28 It is positive that the vast majority of consumers who have switched say it was very or fairly easy to change supplier. However we recognise that there have been specific problems around switching in broadband services. In section 4 we report a high level of complaints to Ofcom from consumers experiencing problems when switching broadband provider. Moreover we recognise that, with the growing take-up of bundles of services, switching processes may become more complex in future.

Broadband switching

- 3.29 The two main problems experienced by consumers during the year in relation to switching broadband providers relate to:

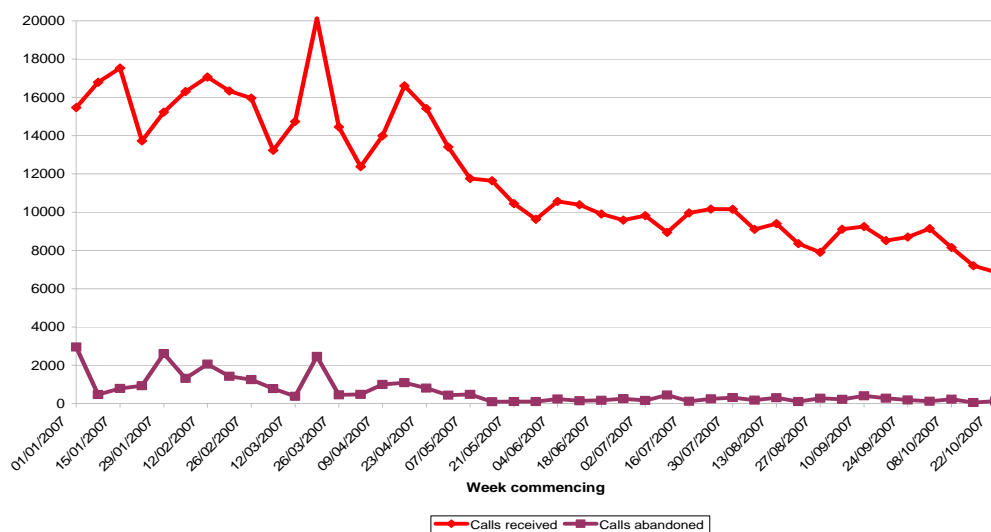
- difficulties for consumers in obtaining a MAC, which the customer must give to a broadband service provider in order to be transferred from an existing service provider seamlessly and with little or no disruption of service; and
 - the presence of a 'tag' on the line which is preventing the supply of broadband services to a consumer.
- 3.30 Ofcom introduced measures on 14 February 2007 to address these problems directly. General Condition 22 required all providers to supply MACs on request, where applicable, and to meet other obligations including a requirement to make sure that tags and other operational issues do not hinder customers' ability to switch.
- 3.31 Alongside the new regulations, Ofcom launched an active enforcement programme to monitor compliance by providers with the new rules on broadband migrations and, if necessary, to take action to enforce those rules. Ofcom has held compliance discussions with those providers who were generating the highest volume of MAC-related complaints. These providers undertook to improve their performance. These have yielded positive results, with individual providers' complaint levels falling significantly since the new rules came into force.
- 3.32 Work designed to eliminate tags is now being addressed by the Office of the Telecommunications Adjudicator ('OTA'). The OTA is identifying major causes to bring volumes down rapidly and developing a long-term solution to resolve problems comprehensively. Ofcom will remain closely involved with OTA work on addressing tags to ensure that industry is fully co-operating to resolve these issues.
- 3.33 BT Wholesale's dedicated helpdesk provides consumers with a single point of contact to get help to get tags removed. Its establishment in 2006 was an important step in reducing the level of consumer harm arising from the existence of tags. Prior to the creation of the BTW helpdesk, affected customers found themselves calling multiple companies and agencies for help.
- 3.34 Taken as a whole, these measures are showing positive results. Total monthly complaints to Ofcom about broadband migrations have fallen to about 1,000 from their high of 4,000 a month in February/ March 2006. Referrals to the BT Wholesale helpdesk have fallen significantly over recent months, and are currently running at around 7,000 a week, after peaking at around 20,000 a week (fig 3.5).

Mobile Number Portability

- 3.35 On mobile services, Ofcom announced in July new procedures that would reduce the amount of time it takes for consumers to transfer mobile numbers when switching provider – the 'porting' process – from five to two working days.¹⁶ These new arrangements will take effect in April 2008. Ofcom also made proposals that would reduce this time to a maximum of two hours by 2009.

¹⁶ <http://www.ofcom.org.uk/consult/condocs/gc18review/>

Figure 3.5: Complaints about tag-on-line (TAG) received by BT Wholesale



Source: BT Wholesale

Future developments

- 3.36 More broadly, Ofcom is looking forward to see how we can ensure that regulations and processes in place assist consumers' ability to switch – both for single products and for bundled product offerings. To this end, Ofcom is continuing to explore the possibility of moving to a single switching process across all transferable consumer communications products. We will be issuing a consultation document with proposals in the next few months.
- 3.37 In the meantime Ofcom will continue to monitor switching processes and the levels of consumer complaints. We will take enforcement action against providers that do not meet requirements to adopt processes that facilitate switching.

Section 4

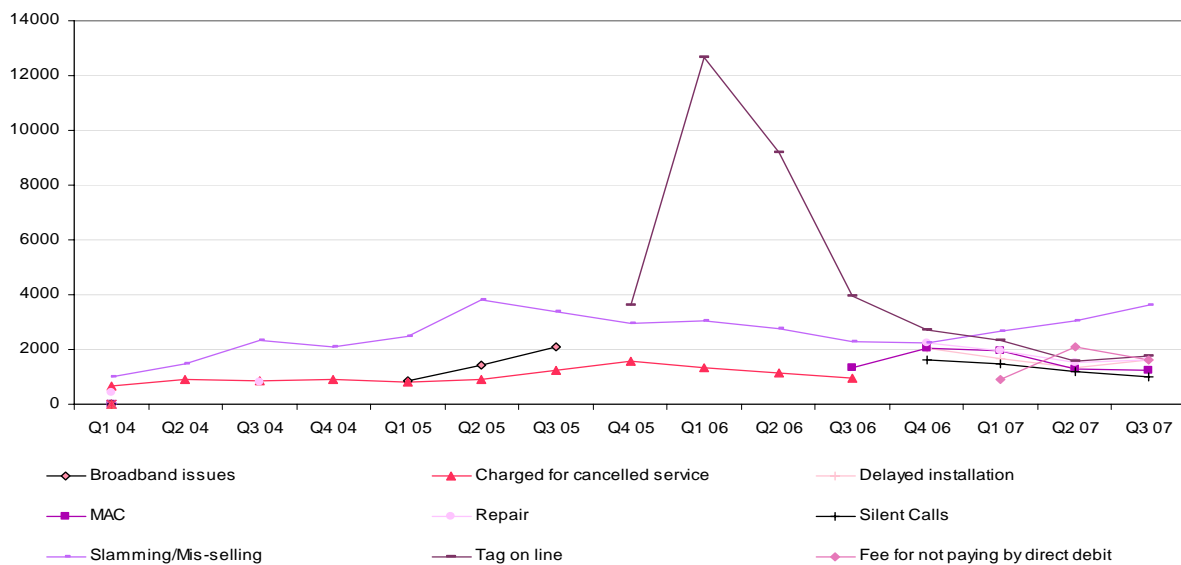
Consumer Protection

- 4.1 Harm in communications markets can take many forms, including financial harm, anxiety, annoyance or inconvenience. Protecting consumers against harm is particularly challenging in the communications sector because modern communications systems can provide ineffective or dishonest companies with easy access to consumers. In addition, new technologies can give rise to new forms of harm.
- 4.2 To identify current consumer protection issues, this section examines the types and levels of complaints that consumers are making to Ofcom and to other bodies. It also considers the types of concerns that they have regarding the communications industry. We then report on Ofcom’s approach and activities to assess the impact of Ofcom’s regulatory intervention on these issues

Ofcom Cases

- 4.3 The number of consumer complaints logged by Ofcom has stayed fairly constant during 2007 at around 20,000 per month apart from a peak of broadcasting complaints in early 2007 driven by complaints about Big Brother. The table below shows the main sources of complaints about telecoms services to Ofcom over time.

Figure 4.1: Number of telecoms complaints received by Ofcom over time



Source: Ofcom

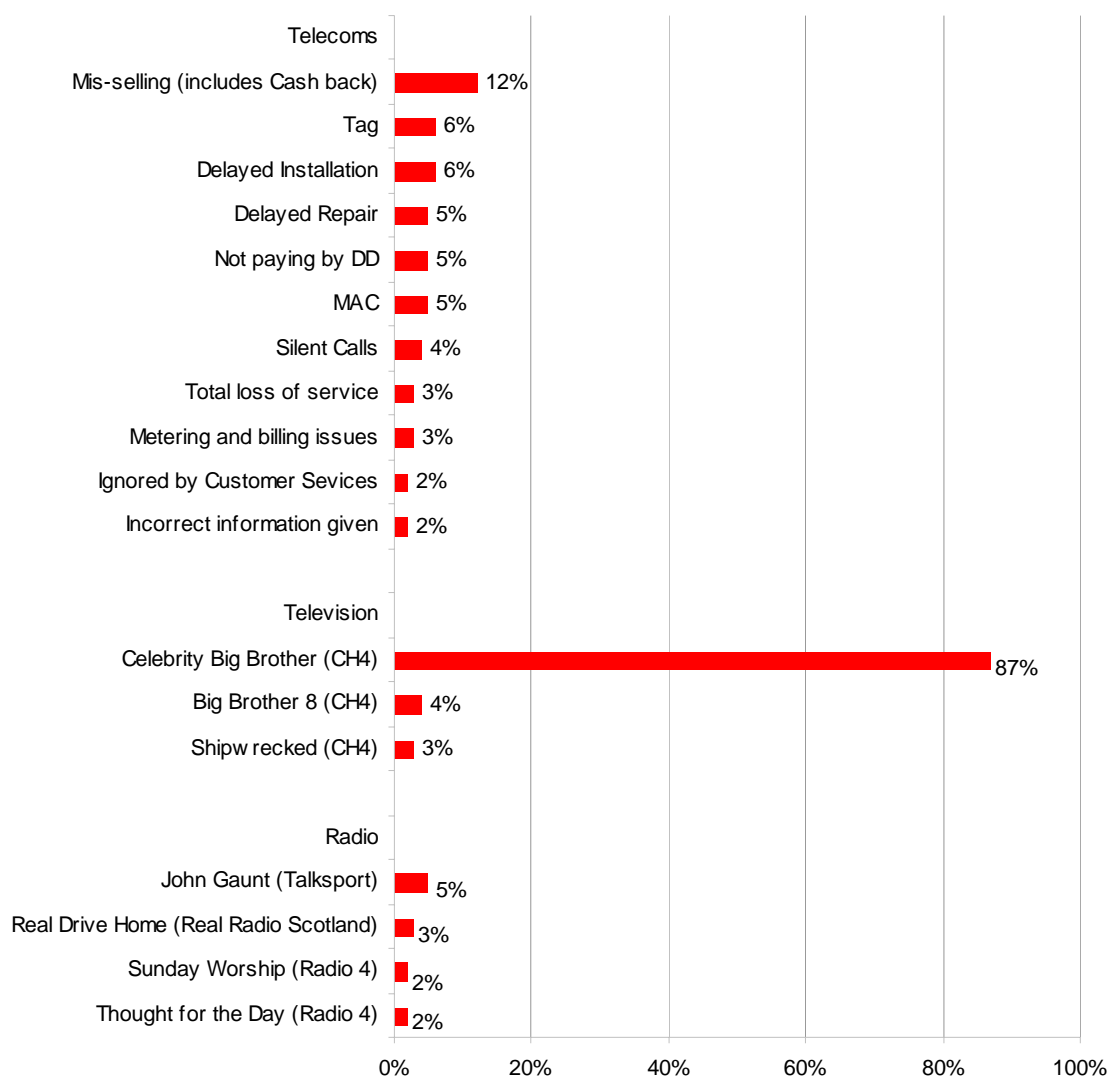
- 4.4 There have been decreases over the last year in the number of complaints about:
- Difficulties taking-up or switching broadband services; and
 - Silent calls where typically telemarketing or debt collection calls, generated by automatic dialling equipment, are answered by consumers but are then terminated by the caller because no agent is available to complete the call resulting in silence on the line.

4.5 Complaints about mis-selling have increased during the year, with the growth in particular of complaints around mis-selling of mobile services and mobile 'cashback' services. The category includes:

- the provision of false and/or misleading information (for example, about potential savings or promising offers or gifts which do not actually exist);
- applying unacceptable pressure to change providers, such as using threatening or intimidating behaviour; and
- 'slamming', an extreme form of mis-selling, where consumers are simply switched from one company to another without their knowledge and consent.

4.6 Complaints around fees for not paying by direct debit arose in 2007 significantly for the first time.

Figure 4.2: Most mentioned complaints to Ofcom in 2007



Source: Ofcom

- 4.7 As a proportion of complaints, mis-selling is the biggest issue for consumers in telecoms. In respect of broadcasting issues, Big Brother was overwhelmingly the largest source of complaints.

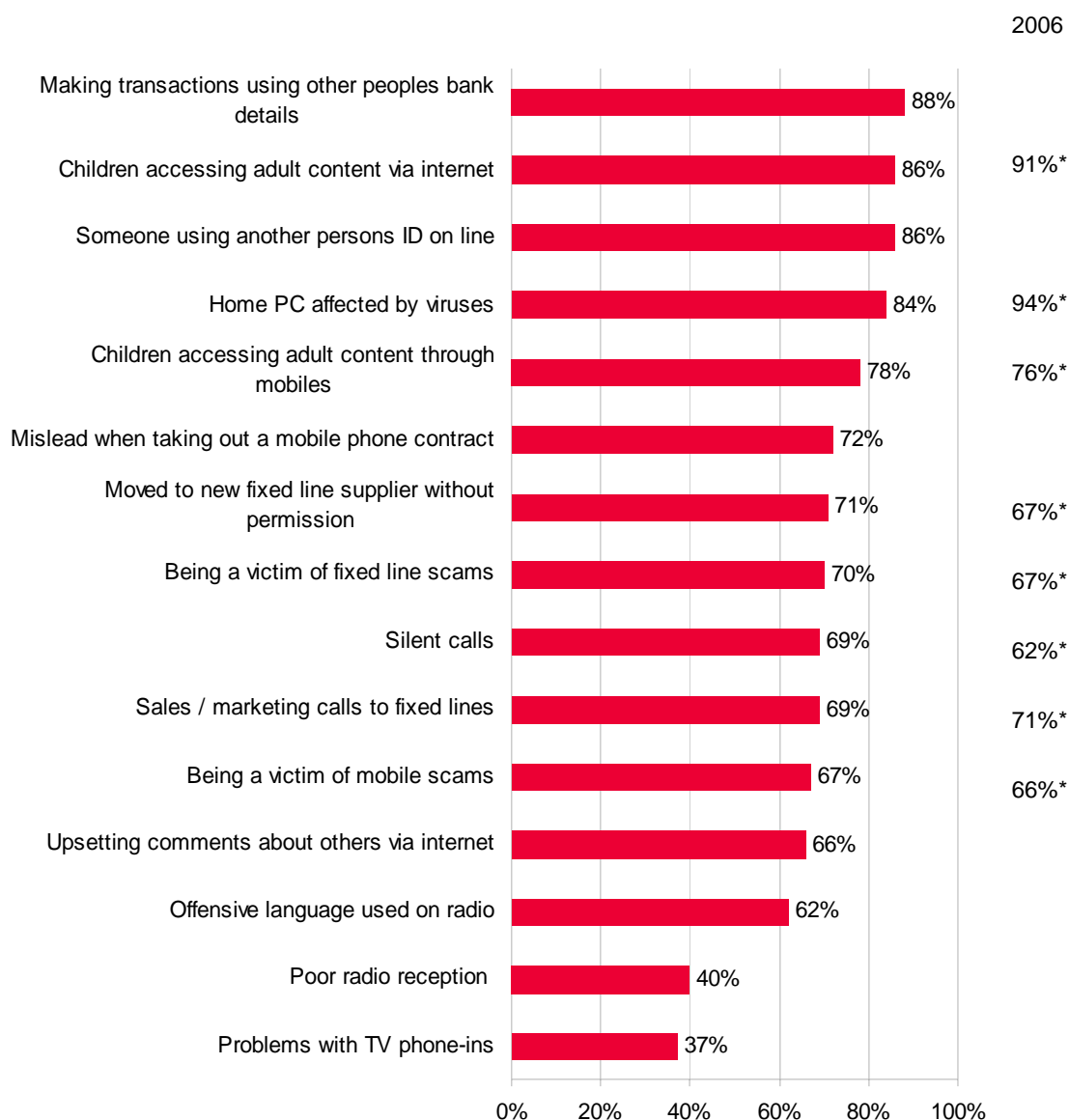
Consumer concerns

- 4.8 We have asked consumers about their concerns about communications services. We recorded both their spontaneous, unprompted concerns and their concerns when prompted about topics.
- 4.9 The table below shows how spontaneous concerns recorded in 2007 compare with those in 2006.

	Top 3 spontaneous concerns (% of people concerned)	
	2006	2007
Fixed	Charges (25%) Nuisance calls (6%) Other (2%)	Charges (7%) Nuisance calls (2%) Other (2%)
Mobile	Charges (19%) Reception (15%)	Charges (6%) Reception (7%) Other (9%)
Internet	Paedophiles (26%) Security (26%) Adult Content (22%)	Paedophiles (6%) Security (6%) Adult Content (4%)
TV/ Radio	Adult Content (19%) Reception (11%)	Adult Content (4%) Reception (4%) Other (4%)

- 4.10 Issues causing concerns in 2007 remain broadly the same as those in 2006. There has however been a significant reduction in the level of spontaneous concerns from 2006. This may be the result of a change in methodological approach but may also indicate that 2006 represents a peak in concerns with levels now returning to long-term trends.
- 4.11 When prompted on potential concerns, the issues that caused the highest level of concern – as in 2006 – related to access to internet services by children in particular and to internet content security in general.

Figure 4.3: Prompted Concern about various issues in the communications market over time



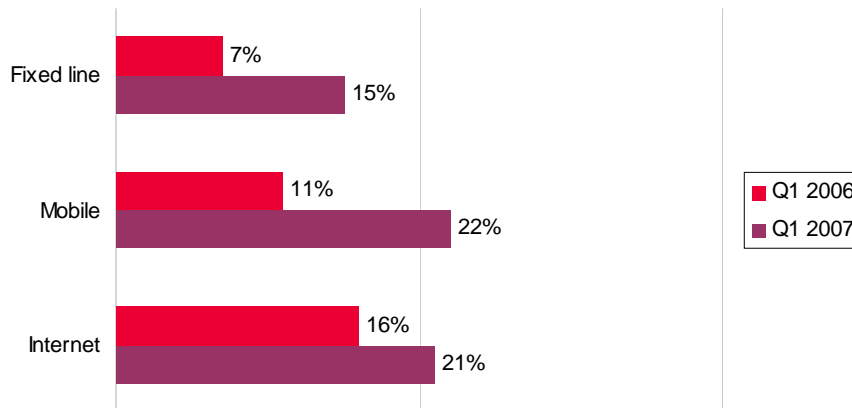
Base: All adults 15+ who are aware of individual issues Source: Ofcom Consumers Concerns Tracking Survey 2007
*2006 where available

Making complaints

4.12 There has been an increase in the proportion of consumers who have had cause to complain about telecoms issues, from 12% in 2006 to 18% in 2007. This represents small increases across the fixed-line, mobile and internet markets.

4.13 Despite this increase, there has been a decrease in the proportion of consumers who have progressed with their complaint. The main reasons fixed-line and internet consumers did not progress their complaints were that 'the problem was sorted out' or 'it wasn't worth the hassle'. In addition some internet consumers believed nothing would be done anyway.

Figure 4.4 Percentage of consumers who did not progress a complaint



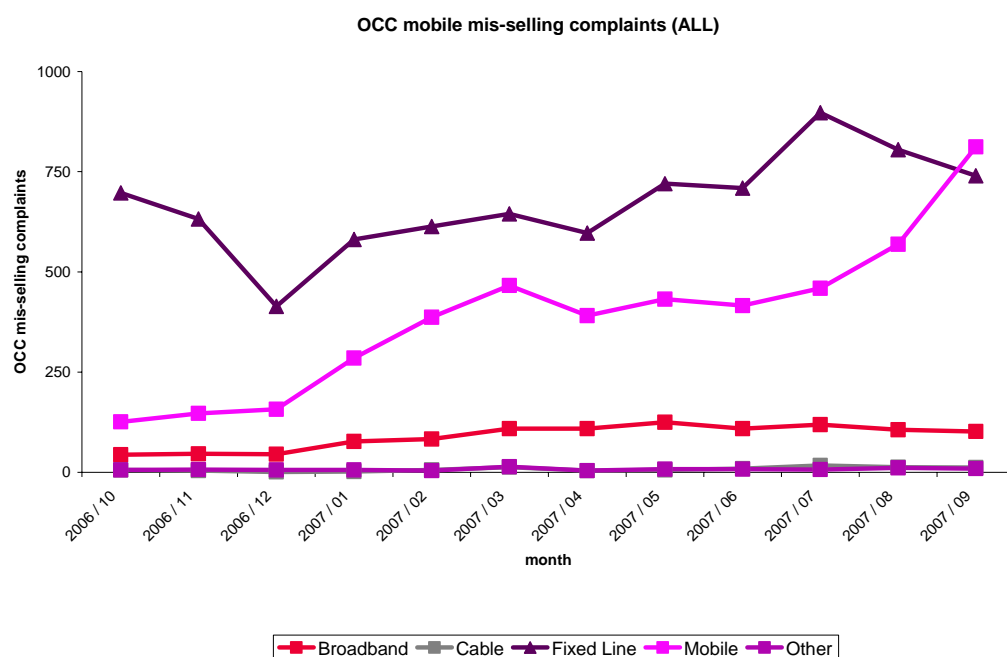
Base: All adults 15+ who had reason to complain about fixed-line Source: Ofcom communications tracking survey

Ofcom's policy

Mis-selling

- 4.14 Ofcom is firmly committed to addressing problems due to mis-selling of telecoms services.
- 4.15 The main instances of reported mis-selling problems this year were about unauthorised transfers ('slamming'), the provision of misleading information and, specific to the mobile sector, the offer of gifts or 'cashbacks' that are hard to obtain as a result of overly restrictive redemption terms. In 2006 problems around mis-selling were focused largely on the fixed market. 2007, however, saw a dramatic increase in complaints about mis-selling of mobile phone services.

Figure 4.5: Complaints about mis-selling and slamming

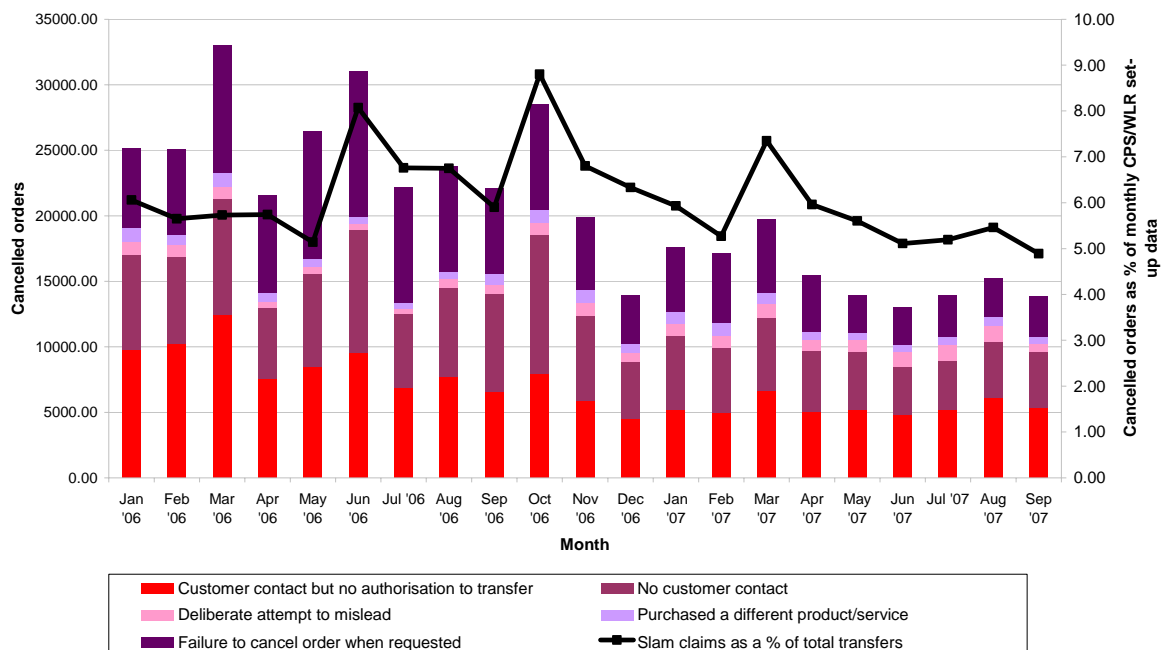


Source: Ofcom

Fixed-line

- 4.16 Ofcom introduced rules in May 2005 which required all providers of fixed-line services to establish a sales and marketing Code of Practice that are consistent with Ofcom guidelines. These guidelines aim to ensure that consumers are protected against irresponsible sales and marketing techniques.
- 4.17 We have pursued an active enforcement programme to monitor and raise the level of compliance in the industry with these rules. Ofcom's approach has involved direct enforcement against a number of providers and an ongoing dialogue with the rest of the market to understand best practice and to continue to drive compliance.
- 4.18 During 2007 Ofcom concluded investigations into the Post Office, Unicom and Tesco. Notifications were issued to the Post Office on 15 June and Unicom on 18 July under section 94 of the Communications Act 2003. These notifications set out what Ofcom considers were contraventions of the rules surrounding sales and marketing. The investigation into Tesco was closed on 13 August following the implementation of a number of measures to address the operational issues identified during the investigation.
- 4.19 The levels of complaints to Ofcom, after initially falling, have been generally stable throughout the year. Nevertheless trends in complaints data can be affected by consumers' awareness of the complaints procedure increasing over time. We therefore also use industry data on the use of 'Cancel Other' to measure the impact of our policies. 'Cancel Other' is an industry process which allows a losing provider to cancel orders for CPS and WLR during the transfer period in order to prevent a 'slam' from taking place. Use of Cancel Other has reduced from over 25,000 in spring 2006 to less than 15,000 a month currently (figure 4.6).

Figure 4.6: Volume of transfer orders that have been cancelled as a result of reported slamming



Source: Operator data

4.20 We continue to be concerned about the level of mis-selling activity in fixed markets and will continue our programme of monitoring, with a view to taking action to reduce the industry average and to target companies whose complaint figures significantly exceed industry average.

4.21 We are also considering whether other changes to the switching process are needed to introduce greater incentives upon providers not to engage in irresponsible sales and marketing activity.

Mobile

4.22 Complaints about mobile mis-selling have become a significant cause for concern. At its peak Ofcom was receiving over 700 complaints a month.

4.23 Examples of mobile mis-selling are :

- **Unauthorised transfers** where a retailer may ring a customer of provider X and offer them what appears to be an upgrade to a package from provider X, but then sign them up for a package with provider Y;
- **'Cash-back' schemes** where the consumer is promised they can claim back a portion of their monthly fee, but the terms and conditions are unduly onerous making it difficult for them to do so in practice.

4.24 An additional aspect of the cash-back issue is that the cash-back element is often subject to a separate contract between the customer and reseller. The customer will also have a contract with the mobile provider for the main telephony service. Problems have arisen this year where a reseller has gone out-of-business resulting in

the cashback payments no longer being honoured but the affected customer remains locked in their contract with the mobile provider.

- 4.25 Following discussion with Ofcom, the mobile providers established a voluntary code of practice which sets out best practice on sales and marketing for mobile services. The code came into force on 31 July 2007. This sets out:
- minimum business standards, including prohibited sales and marketing practices;
 - how retailers must comply, including details of proactive monitoring by mobile providers and possible sanctions;
 - due-diligence exercises to determine which retailers should be engaged; and
 - how complaints to mobile providers should be monitored and handled.
- 4.26 Ofcom made clear that industry have a short period of time for the voluntary code to have an impact in reducing complaint volumes. Since the introduction of the code of practice, Ofcom has continued to monitor the number of complaints and has seen no significant decrease of complaints. In October this year Ofcom began a review to assess whether formal regulatory measures are needed to protect consumers. Ofcom aims to consult on the findings of this review in the next few months.

Silent calls

- 4.27 Silent calls are mostly caused by automated calling systems, such as predictive or power diallers used by call centres, which may be programmed to generate more calls than their agents can handle. When a consumer answers such a call and no agent is available, the consumer either hears silence or the call is automatically terminated, resulting in an abandoned call. However, many consumers believe silent calls to be due to pranksters, burglars or stalkers.
- 4.28 These silent and abandoned calls can result in consumer harm by causing annoyance, inconvenience or anxiety and can be very frightening, particularly for people who live alone.
- 4.29 Ofcom introduced new rules to clamp down on silent calls in March 2006 requiring that any abandoned calls should be accompanied by a recorded information message explaining why the call has occurred and preventing silence on the line. In addition the Government also increased the maximum penalty that Ofcom can impose on organisations from £5,000 to £50,000.
- 4.30 Following investigation, on 3 November 2006 Ofcom issued notifications under section 128 to four companies who were considered to have persistently misused an Electronic Communications Network; and subsequently imposed financial penalties on each company of up to £45,000.
- 4.31 A recent study commissioned by Ofcom found that the introduction of such a wide-ranging set of requirements (together with an active enforcement programme) has led organisations who use predictive diallers to make significant investments to improve their call centre procedures in order to comply with the new rules.
- 4.32 The problem of silent and abandoned calls remains a priority for Ofcom and we have extended our own initiative investigation programme for a further 6 months (to December) to test compliance with the 2006 guidelines.

- 4.33 Complaints to the Ofcom about silent calls have fallen to about 300 a month from a peak of 776 in November 2006. BT's Nuisance Call Bureau provides us with the most complete measure. BT receives complaints in the region of 20,000 a month. The current figure represents a significant decline when compared to the 80,000 complaints BT were receiving at the start of 2006.

Additional charges

- 4.34 Consumers face additional charges from their communications provider over and above those they already pay for the service – whether home phone, mobile, broadband or pay TV. These additional charges can be due to a number of factors, including:
- not paying by direct debit;
 - late payment;
 - having service restored after it has been restricted or suspended following late payment; or
 - early termination fees (terminating a contract within the specified minimum contract period).
- 4.35 Complaints to Ofcom about non-direct debit charges and other issues around additional charges peaked at around 900 a month, accounting for about 8% of total consumer complaints to Ofcom. Levels of complaints have been falling since the summer. The increase in the number of complaints followed the introduction of new arrangements by BT in 2007 which both changed the presentation of the differential for customers not paying by direct debit (so it became an additional charge rather than a discount) and increased the amount to £1.50 a month (from £1 a month).
- 4.36 Ofcom has launched an industry-wide investigation into whether such additional charges are unfair and result in consumer harm. The investigation will examine consumers' awareness of and attitudes to these types of charges and consider whether additional charges are sufficiently transparent. It will take account of the research on low-income consumers published in this report.

Broadband Switching

- 4.37 The two main problems experienced by consumers in relation to switching broadband providers related to difficulties in obtaining a MAC and securing the removal of a 'tag' on the line. We explained in section 3 the actions taken by Ofcom to address these problems and the positive results now being shown.

Premium-rate services

- 4.38 Premium rate services (PRS) are a form of micro-payment for paid for content, data services and value added services that are subsequently charged to your telephone bill. There are a diverse and growing number of services which include:
- fixed line telecoms services, such as live chat, information services (including directory enquiries) and TV vote lines; and
 - mobile services, such as ring tones, media content and payment through reverse-billed SMS.

- 4.39 Under current arrangements, the primary role for consumer protection falls to PhonepayPlus (formerly ICSTIS), the regulatory body responsible for UK PRS.
- 4.40 Most complaints about PRS go to Phonepay Plus. The number of complaints varies hugely from year to year. There were around 7,000 complaints in 1999 / 2000. This rose to nearly 80,000 annual complaints in 2004/05 when rogue diallers were the main source of complaint. There were just over 11,000 complaints in 2006, significantly affected by complaints about Big Brother. There were just under 700 complaints in Q1 (April to June) 2007 (an annualised rate of 2,800).
- 4.41 There has been a significant change in the ratio of PRS complaints about landline and mobile services; complaints volumes have generally been dominated by complaints for mobiles since February 2007. The main driver of the change is the volume of complaints regarding unsolicited text services.
- 4.42 A significant PRS issue that arose during the year was the use of premium rate telephony by television broadcasters.
- 4.43 Towards the end of 2006, regulatory scrutiny of 'quiz TV' (a form of dedicated participation TV in which shows are wholly given over to prize games entered by premium rate calls) began to intensify. An inquiry by the Culture, Media and Sport Select Committee and changes to the regulators' rules and guidance tightened the regime in which these services operated.
- 4.44 By February 2007 these issues gave way to a wave of concerns around broadcast PRS including viewers' votes and competition entries being ignored, faked winner, wrong call charges being applied and SMS messages being delayed in transmission and therefore rendered ineligible.
- 4.45 Following these serious allegations about the conduct of PRS-based games and votes in mainstream programming, Ofcom responded swiftly through a series of regulatory measures. These included:
- commissioning an inquiry in March 2007 into TV broadcasters' use of PRS, led by Richard Ayre, a member of Ofcom's Content Board. By the summer the inquiry had concluded that systemic problems were evident and recommended that broadcasters should be held directly responsible, under their broadcasting licences, for PRS compliance throughout the supply chain and that some form of independent third party audit should be required to detect problems in advance;
 - issuing a consultation on Participation TV (both mainstream and dedicated applications) which proposed that the key recommendations of the inquiry – essentially licence changes – should be taken forward;
 - Ofcom investigations led to fines for the BBC, GMTV and five. The largest fine, on GMTV, was £2m. Ofcom continues to investigate; and
 - ICSTIS (now PhonepayPlus) also launched investigations into PRS service providers and levied fines of its own.
- 4.46 These developments in part reflect changes in technology and the increasing convergence in the communications sector. Regulation needs to keep pace with such change. Ofcom is carrying out a review of the way PRS is regulated to ensure that there is adequate consumer protection in place. The review will also ensure that

regulation of PRS is proportionate to the potential for consumer harm, so that it does not unnecessarily hamper investment and innovation in the sector.

4.47 The issues we are addressing as part of the review include:

- what constitutes a PRS in a converged communications market and the ability of the current regulatory regime to adapt to new and emerging services;
- the clarity of pricing in PRS and impact on consumer trust and confidence;
- arrangements for consumer protection and redress in the PRS sector;
- the effective application of regulation across the PRS value chain; and
- the role of regulators and consumer protection bodies who have an interest in PRS.

4.48 We intend to consult on options for the future of PRS regulation later in 2007.

Unwanted sales calls

4.49 Consumers have a legal right – embedded in the Privacy and Electronic Communications Regulations 2003 – not to receive unwanted sales calls. They can avoid unwanted calls in two ways. Firstly, by advising a company making direct marketing calls that they no longer wish to receive such calls. Secondly, by registering their telephone number (for free) with the Telephone Preference Service (TPS). The TPS maintains a register of people who do not wish to receive direct marketing calls. There are over 12.5 million telephone numbers registered with the TPS – this is roughly equivalent to about half the households in the UK.

4.50 The TPS operates under a contract with Ofcom. It is unlawful to make a direct marketing call to a person who has indicated that they do not wish to receive such calls. Enforcement is primarily the responsibility of the Information Commissioner's Office (ICO) and Ofcom is working closely with the ICO on its enforcement activity against those organisations which call numbers registered on the TPS database. A joint letter of understanding between Ofcom and the ICO was published on 6 September setting out our respective enforcement powers and roles and creates a platform for enhanced collaboration.¹⁷

4.51 The TPS and ICO work closely together and the ICO has an active enforcement programme for failure to comply with the TPS.

Making complaints

4.52 The research this year shows an increase in consumers having reason to complain but more consumers not pursuing those complaints.

4.53 Telecommunications providers are required to publish a complaints code of practice that has been approved by Ofcom and to provide access to an alternative dispute resolution (ADR) service that has been approved by Ofcom. When consumers have problems with customer service, they should in the first instance follow the company's complaints procedure and if this does not resolve the problem, refer the case to the ADR service. Ofcom has approved two ADR schemes – the Office of the

¹⁷ <http://www.ofcom.org.uk/about/accoun/ico/>

Telecommunications (Otelco) and the Communication and Internet Services Adjudication Scheme (CISAS).

- 4.54 Ofcom is reviewing complaints handling practices with the aim of identifying ways of achieving faster dispute resolution and better consumer awareness of ADR schemes. We will publish a consultation document in early 2008.

Children and internet concerns

- 4.55 As set out above, when prompted, consumers' highest levels of concern related to internet security including the protection of children from adult content.
- 4.56 Responsibility for dealing with these issues lies mainly with other stakeholders - for example industry itself, the Home Office and Financial Services Agency. In September the Government announced the setting up of The Byron Review looking at the risks to children from exposure to potentially harmful or inappropriate material on the internet and in video games. Ofcom will submit evidence to the Review.
- 4.57 Ofcom's primary activities in this area have been in the area of our work on media literacy. We are continuing our work to achieve a comprehensive understanding of the levels of media literacy in the UK and to encourage greater awareness of, and confidence and competence in, the use of communications technologies. In relation to the internet, our work includes:
- A joint Ofcom and Home Office project to develop a British Standards Institute Kitemark for internet access control software. The Standard details requirements for products which will enable UK adult internet users to easily control their children's access to internet-based content. We are aiming to agree and publish the final technical specification by the end of 2007 with the first Kitemarked products available in 2008.
 - Ofcom has invited stakeholders – through the Broadband Stakeholders Group – to contribute to the drafting of a common framework for providing information about content. The framework will, we hope, become a voluntary, best practice guide for providers to select the most appropriate way of providing information on potentially harmful or offensive content to viewers.
 - Supporting work in Europe as part of the European Commission's Expert Group and, amongst other projects, European Safer Internet Day - an initiative to raise awareness and promote child safety online.
 - Membership of the Home Office Task Force on Child Protection on the Internet. As well as supporting the Task Force, Ofcom contributes to the work of four sub groups which focus on child protection measures, raising awareness, education and international co-operation.
 - Promoting media literacy issues with DCSF, Scottish Government, Welsh Assembly Government and the Department for Education in Northern Ireland.
 - Ofcom has also commissioned a qualitative study of children/young people and their attitudes to social networking sites. The study focuses on their understanding of personal information, privacy and safety.

Section 5

Conclusions and next steps

- 5.1 Ofcom's regulatory approach is that consumers' interests are in general best served by promoting effective competition in the provision of communications services. The research indicates that this approach is delivering significant benefits to consumers in terms of falling prices and high levels of satisfaction.
- 5.2 The research also shows that a broad range of communications services is being rolled-out across the UK and that take-up levels are continuing to rise. A particularly positive feature is that some of the biggest increases in take-up of the internet and of digital TV services are amongst the 65-74 age group and in particular by consumers over 75s. However, older consumers continue to have lower absolute levels of take-up across all services except fixed lines and significant challenges for policy makers and suppliers remain.
- 5.3 Our regulatory principles state that we will intervene firmly, promptly and effectively where required. During the year we have put in place new rules to assist consumers switching broadband providers and carried out an enforcement programme to tackle mis-selling of fixed line services and silent calls.
- 5.4 These interventions are showing positive results with significant reductions in the number of complaints about broadband switching and silent calls and with industry data showing some reductions in fixed-line mis-selling.
- 5.5 The reports also point to challenges for the future. Convergence is providing consumers with wider choice, flexibility and lower prices but may also mean that comparing and switching is more difficult. We have work underway to help consumers compare broadband quality of service, including broadband speeds, and to make sure that the switching processes meet consumers' needs as they begin to switch more services and bundles.
- 5.6 Examining issues around the extent of the availability, take-up and use of services by all consumer groups remains a priority for us. With very wide coverage of basic broadband, the policy focus is increasingly around the availability of higher speed broadband and of next generation access.
- 5.7 With research showing that barriers to take-up are increasingly less driven by cost and more by wider socio-economic issues, we will need to ensure that in our policy, media literacy and research activities we work effectively with stakeholders in ensuring that these issues are raised and addressed. We will also need to ensure that, as technology develops, the needs of disabled consumers are fully taken into account.
- 5.8 With positive results being shown on protection issues over the last year but with new problems such as mobile mis-selling emerging, we need to reinforce our efforts to protect consumers from harm and to strengthen a culture of compliance within industry. We will also continue our work with stakeholders to ensure that issues around the protection of children are addressed.

Your views on the reports

- 5.9 We want to use these reports as an important part of our engagement with stakeholders to develop a shared understanding of consumers' experiences of communications markets and of the regulatory priorities going forward.
- 5.10 We would therefore welcome comments from stakeholders on the research findings and the policy issues raised. We will be holding a number of workshops over the coming months to discuss the issues raised by the research.
- 5.11 If you would like to give us comments on any of these issues or take part in the workshops, please contact alan.pridmore@ofcom.org.uk

Annex 1

Glossary

2G	Second generation of mobile telephone systems using digital encoding. 2G networks support voice, low speed data communications, and short messaging services.
3G	Third generation of mobile systems. Provide high-speed data transmission and supporting multimedia applications such as full-motion video, video-conferencing and internet access.
the £3400 rule	BT's tariff rule that the standard connection fee applies except where installations are so remote that installation would cost over £3,400 (when the customer pays the standard fee plus the excess above £3400).
ABC1	The aggregate of socio economic groups A, B and C1 (see SEG).
the Act	The Communications Act 2003
ADSL	Asymmetric Digital Subscriber Line. A digital technology that allows the use of a copper line to send high bandwidths in one direction and a lesser bandwidth in the other.
ADR	Alternative dispute resolution
BERR	Department for Business, Enterprise and Regulatory Reform
Broadband	A service or connection generally defined as being "always on" and providing a bandwidth greater than 128kbit/s.
BT	British Telecommunications plc
C2DE	The aggregate of socio-economic groups C2, D and E (see SEG)
CISAS	Communication and Internet Services Adjudication Scheme
DAB	Digital Audio Broadcasting. The brand name for the technology by which terrestrial Digital Radio multiplex services are broadcast in the UK.
DACS	Digital Access Carrier System. A device used on BT's network that enables two telephone services to be provided over the same copper pair. DACS is incompatible with DSL services
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.
Eol	Equivalence of Input. Under Eol all communications providers – including BT Retail - purchase exactly the same wholesale products through exactly the same systems.
ICSTIS	the Independent Committee for the Supervision of Standards of the Telephone Information Services (now known as PhonepayPlus)
Internet	Global network of networks, using a common set of standards.
ISP	Internet Service Provider. A company that provides access to the internet.
Kbit/s	Kilo bits per second (1,000 bits per second). A unit of measurement of data transmission speed.
LLU	Local Loop Unbundling. A process by which BT's exchange lines are physically disconnected from BT's network and connected to other operators' networks. This enables operators other than BT to use the BT local loop to provide services to consumers.
Local Loop	The access network connection between the customer's premises and the local PSTN exchange, usually a loop comprised of two copper wire.
MAC	Migrations Authorisation Code. A MAC is a unique code that the customer obtains from their existing provider and gives to their new provider to switch service.
Mbit/s	Mega bits per second (1,000,000 bits per second). A unit of measurement of data transmission speed.
Multiplex	A device that sends multiple signals or streams of information on a carrier at the same time in the form of a single, complex signal. The separate signals are then recovered at the receiving end.
Narrowband	A service or connection providing data speeds up to 128kbits, such as via an analogue telephone line, or via ISD.
Openreach	BT's access services division
Otelo	Office of the Telecommunications Ombudsman
PASS	Price Assurance Standard: Ofcom's accreditation scheme for third party services that provide comparative information services.

PhonepayPlus	is the regulatory body for all premium rate charged telecommunications services (formerly ICSTIS)
Postal district	The geographic area identified by letters and numbers which appears as the first part of a post code, e.g. SW8.
PRS	Premium Rate Service Services including recorded information and live conversation, run by independent service providers. All calls to these companies are charged at a higher rate than ordinary calls to cover the companies' costs in providing the content of the call and the operator's cost for the special network facilities needed.
PSTN	Public Switched Telephone Network – such as BT's current copper telephone network.
Rural	Settlements with populations below 2,000 and more than 10 miles from a larger settlement.
Silent calls	The most common cause of silent calls is when automated calling systems("diallers"), used by call centres for telemarketing, market research, debt collection and other purposes, generate more calls than the available call centre agents can manage. If an individual answers a call and no agent is available, the dialler will terminate the call, resulting in silence on the line.
Slamming	Where the a customer's service is transferred to an alternative provider without the consumer's permission
SME	Small or Medium sized Enterprise.
SEG	Socio Economic Group (A social classification, classifying the population into social grades, usually on the basis of the Market Research Society occupational groupings (MRS, 1991). The groups are defined as follows. A. Professionals such as doctors, solicitors or dentists, chartered people like architects; fully qualified people with a large degree of responsibility such as senior civil servants, senior business executives and high ranking grades within the armed forces. Retired people, previously grade A, and their widows. B. People with very senior jobs such as university lecturers, heads of local government departments, middle management in business organisations, bank managers, police inspectors, and upper grades in the armed forces. C1. All others doing non-manual jobs, including nurses, technicians, pharmacists, salesmen, publicans, clerical workers, police sergeants and middle ranks of the armed forces. C2. Skilled manual workers, foremen, manual workers with special qualifications such as lorry drivers, security officers and lower grades of the armed forces.

- D. Semi-skilled and unskilled manual workers, including labourers and those serving apprenticeships. Machine minders, farm labourers, lab assistants and postmen.
- E. Those on the lowest levels of subsistence including all those dependent upon the state long-term. Casual workers, and those without a regular income.

Tag on line A marker or tag left by a broadband provider on a line which prevents a customer taking service with another provider

Telecoms Strategic Review Ofcom's strategic review of telecommunications 2004-5
http://www.ofcom.org.uk/static/telecoms_review/index.htm

TPS Telephone Preference Service. Service established by the Direct Marketing Association to help reduce the number of unwanted telemarketing calls received by customers. Customers contact their telephone company to join and their details are then removed from lists used by many companies engaged in.

USD Universal Service Directive. Directive 2002/22/EC on universal service and users' rights. http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/l_108/l_10820020424en00510077.pdf

USO Universal Service Obligation. This is a series of requirements, currently upon BT and Kingston Communications, to provide every household in the UK with access to a landline telephone.

WLR Wholesale Line Rental. A regulation requiring BT to make local access lines available to competing providers at a wholesale price.