Results of research into consumer views on the importance of communications services and their affordability

Report on findings

Publication date: 22 July 2014
About this document

An important part of Ofcom’s work is to ensure that consumers receive value for money from their communications services. Encouraging and promoting consumer participation in communications markets is also one of our key priorities.

To fulfil these responsibilities, Ofcom has focused on securing the availability of a wide range of communications services, while carrying out work to understand the reasons why some citizens do not use them, or have difficulty doing so.

In this report, we look specifically at whether some people have difficulty affording communications services, particularly those regarded as important or essential by citizens and consumers, including to those on low incomes. It contains the results of research carried out to understand whether the cost of important or essential communications services is an obstacle to consumers adopting and using them.

This report sets out the research findings and our conclusions, and explains the measures we have in hand to address affordability issues.
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Section 1

Summary

1.1 In summer 2013, Ofcom started a project to understand better if there are situations where affordability is a barrier to using communication services which citizens and consumers regard as important or ‘essential’ for participation in society. We aimed to focus on those services that consumers see as essential for participation, and also to understand the impact on consumers of buying essential communication services, or of being unable to afford an essential service. We therefore looked at which communications services are regarded as essential by consumers and citizens, why these services are seen as essential, and whether the costs of essential communications services cause hardship or are a barrier to the use of these services. We used a range of sources of evidence to reach our conclusions, including quantitative and qualitative research.

1.2 This report sets out the research findings and our conclusions.

“Essential” communications services

1.3 Our qualitative and quantitative research indicates a broad consensus among consumers on different elements that can make a service “essential”, for example safety through the ability to call emergency services on 112/999, or the ability to keep in touch with family and friends. There are demographic variations in the research data, and age is a key factor in people’s perceptions of which services are essential.

1.4 Our findings also reflect the changes over the last ten years in the way people communicate with each other, e.g. increasing take-up of the internet. Across both the qualitative and quantitative research findings:

- the services seen as most essential by consumers were voice services in general, but mobile services in particular (voice and text), and access to the internet, particularly fixed internet;

- some services were seen as essential by some consumers, but less important by others, influenced by demographic factors such as age and socio-economic group: free-to-view TV, landline voice and mobile internet, e.g. mobile internet was seen as more essential by younger age groups;

- radio, pay TV and internet from a public place tended to be viewed as essential for society by fewer consumers, again depending on consumers’ usage of the service; and

- services which are generally much less used or are auxiliary services were seen as less essential, both personally and for society (Public Call Boxes (PCBs), itemised billing and directories).
Affordability

1.5 Overall, our recent research found that the majority of consumers are unlikely to face affordability issues – 86% of those with financial responsibility for communications services said they never had difficulties paying for their communications services, and out of those who did, only a minority reported affordability issues. Generally, essential communications services were seen as good value for money, and this was the case regardless of level of income. This is consistent with the main findings of our report on the cost and value of communications services, published in January 2014, which showed that consumers have generally benefited from price decreases and an increase in choice and quality over the past ten years.

1.6 Our research suggests that affordability of communications services is linked to consumers’ financial circumstances and to their ease or difficulty of paying for their wider ‘basket of monthly goods’. Those with financial responsibility for communications services who were on low incomes were more likely ever to have had difficulties paying for their outgoings. Low income consumers employed a variety of coping mechanisms in order to afford essential services (e.g. buying cheaper goods and services, trading off some goods and services against each other, using pay as you go or avoiding direct debit). There was also sometimes low awareness of cheaper deals, and only 26% of consumers on income support were aware of the social tariffs (offered by BT and, in Hull, Kingston Communications (KCOM)) available to help consumers on qualifying benefits access a landline.

1.7 While most consumers are unlikely to face affordability issues, we also found that, in a minority of cases:

- some consumers faced affordability issues when buying services: for instance, 2% said they have been in debt in relation to communication services when facing difficulties paying for these services. This level of reported debt is consistent with previous findings, and mobile industry information shows that both levels of debt and percentage of indebted consumers have fallen between 2010 and 2013 in the mobile sector; and

- some consumers said cost was a barrier in obtaining services they would like to have and were generally seen as essential. This applied particularly to broadband, where 7% of respondents in total would have liked broadband but did not have it and quoted cost as an issue. Of those, over half identified at least one negative impact of not having broadband (e.g. lack of access to information), while 37% said it did not affect them or they have alternatives and could therefore carry out essential functions through those services instead.

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1 Those who have financial responsibility for communications services represent 91% of the total sample.
2 Ofcom, Cost and value of communications services in the UK, 2014 http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/cost_value_final.pdf (throughout this document we refer to it as the Cost and Value report)
3 including universal services but excluding Pay TV.
4 Respondents did not explicitly indicate which other service they were using instead of fixed broadband. Although from a small base of 75 respondents, the research does suggest that of the respondents who say that lack of access does not affect them or they have alternatives, 57% have a smartphone in their household, while 28% have a tablet.
Next steps

1.8 Our research highlighted that the services now seen as essential by consumers reflect changes in the way consumers communicate with each other, a change made possible by the increasing availability of new technology. Mobile services are now seen as essential or important for most consumers to access voice calls and text-based communication, except for older consumers who continue to rely on landline for voice services. Internet is also now seen as essential or important by most consumers, enabling consumers to communicate and participate in society and to access information, education and key services easily at home or, increasingly, on the move. Conversely, some more traditional universal services are seen by consumers as less essential – for example, payphones are regarded as less important because of the availability of alternatives (although payphones remain essential to a small minority, in particular for access to emergency services in some circumstances).

1.9 Our findings are potentially relevant to policy makers considering options to ensure that the most important services are available and accessible as widely as possible, including potential discussions in Europe on the scope of the universal service. We are therefore communicating our findings to the Government, European institutions and other interested stakeholders. We will also continue to monitor the evolution in the use of these services.

1.10 As noted above, while we found that most consumers are unlikely to face affordability issues, we found some cases where some consumers, in particular those on low income, were facing debt or were excluded from using services because of their cost.

1.11 Our work to address these issues includes the following:

- We are improving links between debt charities and communications providers (CPs), to encourage them to be more responsive to the changing circumstances of consumers;

- We will continue our work to try and improve awareness of the most affordable deals and to help consumers switch when they want to. We will explore ways to ensure that this work is appropriately targeted at low income users and the value end of the market as well as premium services and bundles. This will include examining whether there are particular barriers to switching for low income consumers. It will also include engaging with consumer stakeholders and intermediary organisations such as Citizens Advice and Stepchange to explore how to target relevant consumer information to low income consumers and citizens. We will explore with industry its engagement with low income consumers;

- We will go on monitoring the evolution of pay as you go tariffs in the mobile market and CPs’ compliance with the Payment Surcharge Regulations which are designed to ensure that payment surcharges (which may be applied where customers pay by means other than direct debit) do not cover more than the costs the CP incurs in processing payments;

- We will continue our research on digital participation and media literacy, and contribute our research data and analysis to the work of other stakeholders who take a leading role to promote digital participation; and
• We will develop further indicators to monitor affordability and report on our findings annually, in order to track the prevalence of debt and cost as a barrier to participation.
Section 2

Introduction

Background to the project

2.1 Ofcom is committed to promoting opportunities to participate in communications services, as one of our strategic priorities. There are several different types of potential barriers to using communications services, for instance the availability of different communications services in different parts of the UK, lack of information about these services, or lack of confidence in using them. However this report is specifically concerned with analysing whether affordability is a barrier to participation for some consumer groups.

2.2 Ofcom has duties in relation to the value for money and affordability of communications services. We regularly collect and publish market intelligence and market research information on the services available, the prices of these services, the take up by consumers, the reasons for not taking up services, and the overall spend on communications services.

2.3 Taken together, our research information does not suggest that there is a problem with the affordability of communications services. Take-up of communications services is high, with 95% of households having at least one mobile phone, 84% a landline, and 82% an internet connection. The average household spend on communications services is about 5.4% of total spend, and there is a relatively low incidence of telecoms debt. In addition, there are many low cost options available to consumers, such as low cost bundles of fixed services and pay-as-you-go options for mobile services.

2.4 Finally, our report on the cost and value of communications services over the last ten years highlighted that consumers have seen declines in real prices and increased choice and quality in the communications sector over the last ten years. While there have recently been some price rises, these can be seen in the context of a competitive market delivering increased choice and quality, and most consumers continuing to say that key communications services such as mobile and broadband services are good value for money.

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7 CER 2013, Figures 2 and 104
8 2-3% depending on the service, see section on affordability.
9 http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/cost_value_final.pdf
2.5 As we highlighted in our report on the cost and value of communications services, cost and value will continue to be a central area of focus for Ofcom. We will continue to work hard to ensure that good value-for-money services are available for all consumers across the sectors that we regulate.

2.6 In addition, while information on the market in aggregate suggests that there are no problems with affordability of telecoms services for most consumers, we decided to set up a specific project to understand better if there are situations where affordability is a barrier to participation in using essential communications services for some consumers. Part of the purpose of the project was also to consider whether changes in the way consumers communicate with each other since universal services such as fixed telephony were first required by the EU’s Universal Service Directive mean that consumers consider additional or different communications services as essential.10

2.7 This project therefore had two parts:

- looking at which communications services consumers view as essential and why; and
- considering the affordability of communications services seen as essential.

**Legal framework**

2.8 Ofcom’s principal duty under section 3(1) of the Communications Act 2003 is, in carrying out its functions: “(a) to further the interests of citizens in relation to communications matters; and (b) to further the interests of consumers in relevant markets, where appropriate by promoting competition”.

2.9 In performing its duties under section 3(1), Ofcom must have regard to a range of different issues as set out in section 3(4), to the extent it considers relevant in the circumstances. Of particular relevance to its work on affordability, these include “the needs of persons with disabilities, of the elderly, and of those on low incomes.” Additionally, under section 3(5), in performing its duties in respect of consumers Ofcom must have regard to, “the interests of those consumers in respect of choice, price, quality of service, and value for money”.

2.10 Research such as that reported upon in this document assists Ofcom in the carrying out of its functions in accordance with its duties as summarised above.

2.11 In addition to this general framework, specific legal obligations apply in relation to affordability of defined universal services. It is important to note that “universal services” are not synonymous with “essential communications services”, and this is discussed further in this document. However, universal services obligations cover some important basic services relevant to consumers and national regulators across the EU, and as such are relevant to the subject matter of this document.

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2.12 Universal service in the United Kingdom is secured through the legal framework of the Universal Service Directive 2002 (the “Directive”), the Communications Act 2003 (“the Act”) and the Electronic Communications (Universal Service) Order 2003 (“the Order”) as implemented by Ofcom.

2.13 The basic services which universal service is designed to secure are set out in Chapter II of the Directive. These include access at a fixed location, directory enquiries and directories, public pay telephones, and special measures for disabled users. Article 3(1) of the Directive refers to affordability. It says, “Member States shall ensure that the services... are made available at the quality specified to all end-users in their territory, independently of geographical location, and, in the light of specific national conditions, at an affordable price.”

2.14 Section 65 of the Act requires the Secretary of State to specify by order the things in the field of electronic communications which must be provided to secure compliance with EU obligations. The Order requires that the matters which are included in the Directive (referred to above) should be available or supplied throughout the UK. In relation to affordability, the Order states: “The matters set out in the Schedule should be offered at prices that are: (a) affordable for all end-users; and (b) uniform throughout the United Kingdom, unless OFCOM have determined that there is clear justification for not doing so.”

2.15 Under section 67(1) of the Act, Ofcom is empowered to set, “such universal service conditions as they consider appropriate for securing compliance with the obligations set out in the universal service order”. Oftel (the predecessor of Ofcom in relation to telecoms matters) imposed the Conditions on BT and KCOM in 2003, and also made relevant changes to the General Conditions of Entitlement (in particular in relation to disabled users). These Conditions remain in force as subsequently amended by Ofcom.

Structure of the rest of the document

2.16 The rest of the document is structured as follows:

- Section 3 describes our approach to assessing whether communications services seen as essential are affordable;
- Section 4 sets out our findings on what makes communications services essential, which services are seen as essential, and differences among consumer groups on the relative importance of communications services;
- Section 5 sets out our findings on the affordability of communications services seen as essential; and
- Section 6 highlights our conclusions and next steps.
Section 3

Approach to assessing the affordability of “essential” communications services

3.1 This section explains how we came to the definitions we used for considering “essential” services and affordability, the scope of our project, and our methodology.

Defining our approach

“Essential” services

3.2 While there are legislative provisions relating to universal services, which are listed in the Universal Service Directive,\(^\text{11}\) and relating to public service broadcasting,\(^\text{12}\) there is no recognised definition or list of communications services which are considered “essential”. Previous Ofcom work focused on promoting access and inclusion where most needed,\(^\text{13}\) or emphasised the importance of internet and broadband usage.\(^\text{14}\)

3.3 We commissioned a literature review to inform our market research into what consumers view as essential.\(^\text{15}\)

3.4 The literature review showed that there is no ready-made definition of an “essential” service, but comparison with related concepts such as universal services elicit broad criteria that can be used to identify essential services. In practice, “essential” services (or necessities) have often been identified through market research, and what is considered essential evolves over time. The literature review linked the concept of essential service with take-up and also the consequence of not having that essential service, i.e. ultimately a service is essential if not having the service results in being excluded from normal social and economic activities.\(^\text{16}\) In addition, we considered that, as the regulator, it was important for Ofcom to identify not only services that consumers consider essential for themselves, but also those which consumers considered had wider societal value.

\(^{11}\) Chapter II of the Universal Service Directive
\(^{12}\) S264 of the Communications Act 2003
\(^{13}\) http://stakeholders.ofcom.org.uk/consultations/access/.
\(^{14}\) http://stakeholders.ofcom.org.uk/binaries/consultations/1047872/summary/condoc.pdf
\(^{15}\) ESRC Centre for Competition Policy at the University of East Anglia, Literature review – Criteria to define essential services, November 2013, contributing authors: Antje Kreutzmam-Gallasch, Richard Cadman, Michael Harker, Catherine Waddams. Available on this report’s webpage on the Ofcom’s website.
\(^{16}\) More specifically, the literature review suggested defining whether a service is essential by first considering take up and then whether the absence of this service would result in being excluded from taking part in normal social and economic activities. If take-up is low, a service is essential if consumers either cannot purchase it because of its price, or are not aware of its benefits, and this prevents them from taking part in normal social and economic activities.
3.5 For our project, we therefore adopted a working definition of essential communication services as communications services seen as essential by consumers to participate in society and in economic activities.

Affordability

3.6 To define and assess affordability we were able to draw on the comprehensive report published by Ofcom in March 2013 on the affordability of post. This report noted that “a key guiding principle in assessing the affordability of universal postal services is to have regard to the consequences for a consumer of either sending post at current prices or choosing not to send post because of current prices.”

3.7 We thought that considering the financial consequences on consumers of either buying or not buying the service was an approach which was applicable to considering the affordability of communications services. This approach also allowed us to capture a wider range of affordability issues for all consumers, including vulnerable consumers, rather than focus on one measure (such as income or debt).

3.8 This approach is independent of the size of consumer expenditure or income. We decided that this methodology was appropriate for communications services on which spending is typically lower than that on items such as energy and housing. In such cases the more conventional income based approaches to affordability where necessary consumer spend on an item is assessed against consumer income are more meaningful indicators of the direct consequences for consumers of price levels.

3.9 For our project, we therefore adopted the following working definition of affordability: in general, a good or service is considered to be affordable for a consumer if this consumer is able to purchase it without suffering undue hardship. We considered this objective measure of the impact of affordability to be more useful than the very subjective view that would be gained by simply asking a respondent if something is affordable or not.

Scope of the project

Services

3.10 As we have a specific responsibility for monitoring the affordability of universal services, we included universal services (including fixed line voice telephony, public pay phone boxes, directories and directory enquiry services, social tariffs and itemised billing) within the scope of the project. The Universal Service Directive also requires special measures for disabled users, but the specific services required in the UK for disabled users are provided at no additional cost to users, and so were


19 General Condition 15 provides for a number of measures designed to ensure that the requirements and interests of disabled end users are safeguarded, including text relay services, directory enquiries, special billing arrangements for those dependent on communications services, and Braille bills.
excluded from the remit of this project.\textsuperscript{20,21} In relation to all communications services generally, we decided to use the first phase of our qualitative research, which explored consumers' views on the services essential to them and society, to determine the services on which we would focus our affordability analysis.

3.11 Some services are only partly in scope of our project, or excluded altogether. As we did not find that a substantial proportion of consumers considered pay TV to be an essential service, we did not include it in the part of our research focusing on affordability. We also excluded free to view television from the part of the research focusing on affordability, as the only direct contribution from consumers to the cost of free to view television service is the licence fee (set by the Government). Social tariffs for fixed voice services, which are only available to a section of the population, were also only considered in our quantitative research, to explore awareness of the services. Finally, we excluded postal services from the scope of this project entirely, as we had already reported on the affordability of postal services.

Consumers

3.12 The research on "essential" services aimed to capture the views of a representative cross-section of all consumers across the UK. As part of our analysis, we aimed to gather the views of different groups based on the following criteria: socio-economic group/income, age, disability, internet use, ethnic minority groups, nation, location and, where relevant, type of service used.

3.13 In relation to affordability, we decided to focus our qualitative research on those consumers most likely to be vulnerable in relation to the cost of services, i.e. at risk of not being able to afford essential communications services. Therefore, the part of our qualitative research focusing on affordability only included low income participants, in line with our approach to postal affordability. This is consistent with our duty under the Communications Act 2003 to take account of particular groups of citizens and consumers who may be particularly vulnerable to harm and require special protection. We recognise, however, that any consumer can be vulnerable to harm temporarily, for example after an accident or in an emergency.\textsuperscript{22}

3.14 We excluded business consumers from the scope of our project. Businesses’ concerns are likely to be distinct from those of residential consumers and to relate to the profitability of their business model rather than social exclusion. In addition, we have commissioned research into understanding small and medium sized enterprises’ (SMEs) use of, and attitudes towards, communications services. The research will be completed in spring 2014 and may highlight areas for work that we

\textsuperscript{20} Subsequently the relevant statements were issued on GC15 requirements and New Generation Text Relay: http://stakeholders.ofcom.org.uk/consultations/access-disabled/statement and http://stakeholders.ofcom.org.uk/consultations/text-relay-service/statement.

\textsuperscript{21} However we considered whether communication services in general were affordable for disabled consumers. The research found that disabled users were no different to the average population in terms of ever having had any difficulty paying for any service (13% vs 14% overall).

would then undertake during 2014/15. We will continue our regular monitoring of the take-up and prices of business services through the CMR.23

Methodology

3.15 “Essential” services (or necessities) have often tended to be identified through market research.24 For example, in the UK, two recent studies considered what consumers think are “necessities” or what is necessary to them for a minimum standard of living, using market research,25 and this approach has also been used in other areas of Ofcom’s work.26 Evidence from take-up and use of services also gives an indication of the importance of services overall to consumers.

3.16 Therefore, following the example of previous studies, we decided to use research in order to elicit consumers’ views on the services essential to them and to society, and why. We used a mixture of qualitative and quantitative research to combine both depth and breadth of understanding of consumers’ views on what is essential. Both research strands were designed to complement each other, with the qualitative research exploring consumers views in depth and the quantitative research providing a robust picture of views for UK consumers overall, and how these views differ or otherwise among different consumer groups.

3.17 Our research included customers’ views on which services are “essential” to them, whether consumers value some services more than others, why the services are essential to the individuals, and where services provide broader social value (for instance in facilitating participation in society or connecting communities with each other). We also explored the benefits to society of different services, again considering the relative importance of communications services (with each other and potentially with other services) to society and seeking to define what makes a service “essential” from consumers’ point of view.

3.18 We considered the affordability of communications services essential to participation by gathering a range of evidence, building on lessons from our project on postal

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23 See pp 347-351, CMR 2013. Information from the narrowband review shows that size of business and telecoms spend is related, and that small businesses (1-4 employees) mostly spend less than £2,000 a year on all telecoms services, with the greatest proportion (35%) spending between £500 and £999.

24 While market research is the main way of identifying what is needed or essential to consumers, the concept of “essential” can be approached by identifying why something is essential to society, alongside universal services; a rights-based approach; and an economic approach through expenditure data.

25 http://www.lboro.ac.uk/research/crsp/mis/ and http://www.poverty.ac.uk/pse-research/what-do-we-think-we-need. The first study of the Minimum Income Standard project concluded that landline (for internet access, or the primary means of communication for pensioners), mobile phones and internet access (apart for pensioners) should be part of a minimum income standard. See p14 and p20, http://www.jrf.org.uk/sites/files/jrf/minimum-income-standards-2012-full.pdf. A recent, subsequent publication highlighted the importance of the internet, including for pensioners: http://www.jrf.org.uk/publications/minimum-income-standard-2014. The second study shows that 75% agree that telephone is a necessity of life, and the percentage of those considering mobile phone and internet access increase significantly between 1999 and 2012, reaching 40% and 41% respectively.

26 For instance to review postal users’ needs: http://stakeholders.ofcom.org.uk/consultations/review-of-user-needs/statement/
affordability. Our report on the affordability of post noted that “no one approach can be definitive about whether the price of a good or service may be considered to be affordable or not, since different approaches offer different advantages.”

3.19 In our analysis of the affordability of postal services, we investigated affordability using qualitative research, focusing our research on low income consumers, whom we considered were more likely to be vulnerable to affordability issues.

3.20 We were also able to use quantitative research to understand the scope of possible issues highlighted by the qualitative research and complement other research and market information published by Ofcom on take-up and services available.

3.21 As with our postal study, we used the Office of National Statistics’ Living Costs and Food Survey data set (“ONS data”) on the comparison of communications spend with overall spending over time. The ONS data includes annual household spend broken down into detailed expenditure categories, as well as relevant household characteristics such as household income, composition and age. It allowed us to analyse trends in spend on telecommunications services, including for different consumer groups.27

3.22 To give us a broader perspective, we were also keen to gather views from stakeholders, both at the outset of the project, and at a later stage, on our research findings.

3.23 In summary, therefore, to ensure a robust evidence base to assess the affordability of “essential” communications services, we used the following sources of evidence:

- a literature review to inform our market research into communications services which consumers view as essential;

- qualitative and quantitative research on what consumers view as essential communications services and whether essential services are affordable;

- analysis of data on claimed telecommunications spend from the ONS; and

- review of our existing market research on usage and market intelligence, views from stakeholders, and complaints we receive.

27 Professor Stephen McKay, School of Social and Political Sciences, University of Lincoln, was commissioned to provide the relevant datasets, a description of the data, methodological advice and assistance on methodological issues.
Section 4

“Essential” services in the communications sector

4.1 For our project, as discussed above, we adopted a working definition of essential communications services as communications services seen as essential by consumers to participate in society and in economic activities. To explore “essential” services in practice for consumers and to identify which communications services could be considered “essential” and why, we used a mix of qualitative and quantitative research.

4.2 This section sets out our findings on which communications services are seen as essential and why, and differences in perceptions between groups of consumers on the relative importance of communications services.

The meaning of “essential” for communications services

4.3 Overall, among participants in our qualitative research there was a broad consensus on what “essential” meant in relation to communications services, to them as individuals and to what they viewed as essential for society as a whole. They considered that an essential service meant not being able to live or function without it, in one or more of the following different contexts:

- **Safety, and access to emergency services** – contacting someone in the event of an emergency, e.g. 112/999 or a family member, seeking rescue, and accessing information that prevents or reduces danger;

- **Communication and social inclusion** - being able to keep in touch, both to reach others and to be contactable, for physical and emotional well-being;

- **Access to information, education and entertainment** – for instance, broadcast news and information, education that helps to reduce division in society and breaks down stereotypes, informing people overall, and access to entertainment for social and emotional well-being and to enable bonding with others; and

- **Economic livelihood** – for instance, gaining access to work opportunities and meeting the expectations set by employers.

4.4 Across the four main functions, what was seen as “essential” varied from ‘absolute need’, such as a life and death situation, to a relative need to participate in society, and so communicate and seek information using the same methods as others for social contact and work (figure 4.1).
Results of research into consumer views on the importance of communications services and their affordability

Figure 4.1: examples of what “essential” means for communications services

Source: Futuresight, Affordability of essential communication services – a qualitative research study, July 2014

4.5 These categories are generally reflected in the reasons why respondents to our quantitative research found a service essential: safety, communication and inclusion, information and education and entertainment were all important reasons for finding services essential across communications services, albeit with a different emphasis depending on the service. For instance, safety was more likely to be given as a reason in relation to voice calls, and information, education and entertainment in relation to fixed internet and free to view television.

4.6 The qualitative research identified that consumers ranked the importance of telecommunications services alongside other ‘key’ essential services, like household utilities. Communications services were ranked highly because they allowed consumers to maintain active participation in society, beyond the basic need of personal safety and security. Examples included being able to make “official” calls such as to a GP, or the need to be connected via emails.

4.7 Crucially, what was seen as “essential” was access to a service that enabled essential functions illustrated in figure 4.1. Different groups of consumers differed in their needs and in how they use communications services, and services and devices seen as essential therefore varied between those groups.

Background to perceptions of services essential for participation

Communications services seen as “essential” are evolving

4.8 The way that people communicate with each other has changed significantly in the last ten years. In particular, over nine in ten adults now have a mobile phone, using it for voice and text and, increasingly, instant messages and other internet communication. The take-up of fixed internet has grown to the point where over eight
in ten households have access to fixed internet at home. More recently, smartphone ownership and use of internet on the go has increased rapidly, with just over half of UK adults owning a smartphone in 2013.\textsuperscript{28}

4.9 Conversely, while take up of fixed line voice services in the household remains high at 84\%, actual use has continued to decline, as seen by the decrease in fixed-originated voice call volumes to 102.5 billion minutes in 2012 (compared with 149.5 billion minutes in 2007).\textsuperscript{29} While postal services are outside the scope of this project, letter volumes have been falling in the UK since 2005.\textsuperscript{30}

4.10 These significant changes in the communications services available can explain why people’s perceptions of services essential to them have evolved significantly since fixed voice telephony was the only method of instant communication and post the only method of written communication.\textsuperscript{31} As the way consumers access essential communications services continues to change, consumers’ views on which communications services are essential to them and to society may evolve. For instance, the number of adults using tablets to go online has almost doubled, from 16\% in 2012 to 30\% in 2013, including a threefold increase in those aged 65-74 (from 5\% to 17\%).\textsuperscript{32} Already, the recent greater adoption of tablets by consumers has had an impact, with internet accessed via a tablet quoted as essential by 19\% of consumers, despite the wide range of alternatives available.

**Link between usage and perception of communications services**

4.11 Unsurprisingly, there is a strong link between the use of a service across the population and the perception of how essential the service is (that is if you use a service you are more likely to say it is essential, or conversely, if you see a service as essential, you are more likely to use it). Both our qualitative and quantitative research found that whether a service was seen as essential was related to use of the service, and this applied across services. To take one example, users of the internet via smartphone were more likely to rate internet via a smartphone or tablet as essential than the rest of the population (50\% of users of the internet via smartphone compared with 28\% of respondents overall).

4.12 In addition, in general, participants to the qualitative research tended to see services essential to them as having wider societal value to enable participation in society, or conversely tended to see services they did not use or value as having limited societal value. The link between the views on personal importance and societal value is also evidenced by the quantitative research, as consumers tended to see services that

\textsuperscript{28} Figures 1 and 2, CER 2013, and figure 1, Cost and Value report.

\textsuperscript{29} Figure 28 CER 2013 and Figure 5.29 CMR 2013


\textsuperscript{31} These changes can be seen elsewhere, with the increasing importance of some communication services overall in the basket of services seen as “necessary” for a minimum standard of living. For instance, 40\% and 41\% saw mobile and internet access as a necessity in 2012, compared with 8\% and 6\% in 1999. Poverty and Social Exclusion, What do we think we need?, March 2013, http://www.poverty.ac.uk/pse-research/what-do-we-think-we-need

\textsuperscript{32} Ofcom, Adults’ Media Use and Attitudes Report 2014, Figure 5, http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/adults-2014/2014_Adults_report.pdf
were essential to them as also essential to society in general. For instance, 70% of 16-24 year olds saw sending text messages as essential, and 55% as essential for society, whereas 6% of consumers aged 75+ saw sending text messages as personally essential, and 21% as essential for society.

4.13 However, societal importance is also influenced by consumers’ perceptions of what might be essential or important to others. There can be an “altruistic” gap between what consumers think is essential to them and what they think is generally essential to society. This gap can be seen in both directions: sometimes consumers think that a service which is personally essential to them is not necessarily essential to society in general (for instance, Pay TV). Or conversely, some consumers thought that a service which is not essential to them is essential to society more broadly (to take the example above, a larger proportion of consumers aged 75+ viewed texting as essential for society than the proportion viewing texting as essential to them). In addition, a larger proportion of consumers tend to see services as important to society than to them personally. For instance, 3% of respondents see voice calls from payphones as essential for them, and 8% as important to them, whereas 9% see these as essential for society and 22% as important to society.

4.14 This ‘altruism’ or appreciation that others use different services can also be seen to some extent in the qualitative research. In particular, there was a strong consensus in the qualitative research, even among some non-users of the internet, that internet was essential for participation in society.

### Age is a key demographic difference in usage and perception of services

4.15 Across the qualitative study, different groups used different communications services, and correspondingly saw different services as essential, to fulfil the functions of personal safety, social inclusion, access to information, and economic well-being. The research report identified different sub-groups of consumers amongst participants, largely depending on their use of services, e.g. landline, mobile and internet, and whether internet use was from fixed or mobile internet. Age was also a key factor, with users of mainly landline voice calls being older users, while users of mobile only were generally younger.

4.16 The importance of age as a demographic factor in take-up and in services being viewed as essential is evidenced by our quantitative (and other) research. This is particularly seen in the differences in views of those aged 16-24 compared to those aged 75+ on which services are essential. Younger age groups were more likely to find mobile services and internet from a smartphone essential, compared with older groups who were more likely to find fixed line calls and terrestrial TV as most essential, and were more likely than the rest of the population to find radio essential (see Figure 4.2).

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33 Ofcom research on the take-up of different communications services shows that age is a key demographic factor in the services used. See for instance Figure 2.26 (television viewing), Figure 5.54 (internet), Figure 5.75 (fixed voice and mobile), Figure 5.81 (data services on mobile phone), CMR 2013, [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/2013_UK_CMR.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/2013_UK_CMR.pdf)
4.17 Other demographic factors also play a role, such as socio-economic group and income. For instance, those in the socio-economic group DE (“the DE group”) are generally less likely to find all services essential, in particular fixed internet, than those in the socio-economic group AB (“the AB group”), but more likely to find free to view television essential.

4.18 Although age influences most what is seen as essential, it should be noted that there is a link between some other demographic factors and age, which can help explain views on which services are essential alongside the interpretation that age itself is linked to a preference for technology. For example, respondents aged 25-54 are more likely to have children in the household, those aged 55+ are more likely to have a long term impairment or disability, and those aged 25-44 are more likely to have higher household income. People of working age may also be using services both for work and personal use. Socio-economic group, income, and spend on communications services are also linked.

Communications services seen as “essential” for participation

Overall comparison of services

4.19 The findings from our qualitative and quantitative research are broadly consistent in which services they suggest as most essential for participation.

4.20 Importantly, as we explain earlier in this section, what was viewed as essential was access to a service that enabled one or more essential functions, e.g. access to emergency services via 112/999 or keeping in touch with family and friends. Consumer groups varied in their needs and usage of services to enable access to essential functions, and their views on which services and devices are most essential varied accordingly. Some services were seen as essential by some, but less important by others, for instance where there are alternative ways to access the
service: this is the case, for instance, of voice telephony, which can be accessed via a landline or mobile.

4.21 In summary, in the qualitative research, consumers said that:

- Services seen as essential to all or most were: making and receiving calls, especially mobile for calls and text or messaging, internet access (via any device), and free to view television;

- Fixed internet access in the home, a landline telephone for calls in the workplace and email were seen as essential to many, but not all;

- A landline telephone at home, public access to the internet (e.g. from libraries), and a public payphone, were seen as essential only to some or a few; and

- Itemised billing, directory enquiries and the BT Phonebook were seen as not essential by all or most.

4.22 Our quantitative research asked respondents to rate how essential communications services were to them personally and for society in general. Arguably, the quantitative research could be seen to set a high threshold for what is regarded as essential: respondents were asked if a service was essential, important, nice to have or unnecessary, and a service was considered essential if it was necessary ‘in day to day life’. Separately, we asked respondents to evaluate the relative importance of services compared to each other (through a “maximum difference exercise”). The results are broadly consistent across both methodologies, and with the relative importance of communications services perceived by participants of the qualitative research.

4.23 Mobile services, voice services across devices, and personal access to the internet are generally seen as the most essential services. Overall, 64% of respondents rated any element of their mobile service as essential (any of voice, text, access to the internet), 61% rate any voice services as essential (mobile or landline), 59% rate either voice or text via mobile as essential, 57% mention at least one method of personal access to the internet as essential (across all devices) and 49% rate access to the internet via fixed line, a laptop or desktop as essential.  

4.24 More specifically, mobile phone services and fixed internet are seen as the most essential communications services, while services which are generally much less used are generally seen as less essential to consumers, both personally and for society (Figure 4.3).

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34 Figure 8, Jigsaw, Affordability of Communication Services Essential for Participation, July 2014. Figure 8 shows the percentage of respondents that said one or more of a combination of services were essential to them personally in their day-to-day life.
4.25 In summary, when combining the results from both our qualitative and quantitative research, the findings suggest that:

- the services seen as most essential by consumers were voice services in general, but mobile services in particular (voice and text), and access to the internet, particularly fixed internet;

- some services were seen as essential by some consumers, but less important by others, influenced by demographic factors such as age and socio-economic group: free-to-view TV, landline voice and mobile internet, e.g. mobile internet was seen as more essential by younger age groups;

- radio, pay TV and internet from a public place tended to be viewed as essential for society by fewer consumers, again depending on consumers’ usage of the service; and

- services which are generally much less used or are auxiliary services were seen as less essential, both personally and for society (Public Call Boxes (PCBs), itemised billing and directories).

4.26 The rest of this section discusses individual services in more detail.

**Mobile voice and text, and internet services**

4.27 While voice services and internet were seen as essential communications services by the highest proportion of consumers, the way to access these services varied in importance. To access voice telephony, mobile telephony was seen as the essential medium to more participants of our research compared with fixed telephony, with the exception of older consumers. Overall a fixed connection appeared more important to consumers to access the internet than a mobile device currently, but the picture was less clear cut in our qualitative research.
Voice services

4.28 The ability to make voice calls was seen as essential by consumers, primarily for safety (e.g. to access emergency services via 999) and keeping in touch. In general, mobile telephony was seen as essential to the greatest proportion of consumers in the quantitative research and this was echoed in the qualitative research. Mobile services overall (voice and text) were ranked highest by respondents compared with other communications services, and were quoted as essential to them personally, and for society, by the highest number of respondents: 46% said voice calls from a mobile, and 45% that sending text messages, were essential to them personally.

4.29 Fixed telephony was seen as essential to some participants in our research, typically older consumers who relied mainly or exclusively on fixed telephony for their communication. Our qualitative research found that those consumers perceived a landline telephone as more reliable than their mobile phone, and enabled others to call them, given the relatively higher call costs of mobile telephony. These findings are confirmed by our quantitative research, where older consumers, in particular those aged 75+, were far more likely to see landline as essential (Figure 4.2).

4.30 Take-up of mobile services support these findings, showing the high take-up of mobile services across the socio-economic groups, and the relative greater reliance of those aged 75+ on fixed voice services.

Text services and instant messaging

4.31 The ability to send text messages with a mobile phone was generally valued highly by respondents in the quantitative research (45% said sending text messages was essential), and by participants in the qualitative research, especially for keeping in touch with family and friends. The relative importance of instant messaging compared to sending text messages varied across the qualitative and quantitative research, and depended to some extent on the use of a smartphone (given that instant messaging is only available with smartphones). The relatively lower importance of instant messaging compared with texting in the quantitative research is consistent with relatively lower usage of instant messaging than of texts.

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35 While 93% of all adults personally use a mobile phone, this is near universal among 16-44 year olds, but decreases with age, with 80% of 65-74 year old and 62% of those aged 75+ personally using a mobile phone. Figure 39 (caution: low base for respondents aged 75+) and figure 40, CER 2013.

36 For participants of the qualitative research, text was seen as essential to those consumers with a standard mobile phone, who do not have access to instant messaging (available only with smartphones), and important as an alternative to instant messaging (when instant messaging is not available) to those with a smartphone. In the quantitative research, 21% found instant messaging essential to them personally, but 28% of those who use a smartphone said that instant messaging was essential.

37 Use of text messages on a daily basis to communicate with friends and family has declined since last year (from 58% in 2012 of respondents to 53% in 2013 saying they use text/SMS daily to communicate with friends and family), but use of instant messaging has remained stable, with 26% of adults using instant messages, CMR 2013.
4.32 There is again a clear age divide in finding text or instant messaging essential (Figure 4.2), reflecting the importance of age as a demographic factor in using text or instant messaging.\(^{38}\)

**Internet services**

4.33 A fixed internet connection at home was seen as essential across our quantitative and qualitative research for a wide range of reasons, including in particular social interaction, education and access to important information and government services, finding work and making a living and, in relation to emails in particular, because access to emails is widespread and so often expected. The quantitative research also found that among consumers who said fixed internet at home was essential, 46% found it essential for keeping on top of finances and 31% said it was essential for access to entertainment.

4.34 A fixed internet connection at home was ranked particularly highly in our quantitative research, where 40% of respondents saw a fixed connection at home essential. In addition, the majority of participants in our qualitative research identified fixed internet access as essential, as the most certain way of ensuring that all have access to the internet.\(^{39}\)

4.35 Overall mobile internet via a smartphone was seen as less essential than fixed internet, but views varied, particularly across age groups. The quantitative research showed that while 40% of respondents said fixed internet was essential, 28% of respondents saw internet via a smartphone as essential. However, the majority (53%) of 16-24 saw internet from a smartphone as essential, compared with none of those aged 75+. The qualitative research put slightly more emphasis than the quantitative research on the importance of internet via smartphones and concluded that mobile internet was essential to many (if not all) participants, alongside fixed internet. Those participants in the qualitative research who saw mobile internet as essential for society considered that it was a vital means of access outside of the home in areas where there was a reliable connection.\(^{40}\)

4.36 Internet via a smartphone was also seen as more essential by those in the AB group than those in the DE group in the quantitative research (34% vs 19%), linked to higher usage. However, the qualitative research found that internet via a smartphone was essential to some low income consumers who find the cost of a fixed internet connection in the home to be unaffordable.

4.37 Other sources of evidence suggest that overall, consumers saw fixed internet access at home as remaining for now the most important way of carrying out some essential functions. Internet access was viewed as more essential accessed via a device at home (laptop or desktop) than via a smartphone by internet users, including by

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\(^{38}\) No respondent aged 75+ uses instant messaging on a daily basis compared with 61% of 16-24 year olds, and 6% of those aged 75+ use text on a daily basis compared with 77% of 16-24 year olds. Figures 1.50 and 1.51, CMR 2013

\(^{39}\) A fixed connection can also provide Wi-Fi in the home to connect to a laptop or tablet, although accessing the internet by a tablet was a relatively less important way of accessing the internet.

\(^{40}\) Again this is likely to be linked to usage. 41% of respondents to the quantitative research said they access the internet when out and about (compared with 96% at home).
Results of research into consumer views on the importance of communications services and their affordability

This could be explained by greater functionality in some areas, as participants of the qualitative study mentioned that access through laptop and desktop computers was viewed as essential for work and study, compared to mobile phone internet access. Fixed internet was also experienced by some participants of the qualitative research as more reliable.

4.38 Public access to the internet was generally seen as less essential than at home or via a smartphone or tablet, due to the availability of those alternatives. In our qualitative research, fixed public access to the internet via libraries and internet cafés was seen as essential for a key minority of low income, unemployed and recent immigrant consumers, and also for new internet users who have no other alternative method of access. This was the only affordable way for this minority of consumers to access the internet when needed to claim benefits or apply for jobs, and therefore was seen to have some societal value. Internet from a public place (e.g. library, internet café) was viewed as personally essential by only 6% of the respondents to our quantitative research, although 16% saw it as essential for society.

Television and radio

4.39 The qualitative research concluded that free to view television was seen as essential by most of the participants, for information, education and entertainment. It was particularly seen as essential to those who were more isolated by providing companionship and information. Participants also saw free to view television as essential to all in society for the information and social cohesion it provides, for instance providing news and information to everyone, or reducing prejudices and stereotypes. This is consistent with our quantitative research, where the main four reasons for free to view television to be essential were access to entertainment, access to important information, ease of use and being part of society and culture.

4.40 The quantitative research found that free to view television was seen as more essential to some groups of consumers than others, with views especially influenced by age and socio-economic group, both personally and for society. Overall, 26% said that free to view television was essential to them personally, but this rose to 51% of those aged 75+, compared with 17% of those aged 16-24. Similarly, 30% of those in the DE group said that free to view television was essential, compared with 22% of those in the AB group.

4.41 Younger age groups also access television content via the internet. Our qualitative research shows that for participants who had access to fixed or mobile internet, access to television content was possible across a variety of alternative screens and

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41 Figure 4, CER 103
42 This rises to 11% among those aged 16-24 and in particular to 15% among those living in London. 8% of those in the DE group rate internet from a public place essential
43 Differences can exist between the qualitative and quantitative research due to the nature of the methodologies e.g. the qualitative research method involve discussion within a group and provide considered opinions, whereas the quantitative research is based on initial personal views without the influence of others.
44 This is supported by our Media Literacy report, Ofcom, Adults’ Media Use and Attitudes Report 2014, http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/adults-2014/2014_Adults_report.pdf Figure 8, p.24
devices, i.e. laptops, tablets and smartphones. As such, it may be the content rather than the service or device that was seen as essential.

4.42 This difference in the way of accessing television content is also supported by our Media Literacy research. While younger consumers were less likely to find free to view television essential, our Media Literacy research showed that they were the main users of television content online, suggesting that television overall is important to them: 71% of 16-24 year olds watched online or downloaded television programmes or films, compared with 32% of those aged 65+. 45 Similarly those in the AB groups are more likely than those in the DE group to access content online: 60% vs 43%.

4.43 The relatively greater emphasis placed on free to view television by participants in the qualitative research compared with respondents to the quantitative research has a number of possible explanations. The qualitative research was more in depth, and more likely to represent participants’ considered views after discussion within the group, for instance after thinking about others’ views and potentially taking into account the societal benefits of free to view television. The qualitative research also considered the importance of free to view television across a range of devices, compared with the quantitative research which simply asked about terrestrial/Freeview television. Finally, the quantitative research could be seen to set a high threshold for what is seen as essential: respondents were asked if a service was essential, important, nice to have or unnecessary, and a service was considered essential if it was necessary ‘in day to day life’. Taking into account those who found free to view television important, 55% of respondents found free to view television essential or important.

4.44 Pay TV was seen to have high personal importance for many participants in our qualitative research, but was still seen more as a discretionary service than an essential service. This is supported to some extent by our quantitative research, where fewer respondents rated Pay TV as essential for society (11%) than for themselves personally (20%). This is in the context of 26% of respondents finding free to view television personally essential and 30% rating free to view television as essential for society.

4.45 Compared with free to view television, radio was essential to fewer of the participants in our qualitative research, typically older, and especially those who are blind or partially sighted. In relation to its importance to society, it was viewed as essential for those fewer participants, but also for a wider group of consumers when other alternatives are not available (e.g. in a car), because it delivers news and information to everyone.

Universal services

4.46 The Universal Service Directive requires a number of telecoms services, and in the UK, this means that the following services are within the scope of the universal service: fixed line voice service which includes a narrowband connection capable

45 Ofcom, Adults’ Media Use and Attitudes Report 2014, Figure 3.7.1, http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/adults-2014/Adults_report_Section_3_chart-deck.pdf
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functional internet access (at least 28 kbps), public pay phone boxes, directories and directory enquiry services, social tariffs for voice services, and itemised billing.

Public payphones

4.47 Overall, there was a broad consensus among consumers that public payphones were not essential for most consumers in most circumstances, especially given the use of mobile phones. Public payphones were seen as essential for some in emergencies, albeit in the rarest of circumstances. Most could not envisage the need, given the ubiquity of mobile phones. Some participants in our qualitative research, who did not make use of a mobile phone, were more likely to see public payphones as critical in case of an emergency, given the lack of alternatives for them. In terms of value to society, the qualitative research found that public payphones could be seen as a “safety net” for those without alternatives, who may be more likely to be in vulnerable circumstances. We also note that, for instance, public payphones can be used by consumers who would like to call a helpline anonymously.

4.48 These findings are confirmed by the quantitative research, with 62% seeing payphones as personally unnecessary in day to day life, and only 3% saying they were essential and 8% important. Respondents however were more likely to regard public payphones as important for society as a whole, with 9% seeing them as essential for society and 22% important, and 28% unnecessary. The main reason for public payphones to be considered essential with regards to society was contacting the emergency services. Low usage of payphones, and the availability of alternatives, is likely to explain the stated low personal reliance on payphones.46

4.49 Consumers across age and socio-economic groups have fairly similar views on voice calls from a payphone as an essential service, with 2-4% of consumers in these groups seeing payphones as essential. However, those in Wales are more likely to see payphones as essential (14%).47

Social tariffs

4.50 BT and, in Hull only, Kingston Communications (KCOM), as the universal service providers, are required to offer one or more schemes to assist consumers who have difficulty affording telephone services. BT’s social tariff service is BT Basic, offering low monthly line rental (but with a low call allowance) to people in receipt of certain state benefits, and the equivalent in Hull is KCOM’s social access package.48

4.51 Due to the targeted nature and relatively low usage of social tariff services (there are about 400,000 customers of BT Basic), we did not include a specific discussion of

46 A survey undertaken in April 2013 showed that a majority, 81%, never use a public payphone, 14% use a payphone but do so less than once a month, and only 3% use a payphone more than once a month (this includes 1% using a payphone more than once a week, 1% more than once a fortnight, and 1% more than once a month). Question 15, http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/1107018/Telephone_Directory_Research1.pdf

47 The sample on those living in very rural areas is too small (30) to draw conclusions.

48 http://www.bt.com/includingyou/other-products-services-bt-basic.html and http://www.kc.co.uk/home/phone/social-access-package/
whether BT Basic (or KCOM’s social access package) was essential in our qualitative and quantitative research, but asked instead about awareness and intention to use.

4.52 Most (73%) of consumers on income support were unaware of BT Basic or KCOM’s social access package, and awareness was lower among those on income support than among the general population (67% of consumers generally were unaware of BT Basic or KCOM’s social access package). Similarly, out of all respondents who could qualify for BT Basic, 70% were not aware of BT Basic. Among those on income support, 10% said they had ever used social tariff services, of whom 6% are using them now.

4.53 Among non-users on income support, 21% would be interested in using social tariff services, and 54% would not be interested in using them. The main reason for lack of interest among non-users on income support was that they did not see a need for a landline (37%). Notably, 10% of those said the reason for their lack of interest was that they wanted to bundle with other services, and 9% that they only needed to use the internet.

Directory enquiries and printed directory

4.54 The qualitative research concluded that directory enquiries (via the telephone) and the printed directory (the BT phone book) were not widely seen as essential. Participants said they had multiple alternatives to directory enquiries and the printed directory and saw no obvious benefit to society, except for some of the oldest participants who could see some value to these services in case of an emergency or as a safety net, although they also used these services rarely and kept their important numbers in an address book in any event.

4.55 Our quantitative research confirmed that directory enquiries (via the telephone) and the printed directory (the BT phone book), as well as directories via the internet, were seen personally essential by only a small proportion of respondents (5% or less), although more respondents saw them as essential and important for society (Figure 4.3). Again, this finding can be linked to comparatively low usage of these services.

49 The qualifying benefits for BT Basic and KCOM are not the same, but those on income support qualify for both services. Those who can qualify for BT Basic are those in receipt of the following benefits: Income Support, Income-based Jobseeker’s Allowance, Pensions Credit (Guaranteed Credit), Employment Support Allowance (Income related), and Universal Credit (and are on zero earnings).

50 Directory enquiries are one of the premium rate services, for further information see: http://stakeholders.ofcom.org.uk/telecoms/policy/premium-rate-services/. In December 2013 Ofcom announced changes to non-geographic numbers, including numbers starting with 118 (directory enquiries) which will make it much easier for consumers to understand how much they are paying for calls to non-geographic numbers and who receives the money, see: http://stakeholders.ofcom.org.uk/telecoms/policy/non-geo-call-services/

51 A 2013 survey shows that 30% of consumers had looked at something in the BT Phone Book in the last 12 months, and usage varied by age and, to a lesser extent, internet at home, http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/1107018/Telephone_Directory_Research1.pdf
Older consumers were more likely to value the BT phone book than younger consumers (9% of those aged 75+ compared with 2% of those aged 16-24). Directory enquiries via internet and phone were seen as more essential by those in large cities (10% and 8%), and the BT phonebook by those living in a rural area (within 10 miles of a city or medium town).

**Itemised billing**

In order to ensure the ability of end-users to monitor and control expenditure, Ofcom requires CPs to provide itemised billing (at no additional charge for the universal service providers BT and KCOM, at a reasonable charge for all other CPs). Overall, automatic provision was not seen as essential, although provision on request was valued in case of dispute with providers. Our quantitative research showed that only 6% of the respondents said itemised billing is essential to them personally.

This result may reflect that itemised billing is an auxiliary service to a main communications service. It can however continue to be considered a necessary consumer protection to allow consumers in general, including vulnerable consumers, to make best use of essential services.

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52 Information from PhonepayPlus also suggests a limited use of directory enquiries among consumers generally, with only 12% of those surveyed having used directory enquiries in the last six months. [http://www.phonepayplus.org.uk/For-Business/Research/~media/Files/PhonepayPlus/Research/Consumer%20Research/2013_Consumer_Engagement_with_PRS_2012_2013.pdf](http://www.phonepayplus.org.uk/For-Business/Research/~media/Files/PhonepayPlus/Research/Consumer%20Research/2013_Consumer_Engagement_with_PRS_2012_2013.pdf)
Section 5

Assessing the affordability of communications services

5.1 We defined affordability in relation to the impact on consumers, i.e. in general, a good or service is considered to be affordable for a consumer if this consumer is able to purchase it without suffering undue hardship.

5.2 This section sets out our findings on the affordability of communications services seen as essential by consumers. It outlines first that, overall, services tend to be affordable, and that affordability should be placed in consumers’ general financial circumstances, with low income consumers more likely to struggle to pay for services generally. It then explains the consequences for a minority of consumers of the costs of essential services, either from buying services seen as essential or from cost being a barrier in using these services.

Overall communications affordability

Services are generally affordable

5.3 Most consumers with financial responsibility for communications services (86%) did not report having ever had any difficulties paying for any communications services. Out of those who reported they ever had difficulties paying for any communications service, most appeared to manage financial difficulties: most were careful about what they spend (74%), with popular responses also including cutting back on luxuries e.g. going out less (45%), buying cheaper goods and services e.g. “value” range of products rather than “branded” (36%), going without larger goods and services e.g. holidays or building an extension (36%), and going without smaller goods and services e.g. making clothes last longer (34%). Altogether, out of all respondents, 4% reported affordability issues, ranging from debt to taking a loan from another company than a bank (e.g. payday loan company).

53 Questions on difficulties paying for communication services were asked of those with financial responsibility for communication services, i.e. 91% of the total sample.

54 4% of the total research sample (both those with and without financial responsibilities for communications services) report one or more ‘affordability issues’. Affordability issues include falling behind/debt in relation to communications services or other services, selling items (e.g. through a pawn shop or ebay), taking out a bank loan, or taking out a loan with another company (e.g. payday loan company).
Figure 5.1: How consumers manage generally (those who ever had difficulties paying)

Source: Jigsaw, Affordability of Communication Services Essential for Participation, July 2014

5.4 This is consistent with most of the market indicators which Ofcom routinely collects. As discussed in our introduction, the very high take-up of essential communications services illustrate that, in most cases, cost is not a barrier to using essential communications services, in particular mobile telephony (at 95% having a mobile) and fixed internet (at 82% of households having a connection).

5.5 Our Cost and Value report highlighted that, over the last ten years, competition has contributed to reductions in prices for most communications services, while investment and innovation have delivered new networks and services and increased quality and choice. This applies to the services identified as essential by the highest proportion of respondents, i.e. mobile voice services and internet services. Consumers are using mobile services more and for an increasing range of functions, and broadband availability, use and speeds have increased. Most consumers see communications services as comparatively good value for money.
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5.6 The positive perception of the value for money of communications services is also illustrated by our research, which showed that many or most consumers paying for each rated the main communications services as very or fairly good value for money. Overall, 58%, 56%, 54% and 49% of consumers rated mobile phones (for voice calls and text), fixed broadband, internet via smartphone or tablet, and landline as very or fairly good value for money, with about another third of respondents rating their services as average value for money.

5.7 Consumers’ average monthly spend on communications services decreased in the last five years, and was £113.61 in 2012, compared with £125.41 in 2007 (in 2012 prices), representing 5.4% of the average monthly spend. Our research found that reported monthly spending on all communications services, including Pay TV and paid-for on-demand programmes, was also relatively low at £83 on average, representing about 4% of average spend. This lower amount could be explained by a tendency of self-reported figures to be underestimated, a tendency which can also be shown in the ONS reported spend on communications services, which is again lower than industry figures, at £60, representing 2.8% of average monthly spend.

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55 Data reported is excluding those saying ‘don’t know’


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Any of these figures represent a small proportion of average spend, with £113.61 being 5.4% of average monthly spend.

5.8 There are many low-cost services that can make access to communications services good value for money to all consumers, including those on low incomes. Prices vary, but, for instance, the price of a broadband subscription at home can start at £2 per month excluding line rental or just under £17 including line rental, basic pay as you go handsets can cost £9, and basic mobile smartphone contracts can start at £7.50.\(^{58}\) Ofcom’s Cost and Value report showed that the best available price for “core” communications services is £46,\(^{59}\) less than half of the average spend, making those services more affordable to low usage, low income households.

Low income consumers are more likely to report ever having had difficulties to pay

5.9 Although most respondents with financial responsibility for communications services did not report ever having had difficulties paying for any communications service, difficulty paying was particularly linked to low income, indicating that low income consumers were likely to be particularly vulnerable to affordability issues. Those in the DE group were more likely to report ever having had difficulties paying for any communications services (21% vs 14% of the UK population overall) and especially those on low income as defined by the OECD (29%).\(^{60}\)

5.10 The link between low income and higher likelihood ever to have had difficulties to pay for any communications service is also shown elsewhere in our research. Low income consumers (as defined by the OECD) were more likely to say they struggle towards the end of the week or month (71% compared with 37% of the population overall). They were also more likely to see cost of any service as a barrier when they did not have a service but would like to have it (40% compared with 24%, among those who did not have a service but would like to have it).

5.11 In just over half of cases of financial difficulties, difficulties paying relate to more than one communications service: 56% of those who reported ever having had difficulties paying mentioned two or more services. Those experiencing difficulties paying for

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59 Based on a hypothetical set of monthly household use. Figures 14 and 15, Cost and Value report

60 Organisation for Economic Co-operation and Development (OECD) low income was defined as those with 70% of the median household income before housing costs, adjusted for the size of household using the OECD equivalence scales, and coding people who cannot afford to do at least one activity on a list of typical activities – see questions G6 and G7 in the questionnaire at Appendix D, Jigsaw, *Affordability of communication services essential to participation*, 2014.
their broadband or landline tended to be consumers who also experienced difficulties paying for their mobile phone (64% for landline and 61% for broadband).  

5.12 There seemed to be some link between usage of services and perceptions of affordability among low income participants in our qualitative research. Different groups of low income participants in our qualitative research viewed the affordability of essential communications services differently. Low income participants who used a greater number of services were more likely to perceive the combination of these services as less affordable. Low income users of fixed and mobile telephony and fixed internet, particularly families with teenage children, were most likely to find the affordability of these services as low or moderate, especially as the monthly cost of mobile contract can vary with usage, making it less predictable or controllable e.g. than pre-payment or pay as you go (PAYG), and these consumers often had less well-developed coping mechanisms (e.g. some consumers buy recycled devices or share devices).

5.13 Our analysis of the ONS spend data shows that low income consumers spend a higher proportion of their income on mobile services and on landline and internet than those with the highest income. In 2011, households in the lowest spend quintile spent 4.6% of their total spend on mobile contracts while the highest quintile spend 1.3%. Similarly, households in the lowest spend quintile spent 3.2% of their total spend on fixed telephony and internet, compared with 0.9% of those in the highest quintile.

5.14 This may partly explain why low income families in the qualitative research perceived the combination of the costs of fixed and mobile telephony, and fixed (and sometimes mobile) internet, is more difficult to accommodate than for other groups. In parallel, our analysis for the Cost and Value report also showed that the proportion of spend on “core” services increased with a decreasing level of income, i.e. those on a lower income spend proportionally more on “core” services than those with a higher income.  

5.15 Conversely, the level of difficulties paying for communications services decreased steadily with age from the age of 55, with a smaller percentage of those aged 75 reporting difficulties paying (9% of those aged 55-64, 7% of those 65-74, and 3% of those aged 75+ report ever had difficulties paying for any communications service). Among those aged 16-34 and 45-54 16% reported having ever had difficulties paying for communications services.

5.16 The qualitative research suggests that older consumers reliant on a landline only were less likely to face affordability issues. These participants who were reliant on their landline considered costs manageable, e.g. both relatively low and predictable. However, the quantitative research found that there was a minority who had difficulties paying for their landline. Those consumers were more likely than average to consider a landline essential, but were more likely to be middle-aged than older...

61 Questions on difficulty paying were asked of those with financial responsibility for communication services, i.e. 91% of the total sample.

62 Figure 15, Cost and Value report
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and to rely on a range of services, including fixed internet, i.e. did not fit the profile of those consumers exclusively reliant on a landline.\(^{63}\)

**Examples of issues faced by low income consumers**

5.17 Our research tested two facets of affordability: whether purchasing the service results in “hardship” and whether the costs of the service prevent or limit participation.

**Consequences of buying the services**

5.18 A key finding from our qualitative research is that, as some communications services are regarded as essential by all, low income participants often commented that they had to find ways to pay for them, and one or more of these essential communications services was always included in the basket of essential expenditure.\(^{64}\)

**Coping mechanisms**

5.19 Affordability issues can be placed in the context of consumers’ overall financial circumstances. In our qualitative research, for most low income participants, the main consequence of buying what they viewed as essential communications services was a need to try to avoid undue hardship and debt through the development of a coping mechanism of some kind. Many of those with very low incomes were vulnerable to sudden changes in circumstances (e.g. loss of job) and mentioned unplanned costs as potential concerns (e.g. replacement costs or liability for the loss or theft of a mobile, contract cancellation costs). Low income participants sought to avoid discretionary spending and to maintain stability and control over their expenses, and those trends can be seen to some extent in the quantitative research. Coping mechanisms included:

- Controlling their expenditure with the use of pre-payment cards, PAYG\(^{65}\) and/or paying with cash only, or staying with a known provider. This, however, meant that there may be excluded from deals that suited them better. For instance, they may pay higher prices depending on their usage, as post-pay can be more attractive.\(^{66}\) They may also pay payment surcharges for non-direct debit payment methods (which they accepted as a means of retaining control); and

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\(^{63}\) Disabled respondents were no different to the average in terms of experience of difficulty paying for services (13% vs 14% overall). More information is available from the pen portrait on disabled respondents in the Jigsaw report.

\(^{64}\) A related point made by stakeholders was the need to look across markets. The UK Regulators’ Network (UKRN) has a workstrand to understanding affordability across sectors, see: http://www.ukrn.org.uk/?page_id=14

\(^{65}\) This is supported by some anecdotal evidence from some of the complaints that Ofcom received over the course of the last year, where consumers comment that PAYG is used to afford services, and easier to budget for.

\(^{66}\) CMR 2013, p.345. Post-pay can be more attractive for a number of reasons, e.g. due to the bundling of services (voice, text, data). There is little difference in the average costs of post-pay and pre-pay minutes, although the average cost of a pay-monthly call minute remained slightly above that of a pre-pay call minute in 2012, at 8.7 pence per minute compared to 8.3 pence per minute for a pre-pay originated call (CMR 2013, Figure 5.72). Mobile users who are on contract appear to spend more on average than those on pay as you go: average monthly revenue is £24.32 per post-pay user,
• Trading off some commodities against each other, for instance reducing consumption (e.g. making fewer calls) and buying commodities of a lower quality.

“You make things affordable by downgrading other things. It’s a way of life” (Unemployed, female, family, 37, Bristol)

Awareness

5.20 Our qualitative research also found that many low income participants were unaware of cheaper deals available. As part of the qualitative research, participants were shown a range of current deals with smartphones, tablets, laptops, and fixed internet access. Participants quite often commented that they were paying more by comparison.

5.21 The qualitative research also found that there was still sometimes a reluctance to shop around or switch, particularly among older consumers who were more reliant on landline and not using the internet. This was due variously to lack of knowledge and confidence in what to shop around for, concerns about potential penalties associated with cancelling an existing contract, and concerns about misunderstanding the details of the deal or contract\(^{67}\) and paying more when entering into a new contract. Staying put with a current provider meant feeling more in control of a ‘known quantity’. Lack of the internet also limited their ability to shop around using the internet and potentially benefit from better prices online. However, other Ofcom research did not suggest that likelihood of switching was linked to socio-economic group, although age was a factor in relation to switching mobiles, with younger consumers more likely to switch mobiles.\(^{68}\)

5.22 In addition, as mentioned in the previous section, most respondents on income support are unaware of the social tariff for fixed landline, BT Basic (or KCOM’s Social Access Tariff in the Hull area), which provides a low cost alternative to low users of fixed telephony.

Telecoms debt

5.23 For a small minority of consumers, a consequence of buying services was telecoms debt. In our quantitative research, 2% of respondents said they had had some difficulties paying for telecoms and have ever gone into telecoms debt or behind on payments when making sure they could afford their telecoms. This level of reported debt is consistent with previous findings and other sectors: in 2013, 3% of those responsible for paying telecoms bills claimed to have or had any telecoms debt in the

\(^{67}\) Generally however, Ofcom research suggested that consumers are aware of information sources and able to compare price information. Para 7.5.1 and Figure 134, 2012 Consumer Experience Report, [http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Research1.pdf](http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Research1.pdf)

\(^{68}\) CER, Figures 135 and 136
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previous year. This compared with 2% for electricity, 3% for gas and 4% for water.\(^6^9\) There were also a few instances of debt in our qualitative research, with some consumers feeling particularly vulnerable to a sudden change of circumstances leading to a loss or reduction in income or an unexpected expense. This also links in with participants of the qualitative research seeing the cost of the device or the service as a potential concern.

5.24 Instances of debt were slightly higher in relation to mobile services than other paid-for communications services. In our 2013 debt research, 3% of respondents mentioned debt in relation to mobile, compared with 2% in relation to landline and 2% in relation to broadband. More generally, out of all those experiencing difficulties paying, 75% said they had difficulties paying for their mobile phone. This could reflect the fact that mobile take-up is the highest of all telecoms services (free to view television excluded), standing at 95% overall. It could also reflect the fact that low income consumers are more likely to be mobile-only households, as 26% of household in the DE socio-economic groups were mobile-only in Q1 2013, compared with 15% of all homes being mobile-only.\(^7^0\)

5.25 Debt advice agencies have suggested to Ofcom that telecoms debt in the UK was worsening, and that the situation in the mobile market was worse than in fixed.\(^7^1\) Given debt agencies’ concerns and the increase in smartphone take-up and in the percentage of contractual commitments, we requested information about consumer debt from the fixed and mobile providers with more than 5% of the relevant market. We asked for average debt per indebted consumer in each of the years 2010, 2011, 2012 and 2013 and also for the percentage of customers in debt as a proportion of the customer base.

5.26 While not all providers calculate the average debt per indebted customers in the same way, the information shows that the percentage of mobile consumers in debt, and the average level of mobile debt per indebted consumer, have both decreased between 2010 and 2013. The percentage of mobile customers in debt as a percentage of the customer base (calculated as an industry average) has fallen by 0.44 percentage points since 2010.\(^7^2\) In addition, the average debt per indebted mobile customer has also fallen over the last four years. Average mobile debt per indebted customer (calculated as an industry average) has dropped by approximately £5.90 since 2010.\(^7^3\)

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\(^7^0\) Figure 5.75, CMR 2013

\(^7^1\) For instance, the Money Advice Trust (MAT) reported a 15% rise in calls for help from people with telephone debts, including a 15 per cent rise in the last year. See MAT, *Changing household budgets*, June 2014, [https://www.nationaldebtline.org/EW/Documents/Changing%20household%20budgets.pdf](https://www.nationaldebtline.org/EW/Documents/Changing%20household%20budgets.pdf), pp. 23-24.

\(^7^2\) Source: Ofcom information request to mobile providers with spectrum (Vodafone, Three, O2, Orange, T-Mobile, EE)

\(^7^3\) Source: Data from four mobile providers with spectrum in 2010-2013. Although providers calculate debt in different ways, each provider’s method of calculation is consistent across the four years.
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Figure 5.3: Mobile customers in debt as a percentage of customer base and average mobile debt per indebted customer, 2010-2013

5.27 In addition, our qualitative research also found that consumers who relied only on mobile telephony and mobile internet, via the use of a smartphone (and/or dongle) and who did not have other telecoms services to pay for in addition tended to find services relatively affordable, because of relatively unchanging predictable monthly costs that were claimed to be manageable.

5.28 The experience of debt can also often be linked to consumers’ overall financial circumstances. Debt and difficulties to pay are related, with those reporting ever had difficulties paying for any of their communications services also saying they went into debt in relation to any communications service (14%) or other service (13%) while managing their telecoms spend; this is compared to 2% of all respondents. In turn, those on OECD low income were also more likely to report they went into debt in relation to a communications service while managing their communications spend (5% vs. 2% of all respondents) or other service (6% vs 2% of all respondents).

Cost as a barrier to participation

5.29 A minority of consumers found that cost was a barrier in accessing essential communications services, in particular fixed broadband services. Overall, 7% of all respondents would like broadband but do not have it because of the cost of the service, 6% for fixed landline, 5% for internet via a smartphone/tablet, 3% for internet via a dongle and 1% for mobile services. Again, respondents’ views on cost as a barrier were linked to their financial circumstances.

5.30 Cost as a barrier is quoted in relation to all services, but particularly in relation to broadband and (in the quantitative research) landline. Our quantitative research found that about one in ten people would like to have fixed internet, internet via smartphone or a dongle, or a landline, if cost was not an issue. Asked why they do not use services, cost was the reason for the majority of these non-users who would

74 In addition to the findings from our research showing 7% would like broadband but do not use it because of cost, Ofcom Media Literacy research shows that 3% of the total population cite cost as the reason that they are not going to get home internet access in the next 12 months.

75 35% of those in the DE group mentioned cost was an issue in relation to any service they did not have but would like to have, compared with 24% of those who would like any service but did not have it.
like to have the service in relation to fixed broadband (59%) and landline (55%). It is possible that responses on cost as a barrier for fixed line and broadband were linked, as a fixed line is required to have fixed internet in the home, and out of those who would like broadband and identify cost as a barrier, only 18% had a landline.

5.31 In the qualitative research, cost as a barrier was also identified in relation to the internet. The qualitative research found a few cases where the cost of the service, or of the equipment and set-up, had a role to play in limiting or preventing access to internet services. Mostly, non-users of the internet said they were uninterested in going online, but there were cases of current or former internet users who had cancelled their service or were prevented from developing their internet usage given old desktops or laptops that were too expensive to replace. The cost of fixed internet was also a factor for some low income consumers in using mobile for broadband access.

5.32 Consumers in the DE group and on lower incomes were generally more likely to see cost as a barrier, and this applied to the internet: 59% of those who would like broadband and see cost as a barrier are from the DE group (compared to 26% of the total research population). This may apply to access to superfast broadband. Our report on the availability of communications services in UK cities suggested that, across the sample of cities studied, areas of greatest income deprivation also had a higher proportion of connections with lower speeds (i.e. speeds of less than 2 Mbit/s) than the rest of the city. It suggested that one reason for this may be because people living in these areas were less able to afford to upgrade their broadband service to services more likely to give greater speeds where they are available.

5.33 Those who did not have, and did not want, the internet, were most likely to be older consumers: 8% of those aged 16-24 said they did not want the internet, compared with 53% of those aged 75+. The qualitative research showed that this was linked to a lack of perceived need for the internet of those older consumers reliant on a landline or accessing the internet through family or friends. This is consistent with our Media Literacy research showing that lack of interest was the main reason for non-usage of the internet.

5.34 It is not possible to rule out that, in a few cases, some consumers who neither had the internet, nor wanted to have it, may be unaware of the internet’s potential benefits, and this may be because they were not online due to the cost of a fixed connection – for instance, 23% of those in the DE group were more likely not to want the internet, compared to 6% of those in the AB group.

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76 The report refers to Next Generation Access services, or NGA services. NGA is a term used to describe a collection of fixed technologies which can improve attainable broadband speeds. These technologies include cable and fibre (fibre to the cabinet (FTTC) and fibre to the premises (FTTP)). Superfast broadband is a sub-set of NGA lines where the downstream speed of the connection is 30Mbit/s or more.


78 Ofcom, Adults’ Media Use and Attitudes Report 2014, Section 7 slide pack, Figure 7.4.6, http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/adults-2014/Adults_report_Section_7_chart-deck.pdf
5.35 The main reason for not having a smartphone among those who said they would like to have this service was, in the follow-up question, that they in fact did not need the service as they could use another service. Cost was an issue for a third: 46% said that they did not need the service because they could use another service, and 32% gave cost as the main reason.

5.36 It is important to place the responses in relation to payphones, directory enquiries by phone and itemised billing (where a charge applies) in context. While 9%, 21% and 19% of consumers respectively said they would like to use these services, these smaller services were generally seen as essential by only a small proportion of consumers across both the qualitative and quantitative research. Looking at the impact of not having the service, the majority of consumers saw no impact of not having this service, which is consistent with most respondents generally seeing these services as less essential than mobile and internet.

5.37 In addition, the research does not suggest cost is the main barrier in the ability of accessing these services. When probed as to the main reason for not having these services, respondents generally say they have alternatives, with cost being the first reason given only in the case of directory enquiries.

Figure 5.4: Communications services customers would like if cost was not an issue

Source: Jigsaw, Affordability of Communication Services Essential for Participation, July 2014

5.38 Looking at the impact of not having broadband and landline, among those who did not have the service and would like to have it, 63% and 58% of consumers identified at least one negative impact of not having fixed broadband and landline respectively (and possibly mobile), with not having access to emergency services and missing out on contact with friends and family the most often quoted impacts for landline.

79 While over 50% identified a negative impact, the number of non-users who identified cost as a barrier in relation to mobile (61) is too low to draw conclusions.
(18% and 15%), and preventing access to information and access to cheaper goods and services the most often quoted impact for broadband (19% and 14%).

5.39 The qualitative research also highlighted a number of concerns about potential sources of detriment, including lack of access to better deals, where lack of internet appeared to play a part. Those without internet were limited in their ability to shop around using the internet and potentially benefit from better prices online (see previous section).

5.40 We also note that nearly half (49%) of respondents who do not have internet via a smartphone but would like to have one identify negative impacts of not having internet via a smartphone as preventing access to emergency services (10%), missing out on contact with family and friends (9%), and preventing access to information (8%).

5.41 For a minority of those identifying cost as a barrier to fixed broadband, alternatives such as smartphones and public internet access may mitigate the impact of not having fixed broadband, e.g. a third of those who said they were interested in broadband when cost was no issue, when asked why they did not have the service in reality, actually said that they do not need the service because they can use another service instead.

5.42 In relation to the type of costs that caused a barrier to buying the service, concerns expressed by low income participants in the qualitative research about the affordability of communications services included the cost of devices and their set up, the on-going service cost, the replacement costs or liability in case of loss or theft, and the contract cancellation cost. The results of our quantitative research do not point to one single aspect of the price as stopping consumers from using the service, as non-users found it difficult to comment on specific details of price, with most simply citing “overall cost” as the reason. With this proviso, committing to monthly cost is the second most often quoted reason, well above the price of equipment or installation.
Section 6

Conclusions and next steps

“Essential” services

6.1 Our research highlighted that the services seen as essential by consumers reflect the change in the way consumers now communicate with each other, a change made possible by the increasing availability of new technology. Mobile services are now seen as essential or important for most consumers to access voice calls and text-based communication, except for older consumers who continue to rely on landline for voice services. Internet is also now seen as essential or important by most consumers, enabling consumers to communicate and participate in society, and to access information, education and key services easily at home or, increasingly, on the go. Conversely, some services currently included in universal service obligations are seen as less essential, e.g. payphones.

6.2 These findings have potential implications in the medium and longer term for potential discussions on how best to ensure that communications services seen as essential, and in particular broadband, are widely accessible to consumers. In practice, market developments have ensured widespread broadband availability and may, in future, continue to encourage more users to use the internet (e.g. via smartphones). These developments are already supported by initiatives from Ofcom and the Government to increase availability and take-up of broadband and mobile, for instance the Government’s commitment to ensuring that almost all premises in the UK will be able to access a basic broadband service of at least 2 Mbit/s, the Government’s Mobile Infrastructure Project which aims to improve mobile coverage in the UK, or Ofcom’s coverage obligations in mobile licences, in particular the obligation that 98% of premises receive 4G coverage by 2017, with 95% coverage guaranteed in each of the Nations.

6.3 We will communicate our findings to the Government, European institutions and other interested stakeholders. In that context, we note that the European Commission is carrying out its periodic Review of the Scope of Universal Service rules in 2014.80

6.4 We will continue to monitor the evolution in the take-up of communications services, in particular internet and mobile services. Take-up of those services has increased year on year, but is not uniform across all demographic groups, and we will particularly monitor take-up across age and socio-economic groups.81

80 We would expect the findings from this Review to be fed into a broader review of the Regulatory Framework for Electronic Communications which might be launched in 2015 or 2016, in which case potential changes, if any, to the Universal Service Directive would be unlikely to be adopted before 2018. For more information, see: http://ec.europa.eu/digital-agenda/en/universal-service.

81 93% of consumers with a mobile phone, and there is even higher take-up in the ages between 16 and 65 – take-up declines after 65, given greater reliance of those aged 65+ and in particular 75+ on landline only. Take-up is 87% in the DE group overall, but follows the same age pattern. Figure 39 and 40, CER 2013, and additional analysis for this report.
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Affordability

6.5 While we did not find that consumers in general are likely to face affordability issues, we found a minority of cases where some consumers, in particular those on low income, were facing debt or were excluded from using services because of their costs, especially broadband. We also found consumers were not always aware of the cheapest, or most appropriate, deals.

6.6 To try and improve opportunities for take-up of broadband where cost is an issue, we will consider a range of initiatives. We already have initiatives to help consumers navigate the market, for instance consumer guides such as the consumer guide on managing communications costs or the call costs guide, and voluntary accreditation of price comparison sites to promote choice and switching. We plan to review the effectiveness of these and to develop options to supplement them, to try and improve awareness of the most affordable deals. We will work with stakeholders to ensure this work is appropriately targeted at low income citizens and consumers. We will also explore with industry its engagement with low income consumers.

6.7 In addition, Ofcom has a number of initiatives to help consumers switch when they want to. We will ensure that our switching work covers lower cost ‘value’ services as well as more premium services and bundles. This will include examining whether there are particular barriers to switching for low income consumers.

6.8 We will continue to help develop links between debt charities and CPs, focused on the importance of CPs’ responsiveness to the changing circumstances of consumers in debt. We will also continue to engage with debt charities and CPs to receive feedback on debt advice and practices in the communications industry, especially mobile.

6.9 Some stakeholders also raised concerns about the risk of low income consumers facing a “poverty premium” whereby they pay more for communications services because of the way they pay for services, in particular pay as you go for mobile phones or paying for their communications service monthly by non-direct debit payment methods (where a payment surcharge may apply).

6.10 While the qualitative research highlighted a concern that some low income consumers may pay more for a service because they use pay as you go, in practice, pay as you go can be a good option for low income consumers, depending on their usage pattern. SIM-only contracts can also be good value, allowing consumers to keep their existing handset. We will continue to monitor the evolution of prices in the mobile market and provide information on how to manage the cost of your communications services.

6.11 The qualitative research found that some low income consumers preferred to pay their monthly communications bills by cash and avoid direct debit, as a coping mechanism to manage their finances and control their spend. The Payment Surcharges Regulations, which apply to contracts entered into after 6 April 2013, say that if a provider charges a residential consumer for using a particular payment

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method, the charge must do no more than cover the costs the company incurs in processing the payment. We are actively monitoring CP compliance with these regulations. We will continue our research on digital participation and media literacy, and contribute our research data and analysis to the work of other stakeholders who take in leading role in promoting digital participation.

6.12 Finally, we will monitor key trends in relation to the affordability of services on an on-going basis, potentially reporting as part of the annual Consumer Experience reports. In addition to our regular monitoring take-up and price of services, we will monitor the prevalence of debt and other negative consequences due to services being unaffordable, and cost as a barrier to using an essential service.
Annex 1

List of stakeholders

A1.1 We would like to thank the stakeholders who shared their thoughts on affordability with us, considered the scope of our research, and/or discussed our preliminary findings, either in individual meetings or workshop:

- Ofcom Advisory Committees for England, Northern Ireland, Scotland and Wales
- BT
- Carnegie UK trust
- Citizens Advice / Consumer Futures
- Consumer Forum for Communications
- Communications Consumer Panel
- Crisis UK
- Essential Services Access Network (ESAN)
- Fair Telecoms Campaign
- Helplines Partnership
- Claire Milne
- Minimum Income Standard project
- Mobile Broadband Group (MBG)
- Money Advice Service
- Money Advice Trust
- Middlesex University
- Ofgem
- Sense
- Signature
- Stepchange
- UK Competitive Telecommunications Association (UKCTA)
- Which?