



# The International Communications Market 2013

## 1 The UK in context

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# 1.1 The UK communications industry in context

## 1.1.1 Introduction

This chapter of the report provides a broad overview that places the UK communications sector in a global context.

- **The UK communications industry in context** (Section 1.1.2): We compare the size of the UK communications sector to those of other countries, and look at relevant top-line revenues across our comparator countries.
- **The UK consumer in context** (Section 1.2): We compare take-up and use of different services and devices at a broad level across comparator countries
- **Online shopping** (Section 1.4): We have known for some time that online shopping is more popular in the UK than in many other comparator countries. In this section we examine online shopping habits across eight of our comparator countries and try to understand the key drivers in consumers' decision-making, when making online purchases of physical goods for delivery.
- **Growing awareness and take-up of 4G / LTE mobile services** (Section 1.5): The deployment of 4G LTE mobile networks has gathered pace internationally, and the Global Mobile Suppliers Association (GSA) reported that 213 mobile providers had launched LTE-based services in 81 countries by September 2013. This section offers both industry and consumer insights into the most recent mobile network technology.
- **Changes in consumption of audio-visual content** (Section 1.6): With the rapid take-up of smartphones, tablet computers and smart TV hardware, and the growth of video-on-demand services, consumers now have many options for viewing audio-visual content. Here we take a look at changing viewing habits, in and out of the home.
- **News consumption: the international context** (Section 1.7): We look into digital news consumption and summarise the key findings from the Reuters Institute Digital News Report, and present the findings of Ofcom's own consumer research which looks at which media platforms consumers use as their main source for different types of news.
- **International regulatory context and models** (Section 1.8): We highlight recent international developments in communications regulation to provide regulatory context to some of the topics in the report.

## 1.1.2 Putting the UK communications industry into context

In this section we discuss the revenues and expenditures associated with the communications sectors in the UK and globally. Given the complexity and scale of the 'communications industries', there are many potential definitions of the 'communications sector'. These could, for example, include consumer electronics, network equipment, music, the film industry, online, software, games, newspapers, magazine and books, in addition to telecoms and broadcasting.

We focus primarily on the telecoms, television, radio and postal industries, to reflect Ofcom's regulatory remit.

### Key points

- The communications sector's total global revenues in 2012 were £1,228bn, growing by 2.5% year on year (incorporating the telecoms, television, postal and radio sectors). Telecoms industries had the largest absolute increase in revenue in 2012, up by £22bn to £865bn. Proportionally, television revenues grew fastest among the communications industries, by 4.1% in 2012 to £252bn.
- US telecoms revenues were £191bn in 2012, larger than the revenue of the entire communications sector in any other comparator country. Japan was the second-largest communications market by revenue, generating £140bn in 2012, while China was third largest at £97bn. UK communications revenues stood at £48bn in 2012.
- Global advertising expenditure continued to grow, rising by 4.6% in 2012 to £290bn, largely driven by the increasing popularity of internet advertising. While expenditure on internet advertising grew at a compound annual rate of 16.4% between 2008 and 2012, to £63bn, the comparable figure for newspaper advertising was -5.7% p.a., falling to £54bn, while for magazines it was -3.9% p.a., falling to £22bn.
- In the television and radio sectors, television subscriptions generated the largest and fastest-growing proportion of total revenues in 2012. Television subscription revenues grew by 5.1% in 2012, to £127bn, and at a compound annual rate of 5.7% p.a. between 2008 and 2012. Radio subscription revenues grew by 13.3% in 2011 to £2bn, and at a compound annual rate of 7.8% between 2008 and 2012.

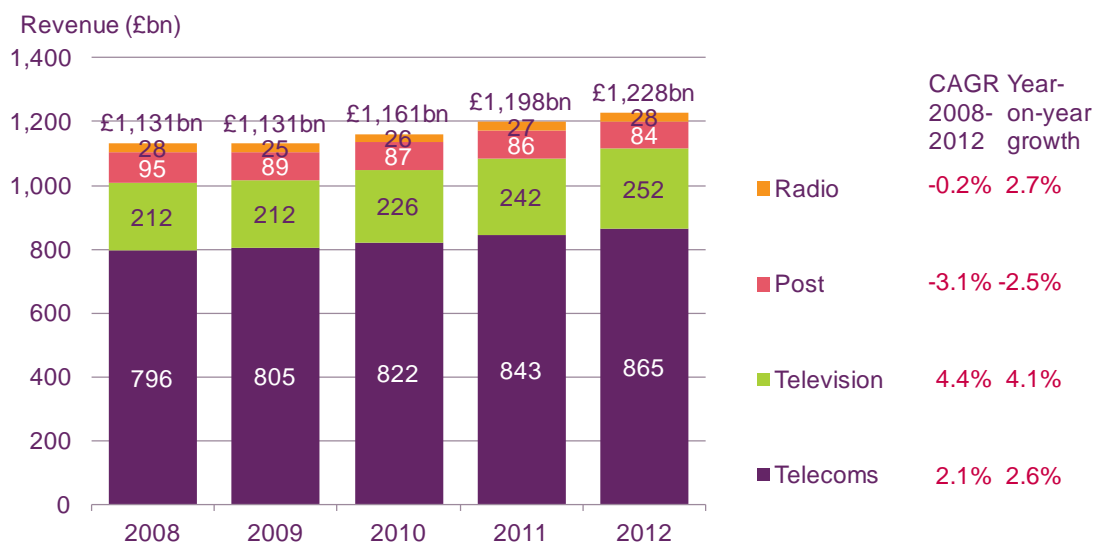
## 1.1.3 Communications sector revenues

### **The communications sector generated £1,228bn in revenues in 2012, an increase of 2.5% on 2011**

Between 2008 and 2012, global communications industries' revenues grew at a compound annual rate of 2.1% p.a. Television and telecoms revenues drove this growth. Between 2008 and 2012, telecoms revenue grew by 2.1% p.a., and in 2012 generated £865bn worldwide, £22bn more than the previous year. Television revenues grew fastest during this period, by 4.4% p.a.; all told, the industry generated £40bn more revenue in 2012 than in 2008. In 2012, television revenues were up 4.1%, and telecoms revenues by 2.6%.

The radio industry is by some distance the smallest (by revenue) of the industries we examine in this report. Revenues in 2012 returned to 2008 levels, at £28bn. Postal revenues continued to decline, with a year-on-year contraction of 2.5% in the countries measured.

**Figure 1.1 Global communications revenue**



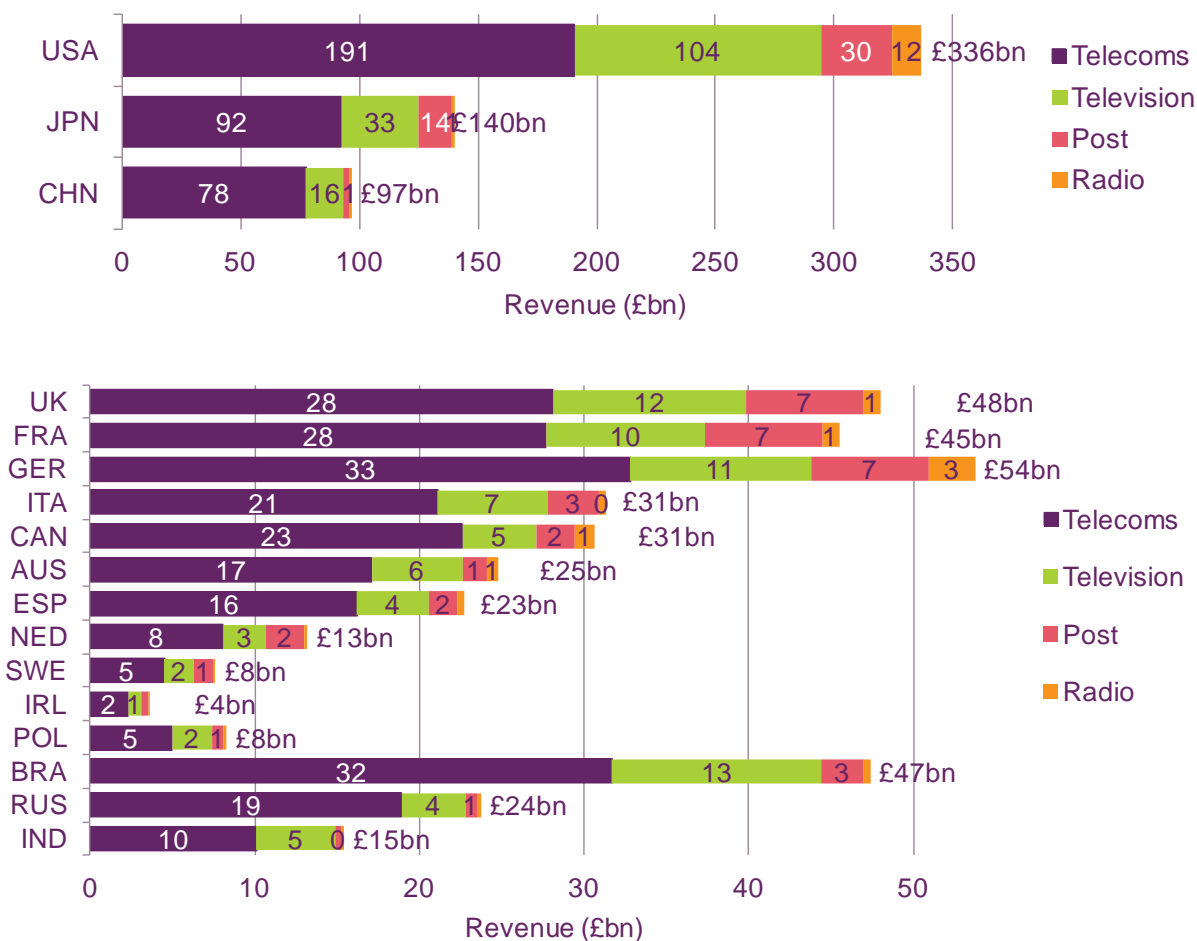
Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook) for television and radio revenues, Wik Consult / Ofcom estimates for postal revenues. IDATE / industry data / Ofcom for telecoms revenues, which refer to retail revenues. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used IMF 2012 average exchange rates in converting from local currency to GBP.  
 Note: Postal revenues are for our 17 comparator countries only.

**The UK communications industries' revenues were the second highest in Europe.**

In 2012, as in recent years, the three largest communications markets by revenue were in the US (£336bn), Japan (£140bn) and China (£97). At £191bn, the revenues of the US telecoms industry alone were greater than the combined industries' revenues in any other country. The US also commanded the largest revenue among our comparator countries in the other sectors we consider in this report - television (£104bn), post (£30bn) and radio (12bn).

In Europe, total UK revenue of £48bn was second only to Germany (£53bn) and just ahead of France (£45bn). This was driven by UK television and postal sector revenues, which were the largest of our European comparator countries, at £12bn and £7.19bn respectively. The German telecoms sector was the largest national sector outside the US, Japan and China, generating £33bn in 2012.

**Figure 1.2 Communications sector revenues: 2012**

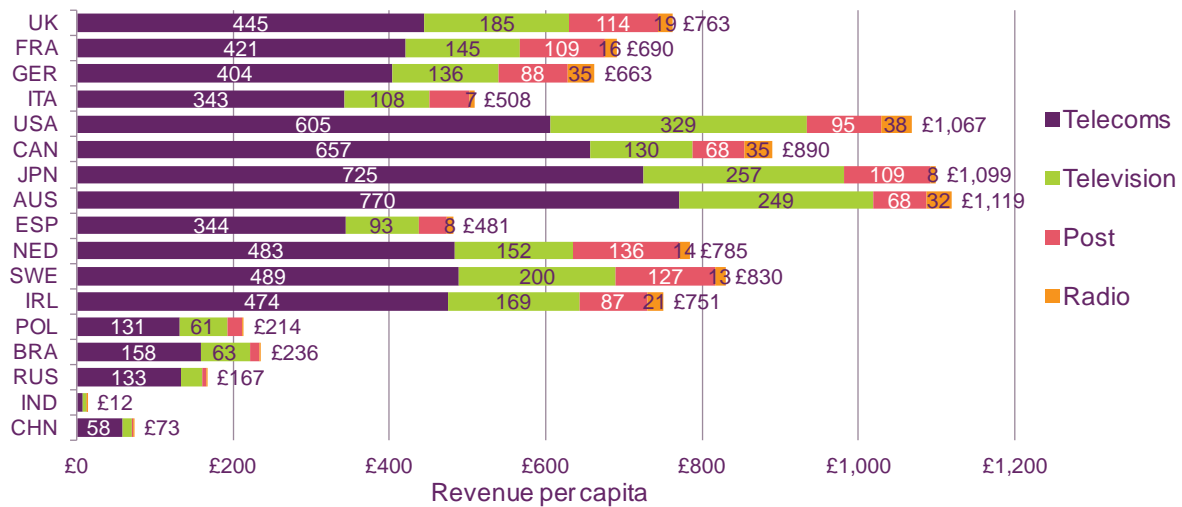


Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook) for radio revenues, Wik Consult / Ofcom estimates for postal revenues. IDATE / industry data / Ofcom for television and telecoms revenues (telecoms revenues refer to retail revenues). Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used IMF 2012 average exchange rates in converting from local currency to GBP.

**UK communications revenue per head was the second highest in Europe in 2012**

The UK generated £763 per head across our communications industries in 2013, second only to the Netherlands (£785) in Europe. These figures were considerably lower than the highest revenues per head in our comparator countries: Australia (£1,119), Japan (£1,099) and the US (£1,067).

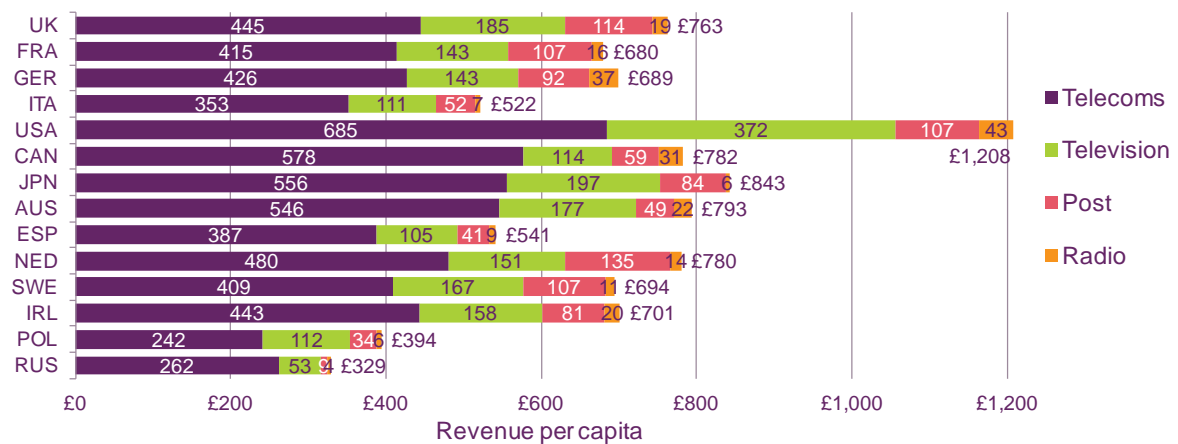
**Figure 1.3 Communications sector revenue per head: 2012**



Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook) for radio revenues, Wik Consult / Ofcom estimates for postal revenue, IDATE / industry data / Ofcom for television and telecoms revenues (telecoms revenues refer to retail revenues). Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used IMF 2012 average exchange rates in converting from local currency to GBP.

Figure 1.4 adjusts absolute revenues per capita to take account of comparative price levels in order to provide a view of revenue in relation to consumer spending power in each country. After adjustment, the UK retains the second-highest revenue per head in Europe, behind the Netherlands. Canadian, Japanese and Australian revenue per head fall back following this adjustment to stand slightly higher than our European comparator countries.

**Figure 1.4 Communications revenues per head adjusted for comparative price levels**



Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook) for radio revenues, Wik Consult / Ofcom estimates for postal revenue, IDATE / industry data / Ofcom for television and telecoms revenues (telecoms revenues refer to retail revenues). Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used IMF 2012 average exchange rates in converting from local currency to GBP and OECD 2012 (<http://stats.oecd.org>) comparative price levels (CPL) to adjust for purchasing power parity (PPP). CPLs are ratios of PPP for consumption expenditure to exchange rates. They measure differences in price levels between countries by indicating the number of units of a common currency required to buy the same volume of products in each country.

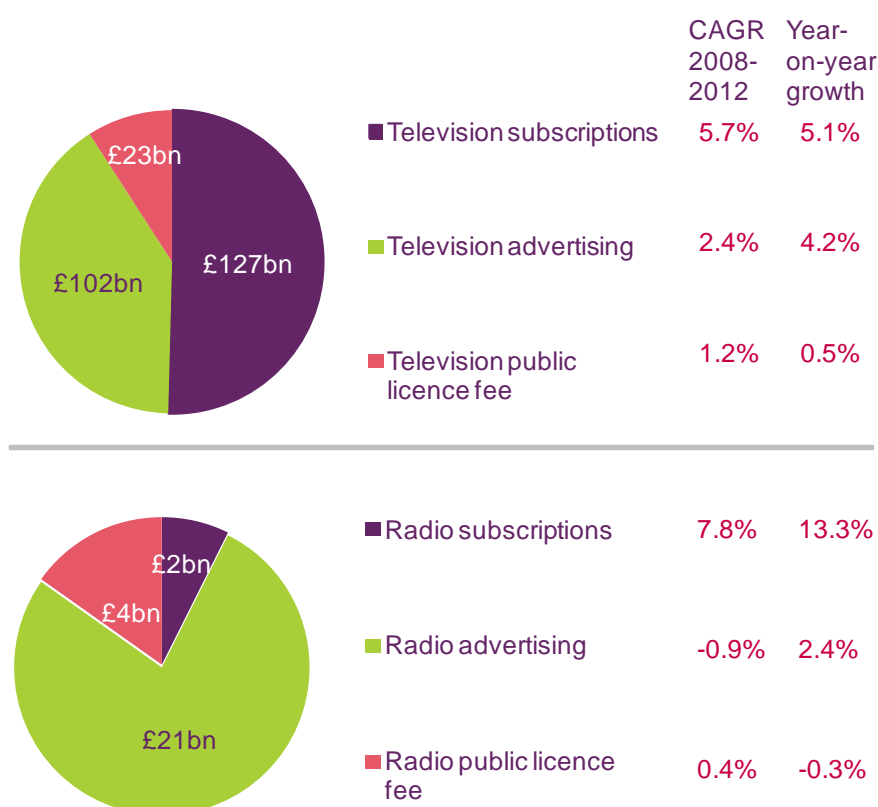


## Subscription revenues continue to drive growth in the global television and radio industries

Figure 1.5 displays the proportions of television and radio revenues that came from subscription, advertising and public licence fees in 2012. Of the £252bn that the television industry generated in 2012, subscription revenues contributed the largest, and fastest-growing, proportion of total revenue, at £127bn. Year-on-year growth was 5.1%, a slowing of the compound annual growth rate (CAGR) of 5.7% p.a. across the previous five years. Television advertising revenues grew at a rate of 4.2% year on year, outperforming the five-year CAGR of 2.4%. Public funding remained relatively flat at £23bn.

Radio subscription has seen the fastest growth, both year on year and across the period 2008 to 2012. Subscription services are currently available in the US and Canada only from satellite radio broadcaster Sirius XM Radio. This growth was from a small base and subscription remains the smallest of our measured revenue streams for the radio industry, at £2bn, half as much as public funding (£4bn) and only a tenth of the size of advertising revenue, which stood at £21bn in 2012.

**Figure 1.5 Sources of global revenue for radio and television industries: 2012**



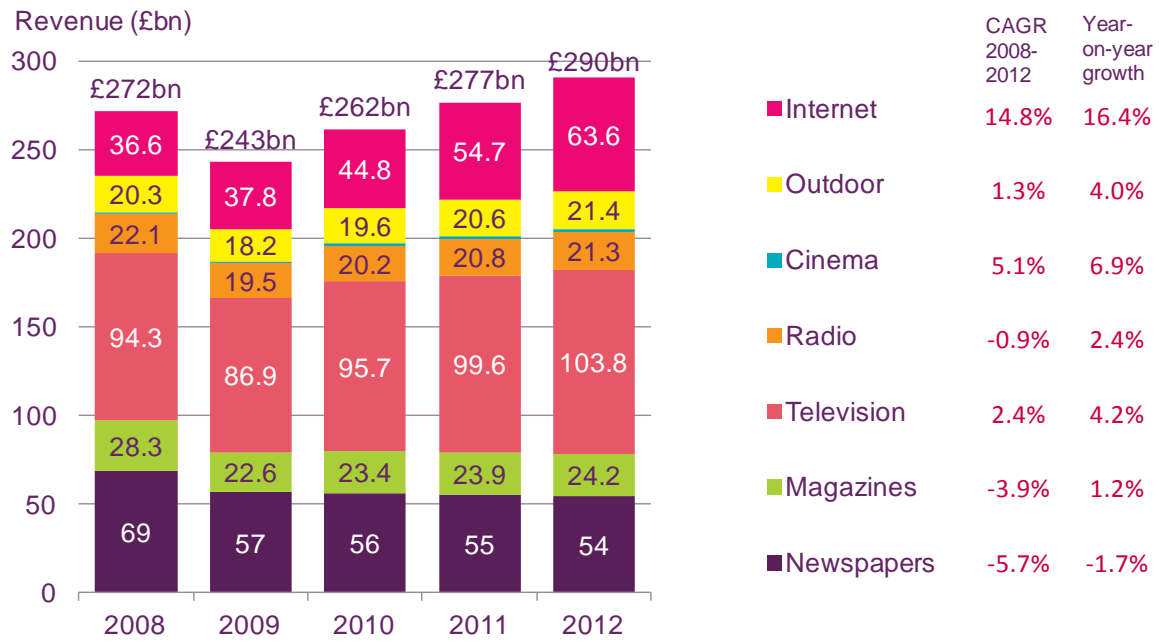
Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook). Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used IMF 2012 average exchange rate of \$1.580 in converting from US\$ to GBP

## Global advertising expenditure grew to £290bn in 2012

In 2012 global advertising expenditure grew by 4.7% (£13bn) to £290bn. Expenditure on internet advertising grew fastest among the media depicted in Figure 1.6 a compound

annual rate of 14.8% p.a. between 2008 and 2012 to stand at £63.6bn in 2012. Over the same period, newspaper advertising fell at an annualised average of -5.7%. Magazine advertising picked up in 2012, with year-on-year growth of 1.2%, but the 2012 figure of £24.2bn remains lower than the 2008 equivalent: £28.3bn.

**Figure 1.6 Global advertising expenditure, by medium**



Source: Ofcom analysis based on data from PwC Global Entertainment and Media Outlook 2013-2017 @ [www.pwc.com/outlook](http://www.pwc.com/outlook). Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of \$1.580 to the GBP, representing the IMF average for 2012.

# 1.2 The UK consumer in context

## 1.2.1 Introduction

In this section we examine take-up and use of communication devices and services. We focus primarily on the UK, but also on the other countries where we carried out consumer research in September 2013 (France, Italy, Germany, the US, Japan, Australia, Spain and China). The key findings are that:

- **Fixed-line connections continue to fall but remain most resilient in the UK.** The number of fixed-line connections per 100 people continued to fall across all our comparator countries. The rate of decline was slowest in the UK, where many customers need to take a fixed line to receive fixed broadband services at home. The UK now has 53 fixed-line connections per 100 people.
- **Mobile connections per 100 people continue to grow.** Mobile take-up continued to exceed population size across all our comparator countries, with the exception of China. However, in China the number of mobile connections per 100 people has more than doubled in the last five years, up from 40 to 83.
- **Fixed broadband connections remain highest in the northern European comparator countries.** France (36), Germany (35) and the UK (34) had the highest number of fixed broadband connections per 100 people in 2012. China, which has a large rural population but where much of the network is concentrated in urban areas, had the fewest (13).
- **In the UK, Italy and Spain, all TV platforms are now fully digital.** In 2012 the UK and Italy switched off their last analogue television broadcast signals.
- **The UK has the highest take-up of digital radio sets and digital video recorders (DVRs).** Among the reasons for high digital radio take-up in the UK may be the support broadcasters have shown for DAB technology, launching 'digital only' stations. In the UK, the BBC has a DAB multiplex network that covers 94.4% of households.
- **Smartphone ownership is now commonplace among comparator countries.** Excluding Japan, which has very high take-up of advanced featurephones not readily available in other countries, the US was the only country to report a smartphone take-up level of less than 50% in our online survey. The majority of respondents in all other countries reported that they now use a smartphone. Take-up in the UK was 66%.
- **Watching television remains the most popular communications activity.** Among comparator countries the variation was minimal, with a response rate of between 88% (the US and China) and 92% (the UK and Germany) claiming to watch television at least once a week.

## 1.2.2 Take-up and use of services and media activities

### Penetration of fixed-line connections continues to fall across all our comparator countries

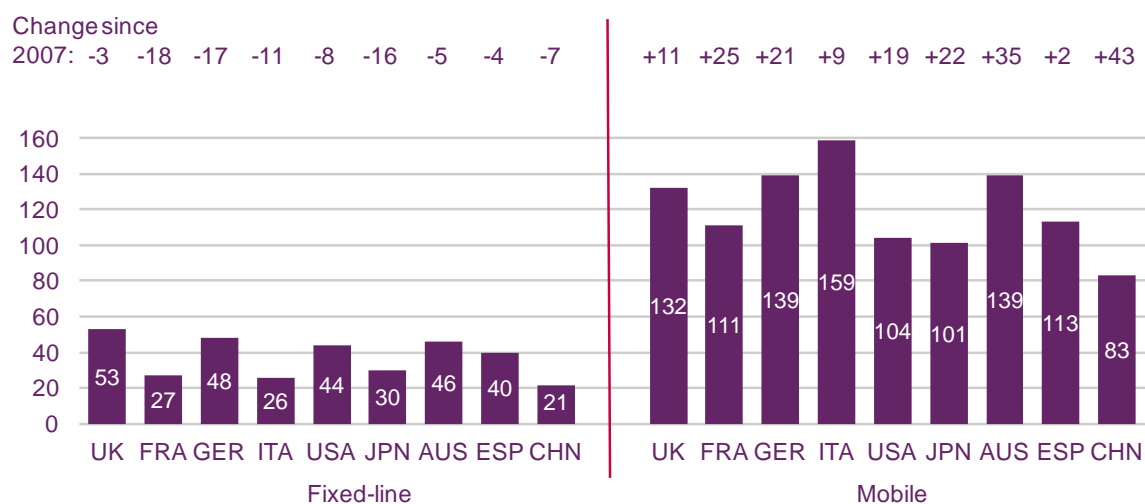
In all the countries where we carried out our consumer research, the number of fixed-line connections per 100 people fell between 2007 and 2012 (Figure 1.7). The rate of decline was slowest in the UK, down by three lines per 100 people since 2007. The number of connections per 100 people also remains highest in the UK among comparator countries.

The second highest level take-up was in Germany (48 lines per hundred people), closely followed by Australia (46) and the US (44). Take-up was lowest in China, where availability of fixed-line connections is low, and mobile is the predominant form of telephony. People in France and Italy are also less likely to have fixed-line connections. In France, consumers are able to choose a 'naked' DSL service, which enables them to use broadband services (including VoIP) without a fixed-line analogue telephone connection.

The relative resilience of fixed-line take-up in the UK may be due in part to the necessity of having a fixed-line telephone connection in order to receive DSL broadband.

With the exception of China, the number of mobile connections exceeds the number of people in all the countries surveyed. In all of the countries shown in Figure 1.7 the number of mobile connections per head of population grew between 2007 and 2012, with the largest growth occurring in China. Italy has the highest number of mobile connections (159 per 100 people), reflecting high levels of multiple pre-pay SIM ownership.

**Figure 1.7 Fixed-line voice and mobile connections per 100 population: 2012**



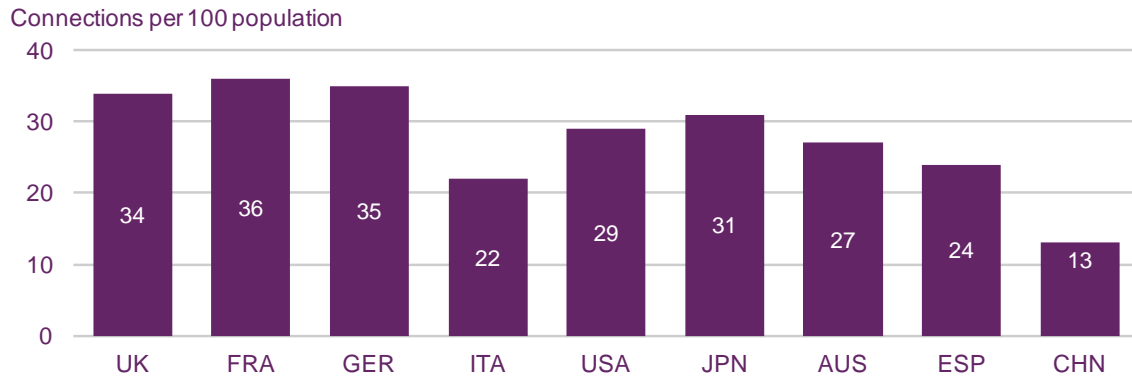
Source: IDATE / Industry data / Ofcom

### Broadband connections per 100 population among the countries surveyed is highest in France at 36, Germany at 35 and the UK at 34

The number of broadband connections per 100 population is highest in France, at 36 subscriptions per 100 people. With 34 subscriptions per 100 people, the UK is only slightly behind (Figure 1.8).

Among the European countries, the number of broadband connections per 100 people was lowest in Italy (22 connections per 100 population). Among all the countries surveyed, the number of connections per 100 households was lowest in China, as coverage is focused on relatively small geographical areas in the highly-populated cities.

**Figure 1.8 Fixed broadband connections per 100 population: 2012**

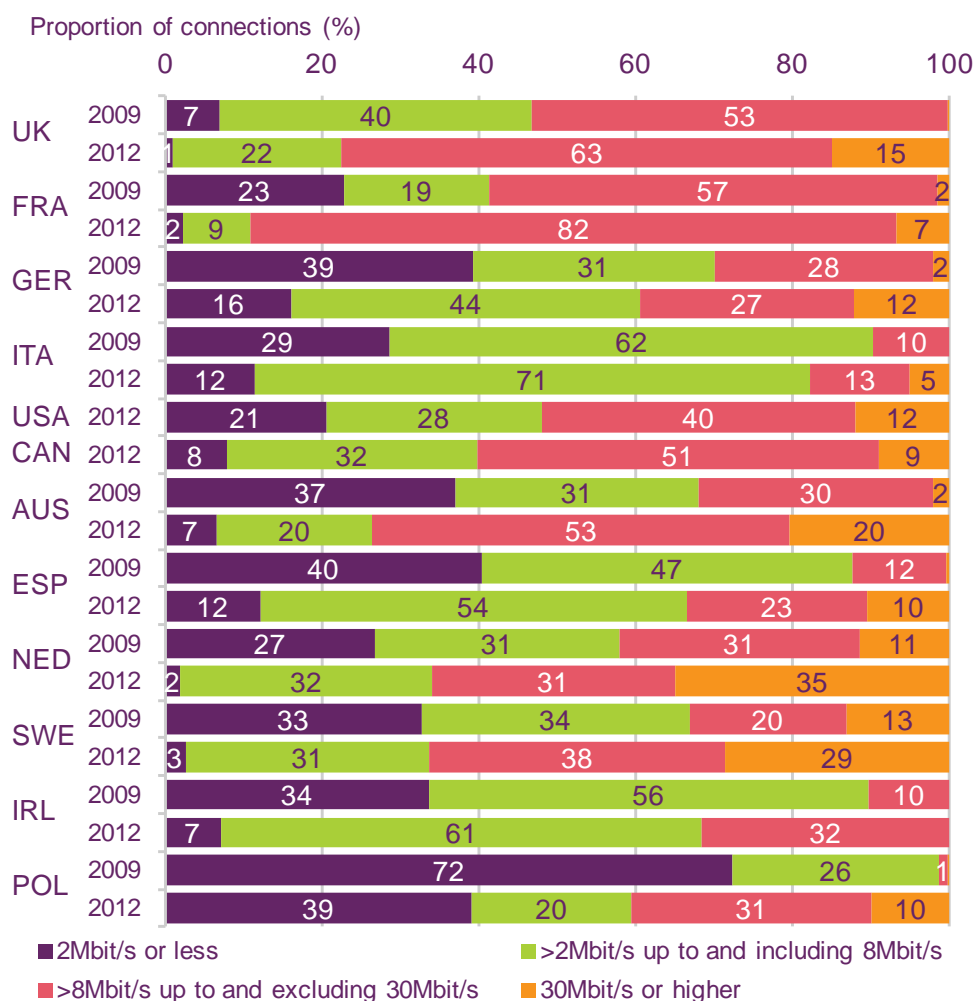


Source: IDATE / industry data / Ofcom. Note: Broadband connections include business connections

### **Fifteen per cent of UK fixed broadband connections were superfast at the end of 2012**

The proportion of fixed broadband connections that were classed as being superfast (i.e. that had a headline speed of 30Mbit/s or higher) continued to grow in most of our comparator nations in 2012. The nations with the largest proportions of connections that were superfast at the end of 2012 were Japan (which is not shown in the chart below as a full split of fixed broadband connections by headline speed is not available, at 64%), the Netherlands (35%) and Sweden (29%), which all benefit from high levels of next generation access (NGA) availability. In the UK, 15% of connections were superfast at the end of 2012, the fifth highest proportion among the comparator countries for which we had data and the highest proportion among the EU5 countries.

**Figure 1.9 Fixed broadband connections, by headline speed: 2009 and 2012**

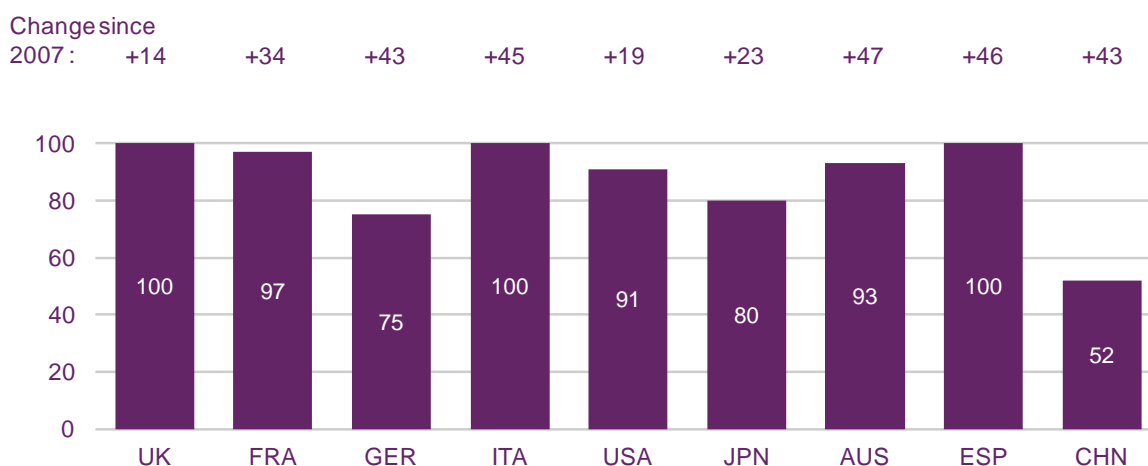


Source: IDATE / Ofcom / operator data

**In 2012, the UK and Italy joined Spain in completing digital switchover**

The last analogue terrestrial television signal in the UK was switched off in October 2012 and marked the completion of terrestrial switchover to a digital signal, enabling 100% of all television households in the UK to receive a digital terrestrial signal. Italy also completed switchover in 2012. Digital take-up remains relatively low in Germany, compared to other European comparator countries, as a result of the continuing availability of analogue cable services.

**Figure 1.10 DTV homes per 100 TV households: 2012**



Source: IDATE / industry data / Ofcom

### 1.2.3 Ownership and use of communications devices and media services

The population reached by our online survey is now more representative than in previous years of the national populations in each of our comparator countries. This is because more older people than in previous years are going online and so are able to respond to our survey. One exception to this is China, where we believe internet take-up is relatively low, so although the members of the online panel represent the online population, they are perhaps more likely to be affluent, urban, and exhibit the behaviour of early adopters. See *Appendix C: A perspective on China* for further details of our thinking on China.

#### The UK has significantly higher ownership of digital radio sets than any of our other comparator countries

As part of our consumer research we asked respondents about their ownership and personal use of a range of communication and media devices. This research was carried out online, which means that results are derived from a different sample to other Ofcom consumer research and direct comparisons cannot be made between them.

At 66%, UK smartphone take-up was in line with Australia and Italy (both 65%) and behind Spain (74%) and China (88%). Our survey reported smartphone take-up of 34% in Japan. This was the lowest of all the comparator countries; however, it does not reflect the more advanced nature of feature phones in Japan, where 92% of mobile phone owners claim to access emails through their device, 77% access the internet, and 41% are able to download apps.

Reported ownership of tablets has also increased significantly. According to our survey results, 42% of the UK online population claim to have a tablet computer in their home, behind China (58%), Spain (46%) and Australia (45%). Laptops remain the most popular device in the home. In all the countries we surveyed, at least 70% of respondents claimed to have one in their home; the highest take-up was reported in China (88%) and the UK was second with 83%.

People in the UK reported the largest take-up of digital radio sets, by some margin. . Almost four in ten respondents claimed to have a digital radio in their home, twice the number in any other country surveyed. Take-up in China was next highest at 20%, followed by Australia

(17%) and Italy (16%). Among the reasons for high take-up in the UK may be the support that UK broadcasters have shown for the technology; for example, launching 'digital-only' stations. The UK also has the greatest availability of DAB digital radio; DAB transmissions cover 94.4% of households<sup>5</sup>. Some countries, such as the United States have alternatives to digital radio that partly explains the lower take up. See *Radio set ownership* in the radio and audio section for more details.

People in the UK reported the highest take-up of digital video recorders (DVRs) at 41% of those surveyed, closely followed by the US at 38% and Australia at 35%. France had the lowest reported level of ownership, at 17%.

Penetration of high definition TV sets (HDTV) in UK households is 68%; this is the highest in Europe and 11pp above the 57% average for all comparator countries. UK take-up is second only to Australia, where it is reported that 74% of homes now have an HDTV set. See *Household ownership of HD-ready TV sets and HD services* in the television and audio-visual section for more details.

While claimed use of VoD services in the UK has risen by one percentage point, to 22% this year, a rise in line with most other countries, claimed use in Italy and Spain has dropped by one percentage point and two percentage points respectively; to 14% and 10%.

Ownership of smart TVs (those with built-in internet functionality) is greatest in Australia and Germany, with 21% and 19% of homes respectively having such devices. Smart TV ownership in the UK (17%) is comparable with that of Italy (18%); the lowest take-up in Europe is found in French households, at 9%.

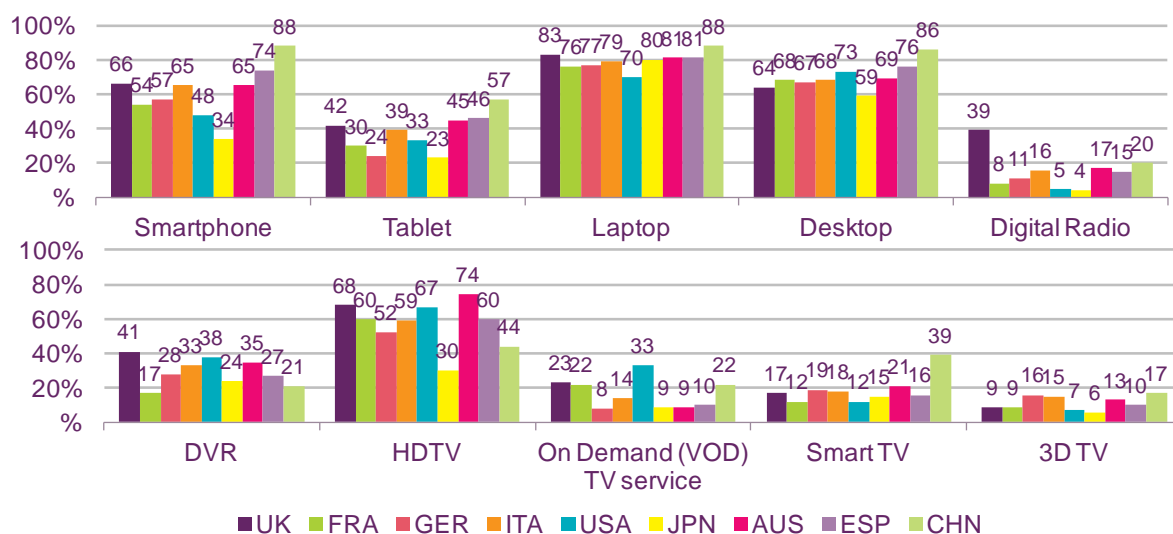
Households in the UK and France are the least likely among the European comparator countries to have 3D-ready TVs, with a reported 9% take-up in these countries. Along with Spain (10%), Japan (6%) and the US (7%), these countries are below the 11% average for household take-up of this type of television. The highest European take-up of 3D TVs is reported in Germany (16%) and Italy (15%).

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<sup>5</sup> <http://stakeholders.ofcom.org.uk/market-data-research/other/radio-research/digital-radio-reports/digital-radio-2013/>



**Figure 1.11 Ownership and personal use of devices**



Source: Ofcom consumer research September 2013. Chart amended 24th March 2014 to show response to question 3a with regard to digital radio take up rather than 4a as previously shown. The change aligns digital radio with other household devices. Q4a refers to smartphones only. Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007. Q3a. Which of the following devices do you have in your home? Q.4a Which of the following devices do you personally use?

**Watching television remains the most popular, regularly-undertaken communications activity**

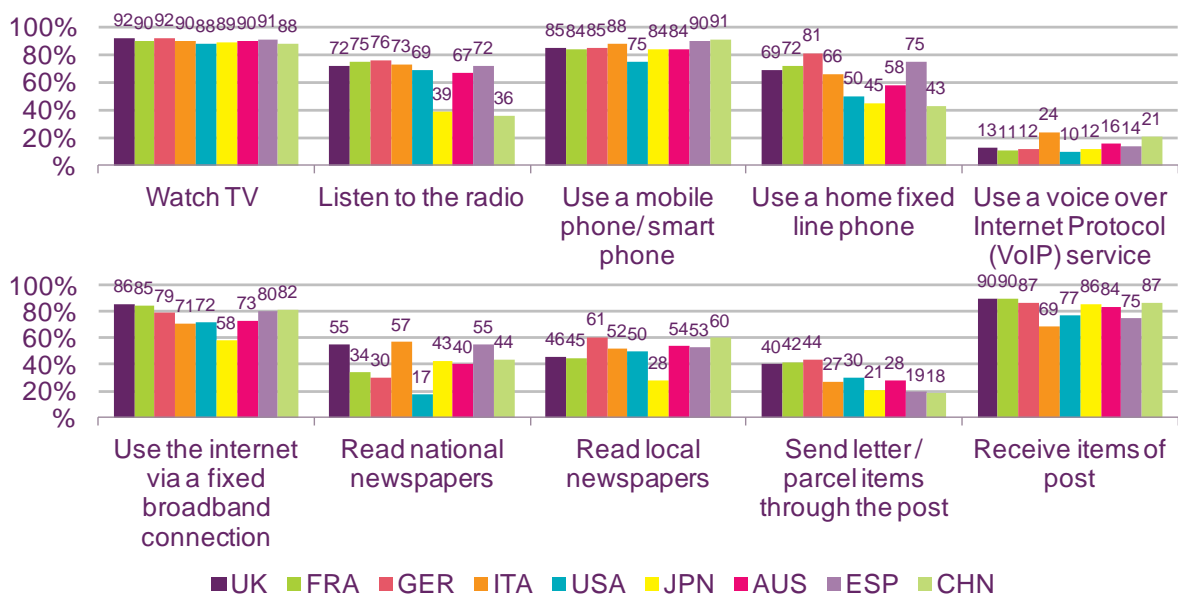
Figure 1.12 sets out the proportion of the population regularly engaging (i.e. weekly) in a selection of media and communications activities. In all countries, with the exception of China, watching television was the most popular activity. China was the only country where people were more likely to regularly engage with their mobile phone than with their television (91% versus 88%). China is also the country with the fewest respondents claiming to regularly use a fixed-line telephone.

In all countries, consumers receive post more frequently than they send it. We know from other research that this is due to the high proportion of mail which is generated by businesses and sent to consumers, including bills and statements, advertising, and the fulfilment of online and other distance shopping.

Among all of the countries surveyed, people in Italy are the least likely regularly to receive items of mail (69% of the population).

Industry data also show that online spending per head is lower in Italy than elsewhere. Please see Section 7 on Post for in-depth analysis of the postal industry across our comparator countries.

**Figure 1.12 Regular use of selected communications services / media**



Source: Ofcom consumer research September 2013 Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007. Q.5 Which of the following do you regularly do (at least once a week)?

# 1.3 Pricing of communications services

## 1.3.1 Introduction

In this section of the report we look at how consumers in different countries purchase communications services, and how service prices vary between nations. We use the results of Ofcom's online consumer research, which was conducted specifically for this report, along with a subset of the results taken from section 2 of this report, where we benchmark communications service prices in the UK against those in France, Germany, Italy, Spain and the US.

In the national context, Ofcom is engaged in a range of projects focused on the cost, value and affordability of communications services, and details of this work will be published in the *Consumer Experience Report* in January 2014.

## 1.3.2 Key points

- When comparing the lowest available stand-alone prices, the UK was cheapest both for mobile phone and fixed broadband services: the lowest available UK mobile prices were 27% cheaper than those found in the next cheapest country, while fixed broadband prices were 33% cheaper.
- The UK had the second highest prices for pay TV, behind Spain. Although the second-lowest prices for basic pay-TV services were found in the UK, high premium pay-TV prices resulted in the UK having comparatively high overall pay-TV prices.
- In the UK 77% of online respondents reported that they received a bundle of services from the same supplier as their broadband. This was higher than in all of the other comparator countries.
- When examining a 'connected family' household, with high usage levels and multiple needs, the UK was the second cheapest after France (£77), at £80 in 2013. The UK was £18 less expensive than the third cheapest service, which was in Italy.
- The UK was one of the two cheapest nations for all five of the households types used in our pricing analysis in terms of weighted average stand-alone prices, and for four of the households when looking at the lowest prices available. Overall, across all five households and both of these pricing metrics, the UK ranked top among the six countries included in the analysis.
- Prices in the UK compared favourably to those in the other five countries in terms of the proportion of household spending required to purchase the 'cheapest combination of services. At 2.3% of household spending, the UK was the lowest in the benchmark survey.

## 1.3.3 Stand-alone pricing

**The UK has the lowest mobile phone and fixed broadband prices, but the second highest pay-TV prices**

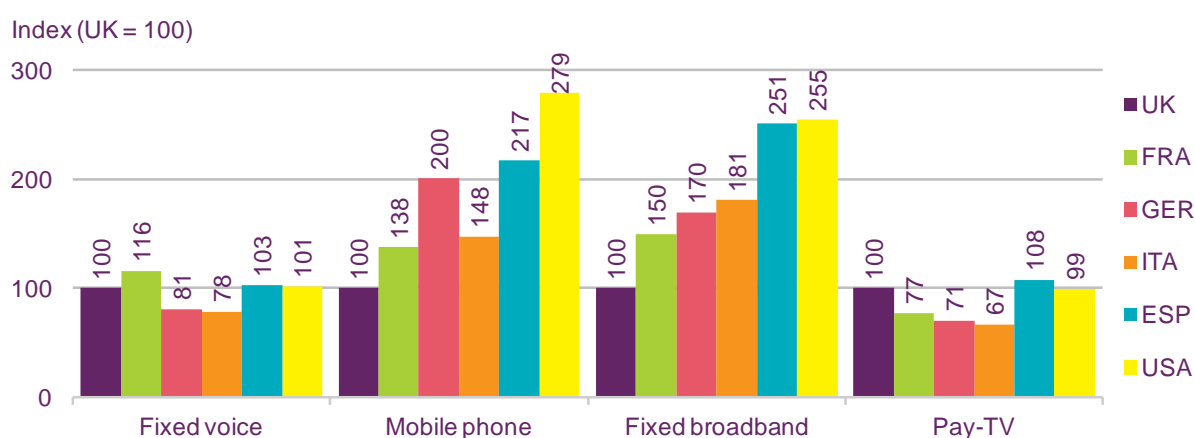
Figure 1.13 shows the price of stand-alone communications service prices across the EU5 countries and the US. It uses data from section 2 of this report, where we compare communications service prices in these countries using a methodology which is based on the use of fixed and mobile telecoms, and pay-TV services, by five 'typical' household types. We then calculate the lowest possible price available to fulfil the communications service

requirements of these households, using a pricing model provided by Teligen, which contains the residential tariffs offered by the largest providers in each country in July 2013.

The analysis in Figure 1.13 is based on the lowest stand-alone prices available to fulfil the overall requirements for the services shown below across our five households, and we have created an index for each service whereby the UK price is 100. Therefore a value of less than 100 indicates that prices are lower than in the UK, while a value over 100 means that they are more expensive. The main limitations of the analysis of stand-alone prices are that an increasing number of providers no longer offer stand-alone services, and in some cases relatively few stand-alone services are available (particularly in the case of fixed broadband services). Also, as the take-up of bundled services increases, stand-alone prices become relevant to fewer consumers.

In 2013, stand-alone fixed voice pricing in the UK was comparable to that in Spain and the US, and lower than in France, although it was more expensive than Germany and Italy. The UK had the cheapest mobile phone tariffs available; 27% cheaper than the next cheapest country, France, while mobile prices were highest in Germany, Spain and the US. The UK also had the lowest fixed broadband pricing across the countries included in our analysis; 33% cheaper than the next cheapest country, France (prices were highest in Spain and the US). Pay-TV prices in the UK were the second highest after Spain: while the UK had the second-lowest prices for each of the basic pay-TV services included in our analysis, the high price of the premium HD pay-TV service contributed to the UK having comparatively high overall TV prices (it is important to note the difficulty in comparing premium pay-TV packages, as prices are affected by the way in which channels are bundled).

**Figure 1.13 Comparison of lowest available stand-alone pricing**



Source: Ofcom, using data supplied by Teligen.

Note: Excludes the TV licence fee

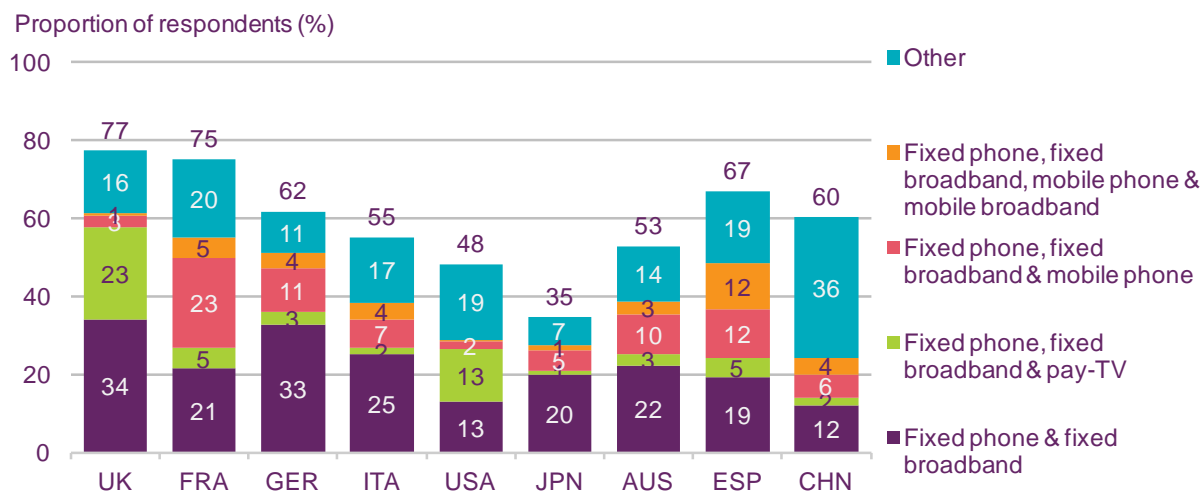
### 1.3.4 Bundling

#### The UK has high levels of communications service bundling

A benefit to consumers of bundling communications services is that bundle prices are typically lower than those available when purchasing the same combination of services on a stand-alone basis. There is also the convenience of receiving a single bill for multiple services. Ofcom research asked consumers in nine countries whether they bundled any other communications services with their fixed broadband connection (Figure 1.14). This research was undertaken online, so it is likely that the results will not reflect purchasing habits among the wider population of each country.

The proportion of respondents who said they purchased their fixed broadband service as part of a bundle was highest in the UK, at 77%, two percentage points higher than the next highest country, France. The high levels of take-up of bundled services in the UK indicate that a large proportion of UK consumers are likely to be able to take advantage of the benefits of bundling. Japan (35%) and the US (48%) were the only countries where less than half of respondents bought their fixed broadband as part of a bundle.

**Figure 1.14 Proportion of consumers buying their fixed broadband service in conjunction with other communications services**



Source: Ofcom consumer research September 2013.

Base: All respondents who have a bundle of services with their broadband.

Q.12 Do you receive any of the following from the same supplier as your broadband package?

### 1.3.5 Analysis of two household profiles

#### The UK has the second lowest pricing available for the ‘connected family’ household

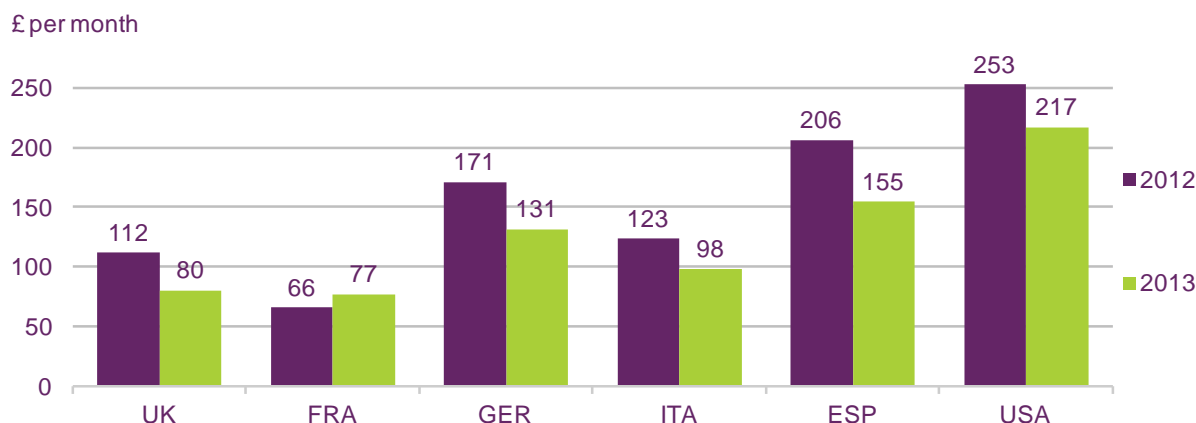
We now take a closer look at the lowest prices available (including bundles) for two of the household types that are included in the price comparisons in section 2 of this report:

- **The ‘connected family’ household**, consisting of two parents and two teenage children, each with their own mobile handset but with different mobile usage profiles, with the adults using more voice and the children more SMS messages and data. They are heavy users of the fixed-line phone and the internet, requiring a minimum headline connection speed of ‘up to’ 10Mbit/s, and they subscribe to an HD entry-level pay-TV service with a DVR.
- **The ‘basic needs’ household**, consisting of a retired low-income couple who have a fixed line and each have a mobile phone which they use to make 50 minutes of calls per month, but they do not send any SMS messages or use any mobile data services. They watch free-to-air multichannel digital television, which is available in all of our comparator countries.

The cheapest UK price for the ‘connected family’ household (£80 per month) was the second lowest among the other countries included in our analysis in 2013, after France (£77 per month), and was £18 per month lower than the next cheapest country, Italy. The lowest available price for the UK ‘connected family’ household in 2013 was 28% cheaper than in 2012, largely as a result of falling mobile prices (the price of the mobile element of the

household's use fell by a third during the year), but also because of the launch of TalkTalk's new triple-play fixed voice, fixed broadband and pay-TV services, which uses the YouView TV platform and featured in the lowest-price combination of services for this household.

**Figure 1.15** Lowest available pricing for the 'connected family' household



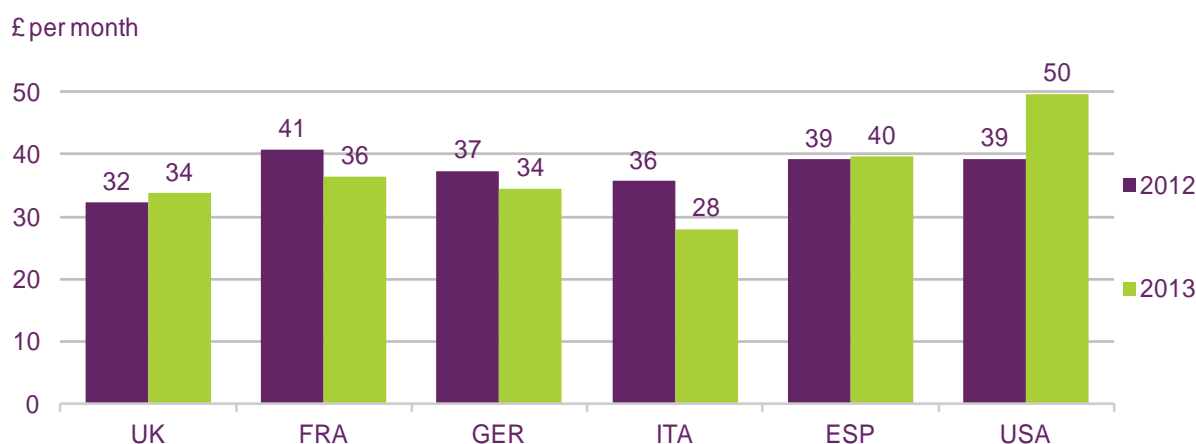
Source: Ofcom, using data supplied by Teligon

Note: Excludes the TV licence fee

**The UK has the second lowest pricing available for the 'basic needs' household**

The lowest available prices for the 'basic needs' household were similar across the majority of the comparator countries included in the analysis, and there was only an £8 a month difference between the four cheapest services in 2013. The UK had the second lowest available price in 2013, at £34 per month, after Italy (£28 per month), and increasing stand-alone fixed voice prices in the UK meant that (as was the case in Spain) the lowest-priced combination of services in 2013 included a bundled fixed broadband connection, even though the household's usage profile did not require one. Prices in Spain (£40) and the US (£50) were much higher by comparison.

**Figure 1.16** Lowest available comparative pricing for the 'basic needs' household



Source: Ofcom, using data supplied by Teligon

Note: Excludes the TV licence fee

### 1.3.6 Comparison of international pricing

#### The UK had the lowest 'weighted average' prices for three out of five households and the lowest price available for two households in 2013

In addition to the lowest price available (including bundles) in each country, our pricing analysis looks at weighted average stand-alone prices (a weighted average of the lowest possible prices available using the three largest providers of each service's tariffs, weighted by their market shares). As shown in Figure 1.17, in 2013 the UK had the cheapest weighted average stand-alone prices for three households and the cheapest overall price for two households. With the exception of the 'sophisticated couple' household, the UK was always one of the two cheapest countries.<sup>6</sup>

Figure 1.17 Comparison of international pricing: 2013

Price (£ per month)	'Basic needs' household		'Late adopters' household		'Mobile power user' household		'Connected family' household		'Sophisticated couple' household	
	Weighted average	Lowest available	Weighted average	Lowest available	Weighted average	Lowest available	Weighted average	Lowest available	Weighted average	Lowest available
UK	40	34	51	34	76	54	129	80	148	127
FRA	41	36	66	45	77	70	153	77	136	116
GER	50	34	72	41	111	101	205	131	168	109
ITA	40	28	60	39	95	63	164	98	151	101
ESP	51	40	96	50	125	119	218	155	204	142
US	72	50	108	73	141	112	306	217	259	198

Source: Ofcom / Teligen

Note: Green circle indicates the lowest pricing across all six countries included in this analysis

#### The UK ranks first in price across these five households

By averaging each country's rank for the five 'weighted average' prices and the five lowest prices available for the households shown above, we have created an overall price ranking for each of our six countries in 2012 and 2013. The UK was ranked first, ahead of Italy, in both 2012 and 2013, with the US coming out bottom for consecutive years.

Figure 1.18 Average overall rank based on 'weighted average' stand-alone and lowest available prices, available across all five households: 2012 and 2013

Rank	Country	Average rank 2012	Average rank 2013
1	UK	1.6	1.7
2	ITA	2.4	2.1
3	FRA	2.7	2.6
4	GER	3.8	3.7
5	ESP	5.0	5.0
6	USA	5.6	5.9

Source: Ofcom / Teligen

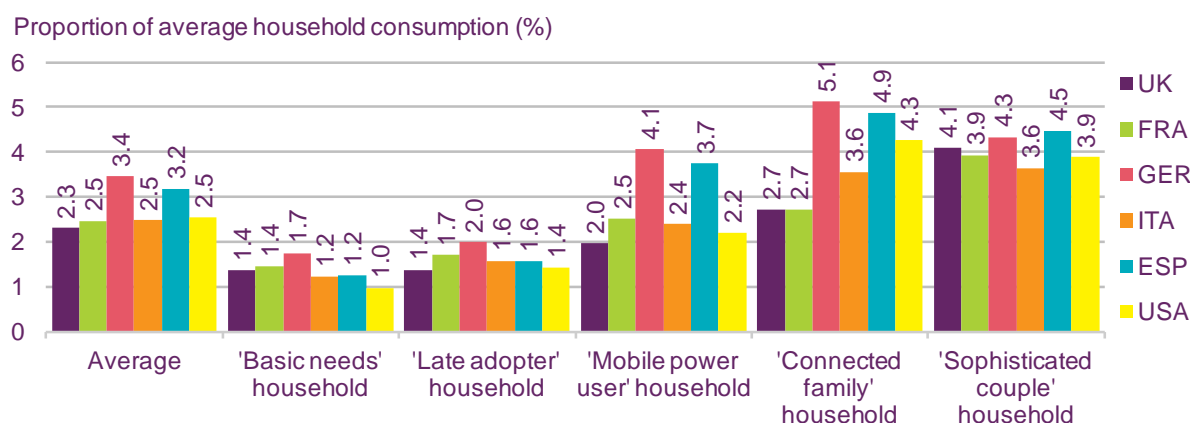
<sup>6</sup> Further details of the 'sophisticated couple' households and the other household used in our international price benchmarking work can be found in Section 2 of this report.

### 1.3.7 Average cost of communications services as a proportion of household spend

Using OECD data relating to total household actual consumption<sup>7</sup> of all goods and services (which includes expenditure incurred on behalf of households by government and non-public institutions) we are able to calculate the lowest price possible to fulfil the communications service requirements of each of the five households used in our pricing analysis as a proportion of average total household actual consumption (total household spending) in the six comparator countries included in our pricing analysis. The results of this analysis show that, across all five households, the average proportion of total household spending required to purchase the cheapest combination of services was lowest in the UK, at 2.3%<sup>8</sup>.

While our analysis shows that communications service prices in the US tended to be among the highest in our comparator countries in 2013, the US performed better by this measure, along with France and Italy (both 2.5%) having the joint third-lowest average proportion of household spending required to purchase the lowest combination of services. This was because it had the highest average household spend among our comparator countries. In Germany, the average proportion of household spend required to purchase the lowest combination of services across the five households was 3.4%, the highest of all of the comparator countries.

**Figure 1.19** Lowest available prices as a proportion of average total household consumption



Source: Ofcom using data supplied by Teligen / OECD.

Note: Basket 5 in France includes 'up to' 10Mbit/s fixed broadband services as none of the providers included in our model offered a suitable stand-alone superfast service; calculated using 2011 OECD household actual consumption data.

<sup>7</sup> This analysis uses 2011 OECD household actual consumption data, the most recent available (<http://www.oecd.org/>).

<sup>8</sup> In Ofcom's 2013 *Communications Market Report* ([http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK\\_5.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK_5.pdf)) we estimate that average household telecoms spend represented 3.8% of total average household spend in the UK in 2012. This is significantly different to the 2.3% shown above for a number of reasons, including:

- The average household expenditure figure used to calculate the 3.8% figure in the 2013 UK *Communications Market Report* is based on household purchases, whereas the household actual consumption (household spending) data used to calculate the data in Figure 1.19 above also includes expenditures incurred by general government and non-public institutions serving households on behalf of households;
- The data in Figure 1.19 above is based on the five baskets used in our pricing analysis, when telecoms use across the UK will include a much larger number of usage profiles; and most consumers will not be on the lowest possible tariff/s for their usage profile, meaning that they will be paying more than the lowest possible price for their services.



# 1.4 UK online spending continues to grow

## 1.4.1 Introduction

In recent years, we have found that the UK is the country where online shopping is most popular, with the highest spend per head of all of our comparator countries. The use of communications services forms an integral part of the functionality of online retail activity. We have therefore undertaken some research to explore this in greater detail and determine the reasons for the UK's propensity towards online shopping. Some of the areas which were of interest to us included whether the postal service in the UK was perceived to be more efficient or more trustworthy than in other countries, or if people in the UK were more comfortable using the internet for online purchasing and had more confidence in online security.

Note on the research – online methodology, sample size. As our online research can only reach people in well-connected, urban areas in China, who tend to be affluent early adopters and not reflective of Chinese society as a whole, we have excluded these results from the analysis in this section. Further details can be found in the research methodology in Appendix A: Consumer research methodology.

## 1.4.2 Key points

- **People in the UK are the most frequent online shoppers.** Almost three-quarters (73%) of the online population in the UK are buying goods for delivery over the internet on at least a monthly basis, and almost one quarter are shopping online at least weekly.
- **People in the UK were most likely to say that the amount of online shopping they do has increased over the past two years.** Although the proportion of online respondents claiming to do more online shopping was high in all of the countries that we surveyed, the net increase in the UK was higher than in any other comparator country.
- **People in the UK and Germany are more likely to trust online retailers.** More than eight in ten of respondents in the UK and Germany (83% and 82% respectively) agreed that they trust online retailers to ship them the correct item. Consumers in these two countries returned similarly high figures when asked if they trusted online retailers to advertise products accurately (80% in the UK, and 81% in Germany).
- **A high proportion of online shoppers in all of our comparator countries cited free delivery as a motivating factor in their choice of delivery method.** However, a fifth (18%) of respondents in Germany said that the delivery company used by the retailer would affect their choice of delivery method, far higher than in the UK, where only 9% said that the operator used would influence their choice.
- **Six in ten (57%) people in the UK said that delivery concerns had stopped them buying an item online.** Those in Germany and the US were less likely to have had concerns that prevented them buying. The figure was higher in Japan, where almost three-quarters (72%) had decided not to make a purchase due to delivery concerns.
- **Those in the UK and Germany were least likely to agree that delivery charges are too high.** Only four in ten (40%) of respondents in the UK agreed that delivery charges were too high and only 32% agreed in Germany. By comparison, over half of those in Italy (52%) and Spain (53%) agreed that delivery charges were too high.

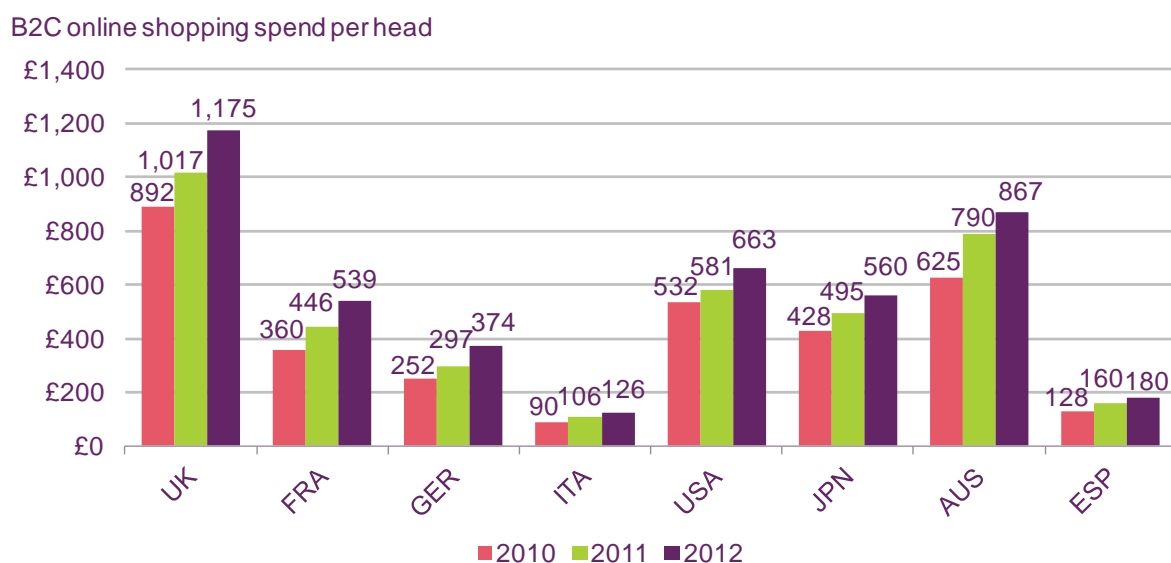
### 1.4.3 Purchasing online

#### The UK has the highest spend per head on online shopping

The UK spent £74.3bn online in 2012; second only to the US out of the countries compared in this section. Adjusting spend for population size shows that the UK had the highest spend per head of all the comparator countries, at £1,175 in 2012. This is £307 higher than the second highest country (Australia) and £615 higher than the average spend per head figure of all the comparator countries: £560. The UK's spend per head was up by 16% from its 2011 figure of £1,017, and the UK has had the highest spend per head over the past three years.

Italy and Spain spent the least online per head in 2012, with figures of £126 and £180 respectively.

**Figure 1.20 Business to consumer online shopping, spend per head**



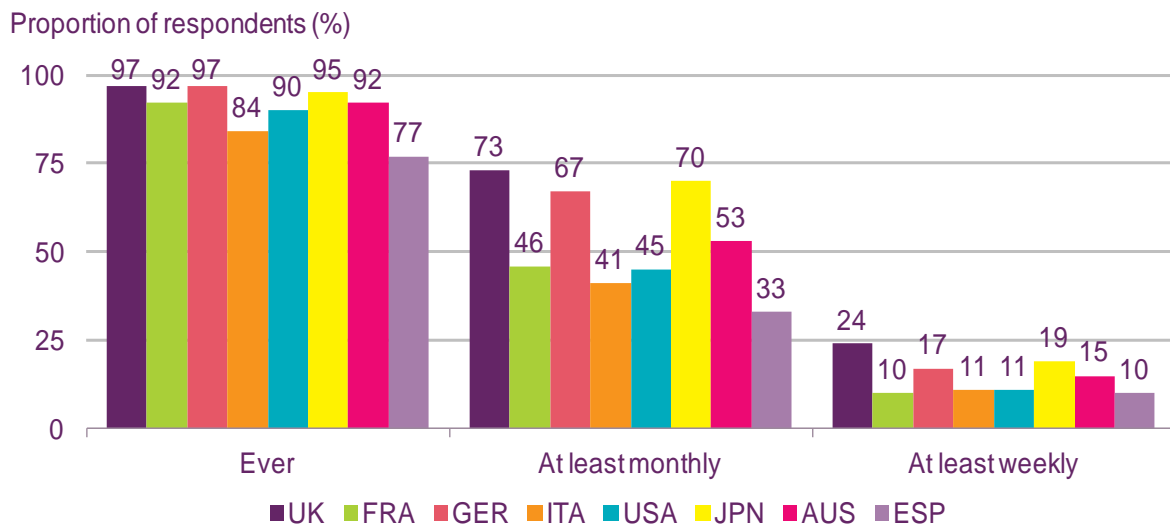
Source: IMRG X-border Training Guide 2013. Population figures obtained from IDATE / Industry Data / Ofcom

#### People in the UK are the most frequent online shoppers

While people in each of the countries that we surveyed had some experience of online shopping, it is those in the UK who are buying items online most frequently, as might be expected from the high spend per head detailed in Figure 1.20.

Almost three-quarters (73%) of the online population in the UK are buying goods for delivery over the internet on at least a monthly basis, and almost one quarter (24%) are shopping online at least weekly. Those in Germany and Japan were almost as likely as those in the UK to shop online at least monthly, while those in Spain were least likely to shop online, regardless of frequency.

**Figure 1.21 Frequency of online shopping**



Source: Ofcom research, September 2013

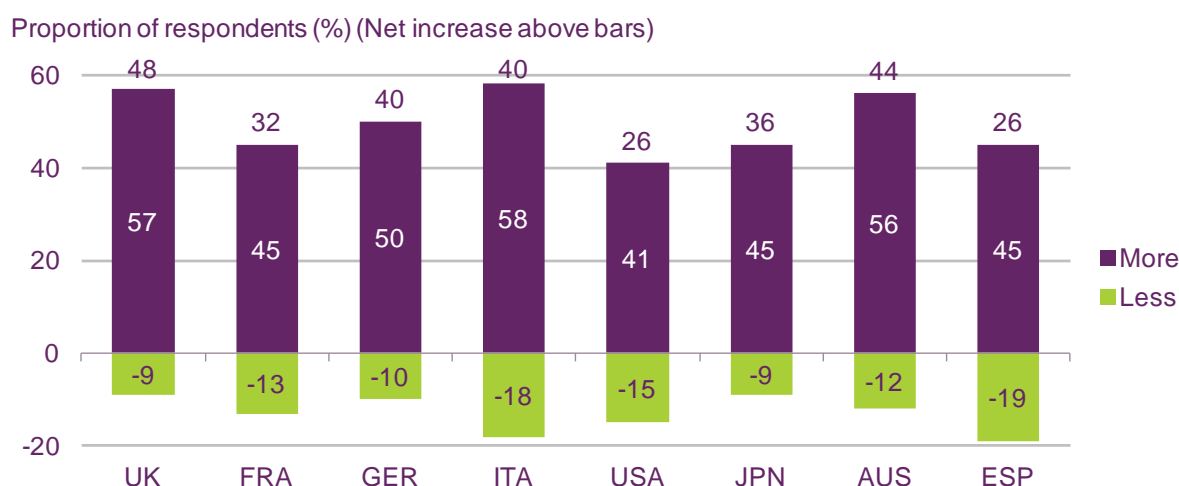
Q01: How often if at all, do you purchase items online for delivery? Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

**Those in the UK most likely to say that the amount of online shopping they do has increased over the past two years**

Figure 1.22 shows the perceived change in online shopping over the past two years. We asked people how much online shopping they engaged in, compared to two years ago. More than half of those in the UK, Italy and Australia stated that they now shopped online more than they did two years ago. Although the proportion of respondents claiming to do more online shopping was high in all of the countries that we surveyed, the net increase (the proportion of people who said they do more online shopping now minus the proportion that said they do less) in the UK was larger than in any other of the countries surveyed.

Almost one-fifth of those in Italy and Spain said that they were shopping online less now than they did two years ago. Although this section discusses a range of concerns which people in these countries may have with online shopping, including online security, concerns about safe delivery of their goods, and trust in online retailers, this may also be related to the lower levels of consumer spending as a whole in these countries in recent years.

**Figure 1.22 Perceived Increase in shopping online over the past two years**



Source: Ofcom research, September 2013

Q02: How much online shopping do you do now compared to two years ago? Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

#### 1.4.4 Motivations to shop online

##### Price and ease are the two most popular reasons to shop online

When asked, 'Why do you choose to shop online rather than in store?' the responses indicated that price and ease were the most popular factors in the majority of the comparator countries. In the UK 59% of all respondents cited 'it saves me money' as a reason to shop online and 58% indicated it was 'easier'.

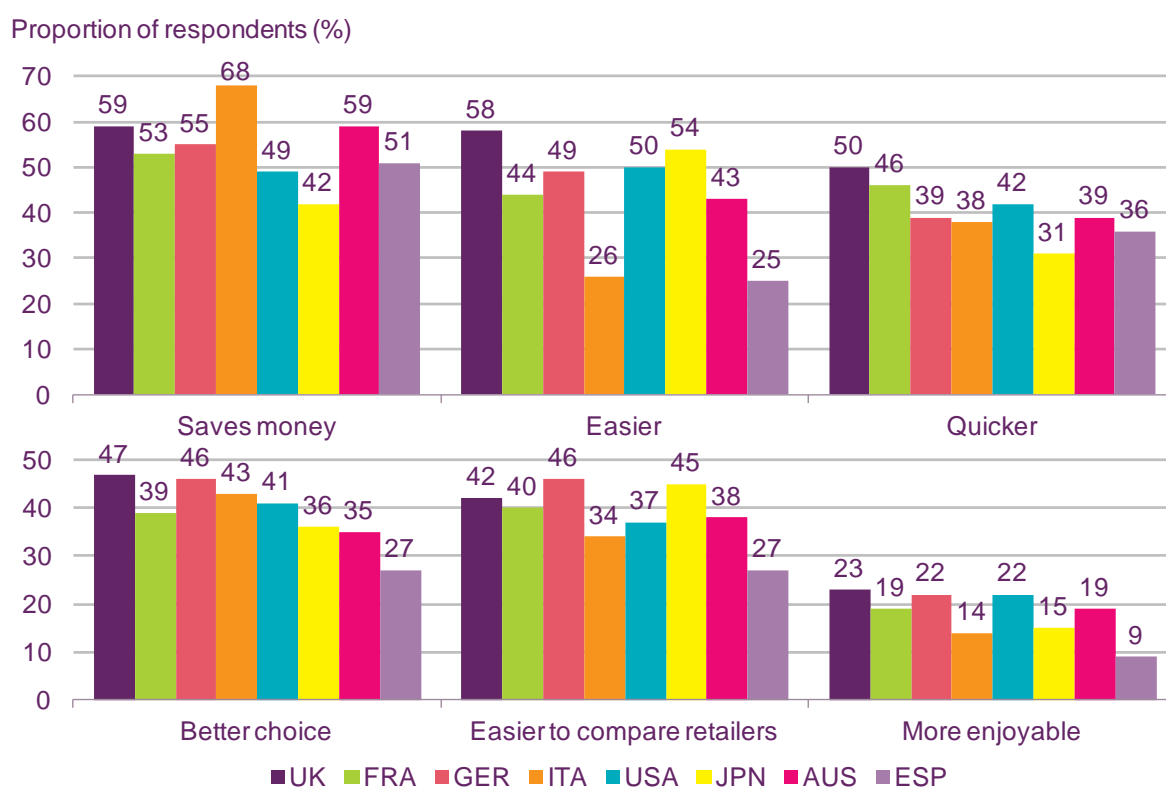
The answer: 'saves me money' was a consistently popular answer and was ranked in the two most popular reasons to shop online in seven of the comparator countries, and as the number-one reason in six countries. The answer that it was 'easier' was ranked in the top two most popular answers in five of the eight countries. In France 46% of people indicated that 'quicker' was a bigger factor in their choice to shop online than 'easier'. In Italy, online shoppers felt that a 'better choice of items' online was important; 43% of all respondents chose this as an answer, making it the second most-selected reason in that country.

Although most countries felt that it was generally 'easier' to shop online rather than in store, in both Italy and Spain this was not the case; only around a quarter of people (26% and 25% respectively) selected this as a reason to shop online, making it the second least popular reason to shop online in these countries.

In Japan 45% of people indicated that it was 'easier to compare different retailers' online than it would be in store, which was the second most popular reason selected, after 'easier'.

Respondents in the UK were either the most likely, or among the most likely, to select any of the reasons to shop online, which indicates that more online shoppers in the UK considered all of these options important, than shoppers in other countries.

**Figure 1.23 Popular reasons to shop online: all respondents who ever shop online**



Source: Ofcom research, September 2013

Q.04 Why do you choose to shop online rather than in store? Base: all respondents who ever shop online (UK=971, FRA=923, GER=976, ITA=845, USA=903, JPN=959, AUS=932, ESP=784)

When examining the answers from respondents who shopped ‘less often than monthly’, ‘saves money’ was again the most commonly selected response, and was either the first or second most popular reason in each of the comparator countries. Shopping online because it was ‘easier’ was in the top two answers in five of the eight countries.

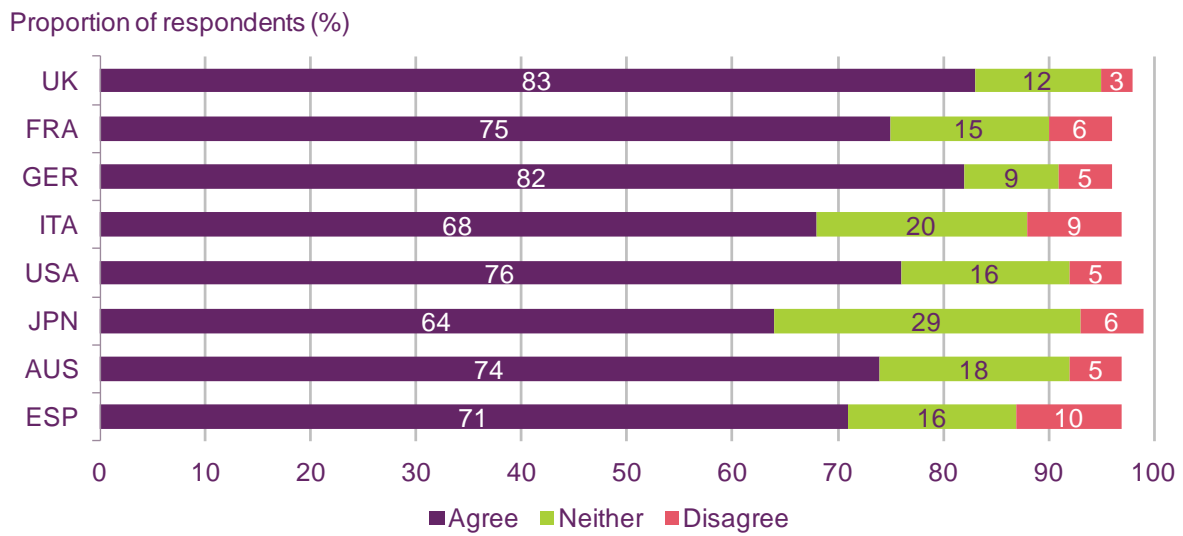
A similar overall pattern was seen among those who shopped online ‘less often than monthly’ as among ‘all respondents’.

### People in the UK and Germany are more likely than those in Italy and Spain to trust online retailers

More than eight in ten (83%) respondents in the UK agreed that they trust online retailers to ship them the correct item. This was the strongest score among the comparator countries, although 82% of respondents in Germany also agreed with this statement. People in Japan had the lowest proportion, with only 64% of respondents trusting online retailers to send them the correct item.

Italy and Spain were among the countries with the highest proportion of respondents who disagreed that they trusted online retailers to ship them the correct item. One in ten (10%) in Italy and just under one in ten (9%) in Spain disagreed with this statement.

**Figure 1.24 Trust in online retailers: shipping the correct item**



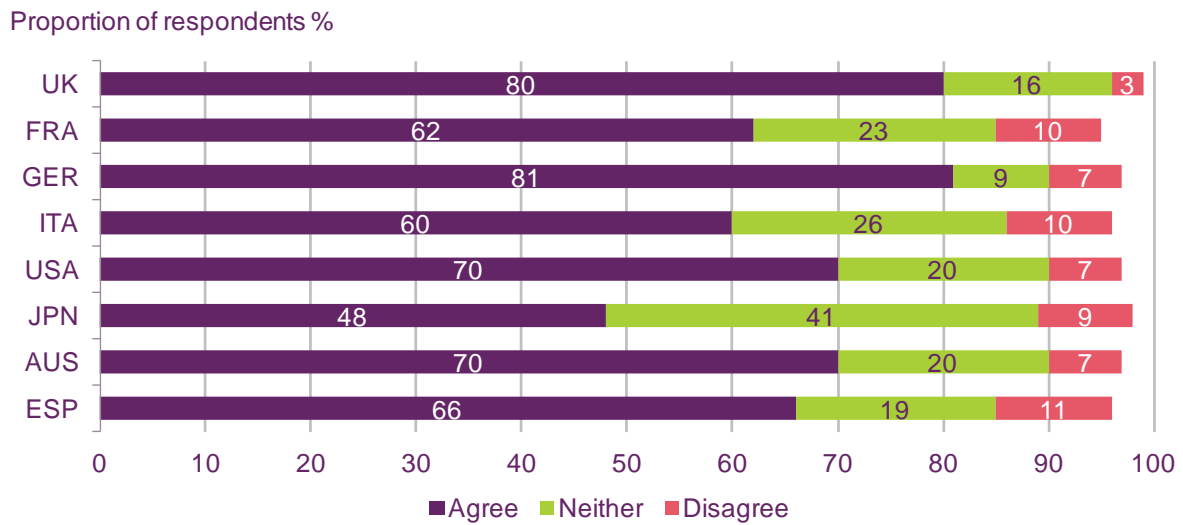
Source: Ofcom research, September 2013

QO10 To what extent do you agree or disagree with the following statements? [I generally trust online retailers to ship the correct item to me] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

Eight in ten (80%) people in the UK agreed that they trusted online retailers to advertise their products accurately on their websites; only in Germany did a greater percentage (81%) agree with this. Respondents in Japan again displayed the least amount of agreement; less than half (48%) had confidence in retailers advertising their products accurately on their websites.

Conversely, as well as showing relatively low levels of agreement with this statement, France, Italy and Spain also showed slightly higher levels of disagreement; around one in ten either slightly, or strongly disagreed.

**Figure 1.25 Trust in online retailers: advertising products accurately**



Source: Ofcom research, September 2013

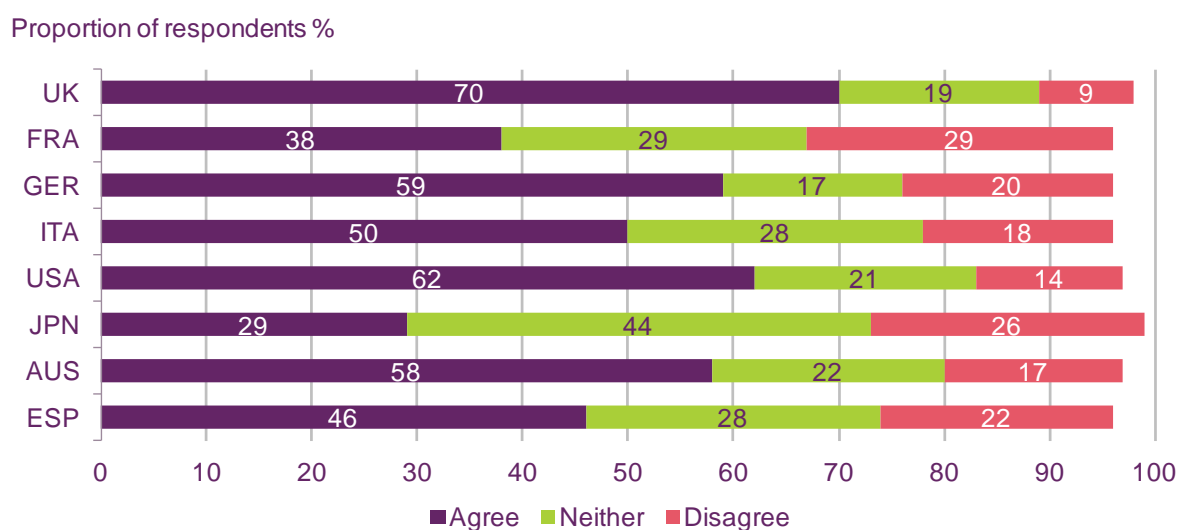
QO10 To what extent do you agree or disagree with the following statements? [I generally trust online retailers to advertise their products accurately on their websites] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

### People in the UK are more likely to feel secure about shopping online

Almost three-quarters of people in the UK (70%) agreed that they felt 'secure when paying for products online', which may also explain the larger appetite for online shopping in the UK. US respondents also felt confident in online shopping security, with 62% agreeing. Respondents in Japan showed the least amount of agreement; only 29% had confidence in paying for products online and 26% disagreed with this statement.

Despite having a relatively low level of agreement (38%), France also showed a slightly higher level of disagreement with this statement (29%).

**Figure 1.26 Feeling secure in online shopping: paying for products online**



Source: Ofcom research, September 2013

QO10 To what extent do you agree or disagree with the following statements? [I feel secure when paying for products online] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

### 1.4.5 Delivery

#### Most people who shop online get their items delivered to their home address

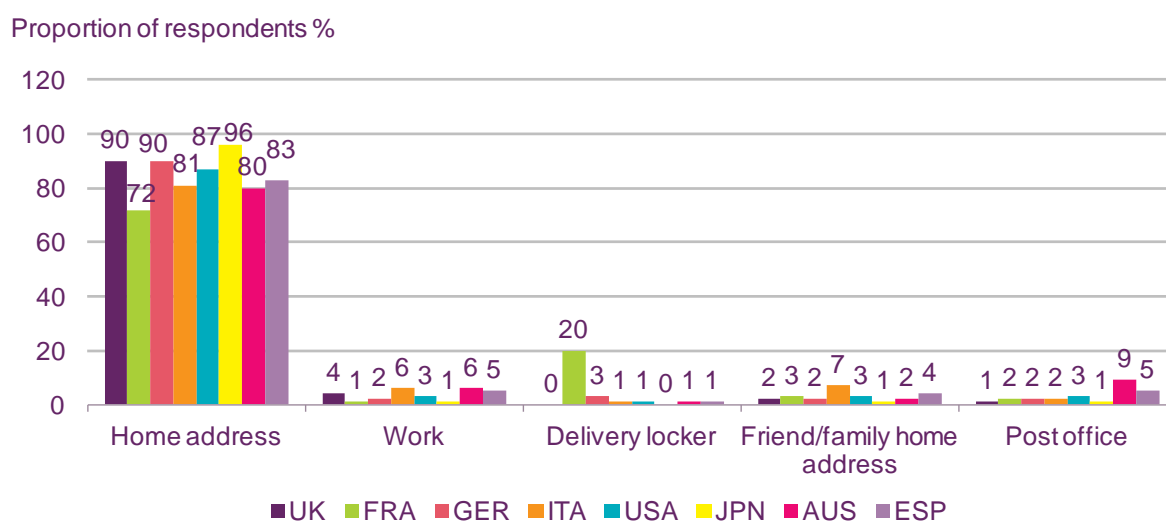
In the UK, 90% of people get their online shopping items delivered to their home address. This is similar across all the comparator countries, with at least 80% of respondents in seven of the eight countries opting to have items delivered to their home address.

In France this figure is noticeably lower; 72% of people prefer home delivery. Here 20% have their items delivered to a delivery locker; the incumbent postal provider in France, La Poste, has installed electronic lockers where people can both send and collect their items. Although delivery lockers are available in other countries, and a number of providers have been installing them in the UK, the only country where respondents claimed widespread use was France.

In Australia and Spain, people were more likely to have items delivered to the post office (9% and 5% respectively) and in Italy 7% of online shoppers opted to have their online purchases delivered to a friend or family members address.



**Figure 1.27 Delivery preferences**



Source: Ofcom research, September 2013. QO5 When shopping online where do you usually get the items delivered to? Base: all respondents who ever shop online (UK=971, FRA=923, GER=976, ITA=845, USA=903, JPN=959, AUS=932, ESP=784)

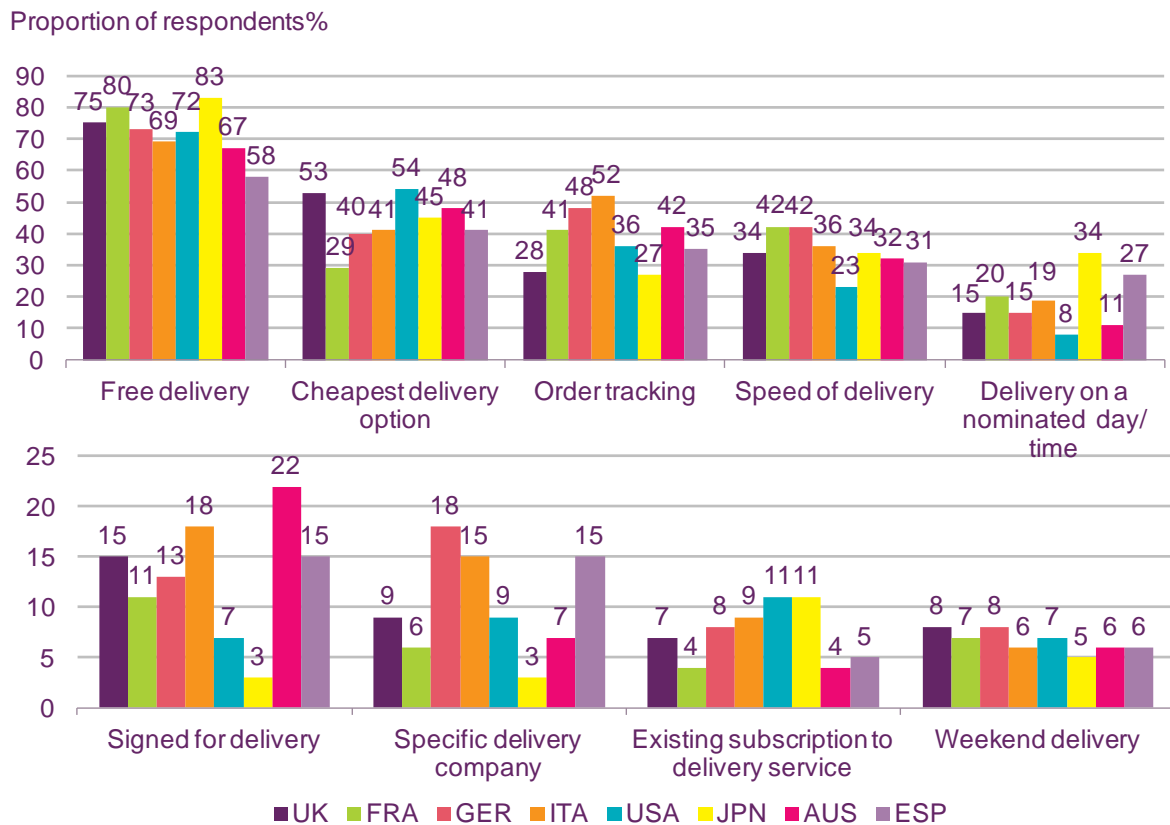
**A high proportion of online shoppers in all of our comparator countries cited free delivery as a motivating factor in their choice of delivery method**

While all countries considered ‘free delivery’ as the biggest influence on their choice of delivery method, not all had ‘cheapest delivery option’ as the second most influential factor. In the UK, three-quarters (75%) of respondents cited ‘free delivery’ as a factor when deciding on a delivery option and over half (53%) indicated that having the ‘cheapest delivery option’ would also influence their decision, making this the second most popular reason. In France only a third (29%) said the ‘cheapest delivery option’ would be a motivating factor, while 41% considered ‘order tracking’ a motivating factor and 42% said ‘speed of delivery’ would also influence their choice. This perhaps reaffirms the low levels of confidence in this country about feeling secure in online shopping, as shown in Figure 1.26 only 38% felt secure about purchasing products online. In Italy also, 52% indicated that ‘order tracking’ would have an influence on the delivery option they chose; the second most popular reason in that country.

In Germany, just under half (48%) of respondents said that being able to track their order would be a motivating factor in the delivery option they chose. Eighteen per cent also indicated that the delivery company used by the retailer would affect their choice of delivery method.

People in Italy and Spain also indicated a higher preference towards choosing a specific delivery company, with 15% selecting this as a reason in these countries. This is far higher than in the UK, where only 9% said that the operator used would affect their choice of delivery method. When compared to other countries, respondents from Spain generally seemed to place more importance on reasons which focused around trust, and the security of the delivery, over other factors such as ‘free delivery’ or the ‘cheapest delivery option’. This perhaps highlights the fact that security enhancements are more of a concern for consumers in Spain than in the UK, where people feel more secure about the delivery process and therefore paying less is the primary focus.

**Figure 1.28 Factors influencing choice of delivery option**



Source: Ofcom research, September 2013  
 QO6 Which of the following factors influence your decision on which delivery method you choose?  
 Base: all respondents who ever shop online (UK=971, FRA=923, GER=976, ITA=845, USA=903, JPN=959, AUS=932, ESP=784)

**Over half (53%) of those in the UK who abandoned their basket before checking out cited ‘delivery costs too high’ as their main reason**

According to the latest eCustomerServiceIndex (eCSI) results from eDigitalResearch and IMRG<sup>9</sup>, more than three-quarters (77%) of online shoppers have abandoned their basket upon proceeding to the checkout page of a retail website. When asked why they had abandoned at this point, over half (53%) of the 2,000 consumers surveyed cited ‘delivery costs being too high’ as the main reason. This indicates that many shoppers were made aware of the price of delivery only when they reached the payment stage, and also suggests that many online shoppers in the UK feel that some retailers charge too much for delivery. The survey also revealed that 44% of respondents changed their mind, and 39% wanted longer to think about the purchase. Other reasons cited were items being out of stock (21%), limited information upon which to make a purchase decision (12%), security concerns, limited payment options, and unclear returns policies (all 8%).

Of those who abandoned at the checkout because they felt delivery costs were too high, 65% went on to search further online to see if similar products were available from another

<sup>9</sup> IMRG Press Releases. ‘Why do online shoppers abandon at the checkout?’ 1<sup>st</sup> November 2013. Note: The eCustomerServiceIndex (eCSI) survey of 2,000 online shoppers was conducted between 18th and 22nd October 2013 using a nationally representative sample from a consumer omnibus panel.

retailer. This underlines the points revealed by the data in Figure 1.28, which emphasise the importance which UK shoppers place on the cheapest delivery option.

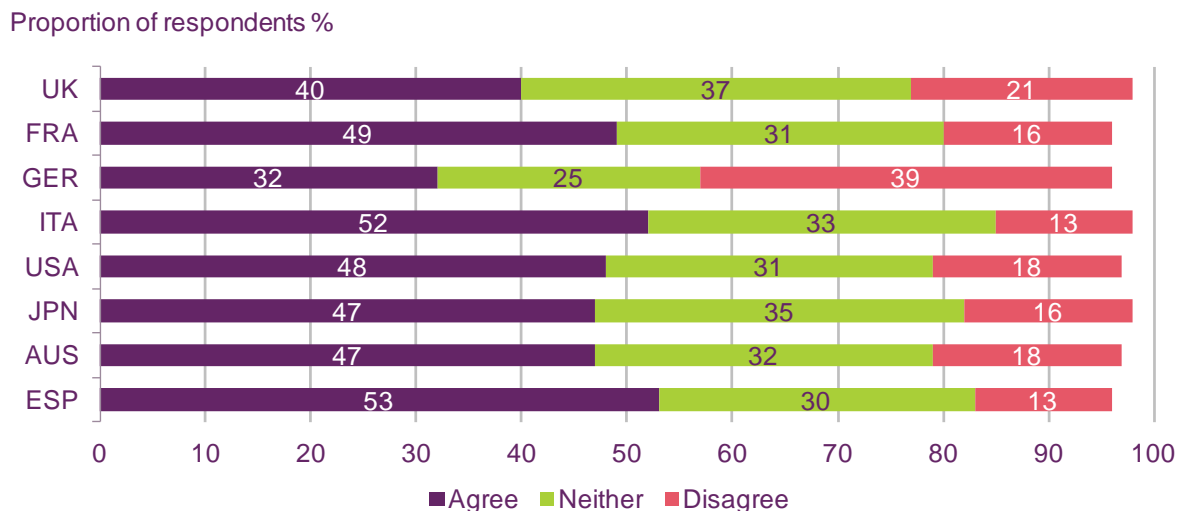
Over half (54%) of those surveyed felt that retailers should make users aware of delivery costs on their homepage, rather than at a subsequent stage. This indicates that respondents felt that making delivery costs clearer should be a key area to focus for retailers if they want to reduce the rate of basket abandonments.

### Online shoppers in the UK and Germany are the most likely to think that delivery charges are appropriate

Four in ten (40%) of respondents in the UK agreed that delivery charges were too high. This was the second lowest figure: in Germany only 32% agreed with this statement. It is noticeable, however, that 37% in the UK also held no opinion on this statement; more than in any of the other countries surveyed.

In comparison, over half of all respondents in Italy (52%) and Spain (53%) agreed that delivery charges were too high, with only 13% disagreeing with this statement.

**Figure 1.29 Proportion of people agreeing that ‘online delivery charges are too high’**



Source: Ofcom research, September 2013  
 QO10 To what extent do you agree or disagree with the following statements? [Online delivery charges are too high] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

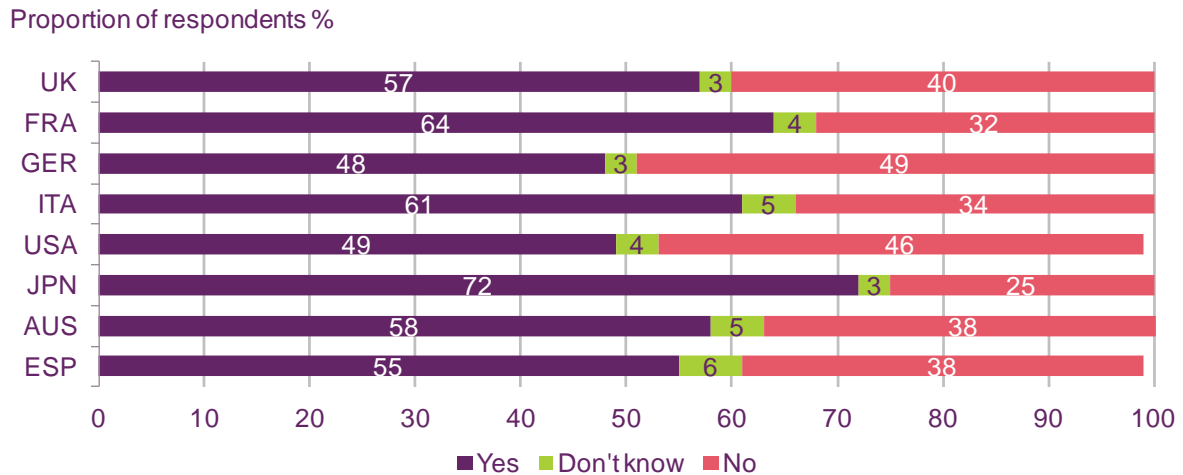
### 1.4.6 Factors preventing online shopping

#### People in Germany have the fewest concerns with delivery

Almost half (49%) of all respondents in Germany, when asked ‘have delivery concerns ever prevented you from buying items online’ answered ‘no’; slightly higher than the US with 46%. In the UK this figure stood at 40%.

In six of the eight comparator countries, over half of all respondents indicated they had concerns about delivery which had prevented them from buying online. In the UK 57% indicated this; a higher proportion than in Spain (55%), the US (49%) and Germany (48%). People in Japan demonstrated the strongest degree of concern with regard to delivery issues, when contemplating shopping online, with 72% agreeing with this statement. France and Italy also showed high concern, with 64% and 61% respectively.

**Figure 1.30 Proportion of people who had concerns with delivery which prevented them from shopping online**



Source: Ofcom research, September 2013

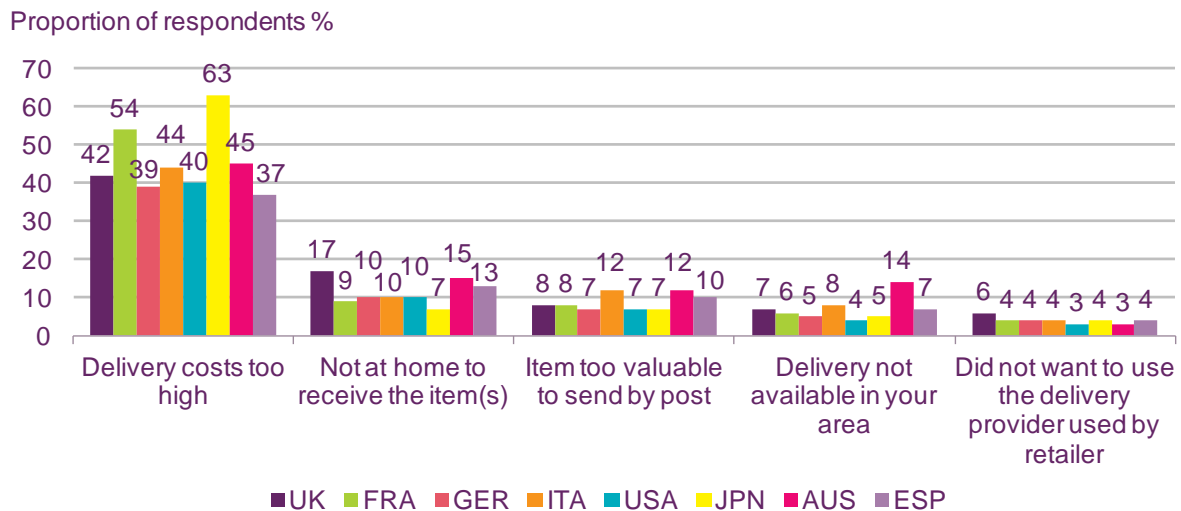
Q07 Have delivery concerns ever prevented you from buying items online? If yes, which of the following reasons prevented you from shopping online? Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

Of those who said that delivery concerns had ever prevented them from buying items online, most cited high delivery costs as the main reason. This figure was highest in Japan, at 63%. In the UK this number was among the lowest, at 42%, which when examined alongside Figure 1.29, reaffirms that this is an issue about which people in the UK do not feel as strongly as those in many of the comparator countries.

As displayed in Figure 1.27, 90% of UK respondents advised that they preferred to have their items delivered to their home address. Figure 1.31 shows that of the countries compared, UK respondents appeared to have the greatest concern about not being at home to receive their item(s), with 17% stating this as a reason. This may indicate that some people in the UK do not see many other viable options with regard to delivery.

Australia had the highest number of respondents who said that delivery was not available in their area. This is probably because many people live in remote areas where there are fewer delivery options.

**Figure 1.31 Delivery concerns that prevent online shopping**



Source: Ofcom research, September 2013

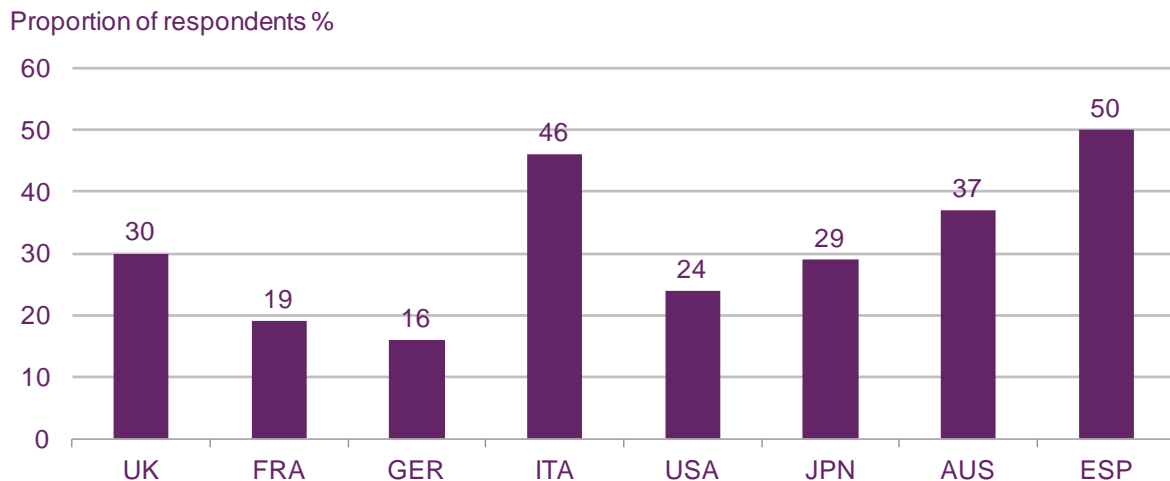
Q07 Have delivery concerns ever prevented you from buying items online? If yes, which of the following reasons prevented you from shopping online? Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

**People in Italy and Spain have the greatest concern about their items not arriving**

The percentage of respondents in Spain and Italy who agreed with the statement: ‘If ordering online I would be concerned my goods wouldn’t arrive’ was significantly high in comparison with the other comparator countries, with 50% and 46% respectively indicating a substantial lack of confidence that goods ordered online would arrive. By comparison, people in Germany expressed the least concern; only 16% indicating a lack of confidence in the postal system in delivering their goods. This figure was also low (19%) in France.

In the UK, more respondents were confident (41%), than were not confident (30%) that their goods would be delivered. Fewer people in the UK had concerns about their goods not arriving than in Italy, Spain and Australia. Respondents in France, Germany, the US and Japan also had high levels of trust in the postal service to deliver their items.

**Figure 1.32 Proportion of people concerned that online orders might not arrive**



Source: Ofcom research, September 2013

QO10 To what extent do you agree or disagree with the following statements? [If ordering online I would be concerned that my goods wouldn't arrive] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

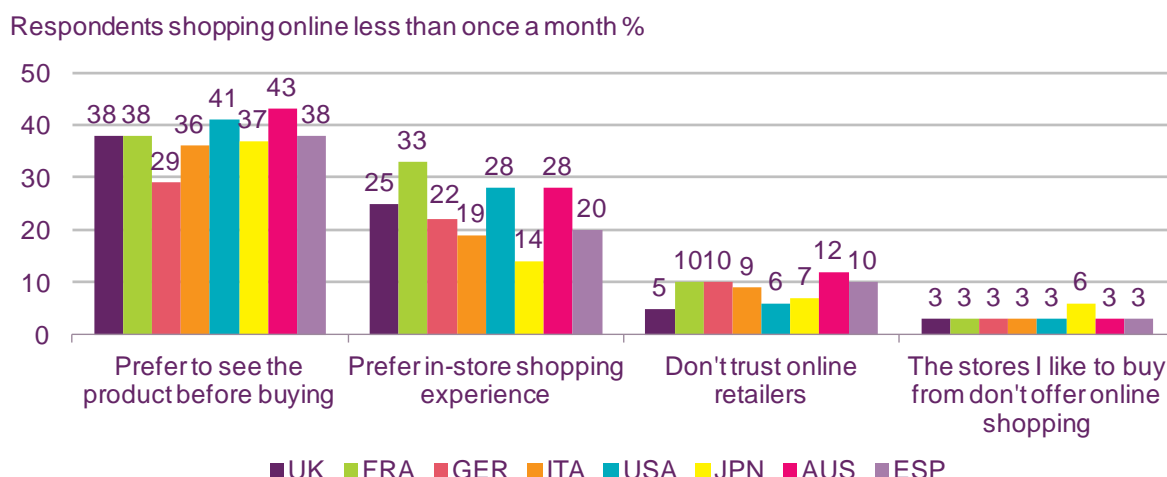
### **People who shop online less often prefer to see the product before they buy**

People who shop online less often said they preferred to see products in a store before they bought them. Although percentages varied between countries, this was the most-selected reason for not shopping online more, across all the comparator countries.

In the UK 38% preferred to see the product before purchasing, and 25% preferred the experience of shopping in a store. There was also a slightly higher level of trust in online retailers from UK respondents, with only 5% citing this as a reason they didn't shop online more often.

Only 29% of respondents in Germany preferred to see the product before purchasing. This reaffirms the trend seen in Figure 1.25; 81% agreed that they generally trusted online retailers to advertise their products accurately on their website.

**Figure 1.33 Reasons people don't shop online more: retail preferences**



Source: Ofcom research, September 2013

Q.9 For which, if any, of the following reasons, do you not shop online more often? Base: All respondents who shop online less than once a month (UK=271, FRA=541, GER=331, ITA=588, USA=555, JPN=302, AUS=467, ESP=668)

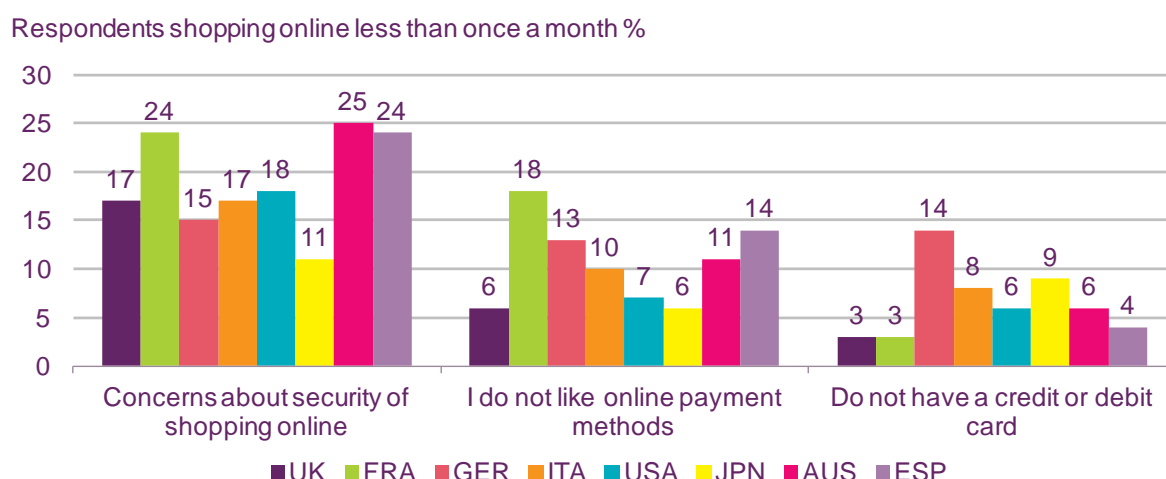
### People in the UK have fewer concerns about paying for shopping online

Some people who shop online less than once a month, and who say they don't do it more for reasons connected with payment, have concerns about online security. Less than a fifth (17%) of respondents in the UK had this concern, however; significantly less than in Australia (25%), Spain (24%) and France (24%).

Only 6% of people in the UK cited: 'I do not like online payment methods' as a reason they didn't shop online more often, which, along with Japan, was the lowest proportion among the comparator countries.

Fourteen per cent of respondents in Germany indicated that the reason they do not shop online more often was that they did not own a credit or debit card. This was the highest proportion of all the comparator countries.

**Figure 1.34 Reasons people don't shop online more: payment issues**



Source: Ofcom research, September 2013

Q.9 For which, if any, of the following reasons, do you not shop online more often? Base: All respondents who shop online less than once a month (UK=271, FRA=541, GER=331, ITA=588, USA=555, JPN=302, AUS=467, ESP=668)

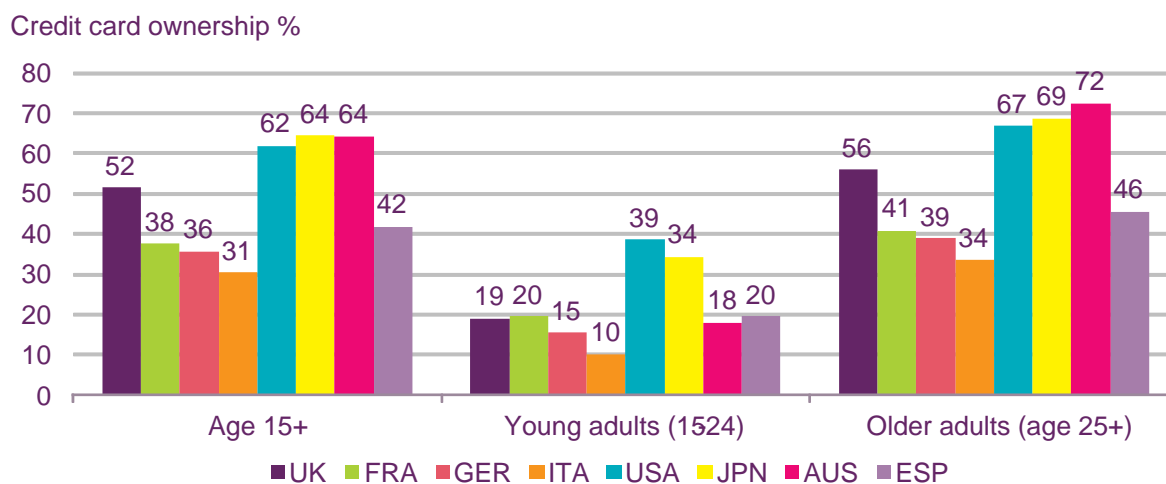
### Credit card ownership in the UK is the highest in Europe

The percentage of all people (over 15) who own a credit card in Australia and Japan is 64%, a slightly higher figure than in the US, which has 62% ownership. Among adults over 25, Australia's credit card ownership stands at nearly three-quarters (72%).

Credit card ownership in the UK is a slightly lower (52%) although this is 10% higher than the next European country, Spain, with 42% ownership. But among young adults (15-24) this figure is comparable to other European countries.

In Germany credit card ownership is much lower than in the UK, at 36% take-up for adults over 15; only Italy has fewer people who own a credit card (Figure 1.35) The more limited payment methods may explain why European countries other than the UK have a slightly greater proportion of respondents who cite reasons relating to payment as factors that inhibit their online shopping.

**Figure 1.35 Credit card ownership: 2011**



Source: Global Findex (Global Financial Inclusion Database)

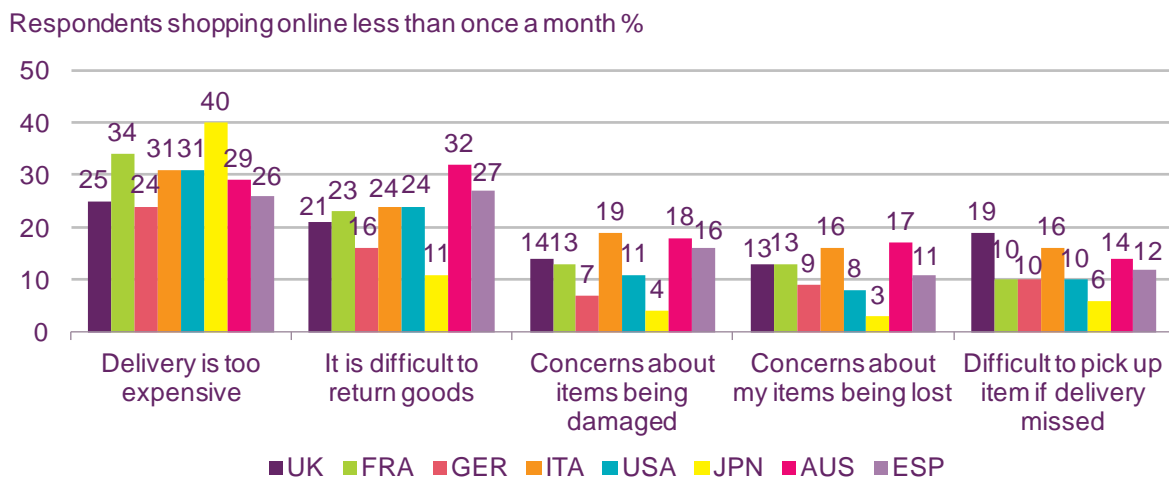


## People in the UK have more problems collecting an item if a delivery is missed

As shown in Figure 1.36, fewer people in the UK and Germany than in the other comparator countries agreed that delivery charges were too high. This pattern is repeated among those who shop less often; in the UK and Germany a lower percentage of people cited 'it is difficult to return goods' as a reason they didn't shop online more, at 21% and 16% respectively. This is in contrast to Australia, where 32% chose this as a reason. Respondents in the UK also expressed fewer concerns related to their items being lost or damaged.

A higher percentage of UK respondents (19%) than in any of the comparator countries said they did not shop online more often because of concerns about collecting their item if they missed the delivery.

**Figure 1.36 Reasons people don't shop online more: delivery issues**



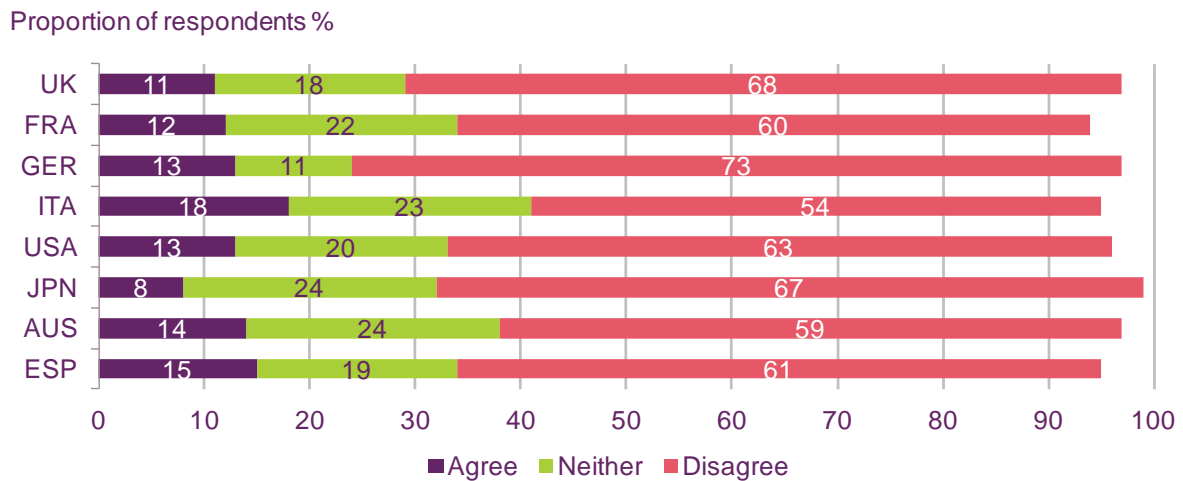
Source: Ofcom research, September 2013

Q.9 For which, if any, of the following reasons, do you not shop online more often? Base: all respondents who shop online less than once a month (UK=271, FRA=541, GER=331, ITA=588, USA=555, JPN=302, AUS=467, ESP=668)

## People in Italy are more likely to have had a bad experience shopping online

Italy had the highest proportion of respondents who had experienced a bad online shopping experience, at 18%. Only around one in ten (11%) respondents in the UK agreed with this statement; only Japan was lower, with 8%. Overall, however, most people disagreed with this statement and over half in all comparator countries, said they had not experienced anything which would put them off shopping online again.

**Figure 1.37 People who had had a bad online shopping experience**



Source: Ofcom research, September 2013

QO10 To what extent do you agree or disagree with the following statements? [I have had a bad experience shopping online and it has put me off] Base: all respondents (UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020)

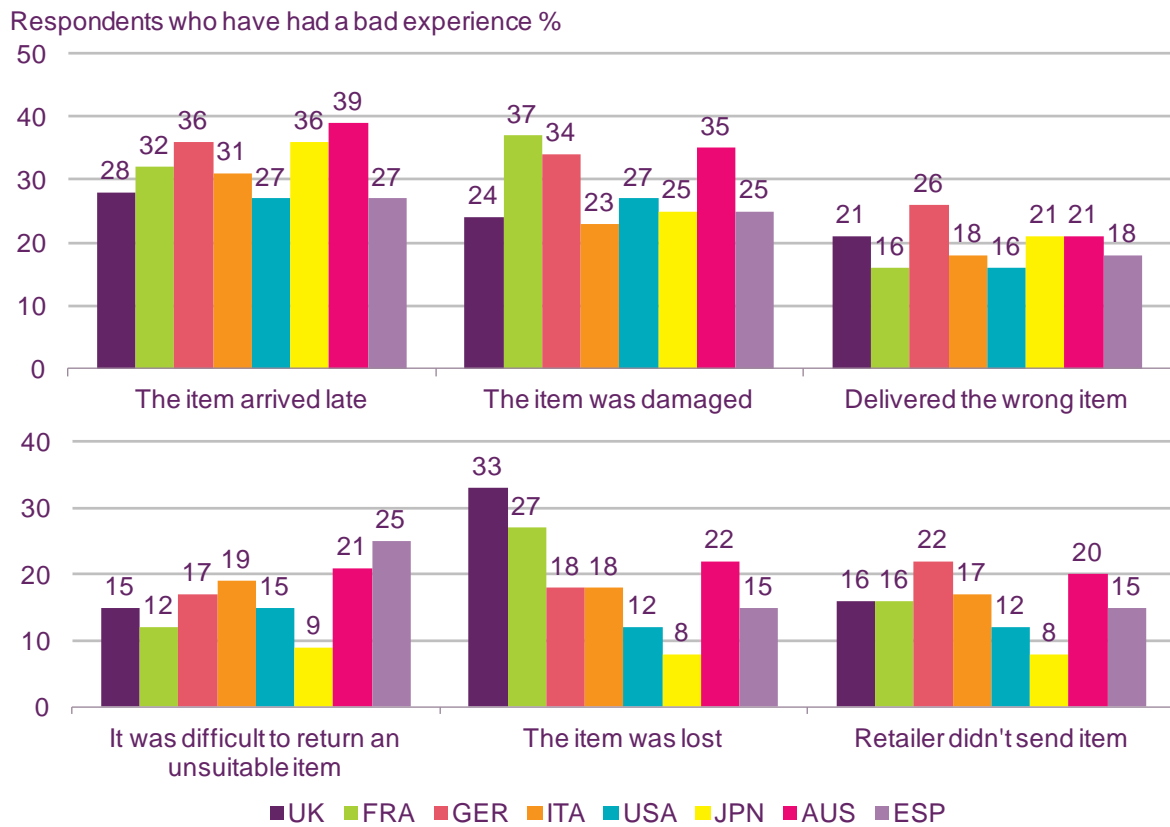
**In the UK, lost items were responsible for most bad online shopping experiences**

Of those UK respondents who had had a bad online shopping experience, 33% cited 'lost items' as the type of bad experience. This was a higher percentage than in all the comparator countries. This choice of response was also high in France (27%), but in other European countries was significantly lower: Germany (18%), Italy (18%) and Spain (15%).

The UK generally experienced fewer problems than the other comparator countries in relation to reasons such as late delivery (28%) and damaged items (24%), whereas considerably more people in France and Germany had experienced problems in these areas. In Australia 39% of respondents had experienced problems with late delivery.

One in four (26%) of those who had had bad online shopping experiences in Germany had had the wrong item delivered to them; the highest of the comparator countries, while people in Spain largely felt that it was difficult to return an item, and this was enough to put them off shopping online in the future; 25% selected this as a reason.

**Figure 1.38 Bad experiences with shopping online**



Source: Ofcom research, September 2013

Q.O11 Which of the following describe the bad experience you had with online shopping? Base: All respondents who have had a bad experience shopping online which has put them off doing it again (UK=112, FRA=119, GER=131, ITA=183, USA=130, JPN=75, AUS=139, ESP=154)

# 1.5 4G LTE services

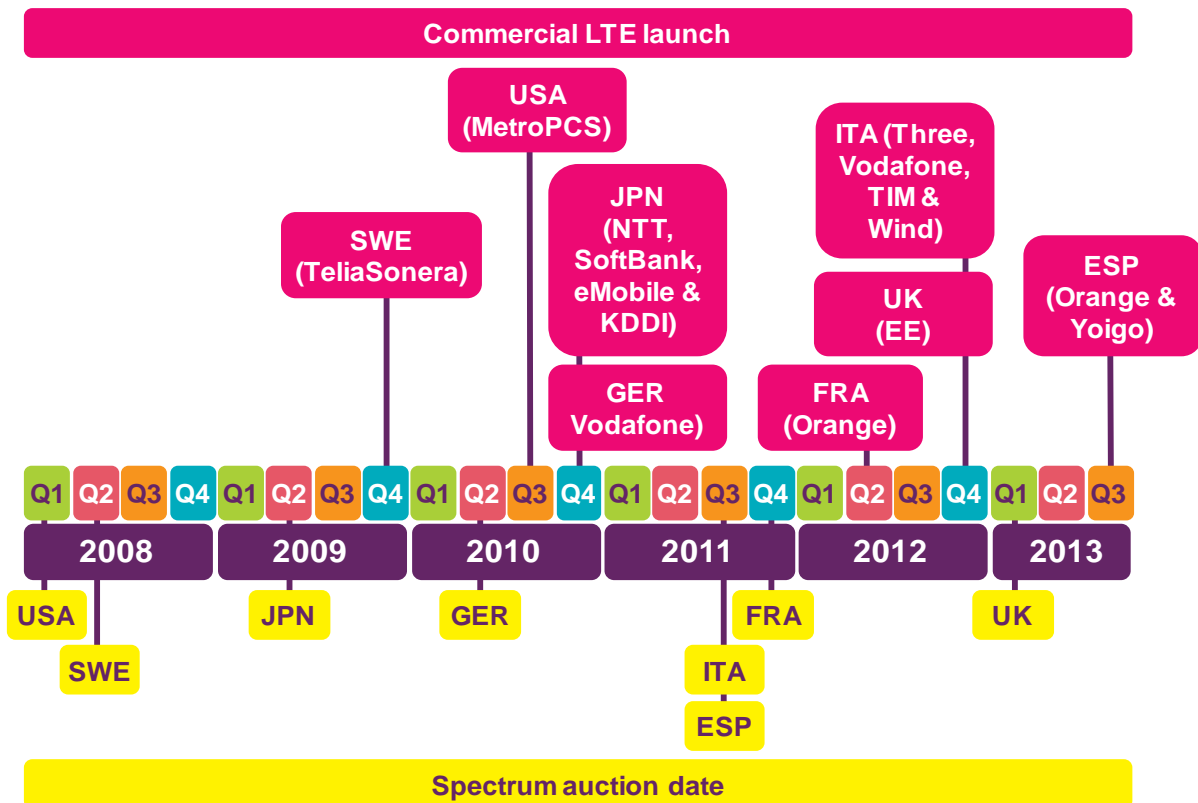
## 1.5.1 LTE roll-out and consumer attitudes towards 4G mobile services

### 4G LTE mobile services had launched in most major economies by Q3 2013

The deployment of Long Term Evolution (LTE) 4G mobile networks has gathered pace internationally, and the Global mobile Suppliers Association (GSA) has reported that 213 mobile providers had launched LTE-based services in 81 countries by September 2013, with 113 of these networks having been launched in the previous year.<sup>10</sup> LTE mobile services should provide a range of benefits to consumers, including download speeds which are higher than those over 3G networks (the theoretical maximum speed for current LTE services is around 100Mbit/s<sup>11</sup> compared to 42Mbit/s for 3G,<sup>12</sup> although actual speeds for both are lower).

Figure 1.39 shows the spectrum auction dates and commercial launches of LTE networks in a number of our comparator countries, with TeliaSonera launching the first 4G LTE network in late 2009. Spain became the last of the EU5 countries to benefit from 4G services in July 2013, when Orange and Yoigo launched their commercial services. EE launched the first UK 4G service in October 2012 (prior to the auction of UK 4G mobile spectrum in 2013) after Ofcom allowed it to use some of its existing spectrum for 4G services.

**Figure 1.39** LTE spectrum auction and initial commercial launch dates, by country



Source: Ofcom

<sup>10</sup> [http://www.gsacom.com/news/gsa\\_387.php](http://www.gsacom.com/news/gsa_387.php)

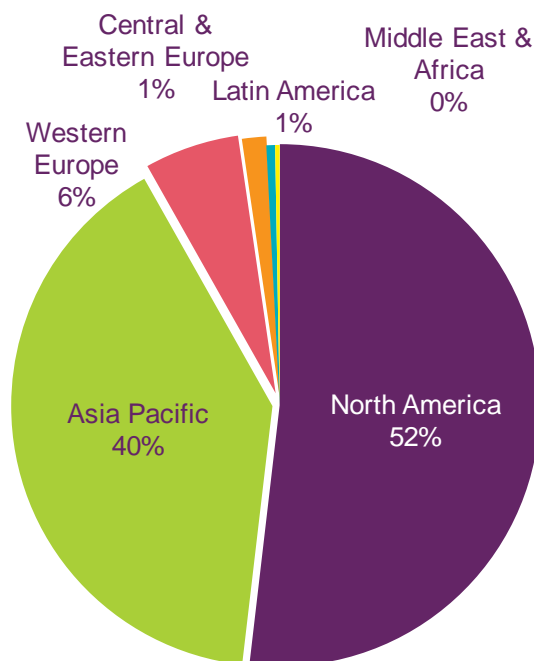
<sup>11</sup> Where 20MHz of FDD spectrum is used

<sup>12</sup> Where dual-carrier HSPA technologies are used in 10MHz of FDD spectrum

## North America accounted for over half of 4G connections in 2012

Cisco estimates that, worldwide, there were 60 million 4G connections by the end of 2012, equivalent to 0.9% of all mobile connections (Figure 1.40). Over half of these (31.3 million, or 52% of the total) were in North America, while a further 24.1 million (40% of the total) were in the Asia Pacific region. Just 6% of connections (3.5 million) were in Western Europe, while Central and Eastern Europe, Latin America and the Middle East and Africa each had fewer than one million 4G connections, and collectively accounted for just over 2% of the total. Cisco predicts strong growth in 4G, estimating that there will be a total of 992 million worldwide 4G connections by 2017, representing 10% of total mobile connections, and that in North America and Western Europe the proportion of total connections that are 4G will be 31% and 18% respectively.

**Figure 1.40 4G connections, by region: 2012**



Source: Cisco VNI Mobile Forecast, 2013.

[http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white\\_paper\\_c11-520862.html](http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html)

## 4G take-up was low in most comparator countries at the end of 2012

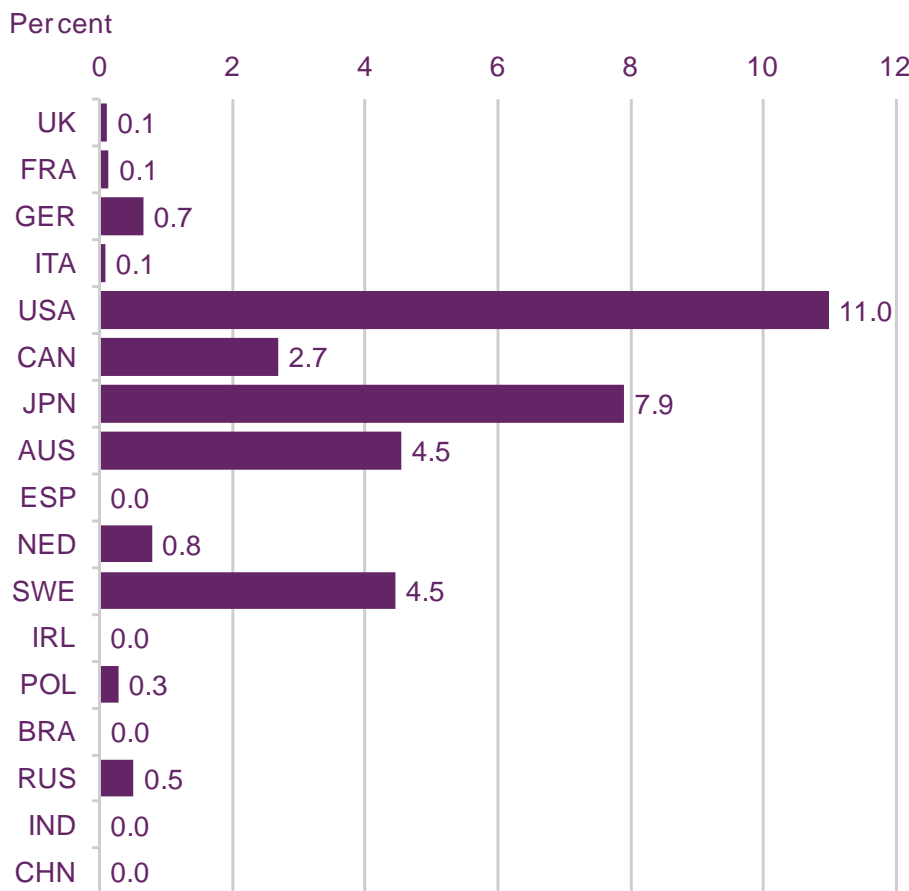
By the end of 2012, less than 1% of mobile connections were 4G in most of the comparator countries for which figures were available, according to data provided by IDATE (Figure 1.41). The five exceptions were Canada (where 2.7% of connections were 4G), Sweden and Australia (both 4.5%), Japan (7.9%) and the US (11.0%), where commercial 4G services were all well-established by 2012, having launched in each of these countries before 2011 (with the exception of Australia, where Telstra launched its 4G network in September 2011).

It is notable that the proportion of mobile connections that were 4G in Germany (where 4G services also launched in 2010) was lower than in either the US and Japan, at 0.9% in 2012. This is because the LTE roll-out was initially limited to areas with little or no fixed-broadband connectivity, in order to meet obligations associated with the spectrum licences, and because consumer awareness of 4G is low as the mobile network providers have not pushed these services (see Figure 1.43). In the UK, just 0.1% of all mobile connections were

4G at the end of 2012; however, this was largely because EE had launched its 4G network only a few months previously, and take-up since then has grown significantly (O2 and Vodafone launched their UK 4G services at the end of August 2013, while in October 2013 EE announced that it had about 1.2 million UK 4G subscribers).<sup>13</sup> The UK's fourth mobile network provider, Three, has announced that it will launch its 4G network in December 2013.<sup>14</sup>

We expect that the proportion of mobile connections that are 4G will increase rapidly in both the UK and our other comparator countries over the next few years, as continued LTE network deployment increases the availability of 4G, and consumers upgrade to these services.

**Figure 1.41 4G as a proportion of total mobile subscriptions: 2012**



Source: IDATE

**The faster speeds provided by 4G networks are likely to result in higher average mobile data use**

The faster mobile data speeds which 4G LTE provides allow consumers to undertake online activities which were previously only possible over a fixed-line broadband connection, such as streaming video content. These bandwidth-hungry services consume data at a much faster rate than other online activities, and Cisco estimates that in 2012 the average monthly data use on a 4G smartphone was 1.3GB, almost four times the 342MB average across all

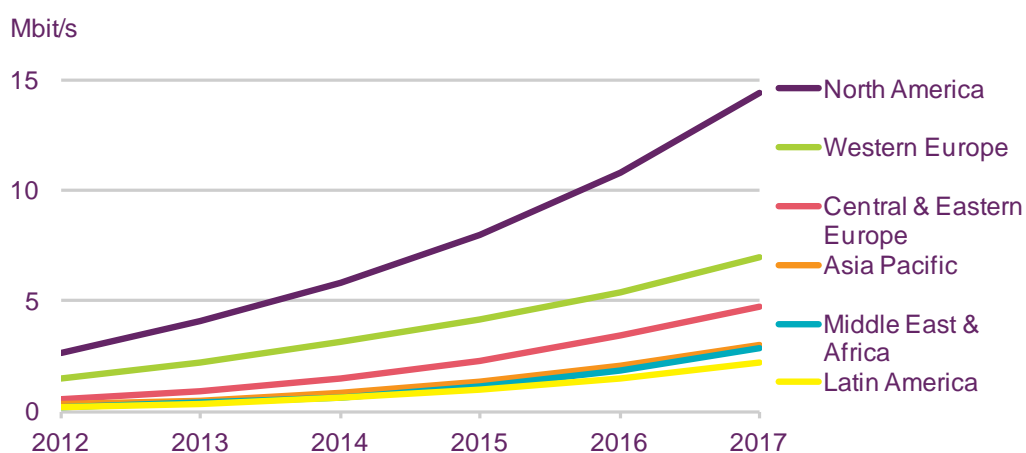
<sup>13</sup> <https://explore.ee.co.uk/our-company/newsroom/ee-results-for-the-third-quarter-to-30-september-2013>

<sup>14</sup> [http://www.three.co.uk/Discover/Built\\_for\\_internetting?site=d](http://www.three.co.uk/Discover/Built_for_internetting?site=d)

smartphones.<sup>15</sup> It is therefore likely that growing take-up of 4G services will result in increases both in average mobile data connection speeds and in average mobile data use: Cisco forecasts that 31% of mobile connections in North America will be 4G by 2017, and the average mobile data connection speed in the region will have risen to 14.4Mbit/s, while in Western Europe, 18% of mobile connections will be 4G by 2017 and the average mobile data connection speed will be 7.0Mbit/s.<sup>16</sup>

Cisco's *Visual Networking Index* also estimates that while 4G mobile connections accounted for 0.9% of all mobile connections in 2012, they accounted for 14% of mobile data volumes during that year, and by 2017 (when 10% of mobile connections will be 4G) almost half of all mobile data volumes (45%) will be transmitted over 4G networks. Similarly, it forecasts that average monthly 4G smartphone data use will have tripled from 1.3GB to 5.1GB by 2017, while the average across all smartphones will have grown from 342MB to 2.7GB.

**Figure 1.42 Estimated average mobile data speeds, by region: 2012 to 2017**



Source: Cisco VNI Mobile Forecast, 2013.

[http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white\\_paper\\_c11-520862.html](http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html)

### Consumer awareness of 4G services is highest in the UK, France and the US

In order to ascertain consumer awareness and attitudes to 4G mobile services, Ofcom undertook consumer research in nine of our comparator countries in September/October 2013. In line with the data shown in Figure 1.41, this suggested that take-up of 4G services was highest in the US, Australia and Japan, where the proportions of respondents who said that they were already 4G users were 27%, 16% and 13% respectively (Figure 1.43). These figures are significantly higher than the take-up data shown in Figure 1.41 with the difference likely to be due to increasing 4G take-up in the intervening period, and a sampling bias associated with the research having been undertaken online.

There were marked differences in levels of consumer awareness of 4G mobile services across our comparator countries, with awareness being highest in the UK, France and the US (where over 85% of respondents already took, or were aware of, 4G services) and lowest in Italy, Germany and Japan. Low levels of awareness in Germany and Japan were

<sup>15</sup> Cisco Visual Networking Index:

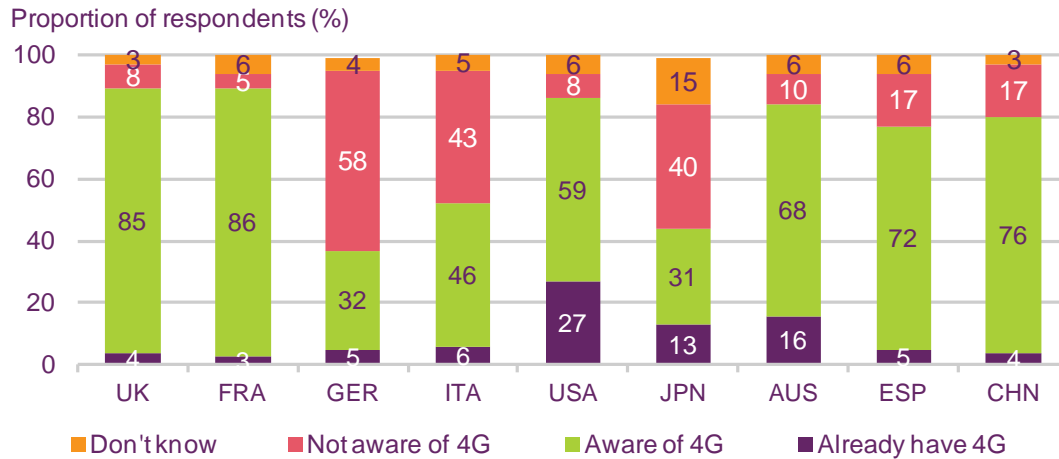
[http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white\\_paper\\_c11-520862.html](http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html)

<sup>16</sup> Cisco Visual Networking Index:

[http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white\\_paper\\_c11-520862.html](http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html)

something of a surprise, given that 4G has been available for some time in both countries, and this may be either because 4G network providers do not promote these services to consumers, or because they do not market them using the terminology '4G'.

**Figure 1.43 Awareness and take-up of 4G mobile services**



Source: Ofcom research, September 2013

Base size: All respondents: UK (1000), FRA (1007), GER (1010), ITA (1010), USA (1004), JPN (1005), AUS (1007), ESP (1020) CHN (1007)

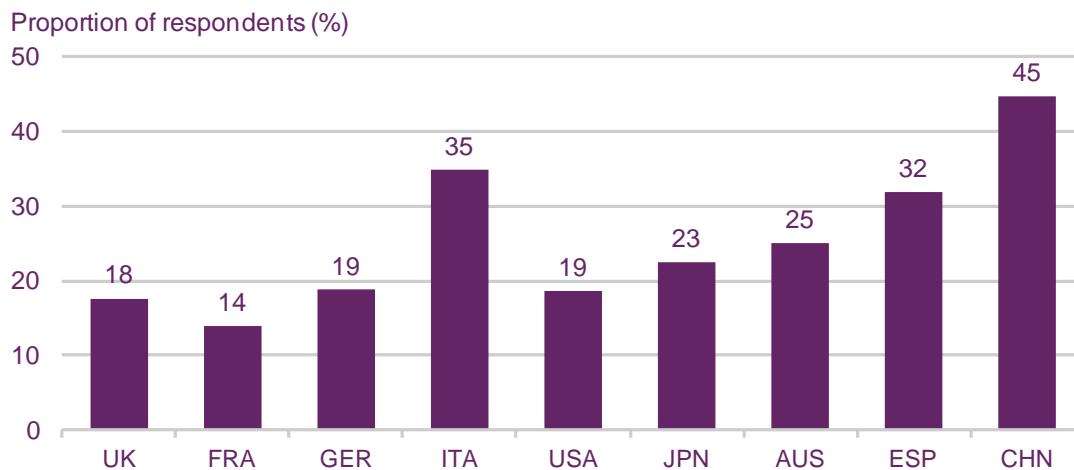
Question: 4G is a new service and it enables faster mobile internet access. Which of the following statements best describes your awareness and use of 4G?

**Over a third of people in Italy and China who were aware of 4G and did not already have it said that they were likely to upgrade in the next year**

We asked consumers who were aware of 4G but did not yet take a 4G service whether or not it was likely they would upgrade to 4G in the future (Figure 1.44). Interest in 4G services was highest in Italy (which has comparatively high levels of mobile use and the highest number of mobile connections per person among these nine countries) and China (where the survey sample is skewed towards urban consumers, and is therefore not representative of the population as a whole). The proportions of respondents who said that it was likely that they would upgrade to 4G in the following year were 35% in Italy and 45% in China. In the UK, 18% of respondents who had heard of 4G but did not already take it said that it was likely they would to upgrade to 4G; this was the second lowest proportion among our comparator countries, after France (14%).



**Figure 1.44 Likelihood to purchase 4G mobile services in the next year**



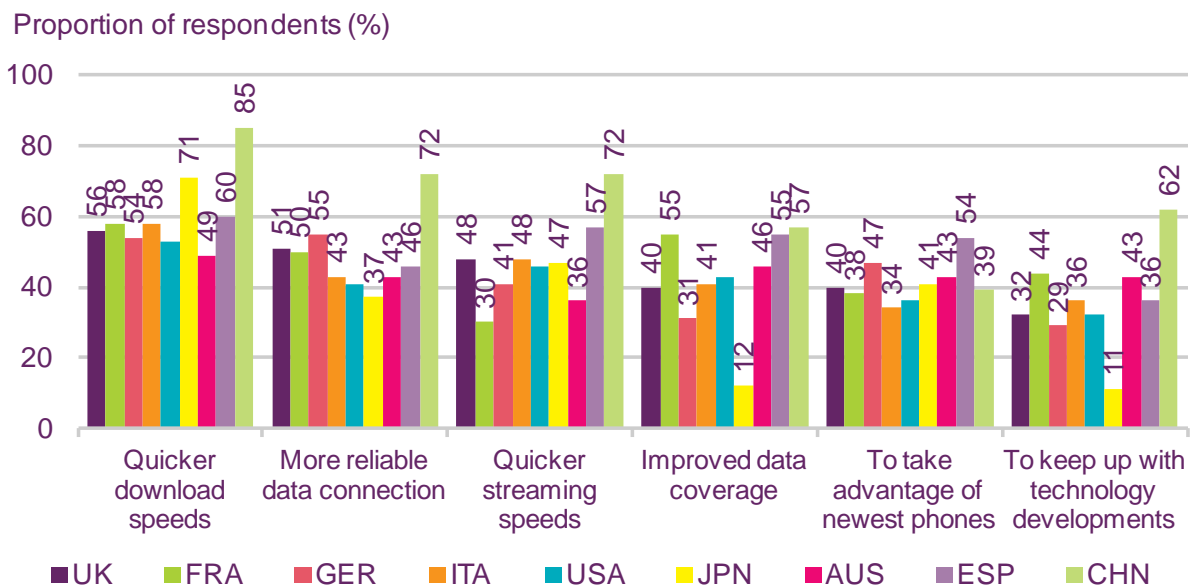
Source: Ofcom research, September 2013

Base: All respondents who were aware of 4G but do not already take 4G services: UK (850), FRA (866), GER (323), ITA (465), USA (592), JPN (312), AUS (685), ESP (734) CHN (765)

**Faster data speeds and more reliable data connections are the main reasons that people intend to upgrade to 4G**

We asked those respondents who said that they were likely to upgrade to 4G in the next year why they intended to do so. The most frequently cited reasons involved the faster download/streaming speeds and the better data coverage/connectivity that 4G offers, although the desire to keep up with the latest technology, and with mobile handsets, were also mentioned by a large proportion of respondents (Figure 1.45).

**Figure 1.45 Reasons for wanting to upgrade to 4G mobile services**



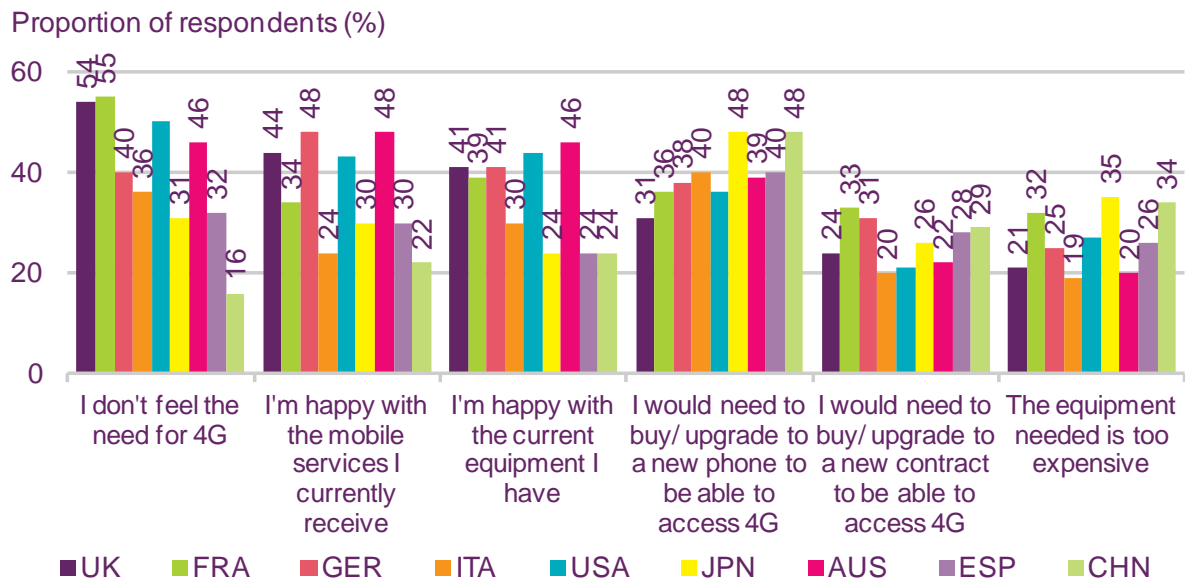
Source: Ofcom research, September 2013

Base: All respondents who have or are likely to get 4G

**Consumers who were unlikely to upgrade to 4G cited ‘not seeing the need for 4G’, or price, as their reason for not upgrading**

Similarly, we asked those respondents who stated that they were unlikely to upgrade to 4G in the next year why this was the case. Here, the most frequently cited reasons for not upgrading were the lack of a perceived need for 4G services, and the lack of perceived need for a new mobile handset and/or contract, when they were happy with their current device and/or services. The additional costs associated with upgrading to 4G (purchasing a 4G-enabled device or handset and paying extra to access 4G services) were also mentioned as being barriers to upgrading to 4G (Figure 1.46).

**Figure 1.46 Reasons for not wanting to upgrade to 4G mobile services**



Source: Ofcom research, September 2013  
 Base: All respondents who are unlikely to get 4G or are unsure

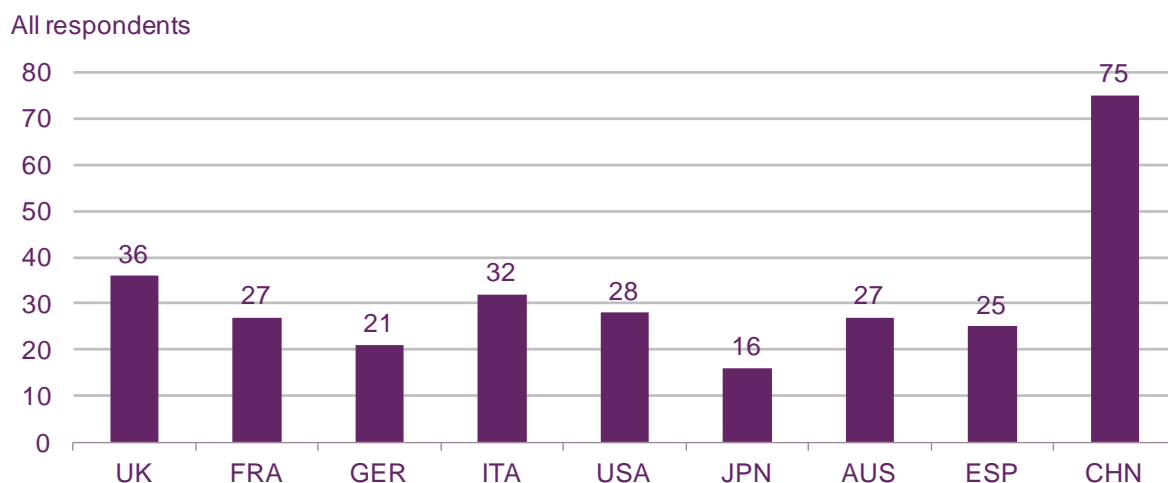
# 1.6 Audio-visual consumption on web enabled devices

## 1.6.1 UK consumers most likely to use online TV services

Figure 1.47 shows the proportion of internet users who use their home internet connection to watch TV online. With the exception of China (where broadband penetration is much lower than in the other countries in our research), UK consumers are the most likely to access TV content over the internet, with over a third (36%) of internet users claiming to do this every week. In Italy, a third (32%) of internet users access TV content over the internet on a weekly basis, and in France, Australia and the US about a quarter of internet users do so.

The popularity of internet TV catch-up services in the UK from the free-to-air broadcasters, such as BBC iPlayer, 4oD and ITV Player, is helping to drive UK consumers' consumption of TV content online. According to data from the BBC, BBC iPlayer is continuing to grow in popularity, with 159 million requests for TV programmes in August 2013, up from 151 million in August 2012 and 115 million in August 2011.

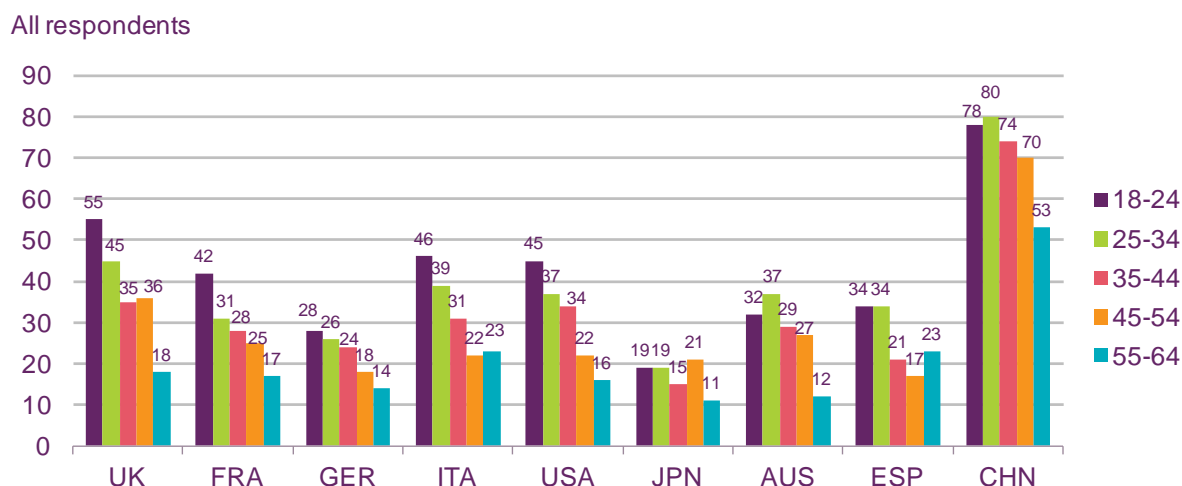
**Figure 1.47 Weekly viewing of TV content over the internet**



Source: Ofcom consumer research September 2013. Base: all respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007. Q.9 Which, if any, of the following activities do you use your internet connection for at least once a week?

In the UK, internet users aged 18-24 are the most likely to access TV content online, with 55% claiming to do so, while 55-64 year olds are the least likely, with only 18% claiming to do so. As set out in Figure 1.48, this pattern is generally consistent across the countries surveyed, although in some countries, such as Australia and China, 25-34 year olds have a higher propensity to watch TV over the internet, and in Japan, it is the 45-54 year olds who are the most likely.

**Figure 1.48 Weekly viewing of TV content over the internet, by age**



Source: Ofcom consumer research September 2013. Base: all respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007. Q.9 Which, if any, of the following activities do you use your internet connection for at least once a week?

### Devices used to access audio-visual content

We are using a greater variety of devices to access audio-visual content than ever before. In the UK 62% of laptop users and 47% of mobile users watch short-form video content, on platforms such as YouTube and Vimeo, on their devices, while 77% of smart TV owners, 34% of tablet users and 31% of console users watch catch-up TV on their devices.

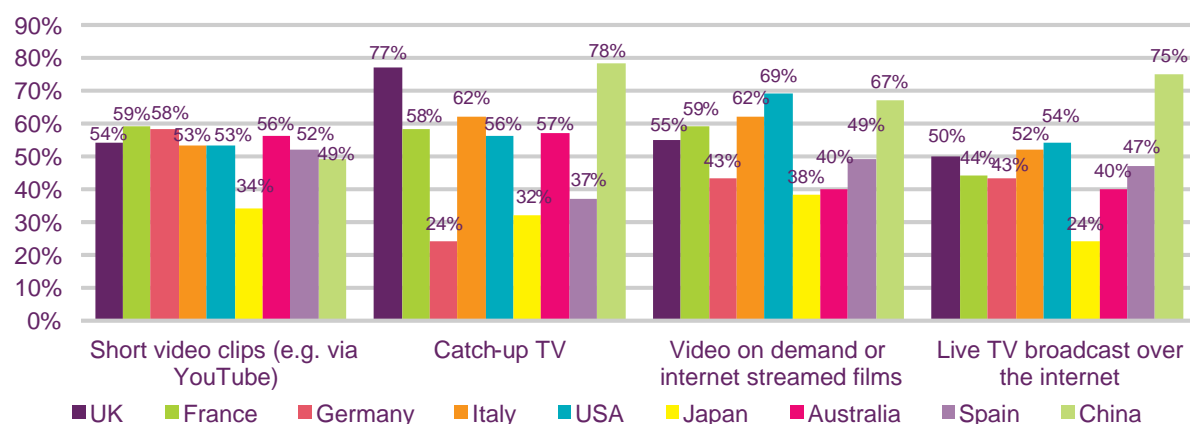
### UK consumers more likely to watch catch up TV via smart TVs, smartphones and tablets than any other ICMR country

Figure 1.49 shows the types of AV content watched by smart TV owners on their device. In the UK, catch-up TV (including services from the free-to-air broadcasters, such as BBC iPlayer, 4oD and ITV Player) is the type of content most likely to be watched on a smart TV, with over three-quarters (77%) of smart TV owners doing this, and around half stating that they watched the other types of AV content featured in our research.

Catch-up TV is also the most popular content accessed via smart TVs in China (78%) and Australia (57%). In the US, however, video on demand is the online content most likely to be watched; 69% of owners access this on their smart TV. The viewing of video-on-demand services in the US is likely to be driven by the availability of subscription and paid-for video-on-demand services, such as Netflix. According to comScore MMX data, in August 2013 the Netflix website had almost 30 million unique visitors in the US and around 2.5 million in the UK.

**Figure 1.49 Types of AV content watched on smart TVs**

% of individuals with a smart TV who watch a particular format on that device



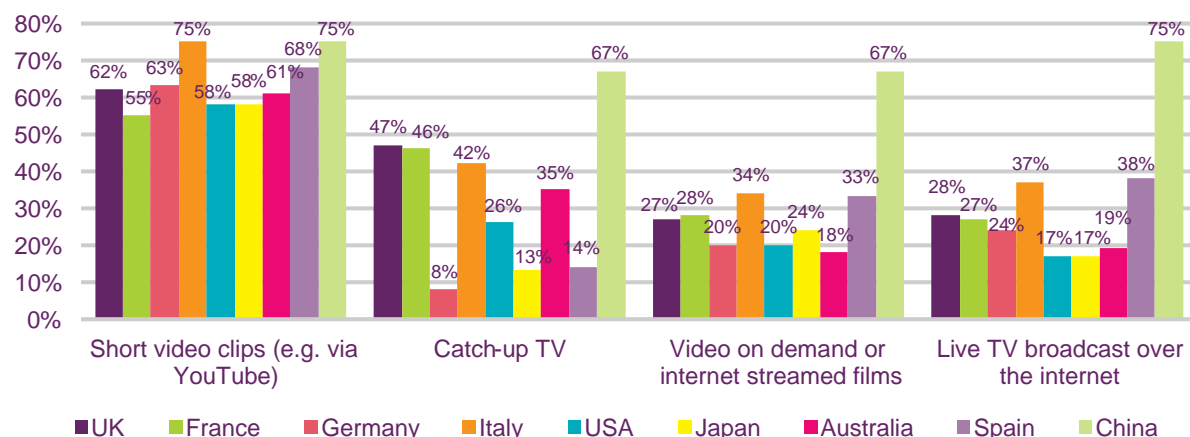
Source: Ofcom consumer research September 2013. Base: smart TV owners, UK=88\*, FRA=52\*\*, GER=96\*, ITA=94\*, USA=63\*\*, JPN=56\*\*, AUS=96\*, ESP=77\*, CHN=244. Q.15c What sorts of video content do you watch on each of your devices over the internet? \* Base size is very low, consider with caution, \*\* Base size is very low (under 75), consider with caution.

The types of AV content watched by laptop, desktop and notebook owners on these device(s) can be seen in Figure 1.50. Short video clips are the type of content most likely to be viewed on these types of devices in all nine countries. In the UK, video on demand and internet streamed films are the formats least likely to be watched on laptops, desktops and notebooks; only 27% of respondents claim to do this.

The UK has the highest number of internet users accessing catch-up TV via their laptop or desktop PC (77%), of all the countries in our analysis. However, recent figures from the BBC suggest that the number of programme requests to BBC iPlayer via a PC represents less than half of all programme requests, at 42% (99 million), with requests from tablets now accounting for 18% (43 million)<sup>17</sup>.

**Figure 1.50 Types of AV content accessed on laptops, desktops and notebooks**

% of individuals with laptop/desktop/notebook who watch a particular format on that device

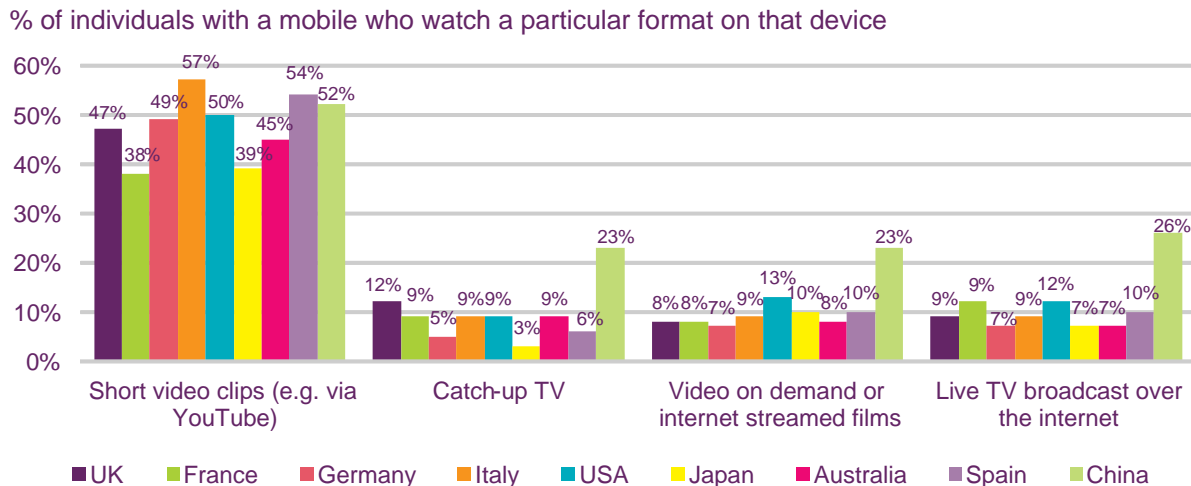


Source: Ofcom consumer research September 2013. Base: laptop/desktop/notebook owners, UK=952, FRA=941, GER=951, ITA=908, USA=940, JPN=942, AUS=960, ESP=931, CHN=966. Q.15c What sorts of video content do you watch on each of your devices over the internet?

<sup>17</sup> BBC iPlayer monthly performance pack, August 2013

As shown in Figure 1.51 short video clips are also the form of AV content most likely to be watched on mobile phones. In the UK, almost half of mobile phone owners said that they watched short video clips on their phones via sites such as YouTube, whereas only around one in ten said that they used their device to watch other types of AV content. The remaining countries follow a similar pattern to the UK, except in China where around a quarter of respondents stated that they also watched longer forms of AV content on their mobile phones. With regard to catch-up TV specifically, mobile phone owners in the UK are more likely than those in the other countries surveyed to watch this type of content on their device.

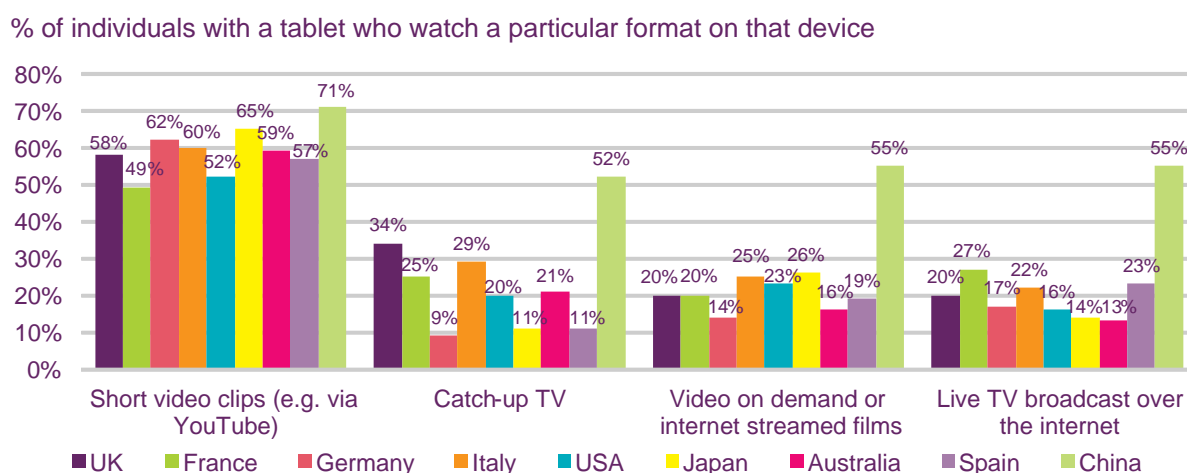
**Figure 1.51 Types of AV content watched on smartphones**



Source: Ofcom consumer research September 2013. Base: Mobile owners, UK=572, FRA=456, GER=470, ITA=638, USA=437, JPN=581, AUS=550, ESP=703, CHN=866. Q.15c What sorts of video content do you watch on each of your devices over the internet?

Short video clips are also the form of AV content most likely to be viewed on tablets. In all our comparator countries at least half of the tablet owners surveyed said that they used their tablet to watch short video clips, while (with the exception of China) around 10% to 30% said that they watched the other types of content on this device. And following a similar pattern to the viewing of catch-up TV on mobile phones, consumers in the UK are also the most likely to watch this type of content on tablets.

**Figure 1.52 Types of content watched on tablets**



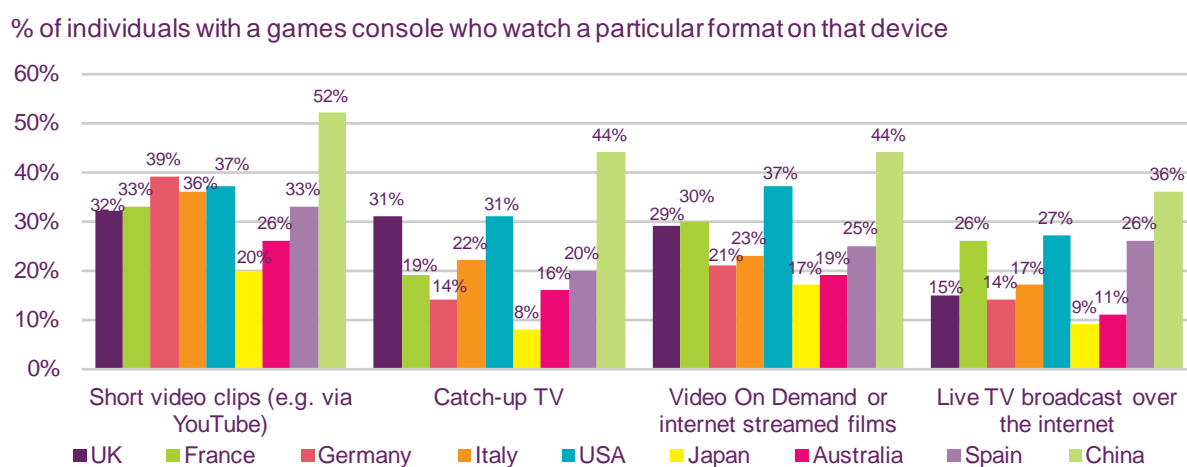
Source: Ofcom consumer research September 2013. Base: Tablet owners, UK=329, FRA=203, GER=180, ITA=286, USA=239, JPN=171, AUS=316, ESP=324, CHN=476. Q.15c What sorts of video content do you watch on each of your devices over the internet?

There is a more varied picture of content consumption on games consoles, with the type of content most likely to be watched varying by country. Figure 1.53 illustrates that in the UK, video on demand and catch-up TV are almost as popular as short video clips for watching on a games console, with almost equal proportions of users (29%, 31% and 32% respectively) doing so for each video format.

This makes the UK unique among the other European comparator countries, where the short video-clip format is much more likely than the other formats to be watched on a games console. In France (19%), Germany (14%), Italy (22%) and Spain (17%), catch-up services via the video games console did not feature as strongly as they did in the UK.

The research also indicates that in the US short video clips and video on demand are the most commonly watched formats on games consoles (37% each), while catch-up TV is used by 31% of console owners.

**Figure 1.53 Types of content watched on games consoles**



Source: Ofcom consumer research September 2013. Base: games console owners, UK=189, FRA=63\*, GER=80\*, ITA=103, USA=145, JPN=112, AUS=77\*, ESP=108, CHN=59\*. Q.15c What sorts of video content do you watch on each of your devices over the internet? \* Base size is very low, consider with caution.

# 1.7 News consumption – the international context

## 1.7.1 Introduction

This section looks into the consumption of news. The first part of this section focuses on digital news consumption, and presents a summary of the key findings from the Reuters Institute *Digital News Report*, which was published in June 2013. The second section presents the findings from Ofcom's consumer research and looks at which platform consumers use as their main source for different types of news. The key findings include:

- Within the sample of online news users, TV remains the main platform for news in the UK, Germany, France and the US. However, in Spain, Italy and Japan, online is the main source.
- The majority of respondents across the countries say they prefer their news to have no particular point of view. However, one in ten of those in the UK, Spain, Italy and the US prefer news to challenge their point of view, while 1% of those in Germany say this.
- Respondents in the UK are most likely to use 'traditional' news brands online, and to use branded sites to find news. In all other countries except Spain, search engines are the most popular means of finding news.
- Online consumers in the UK are less likely than those in Italy and US to use the internet as a main source of national news.

## 1.7.2 Digital news consumption – a comparative study

This section provides a summary of key findings from the Reuters Institute *Digital News Report*, published in June 2013.<sup>18</sup> Ofcom, along with the BBC, Google, Newsworks, FranceTelevisions, the Hans Bredow Institute and Roskilde University, provided support for this project. The research provides comparisons between the UK, the US, France, Germany, Japan, Italy, Spain, Denmark and Brazil. To maintain consistency with Ofcom's data, this summary does not include data relating to Denmark or Brazil.

The report shows how news is perceived quite differently across countries, and how consumption habits also differ considerably in a number of areas, particularly related to social media.

The survey was completed by an online panel of 2078 UK news users for YouGov in January/February 2013. YouGov also conducted online surveys in the other countries, with samples ranging from 965 (Italy) to 2028 (US). In this section, we refer to these people as 'online users of news', which means they have online access and said they had used any form of (offline or online) news in the previous month. For further methodological details please see <http://www.digitalnewsreport.org/survey/2013/survey-methodology-for-the-reuters-digital-news-report-2013/>.

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<sup>18</sup> Available at: [https://reutersinstitute.politics.ox.ac.uk/fileadmin/documents/Publications/Working\\_Papers/Digital\\_News\\_Report\\_2013.pdf](https://reutersinstitute.politics.ox.ac.uk/fileadmin/documents/Publications/Working_Papers/Digital_News_Report_2013.pdf)



### 1.7.3 Online users of news in the UK are least likely to say they are interested in news about politics

Figure 1.54 sets out the relative levels of interest that online users of news have in various types of news, in the countries under comparison. In the UK, they are the least likely to say they are interested in news about politics, and also the least likely to say they are interested in science and technology news. They are most likely to say they are interested in entertainment and celebrity news.

Respondents in Germany are more likely than those in other countries to be interested in news about their region, as might be expected, with the Lander system of government. They are also more likely to be interested in international news. Respondents in France and Japan are less interested than the other countries in local news, while those in Spain are the least likely to be interested in business and financial news, although four in ten are interested in news about the economy. Respondents in Spain are the most likely to be interested in health and education, arts, culture, and sports news.

**Figure 1.54 Levels of interest in types of news**

	UK	FRA	GER	ITA	US	JPN	ESP
News about the country	71%	66%	70%	62%	57%	62%	64%
International news	53%	54%	67%	42%	56%	48%	44%
Local news about my town or city	49%	31%	47%	49%	59%	30%	42%
News about my region	44%	41%	53%	38%	31%	37%	43%
Business and financial news	20%	18%	18%	16%	22%	27%	14%
News about the economy	44%	35%	31%	40%	52%	48%	41%
Entertainment and celebrity news	20%	13%	18%	15%	14%	18%	13%
Health and education news	28%	36%	27%	35%	29%	18%	38%
Arts and culture news	11%	17%	8%	19%	9%	20%	21%
Sports news	31%	27%	28%	33%	23%	32%	36%
News about the country's politics	37%	45%	50%	52%	54%	60%	43%
Science and technology news	22%	31%	29%	31%	26%	26%	30%

Source: Reuters Institute / YouGov research Jan/Feb 2013

Q: Which of the following types of news is most important to you? Choose up to five.

Base: UK (n=2078) US (n=2028) Spain (n=979) Japan (n=978) Italy (n=965) Germany (n=1062) France (n=973)

### 1.7.4 Online is the main platform for news for respondents in Spain, Italy and Japan

Which platforms do people prefer to use for their news consumption? Across the countries studied, there are variations among online news users in which platform they prefer as their main source of news. TV is the main platform for news in the UK (41%), Germany (43%), France (57%) and the US (43%), while in Spain (41%), Italy (42%), and Japan (39%) online is cited as the main platform. In Germany and France, radio is the main platform for more than one in ten online users of news. Newspapers are the main platform for one in five users in Germany and Japan.

**Figure 1.55 Main platform for news, by country**

	UK	FRA	GER	ITA	US	JPN	ESP
<b>TV</b>	41%	57%	43%	39%	43%	35%	33%
<b>Radio</b>	7%	12%	13%	5%	5%	4%	9%
<b>Print</b>	15%	6%	18%	13%	9%	20%	15%
<b>Online</b>	35%	23%	25%	42%	39%	39%	41%

Source: Reuters Institute / YouGov research Jan/Feb 2013

Q4: You say you've used these sources of news in the last week, which would you say is most important or which would you say is your main news?

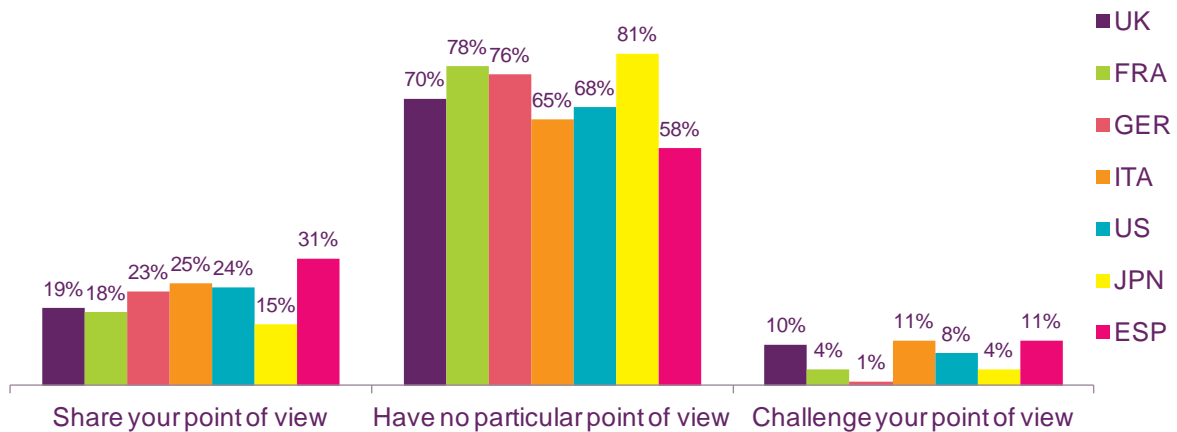
Base: UK (n=2078) US (n=2028) Spain (n=979) Japan (n=978) Italy (n=965) Germany (n=1062) France (n=973)

### 1.7.5 Most respondents say they have a preference for impartial news

Turning to the types of news that people prefer, respondents were asked whether they preferred impartial news, news that “shares your point of view”, or news that “challenges your view”.

Figure 1.56 shows that online users of news are most committed to impartial news sources, ranging from 58% of respondents in Spain to 81% in Japan. Those in Spain were the most likely to say they preferred news that shared their own point of view. Around one in ten respondents in the UK, Spain, Italy and the US said they preferred news that challenged their point of view, although only 1% of respondents in Germany, and 4% in France and Japan nominated this option.

**Figure 1.56 Preference for impartial news, by country**



Source: Reuters Institute / YouGov research Jan/Feb 2013

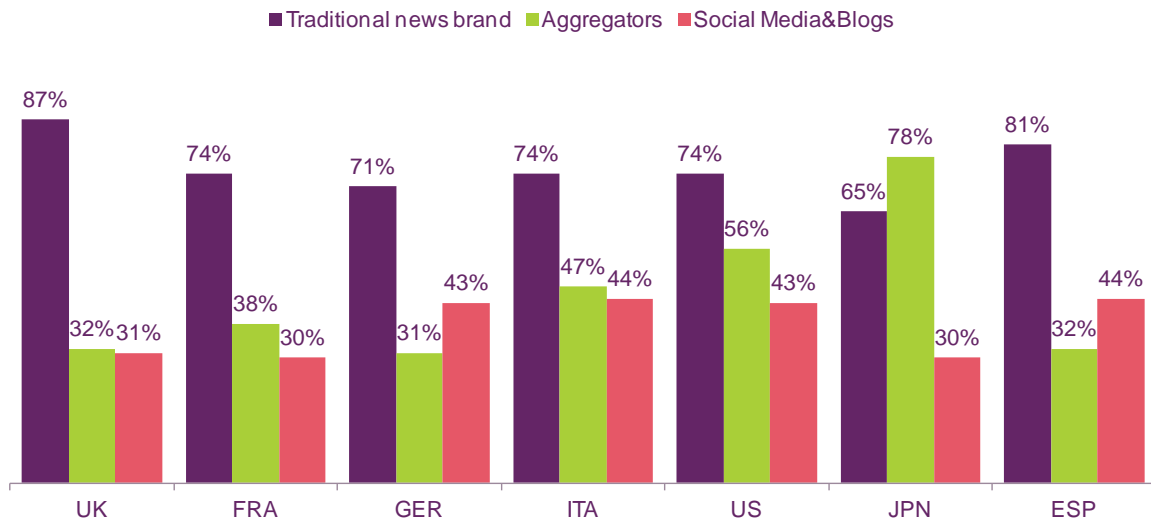
Q5c: Thinking about the different kinds of news available to you, do you prefer news that...

Base: (n=2078) US (n=2028) Spain (n=979) Japan (n=978) Italy (n=965) Germany (n=1062) France (n=973)

### 1.7.6 Respondents in the UK are more likely to turn to traditional news brands online

When asked which online news providers they had used in the past week, respondents in the UK were less likely than those in the other countries to use aggregators or social networking sites (Figure 1.57); traditional news brands such as BBC News, Mail Online, and Sky News were more popular. Respondents in Japan are most likely to use aggregators as online news sources, due to the popularity of Yahoo (63% of respondents in Japan cite this as an online news source, compared to 10% citing the public service website NHK). The use of social media and blogs as news sources was nominated by over four in ten respondents in Spain, Italy, the US and Germany. The UK and France were least likely to nominate either aggregators or social media.

**Figure 1.57 Comparison of online use of traditional brands, aggregators and social media**



Source: Reuters Institute / YouGov research Jan/Feb 2013

Q5: Which, if any, of the following have you used to access news in the last week?

Base: Online users in each country (UK=1534 ; US=1470; Germany=698 ; France=658 Italy = 775; Spain=776; Japan = 831)

### 1.7.7 In most countries, search engines are the main way in which respondents say they come across news stories online

Figure 1.58 sets out the main ways in which respondents in each country say they come across news stories online. As might be expected from the popularity of the UK's BBC news site, 34% of UK users of online news say they go directly to branded sites to find news. One quarter (24%) say they use search engines, and 17% use social networks and aggregators of news links. In other countries the picture is quite different. In all other countries except Spain and Japan, search engines are the most popular means of finding news. In Spain, social networks are the most popular means (45%), and in Japan, aggregators are the most popular (43%). Respondents in France are least likely to say they use branded sites (16%).

**Figure 1.58 Main gateways to online news**

	UK	FRA	GER	ITA	US	JPN	ESP
Branded sites	34%	16%	32%	35%	20%	28%	38%
Search engines	24%	45%	40%	49%	33%	39%	40%
Social networks	17%	14%	15%	38%	30%	12%	45%
Aggregators	17%	12%	16%	16%	26%	43%	17%
Friends/ colleagues	18%	12%	20%	21%	26%	13%	23%

Source: Reuters Institute / YouGov research Jan/Feb 2013

Q10: Thinking about how you find news online, which are the main ways that you come across news stories?

Base: UK (n=2078) US (n=2028) Spain (n=979) Japan (n=978) Italy (n=965) Germany (n=1062) France (n=973)

Note: question includes other ways of coming across news stories. Top five ways, ranked by UK incidence, are shown here.

### **1.7.8 Talking with friends and colleagues is the main way in which respondents share news**

There are various ways of engaging with news online. Figure 1.59 shows how respondents in each country say they use news stories online. Offline discussion remains most popular, with between one third and half of respondents in each country saying they talk with friends and colleagues about the news, although in Japan this drops to 17%.

Spain, Italy and the US are the most likely to say they comment on, or share, news via social networks. Respondents in the UK are the least likely to say they blog about the news (1%), and around one in ten say they share news via email or social networks.

**Figure 1.59 Sharing, commenting and creating news, by country**

	UK	FRA	GER	ITA	US	JPN	ESP
Share a news via email	10%	18%	10%	19%	23%	4%	24%
Share a news via a social network	11%	14%	8%	33%	22%	8%	30%
Comment on news via social network	10%	10%	8%	26%	21%	7%	27%
Write a blog on a news issue	1%	2%	2%	5%	4%	4%	3%
Talk with friends and colleagues	44%	34%	39%	50%	51%	17%	55%

Source: Reuters Institute / YouGov research Jan/Feb 2013

Q13: During an average week in which, if any, of the following ways do you share or participate in news coverage? Multiple answers allowed, only some responses included here.

Base: UK (n=2078) US (n=2028) Spain (n=979) Japan (n=978) Italy (n=965) Germany (n=1062) France (n=973)

### 1.7.9 Main sources of news

The following analysis uses data from Ofcom's own consumer research. Research participants were asked what they used as their main source for different types of news: national, international, regional and local, sports, and celebrity news. The news sources comprised TV, the internet, the radio, newspapers and magazines and "getting news from other people".

The survey was undertaken online, with at least 1000 respondents in each nation. As the research was carried out online, the sample differs from other Ofcom consumer research and direct comparisons cannot be made. The research methodology is discussed in detail in Appendix A.

#### Online consumers in the UK are less likely than those in Italy and the US to use the internet as a main source of national news

Across all the nations analysed, TV is the main source of most types of news except celebrity news/ gossip, where respondents are more likely to use the internet as their main source. The report shows a similar pattern across nations, and consumption habits are similar in a number of areas, particularly related to TV and internet.

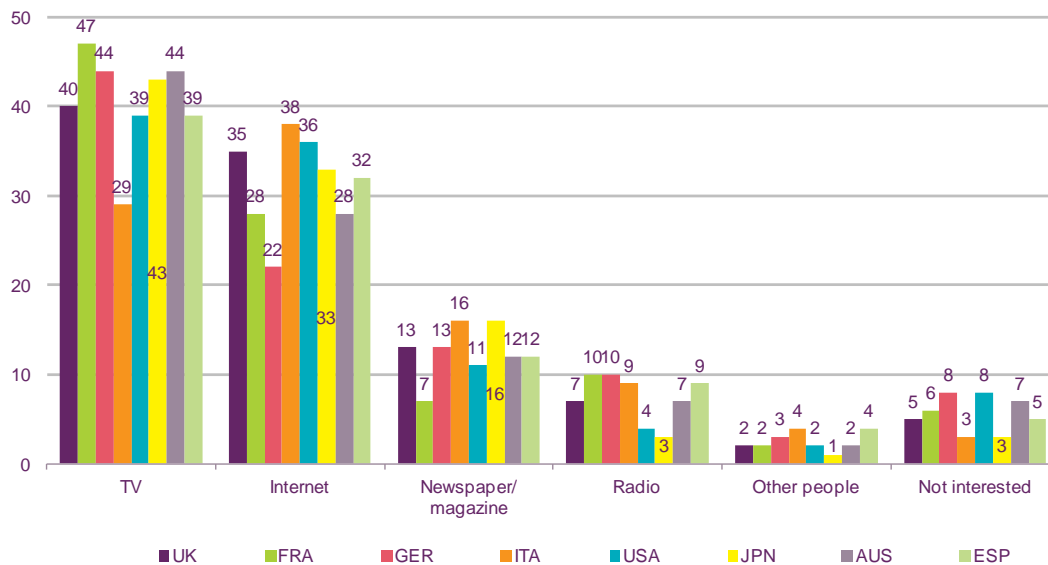
Although the most-cited main sources of news for online users generally are TV and the internet, across the nations in the sample there are subtle differences in consumption.

When asked about their main source for national news, the source named most often was TV, followed by the internet. In the UK, four in ten (40%) selected TV as their main source of national news. Respondents in France were more likely to say that they used TV as their main source of national news, where almost half (47%) selected TV as their main source and 28% selected the internet.

A similar picture emerges in Australia, where 44% 'mainly' access national news on TV and 28% via the internet. This contrasts with Italy, where the internet is more likely to be used as

a main source of national news, with 38% of respondents using this platform, compared to 29% using TV.

**Figure 1.60 Main sources of national news**



Source: Ofcom consumer research September 2013 Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007. Q.11 Which, if any, is your main source for the following information? National news

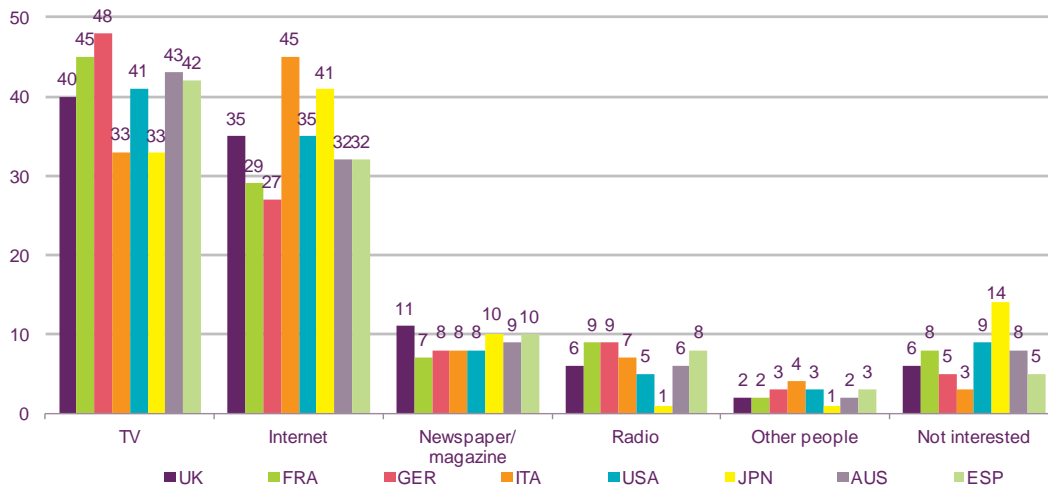
**In the UK, France, Germany and Australia, TV is the main source of international news. The internet is the main source in Italy and Japan**

The pattern is the same for accessing international news. In the UK, 40% of consumers use TV as their main source of international news and just over a third (35%) use the internet. Online consumers in the UK are more likely than those in France and Germany to access international news on the internet, whereas online consumers in France and Germany are more likely to watch TV for this type of news (45% and 48% respectively).

In Italy, the internet is more widely used than any other medium as a main source of international news, with 45% of respondents stating that they do this. The comparable figure for the UK is 35%. TV is used less as a main source of international news in Italy, with only 33% naming TV as a main source of international news, compared to 40% in the UK.

Fourteen per cent in Japan said that they were not interested in accessing international news stories. Radio, and newspapers and magazines, are not widely used as main sources of international news by respondents in any of the countries analysed.

**Figure 1.61 Main sources of international news**



Source: Ofcom consumer research September 2013

Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007.

Q.11 Which, if any, is your main source for the following information? International news

**In the UK, France, the US and Japan, TV is the main source of local news**

The picture changes when online users are asked about their main sources of information about their locality or region. TV and internet remain the main sources of news for most users, but more people are also using newspapers and magazines as main sources of local news.

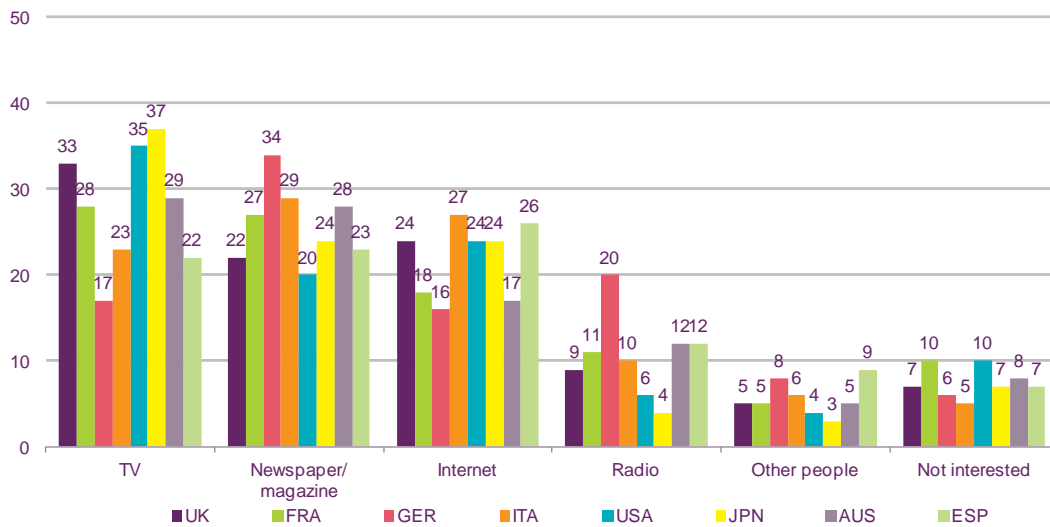
In the UK, France, the US and Japan, TV is the main source of local news, with between 28% and 37% selecting TV in those countries. In Germany and Italy the main source of local news is newspapers and magazines, while in Spain the main source of local news is the internet.

Thirty-four per cent of research participants in Germany claimed that they read newspapers and magazines for local news, far more than the 16% who used the internet and the 17% who used the TV as their main source. Respondents in Germany were also more likely to use radio as a main source of local news, with 20% claiming that they did this, more than in any of the other nations analysed.

Just over a quarter (28%) of consumers in Australia (compared to 22% in the UK) use newspapers and magazines as a main source of regional and local news. This is slightly more than the 17% who use the internet for this purpose in Australia.



**Figure 1.62 Main sources of regional / local news**



Source: Ofcom consumer research September 2013

Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007.

Q.11 Which, if any, is your main source for the following information? Regional / local news

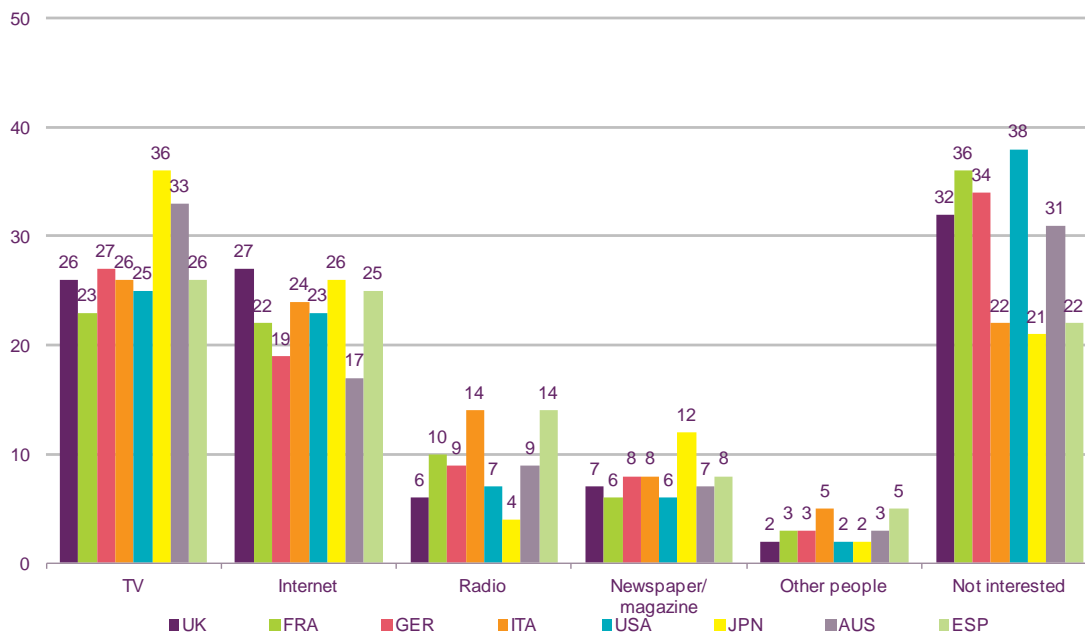
### Almost a third of adults in the UK are not interested in sports news

Respondents were asked about their main source of sports news. They were also asked about their main sources of celebrity news.

As with other types of news, TV and internet remain the main sources. However, large proportions of people in most countries reported that they were not interested in sports news.

In the UK just over a quarter (27%) used the internet as their main source of sports news, the highest of all nations included in the study; the lowest was Australia at 17%.

**Figure 1.63 Main sources of sports news**



Source: Ofcom consumer research September 2013

Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007.

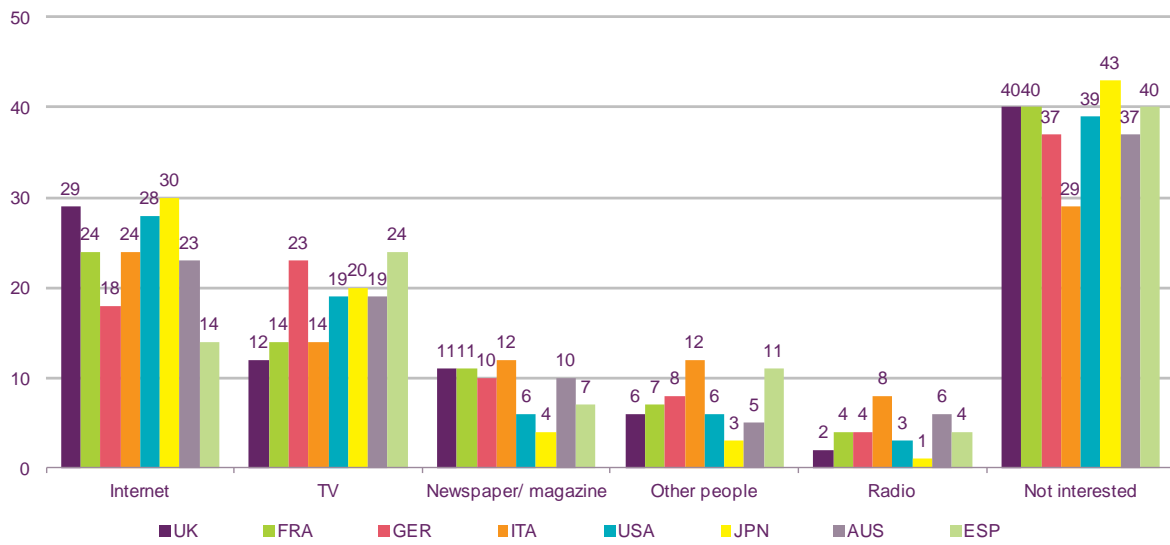
Q.11 Which, if any, is your main source for the following information? Sports news

**Almost a third of respondents in the UK use the internet as their main source of gossip/ celebrity news**

As with sports news, significant proportions of respondents did not express any interest in accessing celebrity news and gossip. Between 29% and 43% in all the countries had no interest in accessing celebrity news.

Twenty-nine per cent in the UK access celebrity news on the internet, and 11% do so by reading newspapers and magazines, while 40% are not interested.

**Figure 1.64 Main sources of celebrity news/gossip**



Source: Ofcom consumer research September 2013

Base: All respondents, UK=1000, FRA=1007, GER=1010, ITA=1010, USA=1004, JPN=1005, AUS=1007, ESP=1020, CHN=1007.

Q.11 Which, if any, is your main source for the following information? Celebrity news/ gossip

# 1.8 International regulatory context and models

## 1.8.1 Introduction

This section provides regulatory context to the analysis of the international communications market elsewhere in the report. In particular it covers the background of the EU communications framework and the Digital Agenda, the European Commission's 'Connected Continent' proposals, developments arising from the EU roaming regulation, recent national and EU initiatives on net neutrality, the recent work of the European Regulators' Group for Post, next-generation access, assurances to audiences on audio-visual standards, online protection of minors and radio spectrum policy. It does not aim to be a comprehensive examination of regulatory frameworks across the comparator countries, but presents an overview of the main regulatory and policy developments internationally over the past year.

## 1.8.2 Key developments in the European regulatory and legislative framework

### The EU electronic communications framework

The EU [electronic communications framework](#) applies to all electronic communications networks and services, retail and wholesale, as well as associated facilities and services. It aims to promote effective competition and consumer protection as well as constituting the basis for a consistent regulatory environment across the communications markets of all 28 member states.

The framework was revised in 2009 to ensure that it continues to serve the best interests of consumers and industry, and to reflect some of the major developments of this fast-changing sector, such as growth in VoIP and take-up of television services via broadband.

The Commission continues to monitor the timely and correct implementation of the EU rules and is monitoring member states' progress towards achieving the targets set out in the [Digital Agenda](#).

It sets out the main policies for the information and communication technologies (ICT) sector between 2010 and 2015, and seeks in particular to promote investments in high-speed broadband networks, to create an online single market, to ensure online trust, security and net neutrality as well as to stimulate the development of innovative services and applications. It consists of 101 action points, including more than thirty legal proposals.

In September 2013, the European Commission presented its [Connected Continent legislative proposals](#). The Commission described the [draft Regulation](#) as building upon the 2009 regulatory framework for electronic communications rather than constituting the fully-fledged review of the framework which had been anticipated by many in 2015-16.

The proposals include:

- Greater harmonisation of the timing and form of spectrum auctions and assignments, through a transfer of power from Member States to the Commission;
- A single notification / authorisation for pan-EU operators;
- Revisions to the Roaming III Regulation to provide exemptions from certain obligations for those MNOs who offer "roam like at home" rates;

- Harmonised wholesale access products for pan-EU operators in the business services sector, and a new power to the Commission to veto the regulatory remedies proposed by NRAs in the [relevant markets](#);
- Net neutrality measures which would prohibit anti-competitive blocking and throttling;
- New fully harmonised consumer protection measures in the areas of transparency, contract information, switching, and bill shock.

The Commission is keen for the European Parliament and the Council to adopt the draft Regulation by April 2014, before Parliament breaks for the elections in May 2014. In such a case, the Regulation would apply from July 1, 2014, except for the articles on consumer protection, net neutrality and switching, which would apply from July 1, 2016. By EU standards, this would be an unusually quick legislative procedure.

### 1.8.3 Helping communications markets work for consumers

#### International mobile roaming

In the European Union, regulatory developments remain heavily influenced by the 2012 EU [Roaming Regulation](#) that took effect on 1 July 2012.

The new Regulation had extended the anti-bill shock and transparency mechanisms to EU roamers travelling beyond the EU's borders, and introduced retail caps for data for the first time. It also established a downward trajectory for retail and wholesale caps until 2014, a requirement for the future decoupling of roaming from domestic services, from 1 July 2014, and provisions to allow for local data breakout (LBO), so as to enable data alone to be the subject of a separate contract with an alternative provider while roaming.

Several of the steps required by the new regulation were progressive in nature or were designed to be introduced at a specific date in the future.

In particular:

- the new retail caps established a downward glide-path with headline reductions in caps from 35 euro cents (in 2012) to 19 euro cents (from 1 July 2014) for voice (calls made), from 11 euro cents (in 2012) to 6 euro cents (from 1 July 2014) for SMS, and from 70 euro cents (in 2012) to 20 euro cents per MB of data, also from 1 July 2014; this glide path is resulting, even at the caps, in substantial reductions in roaming tariffs for consumers - until recently, BEREC roaming data collection reports showed prices as staying close to the caps but the most recent report shows that prices for data are on average significantly below the current data cap of 50 cents per Megabyte;
- the Regulation was applied through an Implementing Act introduced by the Commission in December 2012, which was complemented by subsequent BEREC guidelines on the structural solutions required by Article 4 and 5 of the regulation providing for appropriate technical solution(s) to separate roaming from domestic services which were published on 5 July 2013;
- As envisaged in the Regulation, the chosen technical solutions comprised one that required the separate sale of all roaming services (voice, SMS and data) by 1 July 2014, which BEREC after consultation determined to be the "Single IMSI" technical solution as well as a "data only" solution which was termed "Local Data Breakout".

- In addition, on 27 September 2012, BEREC published its guidelines on wholesale roaming and resale access, as required by the Regulation, which set out the requirements for the wholesale access reference offer which MNOs were required to have in place by 1 January 2013;
- the timescale for review of the Regulation by 2016 allowed sufficient time to make an initial assessment of the success of the technical solution(s) to facilitate competition through decoupling roaming from domestic services, and to bring down mobile roaming prices to levels which are close to domestic tariffs.

Notwithstanding the timetable for review of the existing roaming regulation, in August 2013, revised proposals on international mobile roaming were included in the Commission's Connected Continent legislative proposals (mentioned in paragraph 1.1.2) which were designed to complement the current roaming regulation.

These proposals aim to incentivise operators to offer "Roam Like at Home" (RLAH) pricing by potentially exempting them from the structural solutions under the roaming regulation if they introduce such pricing by 1 July 2014 or gradually under two other scenarios. These would involve in summary either a glide path relating to the number of tariffs and the percentage of customers using such tariffs or applying RLAH pricing to an increasing number of EU countries covering an increasing percentage of the EU population.

Under the proposal, if the operator has received a decoupling request by the start of 2014, the exemption from the structural solutions would not apply for a transitional period of three years.

In addition, the Commission proposes to abolish all incoming cross-border charges by 1 July 2014 and to put back the planned 2016 review of the regulation to 2017.

At the time of writing (November 2013), the potential impact of these proposals was being evaluated.

There were other notable international developments on mobile roaming in 2013:

In February 2013, the New Zealand Ministry of Business, Innovation and Employment (MBIE) published a report prepared jointly with Australia's Department of Broadband, Communications and the Digital Economy (DBCDE) on trans-Tasman roaming services. The report recommends increased powers for regulators in both countries to intervene in the mobile roaming market.<sup>19</sup>

The report recommended that the New Zealand and Australian regulators:

- collect and report regularly on wholesale and retail price trends for trans-Tasman roaming, with appropriate protections against the disclosure of confidentially sensitive information;
- expand the remedies available to the New Zealand and Australian regulators for investigations into trans-Tasman roaming services, to include: wholesale regulated terms of access; wholesale price caps; retail price caps (preferably opt-in); and mobile local-access obligations.

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<sup>19</sup> New Zealand Ministry of Business, Innovation and Employment & Australian Government Department of Broadband, Communications and the Digital Economy, *Trans-Tasman roaming*, Final Report, February 2013

This follows up the draft report<sup>20</sup> which was issued by the Australian and New Zealand governments in August 2012 following a joint investigation into trans-Tasman mobile roaming charges. The report found that government action was required to enable prices for international roaming between New Zealand and Australia to continue to fall.

In addition, an OECD paper published in June 2013 on “International Mobile Roaming Agreements”, explored principles that could form the basis of good practices in the establishment of international mobile roaming agreements between two or more countries.<sup>21</sup>

### **Traffic management and net neutrality**

The ‘net neutrality’ debate (whether, and where, there should be a principle of non-discrimination of internet traffic across networks) has continued to occupy regulators and governments across the world, with focus particularly on questions of discrimination and transparency.

Guidelines and rules have been adopted in various countries in recent years - the [Canadian](#) and [Norwegian](#) regulators both set out guidance in 2009. In 2011 the Singaporean regulator published a net neutrality policy framework<sup>22</sup> and the Korean Communications Commission published Guidelines for Net Neutrality and Internet Traffic Management.

The US Federal Communications Commission adopted [open internet rules](#) in December 2010. In 2012 it established an Open Internet Advisory Committee (OIAC) to track and evaluate the effects of these rules and in August 2013 the OIAC published its [first annual report](#), looking at the areas of economic Impacts of Open Internet Frameworks, the mobile ecosystem, specialised services and transparency. Also, in 2013 Verizon brought a case against the Open Internet Order to the US Court of Appeals with the underlying issues being Verizon’s claim that FCC does not have authority to regulate the Internet.

In three countries, the principle of net neutrality has been enshrined in law – the 2010 Chilean net neutrality law was followed in 2013 by legislation in the Netherlands and Slovenia which prohibited differentiation of data traffic and prevent operators from charging consumers separately for the use of certain services and applications while using an internet access service.

While NRAs in Europe continue to monitor these issues, the focus of the debate has now shifted to provisions in the European Commission’s Connected Continent legislative proposals (mentioned in 1.1.2 above) on the open Internet and traffic management. Under the proposals, ISPs would be prohibited from blocking or slowing down of Internet traffic, except where necessary to apply reasonable traffic management measures. The exceptions would include traffic management to comply with a legal order, to ensure network integrity and security, to combat spam, and to minimise congestion, provided that equivalent types of traffic are treated equally.

The proposals would also enshrine in EU law a user’s right to be “free to access and distribute information and content, run applications and use services of their choice.” These net neutrality rules are likely to be one of the more contentious areas of the legislative package.

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<sup>20</sup> New Zealand Ministry of Business, Innovation and Employment & Australian Government Department of Broadband, Communications and the Digital Economy, *Trans-Tasman roaming*, August 2012

<sup>21</sup> OECD (2013), “International Mobile Roaming Agreements”, OECD Digital Economy Papers, No. 223, OECD Publishing. <http://dx.doi.org/10.1787/Sk4559f2bn51-en>

<sup>22</sup> IDA, *Decision issued by the Info-Communications Development Authority of Singapore: Net Neutrality*, 16 June 2011

## International postal activities

The Commission Decision of 10 August 2010 established the [European Regulators' Group for Post \(ERGP\)](#), enabling the creation of a body of regulatory knowledge and advice for use by NRAs or by the Commission. This Decision established four tasks for the ERGP:

- To advise and assist the Commission in consolidating the internal market for postal services.
- To advise and assist the Commission on any matter related to postal services within its competence.
- To advise and assist the Commission in the development of the internal market for postal services and on the consistent application in all member states of the regulatory framework for postal services.
- To consult, in agreement with the Commission, extensively and at an early stage, on its expert work with market participants, consumers and end-users in an open and transparent manner.

Over the past three years, subgroups of the ERGP have worked on the following topics:

- The allocation of postal operator costs.
- The Universal Service net cost calculation and evaluation of a reference scenario.
- End user satisfaction and monitoring of postal markets.
- Cross border services.
- End to end Competition and Access Regulation including access to elements of postal infrastructure.

So far, the Group has produced final reports on quality of service and end-user satisfaction, complaints handling, market indicators and their methodology, common cost allocation, the VAT exemption as it applies to the postal sector and on the net cost of USO calculation and the evaluation of a reference scenario. Normally these reports are subject to consultation in draft form before being published on the ERGP's web site. In addition, during 2013, the ERGP sub group on cross-border services prepared internal advice to the Commission on how to analyse cross-border parcels delivery markets and a state of play report on end to end competition. The ERGP held two Plenary meetings of the NRA Heads in June and November including a workshop to brainstorm ideas for the 2014 work programme.

As well as the ERGP, a number of other international bodies are active in the postal sector. The [Universal Postal Union \(UPU\)](#), a UN body, is the primary forum for cooperation between member states concerning postal services, with a particular focus on operational standards and remuneration of delivery costs for international mail through the terminal dues system. The UPU has 189 member countries. and aims to ensure a network of up-to-date products and services, fulfilling an advisory and liaison role and giving technical assistance where needed.

In 2012, the UPU held its 24th Congress in Doha, Qatar, at which the Doha four-year Postal Strategy was adopted, elections were held and decisions were taken on the terminal dues arrangements for remuneration of the delivery of cross-border mail in developed and



developing countries. The decisions of the Congress are now being taken forward by the Council of Administration and other relevant committees of the UPU.

The [Committee of European Postal Regulators \(CERP\)](#) brings together representatives from the regulatory authorities from 64 states, including EU Member States, candidate countries, the EEA and other eastern European countries. It has two working groups, one dealing with postal policy and the other working on UPU issues.

In January 2013 the European Commission launched a Green paper on “An Integrated parcel delivery market for the growth of e-commerce in the EU.”

This paper examined the evolution of e-commerce and delivery markets in Europe and considered ways of stimulating online cross-border transactions by ensuring that the cross-border parcels delivery arrangements meet the needs of consumers and e-retailers. The Green Paper posed a number of questions and sought views from interested parties on; consumer information needs, transparency of delivery options, how to create more effective partnerships within the delivery chain, and in particular whether the existing regulatory and legal frameworks are adequate to support an integrated parcels delivery market within the EU. In Autumn 2013, the Commission was considering publishing a follow up e-commerce roadmap to follow up the high number of responses it received to its Green Paper.

In addition, in September 2013, the European Commission published the results of two postal studies, the first on “Main developments in the postal sector (2010-2013)” carried out by WIK Consult and Jim Campbell. This study contains a detailed analysis of sectoral and regulatory developments and associated recommendations relating to postal regulation. It is designed to inform the 5<sup>th</sup> Application report on the Postal Directive 2008/6/EC which the Commission is due to publish in January 2014. This is a report required by the Directive itself which is designed to give an indication of the Commission’s future regulatory priorities for the sector in the light of the experience of the Third Postal Directive.

The second study was on “E-commerce and delivery – Study on the state of play of EU parcels market with particular emphasis on e-commerce” by Copenhagen Economics. This study has delivery as its particular focus and examines user needs in respect of e-commerce, gaps in meeting those needs in the areas of information, service and performance and possible ways to bridge these gaps.

#### **1.8.4 Promoting effective and sustainable competition**

##### **Next-generation access networks**

Telecoms operators in Europe, Asia and the US continue to face a common challenge of upgrading networks to make use of more efficient technologies, including fibre, and migrating from traditional transmission standards designed in the world of the public switched telephony network (PSTN) to standards used to route data via internet protocol (IP). Many operators have now migrated their backbone to next-generation networks (NGNs) by overlaying and upgrading their legacy backbone PSTN networks with a single IP-based network. Developments in regions such as Latin America, Africa and the Arab States, have been slower but are following a similar trend. The introduction of next-generation access (NGA)<sup>23</sup>, typically although not universally based on fibre-optic technology, has been more uneven.

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<sup>23</sup> NGA can be understood as new physical infrastructure relying on new access network technologies enabling a significant improvement in the broadband experience for end-users, through combinations of: higher bandwidths; more equal upstream and downstream bandwidths; and more reliable, higher quality services

In Europe, Asia and the US, there is a broad consensus that the accelerated roll-out of NGA networks is a desirable goal, but there are a variety of approaches to reaching that goal.

In the EU, NGA policy is continuing to be underpinned by the European Commission's ambitious Digital Agenda targets - by 2020, every EU citizen should have access to 30 Mbps, and 50% should have access to 100 Mbps. In 2013, the Commission has continued to look at how to encourage increased NGA investment, focusing on ways to reduce the cost of rolling out such networks and setting out its thoughts on increasing regulatory consistency and certainty for the sector. The Commission is seeking to achieve these objectives using the variety of (regulatory) tools at its disposal:

- The Commission's *Connected Continent* legislative proposals contain proposals concerning the (Europe-wide) availability of harmonised wholesale access inputs to facilitate the provision of pan-European broadband services by pan-European operators. Once adopted, this requirement would be binding on all Member States (and thus NRAs).
- In September 2013, the Commission also adopted its Recommendation on consistent non-discrimination obligations and costing methodologies<sup>24</sup>. The specific objectives of this recommendation are two-fold. On the one hand, it aims at promoting further competition in the provision of broadband services by ensuring that alternative operators are on a level playing field with incumbent firms. On the other hand, it also aims at improving the broadband investment conditions by encouraging the price regulation of new (wholesale) NGA services only when the prices of such services are not constrained by other means.
- The Commission is also continuing its work on a draft Regulation containing measures designed to reduce broadband roll-out costs. Reaching the Digital Agenda targets will require rolling-out new broadband infrastructure and/or upgrading existing connections. The Commission recognises the fact that civil engineering costs account for up to 80% of the cost of installing broadband networks and its draft Regulation includes provisions which would help decrease this significant upfront expense faced by all networks operators. The draft Regulation is addressed not only to telecommunication network providers but to "any owner of physical infrastructures, such as electricity, gas, water and sewage, heating and transport services suitable to host electronic communication network elements". The Regulation is being discussed among Member States in European Council meetings and the European Parliament will vote on its report on the Regulation by the end of February 2014.

BEREC agrees that regulatory certainty and consistency are crucial in order to foster a competitive environment for long-term investment in NGA. In this vein, in 2013 BEREC adopted its revised broadband common positions which capture the best practice regulatory approaches that NRAs are encouraged to use if (and when) they are required to regulate wholesale NGA services. Consistent with its duties, in 2013 BEREC also provided a formal Opinion on the aforementioned Commission Recommendation on consistent non-discrimination obligations and costing methodologies. BEREC supports the Commission's view that it is crucial that the promotion of new investment in NGA is not pursued at the expense of the competitive gains made over the last decade. The comments and proposals it included in its opinion were aimed at ensuring that the final Recommendation is as effective a regulatory intervention as possible.

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<sup>24</sup> [http://ec.europa.eu/governance/impact/ia\\_carried\\_out/docs/ia\\_2013/c\\_2013\\_5761\\_en.pdf](http://ec.europa.eu/governance/impact/ia_carried_out/docs/ia_2013/c_2013_5761_en.pdf)

Currently, BEREC is providing its technical experience and expertise to the various European Institutions as the draft Regulation on the Connected Continent is being considered.

With regard to approaches being taken in other parts of the world, many governments published national broadband plans, as detailed in the 2011 [OECD report on National Broadband Plans](#)<sup>25</sup>. Most of these include targets related to levels of geographic coverage, adoption, and minimum or average transmission speeds.

In Australia, Brazil, Luxembourg, New Zealand, Singapore and South Africa, the government has created a new state-owned operator in order to participate directly in the construction of broadband networks.

Singapore aims to be one of the first to deliver a metropolitan fibre network to the home, with speeds of up to 1GB by the end of 2012, and it met its initial coverage target of 95% in June 2012. The NGNBN (Next-Generation National Broadband Network) is accessible to retail service providers on an open access basis at prices regulated by IDA, the national regulator.

Some countries, such as Chile and Norway, have used public-private partnerships (PPPs) as an appropriate vehicle for interventions. Most OECD countries, however, have chosen not to become involved in the direct supply of telecommunications, preferring to set the regulatory framework and to provide targeted economic support through a variety of forms of public investment.

Australia and New Zealand have both reconsidered their legal and regulatory frameworks in order to meet their NGA goals. The Australian Parliament passed the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Act in November 2010, to facilitate the achievement of its national broadband network (NBN) project. Construction of the NBN began in 2010, with completion of the FTTP roll-out planned by June 2021, along with completion of the fixed wireless and satellite roll-out by 2015. However, changes to the National Broadband Network plan are expected from the new Coalition government which, prior to the general election, had proposed shifting the NBN's main means of delivery from FTTP to fibre to the node (FTTN). The government will announce its plans after conducting a series of enquiries to assess the potential costs of implementing changes to the plan.

In New Zealand, a number of measures have been introduced by the government and by the Commerce Commission to support the deployment of fibre to the premises, including the continuing use of operational separation.

The Japanese and South Korean governments have developed national strategies for the provision of high speed broadband, involving nationwide NGA roll-out. These involve a mixture of incentives for operators, including some public support such as seed funding and soft loans. They have also encouraged infrastructure-based competition, which has been particularly successful in South Korea, where there are now three competing providers of broadband internet with nationwide NGN / NGA networks. However, other circumstances and characteristics of the Japanese and South Korean markets have proved very favourable to NGA roll-out, including population density and favourable planning rules.

There are a number of NGA initiatives in China – the main one being its “Broadband China, Fibre Cities” project, a five-year plan to extend FTTH infrastructure across the country to over 40 million users. New regulations intended to accelerate FTTH roll-out, and to enable a level playing field for China's broadband operators, came into effect in April 2013, and are

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<sup>25</sup> OECD, *Working Party on Communication Infrastructures and Services Policy: National Broadband Plans*, 15 June 2011

expected to boost the overall development of the country's fibre broadband industry as well as attract investment of up to 1tn yuan (US\$160bn).

### 1.8.5 Providing appropriate assurances to audiences on standards

#### Connected TV and convergence

In Europe, the [Audiovisual Media Services \(AVMS\) Directive](#) is the common framework for the regulation of television and video-on-demand (VOD) content (but not for radio). The Directive sets out common minimum rules for television content, including on the protection of minors, incitement to hatred, advertising, and the promotion of European works. It also ensures that pan-European broadcasters have to comply only with a single set of rules; those of the country in which they are established (the country of origin).

Regulators in Europe continue to work on implementation at national level, and to co-operate regionally in a number of fora, for example at the European Platform of Regulatory Authorities (EPRA). EPRA meets twice a year to consider key issues for content regulators; for example, the scope of the AVMS Directive in relation to VOD, and how regulators determine jurisdiction in cases where services are received in one country but regulated elsewhere (in the EU or beyond).

In Europe and elsewhere in the world, two key challenges for public authorities in terms of content regulation continue to be the online protection of children and the convergence between traditional broadcast content and content delivered over the internet (including over connected TVs).

#### Convergence and the Future of Content Regulation

Audio-visual media convergence raises many questions for regulators because, in this environment, different types of content are subject to different regulatory regimes, but the consumer may no longer distinguish between them. In this context, discussions arise about the best way to protect consumers, both from potentially harmful content, and in terms of their data security, and how to regulate material originating from outside national jurisdictions. Broadcasters, meanwhile, focus on issues such as ensuring non-discriminatory access to infrastructure, technical standards, and new forms of advertising and content funding.

Audio-visual convergence was high on the policy agenda in Europe throughout 2012 and this continued to be the case in 2013, as EU Member States anticipated and then prepared responses to the long-awaited publication of a Green Paper by the European Commission [‘Preparing for a Fully converged Audiovisual World: Growth, Creation and Values’](#). The Green Paper asked a number of questions covering areas such as: viewer expectations and audience protection, European works, competition between players, scope and jurisdiction, and network capacity.

In the UK, Ofcom has conducted in-depth research into the connected TV market to understand how it is developing and what regulatory challenges it may pose in the future, and in its [response to the European Commission](#) has built on this work to outline what it considers to be the priorities for any review of the current regulatory framework to take account of convergence. These include modernising the audience protection and assurance regime for television content, more effective approaches to protecting people online, supporting viewing and investment in public service content, and promoting effective competition in content markets.

The European Commission received over 200 responses to its consultation and is now in the process of reflecting upon these: the key question to answer will doubtless be whether the

AVMS Directive – which underpins audio-visual regulation in Europe – requires review or remains fit for purpose given the changing technological environment.

In Europe only in France have there been concrete proposals to extend regulation to cover internet content beyond that falling under the scope of the AVMS Directive as “on demand”. Following a process initially launched at the government’s behest in 2011 the French audio-visual regulator, CSA, published proposals in January 2013 to adapt the French audio-visual law to fit the current media landscape. Key proposals include: co-regulation of online video content (including user generated content) with providers being responsible for day to day enforcement and the CSA acting as a backstop and reviewing whether certain actors in the connected TV value chain (in particular online video providers) should still be subject to exemptions from secondary liability for illegal content under the EU e-Commerce Directive.

Outside of Europe, there are signs that several other countries are also turning their attention towards convergence and its impact on regulation, such as the US, Singapore, the Russian Federation, South Korea and Canada. Discussions seem increasingly to focus on how far the scope of content regulation can or should be extended to the internet and how such regulation can be practically enforced; any attempts to extend regulation tend to be couched around the protection of minors.

However, the Australian Government appears to have shelved the plans it outlined in a Convergence Review published in 2012, which was one of the first moves towards proposing a wholesale review of content regulation to reflect the realities of convergence. However, there are ongoing active discussions on the subject, illustrated by [regular reports](#) by the Australian Communications and Media Authority (ACMA) on “broken concepts” in the regulatory framework.

### **Online protection of minors**

In recent years, child online protection<sup>26</sup> has moved higher up the international policy-making and regulatory agenda. There is an emerging debate about self-regulatory models, media literacy,<sup>27</sup> and the role that various participants in the internet value chain should be asked to play in preventing access to harmful activities, and in creating a safer and better online offering for children. The discussions are increasingly linked to the questions around the convergence of broadcast and online content technologies, a notable example being a report published in 2012 by the CSA in France, on the protection of minors in a converged environment, proposing the creation of a single authority across all media, and promoting the use of age-based rating systems, parental control tools, and media education and awareness.

The European Commission continues to pursue approaches to protecting children online through a number of measures, including initiatives such as the [Safer Internet Programme](#), which is due to conclude in its current form this year. The initiative has focused on promoting self-regulation, particularly through the establishment of the ‘Coalition to make the Internet a better place for kids’, made up of industry stakeholders. The Coalition established working groups to deliver five objectives: simple and robust reporting tools for users; age-appropriate privacy settings; wider use of content classification; wider availability and use of parental controls; and effective take-down of child abuse material. In early 2013, The Coalition

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<sup>26</sup> The term child online protection in this case relates to the protection of minors (traditionally meaning, in regulatory terms, broadcast content-related rules for the protection of young viewers) in the online space. In many countries, the broadcast related rules for minors are only applicable to broadcast-like services online and not all video and content services online.

<sup>27</sup> Ofcom defines media literacy as: “the ability to access, understand and create communications in a variety of contexts”.

published its [recommendations and commitments](#) on each of the five work streams, and a number of members also made individual commitments.

In parallel, in May 2012, the Commission published a Communication setting out a [European Strategy for a Better Internet for Children](#), containing eight key policies and outlining the steps that the Commission, Industry and member states should take to help achieve them.<sup>28</sup>

One interesting initiative has been the collaboration by the British Board of Film Classification (BBFC) and Dutch regulator NICAM and others on an international tool to enable members of the public to age-rate user-generated video content online across different territories and platforms. It covers areas such as violence, language and discrimination, and applies different national ratings according to the location of the user. It is intended for non-professional and non-commercial content, is easy to fill in and takes less than a couple of minutes to complete. It will help parents make decisions about what they and their children watch online and will be piloted in Italy later this year.

Meanwhile, the ITU continues to implement its Child Online Protection initiative, which was launched in 2008. In its latest phase, the ITU has set up a group (SG17) to investigate the possibility of developing international telecommunications standards to protect children from online threats.

Focus in the US has moved towards privacy, with the FTC proposing amendments in 2012 to the Children's Online Privacy Protection Rules, to significantly tighten the regulations on what data can be collected on children. The amended regulations came into force on 1 July 2013.

In the UK in October 2013 [Ofcom published new research](#) on children and parents' media use and attitudes online, as part of its media literacy research programme.<sup>29</sup>

### Parental controls

In the UK: The government published its long awaited Communications strategy document, 'Communication, Content and Consumers', in July 2013, outlining its proposals for 'default on' network level online parental controls. A role has been suggested for Ofcom to assess and report on how the ISPs have implemented the measures.

In Germany: Providers of content that is potentially harmful to minors are subject to protection obligations under the German regulations, which can be met by providing parental controls. In February 2012, KJM, the co-regulator for the protection of minors, approved two such filters: systems provided by Jusprog and Deutsche Telekom, which in 2013 were to cover content for viewers aged above 18.

In Italy: In 2012, the Italian regulator, AGCOM, adopted [interpretative guidelines](#) on the application of a co-regulatory code on parental controls, clarifying the application of the film rating system and the access control mechanisms for linear and non-linear services offered by pay-TV channels. The code requires opt-out controls using a PIN, and information to be provided about the controls and content classifications. In 2013, a technical board set up by the AGCOM Council defined the technical requirements for these access controls and AGCOM put into place a set of detailed obligations specifically for the parental control mechanisms for on-demand content which might seriously impair the physical and moral development of minors, elaborating on the classification criteria that can be used to identify such content. Providers of on-demand services subject to the AVMS Directive must now

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<sup>28</sup> European Commission, *European Strategy for a Better Internet for Children*, 2 May 2012

<sup>29</sup> Ofcom, *Children and parents: media use and attitudes report*, 23 October 2012

ensure technical measures are in place to ensure that access to content is provided only to adults (via the use of a code).

In France: Having adopted an age classification system for VOD content in December 2010, with associated scheduling restrictions and signing, the CSA strengthened these rules in 2012, outlining additional locking requirements for access to programmes prohibited to under-18s.

### Preventing access to child abuse images

The European Parliament adopted in late 2011 the [Directive on Sexual Exploitation of Children](#), which contains one provision whereby Member States can take measures to block access to websites with child abuse content, subject to safeguards. The Directive is to be implemented by December 18 2013.

### **Media pluralism and political communications**

2013 also saw the emergence of a lively debate within Europe about Media Pluralism and the role of national regulatory authorities, sparked by a [report by a High Level Group \(HLG\)](#) of Experts for the European Commission. The Commission conducted consultations on the HLG's recommendations and separately on proposals to introduce a requirement for independence of audio-visual regulatory bodies. The debate has focused on whether there is a greater need for harmonisation of rules on media pluralism at the European level, or whether such matters are properly handled at national level.

The work coincided with a number of European regulators making changes to their domestic provisions for political advertising and broadcast content. Ofcom published [new rules](#) in March on Party Political Broadcasts and Italy, in the run up to elections in February, implemented legislation that ensures equal coverage of political parties in news and current affairs programmes and sets out rules for political advertising.

### **1.8.6 Promoting the efficient use of public assets**

The use of spectrum, in delivering critical services across a diverse range of users and consumers, continues to increase. The pressures on this finite resource are ever more apparent in today's information-hungry society. As the use of spectrum does not recognise international borders, there exists a formal framework of co-operation between countries. This minimises cross-border interference between an increasing range of wireless applications, including mobile telephony, broadcasting, maritime and civil aviation. This can help countries achieve seamless use of wireless services at a European, or even global, level. In addition, the harmonisation of spectrum can help to create economies of scale which translate to lower prices for citizens and consumers.

Three key international structures co-ordinate spectrum at the European and international levels:

- the European Union, supported by the [Radio Spectrum Committee](#)<sup>30</sup> and the [Radio Spectrum Policy Group](#)<sup>31</sup>;
- the [CEPT/ECC](#),<sup>32</sup> which has a broader membership (than the EU) with 48 member states; and

<sup>30</sup> [http://ec.europa.eu/information\\_society/policy/ecomm/radio\\_spectrum/eu\\_policy/rsc/index\\_en.htm](http://ec.europa.eu/information_society/policy/ecomm/radio_spectrum/eu_policy/rsc/index_en.htm)

<sup>31</sup> <http://rspg.groups.eu.int/>

<sup>32</sup> <http://www.cept.org/ecc>

- the [International Telecommunications Union \(ITU\)](http://www.itu.int/ITU-R/)<sup>33</sup>, which defines the global framework for spectrum use in the Radio Regulations. This is a UN treaty, revised approximately every four years at the [World Radiocommunications Conference](http://www.itu.int/ITU-R/index.asp?category=conferences&rlink=wrc&lang=en)<sup>34</sup> (WRC).

### **Radio Spectrum Committee (RSC)**

The RSC is responsible for the development of technical implementing decisions to ensure harmonised conditions across Europe for the availability and efficient use of radio spectrum. It is composed of Member State representatives and chaired by the European Commission (EC). Its measures are binding on Member States.

As part of its remit, the EC may issue mandates to the European Conference of Postal and Telecommunications Administrations (CEPT) for the development of technical implementing measures that can ensure harmonised conditions for the availability and efficient use of radio spectrum. These mandates specify the task to be undertaken and the timeframe in which they should be achieved.

The Committee exercises its function through the comitology process which allows the EC to discuss its proposals with national administrations before implementation to ensure that any measure is optimised to the various national situations.

The RSC meets four times a year to discuss technical implementing measures.

### **Radio Spectrum Policy Group (RSPG)**

The RSPG is a high-level advisory group assisting the EC in the development of radio spectrum policy. As part of its advisory function, the RSPG consults extensively and in a forward-looking manner on a variety of technological, market and regulatory developments relating to the use of radio spectrum in the context of relevant EU policies such as electronic communications and the information society, as well as other sectors and activities such as transport, research and development, or health. Such consultations are conducted with the objective of involving all relevant stakeholders, radio spectrum users, both commercial and non-commercial, as well as any other interested party. In addition, most of the deliverables of the RSPG are subject to formal public consultations.

Its members are representatives of Member States and the EC. Representatives of the EEA countries, the candidate countries, the European Parliament, the European Conference of Postal and Telecommunications Administrations (CEPT) and the European Telecommunications Standardisation Institute (ETSI) attend as observers. It is chaired by a senior member of MS administrations.

The RSPG meets three times a year.

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<sup>33</sup> <http://www.itu.int/ITU-R/>

<sup>34</sup> <http://www.itu.int/ITU-R/index.asp?category=conferences&rlink=wrc&lang=en>





## Radio Spectrum Policy Programme (RSPP)

At the European level, an important piece of spectrum policy was implemented; the RSPP was formally adopted in March 2012. This is the result of at least two years of negotiation between EU member states, the European Commission, the European Council of Ministers and the European Parliament, and it sets out some fundamental spectrum policy objectives across all 28 EU member states. It calls for concrete actions to meet the objectives of EU policies; for example, contributing to the functioning of the internal market for wireless technologies and services. A number of these RSPP actions will contribute to the goal set out in the European Commission's Digital Agenda programme of high speed broadband for all by 2020. Delivery of wireless broadband will also form an important part of that programme.

More immediate actions detailed within the RSPP are for member states to authorise the use of the following frequency bands, by specific dates, all of which have been allocated for high-speed electronic communication services in the EU. These bands will be critical for the delivery of wireless/mobile broadband across member states;

- Harmonised bands at 900/1800 MHz, 2.5-2.69 GHz, 3.4-3.8 GHz, by the end of 2012; and the 800 MHz band, by 1 January 2013, except in case of individual derogation obtained before that date.

Additional specific actions, by 2015, by the Commission and through consultation with member states, include:

- ensuring that at least 1200 MHz of harmonised spectrum be identified for wireless data traffic by mid 2013 at the latest, defining the details for the EU's radio spectrum inventory to allow for an analysis of the efficiency of spectrum use, particularly in the 400 MHz to 6 GHz range;
- the wider adoption of spectrum trading throughout the EU;
- harmonised spectrum for the development of the internal market for wireless safety services and civil protection;

- spectrum access opportunities for wireless innovation, through the use of spectrum sharing;
- the use of wireless innovations so that Europe can contribute to a low-carbon society; and
- finding appropriate spectrum for wireless microphones and cameras (PMSE).

### **World Radiocommunication Conference (WRC)**

The last World Radiocommunication Conference (WRC) was held in early 2012 and the results of that conference were highlighted in our last [report/ICMR]. Work is already underway to prepare for the next WRC<sup>35</sup> which will be held in late 2015. That conference will be addressing a wide range of spectrum harmonisation decisions, including:

- future spectrum requirements for mobile broadband
- finalising the potential for mobile services to make use of the 700 MHz band;
- to review the regulatory conditions for Public Protection and Disaster Relief (PPDR) ;
- additional spectrum for satellite services to align use in some bands across the globe
- spectrum allocations for; new aviation services and short range radar ; and
- to consider the use of non aeronautical spectrum for Remotely Piloted Aircraft Systems (RPAS).

The UK, via representation by Ofcom, participates at both the European preparatory level and in the international process, where the proposals for these agenda items are discussed and agreed. At this present time: discussions are at an early stage, with no definitive decisions taken on any of the proposals.

CEPT continues its programme of work on a wide range of spectrum areas. This will include responding to specific tasks, that it will be mandated to undertake, to assist in the delivery of the actions detailed in the RSPP. These actions will be taken by the Radio Spectrum Committee of the EC as noted earlier.

### **1.8.7 Contributing to, and implementing, public policy defined by Parliament**

#### **Online copyright infringement**

The protection of copyright online is at the forefront of debates around the creation and distribution of online content in many countries.

At the EU level, the European Commission has a variety of ongoing initiatives in this area. In December 2012 it [announced](#) that it had agreed on a process to “modernise the copyright framework” which will consist of two tracks. The first of these - a ‘stakeholder dialogue’ due taking place throughout 2013 - will pave the way for the second track, which will consist in the preparatory work for possible legislative initiatives to be taken forward by the new European Commission following the elections in 2014.

<sup>35</sup> <http://www.itu.int/ITU-R/index.asp?category=conferences&rlink=wrc&lang=en>  
Ofcom is not responsible for the content of external websites

In addition, the Commission and European Parliament are pursuing a number of other initiatives in the field of intellectual property. In December 2012, the Commission launched a [stakeholder questionnaire](#) on intellectual property enforcement, which ran until March 2013. The Commission issued a [roadmap](#) in March 2013 in which it pledged to assess the results of the questionnaire before deciding whether to revise the Intellectual Property Rights Enforcement Directive (IPRED). A proposed [Directive](#) on collective rights management is currently being debated in the European Parliament and Council. The proposal aims to encourage multi-territorial licensing of musical works by collecting societies representing rights holders.

In parallel, a number of national legislative and non-legislative initiatives have focused on online copyright infringement.

**UK:** the Digital Economy Act (DEA) 2010 requires Ofcom to make an ‘Initial Obligations’ Code to regulate the process by which ISPs will notify subscribers when somebody using their IP address appears to have infringed copyright. In June and July 2012, Ofcom consulted on both [the draft Code](#) and the implementation of the Government’s [Costs Sharing Order](#), which requires Ofcom to set fees payable to ISPs and Ofcom by rights holders who wish to take advantage of the notification scheme. To come into force, the draft Code needs to go to Brussels for a review under the Technical Standards Directive before being laid before Parliament alongside the costs sharing order. Ofcom has reduced its work on implementing the Digital Economy Act pending Government resolution of issues relating to its Cost Sharing Order.

**France:** the government has taken steps to reform its framework for tackling online copyright infringement. Following recommendations made in a government-commissioned report published in May 2013, the Ministry of Culture and Communications announced that HADOPI, the body responsible for enforcing France’s ‘graduated response’ programme will be abolished, and its duties will be transferred to the CSA. The government hopes to implement the merger, along with a series of digital content policy reforms in 2014.

**Italy:** in July 2013, the communications regulator AGCOM ran a 60 day consultation on a draft Regulation on online copyright. As well as proposing a series of self regulatory measures to promote online platforms, the Regulation sets out a “notice and takedown” framework, whereby AGCOM would be empowered to ensure that website operators remove infringing material in the event that the operators don’t respond to rights holder complaints.

**Spain:** in September 2013, Spain passed a new law aimed at reinforcing its framework for enforcement against online copyright infringement. The new law complements the Sustainable Economy Law which was adopted in March 2011 and created an Intellectual Property Commission (“IP Commission”) within the Ministry of Culture. The IP Commission is empowered to order the suspension of a website or the withdrawal of infringing website content, as well as to conduct dispute resolution between ISPs, rights holders and broadcasters. The 2013 law implements criminal fines for companies that advertise on infringing sites, and will establish an “electronic edicts board” on the IP Commission’s website to allow for streamlined rights holder notifications.

**United States:** a voluntary “six strikes” scheme known as the Copyright Alert System (CAS) was launched in February 2013. The measure, which was established through an agreement between US rights holders and ISPs, consists of ISPs sending up to six electronic warnings notifying subscribers of alleged copyright infringement. Some ISPs have agreed to take certain mitigation measures, such as bandwidth throttling, if the alleged infringement continues after a final warning has been received.

**New Zealand:** the Copyright (Infringing File Sharing) Amendment Act, which provides for a 'three strikes' graduated response scheme came into effect in September 2011. Since January 2013, a number of cases were processed by the Copyright Tribunal, to which rights holders can submit complaints against users who continue to infringe after receiving three notices.

**South Korea:** changes to the Korean Copyright Law in 2009 introduced a 3 strikes-based notice and takedown scheme that targets commercial websites offering unauthorised content as well as individuals who egregiously upload infringing content to these sites.

**Canada:** Bill C-11, or The Copyright Modernisation Act, which adds new rights and exemptions to the Canadian Copyright Act, received royal assent in June 2012.