Introduction

This is Ofcom's seventh annual review of communication markets in Scotland, offering an overview of the take-up and use of communications services across the nation.

In last year's review we reported that Scotland was falling behind the rest of the UK in communications activity, particularly in the take-up of broadband. This year's report paints a different picture, with some evidence that Scotland is now on more of a level footing with the other nations in the UK.

Broadband take-up has risen seven percentage points since last year, and while still below the overall UK figure, Scotland is now on a par with both Wales and Northern Ireland. Smartphone take-up remains below the UK average, but in Scotland last year the rate of growth outstripped that of the UK as a whole, with the increase most marked in urban areas. There were similar signs of catch-up in the use of mobile phones to access the internet – the rate of increase between Q1 2011 and Q1 2012 was rapid, with the proportion increasing from 21% to 31%. This has been accompanied by a sharp and significant increase in use of social networking sites in Scotland.

The report also provides evidence that people in Scotland put a high value on their communications devices. Consumers in Scotland said that they were less likely to cut spend on communications services compared to other areas of spending. Consumers there were also much more satisfied than they were last year with the speed of their fixed broadband service. This year, satisfaction has increased significantly by 12 percentage points, returning to the same level of satisfaction as in 2009.

In terms of broadcasting, the 2012 report illustrates the continuing trend of increased network production in Scotland, with first-run productions accounting for 4.9% of UK first-run expenditure.

For the first time we provide research on the postal market, following the responsibilities given to Ofcom in the Postal Services Act 2011. In Scotland, fewer consumers (51%) claim to send items of post regularly than the UK average of 58%. This year we also report in greater depth on the factors underlying the low level of broadband take-up in Glasgow, which was evident in last year's *Communications Market Report*.

Contents

Introduction		1
Setting the scene		3
Key facts about Scotland		3
1	Scotland’s communications market	5
1.1	Introduction and key findings for Scotland	5
1.2	Fast facts for Scotland	8
1.3	Scotland’s communications market and the economy	9
1.4	Analysis of fixed broadband take-up in Glasgow	14
2	Television and audio-visual content	17
2.1	Recent developments in Scotland	17
2.2	Digital television take-up in Scotland	18
2.3	Smart TV and HDTV adoption	20
2.4	Broadcast television viewing	21
2.5	TV programming for viewers in Scotland	25
2.6	Gaelic language programming	29
2.7	PSB television quota compliance	30
3	Radio and audio content	33
3.1	Recent developments in Scotland	33
3.2	Radio service availability	34
3.3	Digital radio set ownership	35
3.4	Patterns of listening to audio content	35
3.5	The radio industry	37
4	Internet and web-based content	39
4.1	Broadband take-up in Scotland	39
4.2	Internet-enabled devices	41
4.3	Internet use	42
5	Telecoms and networks	45
5.1	Recent developments in Scotland	45
5.2	Availability of broadband services	46
5.3	Mobile coverage	50
5.4	Service take-up	52
5.5	Satisfaction	54
6	Post	57
6.1	Introduction	57
6.2	Sending and receiving post in Scotland	57
6.3	Use of stamps in Scotland	59
6.4	Attitudes towards the postal service in Scotland	60

Setting the scene

Key facts about Scotland

Figure	Scotland	UK
Population	5.222m (mid-2010 estimate)	62.262m (mid-2010 estimate)
Age profile	Population aged <16: 17.5% Population aged 65+: 16.8%	Population aged <16: 18.6% Population aged 65+: 16.6%
Population Density	67 per sq km	257 people per sq km
Language[1]	92,400 people aged 3 and over (1.9 per cent of the population) had some Gaelic language ability in 2001.	n/a
Unemployment	8.0% of the working age population	8.3% of the working age population
Income and expenditure	Weekly household income: £669 Weekly household expenditure: £447	Weekly household income: £699 Weekly household expenditure: £466

Source: Office for National Statistics: Region and Country Profiles, Key Statistics - February 2012; Office for National Statistics: Family Spending 2011 edition.
[1]2001 Census; Gaelic Report

A note on our survey research

We conducted a face-to-face survey of 3,772 respondents aged 16+ in the UK, with 449 interviews conducted in Scotland. Quotas were set and weighting applied to ensure that the sample was representative of the population of Scotland in terms of age, gender, socio-economic group and geographic location.

Fieldwork took place in January and February 2012.

Respondents were defined as urban if they lived in a settlement with a population of 2000 or more, and rural if they lived in areas with smaller populations.

The survey sample in Scotland has error margins of approximately +/- 3-4% at the 95% confidence level. In urban and rural areas, survey error margins are approximately +/-4-6%.

In addition to the survey data, this report refers to information from a range of other sources, including data provided to Ofcom by stakeholders.

Tables summarising the data collected in our survey are published on Ofcom’s website.

1 Scotland's communications market

1.1 Introduction and key findings for Scotland

Introduction

This section sets out a selection of the key facts and figures relating to communications markets across Scotland in 2012, comparing and contrasting between nations and highlighting changes that have taken place in the past year.

Key findings for Scotland

Communications services during the economic downturn

- **People in Scotland say they are less likely to cut back on spending on communications services (47%) if forced to make savings,** compared to the UK average of around half (52%) of adults.

- **When asked to choose which communication service they would cut, people in Scotland are most likely to select pay-TV services (16%) or mobile phone calls/texts (16%).** This is in line with the UK average.

- **Around half of adults in Scotland (54%) say they more likely to put off purchasing a mobile phone** and carry on using the old one to save money. This is similar to the UK average.

TV and audio-visual content

- **People in Scotland watch more television than the UK average**. In 2011 the average time spent watching TV per day was 4.5 hours in Scotland, compared to 4 hours per day for the UK as a whole.

- **Satellite and DTT television remain the most widely-used platforms in Scotland**. Satellite television take-up on the main TV set increased by five percentage points year on year, to stand at 44% of TV homes in Scotland. It has higher penetration in rural areas of Scotland (54%), where cable services have lower availability.

- **Almost half (47%) of homes in Scotland claim to have HDTV channels**, five percentage points above the UK average of 42%. HDTV take-up is particularly high in Scotland's rural areas, where over half (53%) of homes claim to have HDTV channels. The higher take-up in Scotland's rural areas is likely to be related to the greater use of satellite television.

- **Four per cent of TV households in Scotland own a smart TV**, on par with the UK average of 5%.

- **Spend on first-run originated programming for Scotland by the BBC and STV has declined** over a five-year period by 24%. This compares to the UK average 30% decrease by the BBC and ITV1/STV/UTV combined.

- **Awareness of BBC ALBA has increased since its move onto Freeview in June 2011.** Research shows that weekly reach amongst the Gaelic community averaged

76% between September and November 2011, while among the Scotland-wide population, weekly reach averaged 12.4% during the same period. This represents 510,000 viewers, well above the number of Gaelic speakers in Scotland.

Radio and audio content

- **Adults in Scotland listen to the least radio per week.** Average weekly radio listening among adults in Scotland in 2011 stood at 21.4 hours, the lowest across all of the UK nations.

- **Adults in Scotland are more likely to listen to commercial radio.** Local and national commercial stations accounted for 53% of listening share, the highest in all the UK nations and 10pp higher than the UK average.

Internet and web-based content

- **Broadband take-up[1] in Scotland increased to 68%.** The rise was driven by increased take-up of both fixed (increasing from 57% to 64%) and mobile (increasing from 9% to 12%) broadband between Q1 2011 and Q1 2012.

- **Only one in three (33%) households in Scotland earning less than £17.5k per year have broadband internet access, i**n contrast to the rest of the UK where more than half (56%) of the equivalent households have taken up broadband.

- **Eleven per cent of households in Scotland own a tablet computer, on par with the UK average.**

Broadband take-up in Glasgow

- **Total broadband take-up[2] in Scotland reached levels comparable with Northern Ireland and Wales in Q1 2012.** Past *Communications Market* reports have revealed low broadband take-up in the Greater Glasgow area, although this year take-up in this area has increased from 50% to 60%. We undertook further analysis to explore take-up in the city of Glasgow.

- **In 2011, 50% of adults in the city of Glasgow had fixed broadband,** according to the British Population Survey (January to September 2011 fieldwork)**.** This was the lowest take-up of all the Great Britain (GB) cities we analysed, as well lower than the GB average of 76%[3].

- **The demographic profile of Glasgow explains only in part the lower fixed broadband take-up.** Fifty-nine per cent of people in Glasgow are classified as 'hard-pressed'. This compares to the GB average of 22%. However, a comparison of take-up by age and socio-economic group with the GB average shows that demographic differences are not sufficient to explain in full the lower take-up in Glasgow.

- **Broadband take-up in Glasgow is lower than expected among those in C2 and DE households when compared to the Great Britain average.** Forty-seven per cent of those in C2 households have fixed broadband, compared to the GB average

[1] Broadband is defined here as fixed and/or mobile broadband.
[2] Total broadband is defined here as fixed and/or mobile broadband, sourced from Ofcom's technology tracker.
[3] As reported by the British Population Survey January to September 2011.

of 72%. Thirty six per cent of people in DE households have fixed broadband in Glasgow city, against the GB average of 56%.

Telecoms and networks

- **Satisfaction with the speed of fixed broadband services increased significantly in Scotland in the year to Q1 2012.** Eighty-five per cent of fixed broadband users were happy with the speed of their service in Q1 2012, up from 73% a year previously.
- **The proportion of people in Scotland who used a mobile handset to access the internet increased in the year to Q1 2012.** Thirty-one per cent of people in Scotland said that they used a mobile phone to access the web in Q1 2012, up from 21% a year previously, although this was still lower than the UK average of 39%. Over the same period smartphone penetration in Scotland rose from 21% to 32%.
- **Household fibre-to-the-cabinet availability in Scotland was the lowest among the UK nations in March 2012, at 10%.** This was 21 percentage points lower than the UK average (31%).
- **Forty-two per cent of homes in Scotland could access superfast broadband services by March 2012.** This was the second lowest proportion across the UK nations after Wales, where 34% of homes were able to access these services.
- **Post-pay contracts became the most common way to purchase mobile services in Scotland in the year to Q1 2012**. In line with the overall UK trend, many pre-pay mobile phone users in Scotland are migrating onto monthly contracts, and in the year to Q1 2012 the proportion of connections that were pre-pay fell to 44%, lower than the proportion that were pay-monthly contracts.

Post

- **People in Scotland send the lowest average number of letters and cards per month.** Adults in Scotland claim to send and average of 2.5 letters and cards per month, lower than the UK average of 3.1.
- **Almost half of consumers in Scotland use First Class stamps all the time.** This is despite the fact that only a minority say their mail has to arrive the next day, with 16% saying that all of their mail needs to arrive the next day and 22% saying that most of it does.
- **Adults in Scotland are more likely than those in other UK nations to send emails rather than letters.** Four in ten adults in Scotland agree that they prefer to send emails rather than letters whenever possible, which is a slightly higher proportion than agree with this across the UK (38%) and a much higher proportion than in Wales (27%) and Northern Ireland (30%).

Media literacy

- **People in Scotland are more likely to miss TV than other communications services.** When asked which medium they would miss the most, half of all adults in Scotland (49%) say television, as with the UK overall (46%). Around one in five adults in Scotland say they would miss their mobile phone the most (18%), with slightly fewer (13%) saying they would miss using the internet via a computer/ laptop.
- **Compared to all UK internet users, those in Scotland are less likely to have suffered negative online experiences in the last 12 months (52% vs. 66%).**

1.2 Fast facts for Scotland

Figure 1.1 Fast facts for Scotland

	UK	England	Scotland	Wales	Northern Ireland	UK urban	UK Rural	Scotland urban	Scotland rural
Digital TV take-up among TV homes	98 ↑+2	97	99	99	91-	97 ↑+2	98 ↑+4	99	98
Broadband take-up	76	78	68- ↑+7	68-	69-	76	77	67- ↑+7	76 ↑+8
Mobile broadband take-up	13	13	12	16	7-	13	10	11	17
Mobile phone take-up	92	93	85-	92 ↑+5	93	92	92	84-	89
Use mobile to access internet	39 ↑+7	40 ↑+6	31- ↑+10	39 ↑+14	35 ↑+6	39 ↑+5	35 ↑+12	30- ↑+9	32- ↑+7
Smartphone take-up	39 ↑+12	40 ↑+11	32- ↑+14	39 ↑+14	34 ↑+13	39 ↑+12	37 ↑+10	33 ↑+16	32- ↑+9
Fixed landline take-up	84	85	82	80	84	83	91+	81	87
Households taking bundles	57 ↑+4	58 ↑+4	47-	47-	51- ↑+5	57 ↑+3	56 ↑+11	45-	57 ↑+16
DAB ownership amongst radio listeners	38	40	29-	29-	22-	38	41	27-	39 ↑+7
Smart TV ownership among TV homes	5	5	4	3	4	5	4	4	4
Tablet computer take-up	11 ↑+9	11 ↑+9	11 ↑+10	8 ↑+6	9 ↑+7	11 ↑+9	11 ↑+9	11 ↑+10	10 ↑+7
E-reader take-up (personal use)	10 ↑+7	10 ↑+7	8 ↑+6	13 ↑+10	8 ↑+5	11 ↑+8	15+ ↑+12	8 ↑+7	11 ↑+8
Fixed telephony availability	100	100	100	100	100				
Fixed broadband availability[1]	99.98	100.0	99.87	100.00	100.00				
LLU availability[2]	92	93	84	88	79				
Cable broadband availability[3]	44	47	35	23	29				
FTTC broadband availability[4]	31	33	10	17	87				
Superfast broadband availability[5]	60	62	42	34	94				
2G mobile availability[6]	99.7	99.8	99.2	99.2	98.7				
3G mobile availability[7]	99.1	99.7	97.0	97.6	88.3				
DTT availability[8]	97	98	99	98	66				
TV consumption (hours per day)[9]	4.0	3.6-4.5	4.5	4.4	4.2				
Radio consumption (hours per day)	3.2	3.2	3.1	3.3	3.2				

Key: +Figure is significantly higher than UK average; -Figure is significantly lower than UK average;
↑+xx *Figures has risen significantly by xx percentage points since 2011*

Source: Ofcom research Q1 2012, BARB, RAJAR, Industry data.
Base: All adults aged 16+ (+ (n = 3772 UK, 513 Wales, 2251 England, 500 Scotland, 508 Northern Ireland, 2731 UK urban, 1041 UK rural, 1963 England urban, 288 England rural, 264 Scotland urban, 236 Scotland rural, 249 Wales urban, 264 Wales rural, 255 Northern Ireland urban, 253 Northern Ireland rural)
Notes: BARB data based on all individuals (aged 4+). PSBs = BBC One, BBC Two, ITV1, C4, Five. RAJAR data based on all adults (aged 16+). PSBs = all BBC radio. National data based on TSA's of BBC Radio stations of respective nations.
1. Proportion of premises able to receive ADSL broadband services based on data reported by BT
2. Proportion of households connected to an LLU-enabled exchange
3. Proportion of households passed by Virgin Media's broadband-enabled network; excludes homes where Virgin Media is not also able to provide fixed voice and pay-TV cable services.
4. Ofcom estimate of the proportion of households able to receive FTTC services
5. Ofcom estimate of the proportion of households able to receive superfast broadband services
6. Proportion of premises that have outdoor 2G mobile coverage from at least one operator
7. Proportion of premises that have outdoor 3G mobile coverage from at least one operator
8. Availability of 17 services. Ofcom estimates.
9. These figures are based on the share of viewing to the main five PSB channels only. It is not possible to provide a single figure for 'England' so instead a range is displayed reflecting the regions with the highest and lowest figures respectively.

1.3 Scotland's communications market and the economy

Introduction

Since the last *Communications Market Report* was published in August 2011, the UK economy has officially fallen back into recession. This section explores the impact on attitudes towards spending on communications services in the context of the economic downturn. It summarises the findings of an omnibus survey commissioned in February/ March 2012[4].

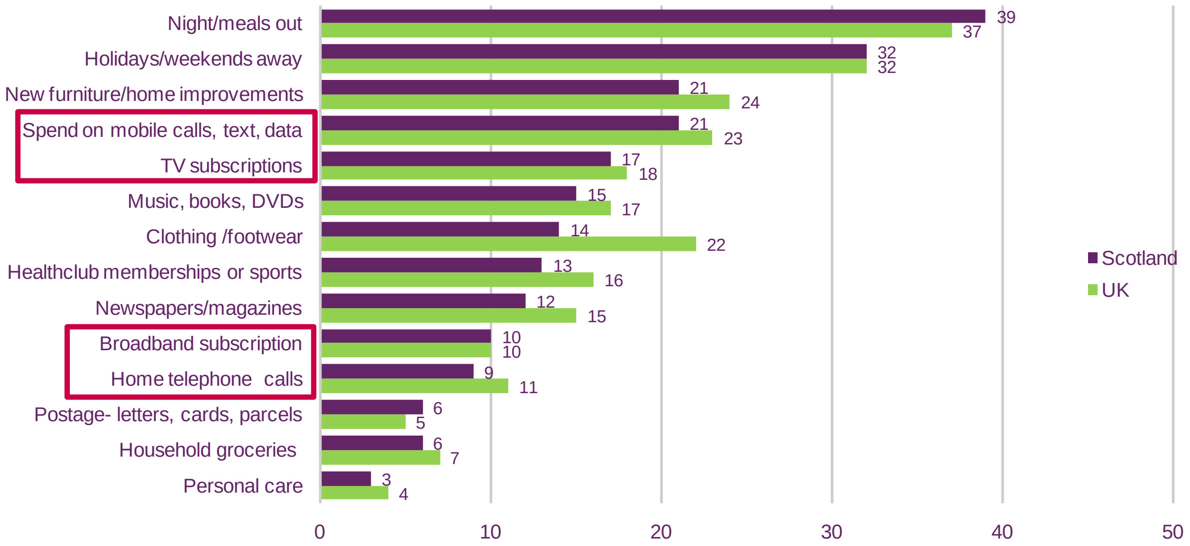
Consumers in Scotland say they are less willing to cut back spending on communication services, compared to other expenses

Our research shows that consumers value communications services more than other items, as the economic downturn continues.

Figure 1.2 shows that if forced to reduce spending, consumers in Scotland are more likely to cut back on items such as nights out (39%) or holidays/weekends away (32%), than on communications services. This compares to 21% saying they would cut back spending on mobile phone calls, texts and data.

[4] The research was carried out among 2124 UK adults aged 16+ in a face-to-face survey.

Figure 1.2 Items and services where consumers would be most likely to cut their spending



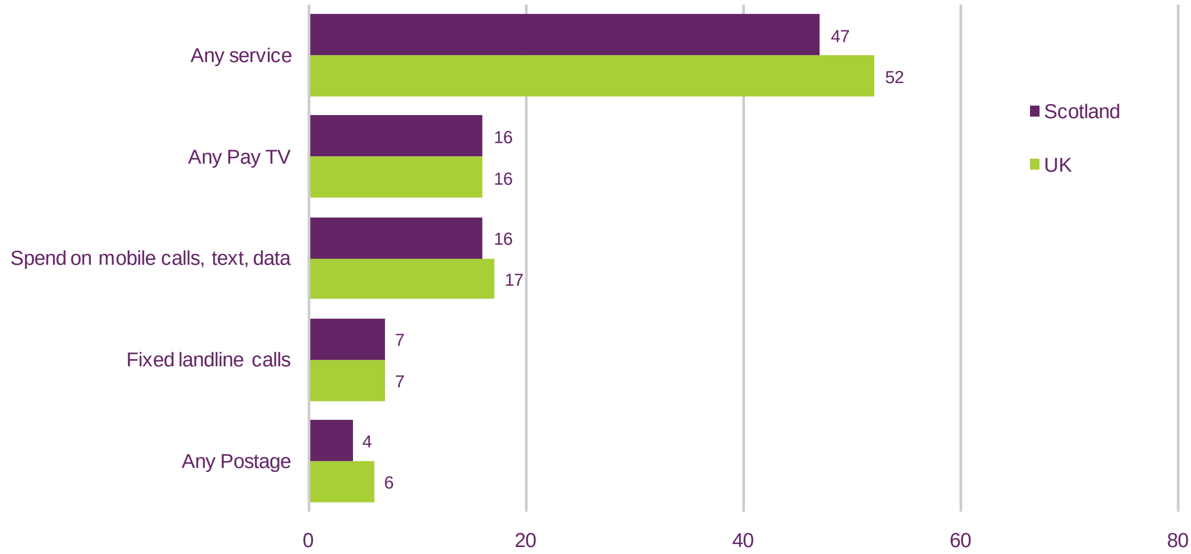
Source: Ofcom Attitudes toward spending research, 2012
Base: All adults aged 16+ (n=2124 UK, 1726 England, 182 Scotland, 99 Wales, and 117 Northern Ireland)
Q: If you were forced to cut back spending, which of the following items/services would you be likely to spend less on? (Multichoice)

Fewer people in Scotland say they would cut spending on communications services if they were forced to, compared to the UK average

When asked whether they would make cuts on any communications services, 47% of people in Scotland said they would. This is lower than the UK average of 52%. It is also lower than in all the other nations.

People in Scotland are most likely to cut spending on pay TV and on mobile telephone calls, text and data than on other communication services. Sixteen per cent say they would cut spending on each of these in Scotland, the same as the UK average.

Figure 1.3 Single most likely communications service to cut spending on



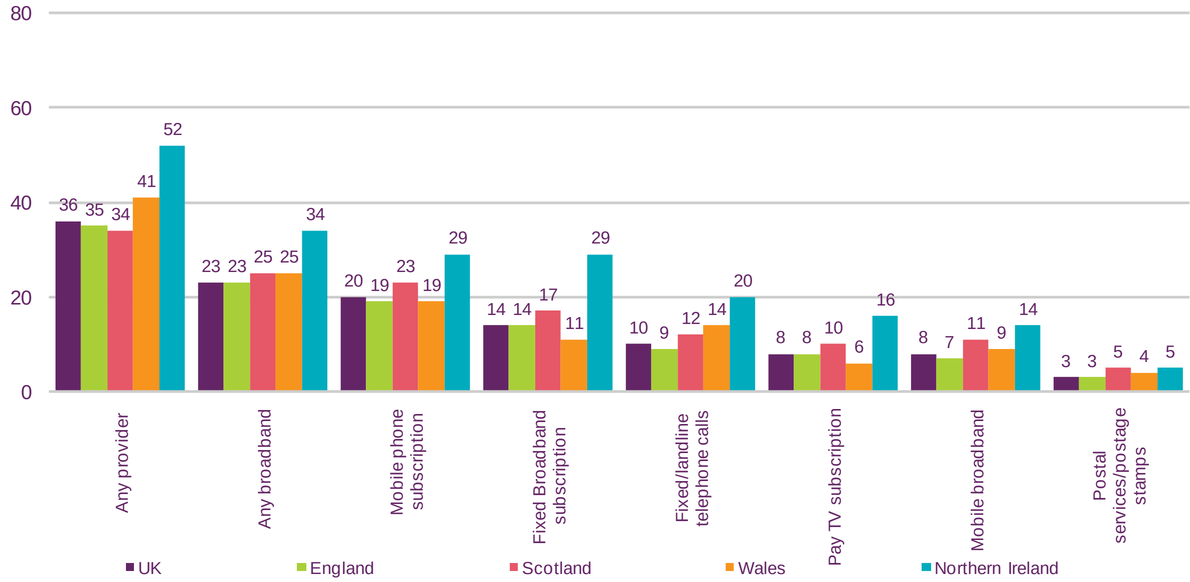
Source: Ofcom Attitudes toward spending research, 2012
Base: All adults who have a named service (n=2059 UK, 1662 England, 181 Scotland, 99 Wales, and 117 Northern Ireland)
Q: And which ONE of the following services would you be MOST LIKELY to cut back spending on? (Single choice)

Around one third of people in Scotland say they are likely to shop around for communication services

Around a third (34%) of people in Scotland say they are more likely to shop around for communication services than a year ago. This is in line with the UK average (36%).

They are most likely to shop around for broadband services (25%), and mobile phone services (23%), also similar to the UK averages of 23% and 20% respectively.

Figure 1.4 Services consumers are more likely to shop around for than a year ago



Q12: And which of the following are you MORE LIKELY to shop around for than you were 12 months ago? (Multi choice)
Source: Ofcom Attitudes toward spending research, 2012
Base: All adults aged 16+ (n=2124 UK, 1726 England, 182 Scotland, 99 Wales, and 117 Northern Ireland)

Consumers in Scotland say they are less likely to make changes in spending on communications services than the UK average

Consumers were asked about how their attitudes to spending on communication services may have changed in the economic downturn.

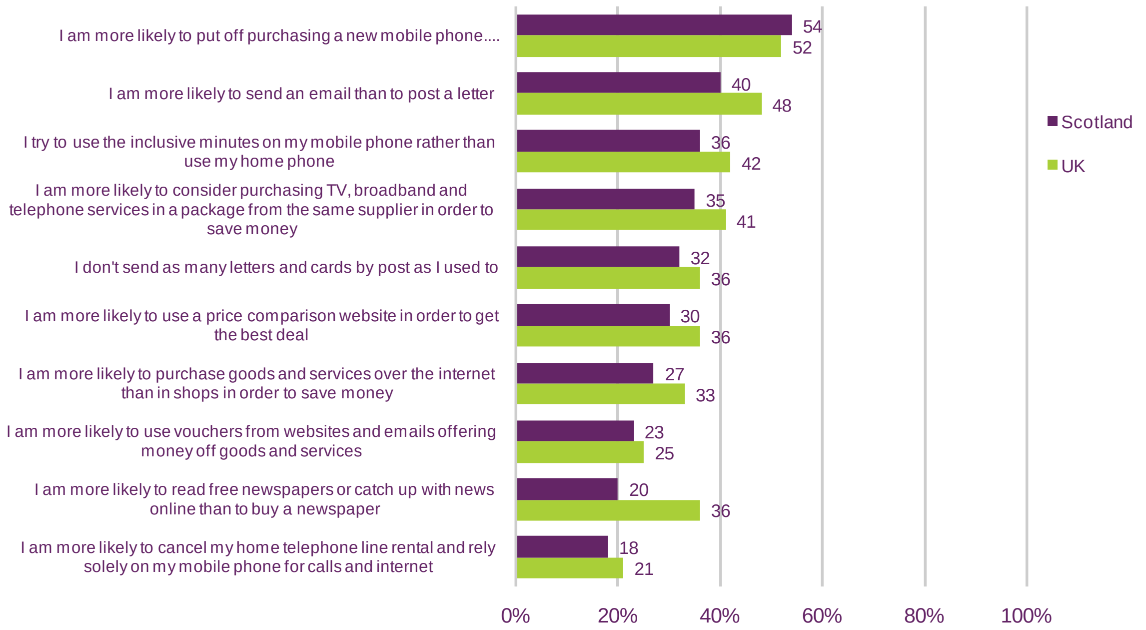
Just over half (54%) of people in Scotland are likely to put off buying a new mobile phone and will continue to use their old handset. This is broadly the same as the UK average (52%).

But overall, people in Scotland are less likely to say they have made (or intend to make) changes in spending on communications services, compared to the other nations in the UK and the UK average.

For example, around one third (32%) of consumers now send fewer cards and letters than they used to, and 40% would now send an email rather than post a letter, lower than the UK averages of 36% and 48% respectively.

About one third (36%) try to use the inclusive minutes on their mobile rather than use their home phone. This is lower than the UK average of 42%.

Figure 1.5 Consumers' attitude to spending on communication services in the economic downturn

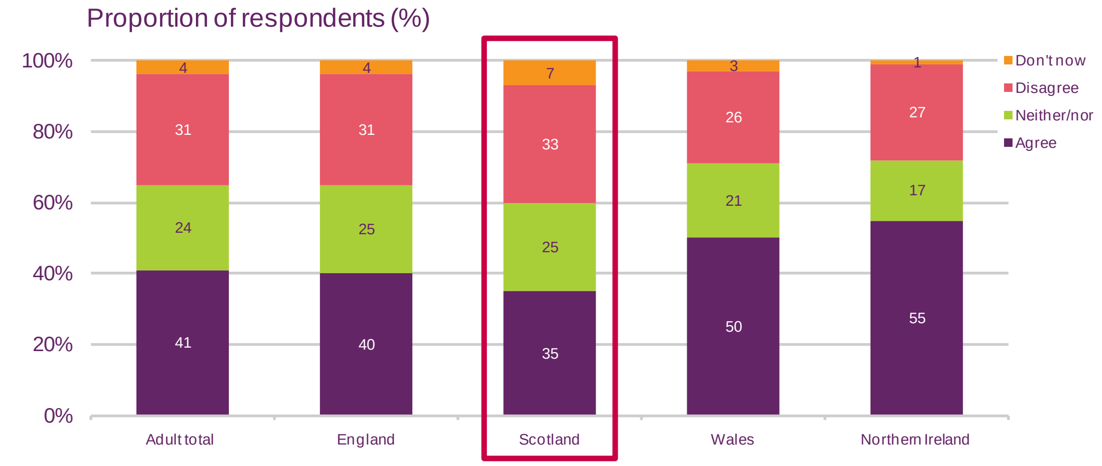


Q: Here are some things other people have said about how the economic down turn has changed their spending on TV, broadband, mobile and land telephone services. Please tell me to what extent you agree or disagree with the following statements
Source: Ofcom Attitudes toward spending research, 2012
Base: Adults in Scotland 16+ n = 182

People in Scotland say they are less likely to consider taking communications services as a bundle to save money than in the UK overall

Thirty five per cent (35%) of consumers in Scotland agree that they would consider taking bundled communications services from the same supplier in order to save money. This is lower than in the UK overall (41%) and is the lowest likelihood for bundled services across the nations.

Figure 1.6 Consumers' agreement/disagreement that they are more/ likely to take communications services in a bundle



Source: Ofcom Attitudes to spending omnibus research, 2012
Base: total sample (n=2124) England (n= 1726), Scotland (n=182), Wales (n=99), Northern Ireland, (n=117)
Q: Please tell me the extent you agree or disagree with....' I'm more likely to consider purchasing TV, broadband, and phone services in a package from the same supplier as it offers better value for money'

1.4 Analysis of fixed broadband take-up in Glasgow

Introduction

In last year's report we found that broadband take-up in Scotland was lower than in any other UK nation. This year, we have found that Scotland has closed the gap (see section 4.1), and now has broadband take-up at a similar level to that found in Wales and Northern Ireland (based on quarter 1 2012 data).

Last year we also highlighted that broadband take-up was particularly low in the Greater Glasgow area (at 50%[5]). In order to be able to explore this in more detail Ofcom has undertaken analysis of broadband take-up in the city of Glasgow using the British Population Survey[6] (BPS) January to September 2011 fieldwork.

Methodology

The British Population Survey asks consumers about internet and fixed broadband take-up and comprises around 2,000 face-to-face, in-home interviews with adults (aged 15+) every week, allowing detailed regional and sub-demographic analysis. It covers Great Britain.

Using data from the British Population Survey (BPS), January to September 2011, analysis was undertaken on cities where the sample size was over 350 individuals. The total GB sample was 62,669 and the sample size in Glasgow was 594.

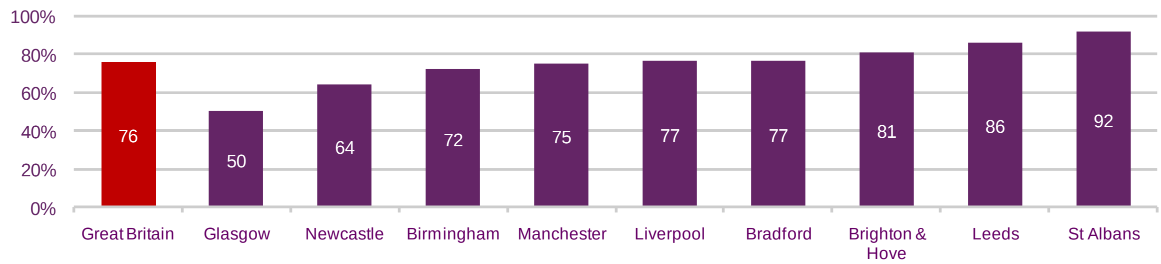
The analysis confirms Glasgow's low fixed broadband take-up

As the *Communications Market Report* highlighted in 2011 and 2010, broadband take-up is relatively low in Glasgow. Figure 1.7 shows that 50% of adults in the city of Glasgow have

[5] According to Ofcom's technology tracker Q1 2012, broadband take-up in Greater Glasgow has increased to 60% this year.
[6] British Population Survey http://www.thebps.co.uk/index.php

fixed broadband, compared to the GB average (as reported by the BPS for this period) of 76%. Fixed broadband take-up in Glasgow was, by some distance, the lowest of all of the cities we analysed.

Figure 1.7 Fixed broadband take-up, by city



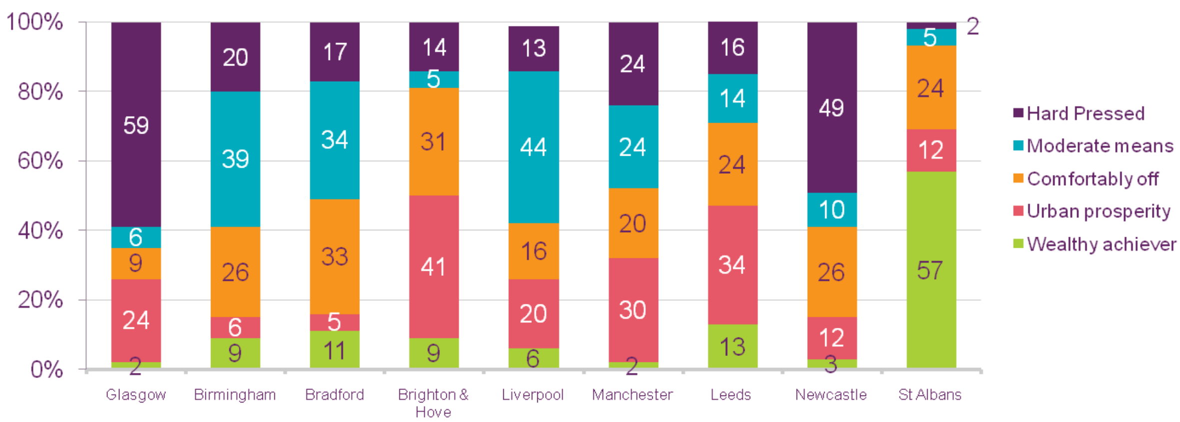
Source: British Population Survey, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 594 Glasgow)

Demographic differences go some way to explaining Glasgow's low fixed broadband take-up

We have applied CACI classifications[7] to the BPS data (Figure 1.8) to show that Glasgow's population is not typical of other cities in the UK. Six in ten (59%) adults in the Glasgow sample are classified as 'hard-pressed' by CACI.

This partly explains the lower level of broadband take-up, as we know from previous research[8] that those on low incomes are less likely to have broadband connections at home.

Figure 1.8 City demographic profile comparisons



Source: Ofcom analysis based on British Population Survey and CACI classifications, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 594 Glasgow)

But demographic differences alone are not sufficient to explain Glasgow's low fixed broadband take-up

Broadband take-up in Glasgow is lower than average among all age groups (Figure 1.9), so regardless of the age profile of the population of Glasgow, we would expect to see lower

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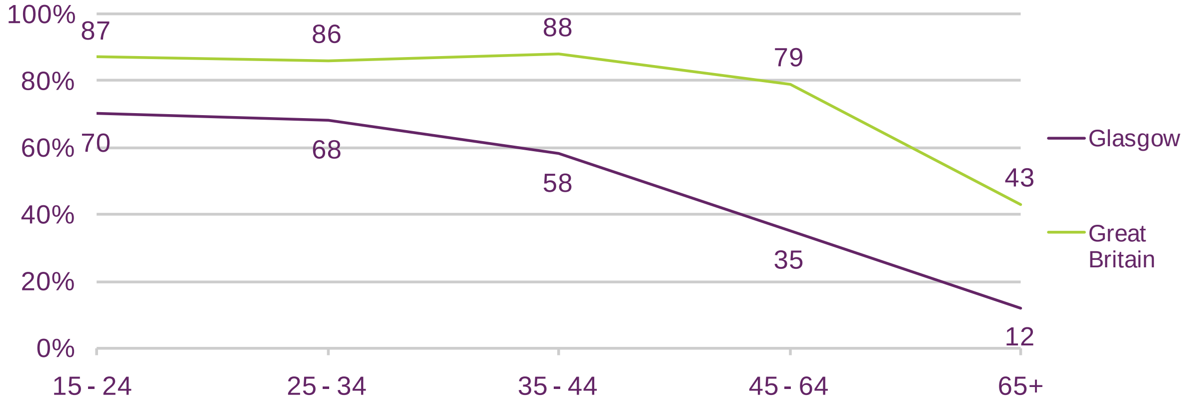
[7] http://www.caci.co.uk/639.aspx. CACI combines life-geographic and demographic information to categorise areas according to the attitudes and life-styles of the people living there.
[8] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/scotland/4.2

broadband take-up. Among the 45-64 year old population, broadband take-up in Glasgow appears to be particularly low relative to the GB figure (35% compared to 79% GB average).

Figure 1.9 Fixed broadband take-up, by age group



Source: British Population Survey, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 594 Glasgow)

Figure 1.10 shows that broadband take-up is also lower than average among all socio-economic groups in Glasgow. The difference is most marked among the C2 social group, where the average take-up of fixed broadband is 47% compared to the GB average of 72%.

Figure 1.10 Fixed broadband take-up, by socio-economic group

Source: British Population Survey, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 594 Glasgow)

This analysis confirms the lower take-up of fixed broadband in Glasgow compared to the GB average. Demographic differences go some way to explain lower take-up, but there is also direct evidence that Glaswegians are less likely to have broadband than the GB average, regardless of age and socio-economic group, with particularly low levels of take-up among 35-64 years olds and the C2 socio-economic group[9].

[9] For other research on offline consumers in Glasgow, see the Communications Consumer Panel a report (2012) http://www.communicationsconsumerpanel.org.uk/Bridging%20the%20gap%20and%20cover.pdf