



The Communications Market 2013

2 Comparative international pricing

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2.1 Comparative international pricing

2.1.1 Introduction

In this section of the report we compare the pricing of UK communications services to those in France, Germany, Italy, Spain and the US (where we have used Illinois because it is broadly representative of the US as a whole in terms of its relative wealth and rural-urban split).

We use a methodology which is based on the use of services by five 'typical' households. This methodology matches tariffs to usage requirements and has been developed in order to address the difficulties in comparing prices caused by service bundling, tariff complexity, differing usage profiles within countries and variations in averages across countries. It also takes into account the cost of installation and hardware (including subsidies) and bundle discounts, in order to reflect the full cost of ownership of the relevant services.

This section of the report includes an overview of our methodology (which is required in order to fully understand our findings), a summary of those findings by service, followed by analysis on a basket-by-basket basis. The full methodology can be found in Appendix B: comparative international pricing methodology.

The key findings of this section include:

- Prices in the UK compared favourably to those in the other five countries covered by our price benchmarking work in 2013: the lowest 'weighted average' single-service prices for three of the five baskets used in our analysis, and the lowest 'best-offer' prices for two baskets, were found in the UK.
- Italy also performed well, having the lowest 'best-offer' (including multi-play) prices for two baskets and the lowest 'weighted average' price for one basket.
- Low basket prices in the UK were largely due to lower mobile prices: the UK had four of the lowest 'weighted average' stand-alone prices and six of the lowest 'best-offer' prices for the eight mobile connections used in our analysis.
- The UK also benefited from low fixed broadband and fixed voice prices, having the lowest 'weighted average' and 'best-offer' prices for all three of the fixed broadband connections used in our baskets, and the lowest 'weighted average' prices for three of our four fixed voice connections.
- The main area where the UK did not perform well was HD premium pay-TV services (including a PVR), where single-service prices were the highest among our comparator countries (we note, however, that it is difficult to produce like-for-like comparisons of TV services, as the number of channels and the quality of the content included in each package varies considerably).
- In most of our comparator countries, it was cheaper for consumers to buy the combination of services that were required by baskets which include a fixed broadband connection as part of a bundle rather than on a stand-alone basis: the only occasion when this was not the case was for Basket 5 in the US.

2.1.2 Methodology

Full details of the methodology are provided in Appendix B: comparative international pricing methodology, but the basic principles are as follows:

We have constructed five household types, and for each of these have defined an appropriate basket of fixed-line voice, fixed broadband, mobile voice, mobile messaging, mobile broadband and TV services (Figure 2.1). When taken together, the usage patterns of these households are designed to be representative of average use across our countries, in order to address the potential for biases associated with the baskets being more closely aligned with the usage profiles of some countries than of others.

We have made some changes to the baskets used in the analysis this year in order to reflect changes in the use of communications services, including increasing levels of fixed and mobile data and SMS use across the baskets, and removing the mobile broadband (dongle) connection which was previously required by Basket 5.

Figure 2.1 Summary of households and baskets used in the analysis

'Typical household type'		Fixed voice	Mobile voice	Mobile messaging	Mobile data	Fixed line broadband	Mobile broadband	Television
1	A low use household with basic needs	Low use	Low use	None	None	None	None	Free-to-air
2	A broadband household with basic needs	Medium use	Low use	Low use	None	Low use	None	Free-to-air
3	A mobile 'power user'	None	High use	High use	High use	None	High use	Basic pay-TV with PVR
4	A family household with multiple needs	High use	Medium use	High use	Medium use	High use	None	Basic pay-TV with HD & PVR
5	An affluent two person household	Low use	High use	Medium use	Low use	Medium use superfast	None	Premium pay-TV with HD & PVR

Source: Ofcom

We include a wide range of variables within the services in each basket, so that they represent actual use by consumers. For example:

- Fixed and mobile call minutes are distributed by whether they are to fixed or mobile phones, by call distance (local, regional, national and a range of international destinations) and time of day (day, evening, weekend). Non-geographic calls are excluded from the analysis.
- Outgoing mobile calls (and messages) are split between 'on-net' and 'off-net', and voicemail is included.
- Call connection/set-up costs and per-minute charging are incorporated, and a range of call lengths are used (distributed around an average based on figures from 30 OECD countries).

- Incoming calls to mobile phones are included in recognition of the different charging mechanism in the US.
- The broadband components are defined by minimum data requirements, while the requirements for fixed broadband services also include a minimum headline speed.
- The television element includes the licence fee and hardware cost. Two tiers of pay-TV are considered: the most basic pay service available, over and above the channels available on free-to-air (FTA) TV, and a premium service defined as a top price film/entertainment package combined with the best package of top-tier football matches. Some baskets also have a requirement for HD channels and/or a DVR.

The cost of hardware (mobile handsets, broadband modems/routers, digital set-top boxes and DVRs) are included within our analysis and amortised over an appropriate period in order to attribute a monthly cost. This is necessary because this equipment is often inseparable from the service price, as operators frequently include subsidised or 'free' equipment (for example, a mobile handset or a WiFi modem/router), but seek to recoup the cost of these devices from subscriptions and service payments across the life of a contract. For similar reasons, we include connection and/or installation costs.

In July 2013, details of every tariff and every tariff combination (including bundled services) were collected from the largest three operators in each country by retail market share (and from more than three operators, if this was required to ensure that a minimum of 80% of the overall market was represented). Multi-play tariffs (i.e. those which incorporate more than one service) were also collected. Only those tariffs which were published on the websites of the operators were included (i.e. the analysis excludes bespoke tariffs which are offered only to certain customers).

Our model identified the tariffs that offer the lowest price for meeting the requirements of each of the household baskets, with all prices being converted to UK currency using purchasing power parity (PPP) adjustment based on OECD comparative price levels and exchange rates as at 1 July 2013.

Analysis

We provide two types of analysis for each basket:

'Average single-service' pricing: the price of each individual service, as defined by the average of the lowest price tariffs offered by the three largest operators which provide the service in each country, weighted by the retail market share of the service provider in order to ensure fair representation. We assume that consumers are only able to obtain stand-alone services, and although this provides a useful comparison of the relative costs of communications services, the limitations of this analysis are that an increasing number of providers do not offer stand-alone services, and as take-up of bundled services increases, single-service prices become relevant to fewer consumers. (Ofcom research data showing the take-up of bundles can be found in section 1.3 of this report).

'Best-offer' pricing: the lowest price that a consumer could pay for this basket of services, including, where appropriate, by purchasing 'bundled' services. Our view is that this type of analysis is essential in order to provide a true picture of the position of consumers in each market, since they increasingly buy multiple services from single operators. There are, however, two limitations to this type of analysis. First, 'bundled' service offerings are typically not available to all consumers as they are generally geographically constrained to areas where premises are connected either to a cable network or to an unbundled telephone exchange. Second, even in areas where these services are available, take-up may be low.

Therefore, although the 'best offer' provides insight into the lowest prices available to some customers, it may not be as good a reflection as the weighted average analysis of the prices that consumers are actually paying.

Limitations

We believe that a multi-platform, basket-based approach is the most useful way to compare international pricing of communications services. Nevertheless, there are some limitations to our methodology, and the following notes and caveats are important in interpreting the analysis below.

- The analysis assumes a rational consumer who has a full understanding of his or her usage requirements, and who is prepared to shop around and undertake some often quite complex calculations to identify the tariff which offers the best value. In reality, few consumers act in this way, and few will actually be on the lowest-cost combination of services for their usage profile, but we believe the assumption is necessary in order to provide effective international comparisons.
- In looking only at tariffs offered by the largest operators in each country, lower prices which might be available from smaller operators seeking to disrupt markets are not included, purely for practical reasons. Nevertheless, we believe that using the prices of the largest operators is appropriate, both because they are the best reflection of the general consumer experience and because their pricing both defines, and is defined by, the competitive environment in which they operate.
- Although we have been as comprehensive as possible, tariffs are often highly complicated and there are some components that we have been unable to incorporate into our model. For example, some benefits are available only to certain types of consumers, such as BT Basic in the UK, which offers lower-price line rental to low-income consumers.
- In order to calculate the weighted average, we have used market share calculations based on operators' retail customers. Market share calculations are based on the overall subscriber base, not the subscriber base for the particular tariff (for which figures were not available).
- Pay-TV services are a component of three of the baskets we examine. However, it has not been possible to compare like-for-like subscriptions, principally because of differences in the composition of basic and premium channels across the six countries. As a consequence, quantitative comparison of international TV pricing is arguably less meaningful than for telecoms services. This is also an issue in the pricing of 'triple-play' services, where there is wide variation in the types of TV content.
- For television services in some countries there are only two operators with nationwide coverage and/or significant market share (or only one, for some premium TV offerings). In these instances, we have identified the best-value tariff from each of them and calculated a blended average based on their market shares.
- To avoid 'skewing' the average single-service pricing analysis, tariffs that are over 100% higher than those offered by the lowest price provider are excluded from the weighted average (the aim here is to exclude tariffs which are clearly not targeted at the usage profile we are analysing).

- Some services are not available nationally and some providers operate only in certain areas. This is particularly true for services that are available only where local exchanges have been unbundled, and for IPTV, which requires a high-speed broadband connection, but is also true for cable TV and all types of broadband.
- We do not define whether the mobile phone component in a basket is pre-pay or post-pay. We believe this enables better international comparison, given the very different pre-pay/post-pay splits in different countries (for example, over 80% of Italian mobile connections are pre-pay, while over 80% of US mobile connections are post-pay). However, a consequence of this is that the analysis does not recognise the different characteristics of the services; for example, a pre-pay mobile may be the only option available to consumers with a poor credit rating and may also offer advantages to those who vary their use month by month.
- Representative pricing in the US as a whole is difficult, due to large regional variations as a result of local incumbent telecoms operators and cable operators offering localised prices for fixed-line services. We use only those tariffs available within the state of Illinois, chosen because it is broadly representative of the US as a whole in terms of its relative wealth and rural-urban split (it incorporates the city of Chicago as well as large agricultural regions). Nevertheless, US pricing should not be viewed as representative of the whole country.
- In order to ensure that the changes we identify within countries have been driven by changes in the market rather than simply by changes in the currency exchange rate, we have used the same PPP-adjusted exchange rate in 2013 and applied it to 2012 data. This means that there may be some distortions in the relative positions of countries compared to the findings in 2011. The prices quoted are in nominal terms.

Report structure

We start the analysis in this section of the report by looking at the individual components of our five baskets in order to compare the relative prices of services across these countries, both in terms of the lowest prices available when they are purchased on a stand-alone basis, and the 'weighted average' single-service cost across the largest operators in each market.

Then we look in more depth at the cost of fulfilling the requirements of each of our baskets in terms of the 'weighted average' cost across the three largest providers in each nation, and also the 'best prices' available when 'multi-play' bundles are included.

2.1.3 Analysis by service

Fixed voice summary

Figure 2.2 and Figure 2.3 look at the costs of the fixed-line voice components of those baskets that include a fixed-line phone, based on the price of stand-alone services (i.e. when a fixed line is not purchased with other services as part of a bundle).

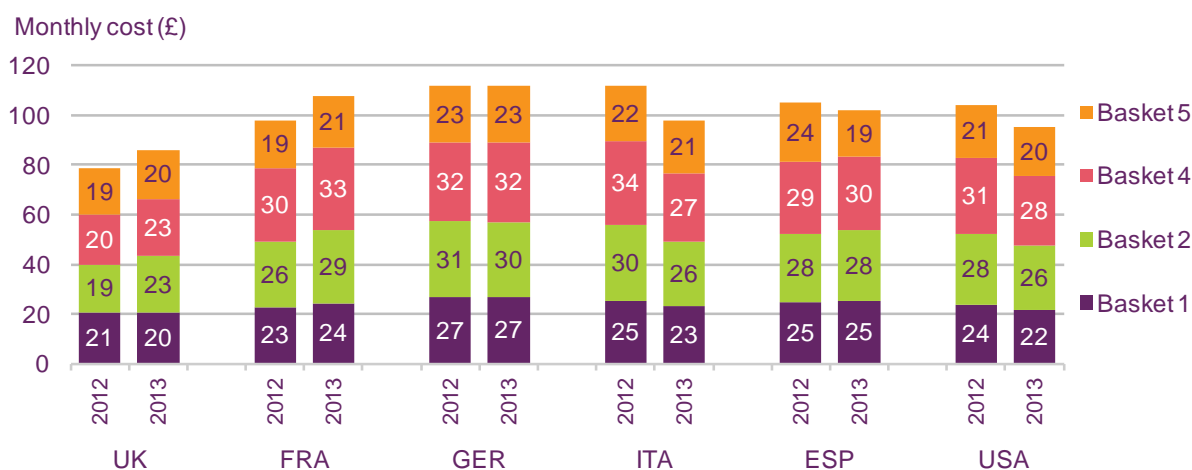
The UK had the lowest weighted average of the best-value tariffs (from the three largest operators) among our comparator countries, for three of the four baskets that include fixed voice services (Figure 1.2). One reason for this is the availability of line-rental pre-payment tariffs, which were offered by the providers whose tariffs fed into the UK weighted average in 2013, but were not available in any of the other countries included in our analysis. These tariffs enable customers to make savings of up to £5 a month on the line rental element of their service by paying a year up front, rather than a monthly line rental fee. When pre-payment tariffs are excluded from the UK weighted average calculations, the 2013 weighted

average price of the fixed-line element of the four baskets which include this service increase by around £4 each a month, and the total weighted average price of the fixed elements of these four baskets is then the third highest among our comparator countries (rather than the lowest).

The basic line rental fee of many fixed-line services includes an inclusive call allowance, and consumers can often reduce their total spend by purchasing ‘add-ons’ to basic line rental, which provide additional inclusive calls, or calls at a reduced rate, for an additional monthly fee. The two providers feeding into the UK weighted averages both offer these ‘add-ons’, and in 2013 the cheapest tariff options for the two higher-use fixed-line connections (in Baskets 2 and 4) for both providers included ‘add-on’ call packages.

In France and the UK, the total weighted average cost of the fixed-line elements of the four baskets that included the service increased in 2013, in both cases by 10%. The weighted average cost fell in all of the other comparator countries except Germany, where it was unchanged. The largest reduction in price was in Italy, where the total weighted average cost of the fixed voice elements of our baskets fell by 12% during the year.

Figure 2.2 Comparative single-service ‘weighted average’ fixed-line voice pricing



Source: Ofcom using data supplied by Teligen

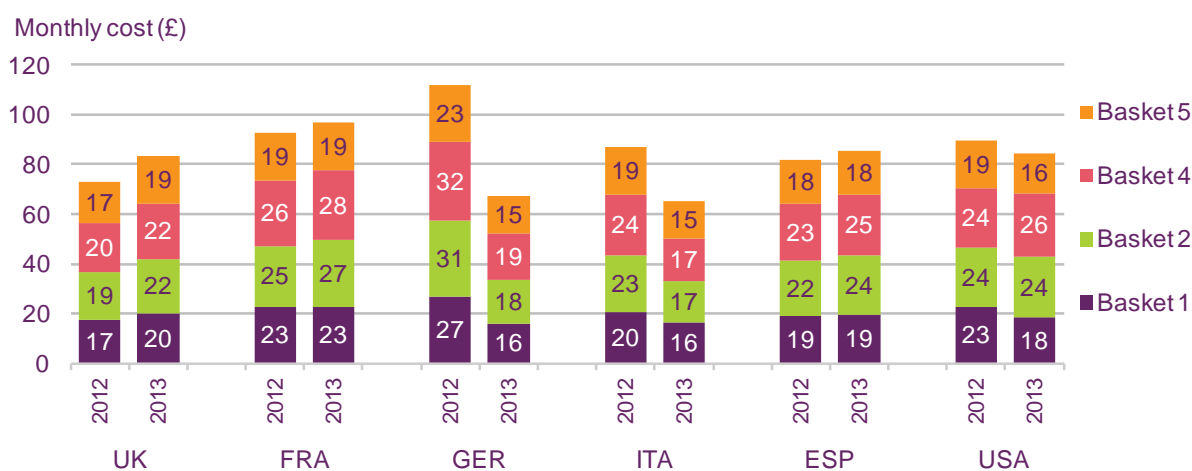
Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted

While weighted average analysis is to a large degree a reflection of the pricing of the largest provider in each market (who is typically the incumbent provider), analysis of ‘best-offer’ prices (as shown in Figure 2.3 below) highlights the lowest-cost stand-alone tariff, which is frequently offered by a new entrant as it tries to gain market share from established providers. In the UK, France, Germany and Italy, the same provider offered the ‘best-offer’ stand-alone tariffs for all four fixed voice connections (in the UK it was TalkTalk, while in France it was SFR, in Germany Telecolombus and in Italy, where total ‘best-offer’ prices were lowest, it was TeleTu). In Spain Movistar offered three of the ‘best-offer’ tariffs, while in the US AT&T also offered three.

Again, our analysis indicates increases in fixed-line voice pricing in some countries. The total ‘best offer’ price of fulfilling the fixed voice requirements of the four baskets that include the service increased in the UK (by 14%) and in France and Spain (in both cases up by 4% during the year). The increase in the UK was partly due to TalkTalk removing a promotion that had been available in 2012 which offered a discounted monthly fee for 12 months (the base price of its ‘best-offer’ line rental pre-payment tariff was unchanged during the year).

Best-offer prices fell in the US, Italy and Germany during the year, with the largest falls in Italy (where the total 'best offer' cost of the four fixed-line services fell by 25% during the year) and in Germany (where it fell by 40%). In both cases, these falls were due to the introduction of new, low-cost, services: in Italy this was TeleTu's *Parla Facile* service, while in Germany it was Telecolombus' *Telefon Flat* service (which had previously been offered only as part of a bundle). In both countries, these services provided the 'best-offer' tariffs for all four baskets, although an additional call 'bolt-on' offering 120 minutes of calls to mobile phones for €5 a month was required for Baskets 2 and 4 in Italy.

Figure 2.3 Comparative single-service 'best offer' fixed-line voice pricing



Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for the fixed-line voice component of each basket from any of the three largest operators by market share in each country, July 2012 and July 2013; PPP adjusted.

Mobile summary

There are eight mobile phone connections included across the five household types that we use in our analysis, and these have usage profiles ranging from low use and a basic handset to high use and an advanced handset. These eight connections (which are summarised in Figure 1.4 below) also vary in terms of the distribution of call and messaging volumes (e.g. the proportion of calls which are to national mobiles, to national geographic numbers or to international numbers). Full details are provided in the basket analysis later in this section.

Figure 2.4 Summary of mobile connection usage profiles

	Basket	Handset type	Outbound voice minutes per month	Outbound SMS per month	Data use per month
Connection 1	Household 1 handsets 1 and 2	Basic	50	None	None
Connection 2	Household 2 handsets 1 and 2	Basic	50	25	None
Connection 3	Household 4 handset 2	Intermediate	150	250	50MB
Connection 4	Household 5 handset 2	Intermediate	200	50	200MB
Connection 5	Household 4 handsets 3 and 4	Intermediate	100	300	400MB
Connection 6	Household 4 handset 1	Advanced	250	100	300MB
Connection 7	Household 5 handset 1	Advanced	300	150	400MB
Connection 8	Household 3 handset 1	Advanced	500	200	1GB

Source: Ofcom

Our analysis found that while the total weighted average price of the eight connections included in our baskets had been lowest in France in 2012, it was lowest in the UK in 2013 (Figure 2.5).

The weighted average price of five of the eight connections fell in the UK in 2013, with the largest declines being for the higher usage connections, and overall, the total weighted average cost of all eight connections fell by 23% during the year. In France, the total weighted price of the eight connections fell by 14% during the year, and although the weighted average prices fell for all connections except Connection 4, these falls tended to be relatively small, with only the decline in the weighted average price of the highest-use connection (Connection 8) being more than £3 a month.

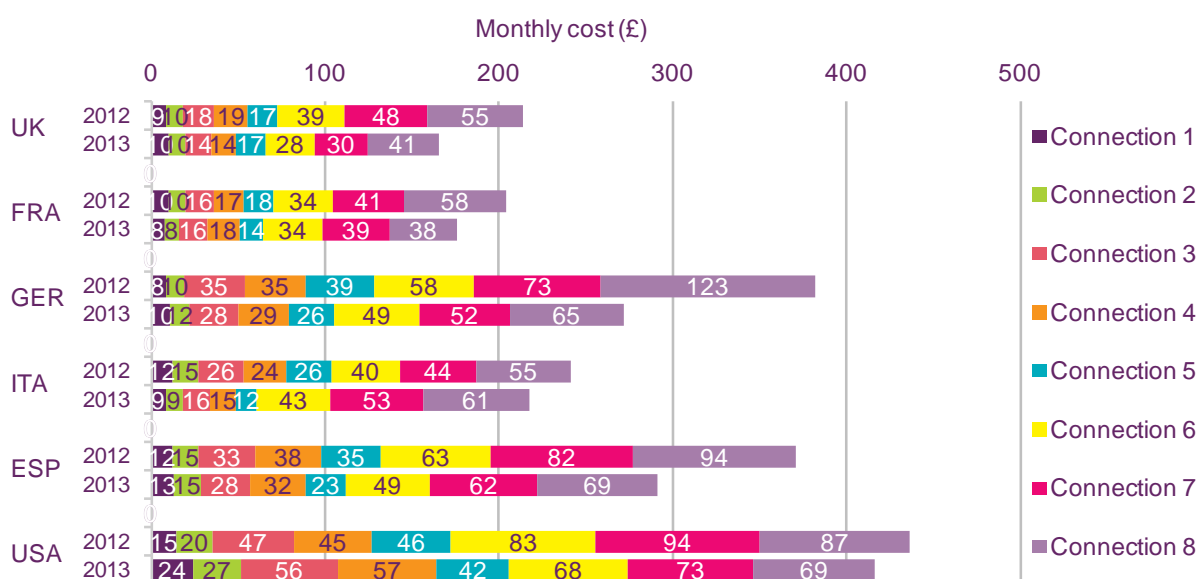
The total weighted average price for all eight of the connections included within our baskets fell in all countries in 2013, with these falls ranging from 5% in the US to 29% in Germany. Weighted average mobile prices in the US were the highest among our countries for all of the eight connections included in our analysis, partly because US mobile users are charged for incoming as well as outgoing calls as a result of the ‘receiving party pays’ interconnect regime that exists there. This charging mechanism means that mobile post-paid contracts tend to be relatively expensive as they include large numbers of bundled call minutes (or unlimited minutes) for incoming and outgoing use. This contributes to average mobile use in the US being higher than in Europe. In addition, pre-pay top-ups in the US tend to be high value (for example \$50) and any credit often expires after a month, making pre-pay services less attractive in the US than in other countries.

‘SIM-only’ tariffs enable consumers to make savings on the cost of their mobile service in return for not receiving a new handset when they sign up to a new mobile contract. Instead, they are only supplied with a SIM card which is used in a handset that they already own, and the mobile provider is able to pass on the lower cost associated with not having to subsidise a new handset to the consumer in the form of lower service prices. In the UK, 19 of the 22 tariffs feeding into the UK average best-pricing analysis of our eight connections in July 2013 (86%) were SIM-only contracts, up from 46% in July 2012 (where a tariff is SIM-only our model factors-in the cost of buying a mobile handset separately and amortises it over three

years).³⁶ This proportion was much higher than in the other comparator countries, where the percentage of tariffs feeding into the weighted average calculation that were SIM-only ranged from 4% in the US to 42% in France.

The proportion of operator best-price offers feeding into the UK connection analysis that were pay-as-you-go fell from 21% to 5% in the year to July 2013, the lowest proportion across our comparator countries. This is a result of UK mobile providers incentivising consumers to switch to pay-monthly services (including SIM-only tariffs) from pre-pay services; for example, by offering low-cost pay-monthly tariffs and by increasing pre-pay prices and removing pre-pay handset subsidies.

Figure 2.5 Comparative single-service ‘weighted average’ mobile pricing



Source: Ofcom using data supplied by Teligen

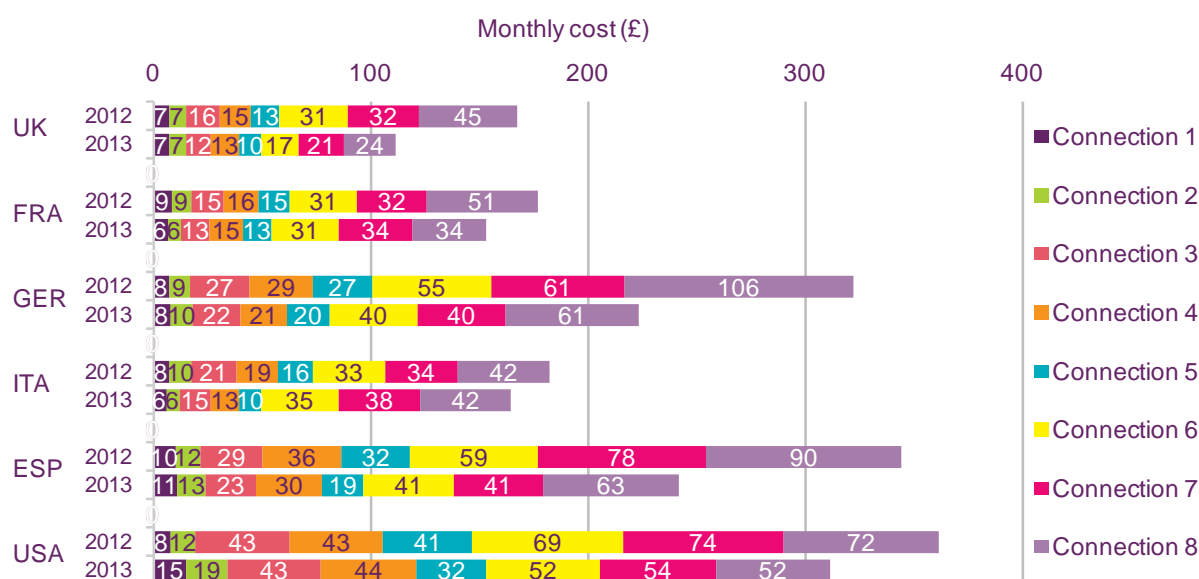
Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted

The pattern of the lowest prices available for the usage profiles included in our analysis closely resembled those of the ‘weighted average’ analysis, with the UK having six of the eight lowest-price ‘best-offer’ tariffs across our comparator countries (Figure 2.6). The two remaining ‘best-offer’ prices (those for Connections 1 and 2, the lowest-use connections) were both found in Italy.

T-Mobile had five of the eight ‘best-offer’ UK prices for our connections in 2013, with Three, Vodafone and Virgin Mobile offering the ‘best-offer’ prices for Connections 3, 4 and 5 respectively. It was notable that O2, the UK mobile brand with the highest connection share in the UK, and Orange, did not provide any of the best-offer prices for our connections. In most of our comparator countries there was evidence that one provider’s prices were generally lower than the other operators included in our analysis: in Italy, Wing offered all eight ‘best-offer’ mobile prices for our connections, while Orange in France and Vodafone in Spain each offered six of the eight best-offer tariffs for our connections. Similarly, Base and Vodafone offered five of the ‘best-offer’ mobile prices in Germany and Spain, while in the US AT&T and Sprint offered four each.

³⁶ We amortise the cost of mobile handsets over three years as mobile users frequently keep existing handsets for longer than their minimum contract term (for example, to take advantage of low-cost SIM-only tariffs) or give an old handset to a family member or friend who continues to use it.

Figure 2.6 Comparative single-service 'best offer' mobile pricing



Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for the mobile phone component of each basket from any of the three largest operators by market share in each country, July 2012 and July 2013; PPP adjusted.

Fixed-line broadband summary

There are a number of issues regarding the comparison of stand-alone fixed broadband prices. First, fixed broadband is often purchased as part of a bundle of communications services from the same supplier, meaning that analysis of stand-alone prices may not be representative of the prices paid by many consumers. Second, many ISPs no longer offer stand-alone fixed broadband services, meaning that the analysis is often based on only a few tariffs in each country. Finally, most fixed broadband services also require a fixed-line voice service (although this is frequently not the case for cable broadband and 'naked DSL',³⁷ which is available from some operators in the UK, France, Italy, Germany and the US).

We exclude the cost of the telephone line rental from our stand-alone fixed broadband price analysis, even if this is required, and include it instead in the fixed voice element of the baskets in question (see Figure 2.2 and Figure 2.3). The inclusion of line rental in this analysis would increase the cost of fixed broadband services in those countries which do not have significant naked DSL availability, including the UK. The fixed broadband connections used in our analysis are defined by the headline 'up to' speed of the connection, and require headline speeds of at least 'up to' 4Mbit/s, 10Mbit/s and 30Mbit/s for Baskets 2, 4 and 5 respectively. However, in 2013 none of the ISPs included in our analysis in France offered a suitable stand-alone fixed broadband service with a headline speed of 30Mbit/s or more, as is required for Basket 5 (as Orange and SFR had both withdrawn their stand-alone superfast services), and for this reason figures for Basket 5 in France include a connection of at least 'up to' 10Mbit/s, so these figures are not comparable to those in our other countries.

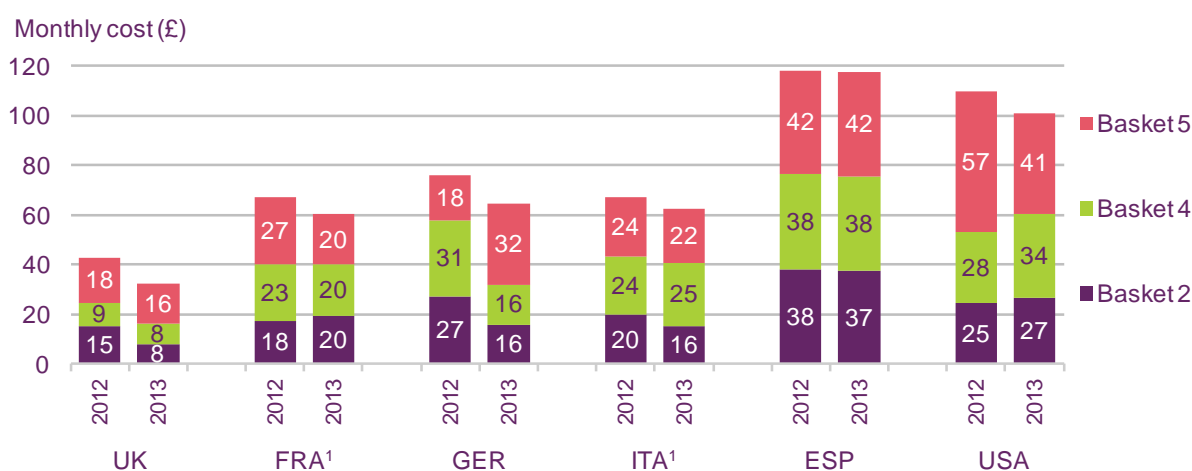
The UK had the lowest total weighted average stand-alone price for the three fixed broadband connections included in our analysis in 2013 (Figure 2.7). During the year the weighted average price of the connection required by Basket 2 fell by £7 per month to £8 per

³⁷ A 'naked DSL' connection is a DSL broadband service that is provided without the requirement for a fixed voice line.

month, largely as a result of BT reducing the price of its *Broadband Option 2* service by £2 a month to £16 per month, and introducing a promotion offering free rental for six months rather than half price for three months, as had been available in 2012. The weighted average price of the connection required by Basket 4 fell in the UK in 2013, down by £1 per month to £8 a month as a result of the change in the price of BT's *Broadband Option 2* service and the withdrawal of O2's stand-alone fixed broadband service, following the acquisition of its fixed telecoms business by BSKyB in early 2013. The weighted average price of the superfast connection required by Basket 5 fell by £2 a month in 2013, as a result of a fall in the price of BT's *BT Infinity Option 1* service, and Virgin Media increasing the half-price line rental promotional period available on its *30Mb* cable service from three months to six months.

The total weighted average price of the three fixed broadband connections required by our baskets fell in all six comparator countries in 2013, with the rate of decline ranging from 1% in Spain to 17% in Germany (it was 12% in the UK). In Germany, there were significant falls in the weighted average price of the connections required by Baskets 2 and 4, as a result of the withdrawal of a number of more expensive stand-alone ADSL services during the year. However, the weighted average price of the superfast connection required by Basket 5 increased from £18 per month to £32 per month as a result of a Kabel BW's tariffs not featuring in the pricing model in 2013, following its merger with Unity Media, and a €5 a month fall in the price of Vodafone's *VDSL 50000* service to €39.95, meaning that it was included in the weighted average calculation, thereby pulling up the average.

Figure 2.7 Comparative single-service 'weighted average' fixed-line broadband pricing

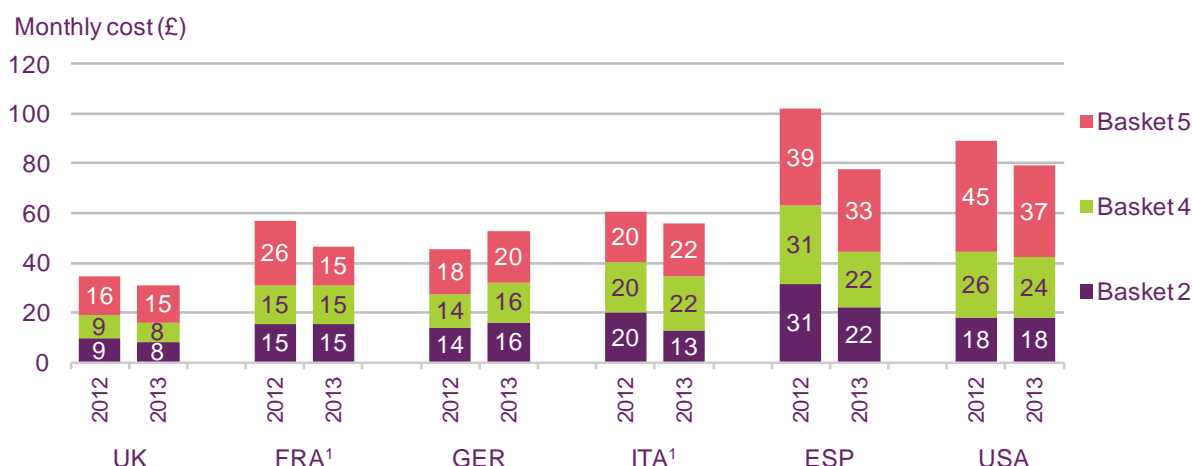


Source: Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted; ¹ In France in 2013 and Italy in 2012 Basket 5 includes a connection below 30Mbit/s because none of the ISPs included in our pricing model offered a suitable superfast service

The UK had the lowest 'best offer' stand-alone prices for the fixed broadband element of all three of the connections included in our analysis in 2013 (Figure 2.8). The difference between the weighted average prices and best-offer prices gives an indication of the range of prices available in each country, and these varied significantly among our comparator countries in 2013, ranging from an 11% difference in Italy (where broadband prices are closely aligned) to 51% in Spain (in the UK the figure was 23%, the joint second-lowest difference across our countries, along with Germany).

Figure 2.8 Comparative single-service ‘best offer’ fixed-line broadband pricing



Source: Ofcom, using data supplied by Teligen

Note: July 2012 and July 2013; PPP adjusted; ¹ In France in 2012 and 2013 and in Italy in 2012 Basket 5 includes a connection below 30Mbit/s because none of the ISPs included in our pricing model offered a suitable superfast service.

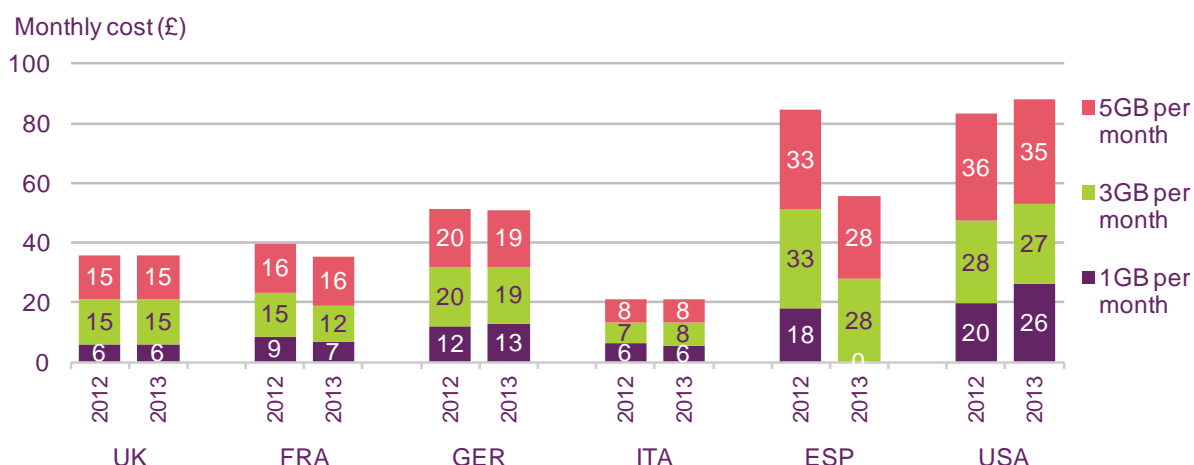
Mobile broadband summary

We do not take the speed of mobile broadband connections (using a datacard, ‘dongle’ or dedicated data SIM) into account when comparing services, as they are generally not marketed using speed, nor do we consider whether these services include bundled use of public WiFi hotspots. In addition, we consider only the ‘best offer’ service available, as the relatively narrow range of tariffs available in many countries makes it difficult to produce meaningful analysis of ‘weighted average’ mobile broadband prices.

Only one of the five baskets included in our analysis includes a mobile broadband connection (using a datacard or ‘dongle’); Basket 3, which includes a high-use connection (5GB of data over 30 days a month). To enable us to provide a comparison of the full range of mobile broadband use, we also include in our analysis a low-use connection (1GB of use over 10 days a month) and a medium-use connection (3GB of data over 25 days a month).

As was the case in 2012, the lowest single-service prices for mobile broadband services were available in Italy in 2013 (Figure 2.9). The UK, where the ‘best-offer’ services and prices were identical to those in 2012, had the third lowest prices in 2013, as falling ‘best-offer’ prices for the lower and medium connections in France meant that the total ‘best-offer’ price of all three connections fell below that in the UK. The total ‘best-offer’ price of all three connections fell in all comparator countries other than the US (where it increased by 6%) and the UK in 2013, with the fall ranging from 1% in Germany to 34% in Spain. In Spain, the ‘best-offer’ prices fell for all three connections in 2013, with the largest fall being for the low-use connection, as a result of the inclusion of Jazztel’s mobile broadband tariffs in the model in 2013, as its *Pack Internet Movil* service offers 1GB of data per month for no monthly fee.

Figure 2.9 Comparative single-service ‘best offer’ mobile broadband pricing



Source: Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country, July 2012 and July 2013; PPP adjusted

Pay-TV summary

It is difficult to produce like-for-like comparisons of TV services as a result of differences in the number and types of channels provided by different pay-TV packages. However, we consider that it is important to include TV services in our analysis because of the popularity of services that bundle TV along with other communications services.

In our analysis we have used the following definitions:

- Basic pay-TV is the lowest subscription required to receive channels in addition to those that are available on free-to-view television.
- Premium pay-TV is the subscription required to receive the best package of both top-flight football (NFL in the US) and a top-price film/entertainment package.

Our analysis includes TV licence fees, which were highest in Germany and the UK, at £16 per month and £12 per month respectively in 2013, where applicable (there is no TV licence fee in Spain and the US). As with mobile broadband services, we consider only single-service ‘best offer’ TV service pricing in this section; it is difficult to produce meaningful weighted average single-service pricing analysis because of the relatively low number of services that are available in most countries.

Italy had the lowest single-service ‘best offer’ price for both of the basic pay-TV services that are included in our analysis, both of which include a PVR, and the second of which also requires high-definition (HD) channels. In both cases, the ‘best-offer’ service in Italy was Telecom Italia’s new *Cubovision Ready* IPTV service, which offers 44 basic channels for €14.90 per month (reduced by €5 per month for a year) and requires a set-top box costing €159. This service cost less than half the €30 per month required by the equivalent 2012 ‘best-offer’ service for these baskets (which were provided by Sky), and as a result, the total ‘best-offer’ price for all three connections (and including the licence fee) fell by 30% in Italy in 2013, despite the ‘best-offer’ price of the HD premium pay-TV service having increased by £4 per month during the year.

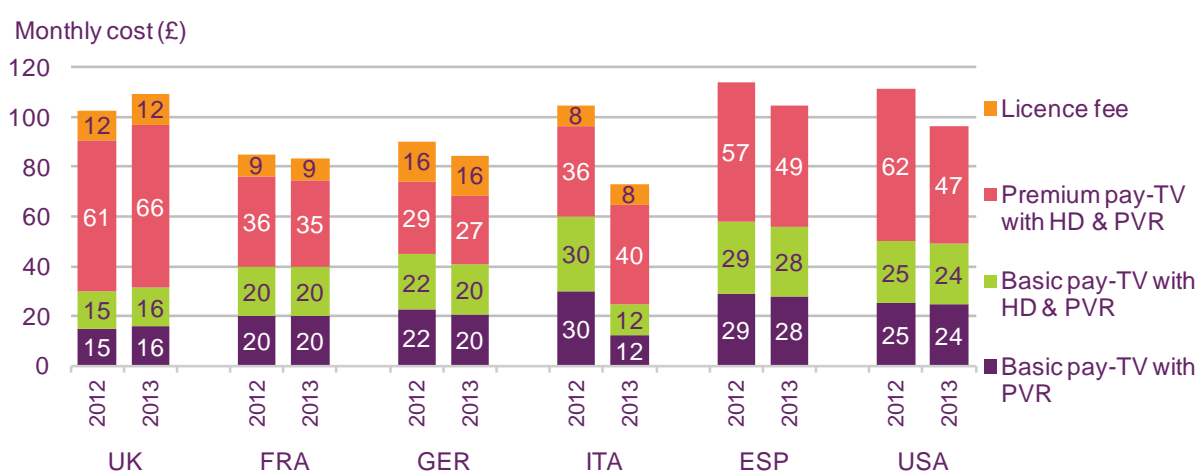
The UK had the second-lowest ‘best-offer’ price for each of the basic pay-TV services included in our analysis in 2013, the cheapest offer for both being Virgin Media’s *TV Size M+*

with TiVo 500GB service, which was £1 a month more expensive than it had been in 2012 as a result of a £1 increase in its standard monthly fee to £19 a month (although in both years the service was offered at half price for 12 months). The relatively high TV licence fee in the UK, along with it having the most expensive 'best-offer' premium HD pay-TV service in 2013 (Sky's Sky Entertainment Extra+ with Sky Sports & Movies + HD Mix at £66 per month), meant that the UK had the highest total 'best-offer' price for the TV services included in our baskets, when the TV licence fee was included in the analysis.

It is important to note the difficulty in comparing premium pay-TV packages, which is due to the variations in content in these packages. Sky's 'best-offer' premium pay-TV service in the UK in 2013 included 370 basic channels and 36 premium channels, while the cheapest comparable service (Kabel Deutschland's Kabelanschluss Premium HD service, which cost £27 per month in Germany) included less than half this number of channels.

The total 'best-offer' price for the three pay-TV services included in our baskets fell by 8% and 14% respectively in Spain and the US in 2013, the countries where they had been highest in 2012, and in both cases, most of this decline was as a result of a fall in the 'best-offer' price of the HD premium pay-TV service. In Spain this was due to Digital Plus reducing the price of its *Paquete Deporte+* (with Free Canal+ Liga) WITH iPlus service (which was also the 'best-offer' service in 2012), and introducing a more generous promotion, while in the US Direct TV offered a new service in 2013 (*Entertainment + HBO + Sports Pack*) which was heavily discounted (by \$30 per month to \$42.98 a month) for a year. The total 'best-offer' price for the three TV services also fell in France and Germany in 2013, with the fall in Germany (6%) being higher than the 1% fall in France.

Figure 2.10 Comparative single-service TV pricing



Source: Ofcom using data supplied by Teligen

Note: Basic pay-TV is defined as the minimum price required to purchase a pay-TV package which includes channels not available over free-to-air TV; premium TV is defined as the best package of top-league football (NFL in the US and a top price film/entertainment package); lowest tariff available for the pay-TV component of each basket from any of the three largest operators by market share in each country, July 2012 and July 2013; PPP adjusted

Having provided an overview of findings on a single-service basis, we now detail the relative total prices for baskets of communications services, representative of five household types.

2.1.4 Basket analysis

Basket 1: a low-use household with basic needs

Our first basket contains a usage pattern typical of a retired low-income couple who have a fixed line from which they make five hours of calls a month (the majority of which are local, although they occasionally make calls to mobiles, and do not make any international calls). They 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.

Figure 2.11 Composition of Basket 1

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
300 call minutes	None	Connection 1 50 call minutes Connection 2 50 call minutes	None	Free-to-air

Source: Ofcom

The cheapest weighted average cost of fulfilling the requirements of Basket 1 in 2013 was in Italy at £48 a month, a £9 per month fall compared to 2012. The UK weighted average stand-alone price was the third highest among our comparator countries in 2013, at £53 per month, a £2 a month (4%) increase on 2012.

As our weighted average single-service analysis weights the largest three providers' 'best-offer' stand-alone prices by their market shares, it is to a large extent a reflection of the largest provider's market share, where one operator is much larger than its competitors. In fixed voice markets this tends to be the incumbent operator, as, in all of our comparator countries except the US and the UK, the incumbent operator has a market share of over 50%.

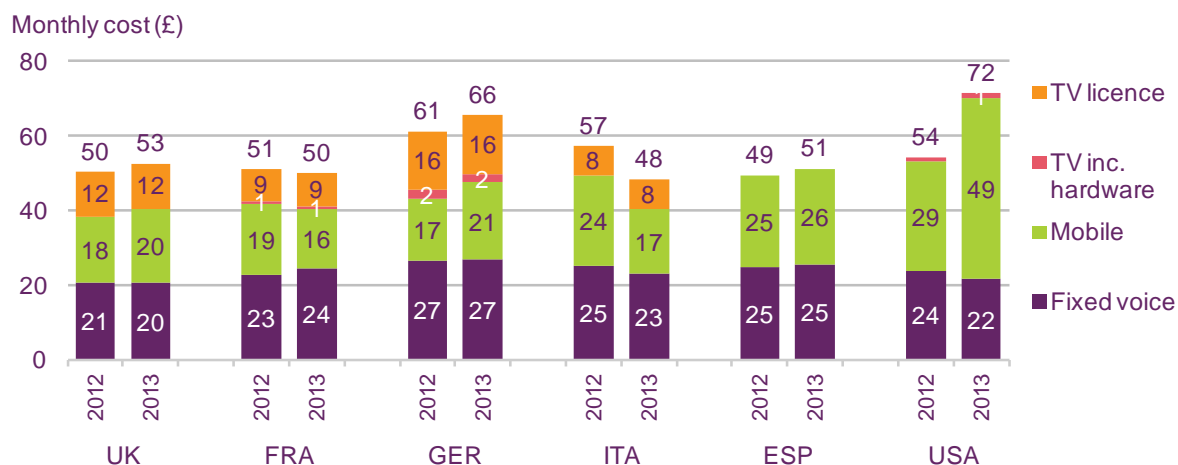
The weighted average price of the fixed voice element of the basket ranged from £20 per month in the UK to £27 per month in Germany among our comparator countries in 2013, and the change in the weighted average compared to 2012 ranged from a 1% fall in the UK to 9% increases in Italy and the US. While our analysis shows that the weighted average stand-alone price of the fixed voice element of Basket 1 fell in the UK in 2013, this fall was the result of Virgin Media (which had had the most expensive 'best-offer' stand-alone fixed voice service contributing to the UK weighted average in 2012) withdrawing its stand-alone landline services. Excluding Virgin Media's 'best-offer' tariff from the 2012 calculation would have shown a larger increase in the weighted average stand-alone price in 2013.

France and Italy were the only comparator countries where the weighted average cost of fulfilling the mobile requirements of the basket fell in 2013 (by 17% and 28% respectively). Among the other comparator countries the increases ranged from 5% in Spain to 67% in the US (it was 14% in the UK), with the increase in the US being due to the price of the 'best-offer' price of the Sprint tariff, which fed into the weighted averages, increasing from £25 per month for the *Basic* service in 2012 to £42 for the *Unlimited My Way - Talk & Text* service in 2013.

As Basket 1 includes only free-to-air TV services, the main driver of the cost of the TV component of the basket is the TV licence fee (although not in Spain and the US, where there is no licence fee). As the basket does not include pay-TV services, the only other TV

cost is that related to equipment purchase and installation (we include the cost of a set-top box/decoder, but not the cost of the television).

Figure 2.12 Basket 1: ‘weighted average’ single-service pricing



Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted

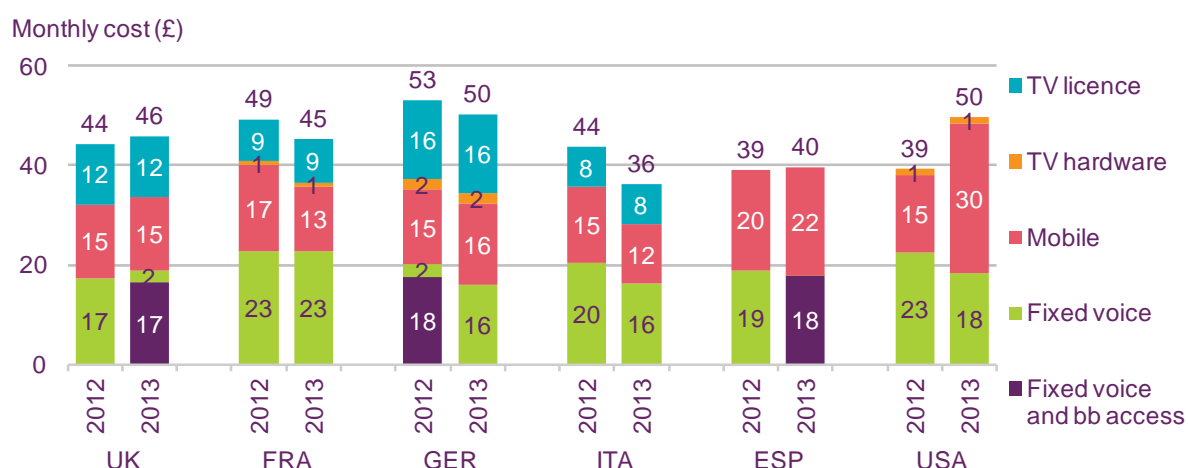
Best-offer pricing analysis shows the lowest possible monthly cost of fulfilling the basket’s usage requirements, using the tariffs of the largest providers in each country, including bundled services. The difference between the weighted average and the best-offer prices of each service in the bundle gives an indication of the range of prices available in each country, and these were relatively small for the fixed voice and mobile elements of the basket, suggesting that tariffs for the service are closely aligned in each country (Figure 2.13).

Italy had the lowest best-offer cost of fulfilling the requirements of Basket 1 in 2013, at £36 a month. This was £7 a month less than in 2012, with most of this fall due to the introduction of TeleTu’s low-cost *Parla Facile* fixed voice service. The UK had the third most expensive ‘best-offer’ price for Basket 1 in 2013, at £46 per month (a £2 per month increase compared to 2012).

Increasing stand-alone fixed telecoms prices in the UK meant that it was one of two countries (along with Spain) where the best-offer option to fulfil the basket’s fixed-line use included a bundled fixed broadband connection, even though the basket does not require one. In the UK, buying the ‘best-offer’ bundle was £1 a month (2%) cheaper than the ‘best-offer’ combination of services, while in Spain the saving was £2 a month (4%). In the UK, this bundle was provided by TalkTalk, while the ‘best-offer’ mobile service was T-Mobile’s *Pay Monthly 7* tariff, as it had been in 2012. The cost of the television component of the basket remains the same in the best-offer analysis, as it includes free-to-air television, where the only costs are the licence fee, hardware and installation.

The biggest difference between the stand-alone ‘best-offer’ weighted average and the ‘best-offer’ price available from the three largest operators in 2013 was in the US, where the lowest-cost combination of services needed to fulfil the requirements of the basket was 31% less than the weighted average best-cost price (in the UK it was 13% less). By contrast, there was relatively little variation between the ‘weighted average’ and the best-offer prices in France, with the best-offer price being just 9% cheaper than the weighted average, indicating that there was little difference between the mobile and fixed voice tariffs available from the largest operators.

Figure 2.13 Basket 1: comparative ‘best offer’ pricing



Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, July 2012 and July 2013; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

Basket 2: A broadband household with basic needs

The second basket is representative of a couple of ‘late adopters’ who are fairly heavy users of the fixed-line phone, have a basic fixed broadband connection, and each has a mobile phone which they use occasionally for voice and SMS.

Figure 2.14 Composition of Basket 2

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
400 call minutes	Minimum 4Mbit/s headline speed 15GB data	Connection 1 50 call minutes 25 SMS Connection 2 50 call minutes 25 SMS	None	Free-to-air

Source: Ofcom

The cheapest weighted average cost of fulfilling the requirements of Basket 2 was in the UK in 2013, at £63 a month, £3 a month less than in 2012. The UK was one of three countries (along with Germany and Italy) where the total weighted average price of the basket fell during the year, with the largest fall in Italy (22%).

The fixed-line voice requirement of this basket mainly consists of calls to fixed-line phones within the same country, made during the daytime, meaning that the basket favours packages which include these call types within the monthly fee. This was the case with the BT and TalkTalk tariffs that fed into the weighted average price in the UK, which was the lowest among the countries in our analysis, at £23 a month. This was a £4 a month (18%) increase compared to 2012, the largest proportional rise among our comparator countries, and was due to both BT and TalkTalk increasing the line rental of their ‘best-offer’ services (which were also the ‘best-offer’ services in 2012), and because TalkTalk no longer offered a £1.50 per month discount for the first year of service, that had been available in 2012.

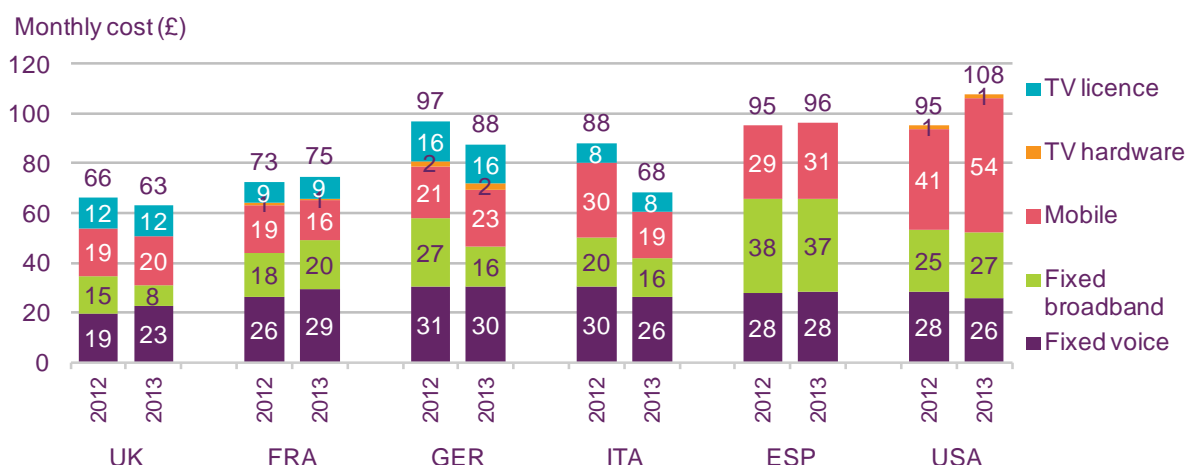
The UK had the lowest weighted average price for the fixed broadband element of Basket 2 in 2013 at £8 a month, £7 a month (47%) less than in 2012, largely as a result of BT offering

its *Broadband Option 2 - Unlimited Broadband* service free for six months (our methodology calculates the monthly price based on a 12-month period). Across the other comparator countries, the change in the weighted average 'best-offer' price for the fixed broadband element of the basket ranged from a 41% fall in Germany to an 11% increase in France, where the launch of a stand-alone version of Free's *Forfait Free Box* service (which was more expensive than the unchanged Orange and SFR 'best-offer' services which contributed to the weighted averages in both 2012 and 2013), resulted in an increase in the weighted average price.

The lowest weighted average single-service price for the mobile elements of the basket (two handsets with low voice and SMS use) was in France, at £16 a month, following a 17% fall in the weighted average price as a result of Orange introducing a new tariff (*Forfait Sosh mobile 4,90€*) which was cheaper for the connections in this basket than its 2012 'best-offer' tariff, and because SFR and Bouygues Telecom reduced the price of their 'best-offer' services (*CARRÉ 2h Bloqué + 50MB SIM* and *Forfait Bloqués 1h + WE SIM Only* respectively). In the UK the weighted average cost of the mobile requirement of the basket increased by £1 a month (4%) to £20 a month, despite O2 and Orange introducing lower-cost tariffs. The highest weighted average mobile costs were in the US, at £54 a month, a 32% increase compared to 2012, following large increases in the price of AT&T's and Sprint's 'best-offer' prices.

This basket contains the same basic free-to-air television service as Basket 1.

Figure 2.15 Basket 2: 'weighted average' single-service pricing



Source: Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted

The cheapest best-offer prices to fulfil the requirements of Basket 2 were in the UK and Italy in 2013, at £47 a month (Figure 2.16).

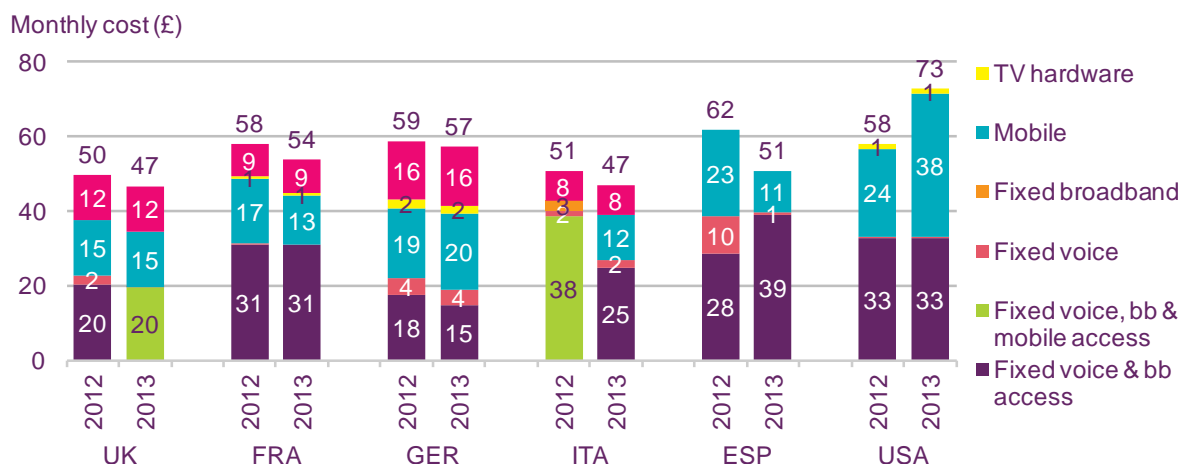
In the UK, the 'best-offer' tariff was £3 a month (6%) cheaper than it had been in 2012, and involved purchasing a bundle of fixed voice and fixed broadband services from EE at a reduced monthly fee, which was available only to its mobile customers (*Mobile + Broadband & Anytime Mobile Calls*) with line rental pre-payment. The 'best-offer' mobile service in the UK was from T-Mobile (owned by EE): the *Pay Monthly 7* tariff, as it was in 2012. The monthly fee for this service was £1 less (excluding the cost of the mobile element of the basket) than the TalkTalk bundle, which had been included in the 2012 UK 'best-offer' tariff, and also benefited from lower out-of-bundle fixed voice calls. In Italy, the total cost of the 'best-offer' combination of services fell by £4 a month (7%) in 2013, and involved a Fastweb double-play fixed voice and fixed broadband bundle (*Super Surf with ADSL FastWeb*) rather

than a triple-play bundle of fixed voice, fixed broadband and mobile services, as had been the case in 2012.

The largest percentage fall in the ‘best-offer’ price of Bundle 2 was in Spain in 2013, at 18%, the result of Orange launching a new triple-play bundle of fixed voice, fixed broadband and mobile services (*ADSL Maxima Velocidad + Llamadas + Canguro 35*). The US had the only increase in price for the ‘best-offer’ combination of services, up by 25% following a £15 per month (63%) increase in the price of the mobile element of the basket as a result of AT&T increasing the price of its *10c/Minute Plan + 200 Messages* service. The US had the highest price of the mobile element of the basket, at £38 per month (the lowest price was found in France at £13 a month, using Orange’s *Forfait Sosh mobile 4,90 €* service). The total ‘best-offer’ prices of the basket in France and Germany fell by 7% and 3% during the year.

The savings that were available by buying the ‘best-offer’ combination of services including bundles for Basket 2, rather than the stand-alone ‘best-offer’ combination, ranged from 6% in Italy to 31% in Spain in 2013 (in the UK it was 18%). Similarly, the difference between the ‘best-offer’ including bundles and the weighted average stand-alone price ranged from 28% in the UK and France to 48% in Spain.

Figure 2.16 Basket 2: comparative ‘best offer’ pricing



Ofcom using data supplied by Teligen

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, July 2012 and July 2013; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

Basket 3: A mobile ‘power user’

The third basket represents a single-person household typical of a young professional person who lives alone. This person lives in a mobile-only household and is a heavy user of both a mobile phone and of mobile broadband (using a mobile ‘dongle’ or data SIM to connect to the internet).

The relatively narrow range of mobile broadband tariffs available from operators in many countries makes it difficult to produce a meaningful ‘weighted average’ figure, so the ‘weighted average’ basket analysis in this report includes the ‘best offer’ single-service cost of the mobile broadband component of the basket.

Figure 2.17 Composition of Basket 3

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
None	None	500 call minutes 200 SMS 1GB data	5GB over 30 days per month	Basic pay-TV DVR

Source: Ofcom

The cheapest weighted average cost of fulfilling the requirements of Basket 3 in 2013 was in France, at £85 a month. The UK had the second lowest weighted average stand-alone price for this basket in 2013, at £88 per month, a £12-a-month (12%) fall compared to 2012 as a result of a decrease in the price of the mobile phone element of the basket.

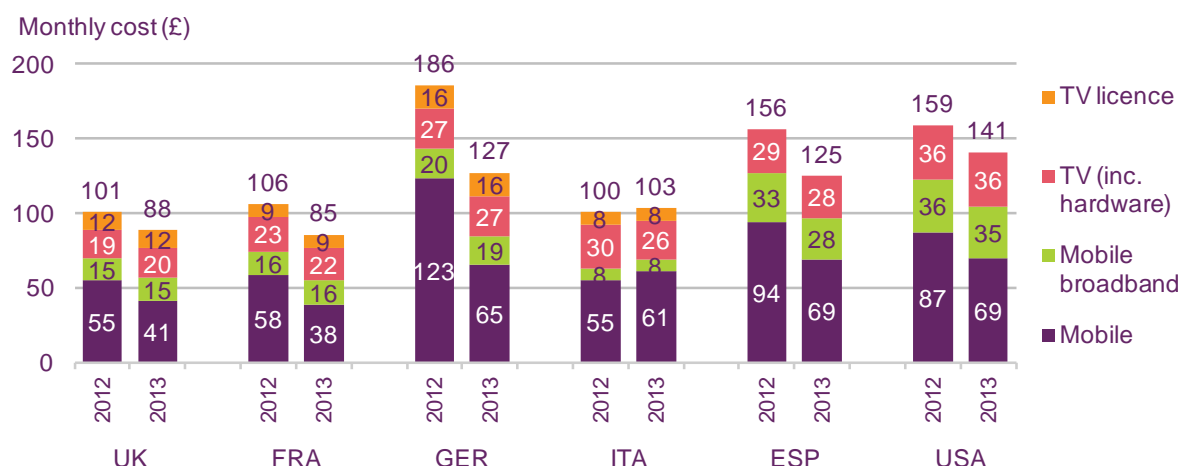
Large differences in the cost of the mobile phone connection in this basket (which had the highest use of the eight mobile connections which we use across the five baskets in our analysis) meant that the total weighted average stand-alone price of this basket varied widely across our comparator countries in 2013, ranging from France's £85 a month to £141 a month in the US. In all of our comparator countries, the cost of the mobile phone component of the basket was the largest single contributor to the total weighted average price, with the proportion that it constituted ranging from 45% in France to 59% in Italy (in the UK it was 47%).

Italy was the only comparator country where the total weighted average stand-alone price of the basket increased in 2013, up by £3 per month (3%) to £103, as a result of a 12% rise in the weighted average price of the mobile phone element of the basket, which was partly offset by a fall in the TV service element. Across the other countries included in the analysis, the fall in the total weighted average stand-alone price ranged from 12% in the UK and the US to a 32% fall in Germany, with the cost of the mobile phone element of the basket being the main driver of all of these falls (in Germany it fell by 47% as O2, T-Mobile and Vodafone all launched cheaper tariffs). Mobile phone service prices in the US compared slightly more favourably for the connection included in Basket 3 than for the other, lower-use connections used in our analysis (although it was still the most expensive) as post-pay mobile tariffs in the US usually include a large allowance of (incoming and outgoing) call minutes. However, it was still the second most expensive country after Spain.

There were also large variations in the 'best-offer' stand-alone price of the mobile broadband element of the basket across our countries, ranging from £8 a month in Italy (for Tre's *Web 60 SIM only* service) to £35 a month in the US for AT&T's *Mobile Share Data 6GB* service. But there was little change in the 'best-offer' stand-alone prices in our comparator countries between 2012 and 2013; the only difference that was greater than £1 a month was a £5 per month fall to £28 in the 'best-offer' tariff in Spain, as a result of Vodafone reducing the monthly fee for its *Internet Movil 5GB* service from €35 to €25, but withdrawing an offer which gave half-price rental for three months.

This basket includes a basic 'entry-level' pay-TV service, which is defined as the lowest subscription required to receive channels in addition to those available on free-to-view television, with a PVR. Because of the variation in numbers and types of channels, and quality of programming, like-for-like comparison is more problematic than for telecoms services, but the lowest prices were available in the UK and France.

Figure 2.18 Basket 3: ‘weighted average’ single-service pricing



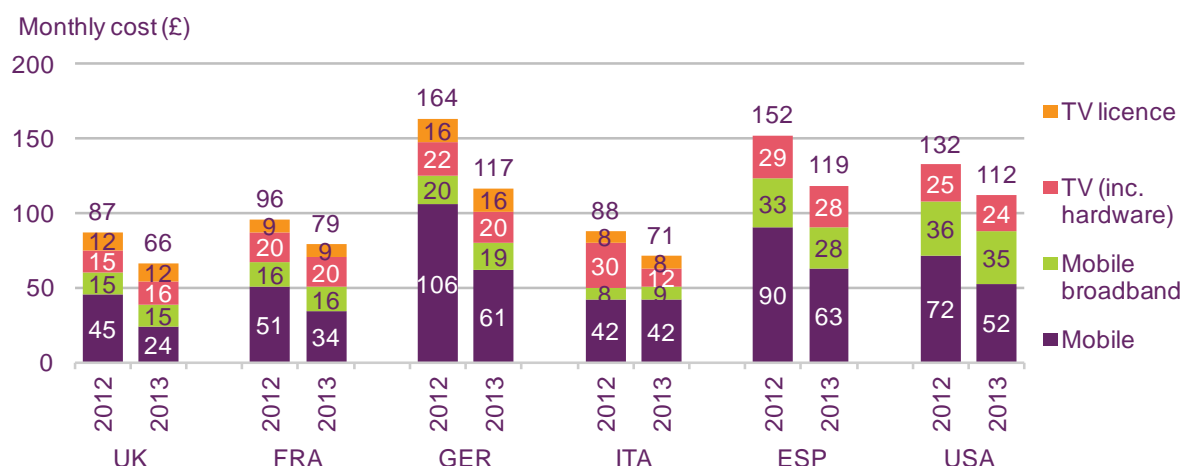
Source: Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted; the figure for mobile broadband is the best-offer single-service cost

The cheapest best-offer price for fulfilling the requirements of Basket 3 in 2013 was in the UK at £66 a month, £21 a month (24%) less than it had been in 2012 (Figure 2.19). This fall was a result of a £22 per month (48%) decrease in the ‘best-offer’ price of the mobile phone element of the basket, due to T-Mobile launching a new 12-month SIM-only tariff, *SIM Only 12 months 11*, offering 500 call minutes, unlimited SMS messages and 1GB of data for £11 per month.

In none of our comparator countries did the best-offer combination of services to fulfil the requirements of Basket 3 involve buying bundled services, reflecting the low availability of bundles of mobile phone, mobile broadband and/or pay-TV services offering significant bundle discounts. For this reason, Figure 1.19 compares the single-service best-offer tariffs discussed previously in this report. There was less variation between the weighted average best price and the ‘best-offer’ combination price than was the case for the other baskets, because Basket 3 includes a low number of services, and because we have used ‘best offer’ single-service broadband prices in the ‘weighted average’ analysis (for the reasons outlined previously).

Figure 2.19 Basket 3: comparative ‘best offer’ pricing



Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, July 2012 and July 2013; PPP adjusted

Basket 4: A family household with multiple needs

Basket 4 represents usage levels typical of a family 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 messaging 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.

Figure 2.20 Composition of Basket 4

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
500 call minutes	Minimum 10Mbit/s headline speed 50GB data	Connection 1 250 call minutes 100 SMS 300MB data	None	HD basic pay-TV DVR
		Connection 2 150 call minutes 250 SMS 50MB data		
		Connection 3 100 call minutes 300 SMS 400MB data		
		Connection 4 100 call minutes 300 SMS 400MB data		

Source: Ofcom

The UK had the lowest weighted average stand-alone price for this basket in 2013, at £141 a month. This was £15 a month (10%) less than in 2012.

The primary driver of variations in cost between countries was the weighted average price of the four mobile connections that this basket includes. France and Italy were the only comparator countries where the mobile phone element of the basket accounted for less than

half of the total weighted average stand-alone price of the basket (in both countries mobile services made up 48% of the total). Among the other comparator countries, this proportion ranged from 54% in the UK to 68% in the US (Figure 2.21).

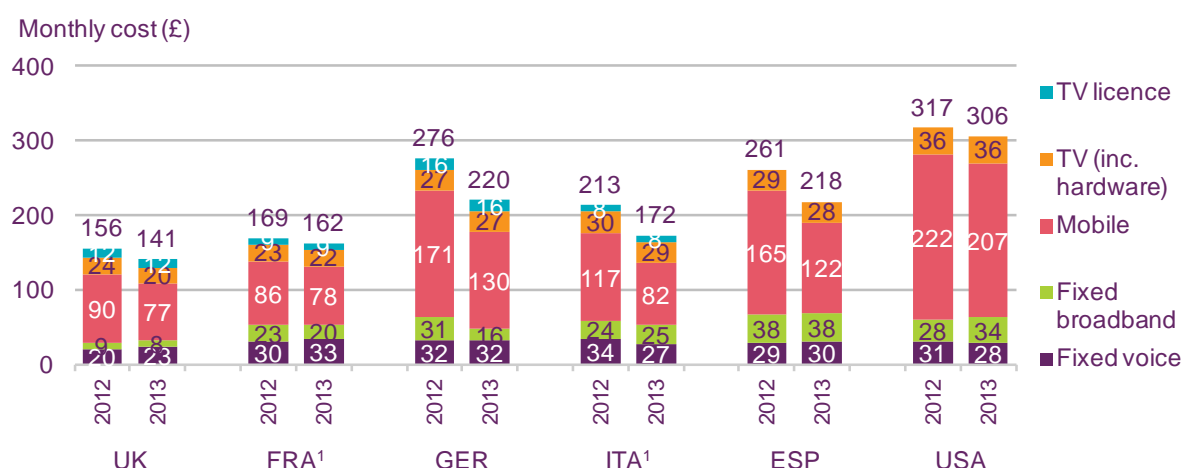
This basket includes 500 minutes of fixed voice calls, the highest fixed call use required by any of our baskets, and the two tariffs that contributed to the UK weighted average (which was the lowest among our comparator countries, at £23 per month) both involved additional call bolt-ons to reduce the cost of these calls: BT's *Unlimited Anytime Plan* with its *Friends & Family International* calls option and TalkTalk's *Talk UK Anytime* tariff along with *100 Mobile Minutes Boost* and *Global Saver* bolt-ons. The price of the fixed voice element of the basket was highest in France, at £33 in 2013, a 12% increase since 2012 as a result of both the France Telecom and SFR tariffs, which fed into the average (*Optimale 4h fixe et mobiles* and *SFR Ligne Fixe illimite vers fixes et international*), being more expensive than their 2012 equivalents.

The basket includes four mobile phones with varying use of voice, SMS and data services, and the lowest total 'weighted average' prices for all four connections were found in the UK (£77 per month) and France (£78 per month). Despite having fallen by £14 (6%) during the year, the highest overall weighted average stand-alone price of fulfilling the mobile requirements of the basket was in the US (as it had been in 2012), at £207. This was the lowest rate of decline among our comparator countries, the highest being in Italy (30%), where a £10 a month decrease in the weighted average price of the basket's lower-use connection, and a £2 a month fall in each of the medium-use connections, was offset by a £1 a month increase in the weighted average price of the high-use connection.

The UK also had the lowest weighted average fixed broadband prices for this basket in 2013, at £8 a month. This was £1 a month lower than it had been in 2012, largely as a result of BT introducing a generous promotional offer on its *Broadband Option 2 - Unlimited Broadband* service. Spain had the highest weighted average fixed broadband price in 2013 at £39 a month, while the largest fall in the weighted average price was in Germany, where it fell by £16 a month (48%) to £31 per month.

The television element in this basket is the same as that in Basket 3 (basic pay-TV), but this basket also requires HD channels. The only country where this resulted in a change to the weighted average price of the TV element of the basket was in Italy, where MediaSet's *Pacchetti Football* service dropped out of the average calculation as it did not include any HD channels and, as a result, the weighted average increased by £3 a month to £29.

Figure 2.21 Basket 4: 'weighted average' single-service pricing



Source: Ofcom using data supplied by Teligen

Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted

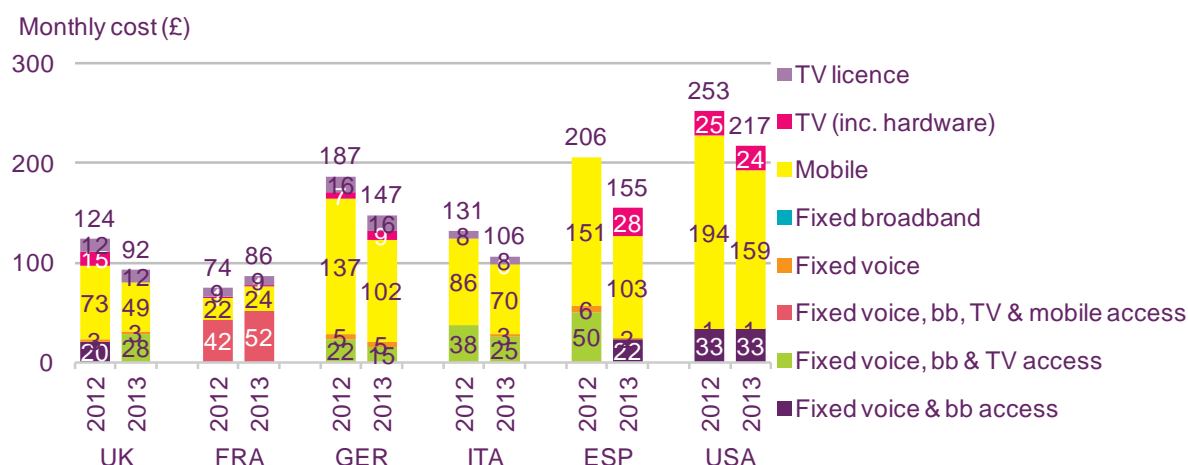
The cheapest best-offer cost of fulfilling the requirements of Basket 4 in 2013 was in France, at £86 a month. The UK had the second-lowest best-offer price, at £92 a month; £31 a month (25%) less than in 2012.

As was the case with Basket 2 (which also includes a fixed broadband connection), there were substantial savings to be made in 2013 by buying the services required by Basket 4 as part of a bundle. The difference between the 'best-offer' price of Basket 4 including bundles and the lowest price available using stand-alone services ranged from £15 a month (14%) in the UK to £57 a month (40%) in France among our six countries (Figure 2.22). As was the case in 2012, France had the lowest 'best-offer' price including bundles for Basket 4 in 2013, due to the availability of a low-cost Bouygues Telecom quad-play service of fixed voice, fixed broadband, pay-TV and mobile services. However, the 'best-offer' quad-play Bouygues Telecom bundled service in 2013 (*Forfait Sensation 500 MB + Bbox Sensation*) cost £9 a month more than the equivalent service in 2012, and this was the main driver behind an £11 per month increase in the total 'best-offer' price of this basket in France.

In the UK, Germany and Italy the lowest-cost option involved buying a triple-play bundle of fixed voice, fixed broadband and pay TV. In the UK, this was TalkTalk's *TalkTalk Plus TV with Line Rental Saver + TV Starter Boost + 100 Mobile Minutes Boost* service, which includes TalkTalk's newly-launched TV service, which is based around the YouView free-to-view TV platform. In Spain and the US, the cheapest option was a double-play bundle of fixed voice and fixed broadband services.

Mobile services constituted the largest part of the total 'best-offer' price in most comparator countries (the exception being France, where part of the basket's mobile requirement was fulfilled by a quad-play bundle). The comparative 'best-offer' pricing for the basket therefore closely resembled that of the mobile prices in each country, with the US having the highest 'best-offer' basket price (£217 per month) due to it having the highest price for the mobile element of the basket (£159 per month).

Figure 2.22 Basket 4: Comparative ‘best-offer’ pricing including multi-play tariffs



Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, July 2012 and July 2013; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

Basket 5: An affluent two-person household with high use of mobile, internet and HD premium TV

Basket 5 is typical of an affluent young couple of high-end users. They both have mobiles and are fairly high users of mobile voice and data services and, to a lesser extent, SMS. They have a fixed line with relatively low use, are heavy internet users with a superfast broadband connection (i.e. with a headline speed of 30Mbit/s or more), have a premium television package for watching HD sport and the latest movies, and a personal video recorder (PVR).

Figure 2.23 Composition of Basket 5

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
200 call minutes	Minimum 30Mbit/s headline speed 25GB data	Connection 1 300 call minutes 150 SMS 400MB data Connection 2 200 call minutes 50 SMS 200MB data	None	HD pay-TV with sports and movies PVR

Source: Ofcom

Italy offered the lowest ‘weighted average’ pricing for Basket 5 (excluding France, where a suitable stand-alone superfast broadband service was not offered by the providers in our pricing model), at £159 a month (Figure 2.24). The UK had the next-lowest weighted average stand-alone price for the basket (again, excluding France) at £160 a month, an £18 a month (10%) fall compared to 2012.

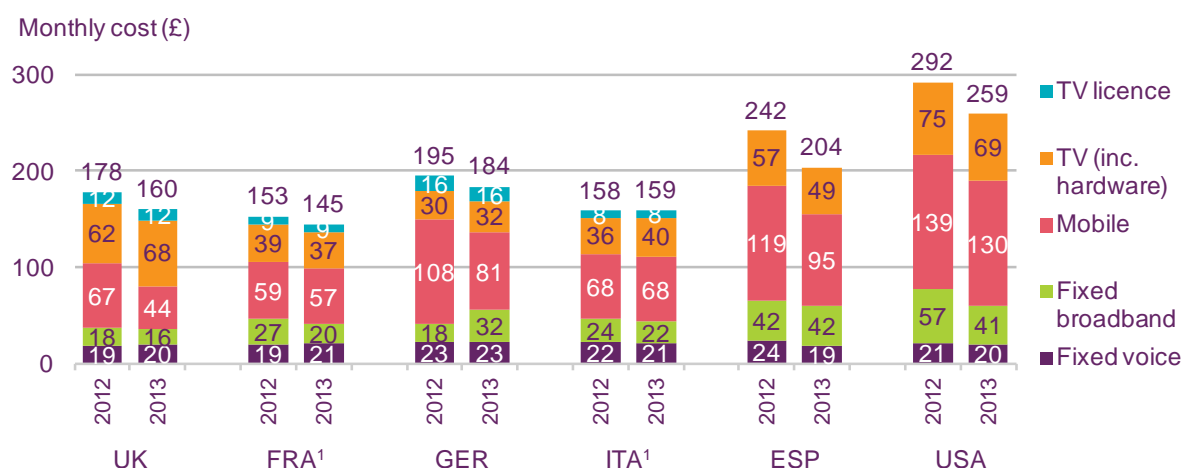
Basket 5 has the lowest fixed voice use of all the baskets, with 200 minutes of outgoing calls per month, and the UK had the third-lowest weighted average price for this usage profile (after Spain and the US) at £20 a month, a £1 a month (6%) increase compared to 2012.

The lowest average weighted stand-alone cost of satisfying the mobile requirements of the basket (the first with 300 minutes of outgoing calls, 150 SMS and 400MB of mobile data use, and the second with 200 outgoing call minutes, 50 SMS messages and lower mobile data use at 200MB) was also in the UK in 2012, at £44 a month. The UK had the lowest weighted average prices for both the high- and low-use connections in this basket (at £30 and £14 per month respectively), while the highest weighted average prices for each were found in the US, at £73 for Connection 1 and £57 for Connection 2. As discussed previously, mobile services are comparatively expensive in the US as a result of the receiving-party-pays interconnection regime. The total weighted average stand-alone price of the two connections fell by £23 (34%) in the UK in 2013, while in France (where the weighted cost had been lowest in 2012) the fall was just £1 (2%) to £57 a month.

Basket 5 requires a fixed broadband connection with 25GB of use and an advertised download speed of 'up to' 30Mbit/s or higher. None of the providers included in our analysis in Italy in 2012, or in France in 2013, offered a stand-alone fixed broadband service which fulfilled this requirement, and the fixed broadband element in the relevant years in these countries includes lower-speed ('up to' 10Mbit/s or higher) services. This means that the fixed broadband (and the total) prices for this basket in Italy in 2012 and France in 2013 are not directly comparable to those in our other comparator countries. There was a wide range of weighted average stand-alone prices for the superfast broadband connection required by this basket, ranging from £1 a month in the UK (a £2 per month fall compared to 2012, as a result of promotions available to consumers taking BT's *BT Infinity Option 1* or Virgin Media's *30Mb* services) to £42 a month in Spain.

Basket 5 also includes an HD premium pay-TV component. As was the case in 2012, the highest weighted average prices for this package, which includes top-league football (NFL in the US) and top-price film/entertainment channels, were in the US and the UK in 2013 at £69 and £68 a month respectively (the lowest was in Germany at £32 per month). The pricing of the pay-TV element of this basket is largely a result of the way in which channels are bundled, and in the US and the UK the football and film content needed to fulfil the basket's requirements was bundled with large amounts of additional programming. Comparisons with the US are hard to make as NFL viewing packages are marketed in many different ways and offered through a combination of pay-per-view and subscription.

Figure 2.24 Basket 5: 'weighted average' single-service pricing



Source: Ofcom using data supplied by Teligen

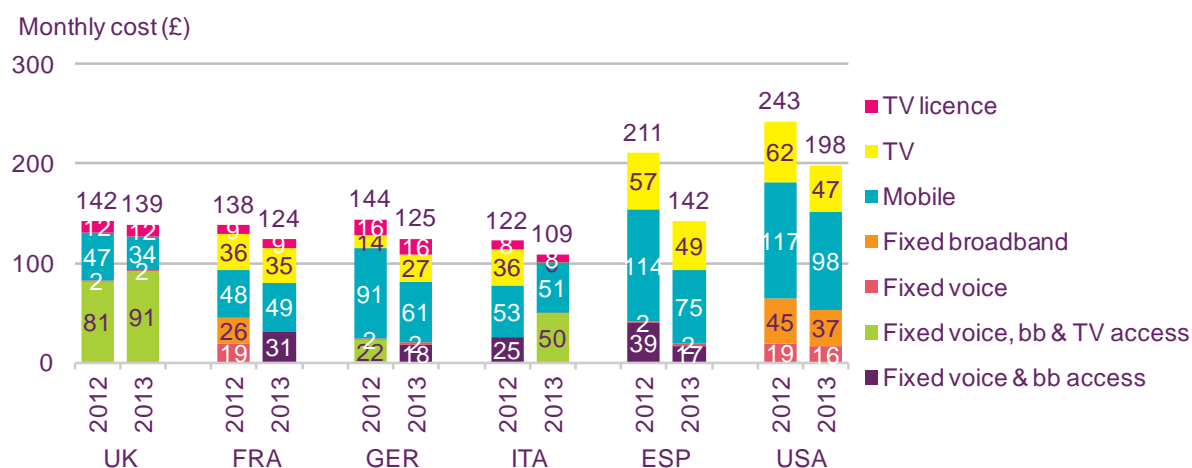
Note: Weighted average of best-value tariff from each of the three largest operators by market share in each country; July 2012 and July 2013; PPP adjusted; the figure for mobile broadband is the best-offer single-service cost; ¹ In France in 2013 and Italy in 2012 Basket 5 includes a connection below 30Mbit/s because none of the ISPs included in our pricing model offered a suitable superfast service.

The lowest ‘best-offer’ pricing for Basket 5 was in Italy at £109 a month, while in the UK the ‘best-offer’ price was £139 per month, £3 a month less than it had been in 2012 and the third highest price among our comparator countries.

The US was the only comparator country where the ‘best-offer’ price for Basket 5 did not include buying bundled services: in France, Germany and Spain the ‘best-offer’ combination of services included a double-play bundle of fixed voice and fixed broadband, while in the UK and Italy the ‘best-offer’ price required a triple-play bundle of fixed voice, fixed broadband and pay-TV. In the UK this bundle was TalkTalk’s *TalkTalk Plus TV with Line Rental Saver + TV Entertainment Extra Boost + Sky Movies & Sky Sports + Fibre Medium* service, which had a base monthly rental fee of £91, while in Italy it was FastWeb’s *Fiber FastWeb + Super Surf + FastWeb TV with Sky TV HomePack FULL w Football & Cinema* service, at £50 per month.

The largest savings, compared to purchasing services on a stand-alone basis, were found in Italy, where the cost of the cheapest bundle of services was £29 a month, 17% less than the cheapest combination of stand-alone services, although in percentage terms, the saving was higher in Italy at 20% (in the UK this saving was £7 a month or 5%). The steepest fall in the best-offer prices for Basket 5 in 2013 was in Spain, where it fell by 33% (£29 a month) with the largest fall in cost (£39 per month, or 34%) being in the mobile phone element of the basket.

Figure 2.25 Basket 5: comparative ‘best-offer’ pricing, including multi-play tariffs



Source: Ofcom using data supplied by Teligon

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, July 2012 and July 2013; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service; ¹ In France in 2013 and Italy in 2012 Basket 5 includes a connection below 30Mbit/s because none of the ISPs included in our pricing model offered a suitable superfast service.

2.1.5 Conclusion

Figure 2.26 summarises the weighted average stand-alone and ‘best-offer’ (including bundles) pricing of all five of our baskets across our six comparator countries.

As in 2012, this year’s analysis again shows that prices in the UK compared favourably to those in the other five countries covered. Excluding the TV licence fee, the lowest ‘weighted average’ single-service prices for Baskets 2, 3 and 4 and the lowest ‘best-offer’ prices for Baskets 2 and 3 were found in the UK. Italy also performed well, having the lowest ‘best-offer’ (including multi-play) prices for Baskets 1 and 5 and the lowest ‘weighted average’ price for Basket 1, while France had the lowest best-offer’ (including multi-play) prices for

Basket 4 and the lowest 'weighted average' price for Basket 5. The main area where the UK did not perform well was HD premium pay-TV services (including a PVR), where single-service prices were the highest among our comparator countries (the lowest price for the service was found in Germany). As stated previously, it is difficult to produce like-for-like comparisons of these services, as the number of channels and the quality of the content included in each package varies considerably.

Low basket prices in the UK were largely because the 'weighted average' stand-alone and 'best-offer' mobile prices in the UK were the lowest among our six countries: the UK had four of the lowest 'weighted average' stand-alone prices and six of the lowest 'best-offer' prices for the eight mobile connections used in our analysis (all five of the baskets included a mobile telephony element). In addition, the UK also benefited from low fixed broadband and fixed voice prices, having the lowest 'weighted average' and 'best-offer' prices for all three of the fixed broadband connections used in our baskets, and the lowest 'weighted average' prices for three of our four fixed voice connections.

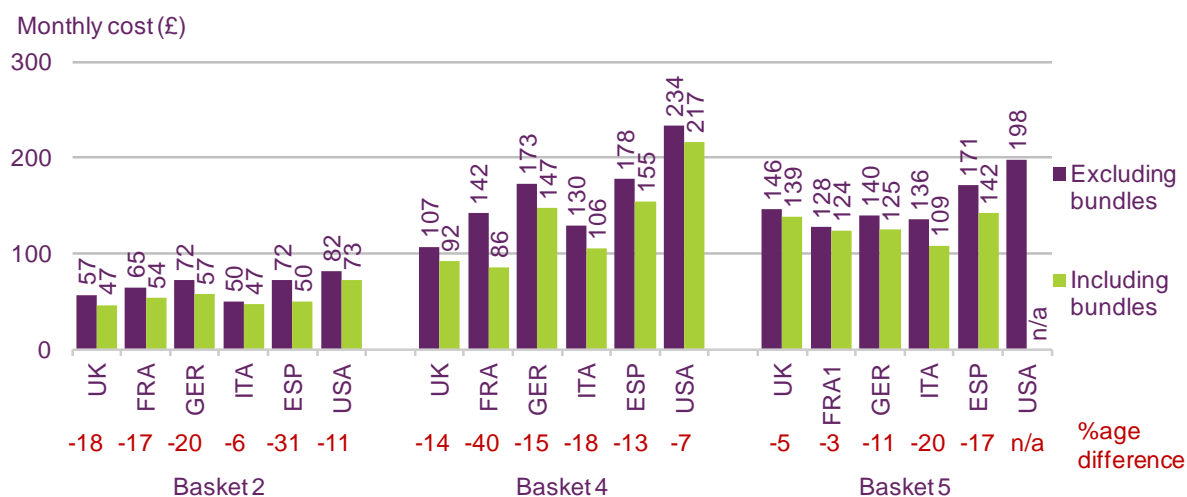
Figure 2.26 Summary of 'weighted average' and 'best offer' basket pricing

Weighted average stand-alone service pricing (£ per month)				'Best-offer' pricing including multi-play (£ per month)			
Basket 1	1	ITA	40	Basket 1	1	ITA	28
	2	UK	40		2	UK	34
	3	FRA	41		3	GER	34
	4	GER	50		4	FRA	36
	5	ESP	51		5	ESP	40
	6	USA	72		6	USA	50
Basket 2	1	UK	51	Basket 2	1	UK	34
	2	ITA	60		2	ITA	39
	3	FRA	66		3	GER	41
	4	GER	72		4	FRA	45
	5	ESP	96		5	ESP	50
	6	USA	108		6	USA	73
Basket 3	1	UK	76	Basket 3	1	UK	54
	2	FRA	83		2	ITA	63
	3	ITA	97		3	FRA	70
	4	ESP	128		4	GER	101
	5	GER	129		5	USA	112
	6	USA	149		6	ESP	119
Basket 4	1	UK	129	Basket 4	1	FRA	77
	2	FRA	153		2	UK	80
	3	ITA	164		3	ITA	98
	4	GER	205		4	GER	131
	5	ESP	218		5	ESP	155
	6	USA	306		6	USA	217
Basket 5	1	FRA	115	Basket 5	1	ITA	100
	2	UK	148		2	GER	109
	3	ITA	151		3	FRA	115
	4	GER	168		4	UK	127
	5	ESP	204		5	ESP	142
	6	USA	259		6	USA	198

Source: Ofcom using data supplied by Teligen
 Note: Excludes the TV licence fee

In most of our comparator countries it was cheaper for consumers to buy the combination of services that were required by Baskets 2, 4 and 5 (which all include a fixed broadband connection) as part of a bundle rather than on a stand-alone basis. The only occasion when this was not the case was for Basket 5 in the US, where a suitable bundled service was not offered by the operators whose tariffs are included in our database. The potential savings available to those buying the services required by Baskets 2, 4 and 5 as part of a bundle varied between countries (Figure 2.28). In the UK, these savings ranged from 5% for Basket 5 to 18% for Basket 2, while among the other comparator countries it ranged from a 6% saving for Basket 2 in Italy to a 40% saving for Basket 3 in France.

Figure 2.27 Difference between ‘best-offer’ prices, including and excluding bundles

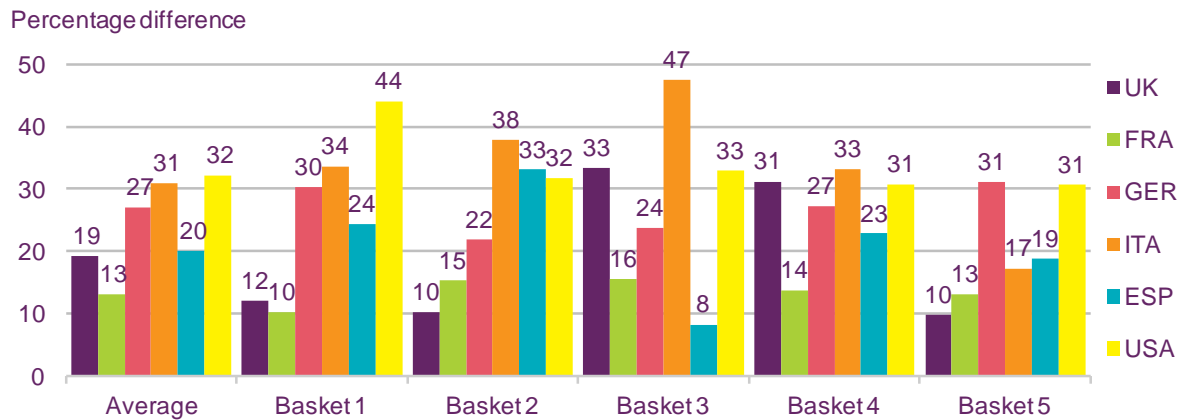


Source: Ofcom using data supplied by Teligen

Note: Lowest tariff available for each service type from any of the largest operators by market share in each country, and July 2012; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service; ¹ excluding bundle figures for Basket 5 in France include ‘up to’ 10Mbit/s fixed broadband services as none of the providers included in our model offered a suitable stand-alone superfast service.

In the UK, the ‘weighted average’ stand-alone prices of our five baskets were, on average, 19% higher than their ‘best-offer’ stand-alone prices (France was the only country where this proportion was lower, at 13%). This indicates that, while there is a comparatively narrow range of prices offered by operators in the UK compared to those available in other countries, most consumers will still be able to save money by shopping around for the provider and tariff that best suits their needs (Figure 2.28). By way of comparison, the largest differences between weighted average and best-offer basket pricing were in the US (32%) and Italy (31%).

Figure 2.28 Difference between ‘best-offer’ and ‘weighted average’ stand-alone pricing



Source: Ofcom using data supplied by Teligen

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