Introduction

This is Ofcom's seventh annual review of the communications market in Wales. The report offers a detailed overview of communications services across the nation and monitors key trends in the availability and take-up of digital services across Wales.

In 2011, total spend by the BBC and ITV1 on first-run originated TV programming specifically for viewers in Wales was up 3% to £27m, the only year-on-year increase among the four nations. This has been driven by an increase of 7% spent on non-news programming. Expenditure per head of the population in Wales increased by 2% to £8.79 in 2011 and the number of first-run originated hours specifically for viewers in Wales also increased by 1%. S4C spent a total of £73m on first-run Welsh language programming in 2011, an 8% decrease on 2010 in nominal terms, but the total number of hours broadcast by S4C increased by 3%.

Over the past year, broadband take-up has remained stable but there remain significant variations by demographic group. Broadband take-up is lowest among over-55s and DE households. This year's report has also analysed fixed broadband take-up in the South Wales Valleys, confirming that take-up is relatively low in comparison to Cardiff and Newport.

Mobile phone ownership increased by five percentage points to 92% in Wales in the year to Q1 2012. Take-up of smartphones increased significantly throughout the UK over the same period, with Wales experiencing a 14 percentage point increase in ownership to 39% over the period, in line with the UK average.

This year's report explores the impact of the recession on attitudes towards spending on communications services. For the first time since Ofcom took over regulation of the UK's postal services from Postcomm, we also examine Welsh consumers' use of postal services.

This is just a snapshot of this year's report, highlighting the key stories of take-up and use of communications services in Wales. We are publishing the full data set and charts in a searchable resource, which can be found at www.ofcom.org.uk/cmrwales. Companion reports for the UK and each of the nations are once again being launched alongside this report; these can be found at www.ofcom.org.uk/cmr.

We publish this report to support Ofcom's regulatory goal to research markets constantly and to remain at the forefront of technological understanding. It also fulfils the requirements on Ofcom under Section 358 of the Communications Act 2003 (the Act) to publish an annual factual and statistical report, and addresses the requirement to undertake and make public our consumer research (as set out in Sections 14 and 15 of the Act).

The information set out in this report does not represent any proposal or conclusion by Ofcom in respect of the current or future definition of markets. Nor does it represent any proposal or conclusion about the assessment of significant market power for the purpose of the Communications Act 2003, the Competition Act 1998 or any other relevant legislation.

Contents

Setting the scene

Key facts about Wales

Figure	Wales	UK
Population	3.006m (mid-2010 estimate)	62.262m (mid-2010 estimate)
Age profile	Population aged <16: 18.2% Population aged 65+: 18.6%	Population aged <16: 18.6% Population aged 65+: 16.6%
Population Density	145 people per sq km	257 people per sq km
Language	Welsh spoken by 24.8% of population	n/a
Unemployment	9.3% of the working age population	8.3% of the working age population
Income and expenditure	Weekly household income: £604 Weekly household expenditure: £394	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. Welsh Government,

A note on our survey research

We conducted a face-to-face survey of 3,772 respondents aged 16+ in the UK, with 513 interviews conducted in Wales. Quotas were set and weighting applied to ensure that the sample was representative of the population of Wales 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 Wales 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 Wales' communications market

1.1 Introduction and key findings for Wales

Introduction

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

Key findings for Wales

Communications services during the economic downturn

- **Two in three (66%) adults in Wales say they would spend less on a communications service**, if they were forced to make cuts in spending, compared to around half of UK adults (52%).

- **More people in Wales would cut back on pay TV.** When forced to choose which communications service they would cut back on, people in Wales are more likely to select pay-TV services (28%) compared to 16% of UK adults overall.

- **Four in ten (41%) people in Wales say they will shop around for communications services in the next 12 months,** which is higher than the UK average of 36%. They are most likely to shop around for broadband services (25%), which is in line with the UK average (23%).

TV and audio-visual content

- **Use of satellite television remains higher in Wales** than in England and Scotland and is comparable with Northern Ireland. The rise in the proportion of homes in Wales using satellite for their main TV set, noted last year, has been sustained; and stands at 53% (vs 41% in the UK).

- **Adults in Wales are more likely to state TV as their 'main source' of local news**. In 2011, 71% of adults in Wales stated TV as their main source of local news, higher than the UK average of 53% and the highest of all the nations.

- **Spend by the BBC and ITV1 on first-run originated programming for viewers in Wales was up 3% on 2010**, the only year-on-year increase among the four nations. However, the five-year trend shows a decline of 24%.

- **Compared to the other nations, Wales showed the greatest decrease in first-run originated hours for viewers in Wales by the BBC and ITV 1 since 2006;** down 22% to 1,016 hours. However, there was a year-on-year increase of 1%.

- **S4C had a year-on-year reduction in spend but an increase in the number of first-run hours.** All genre categories saw year-on-year decreases in spending on first-run S4C programming (an 8% fall in nominal terms on 2010).

Radio and audio content

- **Adults in Wales listened to the most radio per week in 2011.** Average weekly radio listening among adults in Wales in 2011 stood at 23.2 hours, the highest across all of the UK nations.

- **Adults in Wales are less likely to listen to commercial radio.** Local and national commercial stations accounted for 38% of listening share, the lowest of all the UK nations and 5pp lower than the UK average.

Internet and web-based content

- **The increase in household take-up of fixed broadband services in Wales between 2010 and 2011 was sustained in Q1 2012, but take-up is still lower than the UK average.** The proportion of households with a fixed broadband connection was 63% in Wales in Q1 2012, nine percentage points lower than the UK average of 72%.

- **Eight per cent of households in Wales own a tablet computer,** an increase of six percentage points since Q1 2011. Take-up is higher in urban (9%) than in rural areas (4%).

- **Wales has the highest adoption of e-readers in the UK.** Just over one in ten (13%) adults in Wales had an e-reader in Q1 2012, greater than the UK average of 10%**.**

Broadband take-up in the South Wales Valleys

Over the last year, overall broadband take-up (fixed and mobile) in Wales has remained stable at 68%[1], but there remain significant differences by area and demographic group.

- **Around six in ten (63%) adults in the South Wales Valleys have fixed broadband, which is lower than in Cardiff (78%), Newport (68%) and the Great Britain (GB) average (76%)[2].**

- **The demographic profile of the South Wales Valleys explains in part the lower fixed broadband take-up.** However, a comparison of broadband take-up by age and socio-economic group against the GB average shows that demographic differences do not fully explain the lower take-up in the South Wales Valleys.

Telecoms and networks

- **Wales had the lowest household availability of superfast broadband services across the UK nations in March 2012, at 34%.** This was because household cable broadband availability (23%) was the lowest among the UK nations and fibre-to-the-cabinet availability (17%) the second lowest after Scotland.

- **Thirty-nine per cent of adults in Wales said that they accessed the internet using a mobile handset in Q1 2012.** This was 14 percentage points higher than the proportion a year previously, and was in line with the UK average. Smartphone take-up increased by 13 percentage points to 42% of mobile users over the period.

[1] Ofcom technology tracker, Q1, 2012.
[2] As reported by the British Population Survey January to September 2011.

- **Homes in Wales were more likely than average to rely solely on mobile telephony in Q1 2012**. Twenty per cent of homes in Wales were mobile-only during the period, five percentage points higher than the UK average of 15%. Take-up of fixed-line services in Wales (80%) was slightly lower than the UK average of 84%.

- **Satisfaction with mobile reception was lower in rural areas of Wales than in urban areas in Q1 2012**. Eighty-three per cent of mobile users in rural areas of Wales were satisfied with their mobile reception during the period, seven percentage points lower than the 90% figure in rural areas and five percentage points lower than the corresponding figure for Q1 2010.

Post

- **More consumers in Wales claim to send post regularly compared to all other UK nations.** Sixty nine per cent of consumers claim to send items of post regularly; this is significantly higher than the UK average of 58%.

- **Adults in Wales receive fewer parcels than the UK average.** Our research shows that adults in Wales receive an average of 0.7 parcels per month, lower than the UK average of 1.2 parcels per month (although this is within the survey error margins).

- **Almost half of consumers in Wales say they use First Class all the time.** This is despite the fact that only a minority say their mail has to arrive the next day, with 14% saying that all of their mail needs to arrive next day and 19% saying that most of it does.

- **Compared to the UK average, fewer adults in Wales prefer to send emails rather than letters.** A quarter (27%) of adults in Wales agree that they prefer to send emails rather than letters whenever possible, which is a lower proportion than agree with this across the UK (38%).

Media Literacy

A full report covering adults' media literacy in Wales is included as an annex to this document.

Figure 1.1 Fast facts for Wales

	UK	England	Scotland	Wales	Northern Ireland	UK urban	UK Rural	Wales urban	Wales rural
Digital TV take-up among TV homes	98 ↑+2	97	99	99	91-	97 ↑+2	98 ↑+4	100+	98
Broadband take-up	76	78	68- ↑+7	68-	69-	76	77	67	73 ↑+6
Mobile broadband	13	13	12	16	7-	13	10	18+	8-
Mobile phone take-up	92	93	85-	92 ↑+5	93	92	92	93 ↑+5	88-
Use mobile to access internet	39 ↑+7	40 ↑+6	31- ↑+10	39 ↑+14	35 ↑+6	39 ↑+5	35 ↑+12	41 ↑+15	30- ↑+8
Smartphone take-up	39 ↑+12	40 ↑+11	32- ↑+14	39 ↑+14	34 ↑+13	39 ↑+12	37 ↑+10	41 ↑+15	33 ↑+11
Fixed landline take-up	84	85	82	80	84	83	91+	78-	87
Households taking bundles	57 ↑+4	58 ↑+4	47-	47-	51- ↑+5	57 ↑+3	56 ↑+11	47-	46- ↑+9
DAB ownership amongst radio listeners	38	40	29-	29-	22-	38	41	27-	37 ↑+7
Smart TV ownership among TV homes	5	5	4	3	4	5	4	3	3
Tablet computer take-up	11 ↑+9	11 ↑+9	11 ↑+10	8 ↑+6	9 ↑+7	11 ↑+9	11 ↑+9	9 ↑+8	4-
E-reader take-up (personal use)	10 ↑+7	10 ↑+7	8 ↑+6	13 ↑+10	8 ↑+5	11 ↑+8	15+ ↑+12	13 ↑+11	15+ ↑+11
Fixed telephony availability	100	100	100	100	100				
Fixed broadband availability[1]	99.98	100.00	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 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.

1.2 Wales' communications market and the economy

Introduction

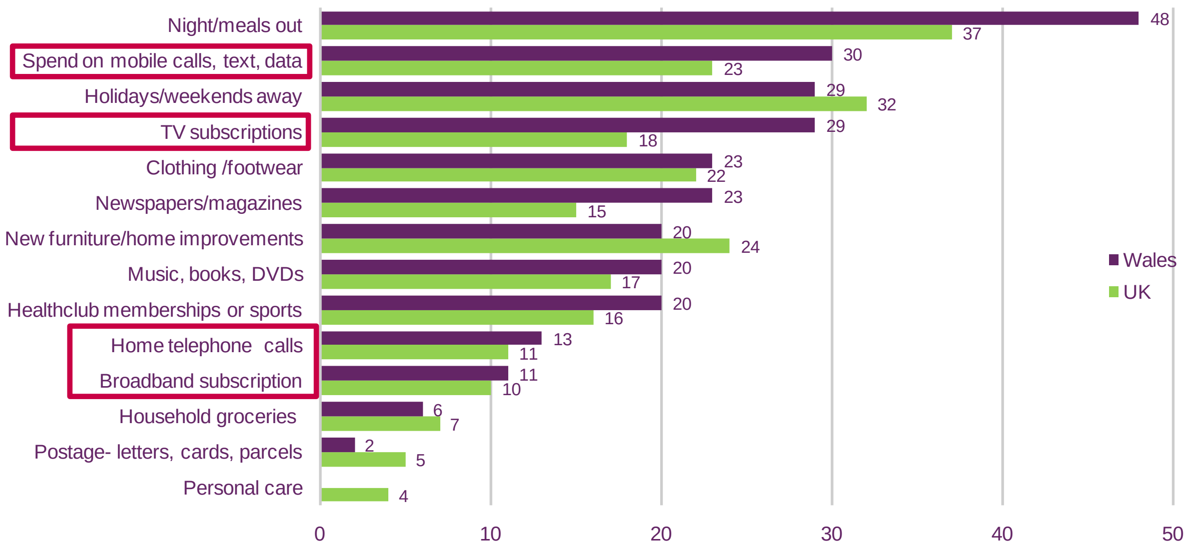
Since the last CMR was published in August 2011, the UK economy has officially fallen back into recession. This section explores the impact on attitudes towards spending on communications services in the context of the economic downturn. It summarises the findings of an omnibus survey commissioned in February/March 2012[3].

Consumers in Wales are less willing to cut back spending on communication services than on other expenses

Figure 1.2 shows that if forced to reduce spending, consumers in Wales are most likely to cut back on nights out (48%). However, three in ten (30%) would cut down spending on mobile phone calls, texts and data.

[3] 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 spending



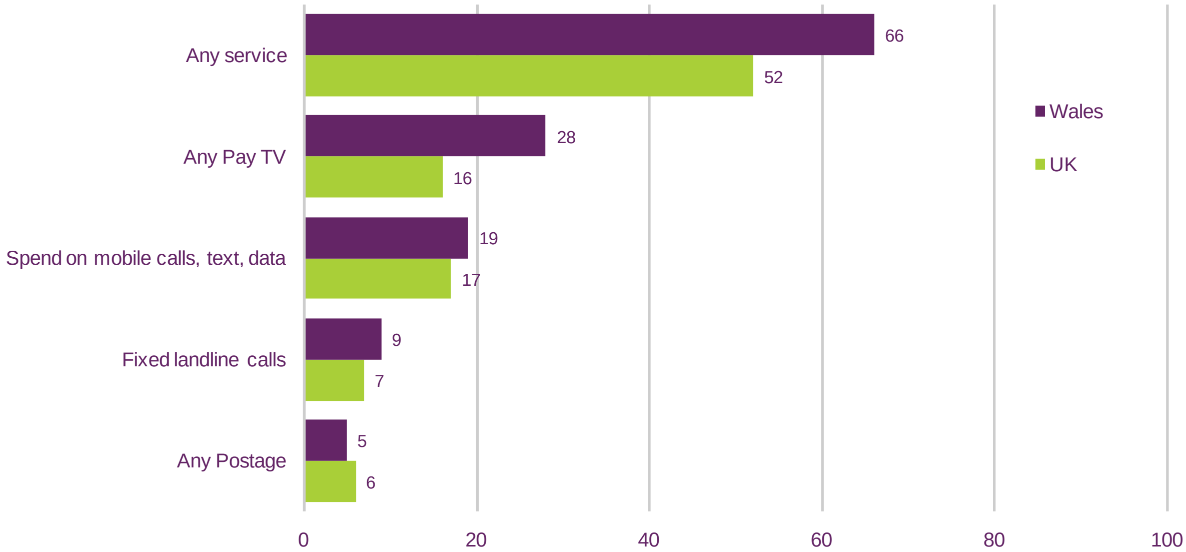
Source: Ofcom Attitudes toward spending research, 2012
Base: All adults aged 16+ (n=2124 UK, 1726 England, 182 Scotland, 99 Wales, and 117 Northern Ireland)
Q: If you were forced to cut back spending, which of the following items/services would you be likely to spend less on? (Multichoice)

Two in three people in Wales say they would spend less on communications services if they were forced to cut down on spending

When asked whether they would make cuts on any communication services, 66% of people in Wales said they would. This is higher than the UK average of 52%.

If savings needed to be made, people in Wales are more likely to cut spending on pay TV than other communication services. Almost three in ten (28%) would cut spend on this in Wales, higher than the UK average of 16%.

Figure 1.3 Single most likely communication 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)

The likelihood to shop around for some services is slightly higher than the UK average

Four in ten (41%) people in Wales say they are more likely to shop around for communication services compared to a year ago. This is higher than the UK average (36%).

They are more likely to shop around for a fixed land-line telephone subscription (14%) than the UK average (10%). A similar proportion of consumers in Wales say that they shop around for broadband subscriptions (25%) compared to the UK average (23%).

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

Q: 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 UK adults aged 16+ (n=2059 UK, 1662 England, 181 Scotland, 99 Wales, and 117 Northern Ireland)

People in Wales are more likely to think about taking communications services as a bundle to save money than the UK overall

Half of all consumers in Wales agree that they would consider taking bundled communications services from a single supplier in order to save some money. This is higher than in the UK overall (41%).

Figure 1.5 Consumers' agreement/disagreement that they are more likely to take communication services as 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'

People in Wales are more likely to put off buying a new mobile handset to save money

Consumers were read a series of statements about how their attitudes to spending on communication services may have changed during the economic downturn.

Our research showed that consumers in Wales are more likely to do a range of activities to save money. Just over half (57%) of people in Wales say they are likely to put off buying a new mobile phone and will continue to use their old handset. This is broadly similar to the UK average of 52%.

Just over half (55%) of consumers in Wales say they try to use the inclusive minutes on their mobile phone package rather than use their landline to make calls. This is significantly different to the UK average of 42%.

Figure 1.6 Attitudes to spending on communication services in the economic downturn

Q: Here are some things other people have said about how the economic downturn 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 Wales aged 16+ n = 99

1.3 A study into fixed broadband take-up in the South Wales Valleys

Introduction

The South Wales Valleys comprise a number of industrialised valleys in South Wales. Since 2009, they have been identified as an area of low broadband take-up[4]. As a result, the Ofcom Advisory Committee for Wales suggested that Ofcom explore this in more detail. Therefore, Ofcom has undertaken analysis of the *British Population Survey* (BPS)[5] to assess take-up of fixed broadband in the South Wales Valleys. For purposes of this analysis, the

[4] http://www.bevanfoundation.org/wp-content/uploads/2011/10/Digital-Wales-Divided-Wales.pdf
[5] The British Population Survey http://www.thebps.co.uk/index.php

South Wales Valleys are considered to be the Welsh local authority regions of Blaenau Gwent, Rhondda Cynon Taff, Neath Port Talbot, Merthyr Tydfil, Torfaen and Caerphilly. This matches the definition used by the Welsh Local Government Association.

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. Note: The survey covers Great Britain, whereas Ofcom's technology tracker cited in the rest of the report is based on the UK.

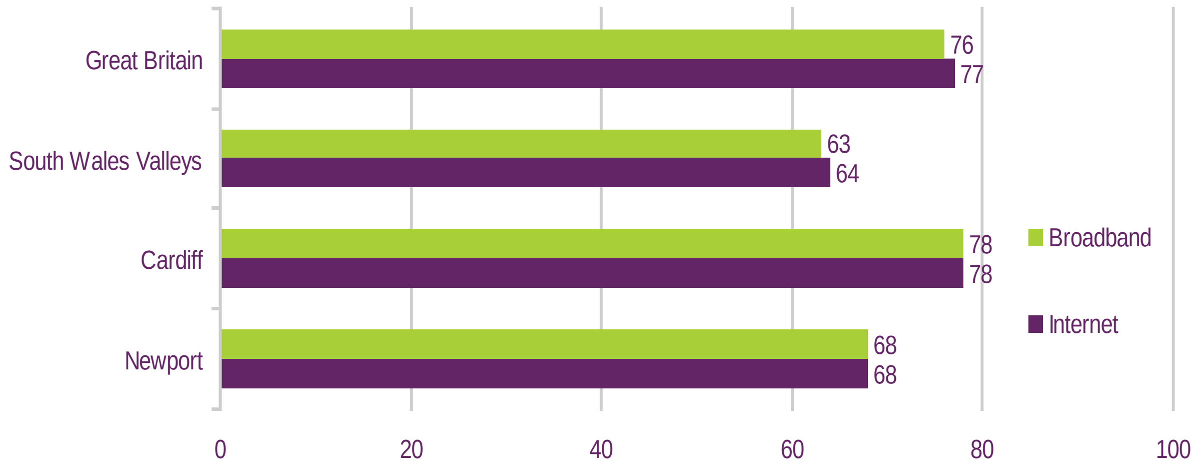
Using data from the *British Population Survey* (BPS), January to September 2011, analysis was undertaken on the Valleys, Cardiff and Newport (data not available for Swansea). The total GB sample was 62,669 and the sample size in the South Wales Valleys was 981. Sample sizes for Cardiff and Newport were smaller, at 224 and 187 respectively.

Findings

<u>The analysis confirms that the South Wales Valleys have low broadband take-up compared to the GB average, Cardiff and Newport</u>

Broadband take-up is relatively low in the South Wales Valleys. Figure 1.7 shows that 63% of adults in the South Wales Valleys have fixed broadband, compared to the GB average (as reported by the BPS for this period) of 76%.

Figure 1.7 Internet and fixed broadband take-up, by area



Source: British Population Survey, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 981 South Wales Valleys)

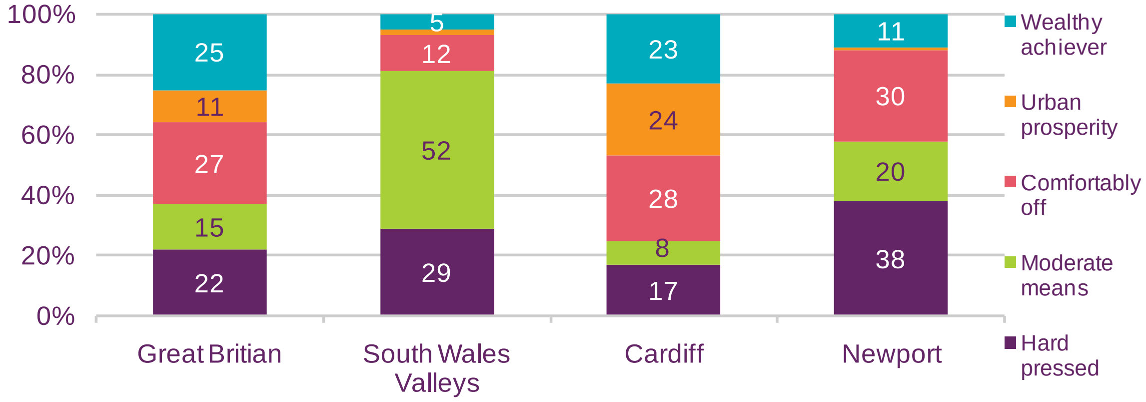
<u>Demographic differences go some way to explaining the low fixed broadband take-up in the South Wales Valleys and Newport</u>

We have applied CACI classifications[6] to the BPS data (Figure 1.8) to show that the population in these areas differs from the rest of Great Britain. One in two (52%) adults in the South Wales Valleys sample are classified as of 'moderate means' by CACI.

[6] 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.

This partly explains the lower level of broadband take-up, as we know from previous research[7] that those on low incomes are less likely to have broadband connections at home.

Figure 1.8 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, 981 South Welsh Valleys)

<u>But demographic differences alone are not sufficient to explain South Wales Valleys fixed broadband take-up.</u>

Broadband take-up in the South Wales Valleys is lower than expected among those aged over 45, as shown in Figure 1.9.

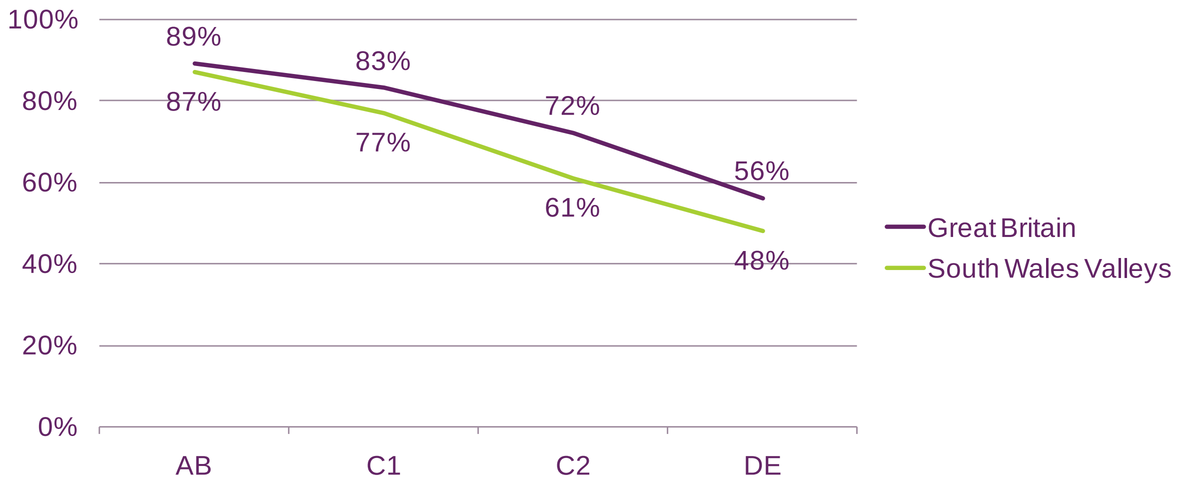
Figure 1.9 Fixed broadband take-up, by age group

Source: British Population Survey, January-September 2011. Base: GB adults aged 15+, (n = 62,669 GB, 981 South Wales Valleys)

Figure 1.10 shows that broadband take-up is also lower than average among all socio-economic groups, excluding AB, in the South Wales Valleys. The difference is more noticeable among C2 social groups, where the average take-up of fixed broadband is 61% compared to the GB average of 72%.

[7] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/scotland/4.2

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, 981 South Wales Valleys)

This analysis confirms that the South Wales Valleys have lower take-up of fixed broadband than the national average. Demographic differences go some way to explain lower take-up. But there is also a concern that people aged over 45 and in socio-economic groups C2DE are less likely to have fixed broadband at home than their counterparts elsewhere. Other factors such as societal or attitudinal differences may be contributing to these differences in take-up.