



International Communications Market Report 2015

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 UK communications service prices to those in France, Germany, Italy, Spain and a representative state of the US (we use Illinois as it is broadly representative of the US as a whole in terms of wealth and rural-urban split).

Our methodology, which has been developed with pricing consultancy Teligen, is based on the use of services by five 'typical' household profiles, and matches their usage requirements to tariffs. It was developed to address the difficulties in comparing prices caused by service bundling, tariff complexity and variations in average use across countries. In order to reflect the full cost of ownership of the relevant services, it also takes into account the cost of installation and hardware (including subsidies) and bundle discounts.

We include an overview of our methodology (which is required in order fully to understand our findings), a summary of those findings by service, followed by analysis on a household-by-household basis. The full methodology can be found in Annex B. The key findings of this chapter include:

- **Overall, UK communications service prices compare favourably to those in the other comparator countries.** The UK ranked second in the overall pricing rank (combining stand-alone, bundled and 'lowest available' prices) in 2015, behind France. This was a fall of one place compared to 2014.
- **The UK's average performance across all baskets and metrics was unchanged since 2014.** While the UK's overall rank fell in 2015, its average rank across all of the baskets and metrics used in the analysis was unchanged. In contrast, France's improved, resulting in it overtaking the UK in terms of its overall rank.
- **The UK was cheapest in terms of stand-alone pricing (i.e. when services are not purchased in a bundle).** The UK had the lowest 'weighted average' stand-alone prices for three of the five household usage profiles included in the analysis in 2015.
- **The cheapest stand-alone fixed broadband and mobile phone prices were both found in the UK in 2015.** UK fixed broadband prices fell slightly during the year, and the UK had the cheapest mobile prices in 2015, despite prices having increased.
- **The UK performed less well in terms of fixed voice prices.** The cheapest available landline services for our households' requirements were the most expensive among the six countries included in the analysis in 2015, following an increase in prices during the year.
- **France overtook the UK in terms of bundled service pricing in 2015.** France had the lowest 'weighted average' bundled service prices for three of our household usage profiles, with the UK having the 'lowest available' price for one household.
- **In almost all cases, it was cheaper to purchase a bundle where the household requires fixed broadband.** In the UK, the average saving associated with buying a bundle rather than stand-alone services was 18% across the three households that include fixed broadband, the third-lowest proportion among our six countries.
- **The UK improved its ranking in terms of the 'lowest available' prices in 2015.** During the year, the UK overtook Italy to rank second after France, which offered the

'lowest available' prices for two of the five household usage profiles used in the analysis in 2015 (as did the UK).

2.1.2 Methodology

The basic principles of the methodology used are as follows:

We constructed five household usage profiles, and for each of these defined an appropriate basket of communications services (Figure 1.1). Taken together, the usage patterns of these households were designed to be representative of average use across all the countries analysed. This addressed the potential for biases associated with the household usage profiles being more closely aligned with the usage profiles of some countries than of others. Full details of the methodology can be found in Annex B.

We made some changes to the household usage profiles used in the analysis this year in order to reflect changes in the use of communications services. This included increasing assumed levels of fixed and mobile data use and decreasing SMS use across the household profiles.

Figure 2.1 Summary of household usage profiles used in the analysis⁹⁰

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

Source: Ofcom

⁹⁰ Note: More detailed summaries of each basket's usage requirements can be found in Figure 2.10, Figure 2.14, Figure 2.18, Figure 2.21 and Figure 2.25.

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

- Fixed voice minutes were distributed by whether they were to fixed or mobile lines, by call distance (local, regional, national and international, including a range of international destinations) and by time of day (day, evening, weekend). Non-geographic calls were excluded from the analysis.
- Mobile calls (and messaging) were split between fixed line, 'on-net' and 'off-net' mobiles, selected international destinations (for some users), and voicemail.
- Call set-up costs and unit, per-second and per-minute charging were incorporated where relevant, and a function for averaging cost for different of call lengths was used, based on an approach used for price benchmarking by the Organisation for Economic Co-operation and Development (OECD).
- Incoming calls to mobile phones were included, in recognition of the different charging mechanism in the US.
- The broadband components were defined both by minimum headline speed and by minimum data requirements.
- The television element included the licence fee and hardware cost. Because of difficulties in comparing channels and their programmes, two tiers of pay-TV were considered: the most basic pay service available, over and above the channels available on free-to-air TV; and a premium service defined by high-definition channels and a top-price film/entertainment package combined with the best package of top-tier football matches (NFL in the US). For the most basic households terrestrial TV services were considered.

The cost of mobile handsets, broadband modems and routers, digital set-top boxes and DVRs were included in household usage profiles (and amortised over an appropriate period in order to attribute a monthly cost). This was necessary because such 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 included connection and/or installation costs.

In July 2015, details of every tariff and every tariff combination (including bundled services) from the three largest operators by retail market share in each country were collected (and from more than three operators, if this was required to ensure that a minimum of 80% of the overall market was represented). Bundled tariffs (i.e. those which incorporate more than one service) were also collected. Only those tariffs which were published on operators' websites were included (i.e. the analysis excludes bespoke tariffs which are only offered to certain customers).

Our model identified the tariffs that offer the lowest price for meeting the requirements of each of the households, 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 2015.

Analysis

We undertook three types of analysis for each household usage profile:

‘Average stand-alone’ pricing: This is the average of the lowest stand-alone price for each individual service offered by each operator in each country, weighted by their market shares. This represents a change from the methodology used in previous years, when the average were based only on the prices offered by the three largest providers of each service in each country. Although it provides a useful comparison of the relative costs of communications services, a limitation of this analysis is that an increasing number of providers do not offer stand-alone services.

‘Average bundle’ pricing: This is the average of the lowest bundled service prices (including separate stand-alone services where a bundle does not include all of the services required by the household) offered by each operator that provides a suitable bundled tariff in each country, weighted by their fixed broadband market shares. It is the first time that this analysis has been included in the report, and it should be noted that fixed broadband shares are used to weight the results regardless of whether or not the bundles in question include fixed broadband.

‘Lowest available’ pricing: This was the lowest price that a consumer could pay for this basket of services, including, where appropriate, ‘bundled’ services (i.e. buying more than one service in a package, for example a ‘triple-play’ bundle consisting of fixed voice, broadband and pay TV). This analysis is important 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 often limited to geographic areas where premises are connected either to a cable network or an unbundled telephone exchange. Second, even in areas where these services are available, take-up may be low. Therefore, although the ‘lowest available’ price provides insight into the lowest prices available to some customers, it is not as good a reflection of the prices that consumers are actually paying as the ‘weighted average’ analysis.

Limitations

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

- The analysis assumes a rational consumer with full understanding of their usage requirements, who is prepared to shop around and undertake some complex calculations to identify the best value tariff. In reality, many consumers do not act in this way, and few will be on the lowest-cost combination of services for their usage profile. However, the assumption is necessary in order to provide effective international comparison.
- In looking only at tariffs available from the largest operators in each country, lower prices which might be available from smaller operators are not included. 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 receipt of certain benefits.
- 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). In addition, the 'average bundle' pricing calculation uses providers' fixed broadband market shares, regardless of whether or not the bundle includes fixed broadband.
- Pay-TV services are a component of three of the household usage profiles we examined. 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 there are only two operators with nationwide coverage and/or significant market share in some countries (or only one, for some premium TV offerings). In these instances, we have identified the cheapest tariff from each of them and calculated a blended average based on their market shares.
- Some services (e.g. LLU-based fixed telecoms 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 it is also true for cable TV and all types of broadband.
- We have not defined whether the mobile phone component in a household usage profile 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 75% of mobile connections in Italy, but less than 20% in France, are pre-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 whose use varies from month to 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 used tariffs available within the state of Illinois, which we chose because it is broadly representative of the US as a whole in terms of wealth and rural-urban split. Nevertheless, the US pricing data included in this report should not necessarily 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 2015 and applied it to 2014 data. This means that there may be some distortions in the relative positions of countries compared to the findings we reported in 2014. The prices are reported in nominal terms.

Report structure

We start the analysis by looking at the individual components of our five household usage profiles, 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' stand-alone 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 household usage profiles, in terms of the 'weighted average' stand-alone and bundle prices in each nation, and also the 'lowest available' price.

2.1.3 Stand-alone pricing, by service

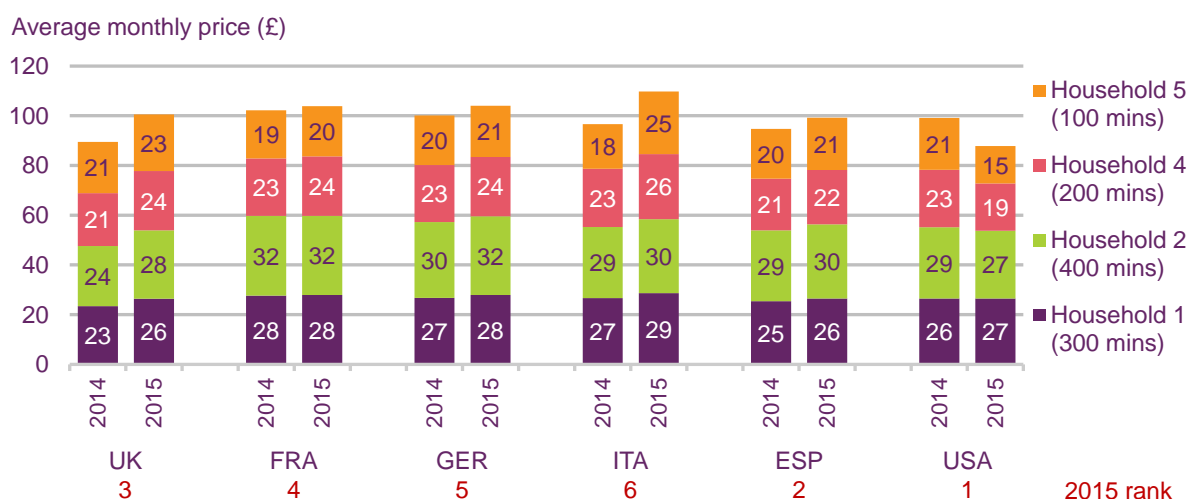
Fixed voice summary

Figure 2.2 and Figure 2.3 show the stand-alone prices of the fixed-line voice components of those household usage profiles that include a fixed-line phone. In the UK, BT was the only provider included in the database that offered stand-alone fixed voice services in July 2014 and July 2015, resulting in the UK's 'weighted average' and 'lowest available' stand-alone prices being identical.⁹¹

The UK had the third lowest total 'weighted average' stand-alone prices for the four fixed voice connections in 2015 (Figure 2.2).⁹² The lowest overall prices were found in the US, which was the only one of the six countries where prices fell between 2014 and 2015; down by 11%, largely as a result of Comcast introducing new tariffs. Among our other countries, increases in the total weighted-average price in 2015 ranged from 2% in France to 14% in Italy (in the UK it was 12%, the second largest increase recorded during the year).

BT's *Home Phone Saver* service was the cheapest UK tariff for all four of our households' connections (with an additional *Friends & Family International* call add-on for the two higher-use connections). A fixed broadband service cannot be used in conjunction with this tariff and neither can line rental pre-payment (which is available on BT's standard line rental services and results in a saving of 10% compared to paying monthly).

Figure 2.2 'Weighted average' stand-alone fixed-line voice pricing



Source: Ofcom using data supplied by Teligen

Note: 'Weighted average' of cheapest tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

The US also had the cheapest total 'lowest available' price for the four fixed voice connections required by our household usage profiles in 2015, following a 6% fall in the total during the year (Figure 2.3). The highest total 'lowest available' price for these connections

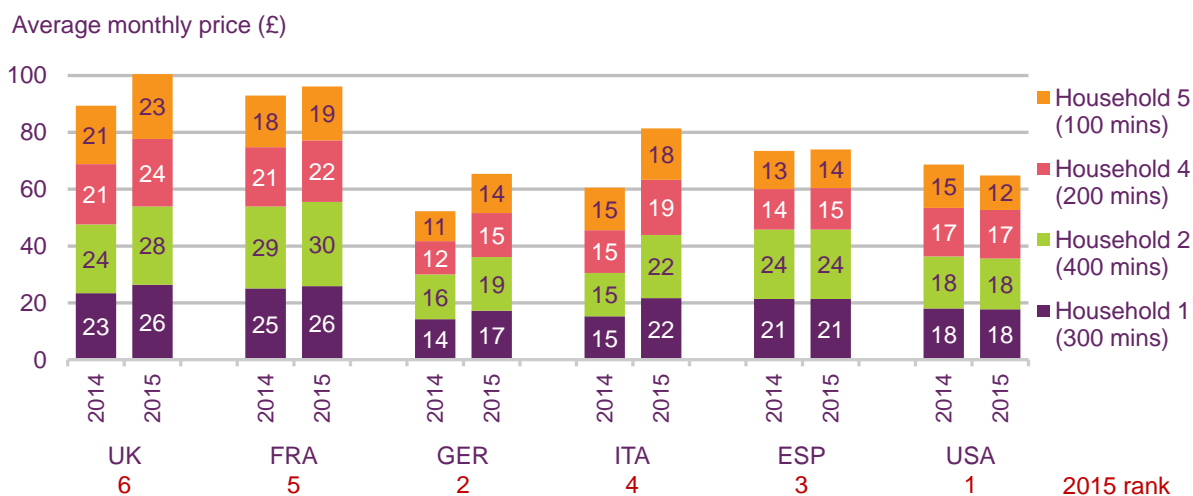
⁹¹ Sky also offers stand-alone fixed voice services but these are excluded from the analysis as they are not offered on its website, and there are other UK operators of stand-alone landline services that are not included in the Teligen model.

⁹² In a change to previous years' reports, the 'weighted average' prices in this report have been calculated using the cheapest tariffs offered by all of the providers included in the Teligen pricing model that offered a suitable service. Previously, the calculation of these had only included the lowest prices offered by the largest three providers in each country.

in 2015 was in the UK, where BT is the only provider included in the pricing model that offers stand-alone fixed voice services.

In the US, the same Comcast service (*XFINITY Voice Unlimited Saver*) was the base tariff for the 'lowest available' price for the three higher-use connections, with AT&T providing the 'lowest available' price for the lower-use connection (requiring 100 minutes of outgoing calls per month). Aggregate 'lowest-available' prices increased in all of the other countries during the year, ranging from a 1% increase in Spain to a 34% increase in Italy, where prices increased as a result of Tele Tu's *Parla Facile* tariff (which was the cheapest service for all four connections in Italy in 2014) being withdrawn, following its acquisition by Vodafone. In the UK, the total 'lowest available' price for all four connections increased by 12% during the year.

Figure 2.3 'Lowest available' stand-alone fixed-line voice pricing



Source: Ofcom, using data supplied by Teligen

Note: July 2014 and July 2015; PPP adjusted.

Mobile summary

Our five household usage profiles include eight mobile phone connections with differing usage profiles, ranging from low use with a basic handset, to high use with an advanced handset. These eight connections (summarised in Figure 2.4 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), and for the first time in the analysis we have included the requirement for a 4G service for some connections.

Figure 2.4 Summary of mobile connections used in the analysis

	Basket	Handset type	Outbound voice minutes per month	Outbound SMS per month	Data use per month	4G required
Connection 1	Household 1 handsets 1 & 2	Basic	50	None	None	No
Connection 2	Household 2 handsets 1 & 2	Basic	50	25	100MB	No
Connection 3	Household 4 handset 2	Intermediate	150	200	300MB	No
Connection 4	Household 4 handset 1	Intermediate	250	100	400MB	No
Connection 5	Household 5 handset 2	Premium	200	50	500MB	Yes
Connection 6	Household 4 handsets 3 & 4	Intermediate	100	250	2GB	No
Connection 7	Household 5 handset 1	Premium	300	150	1GB	Yes
Connection 8	Household 3 handset 1	Premium	500	200	5GB	Yes

Source: Ofcom

Our analysis shows that the UK had the lowest overall ‘weighted average’ price for the eight mobile connections in 2015, despite a 12% increase in the total price during the year (Figure 2.5).⁹³

Weighted average prices increased for six of the eight connections used in the analysis in the UK during the year; the largest increases were for those connections that required a premium handset and 4G services (Connections 5, 7 and 8). For all three of these connections, prices increased for all of the providers whose tariffs were included in the UK ‘weighted average’ calculation. As was the case in 2014, the US (which has high average use and where mobile users are also charged for incoming calls) had the highest total ‘weighted average’ price for the eight connections included in the analysis in 2015, despite a 3% fall in the total price during the year. Italy and Germany were the only other countries where the total ‘weighted average’ price of these connections fell in 2015, down by 2% and less than 1% respectively.

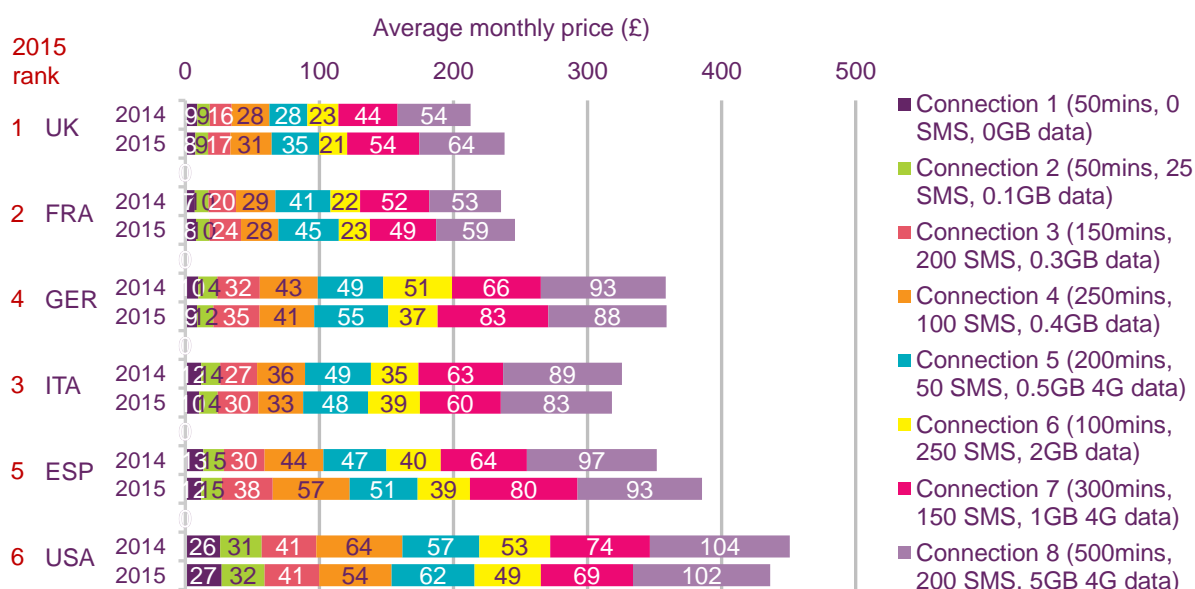
In the UK, 30 of the 45 tariffs (67%) feeding into the average best-pricing analysis were SIM-only contracts, down from 76% in 2014 (where a tariff is SIM-only, our model factors in the cost of buying a mobile handset separately and amortises it over three years)⁹⁴. This proportion was much higher than in the other comparator countries, where it ranged from 4% (one tariff) in Spain to 38% (12 tariffs) in France and the US. This suggests that SIM-only tariffs may be more attractive to consumers in the UK than elsewhere. The proportion of pay-as-you-go tariffs feeding into the UK weighted averages increased from 11% to 24% in 2015. This remained one of the lower proportions across our comparator countries, with only

⁹³ Shifting UK mobile market shares meant that Tesco Mobile’s tariffs were included in the analysis for the first time in 2015. Excluding Tesco Mobile from the analysis shows that the total ‘weighted average’ price of the eight connections increased by 14% in 2015, and remained the lowest among our six countries.

⁹⁴ 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.

France having a lower proportion of pre-pay tariffs (at 13%). This proportion was highest in Italy, at 82%, followed by the US (at 66%).

Figure 2.5 'Weighted average' stand-alone mobile pricing



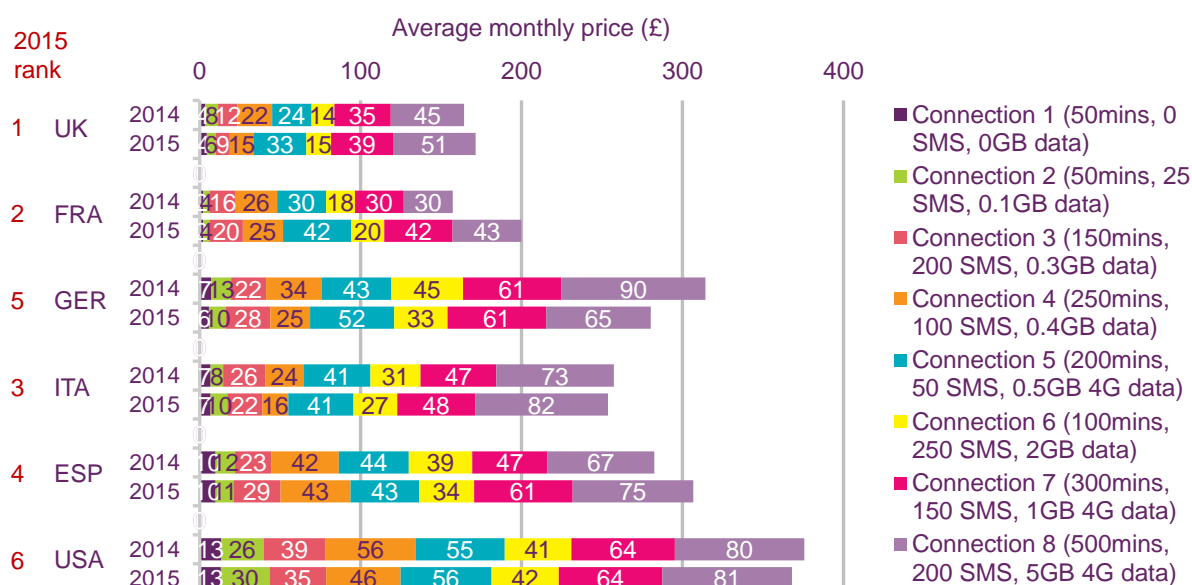
Source: Ofcom using data supplied by Teligen

Note: 'Weighted average' of best-value tariff from each of the largest operators by market share in each country; July 2014 and July 2015; PPP adjusted.

The total 'lowest available' price of our eight connections fell in three of the six countries in 2015: Germany, the US and Italy (down by 11%, 2% and 1% respectively). The largest increase in the total 'lowest available price' for these connections during the year was a 27% increase in France, which was to a large extent the result of increasing premium handset prices. These price increases in France meant that the UK had the lowest overall price in 2015, despite a 4% increase during the year (Figure 2.6). In the UK, just one of the eight 'lowest available' prices was offered by a mobile network operator (MNO) in 2015, with EE having the 'lowest available' price for Connection 7. All of the other seven 'lowest available' prices were offered by MVNOs (mobile virtual network operators), with Tesco Mobile offering six of the eight 'lowest available' prices and Virgin Mobile one (for Connection 2).⁹⁵

⁹⁵ Shifting UK mobile market shares meant that Tesco Mobile's tariffs were included in the analysis for the first time in 2015. Excluding Tesco Mobile from the analysis shows that the total weighted average price of the eight connections increased by 12% in 2015, and remained the lowest among our six countries.

Figure 2.6 'Lowest available' stand-alone mobile pricing



Source: Ofcom, using data supplied by Teligen
 Note: July 2014 and July 2015; PPP adjusted.

Fixed-line broadband summary

It is difficult to compare stand-alone fixed broadband prices, as:

- Fixed broadband is frequently bought as part of a bundle of services from a single supplier (meaning that analysis of stand-alone prices is not representative of the prices paid by many consumers).
- Most fixed broadband services require a landline (although this may not be the case for cable broadband and 'naked DSL' and 'naked-fibre', which is offered by some operators in the UK, France, Italy, Germany and the US).
- Many ISPs no longer offer stand-alone fixed broadband services, so the analysis is often based on only a few tariffs in each country.

The limited availability of stand-alone fixed broadband services in some countries (including the UK) means that we only consider 'lowest available' fixed broadband prices in this report. The stand-alone fixed broadband pricing analysis below excludes telephone line rental, even if this is required (instead, it is included in the fixed voice element of the household usage profiles in question). The inclusion of line rental in this analysis would increase the cost of fixed broadband services in countries which do not have significant naked ADSL/fibre availability, including the UK. In addition, we include the price of the incumbent providers' fixed broadband services in the analysis, even if these are not available on a stand-alone basis.

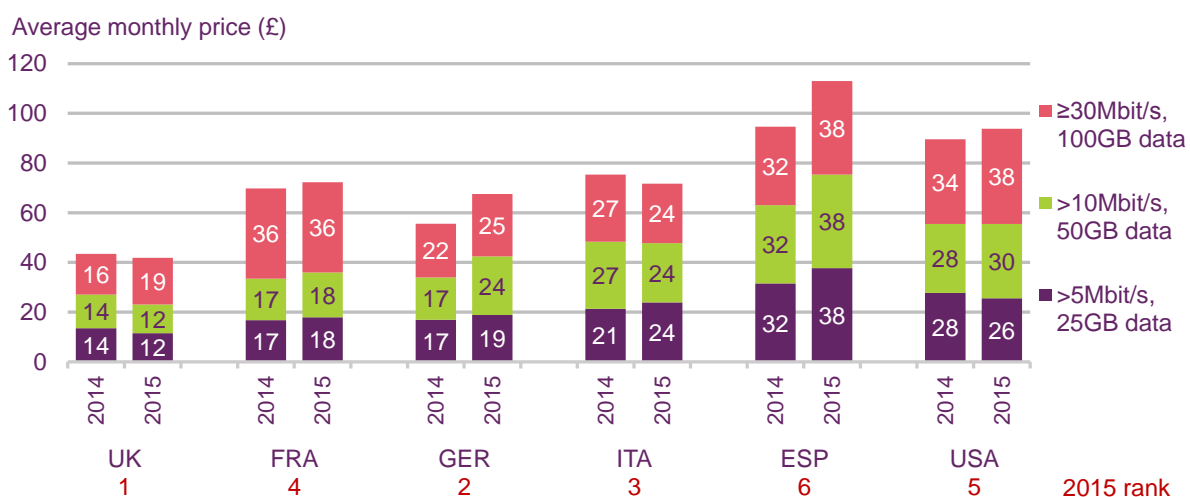
The fixed broadband connections included in our household usage profiles are defined by the advertised 'up to' speed of the connection, and the monthly volume of data use required.

As was the case in 2014, the UK had the cheapest 'lowest available' stand-alone prices for all three of the fixed broadband connections in 2015, while the highest prices were in Spain and the US (Figure 2.7). The 'lowest available' price of the superfast product (i.e. with an advertised speed of 'up to' 30Mbit/s or higher), required by Household 5, increased by £2

per month (15%) to £19 per month in 2015, as a result of the Tesco Broadband fibre service (the cheapest option in 2014) no longer being available, leaving the more expensive BT service (*Unlimited Infinity 1*) as the cheapest on offer. Conversely, the price of the BT fixed broadband service which offered the 'lowest available' price for the two slower connections (*Unlimited Broadband*) fell by 15% to £12 per month in 2015, due to the availability of a bigger discount than was offered in 2014, and despite the service's standard price having increased by £2 to £18 per month during the year. This reflects a wider trend: promotional discounting has become a more important part of UK fixed broadband pricing in recent years.

The total 'lowest available' price of the broadband connections increased in four of our six comparator countries in 2015, ranging from a 4% increase in France to a 21% increase in Germany (there was also a notable 19% increase in Spain during the year). In the UK, the total 'lowest available' price fell by 4% in 2015, a slightly lower rate than the 5% decline recorded in Italy.

Figure 2.7 'Lowest available' stand-alone fixed broadband pricing



Source: Ofcom, using data supplied by Teligen
 Note: July 2014 and July 2015; PPP adjusted.

Mobile broadband summary

For some consumers, a mobile broadband connection can be used as a substitute for fixed broadband services. One of our five household usage profiles (Household 3) is mobile-only and uses a dedicated mobile broadband connection to connect its computer to the internet (using a 'dongle' or data-only SIM).⁹⁶

In the analysis below we do not include smartphone tariffs: we only include dedicated data-only mobile broadband connections which are used to provide a mobile broadband connection to computers. We do not consider whether or not the service bundle includes use of public WiFi hotspots. In addition, we consider only the 'lowest available' service, as the relatively small number of available tariffs in some countries makes it difficult to produce meaningful 'weighted average' mobile broadband pricing analysis.

⁹⁶ Where a service is SIM-only, we factor in the price of a mobile broadband dongle separately (even if a service is intended to be used in another device, such as a tablet computer) and amortise it over three years. We do this to enable a like-for-like comparison with those services that include a dongle as part of the service.

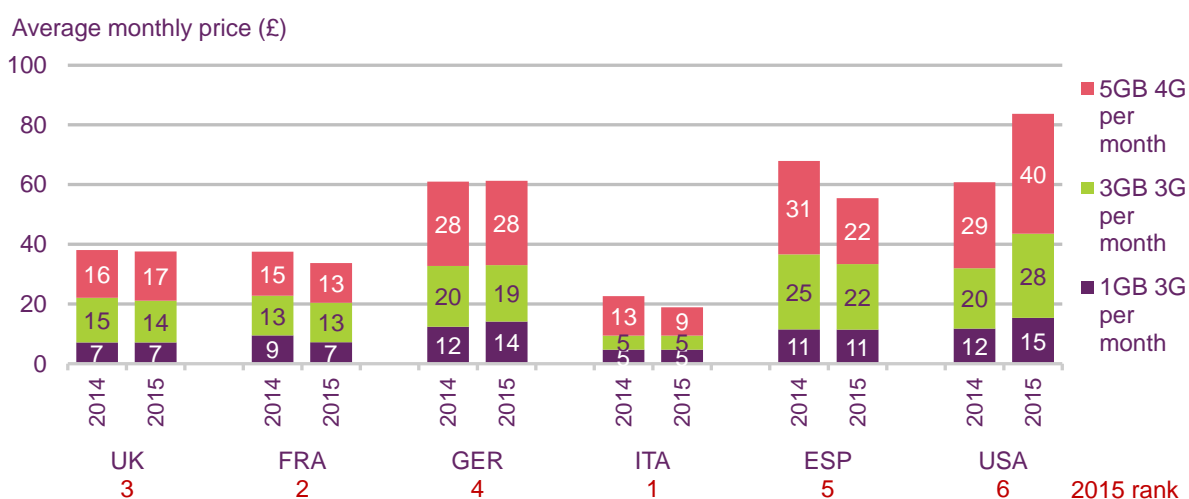
Household 3 includes a connection which requires 5GB of 4G data used over 30 days in a month. In order to be able to compare a wider range of mobile broadband use, we also include two lower-use connections in the analysis below: a medium-use connection requiring 3GB of 3G data over 25 days per month, and a low-use connection requiring 1GB of 3G use over ten days.

Italy had the 'lowest available' stand-alone prices for dedicated data-only mobile broadband services in 2015, as in 2014 (Figure 2.8). The UK had the third cheapest 'lowest available' mobile broadband prices in 2015, after Italy and France.

The price of the lowest-use connection was unchanged in the UK in 2015; the cheapest tariff for this connection (requiring 1GB of 3G use per month) was Three's *Pay as you Go + 12GB* service, which offered 12GB of data that could be used over a year, plus a 3G dongle, for an up-front price of £84.99. The 'lowest available' price of the medium-use connection fell by £1 per month to £14 in the UK in 2015, due to the inclusion of Tesco Mobile's tariffs in the analysis model for the first time (the cheapest tariff, offering 3GB of 3G data in 2015, was its *3GB SIM-Only 12 Months* service with a separately bought dongle modem).⁹⁷ The 'lowest available' price for the highest-use connection (requiring 5GB of 4G data per month) increased by £1 per month to £17, due to Three withdrawing a tariff offering 5GB of 4G data per month (the cheapest option in 2014), leaving O2's *4G Mobile Broadband 6GB* service as the cheapest option for this usage profile.

The total of the 'lowest available' prices of the three connections fell in all but two of our comparators in 2015: the exceptions were Germany (where the total was unchanged) and the US (where it increased by 38%). The declines in the total price recorded in our other comparator countries ranged from 1% in the UK to 18% in Spain, where the drop was mainly due to a fall in the price of the cheapest available tariff for the high-use 4G connection.

Figure 2.8 'Lowest available' stand-alone mobile broadband pricing



Source: Ofcom using data supplied by Teligen

Note: July 2014 and July 2015; PPP adjusted.

Pay-TV summary

It is challenging to produce like-for-like comparisons of TV packages, as a result of differences in the number and types of channels provided by different services. In our analysis we have used the following definitions:

⁹⁷ Excluding Tesco Mobile's tariffs, the price of this connection was unchanged in 2015.

- Basic pay-TV is the lowest subscription required to receive channels that are not available over free-to-view services.
- Premium pay-TV is the subscription required to receive the best package of both top-flight football (NFL in the US) and a top film/entertainment package.

Our analysis includes TV licence fees, where applicable. These were highest in Germany in 2015, at £17 per month (there is no TV licence fee in the US, and in Spain it is not a fixed amount and is embedded in the electricity bill, meaning that it is not visible to the consumer). As with fixed and mobile broadband services, we consider only stand-alone 'lowest available' TV service pricing in this section; it is difficult to produce meaningful 'weighted average' stand-alone pricing analysis because of the relatively low number of services available in most countries.

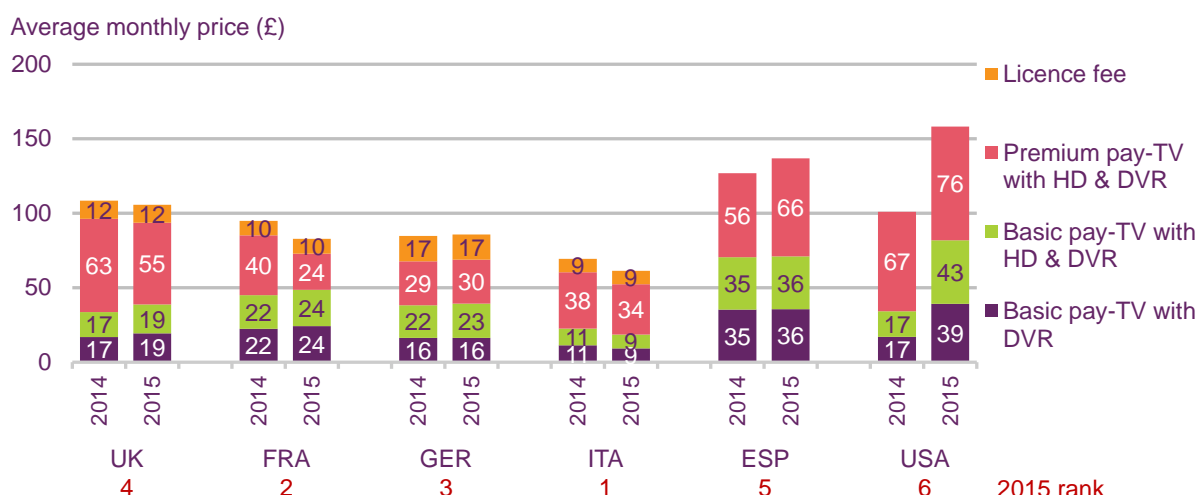
The 'lowest available' retail stand-alone prices for the two basic pay-TV services included in our analysis, both of which require a DVR, and one of which also needs high-definition (HD) content, were both in Italy in 2015 (Figure 2.9). For both connections, the 'lowest available' tariff in Italy was Telecom Italia's *TIM Vision (with decoder)* IPTV service, which offered 14 basic channels and one premium channel for €10 per month (reduced to €5 per month for one month). The UK had the third-cheapest 'lowest available' stand-alone price for the basic pay-TV service without HD, and was second-cheapest for the HD basic pay-TV service in 2015. In both cases, this was Virgin Media's *More TV with TiVo 500GB* (offering 116 basic channels) for £18 a month.

It is difficult to compare the prices of premium pay-TV packages, because of the variations in content in these packages. The UK's 'lowest available' premium pay-TV service in 2015 (Sky's *Original Bundle + Sky Sports & Movies with Sky+ HD Box*) included 374 basic channels and 18 premium channels, almost ten times as many as the cheapest service in France (CanalSat's *Les Chaines Canal+ par TNT* service). As such, there was wide variation in the 'lowest available' prices for the premium HD pay-TV service required by Household 5, ranging from £24 per month in France to £76 per month in the US (the UK had the third-highest price for these services in 2015, at £55 per month).

A comparatively expensive 'lowest available' HD premium pay-TV price, and the relatively high TV licence fee in the UK meant that, when the TV licence fee was included in the analysis, the UK had the third-highest total 'lowest available' price for the TV services included in our household profiles, after the US and Spain. The total UK 'lowest available' price for the three pay-TV services (including the TV licence) fell by 2% in the UK in 2015; France and Italy were the only other countries where the total price fell during the year (by 13% and 12% respectively).

The increases in the other comparator countries ranged from 1% in Germany to 57% in the US, where the prices of both the basic pay-TV services more than doubled as a result of Frontier increasing the price of its *Dish America Top 120* service (which was the cheapest option for both basic pay-TV services in the US in 2014), resulting in more expensive competitor services being the 'lowest available' priced options in 2015.

Figure 2.9 ‘Lowest available’ stand-alone pay-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 household usage profile from any of the largest operators by market share in each country, July 2014 and July 2015; PPP adjusted.

2.1.4 Analysis of basket prices

Having provided an overview of findings on a stand-alone basis, we now look at the prices of baskets of communications services, which are designed to be representative of five household types.

Household 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 (Figure 2.10). Both have a mobile phone from which they 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 2.10 Composition of Household 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

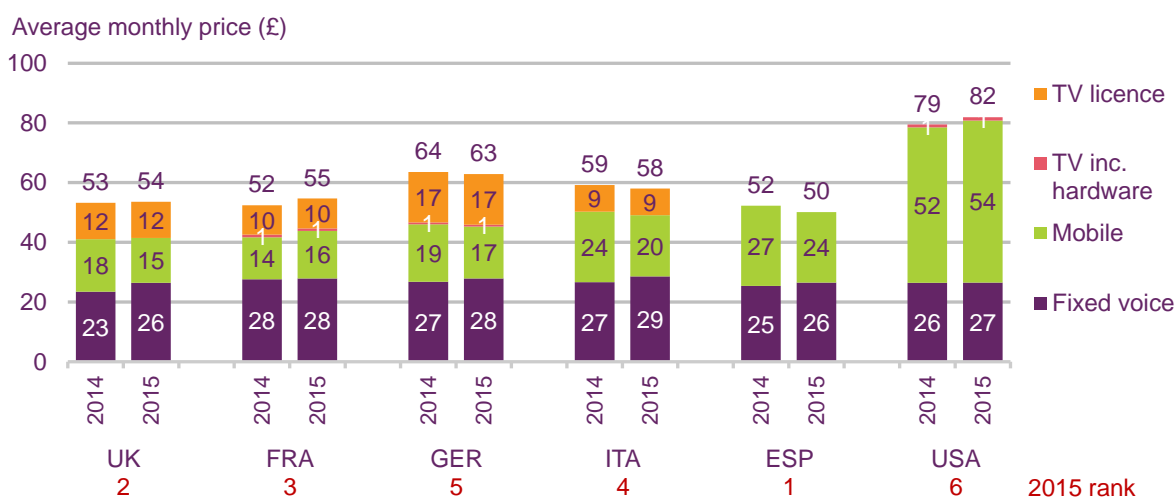
Weighted ‘average stand-alone’ prices

The lowest ‘weighted average’ cost of fulfilling the requirements of Household 1 in 2015 was in Spain at £50 a month, a £2 per month (4%) fall since 2014 (Figure 2.11). The UK ‘weighted average’ stand-alone price was £54 per month, the second lowest in 2015 and a 1% increase on the previous year.

The 'weighted average' price of the fixed voice element of this household's basket ranged from £26 per month in the UK and Spain to £29 per month in Italy among our comparator countries in 2015. The 'weighted average' stand-alone fixed voice price increased in all of our comparator countries in 2015, ranging from a <1% increase in the US to a 13% increase in the UK, due to BT increasing the price of its *Home Phone Saver Friends & Family International* service.

France and the US were the only comparator countries in which the 'weighted average' cost of fulfilling this household's mobile requirements increased in 2015 (by 13% and 4% respectively). Among the other comparator countries the percentage falls ranged from 10% in Germany to 15% in the UK, where the decline was the result of falling prices for the household's two low-use connections across all the providers included in the average calculation. As Household 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 2.11 Household 1: 'weighted average' stand-alone pricing



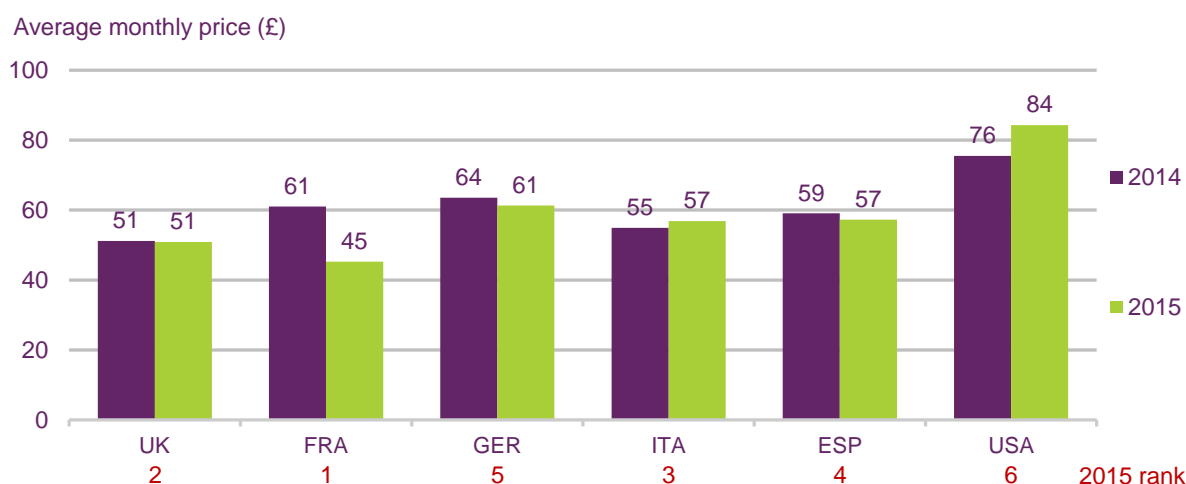
Source: Ofcom using data supplied by Teligen

Note: 'Weighted average' of best-value stand-alone tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

Weighted 'average bundle' prices

The UK had the second-lowest 'weighted average' bundled service price for Household 1 in 2015, at £51 per month. The lowest price was in France (£45 per month) and the highest in the US, at £84 (Figure 2.12). The average bundled price for Household 1's usage profile fell in four of our six countries in 2015, ranging from a 1% drop in the UK to a 26% decline in France; to a large extent this was the result of Orange (one of the more expensive providers in 2014) no longer offering a service that suited this household's requirements. In all of our comparator countries apart from Spain and the US, the total 'weighted average' bundle price for Household 1's use was lower than the total 'weighted average' stand-alone price.

Figure 2.12 Household 1: ‘weighted average’ bundled service pricing



Source: Ofcom using data supplied by Teligen

Note: ‘Weighted average’ of best-value bundled tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

‘Lowest available’ pricing

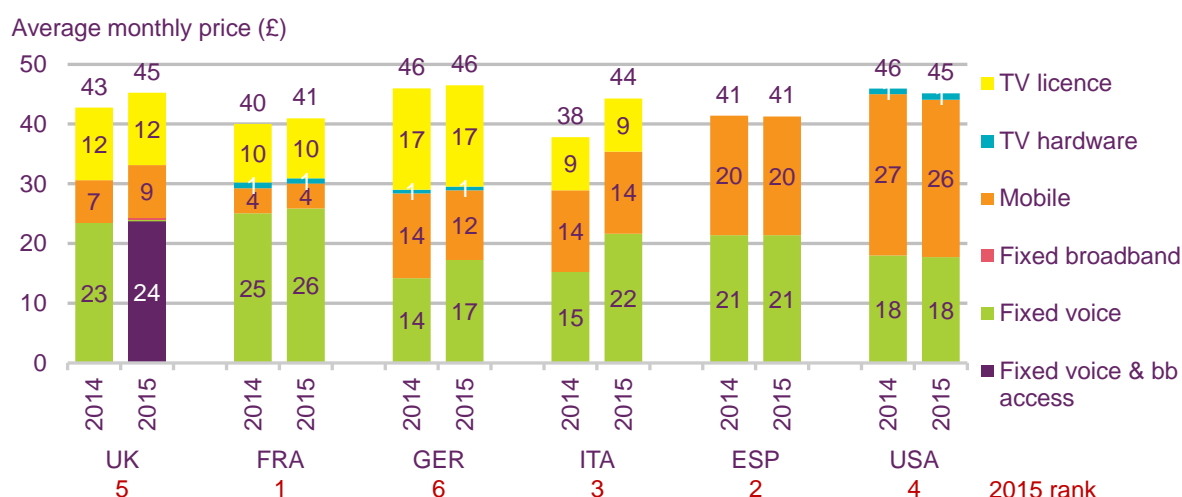
‘Lowest available’ pricing analysis shows the lowest possible cost of fulfilling the household’s usage requirements, using the tariffs of the largest providers in each country, including bundles.

France had the cheapest ‘lowest available’ price to fulfil the requirements of Household 1 in 2015, at £41 a month. This was a £1 a month (2%) higher than in 2014, largely due to an increase in the price of the fixed voice element of the household’s use (Figure 2.13). The UK was the second most expensive overall, at £45 per month (£3 higher than in 2014).

The UK was the only comparator country in which the ‘lowest available’ priced option to fulfil the household’s fixed-line use included a fixed broadband connection, even though the basket does not require one, as buying this bundle was less expensive than the lowest-cost voice-only service. The cheapest combination of services included EE’s *Broadband & Anytime + Mobile Calls (LRS)* service, and was £2 per month cheaper than the cheapest stand-alone fixed voice service for the household’s usage profile. The UK had the second-cheapest ‘lowest available’ price for the household’s mobile use, at £9 per month; among the other comparator countries the ‘lowest available’ monthly mobile price ranged from £4 in France to £26 in the US.

The cost of the television component of the household’s basket is unchanged from the ‘weighted average’ stand-alone price in the ‘lowest available’ analysis, as it includes free-to-air television, where the only costs are the licence fee, hardware and installation.

Figure 2.13 Household 1: ‘lowest available’ 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 2014 and July 2015; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

Household 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 who both have a mobile phone that they use occasionally for voice and SMS (Figure 2.14).

Figure 2.14 Composition of Household 2

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
400 call minutes	Minimum 5Mbit/s headline speed 25GB data	Connection 1 50 call minutes 25 SMS 100MB data Connection 2 100 call minutes 25 SMS 50MB data	None	Free-to-air

Source: Ofcom

Weighted ‘average stand-alone’ prices

The lowest ‘weighted average’ stand-alone price of fulfilling the usage requirements of Household 2 was in the UK in 2015, at £71 a month, a £1 per month (2%) increase since 2014 (Figure 2.15). The total ‘weighted average’ price of this household’s basket increased in all of our other comparator countries during the year except in Germany (where it fell by 12% as a result of falling fixed broadband and mobile prices) and in France (where it was unchanged).

The fixed-line voice requirement of this basket consists mainly of daytime calls to fixed-line phones within the same country, so it favours tariffs which include these call types within the monthly fee. This was the case with the BT service, which was the sole tariff contributing to the UK ‘weighted average’ stand-alone price in the UK in 2015, *Unlimited Anytime Plan (LRS) + Friends & Family International* (as BT is the only UK provider whose stand-alone

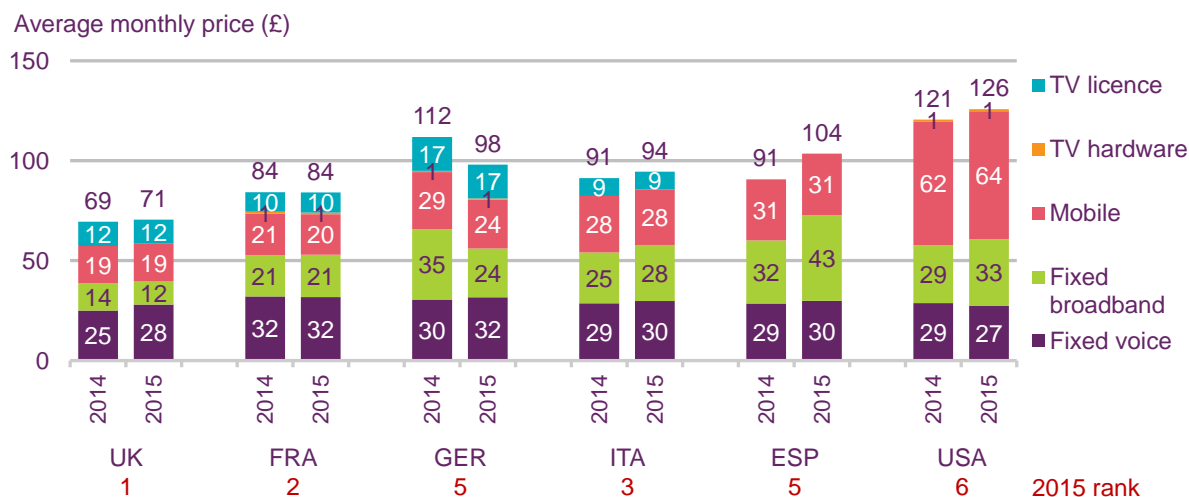
fixed voice services are included in the pricing model). This was the second-cheapest among the countries in our analysis, at £28 a month (the US was £1 a month cheaper). The UK average fixed voice price represents a £3 a month (12%) increase compared to 2014, the largest proportional rise recorded among our comparator countries.

The UK had the lowest ‘weighted average’ price for the fixed broadband element of Household 2’s basket in 2015 in 2015 at £12 a month, £2 per month less than in 2014, mainly as a result of BT offering a greater discount on its *Unlimited Broadband ADSL* service. Across the other comparator countries, the change in the ‘weighted average’ ‘stand-alone’ price for the fixed broadband element of the basket in 2015 ranged from an £11 per month (31%) fall in Germany to an £11 per month (36%) increase in Spain.

The UK had the lowest ‘weighted average’ stand-alone price for the mobile element of the household’s basket (two handsets with low voice, SMS and data use), at £19 per month, a 1% increase on 2014. The highest ‘weighted average’ stand-alone mobile prices were in the US in 2015, at £64 a month, a 3% increase on 2014.

This household uses the same basic free-to-air television service as Household 1.

Figure 2.15 Household 2: ‘weighted average’ stand-alone pricing



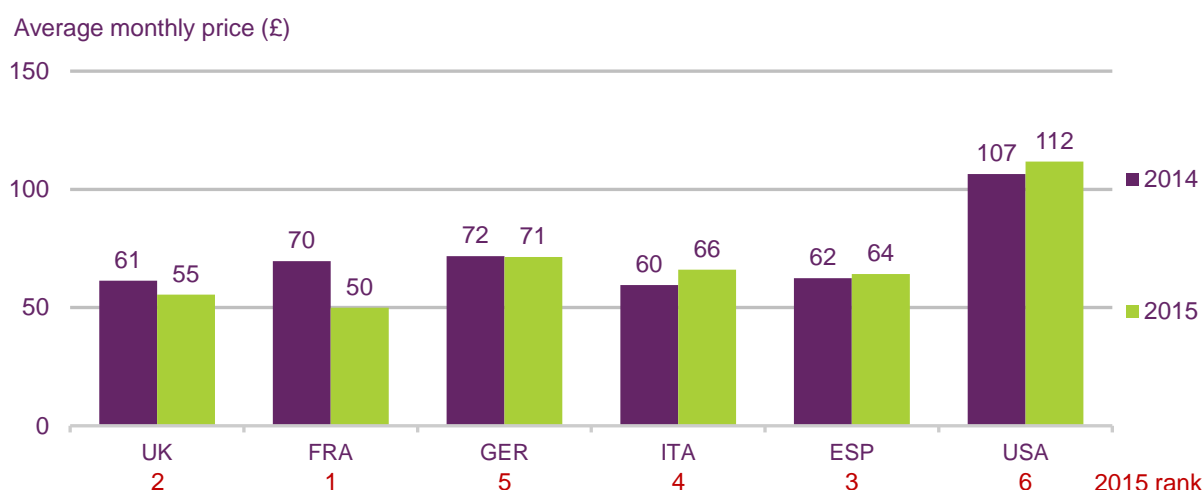
Source: Ofcom using data supplied by Teligen

Note: ‘Weighted average’ of best-value tariff from each of the largest operators by market share in each country; July 2014 and July 2015; PPP adjusted

Weighted ‘average bundle’ prices

As was the case with Household 1, the UK had the second-lowest ‘weighted average’ bundled price for Household 2 in 2015, after France (Figure 2.16). The UK was one of three of our six comparator countries in which the ‘weighted average’ bundle price for Household 2’s usage profile fell in 2015, with these falls ranging from a 1% fall in Germany to 28% in France (in the UK, the decline was 10%). The total ‘weighted average’ bundle price of Household 2’s usage requirements was lower than the total ‘weighted average’ stand-alone price in all of our comparator countries in 2015, suggesting that, in general, it is cheaper to buy bundled than stand-alone services for this usage profile.

Figure 2.16 Household 2: ‘weighted average’ bundled service pricing



Source: Ofcom using data supplied by Teligon

Note: ‘Weighted average’ of best-value bundled tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

‘Lowest available’ pricing

The cheapest ‘lowest available’ price required to fulfil Household 2’s usage requirements was in France in 2015, at £47 a month (Figure 2.17). The UK had the second cheapest ‘lowest available’ price, at £48; this was £4 (8%) lower than in 2014.

In all of our comparator countries, the ‘lowest available’ priced combination of services involved buying more than one service from the same provider. In the UK, France, Germany and Italy this was a dual-play fixed voice and fixed broadband bundle; in Spain it was a triple-play bundle of fixed voice, fixed broadband and mobile services and in the US it was a bundle of mobile and mobile broadband services (which cost the same as buying the included mobile service on its own).

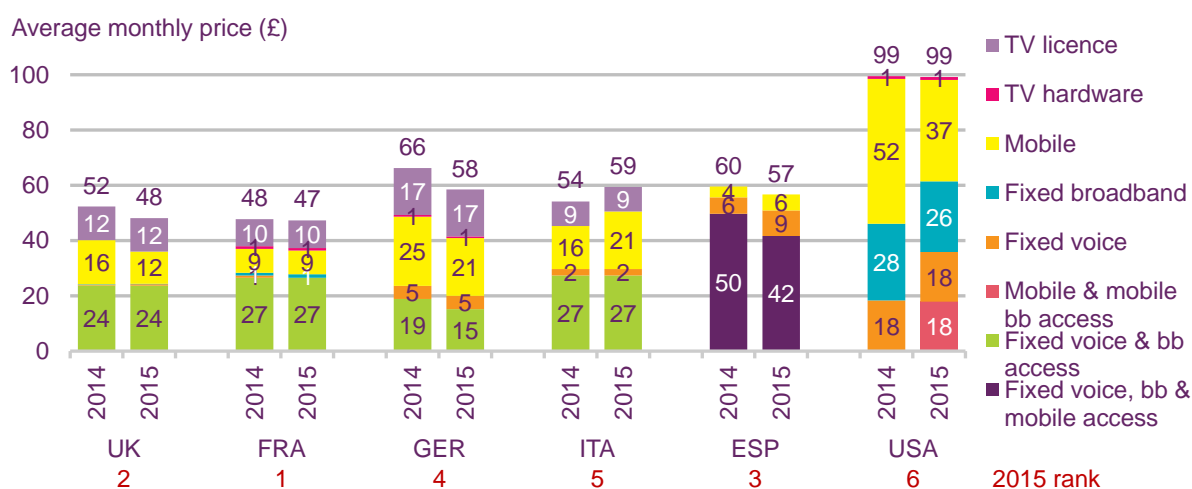
In the UK, the ‘lowest available’ tariff included an EE bundle of fixed voice and fixed broadband services, *Broadband & Anytime + Mobile Calls (LRS)*, which had a promotional discount of £10 a month on its standard monthly fee (£28.70) for six months. The lowest-priced mobile service for each of the mobile connections in the UK was a SIM-only Virgin Mobile tariff (*SIM-Only 250 Mins*) which cost £6 per month for each connection (£1 of which related to the price of the handset). This was £2 per connection (27%) cheaper than the ‘lowest available’ tariff in 2014 (also offered by Virgin Mobile), and resulted in the decline in the total ‘lowest available’ price for Household 2 in the UK in 2015.

The largest proportional fall in the ‘lowest available’ price for Household 2 in 2015 was in Germany, down by 12% as a result of Base launching a new mobile tariff (*Smart T-Mobile Flat*) and Kabel Deutschland’s tariffs being included in the pricing model in 2015. Conversely, Italy experienced the largest increase in the ‘lowest available’ price for this household in 2015, up by 10% due to an increase in the ‘lowest available’ price of the mobile element of the household’s use.

The difference between the ‘lowest available’ price and the ‘weighted average’ stand-alone price for Household 2 ranged from 21% in the US to 45% in Spain (in the UK it was 32%), while the difference between the ‘lowest available’ price and the ‘weighted average’ bundled price ranged from 5% in France to 18% in Germany (it was 13% in the UK). From this we

can conclude that there are benefits to consumers of purchasing bundled services and in shopping around to get the best deal.

Figure 2.17 Household 2: ‘lowest available’ 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 2014 and July 2015; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

Household 3: A mobile ‘power user’

The third basket represents a single-person household typical of a young professional person who lives alone (Figure 2.18). 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’ to connect to the internet).

We do not include a ‘weighted average’ bundled service price for Household 3 because it is not as relevant as it is for the other household usage profiles, due to the limited bundling of mobile phone and mobile broadband services, and because the ‘weighted average’ bundled price is calculated using fixed broadband market shares, and fixed broadband is not included in the basket.

Figure 2.18 Composition of Household 3

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
None	None	500 call minutes 200 SMS 5GB 4G data	5GB over 30 days per month	Basic pay-TV with DVR

Source: Ofcom

Weighted ‘average stand-alone’ prices

The cheapest ‘weighted average’ cost of fulfilling the requirements of Household 3 in 2015 was in France, at £112 a month (Figure 2.19). The UK had the second lowest ‘weighted average’ stand-alone price for this household in 2015, at £115 per month; a £12 per month (12%) increase compared to 2014, mainly due to an increase in the price of the mobile phone element of the basket.

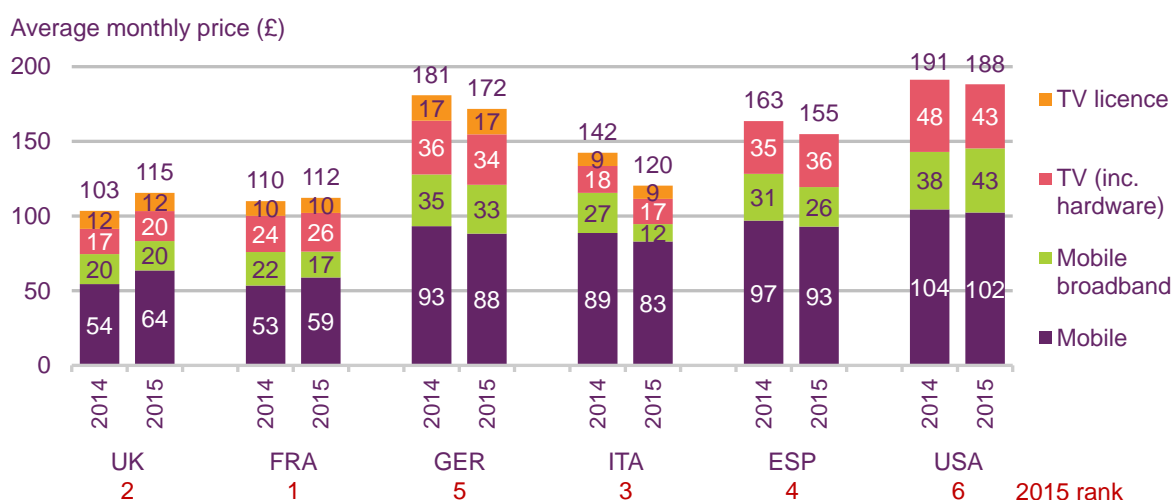
The 12% increase in the UK’s total weighted ‘average stand-alone’ price of this household’s basket was the highest recorded among our countries in 2015, with the corresponding

change in our comparator countries in 2015 ranging from a 15% fall in Italy (largely due to a 57% drop in the 'weighted average' price of the household's mobile broadband connection, to £12 per month) to a 2% increase in France. Italy had the lowest 'weighted average' mobile broadband price among our comparator countries, and the US again had the highest 'average stand-alone' price at £43 per month (in the UK it was £20 per month, the third-lowest price after Italy and France).

The mobile phone element of the basket accounted for over half of the household's total 'weighted average' stand-alone price in all of our comparator countries in 2015. There were large differences in the cost of the mobile phone connection required by this household (which had the highest use of the eight mobile connections that we use in our analysis), resulting in wide variations in the total 'weighted average' stand-alone price of this household's basket. France had the lowest stand-alone 'weighted average' price for Household 3's mobile phone connection in 2015, at £59 per month, while this was highest in the US at £102 per month (in the UK it was £64 per month, a £9 per month (17%) increase on 2014, and the second lowest average among our comparator countries).

Household 3 includes a basic 'entry-level' pay-TV service (defined as the lowest subscription required to receive channels that are not available on free-to-view television), with a DVR. Because of the variation in numbers and types of channels, and the quality of programming, like-for-like comparison is more problematic than for telecoms services, but the lowest 'weighted average' pay-TV prices for the household were in Italy and the UK, at £17 and £20 per month respectively in 2015. The US had the highest average price, at £43 per month.

Figure 2.19 Household 3: 'weighted average' stand-alone pricing



Source: Ofcom using data supplied by Teligen

Note: 'Weighted average' of best-value tariff from each of the largest operators by market share in each country; July 2014 and July 2015; PPP adjusted.

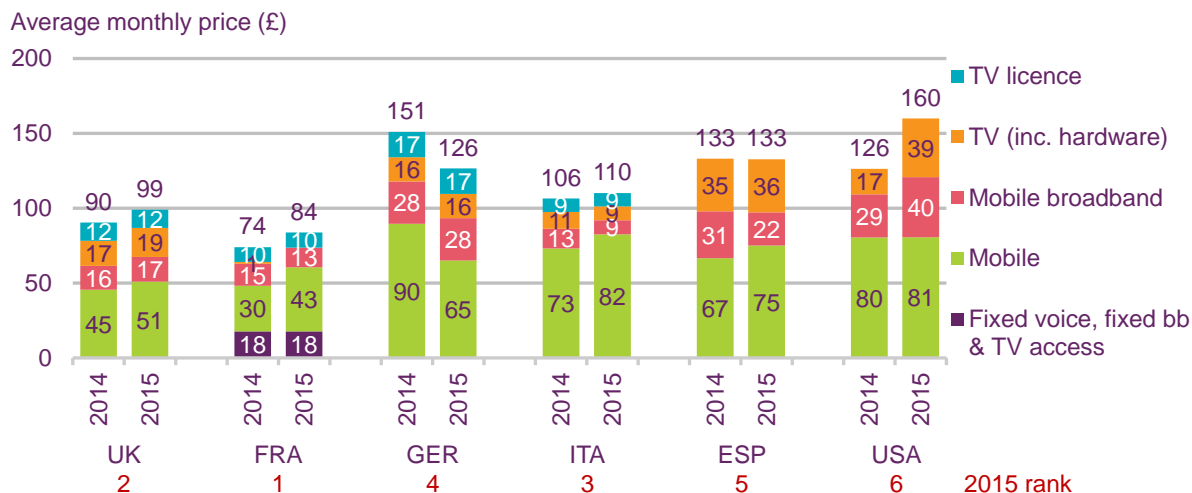
'Lowest available' pricing

The cheapest 'lowest available' price for fulfilling the requirements of Household 3 in 2015 was in France, at £84 per month, £10 a month (13%) more than in 2014 as the result of an increase in the 'lowest available' price for its high-use mobile phone connection (Figure 2.20). The UK had the second-cheapest 'lowest-available' price for this household, at £99 per month, a £9 per month (9%) increase on 2014, again largely as a result an increase in the price of the mobile phone connection.

In most countries there is low availability of bundles of mobile phone, mobile broadband and/or pay-TV services offering significant bundle discounts. France was the only country in

which the lowest-priced combination of services to fulfil Household 3's requirements involved buying bundled services. In both years this bundle was Bouygues Telecom's *Offre Bbox en zone dégroupée* service, which includes landline and fixed broadband services, even though these are not required by the household.

Figure 2.20 Household 3 'lowest available' 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 2014 and July 2015; PPP adjusted

Household 4: A family household with multiple needs

Household 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 entry-level HD pay-TV service with a DVR.

Figure 2.21 Composition of Household 4

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
200 call minutes	Minimum 10Mbit/s headline speed 50GB data	Connection 1 250 call minutes 100 SMS 400MB data Connection 2 150 call minutes 200 SMS 300MB data Connection 3 100 call minutes 250 SMS 2GB data Connection 4 100 call minutes 250 SMS 2GB data	None	HD basic pay-TV with DVR

Source: Ofcom

Weighted 'average stand-alone' prices

The UK had the lowest 'weighted average' stand-alone price for this household in 2015, at £158 a month. This was a £2 a month (1%) increase compared to 2014 (Figure 2.22).

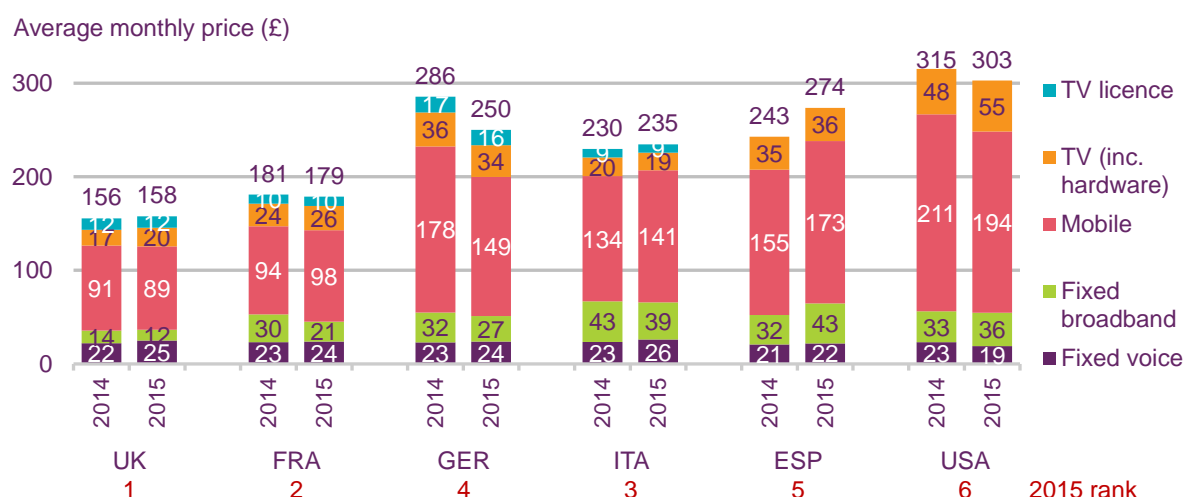
The household's four mobile phone connections is the main reason for variations across countries in the total 'weighted average' stand-alone price. The proportion of the total accounted for by the mobile phone element of the household's basket ranged from 55% in France to 64% in Spain and the US in 2015 (in the UK it was 56%).

The 'weighted average' price of fulfilling the 200 outgoing minutes of fixed voice calls was £25 per month in the UK in 2015, a £3 a month (13%) increase compared to 2014 and the second-highest 'weighted average' price after Italy (£26 per month). The UK had the lowest total 'weighted average' price for the household's four mobile phone connections in 2015, at £89 per month, £2 per month (2%) lower than in 2014. The US (where the total 'weighted average' price for the household's mobile use was more than twice that in the UK, despite an 8% fall during the year) had the highest 'weighted average' monthly mobile price, at £194. Germany had the largest fall in the 'average stand-alone' mobile price in 2015, down 16% (£29 per month) to £149.

The UK had the lowest 'weighted average' fixed broadband price for this basket in 2015, at £12 a month. This was £2 a month less than it had been in 2014, as a result of BT introducing a promotional offer on its *Unlimited Broadband* service and Tesco withdrawing a more expensive service. Spain had the highest 'weighted average' fixed broadband price in 2015, at £43 a month, an £11 per month (36%) increase compared to 2014, due to Movistar withdrawing the tariff that was its cheapest for this household in 2014, and Vodafone and ONO launching new, more expensive services. The largest fall in the 'weighted average' fixed broadband price was in France, where it fell by £9 a month (29%) to £21 per month as a result of the launch of a new Orange service, *Decouverte Internet*, which was significantly cheaper than its equivalent in 2014.

The television element of this basket is the same as that for Household 3 (basic pay-TV), but with the addition of HD channels. This resulted in increases in the 'weighted average' price of the TV element of the household's basket in three of our countries: Germany, Italy and the US, in 2015, with these ranging from just 8 pence per month in Germany to £12 per month in the US. In the UK, France and Spain there was no difference between the prices for Households 3 and 4, as HD channels are included as standard.

Figure 2.22 Household 4: ‘weighted average’ stand-alone pricing



Source: Ofcom using data supplied by Teligen

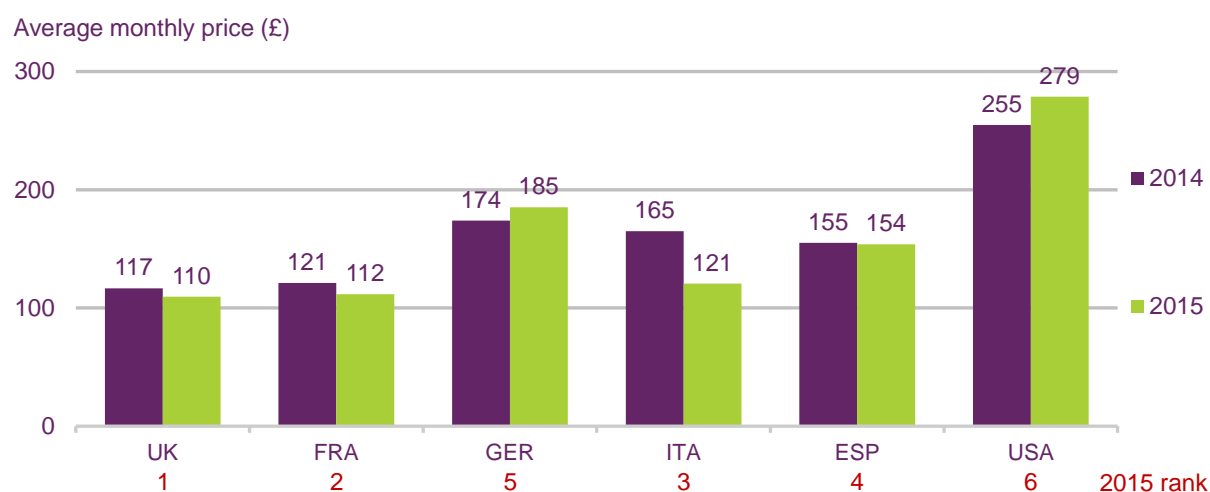
Note: ‘Weighted average’ of best-value tariff from each of the largest operators by market share in each country; July 2014 and July 2015; PPP adjusted

Weighted ‘average bundle’ prices

The UK had the lowest ‘weighted average’ bundled price for Household 4 in 2015, at £110 per month (Figure 2.23); £7 per month (6%) lower than in 2014. Among the other countries the change in the ‘weighted average’ bundled price ranged from a 27% fall in Italy (to a large extent the result of Telecom Italia launching a new quad-play service, *TIM Smart with Subscription Super Internet 10Mbps*, and Vodafone introducing a new low-cost tariff), to a 9% increase in the US.

The total ‘weighted average’ bundle price of Household 4’s usage requirements was lower than the total ‘weighted average’ stand-alone price in all of our comparator countries in 2015, suggesting that, in general, it is cheaper to buy bundled rather than stand-alone services for this usage profile.

Figure 2.23 Household 4: ‘weighted average’ bundled service pricing



Source: Ofcom using data supplied by Teligen

Note: ‘Weighted average’ of best-value bundled tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

‘Lowest available’ pricing

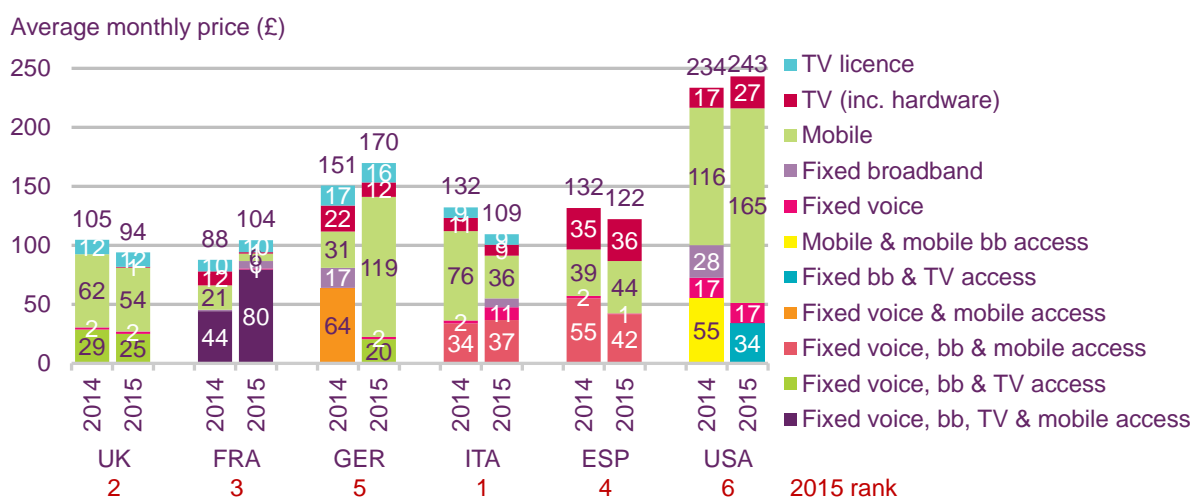
The ‘lowest available’ price for Household 4’s requirements was in the UK in 2015, at £94 per month (Figure 2.24). This was £11 per month (10%) lower than in 2014.

There were substantial savings to be made by buying the services required by Household 4 as part of a bundle in 2015. The difference between the ‘lowest available’ price of Basket 4, including bundles, and the lowest price available using stand-alone services, ranged from 4% (£11 a month) in the US to 47% (£107 per month) in Spain. In the UK it was 23%, or £28 per month). France, with the cheapest ‘lowest available’ price in 2014, had the largest increase in the total ‘lowest available’ price for Household 4 in 2015, up by 19% (£17 per month) to £104). This was due to Numericable withdrawing its *Start 4 10M with HD Box Memory rented* service during the year, leaving a more expensive combination of services, including an Orange quad-play bundle of fixed voice, fixed broadband, pay-TV and mobile services (*Orange Open Jet 4G/H+*) as the ‘lowest available’ priced option.

In all of the other comparator countries except the US (where an RCN dual-play fixed broadband and pay-TV bundle was the ‘lowest available’ option), the cheapest price to fulfil Household 4’s requirements included a triple-play bundle. In Italy and Spain, these bundles included fixed voice, fixed broadband and mobile phone services, while in the UK and Germany they included fixed voice, fixed broadband and pay-TV services (in the UK, TalkTalk’s *Plus TV with Line Rental Saver* service).

Mobile services were the largest component of the total ‘lowest-available’ price in the countries where the bundle in the ‘lowest available’ combination of services did not include mobile services. The US had the highest monthly price for the mobile element of the basket at £165 (68% of the total price of £243 per month).

Figure 2.24 Household 4: ‘lowest-available’ 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 2014 and July 2015; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service

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

Household 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 films, and a digital video recorder (DVR).

Figure 2.25 Composition of Household 5

Fixed-line voice	Fixed broadband	Mobile	Mobile broadband	Television
100 call minutes	Minimum 30Mbit/s headline speed 75GB data	Connection 1 300 call minutes 150 SMS 1GB 4G data Connection 2 200 call minutes 50 SMS 500MB 4G data	None	HD pay-TV with sports and movies with DVR

Source: Ofcom

Weighted ‘average stand-alone’ prices

France had the lowest ‘weighted average’ stand-alone pricing for Household 5 in 2015, at £192 a month (Figure 2.24). The UK had the second-lowest ‘weighted average’ stand-alone price for the basket, at £200 a month, a £7 a month (4%) increase compared to 2014.

Basket 5 has the lowest fixed voice use of all the baskets, with 100 minutes of outgoing calls per month. The UK had the second-highest ‘weighted average’ price for this usage profile (after Italy) at £25 a month, £3 a month (13%) higher than in 2014. The lowest ‘weighted average’ stand-alone cost of satisfying the mobile requirements of this basket was also in the UK in 2015, at £89 a month. However, this was £17 per month (23%) higher than in 2014, due to increasing prices for both connections among all of the providers included in the average in both years, and notably for O2 (up by 41%, largely due to increasing international call prices).

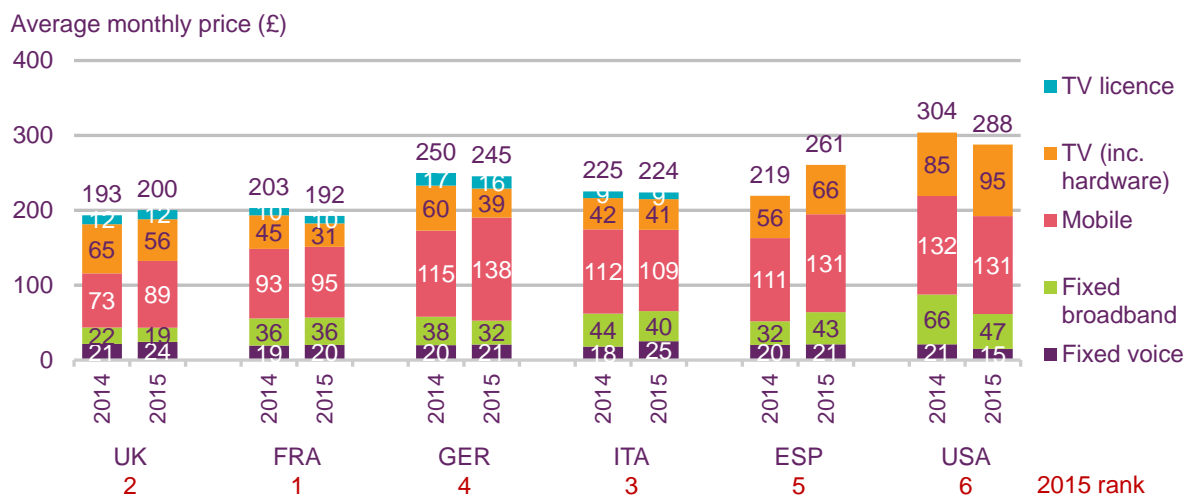
The UK had the second-lowest ‘weighted average’ price (after France) for the household’s higher-use connection, and the lowest ‘weighted average’ price for the lower-use connection, in 2015. The highest ‘weighted average’ prices for these connections were in Germany and the US. The total ‘weighted average’ stand-alone price of the two connections was highest in Germany in 2015, at £138 per month, a £23 per month (20%) increase due mainly to an increase in the average price of the higher-use connection.

Household 5 requires a fixed broadband connection with 75GB of use and a headline (advertised download) speed of at least 30Mbit/s. There was a wide range of ‘weighted average’ stand-alone prices for the superfast broadband connection required by this basket, ranging from £19 a month in the UK (down by £3 per month since 2014, mainly due to greater promotional discounts available to consumers taking BT’s *Unlimited BT Infinity Option 1* service), to £47 a month in the US.

Basket 5 also includes an HD premium pay-TV component. As was the case in 2014, the highest ‘weighted average’ price for this package, which includes top-league football (NFL in the US) and top-price film/entertainment channels, was in the US in 2015, at £95 a month. The lowest was in Germany, at £31 per month. However, comparisons with the US are

difficult to make, as NFL viewing packages are marketed in many different ways⁹⁸ and are offered through a combination of pay-per-view and subscription, and the pricing of the pay-TV element of this basket is largely a result of the way in which channels (and related services) are bundled.

Figure 2.26 Household 5: ‘weighted average’ stand-alone pricing



Source: Ofcom using data supplied by Teligen

Note: ‘Weighted average’ of best-value tariff from each of the largest operators by market share in each country; July 2014 and July 2015; PPP adjusted.

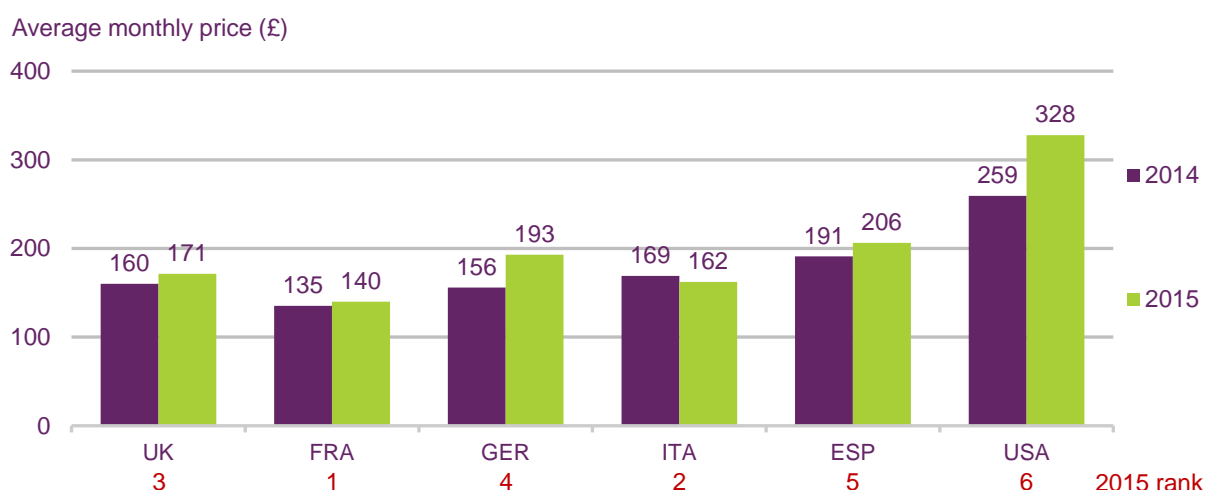
Weighted ‘average bundle’ prices

France had the lowest ‘weighted average’ bundled service price for Household 5 in 2015, at £140 per month, a £5 per month (4%) increase on 2014 (Figure 2.27). The UK had the third-lowest ‘weighted average’ bundled price for this household in 2015, at £171 per month. This was an £11 per month (7%) increase compared to the previous year.

The ‘weighted average’ bundle price increased in all of our comparator countries in 2015 except in Italy, where it fell by 4%. Germany and the US experienced the largest increases in the average bundled price during the year, up by 24% and 26% respectively. The total average bundled service price of this basket was lower than the total ‘weighted average’ stand-alone price in all of our comparator countries except the US in 2015, suggesting that, in most cases, it is cheaper to buy bundled rather than stand-alone services.

⁹⁸ In the US there are also seasonal variations in the availability and price of sports packages, meaning that some packages may not have been offered in the summer, when our tariff data are collected.

Figure 2.27 Household 5: ‘weighted average’ bundled service pricing



Source: Ofcom, using data supplied by Teligen

Note: ‘Weighted average’ of best-value bundled tariff from each operator by market share in each country; July 2014 and July 2015; PPP adjusted

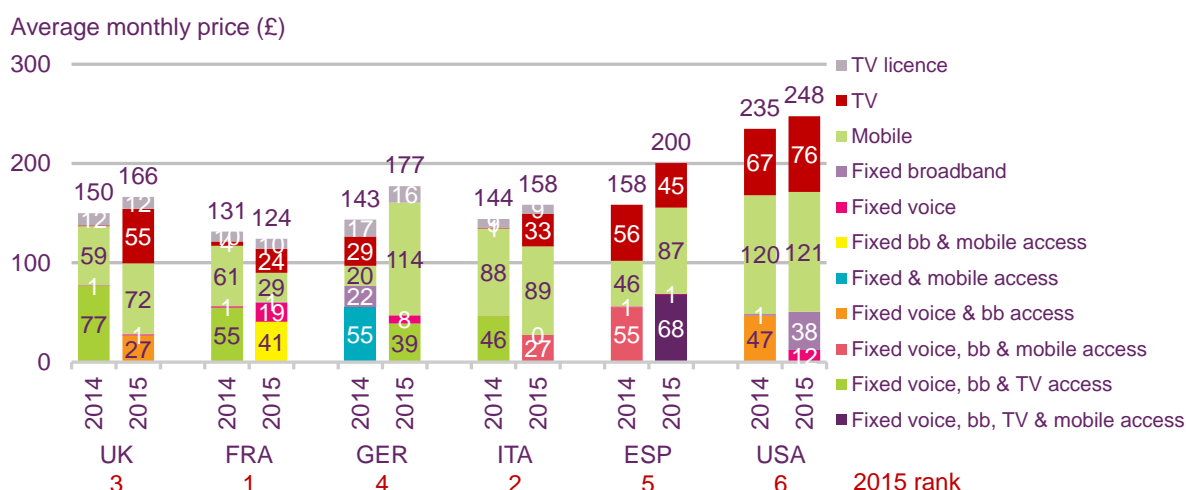
‘Lowest available’ pricing

The cheapest ‘lowest-available’ pricing for Household 5 was in France in 2015, at £124 a month, while in the UK it was £166 per month, £16 a month (11%) more than in 2014 and the third cheapest price among our comparator countries.

The US was the only comparator country in which the ‘lowest-available’ price for Household 5 did not include buying bundled services. In the UK the ‘lowest available’ combination of services included a Virgin Media bundle of fixed voice and fixed broadband services (*Broadband 50MB + Phone Size XL with Line Rental Saver*) along with a stand-alone Sky pay-TV service (*Original Bundle + Sky Sports & Movies with Sky+ HD Box*) and Tesco Mobile and EE mobile phone services.

The largest savings, compared to purchasing the lowest-available combination of stand-alone services, were in France, where the cost of the cheapest bundle of services was £50 a month (29%) less than the cheapest combination of stand-alone services (in the UK this saving was £15 a month, or 8%). France was the only one of our six countries where the ‘lowest available’ price of this basket fell in 2015, down by £7 per month (6%). Among our other comparator countries, the increase in the ‘lowest available’ price ranged from 10% in Italy to 27% in Spain.

Figure 2.28 Household 5: 'lowest available' 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 2014 and July 2015; PPP adjusted; where a service is included in a bundle any additional usage charges are recorded separately against the relevant service.

2.1.5 Conclusion

Figure 2.29 below shows the 'weighted average' stand-alone and bundled service prices as well as the 'lowest available' prices of our five household usage profiles, across the six comparator countries, in 2015. It should be noted that TV licence fees are excluded from this analysis (where applicable).

In general, the UK communications service prices compared favourably to those in the comparator countries. The UK had the lowest 'weighted average' stand-alone prices for Households 1, 2 and 4, but was overtaken by France for Households 3 and 5. France had the lowest 'weighted average' bundled service prices in all the households except Household 4 (where the UK had lower prices), and Household 3 (where 'weighted average' bundle prices are not relevant). The UK and France performed similarly in terms of the 'lowest available' prices (including bundled services), each having the lowest price in two of the five households (the UK in Households 2 and 4, France in Households 3 and 5). The US had the highest price for all of these metrics across all household usage profiles.

The UK's low prices were mainly due to low-priced mobile and fixed broadband services. In 2015, the UK had the cheapest 'lowest available' stand-alone prices for all three of the fixed broadband connections included in our households' usage requirements, as well as the cheapest total 'lowest available' stand-alone mobile prices. In contrast, the UK had the highest total 'lowest available' stand-alone price for the four fixed voice connections used in our analysis in 2015, which had increased by 12% during the year.

Figure 2.29 Summary of ‘weighted average’ stand-alone and bundled, and ‘lowest available’ household usage profile pricing

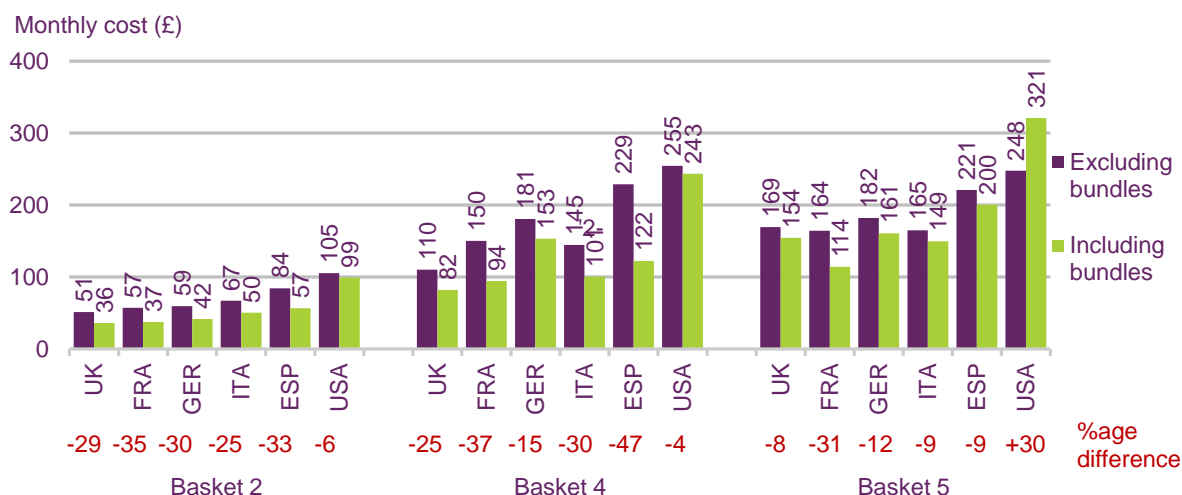
Weighted average stand-alone service pricing (£ per month)					Weighted average bundled service pricing (£ per month)					‘Lowest available’ pricing including bundles (£ per month)					
			Price	Change			Price	Change			Price	Change			
Household 1	1	-	UK	41	0	1	↑	FRA	35	-16	1	↑	GER	30	1
	2	-	FRA	45	2	2	↓	UK	39	0	2	↑	FRA	31	1
	3	-	GER	46	-1	3	-	GER	44	-2	3	↑	UK	33	3
	4	-	ITA	49	-1	4	↓	ITA	48	2	4	↓	ITA	35	6
	5	-	ESP	50	-2	5	-	ESP	57	-2	5	-	ESP	41	0
	6	-	USA	82	2	6	-	USA	84	9	6	-	USA	45	-1
Household 2	1	-	UK	58	1	1	↑	FRA	40	-20	1	↑	UK	36	-4
	2	-	FRA	74	0	2	↓	UK	43	-6	2	↓	FRA	37	-1
	3	↑	GER	81	-14	3	-	GER	54	0	3	↑	GER	42	-8
	4	↓	ITA	86	3	4	↓	ITA	57	7	4	↓	ITA	50	5
	5	↓	ESP	104	13	5	-	ESP	64	2	5	-	ESP	57	-3
	6	-	USA	126	5	6	-	USA	112	5	6	-	USA	99	0
Household 3	1	↑	FRA	102	2	1	-	n/a	-	-	1	-	FRA	74	10
	2	↓	UK	103	12	2	-	n/a	-	-	2	-	UK	87	9
	3	-	ITA	111	-22	3	-	n/a	-	-	3	-	ITA	101	4
	4	↑	GER	155	-9	4	-	n/a	-	-	4	↑	GER	110	-25
	5	↓	ESP	155	-9	5	-	n/a	-	-	5	-	ESP	133	0
	6	-	USA	188	-3	6	-	n/a	-	-	6	↓	USA	160	34
Household 4	1	-	UK	146	2	1	-	UK	97	-7	1	↑	UK	82	-11
	2	-	FRA	169	-3	2	-	FRA	102	-10	2	↓	FRA	94	16
	3	-	ITA	226	5	3	↑	ITA	112	-44	3	-	ITA	101	-23
	4	↑	GER	234	-35	4	↓	ESP	154	-1	4	-	ESP	122	-9
	5	↓	ESP	274	31	5	-	GER	168	11	5	-	GER	153	20
	6	-	USA	303	-12	6	-	USA	279	24	6	-	USA	243	10
Household 5	1	↑	FRA	182	-11	1	-	FRA	130	5	1	-	FRA	114	-8
	2	↓	UK	188	7	2	↑	ITA	153	-7	2	↑	ITA	149	14
	3	-	ITA	215	-1	3	-	UK	159	11	3	↑	UK	154	16
	4	↑	GER	229	-4	4	↓	GER	176	37	4	↓	GER	161	34
	5	↓	ESP	261	41	5	-	ESP	206	15	5	-	ESP	200	42
	6	-	USA	288	-16	6	-	USA	328	68	6	-	USA	248	13

Source: Ofcom, using data supplied by Teligen

Note: Excludes the TV licence fee

In almost all cases, the ‘lowest available’ priced combination of services included a bundled tariff where the household basket included a fixed broadband connection (i.e. for Households 2, 4 and 5). The sole exception was for Basket 5 in the US, where the cheapest available combination of services that included a bundle was more expensive than the stand-alone equivalent. The potential savings available to those buying the services required by Baskets 2, 4 and 5 as part of a bundle rather than on a stand-alone basis varied between countries (Figure 2.30). In the UK, these savings ranged from 8% for Basket 5 to 29% for Basket 2, while among the other comparator countries it ranged from a 4% saving for Basket 4 in the US to a 47% saving for Basket 4 in Spain.

Figure 2.30 Difference between ‘lowest available’ stand-alone and bundled prices



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 2015; PPP adjusted; excludes the TV licence fee

Error! Reference source not found. ranks our comparator countries in terms of ‘weighted average’ stand-alone and bundled pricing as well as for ‘lowest available’ pricing (including bundles) across all five of the household usage profiles used in our analysis. The UK had the lowest prices among our comparator countries in terms of ‘weighted average’ stand-alone pricing. France has overtaken the UK in ‘weighted average’ bundled pricing, and also had the ‘lowest available’ pricing (including bundles). Nevertheless, the UK has overtaken Italy, coming second in terms of ‘lowest available’ pricing in 2015. Looking at the overall pricing ranking, the UK came second among our comparator countries in terms of prices in 2015, after France.

Figure 2.31 Average overall rank

‘Weighted average’ stand-alone pricing			‘Weighted average’ bundled service pricing			‘Lowest available’ pricing including bundles			Overall pricing rank		
1	-	UK	1	↑	France	1	-	France	1	↑	France
2	-	France	2	↓	UK	2	↑	UK	2	↓	UK
3	-	Italy	3	-	Italy	3	↓	Italy	3	-	Italy
4	↑	Germany	4	-	Germany	4	-	Germany	4	-	Germany
5	↓	Spain	5	-	Spain	5	-	Spain	5	-	Spain
6	-	USA	6	-	USA	6	-	USA	6	-	USA

Source: Ofcom, using data supplied by Teligen

Note: Excludes the TV licence fee