



Access and Inclusion in 2016

Outcomes for consumers in vulnerable circumstances

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About this document

This document reports on outcomes for consumers in vulnerable circumstances in the sectors we regulate - broadband, phones, television and postal services. The covering report sets out the main findings and Ofcom's work in these areas. The research annex provides the detailed research data including on the take-up and use of services and on the extent to which consumers consider these services affordable and are engaged in the market.

Some of the data underlying the annexes is available as machine readable, licensed open data at www.ofcom.org.uk/opendata.

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Section 1

Dashboard

Ofcom carries out research and collects other data about the experience of consumers across the sectors we regulate. Where possible, we evaluate outcomes for consumers in vulnerable circumstances.

The dashboard below shows some key data points highlighting where increases or decreases are statistically significant from any previous waves of research. Further data and analysis is set out in this report and its annexes.

Take-up of services and devices – Ofcom Technology Tracker H2 2016

	Total	Age					SEG				Rurality	
		16-24	25-44	45-64	65-74	75+	AB	C1	C2	DE	Urban	Rural
Fixed line phone	84%	72%	79%	89%	95%	97%	93%	88%	82%	74%	84%	90%
Mobile phone - personally use	92%	98%	99%	95%	85%	59%	94%	96%	92%	87%	93%	91%
Smartphone – personally use	73%	93%	91%	72%	38%	17%	80%	80%	70%	60%	73%	70%
Standalone landline**	11%	4%	4%	7%	21%	50%	8%	9%	10%	16%	11%	11%
Mobile-only households	15%	27%	21%	11%	4%	2%	7%	12%	18%	25%	16%	10%
Fixed broadband take up	81%	84%	89%	85%	72%	42%	92%	87%	77%	65%	80%	83%
Use the internet – anywhere	87%	97%	97%	90%	74%	41%	95%	92%	86%	75%	87%	89%
Ownership of any connected device in the household*	89%	97%	97%	92%	77%	48%	96%	94%	87%	76%	88%	90%

Note: Age, Socio-economic group significance tested at 95% against total.

Red/ Green = less/more likely compared to total UK

*Data for 'Any' refers to PC, laptop, netbook, tablet or smartphone

**Standalone landline based on H1 2016 data

Access to products and services by disabled people - British Population Survey 2016¹

	Non-disabled			Disabled		
	2012	2014	2016	2012	2014	2016
Landline	74%	72%	76% ↑	79%	77%	79% ↑
ANY mobile	87%	89%	93% ↑	81%	85%	86%
Simple mobile	39%	23%	26% ↑	55%	44%	40% ↓
Smartphone	48%	66%	80% ↑	27%	41%	57% ↑
PC/laptop*	79%	79%	84% ↑	59%	64%	68% ↑
Tablet	17%	42%	60% ↑	9%	30%	46% ↑
TV (ANY)	92%	87%	96% ↑	92%	90%	97% ↑
Internet***	83%	88%	94% ↑	55%	65%	79% ↑

* 2012 survey did not ask about laptops, therefore 'PC/laptop' figure for 2012 is PC only

** Smart TVs were only asked about from 2016

*** Internet access is based on access anywhere; whereas devices are based on household access

Red/ Green = less/more likely compared to non-disabled

↑ ↓ = More/less likely to have access/personal use compared to 2014

Television access service provision

Total % of qualifying hours all required channels (2005-2015)	2005	2007	2009	2011	2013	2015
Subtitles	40.5%	46.8%	63.8%	75.3%	81.9%	81.9%
Audio description	5.9%	13.1%	18.2%	23.5%	23.3%	24.6%
Sign language	1.8%	3.5%	4.9%	5.3%	5.6%	5.7%

¹ Differences in methodology between the British Population survey (BPS) and Ofcom's Technology Tracker mean that they are not directly comparable. For example; interview periods, number of interviews and nations interviewed in all differ.

Switching and engagement

Switched in 12 months to September 2016 (excluding home movers)	Total	16-24	25-44	45-64	65+	AB	C1	C2	DE
Landline standalone	3%	**	**	3%*	2%	**	3%*	2%*	3%
Mobile contract standalone	8%	11%	8%	5%	6%	6%	9%	7%	6%
Pay TV standalone	4%	**	6%	5%	2%*	5%*	2%	5%*	6%*
Dual play	12%	**	14%	10%	10%	8%	17%	10%*	12%*
Triple play	7%	**	7%	6%	10%	5%	6%	11%	7%

*Caution: low base

**Base too low to report

Red/ Green = less/more likely compared to total UK

% engaged by age and SEG (September 2016)	Total	16-24	25-44	45-64	65+	AB	C1	C2	DE
Landline standalone	7%	**	**	6%*	5%	**	11%*	7%*	4%
Mobile contract standalone	22%	26%	22%	21%	15%	22%	22%	24%	22%
Pay TV standalone	16%	**	15%	18%	13%*	14%*	17%	25%*	13%*
Dual play	30%	**	32%	31%	26%	23%	34%	31%*	33%*
Triple play	39%	**	40%	39%	34%	39%	37%	32%	45%

*Caution: low base

**Base too low to report

Red/ Green = less/more likely compared to total UK

Take-up of social tariffs

	March 2014	March 2015	March 2016
Standalone landline BT Basic	412,330	364,285	321,734
BT Basic bundle		10,253	18,452

BT Basic bundle launched Aug 2014

BT Basic customers have BT Basic line rental (BT Basic 'solus' customers), but they could be taking broadband from another provider or a solus broadband product from BT (this is atypical).

BT Basic Bundle - these customers have the combined BT Basic line and broadband bundle (which costs £9.95/month)

Pricing

£ per month ¹	2013	2014	2015	2016
Monthly price for BT Basic voice service	5.06	5.19	5.18	5.10
Average monthly price for line rental ²	14.88	15.56	16.83	17.82
Average lowest monthly price for standard fixed broadband connection and line rental ³	24.81	26.67	28.45	29.30
Lowest monthly price for mobile service with 200mins, 50SMS, 0.5GB ⁴	10.27	10.20	9.01	8.96

Source: Teligen/PurePricing

¹ All figures are adjusted for CPI and are expressed in December 2016 prices except for the mobile data, which are in July 2016 prices.

² Annual average line rental prices from BT, Plusnet, TalkTalk, Sky, Virgin Media, EE and Post Office

³ Represents straight average of cheapest dual-play tariff with standard broadband and landline from BT, Plusnet, Virgin Media, TalkTalk, Sky and EE in December of each year; excluding promotional discounts.

⁴ Represents cheapest available tariff from primary providers; excluding handset prices

Affordability

Difficulties paying and debt	2014	2015	2016
Claimed difficulty in paying for any communications service	14%	9%	9%
Claimed to have had some sort of communications debt in the last year	3%	2%	2%

Difficulties paying and debt (2016)	16-34	35-64	65-74	75+	AB	C1C2	DE	Long term disability/illness	
								Yes	No
Claimed difficulty in paying for any communications service	14%	9%	5%	3%	3%	9%	14%	18%	10%
Claimed to have had some sort of communications debt in the last year	4%	2%	*	*	1%	2%	4%	3%	3%

*Note: Age, Socio-economic group and disability significance tested at 99% against total.

Red/ Green = more difficulty/less difficulty paying compared to total UK

Section 2

Executive summary

Communications services are increasingly essential for people to work, to shop, to keep in touch with family and friends and to access government services, information and entertainment. People in vulnerable circumstances may particularly depend on certain communications services, for example if they cannot easily leave their homes because of disability or illness.

Ofcom is required to have regard to the interests of people with disabilities, older people and those on low incomes, as well as the vulnerability of children and of others whose circumstances put them in need of special protection. There are people whose circumstances make them vulnerable but who do not necessarily fall within these defined groups. Ofcom takes a wider view of consumer vulnerability that recognises its dynamic nature: life events such as bereavement, illness or redundancy can temporarily reduce people's ability to afford or manage their communications services.

Ofcom makes and enforces a set of rules that apply to UK communications providers, the General Conditions. We are currently consulting on some extensions to the rules that will benefit disabled consumers and those who are having difficulty paying their bills. It is not possible to impose specific rules to try to address all possible risks of vulnerability, so we are also consulting on a proposal for a broad requirement for communications providers to establish, publish and implement clear and effective policies and procedures for the fair and appropriate treatment of consumers whose circumstances may make them vulnerable.

In this report, we present a range of data on the availability, take-up, use and affordability of communications services. This helps us understand how well the communications sector is meeting the needs of consumers whose circumstances make them vulnerable. We will track this data over time and use it to assess the impact of our regulatory initiatives and the need for further work.

In many areas, the data is encouraging:

- Take-up of products and services by disabled and older consumers and those in socioeconomic group DE², although still lower than by other consumers, continues to increase. In particular, the gap between these and other consumers for internet access is narrowing.
- Affordability of communications services remains broadly stable; while the price of fixed voice services has increased, broadband prices have been stable and mobile prices have fallen.
- Consumers on lower incomes are as engaged in the communications market as other socio-economic groups.
- Access service provision (subtitles, audio description and sign language) as a proportion of broadcast hours continues to rise.

² **Group D:** Semi-skilled and unskilled manual workers, including labourers and those serving apprenticeships. Machine minders, farm labourers, lab assistants and postmen. **Group E:** Those on the lowest levels of subsistence including all those dependent upon the state long-term. Casual workers and those without a regular income.

However, in some areas, the data indicates that the needs of consumers in vulnerable circumstances are not consistently being met by communications markets. We highlight five areas below.

(1) The price of fixed voice services has been increasing. From December 2009 to December 2016, line rental prices increased by between 25% and 49% in real terms and out-of-bundle call and call package prices have also increased.³ Older consumers are particularly affected, as they are more likely to be dependent on fixed voice services if they do not have a mobile phone or an internet connection. Of the 2.9 million households that buy a standalone fixed voice service (i.e. not bundled with broadband) approximately 43% are aged over 75, and more than a third (35%) live in DE socio-economic group households.⁴

Ofcom has two priorities to address high prices for fixed voice services.

- In our current review of the retail market for voice-only landline telephone services, we provide evidence of consumer harm resulting from increasing prices for consumers who buy a fixed voice as a standalone service (i.e. without broadband) and propose remedies including a reduction in the prices charged by BT.⁵
- As the universal service provider, BT (KCOM in Hull) is required to provide an affordable basic telephony service at an affordable price to all consumers. It does this through the BT Basic tariff, which was significantly improved in December 2016 and provides line rental and a small number of calls for £5.10 a month, with additional calls to UK fixed-line and mobile numbers capped at £10 a month. Around 4.4 million people in the UK are eligible. We are concerned that many households who would benefit do not take the service and are working with BT, the Department for Work and Pensions and other organisations to raise awareness.

Trends in pricing are covered in depth in Ofcom's assessment of pricing trends which is published alongside this document.⁶

(2) Older consumers tend to have lower engagement in communications market - and the "penalty" for not being engaged has been increasing. Over-65s are less likely than younger consumers to engage, in some communications markets e.g. to shop around, negotiate with existing providers or switch, and are therefore less likely to benefit from choice. A consequence is that they are more likely to be on standard or "list" prices and not benefitting from discounts available. Ofcom has a wide programme of work to increase consumer engagement, including by making it easier to compare services and by making switching easier. However, targeted actions directed at low-engagement consumer segments such as elderly consumers may be required. In our consultation on the retail voice-only market, we outline potential options to increase engagement among standalone landline consumers.

(3) Younger consumers are more likely to experience problems with debt: 7% of 16-24s reported to have been behind with their payments for one or more communications service in the past year compared to 2% of all UK adults. We also find that there are consumers on moderate incomes who are currently purchasing many communications

³ <https://www.ofcom.org.uk/research-and-data/multi-sector-research/pricing>

⁴ www.ofcom.org.uk/_data/assets/pdf_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf

⁵ www.ofcom.org.uk/_data/assets/pdf_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf

⁶ <https://www.ofcom.org.uk/research-and-data/multi-sector-research/pricing>

services, but who may become vulnerable if their financial circumstances change as they are tied into contracts. As part of our ongoing review of the rules that apply to communications providers, we are proposing that the requirements to have fair debt management policies are extended to mobile and broadband services. We are also working with Citizens Advice and other bodies to improve the support given to indebted consumers.

(4) Still one in five disabled consumers do not have access to the internet. Although internet access among disabled people increased from 65% in 2014 to 79% in 2016, disabled consumers are much more likely than the population as a whole to face exclusion issues as a result of not being online. The Government has a leading role in initiatives to promote take-up and use of the internet and published its Digital Strategy on 1 March.

(5) Visually and hearing-impaired consumers are poorly served by on-demand services where subtitles, audio description and sign language are provided far less often than on linear television. The Digital Economy Bill provides for the Secretary of State to make regulations that will require mandate access services on video on-demand, after consulting with Ofcom.⁷

⁷ <https://www.publications.parliament.uk/pa/bills/lbill/2016-2017/0102/17102.pdf>

Section 3

Our approach to consumer vulnerability

Some people's ability to participate in communications markets and society is affected by factors such as their age, disability, income or geographical location.⁸ Life events such as bereavement, redundancy or illness can temporarily reduce people's ability to participate in society and/or increase their dependence on certain communications services.

Vulnerability is about people's circumstances, which can change over time. In relation to communications, it can have a range of negative consequences:

- people may suffer financial detriment, for example if they are a victim of mis-selling or if they are unable to access the best deals;
- they may become isolated if they are unable to keep in touch with family and friends; or
- they may not be able to participate as fully in society as they would wish.

Legal framework and tools to address vulnerability

Ofcom has specific duties under the Communications Act 2003 (the "Act"), in regulating in the interests of consumers and citizens, to have regard to the needs of particular groups who may be vulnerable to harm. These include the requirement for Ofcom to have regard to the needs and interests of those who are disabled, elderly, on low incomes, as well as to the vulnerability of any others whose circumstances appear to put them in need of special protection. Ofcom also has a duty to promote media literacy under Section 11 of the Act.

Ofcom has the power to set enforceable regulatory conditions – including General Conditions and Universal Service Conditions - in the sectors we regulate.⁹ General Conditions apply to all telecommunications providers. Universal Service Conditions apply to designated Universal Service providers - BT and KCOM (in the Kingston-Upon-Hull area) in respect of telecommunications; Royal Mail for postal services. We can take enforcement action and impose financial penalties where a provider fails to comply with these.

In broadcasting, Ofcom is required to publish a code giving guidance to broadcasters about how to promote the understanding and enjoyment of television by people with visual and/or hearing impairments¹⁰, and about the accessibility of electronic programme guides¹¹.

Examples of where Ofcom has intervened using these powers to promote participation and address consumer vulnerability include:

⁸ We do not provide data in this report on how the consumer experience varies by geography. Ofcom's [Connected Nations](#) reports and [Communications Market Reports](#) compare the availability and take-up of communications services across the UK nations and in rural and urban areas.

⁹ See section 45 of the Act.

¹⁰ See sections 303 and 305 of the Act.

¹¹ See section 310 of the Act.

- Ensuring that communication providers offer services for disabled consumers such as text relay for deaf people, free directory enquiries for blind people and priority fault repair for people who depend on the phone because of disability.
- Under the Universal Service Obligation, requiring consumers to be given connection to landline telephone services on reasonable request at uniform prices and requiring social tariffs to be available for people on low incomes.
- Setting standards for the provision of subtitling, sign language and audio description on television.
- Taking a range of measures to ensure that no one is prevented from making an emergency call, recognising that anyone can be temporarily vulnerable to harm – for example requiring that emergency calls are free, mobile phone users can call the emergency services over other available mobile networks when out of range of their home network and deaf and speech-impaired people can use text relay or emergency SMS to call 999 or 112.

We can also seek to address concerns around vulnerability without using our statutory powers, for example, by working with industry and consumer stakeholders and through providing information to consumers. For example, we have published:

- Easy Read guides to dealing with nuisance calls and how to use mobile phones, aimed at people with learning disabilities.
- Consumer advice on power of attorney and third party bill management, published in 2016 with support from the Office of the Public Guardian.¹²
- As part of the UK Regulators' Network, a leaflet about services for older and disabled customers in regulated sectors.¹³
- A consumer guide on how to manage debt.¹⁴
- Guidance for telecoms providers to ensure that the special measures available to disabled people are widely publicised and that information is available in appropriate formats through appropriate channels.¹⁵
- Advice from the Equality and Human Rights Commission and the Information Commissioner about why calls via text relay should not be refused by organisations such as banks.¹⁶

The needs of vulnerable consumers, and the interventions needed to support them, are changing

As consumers' needs and the market changes, there may be implications for our rules and our approaches to address consumer vulnerability.

¹² <http://consumers.ofcom.org.uk/phone/problems-and-complaints/power-of-attorney/>

¹³ <http://www.ukrn.org.uk/wp-content/uploads/2016/07/UKRN-accessibility-leaflet.pdf>

¹⁴ <http://consumers.ofcom.org.uk/phone/mobile-phones/problems-and-complaints/disputing-a-bill/>

¹⁵ https://www.ofcom.org.uk/_data/assets/pdf_file/0015/81132/guidance.pdf

¹⁶ <http://ask.ofcom.org.uk/help/services-and-billing/relay>

The population of the UK is changing

In the UK, 14.3 million people are aged 60 or over; 2.9 million are aged 80 or over. From 2012 to 2032 the populations of 65-84 year olds and the over-85s are set to increase by 39% and 106% respectively, whereas 0-14 and 15-64 year olds are set to increase by 11% cent and 7% respectively.¹⁷

Also, 10.8 million people have a disability or impairment, 0.8 million have Alzheimer's. As many of these disabilities and illnesses are age-related, these numbers can be expected to increase¹⁸.

In terms of economic exclusion, 2 million people do not have a bank account and more than 1.7 million adults have literacy levels below those expected for 11 year olds¹⁹.

There is increased reliance on telecoms, broadband and connected devices

Communication services are of growing importance for all consumers. Broadband is increasingly seen as a utility rather than a commodity: this is reflected in the Government's plans to introduce broadband universal service. And as telecoms, broadband and connected devices become more important, those who are digitally excluded become worse off. Over six million have never used the internet and 10.5 million feel they do not have the digital skills to participate fully in society.

The markets we regulate are also changing

There are a number of current market trends which may have implications for vulnerable consumers:

- Markets are becoming more complex. Consumers are increasingly buying services together in bundles, making it necessary to compare across the different features of multiple services.
- Different aspects of services are charged on different bases (for example, post-pay mobile packages typically include monthly charges for a handset and an inclusive allowance of calls, texts and data), with different types of calls outside this allowance having different prices, and add-on services such as apps charged for separately).
- The proliferation of service and pricing options means that consumers have an increasing number of price/service combinations to compare and choose between.

Increasingly, services are moving to be provided primarily through online channels. The Government has stated its intention is to move towards making government services 'digital by default' as this is more efficient and convenient.

Price discrimination between engaged and unengaged customers may become stronger due to the increasing amount of information gathered by communications providers about the characteristics of their customers and the ability to make highly targeted offers to new or existing customers.

¹⁷ Source: The King's Fund/Department of Health

¹⁸

https://s3.amazonaws.com/14078_Alzheimers_Interactive_Infographic/pdf/as_downloadable_infographics.pdf

¹⁹ http://www.literacytrust.org.uk/adult_literacy/illiterate_adults_in_england

New services are being launched and becoming the 'standard' product (e.g. 4G mobile and smartphones). Competitive focus therefore moves away from established products and services, such as basic mobile services and landline phones.

Traditional television services, where protections are established for vulnerable consumers, are increasingly being supplemented by online and on-demand services.

It is important that these trends do not leave some consumers behind

On the whole, the UK telecoms market delivers choice and value for consumers, with most people finding services to be affordable, and service quality improving with the increasing availability of superfast broadband and 4G mobile networks. There is considerable choice in the market and consumers can get good deals by shopping around. However, it is important to ensure that policy is not just based on the experience of consumers who engage in or otherwise benefit from changes in the market, as this risks leaving some people behind.

There are broader issues associated with the characteristics of competition and evolving technologies noted above which risk impacting those consumers who may be:

- Less able to benefit from choice both through being less engaged with the market and by being less able to deal with increased complexity such as tariffs, speeds, and OTT services, and make optimal purchasing decisions.
- Less likely to be confident using on-line services, and more likely to suffer harm from digital exclusion as the effects of the online/offline divide become stronger.
- Less likely to benefit from price discounting available to engaged consumers.
- Less likely to take-up new technologies, so therefore more likely to be on declining 'legacy' services, where prices may increase and service quality may fall as operator focus moves away from products with a declining user-base.

Changing regulation to meet changing needs

We keep under review the rules that we set and approaches we adopt to allow consumers – including those in vulnerable circumstances - to benefit from the market and to protect them where necessary. For instance, we are currently reviewing the General Conditions and we have identified a number of areas where we consider new or strengthened regulation is needed to protect consumers. They include a proposal to introduce a new requirement for all communications providers to establish, publish and implement clear and effective policies and procedures for the fair and appropriate treatment of consumers whose circumstances may make them vulnerable – such as people with learning or communication difficulties or those suffering physical or mental illness or bereavement – to ensure they are treated fairly and appropriately in their dealings with communications providers. We are also proposing to extend rules currently in place for landline services to cover mobile services, including protections to ensure consumers are billed correctly, to ensure the needs of disabled consumers are met and to protect those in debt.

Monitoring consumer vulnerability

To ensure that we identify and take account of consumer vulnerability creating a barrier to participation or a risk of harm, we collect and analyse data about complaints to Ofcom's contact centre. However, we recognise that people whose circumstances make them vulnerable may be unwilling or unable to complain. Ofcom carries out research designed to increase our understanding of consumer vulnerability, and we also engage with a range of

stakeholder organisations to understand these issues better and to identify areas for possible intervention.

This document reports on the research we carry out about the take-up, use and affordability of communications services by consumers in vulnerable circumstances. The detailed research is set out in the annex; in sections 4 and 5 we set out the main findings and the implications for Ofcom's work.

Section 4

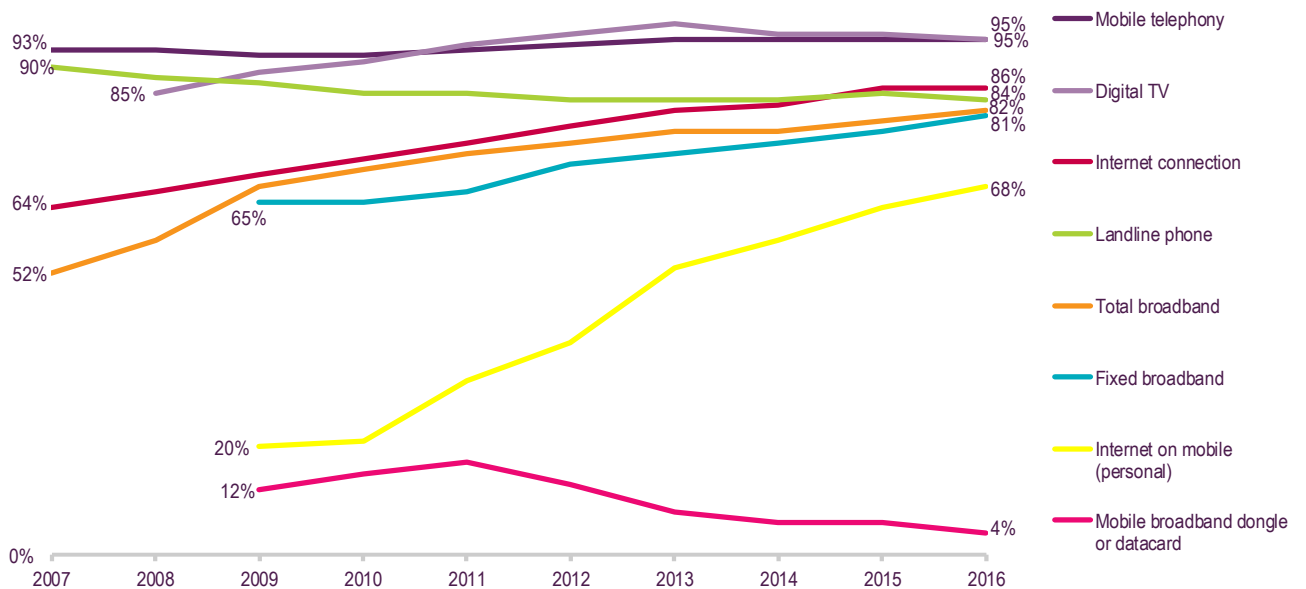
Access to products and services

In this section we consider our research findings about the take-up of products and services by consumers broken down by factors such as age, socio-economic group and disability.

Access to communications services

In 2016, overall levels of take up for the majority of communication services remained relatively unchanged. Access to the internet using a mobile phone (68% of households) and access via fixed broadband (81% of households) continued to rise.

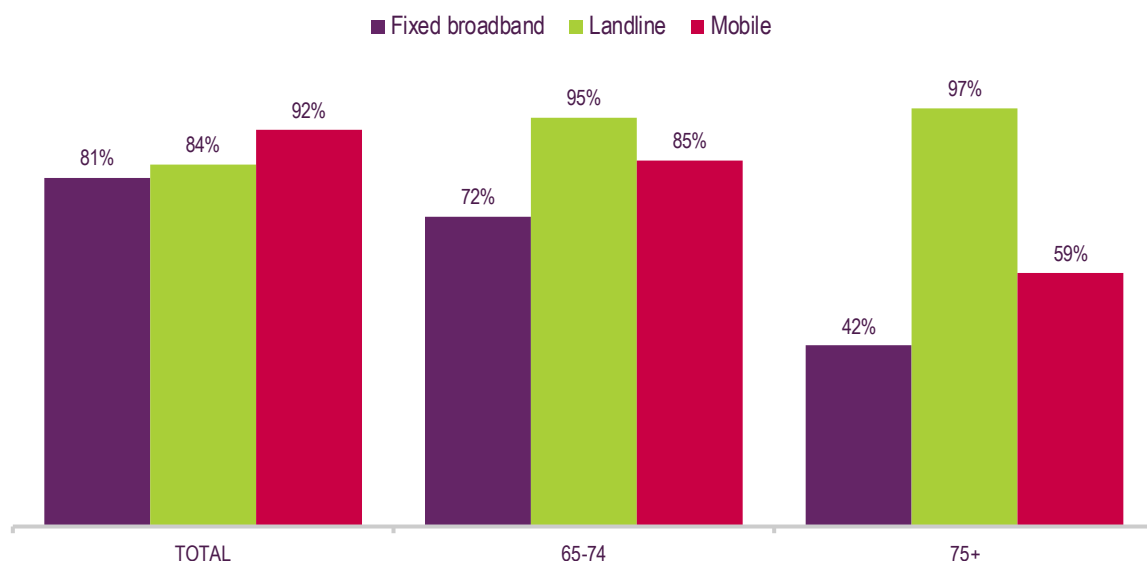
Figure 1: Household take-up of communications services



Source: Ofcom Technology Tracker

Looking at access to services by older consumers, those 65 and over have significantly lower levels of take-up of broadband and mobile services and higher levels of landline phone take-up than the population overall. Although the level of take-up of broadband at home amongst those 65 and over is significantly lower, take-up is lower still amongst the 75+ age group. Personal use of a smartphone has increased over the past year amongst those aged 75+ (from 9% to 17%), although this age group remains the least likely to own a smartphone.

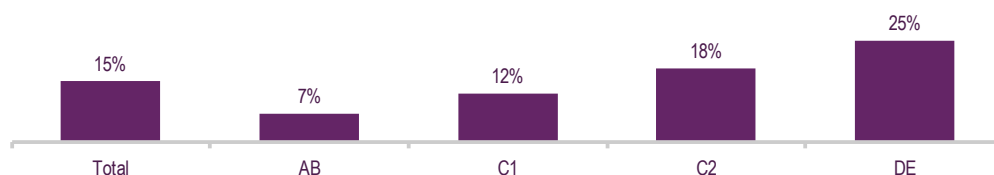
Figure 2: Access to fixed broadband, landline phone and mobile by age



Source: Ofcom Technology Tracker

Looking at the use of services by socio-economic group (SEG), there are significantly lower levels of take-up of landline phone amongst households in the DE socio-economic group. Consequently, DE groups are most likely to be mobile-only households, i.e. to rely on mobile telephony (25% vs 7% among AB households).²⁰ Those in lower income households are also less likely to take-up fixed broadband services and more likely to rely on smartphones for internet access²¹. Ofcom research into consumers who rely on a smartphone for internet access found that many struggle with some very important tasks such as searching or applying for a job, or finding housing.²²

Figure 3: Socio-economic profile of users of mobile-only telephony



Source: Ofcom Technology Tracker, data as at Q2 2013-2014; H2 2015-2016
 Base: All adults 16+ (Q2 2013, 2879) (Q2 2014, 2877) (H2 2015, 2863) (H2 2016, 2893)

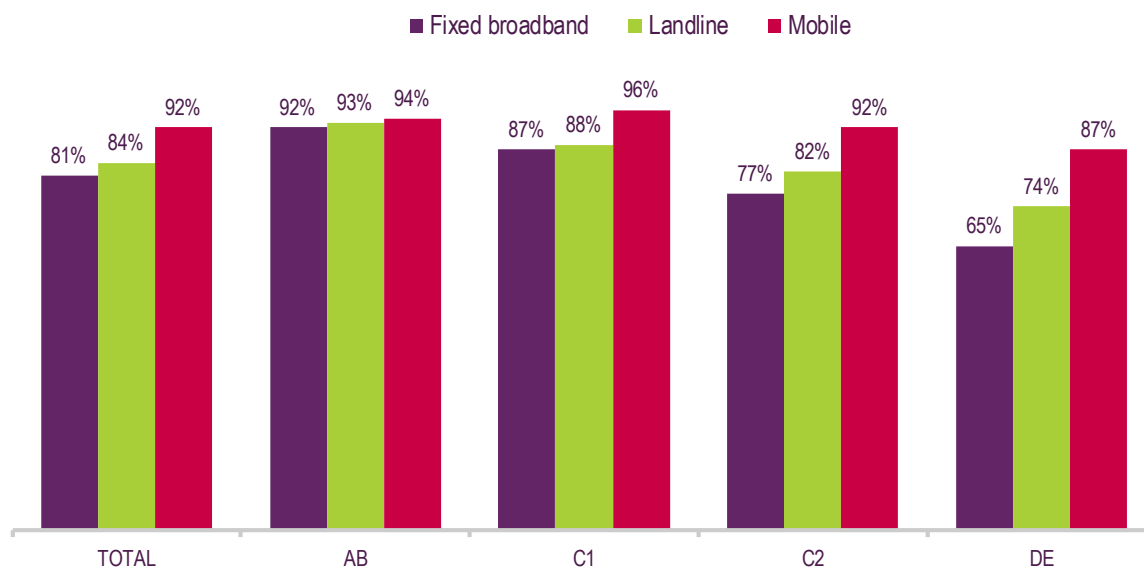
²⁰ Mobile only households: AB 7%, C1 12%, C2 18%, DE 25%

²¹ Five per cent of C2DE's rely only on smartphones for internet access, compared to 2% of ABC1's

²² 'Smartphone by default' internet users (2016),

www.ofcom.org.uk/_data/assets/pdf_file/0028/62929/smarphone_by_default_2016.pdf

Figure 4: Access to fixed broadband, landline phone and mobile by socio-economic group



Source: Ofcom Technology Tracker

Reliance on post

Older respondents tended to value the postal service more than younger respondents. Nearly nine in ten (88%) respondents agreed with the statement “I value the option to be able to use the postal service.” Older respondents were more likely to value the postal service, with 93% of 65-74 year olds and 97% of those aged 75+ agreeing with the statement. On a similar theme, around six in ten (62%) respondents agreed with the statement “I would feel cut off from society if I couldn’t send or receive post”. Once again higher levels of agreement were seen among older respondents, with 73% of 65-74s and nearly eight in ten (78%) of over-75s expressing agreement.

Around three-quarters (76%) of respondents claimed that for them, post was an important method of communication with friends and family. The form of communication that most respondents chose in response to this question was mobile phone calls (86%), followed by text messages (82%), and email (79%). For older respondents, landline calls and post were the two most important forms of communication with friends and family. Nine in ten (91%) 65-74s, and 95% of over-75s reported that landline calls were important for this, while 85% of 65-74s and 87% of over-75s chose post.

Around three-quarters of respondents stated that they were reliant on postal services for sending and receiving both letters/cards and parcels (75% and 76% respectively). Reliance on sending parcels was broadly similar across all age groups, while those aged 65-74 and 75+ relied more on letters/cards (83% and 84% respectively).

On 1 March Ofcom concluded a review of the regulation of Royal Mail as the provider of the universal postal service in the UK. The review concluded that the current rules and safeguards are generally working well for people and businesses who use the post and we have decided to retain the current framework for postal regulation - which had been due to expire in 2019 - until 2022. In particular, Ofcom consumer research shows that consumer

satisfaction with postal services, and value for money, are generally high. We carry out this research on an on-going basis in order to identify if the universal service is failing to meet the reasonable needs of consumers.

Most consumers have access to fixed and mobile telephony - Ofcom is providing support to Government on a universal service for broadband

Network availability is not generally a barrier for consumers looking to access fixed and mobile telephony, although as detailed in the Connected Nations report,²³ the quality of service (notably broadband speeds and mobile coverage) does vary across the UK.

The universal service ensures that basic fixed-line services are available at an affordable price to all citizens across the UK. Under the universal service obligations, BT (outside Hull) and KCOM (in the Hull area only) must provide a range of services including connection to the fixed network, 'functional internet access' (i.e. narrowband) and social tariffs for customers on low incomes.

While no such universal service obligation exists for mobile, there are a number of obligations in place which have led to wide availability of mobile coverage. All four mobile network operators have committed to providing 90% UK geographic coverage by the end of 2017 for voice and text coverage, which should mean that all but the most remote areas of the UK have basic coverage from at least one operator. Under the terms of its 4G licence, O2 is required to have 98% 4G coverage of UK households by the end of 2017 – and the other three mobile network operators have stated they will also achieve this.

A lack of access to fast broadband can constrain the ability of some consumers to use some internet services such as video streaming. The Government has set out its intention to introduce a broadband universal service obligation to ensure that "households and businesses can get the broadband speeds needed to do business online, access key services or stream live TV".²⁴ In December 2016, Ofcom provided technical analysis and recommendations to support the design of the broadband universal service obligation.²⁵ The issue is now being considered by Parliament through the Digital Economy Bill.

A lack of skills and/or confidence is a barrier to some consumers using the internet

Ofcom has a duty to promote, and to make arrangements for research into, media literacy. We publish in-depth annual reports on media use and attitudes among both children and adults, alongside qualitative research on media habits. This research is used to inform policy making and activities both internally at Ofcom and by stakeholders in the public and private sectors in the UK.²⁶

Our 2016 report into adults' media literacy found that there were variations between different groups of people around their use of the internet and their confidence in using online services.

Our media literacy research found that in 2016, 13% of UK adults were non-users of the internet. Just under six in ten (58%) of all non-users are aged 65 and over, and more than

²³ <https://www.ofcom.org.uk/research-and-data/infrastructure-research/connected-nations-2016>

²⁴ <https://www.gov.uk/government/news/government-plans-to-make-sure-no-one-is-left-behind-on-broadband-access>

²⁵ <https://www.ofcom.org.uk/consultations-and-statements/category-1/broadband-uso>

²⁶ <https://www.ofcom.org.uk/research-and-data/media-literacy>

two in five (42%) are in DE households. However, a third (33%) of non-users had asked someone else to use the internet on their behalf in the past 12 months, unchanged since 2014. Non-users aged 16-64 are more likely than those aged 65+ to say they have made a proxy use of the internet in this way

Older adults and those on lower incomes are also more likely to be 'narrow' users of the internet, in that they have less confidence, are less likely to use search engines and to understand how they operate, and are less likely to be able to correctly identify paid-for content/ advertising that appears in search results. Our research classified 11% of internet users as 'narrow' users (unchanged since 2014), while 36% of over 65s and 18% of those in DE households were in this category.

The Government has a leading role in initiatives to promote take-up and use of the internet. The Government published its Digital Strategy on 1 March 2017 and announced that people would be supported to develop the skills they need to participate in the digital economy and that adults in England who lack core digital skills would not have to pay to access basic digital skills training.²⁷

The Strategy sets out first steps in the Government's approach to digital inclusion, including:

- Undertaking a feasibility study on the viability of using outcome commissioning frameworks, such as payment by results or social impact bonds, to tackle digital exclusion.
- Developing the role of libraries in improving digital inclusion to make them the 'go-to' provider of digital access, training and support for local communities.
- Using the Council for Digital Inclusion, which brings senior leaders from the private and charity sectors together with government, to increase collaboration and deliver initiatives to help more citizens to confidently go online and take advantage of the internet
- Investing £1.1 million through the NHS on projects to support digital inclusion. This will help the most excluded groups (such as homeless people, people with disabilities, people with mental health problems, and prisoners) to develop their digital skills so they can feel confident using online tools to manage their health.²⁸

Access to communications services by disabled people

Ofcom conducts research every two years into access and personal use of communications devices and services by disabled consumers.²⁹ Analysis is conducted among consumers with hearing-, visual-, mobility- or multiple impairments, or learning disabilities.

The research shows that while access to communications devices and services by disabled consumers continues to increase, there is still a gap between disabled and non-disabled consumers for some devices and services. For example, 94% of non-disabled consumers have access to the internet, compared to 79% for disabled consumers.



²⁷ <https://www.gov.uk/government/publications/uk-digital-strategy/executive-summary>

²⁸ www.gov.uk/government/publications/uk-digital-strategy/2-digital-skills-and-inclusion-giving-everyone-access-to-the-digital-skills-they-need

²⁹ The first study was conducted in 2012. Data is collected via the British Population Survey and achieves a sample of c. 16,000 non-disabled and c. 4,000 disabled consumers aged 15 or over in each survey.

Figure 5: Access to communications devices and services among disabled consumers, 2016

	Non-disabled	All disabled	Mobility impaired	Hearing impaired	Visually impaired	Multiple impairments	Learning disability
Landline	76%	79%	77%	84%	77%	85%	64%
Any mobile	93%	86%	81%	85%	86%	81%	89%
Smartphone	80%	57%	47%	53%	69%	39%	70%
Internet	94%	79%	70%	84%	88%	66%	85%
PC/ laptop	84%	68%	59%	75%	78%	57%	69%
Tablet	60%	46%	39%	53%	54%	38%	43%
Games console	37%	25%	17%	18%	30%	18%	45%
TV (any)	96%	97%	96%	99%	94%	99%	96%
Smart TV	40%	34%	29%	47%	42%	28%	32%

  = Notes whether each disability group were statistically significantly higher or lower than non-disabled consumers to have access (red=lower, green=higher)



Source: Ofcom research among disabled consumers, using BPS study 2016

Further analysis illustrates this gap is greatest when comparing levels between disabled and non-disabled consumers aged 65+, and in socio-economic group C2DE. For example, in relation to internet access 51% of over-65 disabled consumers have access to the internet, compared to 63% of over-65 non-disabled consumers. The gap is smallest when comparing to results among the more affluent ABC1 groups aged under 65 (97% for disabled consumers vs. 99% among non-disabled).

There are also notable differences by type of disability, shown below. For example, internet access among hearing- and visually-impaired consumers is broadly comparable to that of non-disabled consumers in most demographic sub-groups, whereas consumers with a mobility impairment or multiple impairments report significantly lower levels of internet access in each reported sub-group.

Figure 6: Access to internet by disabled and non-disabled consumers

Internet access by age within socio-economic group		Non-disabled	All disabled	Mobility impaired	Hearing impaired	Visually impaired	Multiple impairments	Learning disability
Total		94%	79%	70%	84%	88%	66%	85%
Aged under 65	ABC1	99%	97%	96%	99%	99%	89%*	100%*
	C2DE	96%	87%	84%	85%	96%	84%	80%
Aged 65+	ABC1	90%	79%	75%	88%	83%*	71%	/ **
	C2DE	63%	51%	41%	63%	56%*	46%	/ **

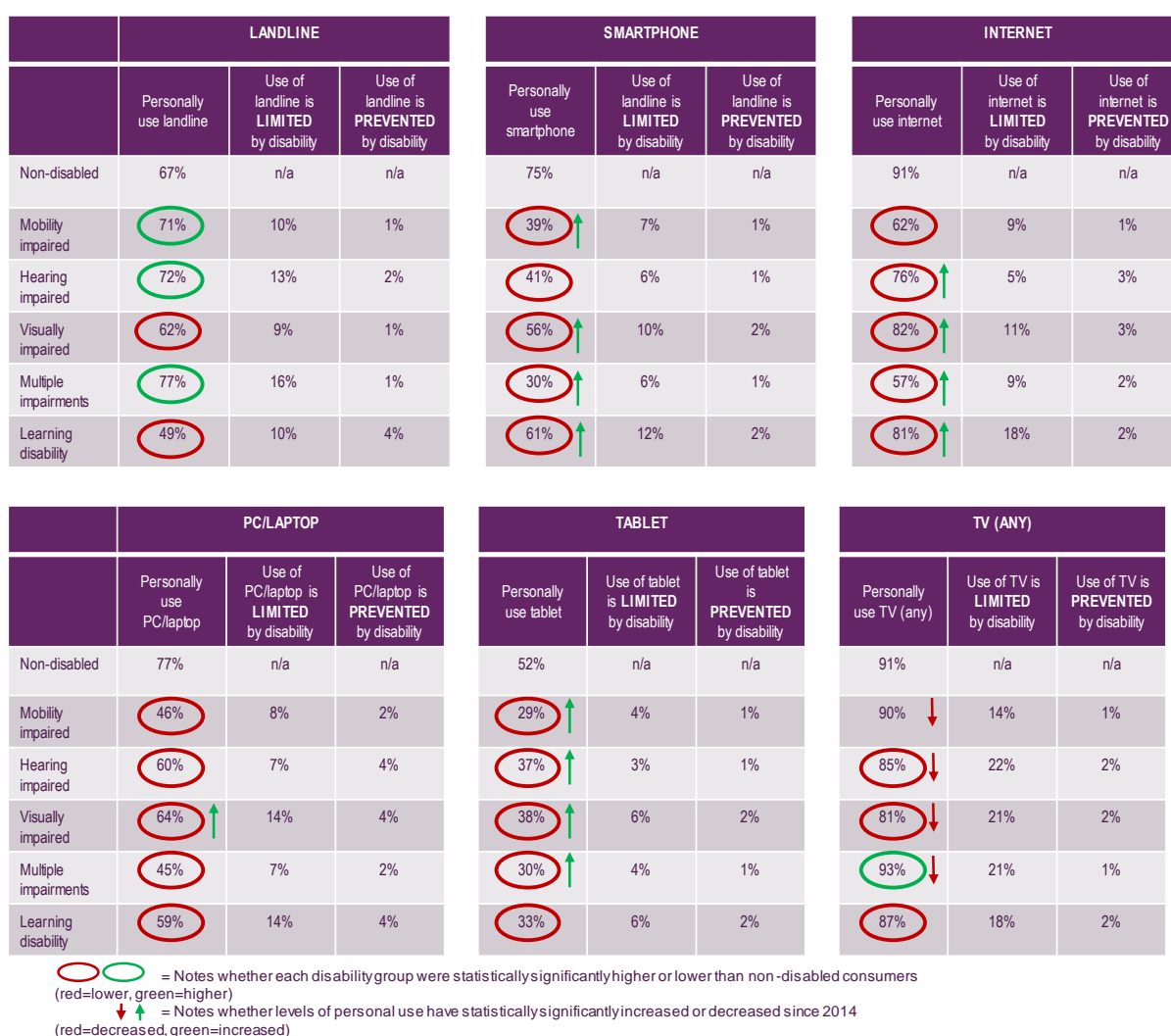
  = Notes whether each disability group were statistically significantly higher or lower than non-disabled consumers to have access (red=lower, green=higher)

Source: Ofcom research among disabled consumers, using BPS study 2016

While personal use of many communications services and devices has risen in the last two years, consistent with higher levels of access, use remains significantly lower than that among non-disabled consumers.

Varying proportions (up to 22%) said their disability *limited* their use of communications services/devices. People with a learning disability were most likely to say their disability impacted their use of communications services/devices. Use of the TV was said to be limited by around one in five consumers with a learning disability, hearing, visual or multiple impairments. Very few in comparison said their disability *prevented* their use of these services/devices altogether - highest for PC/laptop at 4% among those with a hearing or visual impairment or learning disability.

Figure 7: Personal use of devices/services by disabled and non-disabled consumers, and stated impact of disability on use



Source: Ofcom research among disabled consumers, using BPS study 2016

Work to improve disabled consumers' use of and experience of communications services

As outlined in Section 3 above, Ofcom has taken action in a number of areas to ensure that communications services meet the needs of disabled consumers, for example by requiring text relay for deaf people, free directory enquiries for blind people and priority fault repair for people who depend on the phone because of disability.

As part of our current review of General Conditions,³⁰ we are proposing to extend the regulatory protections for disabled consumers that currently apply only in relation to voice call services, by extending them so they cover broadband and mobile services. These include: priority fault repair; third party bill management; and the provision of bills in an accessible format.

We also consider that communications providers should be clearer about the policies they have in place to meet the needs of disabled consumers. We are therefore proposing a new requirement for all providers of communications services to establish, publish and implement clear and effective policies and procedures for the fair and appropriate treatment of consumers whose circumstances may make them vulnerable. This includes the measures that providers take to identify consumers who may be vulnerable and ensuring the fair and appropriate treatment of consumers who may be vulnerable due to circumstances, including physical or learning disability.

In its Digital Strategy published earlier this month, the Government has committed to providing relevant targeted support for underrepresented groups, such as people with disabilities.³¹

Access to broadcasting for people with sensory impairments

Ofcom uses its powers under the Act to require broadcasters to offer more and better television access services: subtitling, audio description and sign language for people with impaired hearing and vision. In January 2017, Ofcom published an updated code setting out revised requirements on access services that apply to television broadcasters.

³⁰ https://www.ofcom.org.uk/_data/assets/pdf_file/0032/95873/Review-of-the-General-Conditions-of-Entitlement-Consultation-on-the-general-conditions-relating-to-consumer-protection.pdf, Section 9

³¹ <https://www.gov.uk/government/publications/uk-digital-strategy/2-digital-skills-and-inclusion-giving-everyone-access-to-the-digital-skills-they-need>

Figure 8: TV Access Services Provisioning 2005-2015



Source: Ofcom / Broadcaster returns

*Qualifying hours include all hours required by Ofcom under the [Code on Television Access Services](#)

Levels of subtitling, audio description and signing remain above the statutory requirements. While the proportion of hours shown with access services in the last three years remains relatively constant, the absolute numbers of subtitled, audio described and signed hours have increased since 2013 (by 11%, 19% and 4% respectively).

Access services are now available on digital terrestrial television, satellite and cable. However, access services on video on-demand (catch-up TV) have lagged behind. The Government announced in January 2017 that the Digital Economy Bill would include provisions regarding the use of subtitling on on-demand TV. Subject to the passage of the Bill, we expect consultation to take place soon on the development of a new code that will set quotas for the amount of on-demand TV that must carry access services.

We will continue to work closely with the Communications Consumer Panel as it carries out research in 2017 exploring people's use of access services. It will also explore the overall satisfaction with these services among users with hearing and/or sight impairments and try to understand the reasons some people don't use the services. In addition, the project will consider the overall experience among hearing/sight impaired users and explore the usage of and attitudes to access service provision specifically on non-linear services.

Section 5

Affordability, pricing and consumer engagement

In this section, we highlight findings on the pricing and affordability of services and on the extent to which consumers are engaging in the market to seek out the best deals.

Core communications services account for around 5% of the poorest households' expenditure

Despite generally falling prices, consumers' ability to afford communications services can be affected by their household income and their expenditure on other essential services. Ofcom publishes data showing the percentage of household income that a typical household 'basket' of core communications services would cost.

Unsurprisingly, this illustrates that a typical basket takes up a larger proportion of lower income consumers' expenditure than those of higher income households. Most mobile pay monthly and many fixed broadband services require a minimum contract period of up to 24 months. This means that if consumers face a change in their financial circumstances, for example through redundancy or illness, they are vulnerable to going into debt and/or being disconnected from those services (Financial vulnerability covered on page 20).

To understand how the affordability of basic communications services has changed over time, we have analysed the price of a basket of core services. This basket consists of a landline with 80 minutes of outgoing calls, fixed broadband with an advertised download speeds of 'up to' 10Mbit/s or more and 25GB of data usage, two mobile connections (both with 30 minutes of outgoing voice call usage, 20 SMS messages and 100MB of data) and a free-to-air TV service.

We then compared the price of this basket to ONS data showing average household expenditure by decile over the same period.³² This analysis shows that between 2012 and 2015, the average household expenditure increased by 7%. However, the 'weighted average' cost of the basket of core services fell by 3% in real terms during the same period.

Combining the household expenditure by decile data with the cost of the basket shows that the price of the basket represented a higher proportion of household expenditure in 2015 (5.4%) than in 2012 (5.2%) across the lowest decile, indicating that core communication services have become more expensive for the lowest of earners. This is due to a higher rate of decline in household expenditure at 6% across the lowest earners in comparison to the 3% decline in the 'weighted average' cost of the basket (as highlighted above). Between 2014 and 2015 household expenditure fell by 7% predominantly driven by a fall in household mortgage interest payments, council tax and rental costs.

³² Average household expenditure represents the gross weekly household expenditure as provided by the ONS. The data relates to financial years (April to March) and not calendar years e.g. 2015 data would relate to April 2014 to March 2015. Figures for 2012 and 2013 have been prorated from calendar years to financial years to provide an appropriate like for like comparison.

However, it is worth noting that the price of the basket represented a lower proportion of household expenditure in 2015 than 2012 across the rest of the deciles, which suggests that core communication services are less expensive for mid to high earners.

Figure 9: Monthly price of core services as percentage of household expenditure



Source: Teligen / ONS household spend by decile

Note: Core services represent landline with 80 minutes of outgoing calls, fixed broadband with an advertised download speed of 'up to' 10Mbit/s or more and 25GB of data usage, two mobile connections (both with 30 minutes of outgoing voice call usage, 20 SMS messages and 100MB of data) and a free-to-air TV service. Each decile represents the price of the lowest available core communication services as a proportion of the household expenditure by each disposable income group, therefore the lowest decile representing the lowest earners and the highest decile representing the highest earners.

High take-up of services by 'potentially financially vulnerable' households puts them at risk of going into debt if their financial circumstances change

In addition to focusing on the lowest income groups and those who are most financially vulnerable, we have analysed how communications services are taken up by households with higher incomes but who may be at risk of becoming vulnerable if their circumstances change, for example, through a change in employment or illness.

The analysis combines several different measures such as household size, income and working status to create three distinct groups³³: the 'most financially vulnerable'; those who 'potentially could be financially vulnerable'; and those who are 'least likely to be financially vulnerable'. Some of the key differences between the groups include:

Most financially vulnerable – Over half are from the DE socio-economic group and are the least likely to be working compared to the overall population. This group is the most likely to have the lowest level of household income and a larger household.

Potentially financially vulnerable – Just under half (48%) of this group are aged between 35 and 54 and are more likely to be from the C2 socio-economic group. They are as likely as the least financially vulnerable group, to be in full time employment³⁴ but significantly more

³³ See Research annex for more details on the make-up of the financial vulnerability groups

³⁴ Defined as working 30+ hours per week

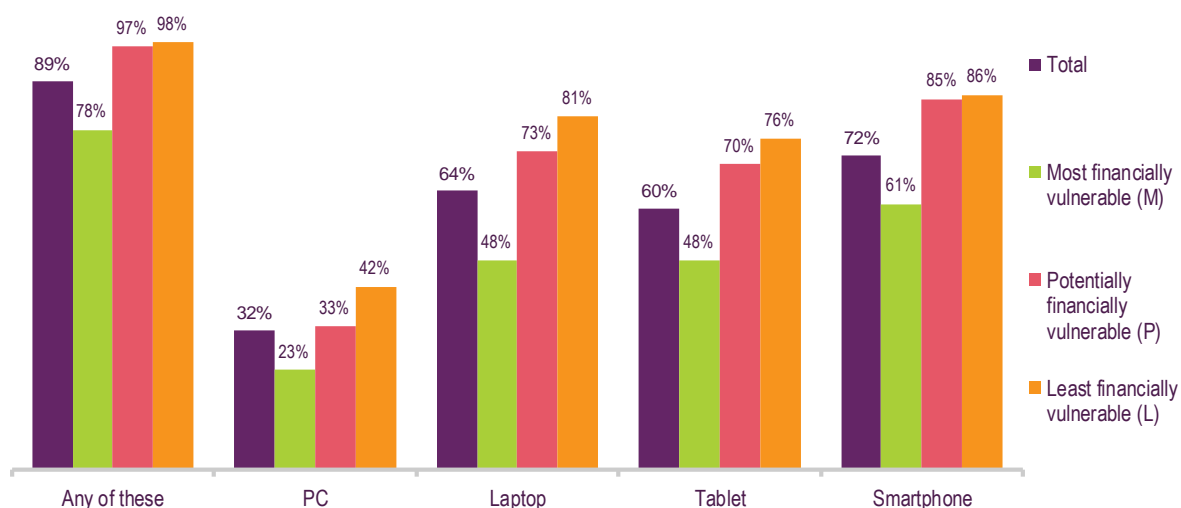
likely than average to work part-time.³⁵ They are also significantly less likely to be retired than the overall population.

Least financially vulnerable – Are significantly more likely to be from the AB socio-economic group. They are more likely to be working full time and less likely to be retired than the overall population. This group is also the most likely to have the highest household income and a smaller household.

Our findings report broadly comparable levels of ownership of communication services/devices between ‘potentially vulnerable’ consumers and those classified as ‘least financially vulnerable’.

Ownership of a connected device is almost universal among the two groups (97% and 98% respectively). Over seven in ten have a tablet (70%) or laptop (73%) and over four in five (85%) own a smartphone – all significantly higher than the overall population and comparable with the most affluent and least financially vulnerable. In comparison, the least affluent and most financially vulnerable are significantly less likely to have a connected device, with just over a quarter (78%) stating there is one in the household.

Figure 10: Ownership of connected devices in the home by financial vulnerability



Source: Ofcom Technology Tracker (H1 and H2 2016 combined)
 Base: All adults 16+, H1 and H2 2016 (All adults 16+ 6630, Most financially vulnerable 1344, Potentially financially vulnerable 1016, Least financially vulnerable 801). Significance testing shows any difference between any group (M, P or L) and the Total.

The levels of take up and use of communications services are also reflected in their propensity to bundle services. Over four in five consumers in the both the potentially (83%) and least (85%) financially vulnerable groups, purchase services as part of a bundle most likely benefitting from discount associated with this type of purchasing. This compares to 63% of those who are the most financially vulnerable. Take-up of pay-TV is 52% amongst the most financially vulnerable, but 69% among both the potentially financially vulnerable and the least financially vulnerable.

³⁵ Defined as working between 8 and 29 hours per week

These findings suggest that potentially financially vulnerable consumers are not being excluded from access to communications products and services, and are likely to be benefit from discounts associated with bundled purchasing. But their situation may become vulnerable if their financial circumstances change, given that they may be committed to long-term payments for these services (for example, paying off the cost of a smartphone over a two-year contract).

To help us monitor the extent to which consumers may be experiencing difficulties, Ofcom commissions annual research into the affordability of communications services. Our most recent report is published in the research annex.

The findings for 2016 show that 2% of UK adults have been behind with their payments any communications services by a month or more in the past year – unchanged since 2015. However, increasing proportions of consumers aged under 35 reported difficulties in paying for communications services (up from 11% in 2015 to 14% in 2016) with this experience also rising among those with a disability or long-term illness (up from 13% in 2015 to 18% in 2016). Pay TV, smartphone/mobile and fixed broadband services were the three services mentioned most by those consumers who reported having difficulties paying.

Increased help for those having difficulty paying for communications services

Ofcom is proposing changes to the rules we set for communications providers to follow when dealing with customers who have not paid their bills. Currently the rules (under General Condition 13) require providers of landline services to be proportionate when dealing with the non-payment of bills and to give customers due warning before disconnection. We are reviewing all the General Conditions and as part of that review are proposing extending these rules to providers of mobile and broadband services.³⁶

In making this proposal, we have recognised the increased importance of mobile and broadband services to consumers since the General Conditions were originally introduced. We have also taken account of the increased problems faced by consumers, particularly younger consumers, in managing debt from mobile services as reported to us by agencies providing consumers with advice on debt problems such as Citizens Advice³⁷ and the Money Advice Service. In addition, we are engaging with these agencies as they look to work more closely with mobile providers to improve the advice and support they give consumers in debt.

Postal affordability

Consumers and businesses in the UK benefit from an affordable, six days a week postal service at uniform prices. However, there is an ongoing decline in postal volumes as customers move away from traditional mail to digital technology such as email.

Royal Mail, the Universal Service provider, is free to set its own prices for the majority of its products including First Class stamps and most business mail. However, Ofcom has put two important safeguards in place to help ensure that postal services remain affordable.

³⁶ <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-general-conditions>

³⁷ Citizens Advice report they assisted around 40 000 consumers with mobile debt issues during 2016. Almost a third of these consumers were aged under 30.
www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Mobiles/Citizens%20Advice%20-%20Digital%20Economy%20Bill,%20House%20of%20Lords%20Report%20Stage,%20briefing.pdf

- A safeguard cap on Second Class stamps for standard letters. This ensures that Royal Mail can price Second Class stamps no higher than 55p (in 2012), indexed in line with the Consumer Price Index.
- A safeguard cap to Second Class small parcels and large letters. Ofcom has extended the cap to Second Class small parcels and large letters up to two kilogrammes in weight.

Ofcom monitors the affordability of post via the Residential Post Tracker survey. We ask about how much people value the ability to use the postal service and whether the cost of post affects the number of letters sent. We also ask about the importance of post in relation to other services such as email and phone calls.

Around half (49%) of respondents agreed with the statement “I send fewer letters by post now due to the cost”³⁸. Respondents aged 65-74 (55%) were more likely to agree with this statement, while those in the DE socio-economic group were less likely to agree, at 45%.

Nearly one in ten consumers (8%) claimed to have reduced spend on postage stamps to afford essentials like food or heating³⁹. Respondents in the DE socio-economic group were the most likely to have cut back on stamps, with 11% stating they had done this. Older respondents were less likely to have done so, at 3% of 65-74s and 5% of over-75s.

While the prices of communications services for most consumers are stable or falling, some are paying higher prices

In Ofcom's analysis of pricing trends published alongside this report, we find that consumers in the UK generally benefit from choice and can receive value from communications. In particular, the cost of bundled services has remained relatively stable since 2011 while the price of mobile data services has fallen significantly.⁴⁰

However, we also find that some trends may be to the detriment of some consumer groups. Consumers may face increasing prices, or may be paying more than they need to if they are:

- users of fixed voice services, particularly if they buy voice services on a standalone basis, i.e. not as part of a package that also includes a broadband service;
- not able to navigate the market effectively and struggle with the breadth of choice available; or
- not engaged with the market, and do not shop around to secure lower prices by switching provider or changing tariff/negotiating with their current provider.

Increasing line rental prices have particularly impacted standalone landline consumers – and half of over-75s buy standalone landline

As outlined in the pricing report which is published alongside this report, average line rental prices increased by 34% in real terms (i.e. adjusted for inflation) in the decade to 2016, while the price of out-of-bundle calls (including call set-up charges and per-minute prices) and call

³⁸ This statement was part of a bank of nine prompted statements, with respondents asked to rate each statement on a five-point scale from ‘strongly agree’ to ‘strongly disagree’.

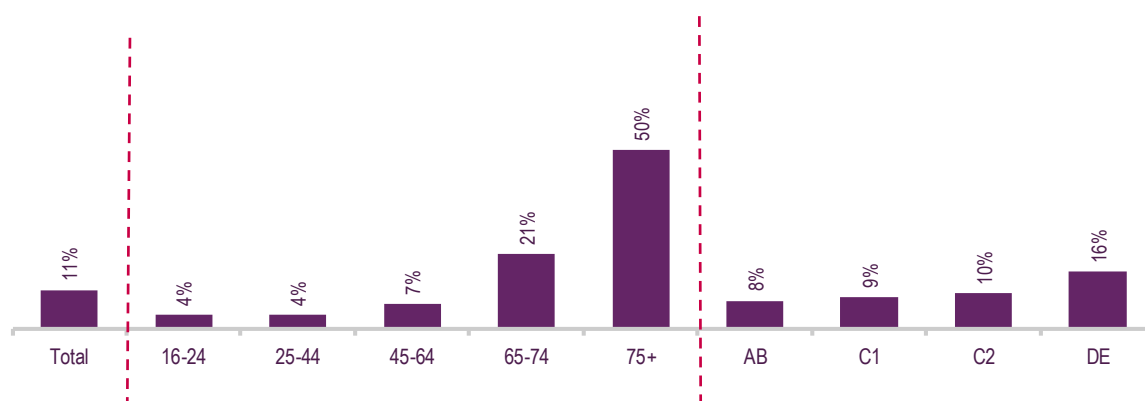
³⁹ Compared to last year, the proportion of respondents who reported having to cut back on spend has increased. This is likely to be explained by a change in research methodology. For further information see the research annex.

⁴⁰ <https://www.ofcom.org.uk/research-and-data/multi-sector-research/pricing>

packages have also increased. The price of a 'basket' of standalone voice services including 100 minutes of outgoing calls per month increased by 43% between 2011 and 2016 in real terms.

These price increases particularly affect standalone landline customers as they are not benefitting from discounting and pricing competition for broadband services (the prices of bundled landline and broadband services have been fairly stable over the last five years). Older consumers are much more likely to buy standalone landline services. In total, 11% of households buy standalone landline services, but 50% of over-75s do so.⁴¹ Lower income households are also more likely to buy standalone landline services.

Figure 11: Take-up of standalone landline by demographic



Source: Ofcom Technology Tracker, H1 2016

Note: Includes those that do not use the fixed-line supplier for any other service, excluding those who don't know their supplier for a service

Ofcom is currently reviewing prices for standalone fixed voice customers

We have concerns that a lack of competition in the standalone voice market may be leading to rapidly rising prices and, in our consultation on the Review of the ,⁴² published on 28 February 2017, we propose a suite of remedies including a reduction in the price charged by BT to standalone fixed voice customers for line rental and a basket of calls.

Those least able to afford voice services could benefit from the low cost social tariff available

Under Universal Service legislation, as the universal service provider, BT is required to provide basic telephony services at an affordable price to all consumers (other than in the Hull area, where KCOM is the universal service provider). The *BT Basic* tariff is available to around 4 million consumers in the UK on qualifying benefits and offers line rental and a small

⁴¹ The pricing report is focussed on standalone landline customers who do not buy any other services from their provider. Therefore, these reports are not directly comparable.

⁴² <https://www.ofcom.org.uk/research-and-data/multi-sector-research/pricing>

⁴² <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services>

number of calls for £5.10 a month. The service was significantly improved in December 2016 and now has a £10 cap on the price of any additional calls made to UK landline or mobile numbers. BT Basic Broadband (launched in 2014) can be added for an additional £4.85 a month. In the Hull area, KCOM offers the *Social Access Package*.

These social tariffs could enable many low-income households to reduce their bills; however, only around 10% of eligible household take them. This may be due to low awareness – Ofcom research in 2014 found that 70% of those eligible for BT Basic were unaware of it. Ofcom is working with BT, with the Department of Work and Pensions and with consumer organisations to increase awareness and drive take-up.

The communications marketplace has become more complex

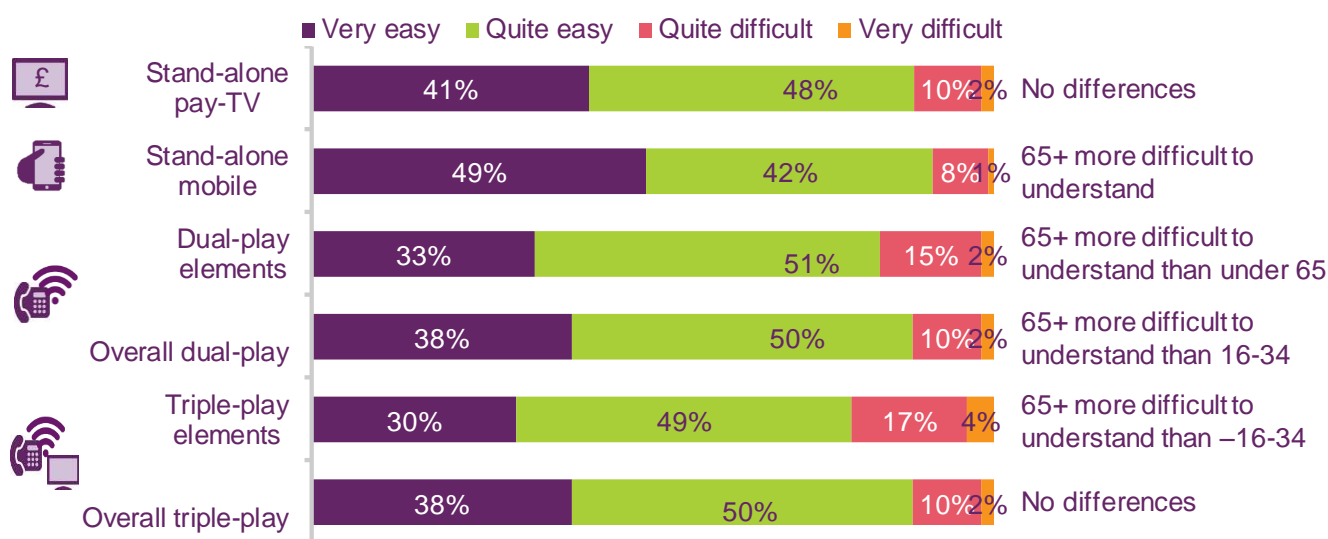
In our report on trends in pricing, we highlight that as tariff complexity has increased, so too has choice. The number of different tariffs and tariff permutations has increased and it can be difficult for consumers to identify the tariff that best meets their needs. Detriment for being on the 'wrong' tariff can include:

- Over-paying for services which are not required – for example around 6% of post-pay customers whose service includes a handset (around a million people) are continuing to pay the full price of a mobile service including a mobile phone, despite having ended their minimum contract period and therefore being able to move to a cheaper SIM-only deal.
- Paying high 'out-of-bundle' charges. Standalone landline customers paid an average £7 a month for out-of-bundle calls in Q2 2016 (31% of the total cost) when many could save money by switching to a different tariff or buying a call bundle.
- Paying more by buying services separately instead of buying services bundled together: our analysis of the weighted average price of a 'basket' of fixed, mobile and pay-TV services typical for a family of four finds that buying the services in a bundle was 27% cheaper than buying them separately in 2016.

Older consumers are more likely to find it difficult to understand their bills

Consumers who find it more difficult to understand their communications bill are less likely to be able to establish if they are on the optimum tariff plan for their usage. Older consumers, especially those buying bundled services or mobile, are more likely to find it difficult to understand their bills. Among those with a dual-play service, those aged 65+ were more likely to find their overall bill and the individual elements difficult to understand (although the majority of those aged 65+ found their overall bill and the individual elements very or quite easy to understand). While there were no differences between the age groups in overall understanding of their bill for triple-play, those aged 65+ were more likely to find it difficult to understand the separate elements that made up their bill. Those aged 65+ also found it more difficult than under 65s to understand their mobile bill although, like dual and triple play, the majority of those aged 65+ found their mobile bills easy to understand. There were no differences between the age groups in ease of understanding standalone pay-TV bills.

Figure 12: Ease of understanding bills



Source: Ofcom online consumer research December 2016
 Q11/Q23/Q35 Thinking of your Pay TV/Mobile/all the elements you buy from the same supplier, how easy do you find it to understand a) what you are paying for overall and b) (dual- and triple-play only) for each separate service?
 Base: All with a pay-tv standalone contract (492), All with a standalone mobile contract: 962, All with a dual-play contract (857), All with a triple-play contract (515)
 Note: Research based on an online panel. Some of the responses provided, especially for consumers who are older, may not be representative of the entire segment.

Consumers can suffer through lack of engagement in the market

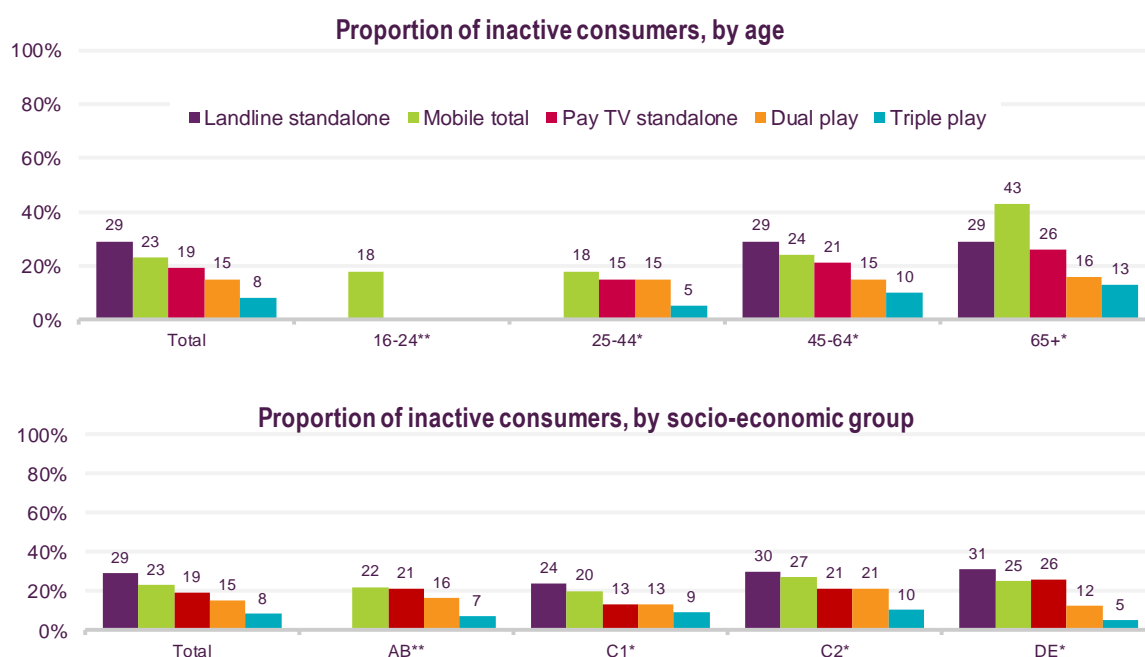
Another finding outlined in our pricing report is that in recent years there has been a growing gap between the lower prices paid by consumers switching to new tariffs on ‘discounted’ rates (or receiving a retention discount from their existing provider) and the higher prices paid by consumers who are on standard or ‘list’ prices.

Unengaged consumers who remain on the same tariff with the same provider therefore typically pay higher prices. Data collected from communications providers show that in-contract triple-play customers spent an average of 16% less than those who were out-of-contract, while in-contract dual- and quad-play customers paid an average of 13% less than those who were out-of-contract.

There are a number of ways in which consumers can engage with it, such as switching provider, ‘considering switching’, ‘keeping an eye on the market’, and ‘making changes to existing service’. Ofcom’s engagement index takes all of these into account, and classifies consumers as being: interested, passive or inactive (see Research Annex).

Consumers in socio-economic group DE are among the most engaged, with average proportions classified as ‘inactive’. However, older consumers tend to be more ‘inactive’ than younger consumers in some markets for example mobile services.

Figure 13: Proportion of consumers 'inactive' in each market, by age and socio-economic group



Source: Ofcom Switching Tracker, 2016

Caution: *Low base for 45-64 landline standalone, 65+ and AB for Pay TV standalone, C1 and C2 for landline standalone, C2 and DE for Pay TV standalone and dual bundle. Low base size for 25-44 year olds for TV, treat as indicative only **Base for 16-24 year olds too low to report in any market except for mobile, Base for 25-44 and AB too low to report for landline standalone.

Increasing consumer engagement is a priority for Ofcom

Ofcom has a wide programme of work designed to increase consumer engagement, including by improving consumer information (for example, by providing comparative quality of service information, which we are scheduled to publish in our first annual Quality of Service report in April), making it easier to compare services and by making switching easier. We are also exploring what information and set of prompts would help make customers aware that they may benefit from changing tariff or provider.

Targeted actions may be needed for those consumers such as older and standalone landline customers who have not recently engaged in the market. In our consultation on the retail voice-only market, we outline potential options to increase engagement among landline-only consumers, including testing customers' responses to different ways of presenting information. Options include providing information to consumers about the potential saving available to them based on their usage, or information about what they need to do in order to switch provider.⁴³

⁴³ Section 7, https://www.ofcom.org.uk/_data/assets/pdf_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf