OFCOM SCOTLAND

WRITTEN SUBMISSION

Ofcom is the independent regulator and competition authority for the UK communications industries. Our principal duty under the Communications Act 2003 is to:

- further the interests of citizens in relation to communications matters; and
- further the interests of consumers in relevant markets, where appropriate by promoting competition.

The Committee has set out the National Indicators on which it wishes to focus its scrutiny as those areas of its remit which will:

- Reduce Scotland's carbon footprint
- Reduce traffic congestion
- Increase the proportion of journeys to work by public or active travel

While Ofcom has no direct locus in these areas in terms of statutory remit, one of the key benefits of broadband is the ability for citizens and consumers to transact and conduct business virtually rather than travelling to locations in person to do so which ultimately, will have a positive impact on the NIs set out above. Wide availability, affordable products and services, good quality of service and high levels of digital participation work together to create the conditions necessary for broadband to be a credible alternative to face to face meetings, transactions and communications.

The availability and quality of communications services varies across the UK. In part, this variation is a result of a largely market-led approach to provision. Public intervention takes place to extend the availability of a range of services beyond that which the market alone would provide. Ofcom has a duty to secure the availability throughout the UK of a wide range of electronic communications. Whilst we do not have the ability to deliver on this duty through the use of public funds, we have some important levers at our disposal, including the ability to impose coverage obligations on licensees. An example of this would be the requirement Ofcom included within the auction and licence process for at least one operator offering 4G mobile broadband services to cover 95% of premises in Scotland and each of the other UK nations by 2017. Our extensive market research data also supports a range of other interventions for example the UK and Scottish Government funded DSSB programme and the £150 million Mobile Infrastructure Project (MIP).

Ofcom's approach is to promote well-functioning, competitive markets as the principal means through which to deliver low prices, choice and quality for consumers and spur innovation among providers. The dynamics of competition can also deliver high levels of availability, particularly in more urban areas. Ofcom tracks availability, cost, affordability and levels of engagement with communications services on a regular basis through a suite of research publications.

It is ten years since Ofcom began regulating communications services in the UK and there is now a large body of comparable data that gives us strong insight into the attitudes and behaviours of people in Scotland in relation to digital communications. Between 2005 and 2012 the preferred method of booking a holiday has changed from 43% of people booking face to face (thus making a journey to do so) to 48% of people doing this by email or a website. Today, the number of people booking a holiday face to face has gone down by 13 percentage points to 30%. The growth in online banking has meant that the number of people making the journey to go to their bank in person has decreased from 53% to 44% with 40% of people now using email or a website to communicate with their bank or use their services.

Below is the dashboard for Scotland from our most recent Infrastructure Report. This is due to be updated shortly and we will send the new data to the Committee when it is published.

Scotland 2013 – network coverage		**UK – network coverage**
Fixed Broadband		
Coverage of broadband at 2Mbit/s or more	92% of existing connections	92% of existing connections
Coverage of superfast broadband	52% of premises	73% of premises
Take up of fixed broadband (inc. SFBB)	70%	72%
Superfast BB Take-up	18%	22%
Premises in potential not spots*	1.7%	1.3%
Average sync speeds		
- **Urban**	21 Mbit/s	21 Mbit/s
- **Semi Urban**	17 Mbit/s	18 Mbit/s
- **Rural**	7 Mbit/s	7 Mbit/s
Data Use**	27GB	30GB
Mobile - 2G (outdoor)		
Premises served by all operators	91.9%	94.1%
Premises not served by	0.7%	0.4%

any operator **Geographic area coverage by all operators** **Geographic area not served by any operator**	41.7% 26.2%		62.4% 12.7%	
Mobile - 3G (outdoor) **Premises served by all operators** **Premises not served by any operator** **Geographic area coverage by all operators** **Geographic area not served by any operator**	 **69.8%** **3.4%** **4.9%** **50.5%**		 **79.7%** **0.9%** **21%** **22.9%**	
Mobile – (roads) **Signal from all operators** **No signal from any operator**	**2G - Motorways** 99% 0%	**2G - A&B Roads** 65% 8%	**3G - Motorways** 58% 0%	**3G - A&B Roads** 28% 15%

*estimates based on the total residential and small business premises in postcodes where our data indicate no broadband connections, adjusted by the probability that each premise would like a broadband service and that our data might be incomplete (e.g they may receive broadband from an ISP from whom we did not collect data, or the premises may be missing from the data we received.

**download and upload data, other factors such as traffic management policies, can vary the relationship between demand for data and network capacity.

In terms of costs to consumers and affordability, Ofcom produced reports in 2014 to review the costs and value of communications services – The Consumer Experience[1] and Research into Consumer Views on the importance of communications services and their affordability[2]

We found that over the last ten years broadband availability and use has increased while prices have declined. Consumers are using mobile services more and for an increasing range of functions and prices have fallen significantly. The UK ranks

[1] http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/cost_value_final.pdf
[2] http://media.ofcom.org.uk/news/2014/essential-comms-services/

cheapest, or second cheapest, in the US and EU5[3] for most mixed baskets of communications service. The cost of core communications services is £46, representing 1.7% of household income on average and consumers perceive communications services to provide good value for money relative to other regulated sectors such as train companies and energy suppliers.

Research suggests that 14% of the UK population reported difficulties with paying for communications services. This rises to 21% of low income households and we found that there was low awareness of affordable deals among low income consumers; and just 26% of consumers on income support knew about cheaper social tariffs.

Ofcom's annual Communications Market Report for Scotland[4] was published in August 2014 and reported increases in the take-up and use of the full range of communications services. Internet access in Scotland reached 80% in 2014 increasing five percentage points in a year to come into line with the UK average. Tablet use has increased phenomenally over the last three years, almost doubling each year from 11% in 2012 to 42% in 2014.

We engage regularly with The Scottish Government on a range of issues, most notably, in relation to the ICI Committee's interests, with the Digital Team in supporting the aspirations of the 'Digital Scotland' programme. We ensure the SG are aware of any consultations we are undertaking on all aspects of our work as well as sharing our work on digital participation, a key strand of the drive to get people on-line.

Ofcom Scotland
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[3] The EU5 refers to a subset of countries which Ofcom uses as central comparators to the UK in the International Communications Market Report.
[4] http://media.ofcom.org.uk/news/2014/cmr-scot-2014/