Ofcom analyst briefing

The Communications Market Report 2012

18 July 2012
Agenda

Market Overview and growth of connected devices
James Thickett, Director of Research and Market Intelligence

The audio-visual industries
Jane Rumble, Head of Media Research and Market Intelligence

Internet and web-based content
Andrew Jackson, Convergence analyst

The telecoms industries
Ian Macrae, Principal, Strategy
Market overview and growth of connected devices

James Thickett,
Director of Research and Market Intelligence
One of three Communications Markets Reports
Total industry revenues stable over five years

Communications industry annual revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>£billions</th>
<th>1 year</th>
<th>5 yr CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>52.4</td>
<td>-0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>2007</td>
<td>54.2</td>
<td>0.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2008</td>
<td>54.8</td>
<td>3.5%</td>
<td>4.9%</td>
</tr>
<tr>
<td>2009</td>
<td>53.4</td>
<td>4.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2010</td>
<td>53.4</td>
<td>3.0%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2011</td>
<td>53.2</td>
<td>-1.9%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

Note: Ofcom/Operators. Figures are in nominal terms.
Average consumer spend on communications services has been falling since 2006

Source: Ofcom / Operators
Fixed voice and broadband remain most popular bundle of services

Proportion of households taking bundled services

Source: Ofcom research
Take-up of key services and devices

Percentage point change vs 2011

Digital television*: 98% - 2%  
Mobile telephony: 92% +1%  
Fixed telephony: 84% -1%  
Total broadband: 76% +2%  
Fixed broadband: 72% +5%  
Games console: 55% +1%  
DVR: 47% +1%  
DAB digital radio: 43% +5%  
Smartphone: 39% +12%  
Blu-ray DVD player: 17% +5%  
E-reader: 10% +5%  
Mobile broadband: 13% +7%  
Tablet: 11% -4%  
Smart TV*: 5% +10%

Source: Ofcom research, Q1 2012. DAB take-up from RAJAR Q1 2012.
Take up of connected devices grows

Take-up of connected devices

Source: Ofcom research
On average, each UK household owns 3 different types of internet-enabled devices

Households owning at least X+ devices

<table>
<thead>
<tr>
<th>Devices</th>
<th>Proportion of Households (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+</td>
<td>85%</td>
</tr>
<tr>
<td>2+</td>
<td>72%</td>
</tr>
<tr>
<td>3+</td>
<td>56%</td>
</tr>
<tr>
<td>4+</td>
<td>40%</td>
</tr>
<tr>
<td>5+</td>
<td>27%</td>
</tr>
<tr>
<td>6+</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Ofcom research, Q1 2012
Fixed and mobile call volumes *both* down for first time ever

Volumes of outgoing fixed minutes and mobile minutes

Minutes (billions)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>129</td>
<td>116</td>
</tr>
<tr>
<td>Mobile</td>
<td>125</td>
<td>124</td>
</tr>
</tbody>
</table>

Annual Change

- Fixed: -10.0%
- Mobile: -1.1%

Source: Ofcom/operators
Number of texts per person has more than doubled in four years

Average monthly mobile messaging volumes per person

Messages per month

Source: Ofcom / operators
Mobile data consumption on smartphones has doubled in 18 months

Smartphone data use

Median monthly data use (MB)

Source: BillMonitor
Social networking is up while email switches to mobile

Average monthly use per person of telecoms services

<table>
<thead>
<tr>
<th>Service</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social networking on PC/laptop</td>
<td>3.1</td>
<td>3.3</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Email on PC/laptop</td>
<td>1.0</td>
<td>0.8</td>
<td>-19.1%</td>
</tr>
<tr>
<td>Mobile internet</td>
<td>1.7</td>
<td>2.1</td>
<td>+24.7%</td>
</tr>
</tbody>
</table>
Texting is most popular form of communication on a daily basis

Methods used at least once a day to communicate with friends and family, % adults

- Text messages: 58%
- Face to face: 49%
- Voice call on mobile phone: 47%
- Social networking: 32%
- Emails: 30%
- Voice calls on fixed landline: 29%
- Instant messaging: 26%
- Comments on websites: 12%
- VoIP (e.g. Skype): 9%
- Micro blogging (e.g. Twitter): 8%
- Post (letters/cards/packages): 1%

Any text based services: 68%
Any voice based services: 63%

Source: Ofcom research, Q1 2012
The audio-visual industries

Jane Rumble,
Head of Media Research
and Market Intelligence
TV industry revenues grew by 5% in 2011

Source: Ofcom/Operators
Growth driven by subscriptions – but NAR also up

Source: Ofcom/Operators
NAR continues to recover

Net advertising revenue

Source: Ofcom/Operators

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Figure 2.25
Digital Television is almost universal as DSO comes to an end in October 2012

Proportion of UK adults

Source: Ofcom research
TV screens are getting bigger

Percentage of TV sets sold larger than 26”: 2006 – Q1 2012

Source: GfK sales data estimates. *2012 data represents Q1 only.
TV viewing remains resilient

Average TV hours per viewer, per day

Source: BARB
The public service broadcasters maintain the greatest share of viewing

Audience share in multichannel homes (%)
Timeshifting constitutes 15% of total viewing in DVR homes

Average minutes viewed per day, DVR homes

Source: BARB
Total Smart TV sales reach 2.9m

Source: GFK sales estimates
5% now own a smart TV

Top reasons people buy a smart TV

- Needed new TV, decided to buy one with latest technology (60%)
- Liked the look and design (40%)
- It was the best TV I could get for budget (39%)
- Wanted the best screen (32%)
- It was nothing to do with the internet functionality (27%)
- Wanted to watch programmes on my TV rather than a computer (24%)
- Liked the range of internet services available (20%)

Source: Ofcom research, Q1 2012
Two thirds of Smart TV owners have gone online

Use of internet connection

- Used internet connection on Smart TV: 65%
- Never used internet connection on Smart TV: 35%

Source: Ofcom research, Q1 2012
Among smart TV owners, catch-up TV is most popular online activity

Online activities undertaken on Smart TVs

- 51% Watching catch-up TV using an app
- 41% Streaming movies
- 36% Watching short clips
- 28% Listening to music
- 26% Playing games
- 25% Social networking
- 17% Skype
- 13% Shopping

Source: Ofcom research, Q1 2012
Revenues from online delivery models increase by 50%

Source: Screen Digest.
The rate of growth in use of catch up services online shows signs of slowing

Proportion of UK adults (%)

Source: Ofcom research.
Unique audience to online catch-up TV services

Unique audiences, PC/laptop (m)

Source: UKOM/Nielsen
Unique audience to selected online film/TV sites

Unique audiences, PC/laptop (m)

Source: UKOM/Nielsen, home and work panel.
Internet and web-based content

Andrew Jackson, Convergence Analyst, Market Intelligence
Internet advertising now the largest form of advertising in the UK

Internet advertising share, active internet users, and broadband penetration: 2005-2011

Source: Internet Advertising Bureau, Nielsen Work and Home Panel, Ofcom
Internet advertising revenues grew 14% in 2011

Internet advertising, by type: 2008 - 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Display</th>
<th>Search</th>
<th>Classified</th>
<th>Other</th>
<th>£ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>637</td>
<td>1,987</td>
<td>715</td>
<td>1,350</td>
<td>3,350</td>
</tr>
<tr>
<td>2009</td>
<td>709</td>
<td>2,148</td>
<td>667</td>
<td>1,350</td>
<td>3,541</td>
</tr>
<tr>
<td>2010</td>
<td>945</td>
<td>2,346</td>
<td>751</td>
<td>1,128</td>
<td>4,097</td>
</tr>
<tr>
<td>2011</td>
<td>1,128</td>
<td>2,767</td>
<td>785</td>
<td>1,939</td>
<td>4,784</td>
</tr>
</tbody>
</table>

Year on Year Growth: 6% 16% 17%**

2011 Growth: Other 89%, Classified 5%, Search 18%, Display 13%

Source: IAB/ PwC Adspend 2008-2011
Mobile internet advertising revenues more than doubled in 2011

Mobile advertising revenues, and smartphone and mobile internet take-up

Source: Mobile Advertising Revenues: IAB/PWC, Ofcom: take-up of internet on mobile phone and of smartphones

Figure 4.14
Internet video advertising has grown eight fold in four years

Video display advertising revenue and time spent on film/video sites: 2008 - 2011

Source: Internet Advertising Bureau, Nielsen Work and Home Panel inc. applications.
Four in five have access to the internet

Home internet access, by age, socio-economic group and gender

Source: Ofcom technology tracker, Q1 2012.
Internet audience growth slowing on PC/laptop

Laptop and desktop computer online audience vs. broadband take-up: 2004 – 2011

Source: Nielsen UKOM, Ofcom technology tracker, Q1 2012.
Time spent online on a PC/laptop is levelling off

Active internet users and time online on a laptop or desktop computer: 2004 – 2011

Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011
---|---|---|---|---|---|---|---|---
Average (hrs) | 11.1 | 12.5 | NA* | 17.6 | 18.7 | 23.9 | 23.0 | 23.5

Source: Nielsen UKOM, Ofcom technology tracker, Q1 2012.
Smartphones are becoming most important device for accessing the internet

The most important device for accessing the internet
- Regularly use for email: 51%
- Regularly use for social networking: 42%
- Regularly use for email: 42%
- Regularly instant message: 31%
- Regularly text: 88%

Source: Ofcom omnibus research, March 2011/2012
11% of households now own a tablet

Activities using a tablet

- Internet browsing: 52% more than once a day, 37% at least weekly
- Email: 45% more than once a day, 34% at least weekly
- Access news on website: 25% more than once a day, 42% at least weekly
- Play games: 22% more than once a day, 43% at least weekly
- Social networking: 31% more than once a day, 30% at least weekly
- Watch short video clips: 9% more than once a day, 46% at least weekly
- Listen to music: 16% more than once a day, 35% at least weekly
- Work: 14% more than once a day, 18% at least weekly

Source: Ofcom research, Q1 2012
Tablets are substituting PC/laptop use

Since getting a tablet, doing more ...

Use social networking sites
- 23%

Browse internet
- 37%

And doing less ...

Use PC
- 33%

Use laptop
- 37%

Source: Ofcom research, Q1 2012
Clear leaders in search, social networking, and entertainment categories

Leading sites in selected categories, by unique audience

Unique audience (m)

Google Search: 31.2
Yahoo! Search: 5.1
Bing Web: 4.9
Facebook: 25.7
Twitter: 6.2
LinkedIn: 4.0
YouTube: 20.8
iTunes: 9.6
BBC iPlayer: 7.4
Amazon: 18.5
eBay: 17.1
Tesco: 7.3
Wikipedia: 15.6
BBC News: 10.1
MailOnline: 6.5

Search Engines
Social Networks
Entertainment
Online Shopping
News and

Source: UKOM/Nielsen home and work panel, March 2012
Twenty times more videos are watched on YouTube than the nearest competitor

Top platforms for video content, by number of videos watched

Source: ComScore Video Metrix, January 2012
Facebook is pervasive among social networkers

Overlapping and unduplicated audiences of selected social networking sites on desktop and laptop computers

Source: UKOM/Nielsen home and work panel, March 2012
Social networks aid web navigation

Selected sites ranked by proportion of referred traffic generated through referrals from Facebook

Proportion of referrals from Facebook (%)

- YouTube: 23.7%
- BBC: 11.2%
- eBay: 6.7%
- Twitter: 3.8%
- Wikipedia: 3.6%
- Amazon: 3.3%

Source: UKOM/Nielsen home and work panel, March 2012
The telecoms industries

Ian Macrae, Principal, Strategy
Service revenues fell by 2% in 2011...

UK telecoms revenue by wholesale and retail, fixed and mobile, and corporate data services

Source: Ofcom/operators (retail and wholesale data); IDC (corporate data services data)
... as increases in data revenues failed to offset falling voice revenues

Total retail revenue, by voice and data

Revenue (£bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile msgg and data</th>
<th>Mobile voice</th>
<th>Broadband and narrowband</th>
<th>Fixed voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>3.0</td>
<td>10.9</td>
<td>3.2</td>
<td>10.5</td>
</tr>
<tr>
<td>2007</td>
<td>3.5</td>
<td>11.5</td>
<td>3.2</td>
<td>10.4</td>
</tr>
<tr>
<td>2008</td>
<td>4.0</td>
<td>11.5</td>
<td>3.2</td>
<td>10.2</td>
</tr>
<tr>
<td>2009</td>
<td>4.1</td>
<td>10.9</td>
<td>3.3</td>
<td>9.7</td>
</tr>
<tr>
<td>2010</td>
<td>4.3</td>
<td>10.6</td>
<td>3.2</td>
<td>9.4</td>
</tr>
<tr>
<td>2011</td>
<td>4.6</td>
<td>10.5</td>
<td>3.4</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
ARPU for fixed voice and mobile fell; broadband ARPU increased slightly in 2011

Average revenue per user (ARPU) per month, by service

Source: Ofcom/operators except for mobile broadband figure which is based on YouGov data
Consumer spending on telecoms is falling in real terms and as a % of total household spend

Average household spend on telecoms services

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed internet</th>
<th>Mobile voice &amp; data</th>
<th>Fixed voice</th>
<th>As a % of total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>£28.61</td>
<td>£11.92</td>
<td>£23.71</td>
<td>3.4%</td>
</tr>
<tr>
<td>2007</td>
<td>£27.13</td>
<td>£11.06</td>
<td>£24.61</td>
<td>3.4%</td>
</tr>
<tr>
<td>2008</td>
<td>£25.84</td>
<td>£10.68</td>
<td>£25.15</td>
<td>3.3%</td>
</tr>
<tr>
<td>2009</td>
<td>£24.73</td>
<td>£11.02</td>
<td>£23.71</td>
<td>3.3%</td>
</tr>
<tr>
<td>2010</td>
<td>£24.04</td>
<td>£10.53</td>
<td>£23.51</td>
<td>3.2%</td>
</tr>
<tr>
<td>2011</td>
<td>£22.06</td>
<td>£10.78</td>
<td>£21.28</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators / ONS
Notes: Adjusted to RPI; includes VAT
Voice telephony
Four in five households have both fixed and mobile voice lines

Household penetration of fixed and mobile telephony

Proportion of respondents (per cent)

Source: Ofcom research, Q1 2012 data
Two firsts for mobile call volumes in 2011 – volumes fell, but accounted for over 50% of all voice minutes

Total fixed and mobile voice call volumes

Billions of minutes

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Pre-pay mobile</th>
<th>Contract mobile</th>
<th>Fixed voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>242</td>
<td>154</td>
<td>69</td>
<td>19</td>
</tr>
<tr>
<td>2007</td>
<td>254</td>
<td>149</td>
<td>80</td>
<td>25</td>
</tr>
<tr>
<td>2008</td>
<td>256</td>
<td>141</td>
<td>87</td>
<td>28</td>
</tr>
<tr>
<td>2009</td>
<td>252</td>
<td>132</td>
<td>91</td>
<td>29</td>
</tr>
<tr>
<td>2010</td>
<td>254</td>
<td>129</td>
<td>98</td>
<td>27</td>
</tr>
<tr>
<td>2011</td>
<td>239</td>
<td>116</td>
<td>102</td>
<td>21</td>
</tr>
</tbody>
</table>

Annual change: -5.6%, 5 year CAGR: -0.3%
- Pre-pay mobile: -20.1%, 5 year CAGR: 2.2%
- Contract mobile: 4.0%, 5 year CAGR: 8.1%
- Fixed voice: -10.0%, 5 year CAGR: -5.6%

Source: Ofcom / operators
The cost per minute of fixed and mobile minutes has converged

Comparison of average fixed and mobile voice call charges

Source: Ofcom / operators
Fixed minutes per residential line fell steeply

Average monthly call minutes per residential fixed and mobile voice connection

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed</th>
<th>Annual change</th>
<th>5 year CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>297</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>275</td>
<td>-11.6%</td>
<td>-4.5%</td>
</tr>
<tr>
<td>2008</td>
<td>272</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>272</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>268</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>236</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mobile

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile</th>
<th>Annual change</th>
<th>5 year CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>67</td>
<td>-7.1%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2007</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>69</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
### The young in particular are using VoIP

Use of fixed voice communication services in the home

<table>
<thead>
<tr>
<th>Proportion of respondents (per cent)</th>
<th>All respondents</th>
<th>16-24</th>
<th>25-34</th>
<th>35-54</th>
<th>55-64</th>
<th>All aged 65 or older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personally use a landline</td>
<td>82%</td>
<td>61%</td>
<td>72%</td>
<td>87%</td>
<td>91%</td>
<td>95%</td>
</tr>
<tr>
<td>Have ever used VoIP</td>
<td>26%</td>
<td>30%</td>
<td>32%</td>
<td>31%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Currently use VoIP</td>
<td>21%</td>
<td>22%</td>
<td>25%</td>
<td>24%</td>
<td>17%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Ofcom research, Q1 2012
Text-based communication is also growing

Use of methods of communication other than traditional voice telephony

Proportion of respondents (per cent)

Source: Ofcom research, data as at Q1 of each year
While mobile voice has declined, SMS continues to grow

Billions of SMS messages

Source: Ofcom / operators
Twice as many people communicate daily with friends and family by SMS as by landline

Methods of communicating with friends and family used at least once a day

<table>
<thead>
<tr>
<th>Method</th>
<th>Proportion of Respondents (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Text messaging</td>
<td>58</td>
</tr>
<tr>
<td>Voice call on mobile</td>
<td>47</td>
</tr>
<tr>
<td>Social networking (e.g. Facebook)</td>
<td>32</td>
</tr>
<tr>
<td>Email</td>
<td>30</td>
</tr>
<tr>
<td>Voice call on landline</td>
<td>29</td>
</tr>
<tr>
<td>Instant messaging (e.g. MSN)</td>
<td>26</td>
</tr>
<tr>
<td>Comment on website</td>
<td>12</td>
</tr>
<tr>
<td>VoIP (e.g. Skype)</td>
<td>9</td>
</tr>
<tr>
<td>Micro blogging (e.g. Twitter)</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Ofcom research, Q1 2012
Mobile telecoms
Pay-monthly connections continue to grow

Source: Ofcom / operators
… with most customers on 24-month contracts

Contract lengths for new post-pay mobile connections

Proportion of sales (%)

Source: GfK Retail and Technology UK Ltd
60% of new mobile contracts are for less than £25 per month

Monthly line rental prices for new post-pay mobile connections

Proportion of sales (%)

Source: GfK Retail and Technology UK Ltd
Post-pay ARPU has fallen by nearly 30% in five years

Mobile average revenue per user
£ per month

Source: Ofcom / operators. Blended refers to all subscribers – prepay and postpay.
The number of cellular data connections doubled between 2009 and 2011

Number of mobile broadband connections, 3G-enabled tablets and users accessing the internet on their mobile device

Source: Ofcom data based on submissions by operators and Ofcom market research
40% of mobile users claim to access the internet on their phone

Use of data services on mobile handsets

Proportion of mobile users (per cent)

<table>
<thead>
<tr>
<th>Service</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet access</td>
<td>18</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>Emailing</td>
<td>10</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>Instant messaging</td>
<td>11</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Downloading apps</td>
<td>8</td>
<td>12</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Ofcom research, data as at Q1 of each year
Most smartphone users use less than 200MB per month – although data use is growing

Smartphone data use

Monthly data use (MB)

Source: BillMonitor
Just 17% of mobile data users say their tariff offers less than 500MB per month

Smartphone data caps

Percentage of respondents using each range of allowance

- Less than 500MB: 17%
- 500-750MB: 24%
- 750MB-1GB: 19%
- 1-2GB: 19%
- 2-5GB: 9%
- 5GB or more: 6%
- Unlimited: 2%
- Don't know: 1%

Source: YouGov SMIX
WiFi networks are an essential aspect of smartphone use

Use of smartphone WiFi connection relative to cellular connection

% of respondents in Dec 2011

- 39% Mostly WiFi
- 28% WiFi and mobile equally
- 23% Mostly mobile
- 5% Only WiFi
- 4% Only mobile
- 2% Don't know

Source: YouGov SMIX
Two thirds of smartphone users claim to use public WiFi networks

Location of Wi-Fi use on a smartphone

% of consumers mentioning each location

- At home: 90%
- At work: 43%
- Public places: 67%
- On the move: 46%
- Out and about: 63%

Source: YouGov SMIX
Broadband
Fixed drives continuing growth in broadband take-up

Household penetration of fixed and mobile broadband

Source: Ofcom research, data as at Q1 of each year
There were nearly one million new ADSL broadband connections in 2011...

Fixed broadband connections

Connections (millions)

Source: Ofcom / operators
... with BT Retail seeing the fastest growth

ADSL broadband connections

<table>
<thead>
<tr>
<th>Year</th>
<th>Other non-LLU ADSL</th>
<th>LLU ADSL</th>
<th>BT Retail ADSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1.3 5.5 9.9</td>
<td>3.7 3.2 11.9</td>
<td>1.3 4.1 6.4</td>
</tr>
<tr>
<td>2007</td>
<td>4.0 1.3 5.5</td>
<td>4.1 4.5 6.4</td>
<td>4.0 4.9 7.5</td>
</tr>
<tr>
<td>2008</td>
<td>3.2 4.1 8.3</td>
<td>4.5 4.9 9.6</td>
<td>3.2 4.9 5.4</td>
</tr>
<tr>
<td>2009</td>
<td>2.7 4.1 6.8</td>
<td>4.9 4.9 7.4</td>
<td>15.0 5.4 6.0</td>
</tr>
<tr>
<td>2010</td>
<td>2.1 4.1 6.2</td>
<td>5.4 4.9 7.5</td>
<td>2.1 5.4 6.0</td>
</tr>
<tr>
<td>2011</td>
<td>2.0 4.1 6.1</td>
<td>6.0 4.9 7.5</td>
<td>2.0 6.0 7.5</td>
</tr>
</tbody>
</table>

Connections (millions)
After years of decline, there are signs that average broadband prices are stabilising

Estimated average monthly cost of a residential fixed broadband connection

<table>
<thead>
<tr>
<th>Year</th>
<th>Avgheadline speed</th>
<th>Avg actual speed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2.5Mbit/s</td>
<td>£23.60</td>
</tr>
<tr>
<td>2007</td>
<td>4.8Mbit/s</td>
<td>£20.51</td>
</tr>
<tr>
<td>2008</td>
<td>6.4Mbit/s</td>
<td>£18.09</td>
</tr>
<tr>
<td>2009</td>
<td>8.3Mbit/s</td>
<td>£17.59</td>
</tr>
<tr>
<td>2010</td>
<td>12.8Mbit/s</td>
<td>£15.96</td>
</tr>
<tr>
<td>2011</td>
<td>16.8Mbit/s</td>
<td>£15.73</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
Note: Data is based on operator allocations of revenues for bundled services and should be treated with some caution
More than two thirds of broadband connections offer headline ‘up to’ speeds of more than 10Mbit/s

Residential fixed broadband connections by ‘up to’ headline speed

% of broadband connections

<table>
<thead>
<tr>
<th>Speed Range</th>
<th>Average Actual Speed (measured by SamKnows in partnership with Ofcom)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1Mbit/s</td>
<td>5.2Mbit/s</td>
</tr>
<tr>
<td>30Mbit/s and higher</td>
<td>60%</td>
</tr>
<tr>
<td>Over 10Mbit/s and</td>
<td></td>
</tr>
<tr>
<td>less than 30Mbit/s</td>
<td>68%</td>
</tr>
<tr>
<td>Over 10Mbit/s</td>
<td>24%</td>
</tr>
<tr>
<td>Less than 8Mbit/s</td>
<td>8%</td>
</tr>
<tr>
<td>Less than 8Mbit/s</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Ofcom/Operators

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Figure 5.33
We estimate at least 60% of UK households had access to superfast services by end March 2012

Superfast availability to UK households – March 2012

- Cable = 45%
- FTTC-enabled exchange areas = 37%
- Availability of FTTC = 31% of UK households*
- Availability of cable and/or FTTC = c.60% of UK households*

*Based on estimate of 85% of households in FTTC-enabled exchange areas being served by an enabled cabinet

NOTE: excludes BT FTTP, Cable availability in Virgin Media’s non triple-play areas and smaller local fibre deployments

Source: Ofcom / operators

See N&R CMR reports and CMR UK Page 284, Figure 5.4
Superfast broadband is available to 60% of households…

Estimated household availability of superfast services, by technology

Proportion of homes (per cent)

Source: Ofcom / operators

Page 284
Figure 5.4
... and take-up of superfast broadband tripled in the year to March 2012

Take-up of superfast broadband services

Connections at ‘up to’ 30Mbit/s or more (millions)  

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2010</th>
<th>Q1 2011</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superfast connections (left axis)</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Superfast as a % of all connections (right axis)</td>
<td>1.2</td>
<td>2.1</td>
<td>2.9</td>
<td>4.3</td>
<td>5.5</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: Ofcom / operators
Questions?