



Scotland's digital needs

Paving the way for wider access to digital communications



About Consumer Focus Scotland

Consumer Focus Scotland is the independent consumer champion for Scotland. We are rooted in over 30 years of work promoting the interests of consumers, particularly those who experience disadvantage in society.

Part of Consumer Focus, our structure reflects the devolved nature of the UK. Consumer Focus Scotland works on issues that affect consumers in Scotland, while at the same time feeding into and drawing on work done at a GB, UK and European level.

We work to secure a fair deal for consumers in different aspects of their lives by promoting fairer markets, greater value for money, improved customer service and more responsive public services. We represent consumers of all kinds: tenants, householders, patients, parents, energy users, solicitors' clients, postal service users or shoppers.

We aim to influence change and shape policy to reflect the needs of consumers. We do this in an informed way based on the evidence we gather through research and our unique knowledge of consumer issues.

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1. Introduction

The digital revolution of the past 20 years has transformed UK and Scottish society and the relationships between individuals, businesses and government. It has forever altered how we communicate, how we work, how we socialise, how we shop, how we participate, and how we spend our leisure time.

More than 19 million of the 26 million households in the UK have an internet connection¹. In April 2010 the average UK internet user spent nearly 24 hours online over the course of the month – a 65 per cent increase in just three years². More than 60 per cent of homes in Scotland now have broadband and 86 per cent of people in Scotland own a mobile phone³. Digital communications are therefore hugely and increasingly important to consumers in Scotland. This is only likely to continue in the future. As the Royal Society of Edinburgh describe in their recent report ‘Digital Scotland’:

‘The revolution is not over. The pace of change is likely to quicken rather than falter, which itself will create major challenges because, as recent history shows, the trajectory of technological development is likely to be unpredictable, as will be many of the uses to which it will be put. We are however confident that further advances in digital technologies will continue to change society’⁴

There is much debate about how government, industry, regulators and citizens should respond to these changes and what the benefits and challenges of these dramatic developments might be, both now and in the future. In this paper, we seek to set out and articulate the consumer interest in this complex and vital policy debate. In particular, we focus on the needs and interests of those consumers in Scotland who, for a variety of reasons, have not yet been able to take full advantage of the potential benefits that digital technology can offer. These consumers may come from any social, economic or demographic group, or from any region in Scotland: as the evidence in this paper will show, they are particularly likely to include those in rural and remote areas, older people, disabled people, and those on lower incomes.

This paper:

- sets out why digital communications can be so important for consumers
- analyses the extent to which digital communications markets in Scotland meet consumers’ needs at present
- identifies the main barriers and difficulties that consumers are currently experiencing in these markets
- offers a number of potential solutions to try and tackle some of these issues, and improve the effectiveness of digital communications markets for consumers

¹ *The Connected Kingdom – How the Internet is Transforming the UK Economy*; The Boston Consulting Group; 2010

² Ibid

³ *The Communications Market Report – Scotland*; Ofcom; 2011

⁴ *Digital Scotland*; Royal Society of Edinburgh; 2010



In tackling these questions we approach the issue with the firm belief that advances in digital communications technology can offer significant benefits for consumers. However, we believe that action is needed to make the communications markets work effectively for *all* consumers in Scotland, if these benefits are to be fully maximised. We are particularly conscious of the needs and interests of those consumers who currently have very little engagement with digital communications markets. For some of these consumers there are actions that could be taken – such as rolling out superfast broadband across the country or carrying out further work to support digital inclusion – which would enable them to make better use of digital markets and enjoy the benefits that these offer. Such actions should be seen as priority issues by policymakers, providers, and local voluntary and community groups.

However, we know that even though digital technologies can offer significant advantages for consumers, these technologies are unlikely to ever be the way in which *all* consumers would choose to access *all* markets and services. Therefore, alongside our strong support for improving consumers' access to digital technology, we also recognise and support the right of consumers *not* to interact with digital communications.

They should continue to have the option of accessing services in face-to-face settings that are appropriate and convenient for them. At the same time, we recognise that consumers may have fewer choices available to them in the future in how they access services.

Private suppliers and public service providers are already seeking to deliver an increasing number of services via digital technology due to the cost savings and extended reach it can offer and this trend is only likely to continue. Meanwhile, it is likely that more and more consumers will be comfortable with technology in the future as they grow up with it and use it regularly in all aspects of their life. Thus it is even more critical that digital markets in Scotland deliver for all consumers.

Included within the scope of this paper are the following digital technologies:

- broadband services (including mobile and fixed-line services which might be delivered through a range of different devices)
- mobile phone services
- fixed-line telephone services
- broadcasting infrastructure

2. Why effective digital communications markets are essential for consumers

The consumer benefits

Digital communication technologies increasingly underpin almost every aspect of being a consumer – of both private markets and public services – in the 21st century. Having access to, and being able to make effective use of, digital technologies can bring significant benefits for consumers in almost every market that they use – be it energy, financial services, retailing, transport, water, legal services, government services or health care. These technologies provide consumers with vital tools and resources through which they can harness their power to get the best from markets and suppliers. Conversely, if an individual does not have access to these tools then this is likely to have a detrimental impact on their experience as a consumer across every market that they use.

Examples of how digital services can benefit consumers include the following:

- Technology can give consumers access to cheaper products and services which are only available online. Consequently consumers who do not have access to the internet are estimated to be missing out on average savings of £560 per year⁵
- The ability to choose and purchase goods and services online, on TV or through mobile phones is more convenient for many consumers than visiting a shop, a provider's premises or a central or local government office to carry out a transaction face to face. Taking advantage of this, nearly two-thirds (62 per cent) of the UK adult population bought goods or services online in 2010⁶, while there were 26 million hits on the Directgov website in one month alone in 2010⁷
- Digital technologies give consumers access to global markets, making it possible for them to compare between and choose from products offered by a far wider range of companies than would previously have been possible – and to do this quickly and easily from the comfort of their own home. It has been calculated that by 2009 the internet economy had grown to more than 7 per cent of the UK's GDP – bigger than the construction, transportation and utilities industries⁸
- New communications technologies are playing a powerful role in empowering consumers, giving them new and extensive opportunities to share their feedback and views on a particular product and service with fellow consumers. A survey of online UK consumers in late 2010 found that 61 per cent had read online customer reviews of local businesses and 48 per cent were more likely to use a local business having read positive reviews online⁹

⁵ *The Economic Case for Digital Inclusion*; Race Online 2012 and PricewaterhouseCoopers; 2009

⁶ *The Connected Kingdom – How the Internet is Transforming the UK Economy*; The Boston Consulting Group; 2010

⁷ *Manifesto for a Networked Nation*; Martha Lane Fox; 2010

⁸ *The Connected Kingdom – How the Internet is Transforming the UK Economy*; The Boston Consulting Group; 2010

⁹ *Local Consumer Review Survey*; BrightLocal.com; 2010

- Communications markets provide consumers with vital channels through which they can interact with suppliers and providers on a whole host of different issues. Consumers can use digital technologies to make a payment, to check an account balance, to request a new or amended service, or to make a complaint. For example, by the end of 2009, nearly 50 per cent of adults in Scotland used either phone or internet banking to carry out a range of transactions with their bank¹⁰

These are just a few of the many possible examples which illustrate how digital communications technologies can help to deliver better outcomes for consumers. The evidence clearly shows that digital technology provides consumers with powerful tools which enable them to get the best from markets and suppliers. Conversely, and inevitably, it is increasingly the case that if consumers' access to these technologies is impeded, this has a negative impact on their experience as a consumer across many different markets.

As Martha Lane Fox, the 'Digital Champion' appointed by the UK Government to encourage and promote the benefits of the internet, summarises in her 'Manifesto for a Networked Nation':

*'The disadvantages of being offline are becoming so great, and growing at such a pace, that for reasons of social and economic justice and economic necessity we must act now'*¹¹

It is also important to recognise the vital role that digital communications play in supporting small businesses. Three-quarters of small and medium-sized enterprises in Scotland currently use the internet, and over four fifths (87 per cent) of these believe that reliable, high-speed broadband is important to the operation of their company¹². Small businesses can therefore be at a significant disadvantage if they are not able to fully exploit digital technology. Individual consumers and small businesses face many of the same barriers to making best use of digital services – particularly in rural areas – and there is therefore a common interest between these businesses and individual consumers in finding a solution to these barriers.

The wider benefits for individuals

While digital communications are a powerful conduit through which consumers can engage effectively with a whole host of different markets, these technologies can also provide citizens with important benefits in many other areas of their lives. These include:

- providing a route to vital sources of advice and information – for example Citizens Advice estimates that by 2014 it will help six times as many people online as it does face to face¹³

¹⁰ UK Payments Administration

¹¹ *Manifesto for a Networked Nation*; Martha Lane Fox; 2010

¹² *Research on Broadband and Business in Scotland*; Ekosgen; 2011

¹³ *Manifesto for a Networked Nation*; Martha Lane Fox; 2010

- helping people to engage with their local community and with the wider world – around half of all internet users say that being online has increased their contact with friends or family who live far away, and a quarter say it has increased their contact with friends who live in the same local area¹⁴
- enabling access to important cultural and social activities – such as Facebook, which has more than 600 million users¹⁵, and which if it was a country would be the third largest in the world
- supporting democratic participation – eight million signatures have been sent to the 10 Downing Street petitions website¹⁶ while Barack Obama's 2008 presidential campaign publicity materials were watched for 14.5 million hours on YouTube
- boosting educational attainment – research suggests that in England and Wales, having the internet at home can contribute to a two-grade improvement for a pupil in a subject at GCSE level¹⁷
- improving job prospects and flexibility – seven million job adverts were placed online in 2009, and around 90 per cent of all new jobs require some computer skills¹⁸

However, if all consumers are to enjoy these benefits and others, then it is essential that they have access to digital communications markets which operate effectively and which serve them well. This means that, based on the internationally recognised consumer principles¹⁹, consumers must:

- have access to the digital communications services that they need
- be treated fairly when seeking to use these services
- be able to choose from a number of different providers offering these services
- have the information that they need to be able to successfully navigate their way through these complex markets
- be given the opportunity to have their say in how services are provided
- be protected against potential problems that they might encounter when using these services
- have access to effective redress mechanisms if anything goes wrong when using these services

The remainder of this paper assesses the extent to which these key consumer principles are being met at present. It then offers a series of recommendations to tackle the difficulties that consumers in Scotland currently face in relation to these vitally important issues.

¹⁴ Ibid

¹⁵ <http://on.fb.me/oW79LI>

¹⁶ *Manifesto for a Networked Nation*; Martha Lane Fox; 2010

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Consumers International

3. Scotland's digital infrastructure – does it meet consumers' needs?

Overview

If consumers are to take advantage of the benefits that digital technologies have to offer they have to be able to access a digital infrastructure that is fit for purpose. In this chapter, we set out the main challenges presented by the current digital infrastructure and outline some suggestions for how these challenges should be addressed.

Scotland's digital landscape has been transformed over the past decade. The roll-out of basic broadband, the emergence of next generation broadband services, the proliferation of mobile phone technology, and the convergence between these different technologies have drastically altered the range and capability of the services that are now available to many consumers.



The development and uptake of these new digital technologies has brought significant benefits for consumers. However, there are challenges which must be addressed if consumers across Scotland are to have the digital infrastructure that they need, both now and in the future:

- New, increasingly advanced technologies are continuing to develop rapidly, and these are likely to open up a number of new possibilities for consumers across a whole plethora of markets and services. Access to relatively few public services or private markets requires 'superfast' broadband at present. However, given the technological developments that have taken place in the last 20 years it is difficult, if not impossible, to predict what developments might take place over the next 20 years and what new opportunities these might present for consumers. It is therefore extremely important that the digital infrastructure in Scotland keeps pace with these changes, and enables access to broadband at a sufficient speed to allow consumers to take advantage of the new opportunities that will undoubtedly arise

- It is imperative that the digital divide between rural and urban Scotland is tackled and bridged – to ensure that adequate digital services are provided throughout rural areas, and resolve the current situation where consumers in some parts of Scotland do not have access to the same level of service and infrastructure as consumers living in other areas. It has taken far longer for the most basic of digital services to become available in many rural areas, and there are chronic weaknesses in the rural digital infrastructure compared to more urban areas. This is problematic, as the benefits of digital technology are arguably even greater in rural areas, where consumers often have to travel much further to access markets and services face to face. The geography and topography of rural Scotland can make it expensive to put digital technologies in place in some locations, while the lower population density in these areas means that the customer base for taking up this technology is relatively small. Consequently, the market often fails to deliver an adequate infrastructure or service in many rural communities. Alternative solutions are therefore likely to be required

The broadband infrastructure

Broadband is a critical element of the digital infrastructure, and the vital role that it plays in enabling consumers to enjoy the benefits outlined in Chapter 2 grows every year. We believe that for consumers in Scotland, being able to access broadband in their own home is no longer a luxury but a necessity.

Almost all households in Scotland (99.6 per cent) can now access a very basic broadband service, defined by the Scottish Government as a broadband service at a speed of up to 0.5Mb/ps²⁰. A number of policy initiatives have been enacted in recent years to try and achieve 100 per cent coverage of this basic level of service. We welcome this work and support its aim of ensuring that all consumers in Scotland are able to receive some kind of broadband service.

However, as new, and as yet unknown, digital services are developed and made available over the next 20 years, it seems highly likely that consumers will need access to faster broadband services than those widely available at present, in order to access these more complex and sophisticated services.

There is a wealth of data available which illustrates certain weaknesses that appear to exist in Scotland's current broadband infrastructure, particularly in rural areas. For example, the Digital Britain report, published by the previous UK Government in June 2009 established a target of delivering 'universal broadband' to the whole of the UK at a speed of 2Mb/ps. This target has now been incorporated in the current UK Government's strategy paper 'Britain's Superfast Broadband Future'.

²⁰ Scottish Government broadband statistics

Providing universal broadband at 2Mb/ps is not a particularly challenging target; indeed Digital Britain indicated that nearly 90 per cent of UK households can already receive broadband at that speed. However, some further analysis in relation to the 2Mb/ps figure highlights the weakness of the broadband infrastructure in parts of Scotland – with research carried out for Highlands and Islands Enterprise revealing that only 72 per cent of telephone lines in the Highlands and Islands are able to deliver even this relatively low-speed broadband service²¹.

This is significant given the speed of broadband service that is required to access certain services. For example, the BBC, ITV, Channel 4, Channel 5, BT, Talk Talk and Arqiva are currently working together to develop 'Youview', which will use broadband technology to deliver broadcasting and other online content to consumers via their television. Consumers will need a broadband service of at least 2Mb/ps in order to make best use of this innovative service – which means that at present more than a quarter of the network in the Highlands and Islands would not be able to deliver it effectively.

Research by Ofcom further highlights the particular challenges that rural consumers currently face in receiving a broadband service which will be fast enough to meet their needs as new technologies and opportunities develop and emerge.

Ofcom's data shows that in 2011 the average maximum speed for broadband connections in rural areas across the UK is less than that in urban areas – at 6.7Mb/ps versus 7.6Mb/ps²².

One of the reasons for this disparity between rural and urban areas is that technologies which deliver faster broadband services, such as advanced copper wire technologies (eg ADSL2+) and Virgin Media's cable network, are generally much more widely available in urban areas than rural areas. For example, the Virgin cable network currently only passes 14 per cent of households in rural Scotland – compared to 48 per cent of all households across the UK²³.

Another key factor which explains these figures is that the speed of the broadband service that a consumer receives is usually closely related to the distance that they live from the local BT exchange. The closer a consumer lives to the exchange, the faster their broadband service is likely to be. In rural areas, consumers often live much further from the exchange than they do in urban areas – and therefore they are likely to receive a slower broadband service²⁴. This is a particularly significant issue in rural Scotland, where the geography, topography and population dispersal mean that the distances which consumers live from the local exchange are often considerably further than in other parts of the country.

²¹ *Telecoms Connectivity in the Highlands and Islands*; Analysys Mason; 2009

²² *UK Fixed Broadband Speeds November/December 2010*; Ofcom; 2011

²³ *The Communications Market Report – Scotland*; Ofcom; 2011

²⁴ *UK Fixed Broadband Speeds*; Ofcom; May 2011

Indeed, the average telephone line length in Scotland is 3km, compared to a UK average of only 2.3km, and this difference can largely be explained by the longer lines in Scotland's more rural and remote areas²⁵.

When the key consumer principle of choice is added to the equation, some further weaknesses in the broadband infrastructure in Scotland, particularly in rural areas, become apparent. Consumers who live in an area where the local BT exchange – through which broadband services are delivered – has been 'unbundled' can derive significant benefits from this. If the local loop is unbundled, this means that other broadband providers can site their equipment on the BT exchange and then provide services to consumers in that area using BT's local network.

The key benefit for consumers of local loop unbundling is that it brings competition to their area and can significantly increase the number of services and tariffs that are available for them to choose from. By the end of 2010, the vast majority (89 per cent) of UK households were connected to an exchange where the local loop had been unbundled. However, in Scotland this figure was only 81 per cent and in rural Scotland a mere 48 per cent – which means that the broadband choices available to many consumers in Scotland are severely limited compared to consumers in other parts of the UK²⁶.

²⁵ *Research on Broadband and Business in Scotland*; Ekosgen; 2011

²⁶ *The Communications Market Report – Scotland*; Ofcom; 2011

The mobile phone infrastructure

Alongside broadband, mobile phone technology is a key component of the digital infrastructure for consumers in Scotland. Over four fifths (86 per cent) of households in Scotland now have a mobile phone – higher than the 80 per cent that have a fixed-line telephone connection²⁷. Meanwhile 17 per cent of Scottish households rely only on mobile phones for telephony services; among the highest of all UK nations (only Wales has a higher proportion at 19 per cent)²⁸.

However, mobile phone ownership in Scotland is actually below the UK average of 91 per cent and is the lowest of all the UK nations. 85 per cent of urban consumers in Scotland own a mobile phone, higher than fixed line ownership of 78 per cent; and while mobile coverage is typically better in urban areas, mobile ownership has risen in rural areas to 88 per cent, 2 per cent higher than those with fixed lines²⁹. Ofcom has suggested that the differences between Scotland's rural and urban areas may be due to differences in population demography and housing tenure³⁰.

Research published by the Communications Consumer Panel found that 58 per cent of adults in Scotland with a mobile phone have experienced problems with their mobile phone reception, and 41 per cent have experienced these problems regularly, compared with 56 per cent and 33 per cent respectively in the UK as a whole³¹. Figure 1 displays the percentage of consumers in the UK experiencing different types of mobile coverage problems.

²⁷ *The Communications Market Report – Scotland*; Ofcom; 2011

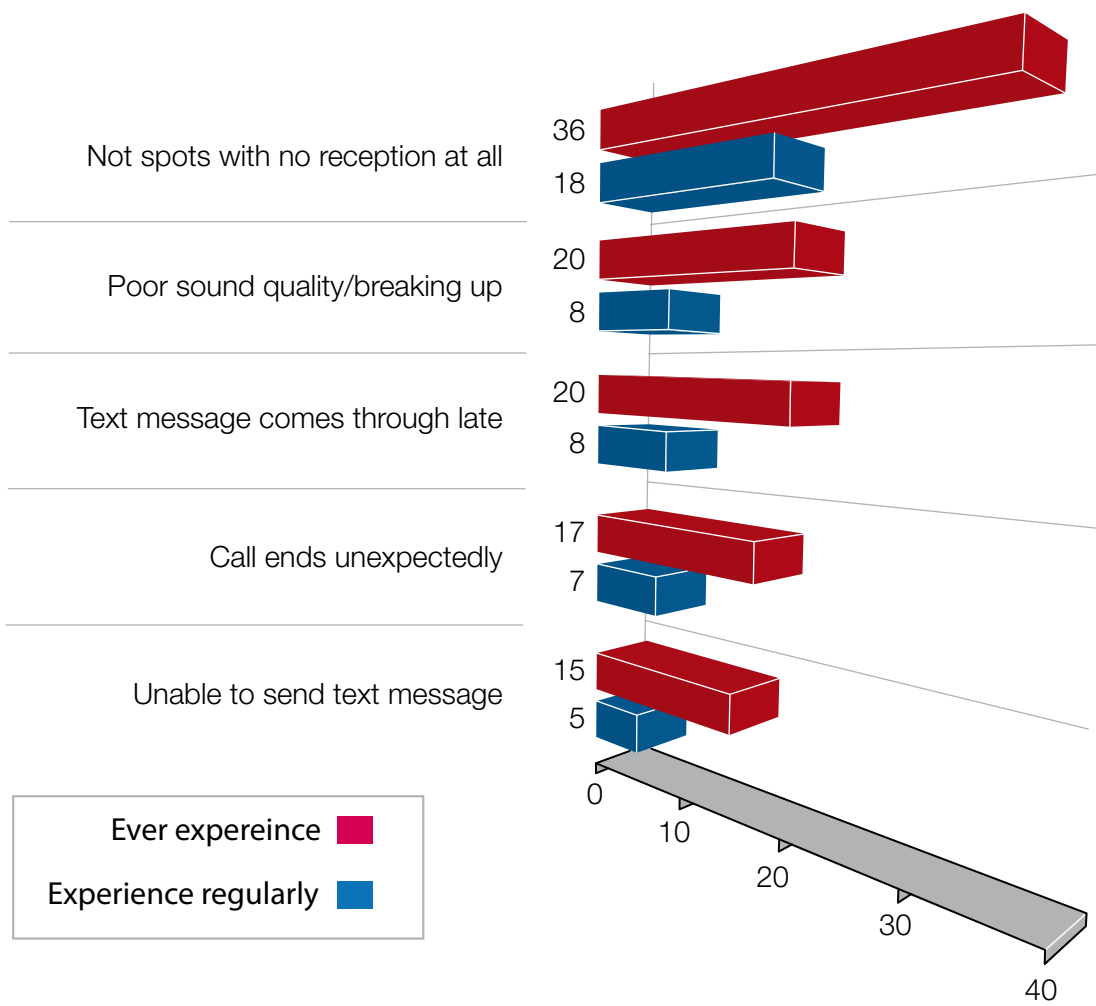
²⁸ *Ibid*

²⁹ *Ibid*

³⁰ *Ibid*

³¹ *Mobile Coverage – The Consumer Perspective*; Communications Consumer Panel; 2009

Figure 1 Percentage of consumers in the UK experiencing different types of mobile coverage problem³²



³² Mobile Coverage – The Consumer Perspective; Communications Consumer Panel; 2009

Ofcom data on the mobile infrastructure in Scotland identifies where coverage problems occur. It shows that 85 per cent of Scottish households can receive 2G mobile coverage (ie basic services such as voice, text and low-speed internet) from one or more providers. However, in the UK this figure is 96 per cent – and the difference between the UK and Scottish figures can largely be explained by the lower levels of coverage in Scotland's rural areas³³. Furthermore, only 61 per cent of Scottish postcode districts (as opposed to households) currently have 2G coverage, reflecting the fact that large swathes of rural areas receive no mobile service at all³⁴. This can cause problems for consumers when travelling in rural areas³⁵.

As with broadband, the weaknesses in the Scottish mobile phone infrastructure are wider than just the difficulties experienced in accessing a service from any provider.

When we consider whether consumers in Scotland have a choice of mobile phone provider, further weaknesses in the network become apparent.

³³ *The Communications Market Report – Scotland*; Ofcom; 2011

³⁴ *Ibid*

³⁵ It should be noted that a postcode district is classed as being 'covered' if 90 per cent of that district has coverage. Meanwhile, the figures on households with coverage measure the proportion of households living in a postcode district with 90 per cent coverage. This means that up to 10 per cent of an area which is classed as 'covered' may not actually have coverage. Given that some postcode districts in rural and remote Scotland are relatively large, this may affect areas of quite a significant size. It also means that consumers living in areas that are classed as 'covered' are likely to experience 'not spots' within this area where they are unable to receive a service. However, it also means that areas which are classed as not having coverage may in fact have some level of service – but that this service is available in less than 90 per cent of that postcode district.

The data show that only 74 per cent of Scottish households can access 2G mobile coverage from three or more providers, compared to 92 per cent of households across the UK³⁶. Again, when the coverage of postcode districts is analysed the figures look even bleaker.

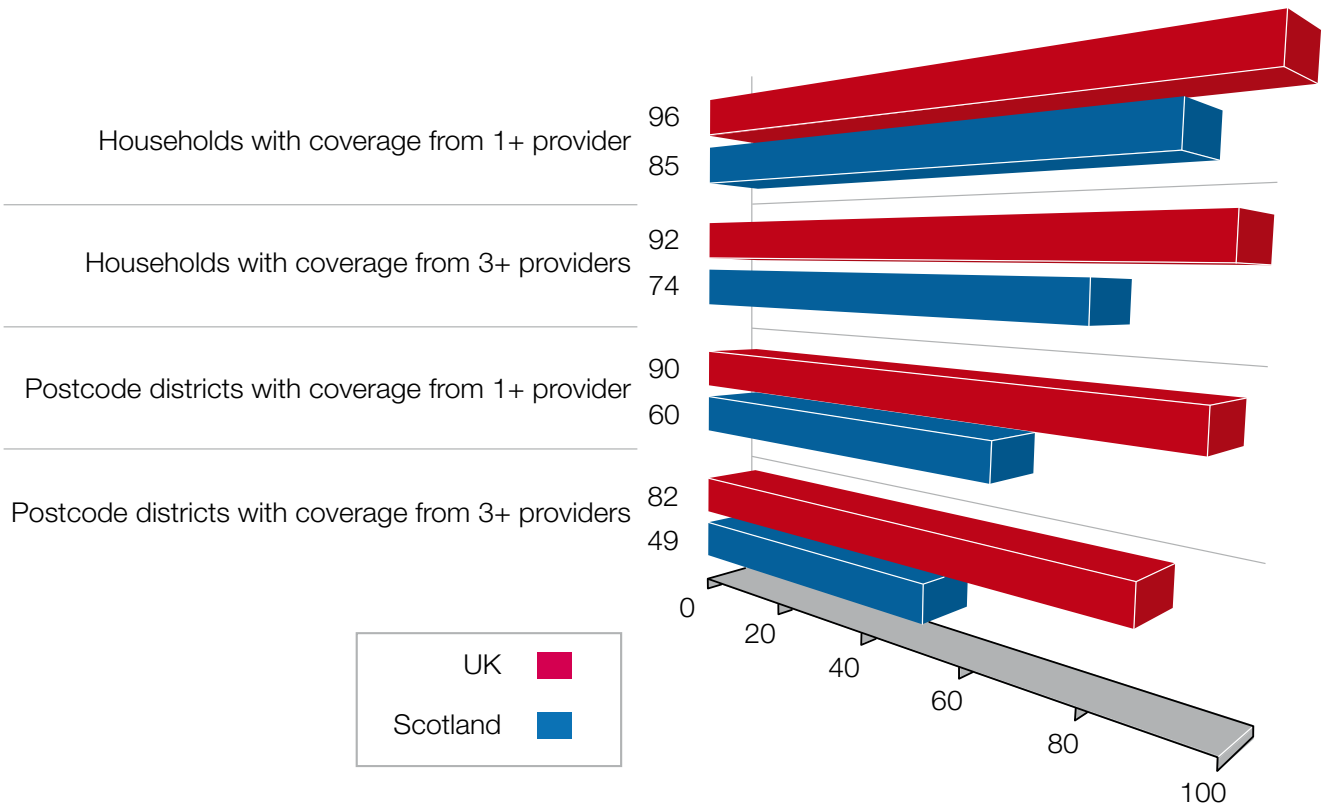
Only 49 per cent of Scottish postcode districts have coverage from three or more 2G mobile operators, well below the 70 per cent figure for the UK as a whole³⁷ (see figure 2). Unsurprisingly, consumers in rural areas in Scotland are among the least likely to have the option of choosing from a number of different providers, therefore significantly reducing their ability to select the product, service and tariff that best suits their needs.

Given these figures, it is important that policymakers and the telecoms industry continue to identify opportunities and approaches for improving 2G mobile coverage across Scotland – even as more advanced 3G and 4G mobile technologies, which offer access to high-speed internet, continue to be developed and taken up. Not all consumers wish to access the type of mobile broadband service offered through 3G or 4G technology – but many will continue to want to use the basic mobile phone services available via 2G technology, and their needs must be catered for.

³⁶ *The Communications Market Report – Scotland*; Ofcom; 2011

³⁷ *Ibid*

Figure 2 2G mobile phone coverage in Scotland and the UK³⁸



³⁸ The Communications Market Report – Scotland; Ofcom; 2011

The future digital infrastructure needs of consumers

Superfast broadband is now being developed and rolled out across the UK. This technology can enable consumers to access an ever-increasing array of markets and services from the comfort of their own home in a way which is quicker, cheaper and more convenient both for them, and for providers. It is reasonable to assume that the range and complexity of services that may be available to consumers via superfast broadband is likely to increase over the next decade, as technology continues to advance and new approaches to service delivery are developed and adopted.

We believe that the benefits of these new opportunities should be available to all consumers in Scotland, wherever they live. However, there is a danger that unless ambitious public policy solutions are developed and implemented, consumers in rural Scotland may be left behind their counterparts in urban areas, and in other parts of the UK.

In its report 'Digital Scotland', published in October 2010, the Royal Society of Edinburgh (RSE) very clearly set out the scale of the challenge that Scotland faces in getting its infrastructure from where it is now to where it may need to be in the future. This is illustrated by Figure 3 overleaf, taken from the Digital Scotland Report:

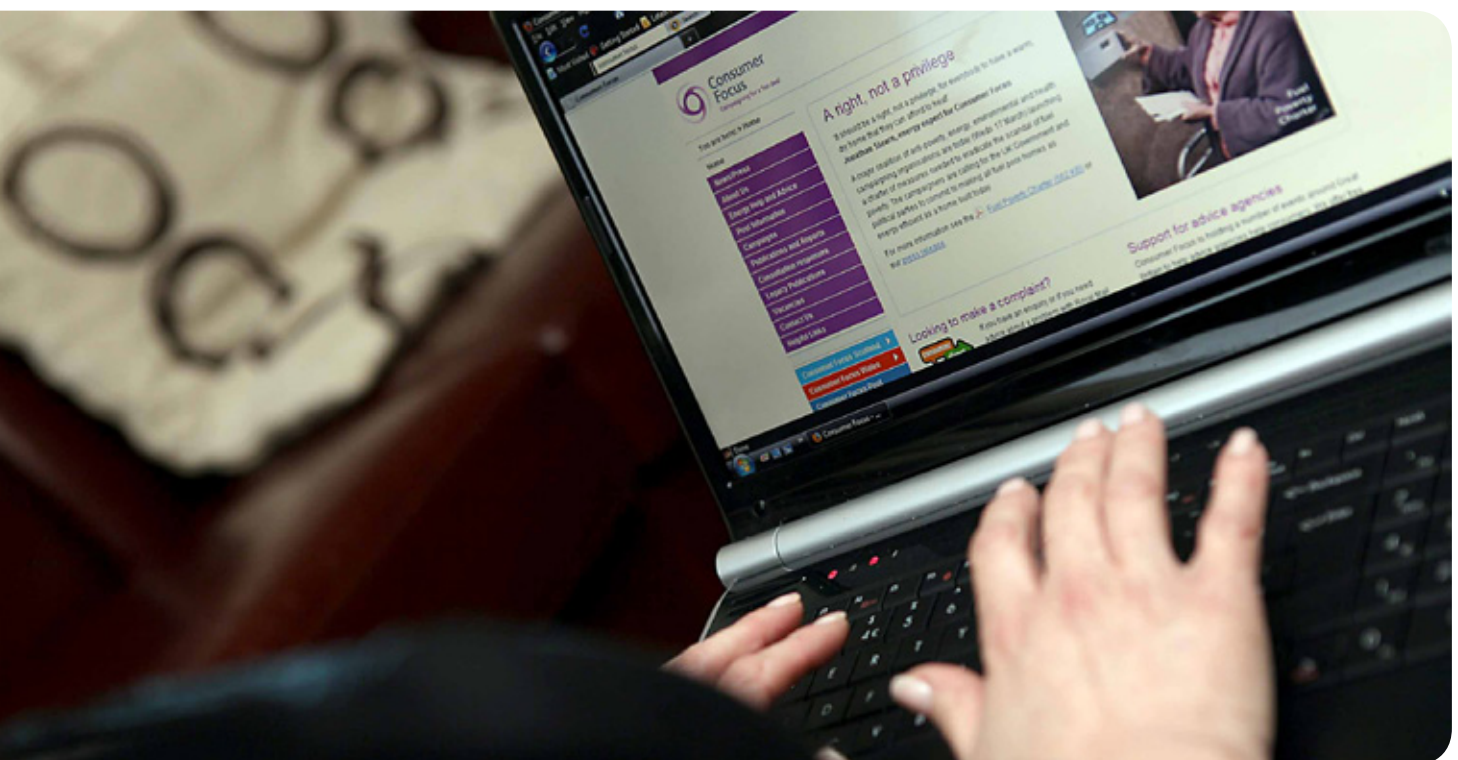
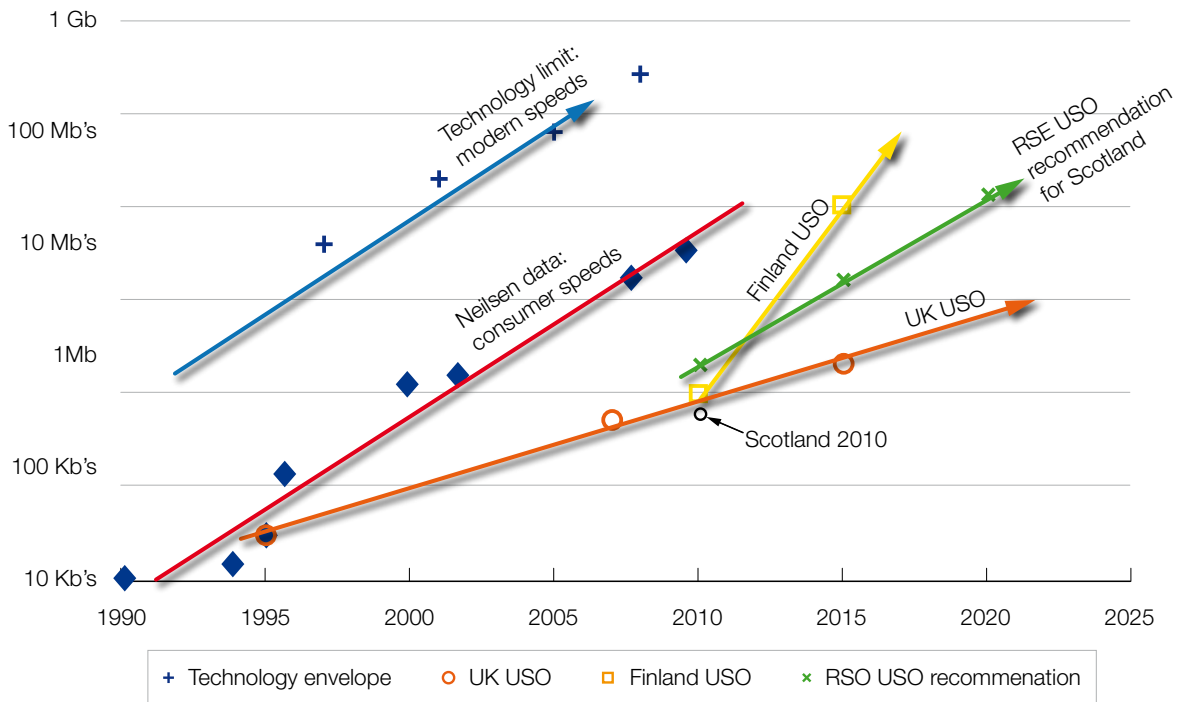


Figure 3 RSE 'Digital Scotland' Graph on Broadband Connection Speeds³⁹



The RSE explains the data as follows:

'The Neilsen line represents the internet speeds available to consumers in well-provided metropolitan areas...Speeds increase by a factor of eight every five years. While Neilsen speeds are available to some, the speed available to most across the UK in 2010 is less than 4Mb/ps, about five years behind the Neilsen line. Significant parts of Scotland lag by a further five years, and still cannot achieve 512Kb/ps'.

This means that as broadband technology continues to develop rapidly and market forces deliver this technology to populous urban areas, the digital divide in the UK – and particularly in Scotland – will only widen.

For example, planned roll-outs from BT and Virgin Media are likely to deliver broadband services of up to 40Mb/ps to up to 65 per cent of the UK population by 2015⁴⁰. We welcome these developments, which will bring significant benefits for consumers living in areas where this technology is deployed. However, as these faster speeds are delivered in more urban areas the risk is that consumers in rural areas are likely to fall further and further behind. This is because the challenging geography and topography of Scotland's rural areas, and the low population density in these areas, mean that providers may face high upfront costs to establish a superfast broadband network in these areas with a relatively low return – therefore making the incentives for investment quite limited.

³⁹ Digital Scotland; Royal Society of Edinburgh; 2010

⁴⁰ A Digital Ambition for Scotland; Scottish Government; 2010

We would urge providers to explore all possible options for delivering their services to as high a proportion of Scotland's population as possible, and to examine the full range of different approaches that might enable them to do this on a cost-effective basis. However, we accept that the market is unlikely ever to deliver superfast broadband to 100 per cent of consumers in Scotland – and therefore we believe that ambitious public policy interventions are required if this technology is to be made available to all. The gap between the minimum broadband speeds available to all and the speeds that are available to some must be reduced. There is a fundamental point of principle here which must be addressed. It is a clear case of market failure when those consumers who could benefit the most from advanced broadband technology now and in the future, are those who are likely to face the biggest hurdles in accessing this technology.

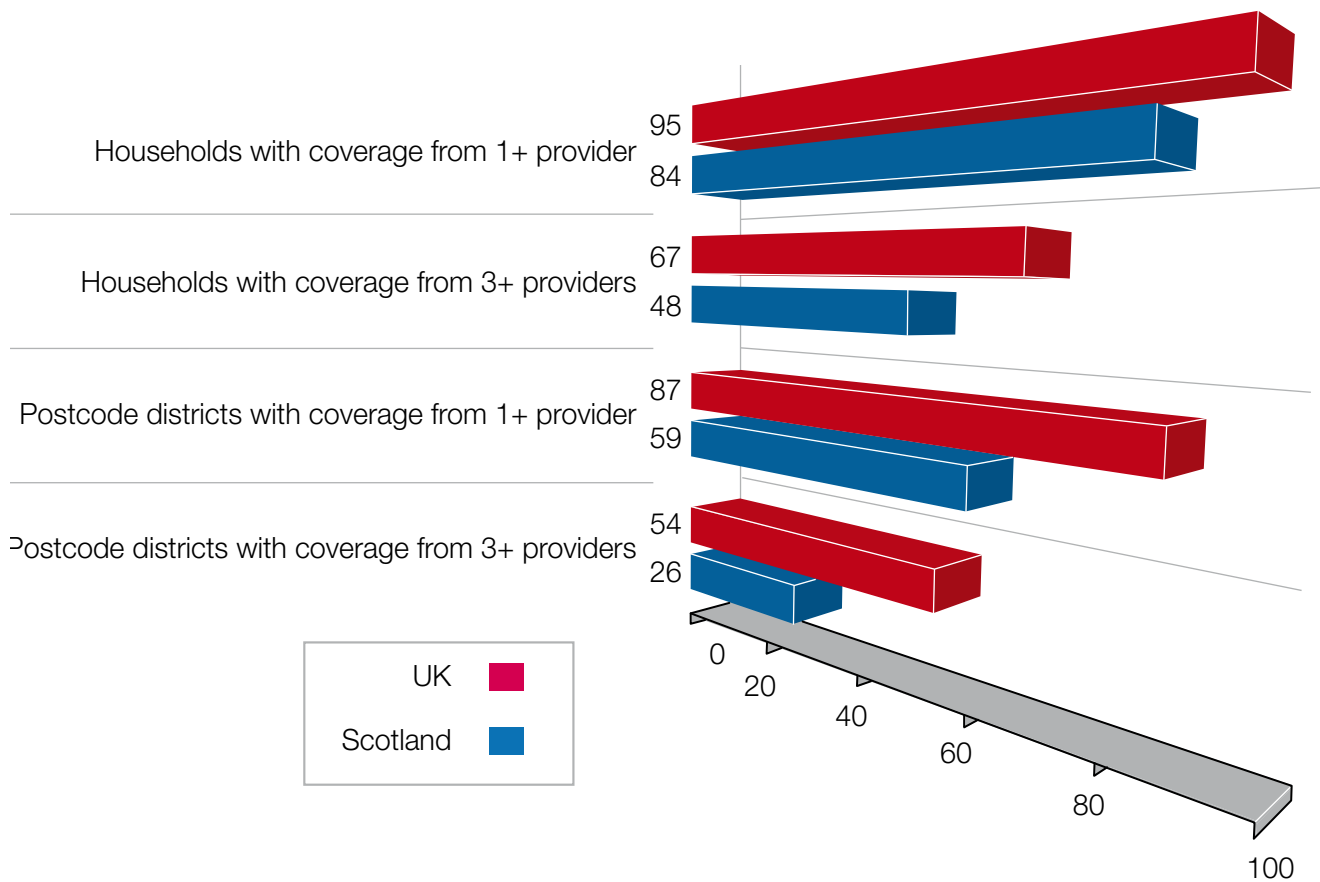
Meanwhile, 3G mobile phone services, which offer access to high speed mobile broadband, are becoming increasingly important for consumers – albeit there can be some limitations in the nature of the broadband services and applications that might be available via mobile phones⁴¹. Just over 20 per cent of adults in Scotland have used a mobile phone to access the internet⁴², while the global smartphone market grew by three quarters (74 per cent) in 2010, with worldwide smartphone sales outstripping those for PCs in the final quarter of 2010⁴³.

⁴¹ *The Communications Market Report – Scotland*; Ofcom; 2011

⁴² *The Communications Market Report - Scotland*; Ofcom; 2011

⁴³ Governments urged to speed up introduction of fast fibre optic cable; *The Guardian*; 14 February 2011

Figure 4 3G mobile phone coverage in Scotland and the UK⁴⁴



However, despite the growing significance of this technology, the 3G mobile infrastructure in Scotland has significant challenges for many consumers – and again these challenges are particularly prevalent in rural areas.

Ofcom’s data shows that 95 per cent of UK households can get 3G coverage from one or more mobile providers – but this falls to only 84 per cent of households in Scotland, the vast majority of which are located within the Central Belt⁴⁵ (see figure 4).

⁴⁴ The Communications Market Report - Scotland; Ofcom; 2011

⁴⁵ The Communications Market Report – Scotland; Ofcom; 2011

Once again, when coverage is considered according to postcode district the picture becomes even starker. Only 59 per cent of Scottish postcode districts have 3G coverage, compared to 87 per cent of districts across the UK as a whole – with large parts of rural Scotland completely without 3G coverage.

As with 2G services, the choice of 3G providers available to consumers in Scotland is poorer than in other parts of the UK. Only 48 per cent of households in Scotland, and 26 per cent of postcode districts, can get 3G coverage from three or more providers⁴⁶. These figures are well below the numbers for the UK as a whole⁴⁷.

A key element in the development of the future digital infrastructure is radio spectrum, and the extent to which it will be available to deliver different wireless services to consumers. Spectrum has become available, or can be made available, for a variety of different reasons, one of the most important of which is the move from analogue to digital TV in the UK and the switching off of the analogue TV signal. This process will be completed in 2011. Over the past three years Ofcom has prepared plans for the release of spectrum at a number of different frequencies and has recently published proposals for the largest ever single spectrum award in the UK.

There is a wide range of potential uses of newly freed-up spectrum, including mobile broadband, telephony and broadcasting services among others. All of these can bring benefits for consumers, and we have no fixed view on whether one particular type of use should have precedence over others in terms of how the spectrum is awarded or allocated.

It should be noted, however, that because of the increasing convergence of different technologies, broadcasting and radio services are increasingly available via broadband technology. Therefore if spectrum is used to deliver next generation mobile broadband, using 4G technology, then this would be likely to enhance consumers' access to a range of digital services.

Ofcom's overarching objective in determining how it makes freed-up spectrum available is to seek to do this in a way that best suits those who might use it, so that they can maximise the value that this spectrum delivers for individuals. There are clearly different ways in which this objective might be interpreted, and Ofcom generally uses an auction process to make freed-up spectrum available. While we have no objection to this approach, we believe it is essential that any auction of newly available spectrum is designed so that this spectrum is used for the benefit of consumers in general, and for those who currently have relatively limited access to a range of different digital technologies in particular. It is imperative that spectrum is used to help bridge the digital divide that currently exists in the UK.

⁴⁶ Ibid

⁴⁷ Ibid

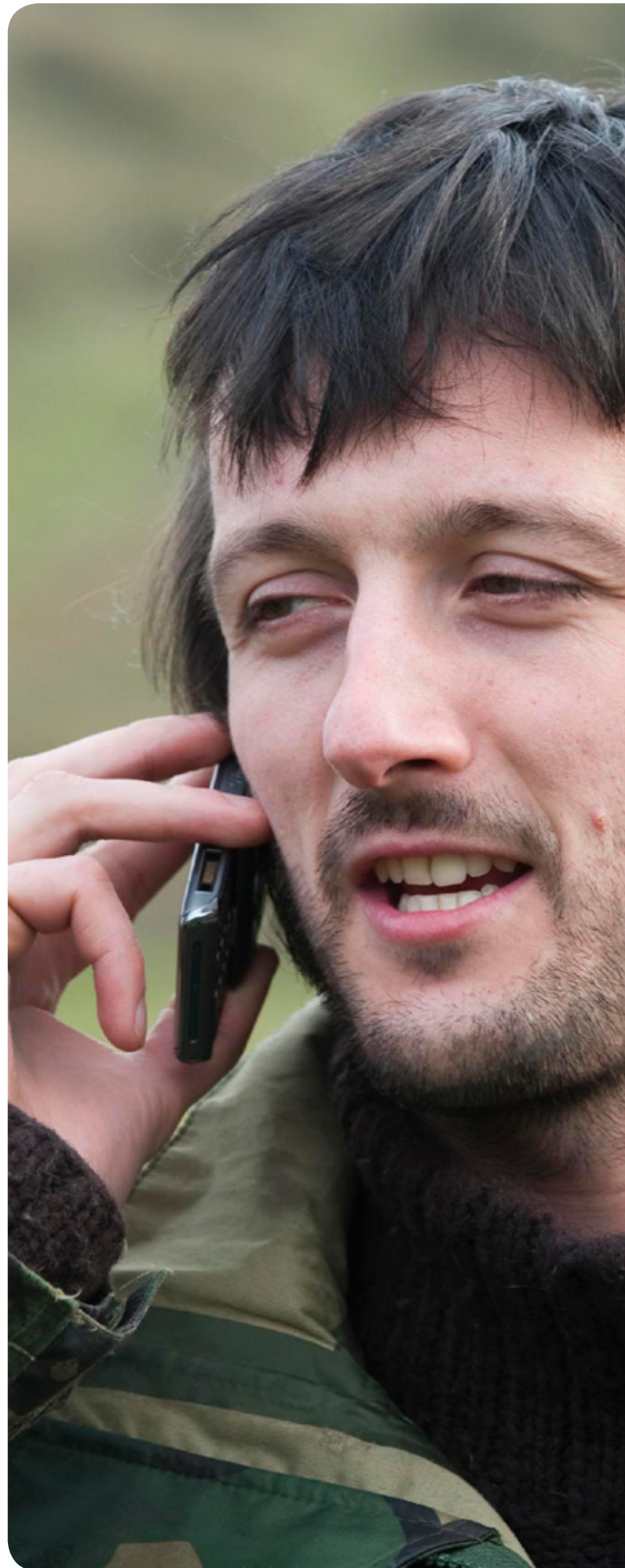
It must not lead to a further widening of the gap between those who have benefited from the proliferation of a wide range of new digital technologies in recent years and those who have regularly been left behind.

The evidence in this paper clearly shows that consumers in rural and remote Scotland are more likely than consumers in other parts of the UK to miss out on the benefits of a wide range of digital technologies and developments. The needs and preferences of these consumers should therefore be one of the top priorities for Ofcom in designing and managing the release and auction of spectrum in the future. Within its current proposals for the award of 800MHz and 2.6GHz spectrum Ofcom is proposing to build in an obligation which requires one provider to deliver *'a mobile broadband service covering 95 per cent of the UK population'*⁴⁸.

While this is a positive development – from a Scottish perspective, it is not sufficient in isolation. This target could in theory be achieved without a service being made available to *any* household in Aberdeen, Aberdeenshire, Moray, Highland, Angus, Dundee, Perth and Kinross, Fife, Falkirk, Stirling, Clackmannanshire, the Scottish Borders, Dumfries and Galloway, North Ayrshire, South Ayrshire, East Ayrshire, Argyll and Bute, the Western Isles, Orkney or Shetland⁴⁹.

⁴⁸ *Assessment of future mobile competition and proposals for the award of 800MHz and 2.6GHz spectrum and related issues*; Ofcom; 2011

⁴⁹ Based on a UK population of 26 million households, and on the number of households in each Scottish local authority area in 2008 as published by the General Register Office for Scotland.



We therefore welcome Ofcom's suggestion that it may be possible to support this UK-wide coverage obligation *'with a requirement to cover a certain proportion of the population in particular areas – for example in certain rural areas'*⁵⁰. We believe that such a requirement is critical if consumers in Scotland, particularly in rural areas, are not to miss out. There is a precedent of similar coverage requirements being imposed in other markets. For example, the geographic spread of post office branches across the UK is determined by both UK-wide and regional 'access criteria'. These access criteria were established at the same time as the post office closure programme in 2007, to ensure that despite the reduction in the overall size of the post office network, it would continue to give good access to post offices to consumers across the UK, including those in rural areas. There are five UK-wide criteria for post office access, and there is also an additional local criterion which requires a minimum level of access to post offices to be provided within each postcode district⁵¹.

⁵⁰ *Assessment of future mobile competition and proposals for the award of 800MHz and 2.6GHz spectrum and related issues*; Ofcom; 2011

⁵¹ There are five national criteria for post offices: (1) 99 per cent of the UK population will be within three miles of their nearest post office outlet; (2) 90 per cent of the population to be within one mile of their nearest post office outlet; 90 per cent of the total population in deprived urban areas across the UK will be within one mile of their nearest post office outlet; (4) 95 per cent of the total urban population across the UK to be within one mile of their nearest post office outlet; (5) 95 per cent of the total rural population across the UK to be within three miles of their nearest post office outlet. In addition, there is a local or regional criteria which specifies that 95 per cent of the population of every postcode district must be within six miles of their nearest post office outlet.

We believe that similar 'local' criteria should be established to help manage the release of spectrum in a fair and equitable way. Different options should be explored as to how these local criteria might be configured for the auction of spectrum. For example, the criteria could specify that a licensee must deliver a mobile broadband service to a certain percentage of the population in each UK nation; in each local authority area; in each postcode area or district; or in each population centre of a certain size⁵².

Clearly, the way in which the criteria are designed will have an impact upon the amount of money that providers are willing to pay for the particular spectrum licence which comes with these criteria attached. It can be assumed that the more 'local' the areas specified in the criteria – and the higher the proportion of consumers within each of these areas who must be provided with a mobile broadband service – the less providers will be willing to pay for this licence. However, we strongly believe that the primary objective of the spectrum auction should not be about raising the maximum level of receipts for the UK Government. The focus must be on bridging the digital divide, and ensuring that rural and remote consumers in Scotland and other parts of the UK – who have been the last to receive digital services in the past – do not miss out once again. The UK Government should therefore give Ofcom a clear direction that this should be the focus of the spectrum auction, and Ofcom must then design the auction accordingly.

⁵² For example, the Royal Society of Edinburgh's *Digital Scotland* report recommended that every community of 2,000 people should be reached by a digital hub.

Furthermore, given that under Ofcom's proposals only one provider is to be obliged to deliver a mobile broadband service to 95 per cent of the UK population and to '*a certain proportion of the population in particular areas*', it is vital that this provider is required to give other suppliers access to their infrastructure, to allow consumers across Scotland to benefit from choice and competition in the 4G mobile broadband market. Again this may impact upon the price that providers are willing to pay for this particular spectrum licence – but, as highlighted above, the main objective of the spectrum auction must be to help bridge the digital divide that currently exists in the UK, rather than to maximise the amount of money that can be raised.

We anticipate that there will be interest from both private and public sector organisations in acquiring newly available spectrum. These organisations will clearly have their own views about what they might wish to use the spectrum for; what demand or need there is likely to be from consumers for different types of services that they might offer via this spectrum; and what price they would be willing to pay for the freed-up spectrum in order to provide services that meet this demand/need.

However, we believe that it would also be extremely useful for Ofcom to have a good sense of how consumers would like to see the spectrum used, as this may help the regulator to decide what arrangements it should put in place for making the spectrum available to potential users. There is clearly a great impetus for providers, or potential providers, to develop an understanding of the level of customer demand that exists for the particular services that they might offer. While it may be difficult for the regulator to carry out a similar level of market research in this regard, Ofcom has undertaken work of this nature before. For example, in 2007 Ofcom undertook qualitative and quantitative work to gather consumers' views on services that might be delivered via the digital dividend⁵³. However, given the significant technological developments that have taken place in the past four years, this work now arguably needs to be refreshed. We believe that up-to-date consumer research on the issue would be beneficial in helping to inform Ofcom's decision-making process.

⁵³ *Digital Dividend Review Market Research 2007*; Ofcom; 2007

The strategic context for digital infrastructure development in Scotland

Developing the digital infrastructure in Scotland so that it meets the needs of consumers both now and in the future is clearly a complex, significant and challenging task. Given the scale of the challenge, a strategic approach is required and both the UK Government⁵⁴ and the Scottish Government⁵⁵ have recently published new strategies to bring about significant improvements to the digital infrastructure.

The strategic commitments at Scottish level and UK level

The UK strategy 'Britain's Superfast Broadband Future' contains many positive features, which we support. It states that rural and remote areas should gain access to superfast broadband '*at the same time as more populated areas*'. It seeks to alter the regulatory and policy framework in order to encourage broadband providers to invest in more remote areas. It recognises that the market will not serve some rural areas and provides £530 million of funding to help facilitate the deployment of superfast broadband in these areas.

The strategy includes provision for four pilot projects to test different delivery models for superfast broadband in rural and remote areas. It envisages consumers having a key role in determining how superfast broadband networks are developed in their local area. And although it retains a universal service commitment of only 2Mb/ps, it does seek to align universal and superfast policy objectives with the aim of delivering broadband far faster than 2Mb/ps to most people⁵⁶. The UK strategy also includes a high level target '*for the UK to have the best superfast broadband network in Europe by 2015*'⁵⁷.

As with the UK strategy, the Scottish Government's strategy – 'Scotland's Digital Future – A Strategy for Scotland' has a strong focus on the development of the digital infrastructure. The strategy includes a high level commitment to make next generation broadband available to all by 2020, with significant progress by 2015. We support these objectives, particularly the commitment that superfast broadband will be available to all.

⁵⁴ Britain's superfast broadband future; UK Government; 2010

⁵⁵ Scotland's Digital Future - A Strategy for Scotland

⁵⁶ Britain's Superfast Broadband Future; UK Government; 2010

⁵⁷ Britain's Superfast Broadband Future; UK Government; 2010

The Scottish Government's strategy for developing Scotland's digital infrastructure includes a number of elements which are likely to be beneficial for consumers. These include:

- a commitment to developing a robust, detailed plan to support the roll-out of next generation broadband across Scotland, and to working with the UK Government, the enterprise companies and local authorities to develop this plan
- a proposal to explore options to stimulate demand for next-generation broadband, in order to drive greater private sector investment in this infrastructure
- a recognition that rural areas in Scotland will suffer if next-generation roll-out is left only to the market and that public policy solutions will therefore be required
- an aim to secure the best possible share of the UK Government funding available to support the broadband roll-out programme
- a commitment to lobbying for future spectrum auctions to be designed to ensure significant improvements in mobile broadband coverage in Scotland's rural areas
- a commitment to supporting community-led initiatives to develop the next generation broadband infrastructure in rural areas

The Scottish Government has indicated that this digital strategy will be followed up with a detailed plan setting out how next-generation broadband technology will actually be delivered in Scotland.

Gaps in the strategies

Both the UK Government and Scottish Government strategies contain a number of high-level commitments regarding the roll-out of next generation broadband, which we support. However, neither strategy currently contains detailed targets on a number of key issues – although we recognise that the Scottish Government is planning to produce a further plan for the deployment of next-generation broadband which may address some of these issues. At present, however, gaps remain.

Firstly, neither the UK nor the Scottish strategy is entirely clear about exactly how many consumers will have access to superfast broadband and by what date. The UK strategy indicates that *most* – not all – consumers will be able to access superfast broadband services by 2015. Given past experience, it is reasonable to assume that consumers in the most rural and remote areas – and therefore consumers in rural Scotland – will be the most likely to miss out and will remain unable to access superfast broadband.

‘Scotland’s Digital Future – A Strategy for Scotland’ does state that next-generation broadband will be provided to all consumers in Scotland by 2020⁵⁸. We assume that this means 100 per cent of households in Scotland will be able to receive a next-generation service by this date – but we believe that this commitment to 100 per cent coverage should be explicitly stated, and the contributions that different technologies – including both fixed-line and mobile broadband services – might make to achieve this target should be clarified. If there are any households in Scotland which cannot, for any reason, be provided with next-generation technology, we believe that these should be determined by a clear and publicly available set of exceptions criteria. These criteria would set out and explain the specific circumstances in which a household may not be able to receive next-generation broadband technology under the Scottish Government strategy.

There is an existing precedent for such criteria being used to determine exceptions to a universal service. Royal Mail has a Universal Service Obligation (USO) to provide every household in the UK with a mail delivery to the door, six days a week. There is a clear, published set of criteria for any exceptions to this USO, and the regulator Postcomm⁵⁹ has a key role in ensuring that these criteria are adhered to. There are only a very small number of exceptions to the postal service USO, which are usually to do with health and safety or difficulty of access – fewer than 0.1 per cent of all households in Scotland.

⁵⁸ *Scotland’s Digital Future – A Strategy for Scotland*

⁵⁹ the responsibility for postal regulation is due to transfer from Postcomm to Ofcom on the 1st October 2011

We would expect a similarly small number of exceptions to the target of providing access to next-generation broadband to 100 per cent of households in Scotland.

The second issue where further detail and clarity is required from policymakers is on the speed of superfast broadband service that will actually be delivered. This is important for a number of reasons:

- There is no single agreed definition of what speed of broadband service is required for it to be defined as ‘superfast’, and this can be confusing for consumers. Ideally, broadband providers should agree upon and use a consistent definition of what constitutes a ‘superfast’ service – but in the meantime policymakers should be clear about what they mean by the term
- It is highly likely that different speeds of superfast broadband will be available in different areas. The evidence from broadband roll-outs to date indicates that rural consumers receive slower speeds than consumers in urban areas – and this is unlikely to change unless there is a clear policy commitment to the contrary. Given Scotland’s challenging geography and topography and lower population density, this may well prove to be a bigger issue here than in other parts of the UK

The European Commission's Digital Agenda for Europe sets a target of broadband at 30 Mb/ps being available to everyone in Europe by 2020. Given that the UK Government wants the UK to have 'the best superfast broadband network in Europe'⁶⁰, it is reasonable to assume that consumers in the UK, including Scotland, should expect to receive a broadband service by 2020 which is considerably faster than the 30Mb/ps European baseline.

However, it is worth noting that in its 'Digital Scotland' report published in October 2010 the Royal Society of Edinburgh recommended that broadband at 128Mb/ps – more than four times faster than the European Commission target – should be made available to all consumers in Scotland by 2020⁶¹. While we are not in a position to give a view on the practical and financial challenges of providing broadband at different speeds, we would strongly urge broadband providers and policymakers to set targets which are as ambitious as possible.

Finland is an excellent example of a country where there are clear and ambitious targets for both the proportion of the population who will receive superfast broadband, and the speed of service that will be available to them. In Finland there is a universal service obligation that all consumers will have a legal right to a broadband connection of 100Mb/ps by 2015⁶².

The third issue where we believe further detail is required relates to how superfast broadband will be delivered in rural and remote areas at an early stage. As the evidence in this chapter shows, consumers in rural communities regularly receive far poorer digital services than consumers in more urban areas. These consumers are the least likely to receive superfast broadband if the roll-out of this technology is left to the market alone.

While it is essential that broadband providers seek to deliver a service to as many consumers in Scotland as possible, we recognise that alternative solutions will be required in rural areas – and this is also reflected in the digital strategies of both the UK Government and the Scottish Government. The key now is to quickly work out which parts of Scotland will require alternative solutions; what these solutions might be; and how these solutions can be deployed as soon as possible.

It is important that this detail and clarity is provided. The pattern of the roll-out of different digital services – such as basic broadband, mobile phones and digital TV – to date provides a clear indication as to which parts of Scotland are most likely to miss out if the roll-out of superfast broadband is left to the market. Therefore, policymakers should act now as there is no need to wait for the market to fail consumers living in these areas again. This type of approach, where the needs of rural consumers are catered for at an early stage, is essential if the digital divide in Scotland is to be tackled. Rural consumers cannot afford to be left at the end of the queue once again.

⁶⁰ *Britain's Superfast Broadband Future*; UK Government; 2010

⁶¹ *Digital Scotland*; Royal Society of Edinburgh; 2010

⁶² *Ibid*

In calling for more detail and clarity in the strategies for the roll-out of next-generation broadband we recognise that there is a balance to be struck – between having clear targets and timescales, and the need to ensure that establishing these targets does not lead to public monies subsidising broadband deployment in areas that would have otherwise been served by the market. Achieving this balance will not be straightforward, and it will require careful consideration, research and ongoing monitoring and review by policymakers.

The need for a joined-up approach

The Scottish Government has stated that it will follow up its digital strategy with a detailed plan for the roll-out of next generation broadband. In carrying out this work the Scottish Government has indicated that it will be working with the UK Government *‘to develop a strategic national broadband plan for Scotland’*.

We believe it is essential that this single broadband plan for Scotland is developed, incorporating activities and initiatives that are planned and funded both at Scottish level and at UK level, as well as key local developments. A single plan is vital, to ensure, firstly, that consumers in Scotland get the maximum benefit from the different next-generation strategies and programmes that are being developed, and secondly, that the activities of different players do not overlap, duplicate, or counteract each other, and do not leave gaps where key issues go unaddressed.

We therefore urge the UK and Scottish Governments to continue working together on this critical issue, and develop a plan which delivers a coherent, joined-up set of outcomes for Scotland’s consumers. Scottish local authorities and enterprise agencies should also play a key role in helping to develop this plan, to ensure that it meets the needs of consumers across Scotland. Broadband providers will clearly also be important players in these discussions.

Given the devolved context, and the vital role that digital communications have to play across a number of devolved policy areas, we believe it would make sense for the joint action plan for next generation broadband deployment in Scotland to be co-ordinated and managed by policymakers and stakeholders in Scotland, with input from UK-level representatives as required.

The UK Government has recently awarded over £68 million in funding to Scotland, from the UK wide resource of £530 million, to support the roll-out of next-generation broadband to rural areas. The Scottish Government will be responsible for allocating Scotland's share of this funding.

The Scottish Government has indicated that it will establish a new programme board to help implement its digital strategy, along with a project board which will have a particular remit to help build Scotland's broadband infrastructure. Given the vital role that digital services generally, and broadband specifically, play in underpinning almost every aspect of being a consumer in the 21st century, we believe it is essential that the consumer interest is properly represented and included within these new governance arrangements.

Recommendations

In order to address the issues set out in this chapter, and support the development of a digital infrastructure which better meets the needs of consumers across Scotland, we make the following recommendations:

To the UK Government and Scottish Government:

We recommend that the UK Government and Scottish Government should work together to agree a single, joined-up action plan for the roll-out of next-generation broadband to all consumers in Scotland.

To the UK Government:

We recommend that the UK Government issues a direction to Ofcom, indicating that the primary objective in the auction of newly available spectrum should be to maximise the number of consumers in remote and rural areas who are provided with a mobile broadband service.

To the Scottish Government:

In developing a robust plan to support the roll-out of next-generation broadband, we recommend that the Scottish Government sets clear and ambitious targets and objectives regarding 1) the proportion of Scotland's population who will be able to access next-generation broadband each year up to 2020; and 2) the speed of broadband service that will be delivered to consumers via this next-generation broadband technology.

We recommend the plan for next-generation broadband roll-out in Scotland includes detailed proposals for the deployment of this technology in remote and rural areas. This must include scoping work to identify which areas of Scotland are unlikely to be served by the market and which will therefore require an alternative solution; and a commitment to delivering this solution at an early stage rather than waiting for the market to fail.

We recommend that the plan for next-generation broadband roll-out in Scotland should explicitly state that this technology will be delivered to 100 per cent of the Scottish population by 2020, and should include a clear set of exceptions criteria which can be used to determine any households that cannot be provided with a service.

We recommend that the governance arrangements for the delivery of the Scottish Government's digital strategy includes appropriate consumer representation.

To Scottish local authorities:

We recommend that all 32 local authorities in Scotland, along with Scottish Enterprise and Highlands and Islands Enterprise, work together and engage fully with the Scottish Government in order to develop a joined-up action plan for the roll-out of next-generation broadband in Scotland, which meets the needs of consumers throughout the country.

To Ofcom:

We recommend that Ofcom manages future spectrum releases in such a way as to guarantee that at least some of this vital resource is used for the benefit of consumers in rural and remote Scotland, improving their access to broadband and mobile technology. Ofcom should investigate a range of options as to how at least one provider awarded a spectrum licence might be required to make mobile broadband available to a specified proportion of consumers in rural and remote communities in Scotland, with the aim of ensuring that as many consumers as possible can receive a service.

We recommend that in order to inform the future release of spectrum, Ofcom carries out new consumer research to find out directly from consumers how they would like to see the newly available spectrum be released.

To the telecoms industry:

We urge telecoms providers to explore all possible options and approaches that would enable them to deliver next-generation broadband services to as many consumers in Scotland as possible, as quickly as possible.

We recommend that broadband providers agree upon, use, and publicise a consistent industry definition of the term 'superfast' broadband.

We recommend that digital service providers engage with the UK Government and Scottish Government in order to contribute to the development of a single, joined-up action plan for the roll-out of next-generation broadband across Scotland.

4. Cost, information and education – helping consumers to make the most of the digital infrastructure and navigate complex markets

Overview

There is clearly much work to be done if consumers in Scotland are to have access to the digital infrastructure that they need. However, even if this infrastructure is in place, consumers can face a number of challenges which can prevent them from deriving some of the benefits described at the beginning of this report.

These challenges to what is commonly referred to as ‘digital participation’ can encompass a whole range of issues for consumers, including:

- understanding the potential benefits of digital services and having the confidence to try using them
- being able to afford and choose the necessary equipment
- being able to use that equipment and find the desired content
- being able to interact with this content and communicate with businesses, government, and fellow consumers
- being aware of their rights and responsibilities when using digital services and knowing where to go to uphold these rights if any difficulties are encountered

For many consumers these challenges are closely intertwined, which means they can only be effectively addressed through comprehensive, consistent and joined-up approaches. In this chapter we examine these issues in detail, and make a number of recommendations which seek to tackle these barriers. In putting forward these recommendations, we recognise of course that there will always be different degrees of digital participation among consumers. It is highly unlikely that *all* consumers in Scotland will ever wish to use digital technology to access *all* services and markets, and alternative options must continue to be available. However, we believe that much more can and should be done to support and enable all consumers in Scotland to participate more fully in the digital revolution and enjoy the benefits that it offers.

Current levels of digital participation in Scotland

Although many consumers in Scotland currently use and benefit from digital technology, there are many others who do not. The broadband take-up rate in Scotland is 61 per cent, which is the lowest of all four UK nations and is well below the UK average of 74 per cent⁶³. Take-up of mobile phone technology is also lower in Scotland than in any other nation, at 86 per cent compared to a UK average of 91 per cent. Even ownership of fixed-line telephones is lower in Scotland (along with Wales) than any part of the UK at 80 per cent compared to an average of 85 per cent across the UK as a whole.

⁶³ *The Communications Market Report – Scotland*; Ofcom; 2011

It is possible that the problems with the digital infrastructure in certain parts of Scotland may dissuade some consumers from taking up certain digital services – for example, the lower take up of mobile phones in remote rural areas where coverage can be poor⁶⁴. However, despite the poor infrastructure in many rural and remote areas of Scotland, take-up of digital services in these areas is generally still comparable to take-up in urban areas, where most digital services are widely available.

Therefore, there are clearly other factors which influence whether or not consumers in Scotland take-up different digital services. Analysis of the data according to different demographic groups shows that there are particular groups of consumers who are much less likely to use digital services than others.

For example, across the UK:

- only 33 per cent of adults over the age of 65 have the internet at home⁶⁵
- only 48 per cent of consumers in the DE socio-economic group have the internet in their home⁶⁶
- 47 per cent of people living in households with an annual income of less than £11,500 don't use the internet, compared to only 4 per cent of households with an income of more than £30,000⁶⁷

- 48 per cent of disabled people don't use the internet⁶⁸
- of the 10 million adults who have never used the internet, 38 per cent are unemployed⁶⁹

These figures are extremely concerning as consumers in some of these demographic groups could arguably benefit most from the financial savings and the convenience that digital technologies can offer. There are also issues in particular local areas in Scotland: specifically, in Glasgow where only 50 per cent of consumers have broadband at home compared to the UK average of 74 per cent.⁷⁰ This low level of broadband take up in Glasgow has been evident for a number of years, and previous research by Ofcom has suggested that even although this is a particular issue among low-income consumers in Glasgow, take-up of the technology among higher-income consumers is still lower in Glasgow than it is in other Scottish cities⁷¹.

However, before any actions can be implemented to try and tackle these problems, and increase levels of digital participation in different demographic groups and geographic areas, we need to have a clear understanding of the reasons why consumers are not getting the maximum value from the digital services available to them at present.

⁶⁴ Ibid

⁶⁵ *UK Adults Media Literacy*; Ofcom; 2010

⁶⁶ Ibid

⁶⁷ *Manifesto for a Networked Nation*; Martha Lane Fox; 2010

⁶⁸ Ibid

⁶⁹ Ibid

⁷⁰ *The Communications Market Report – Scotland*; Ofcom; 2011

⁷¹ *The Communications Market Report*; Ofcom; 2008

Figure 5: Communications Consumer Panel Digital Participation Framework

To get interested	To get online	To make it work	To enjoy the benefits	To manage the risks
I understand how the internet can benefit me	The services & kit I need are available to me	I can get set up and connected	I can communicate effectively	I can protect myself online
The benefits of the internet are worth the effort	I know how much it will cost and can afford it	I can use the equipment	I can interact with the content & services I use	I can judge whether content & services are truthful & reliable
I have the confidence to try	I can choose the right kit & services for me	I can find the content and info I'm looking for	I can create content if I choose	I know my rights and responsibilities online
	I can get help making these choices	I can get help when and as often as I need it	I can pursue my passions	

Potential barriers to digital participation for consumers in Scotland

The reasons why consumers do not use digital services, or are not able to derive maximum value from these, are often complex, overlapping, and linked to a range of market, social, economic and cultural issues. The Communications Consumer Panel has produced a very helpful 'Digital Participation Framework', setting out the range of different factors which need to be in place if consumers are to both use digital services, and get the maximum benefit from these technologies (see figure 5).

Turning the framework around, we can see that it can also provide a really useful illustration of the different issues that might *prevent* consumers from using digital services effectively, and which need to be tackled. These include:

- understanding the benefits of digital services
- being able to afford and choose the right equipment
- having the confidence and skills to get the maximum benefit from digital technology

We explore each of these issues in more detail overleaf.

Understanding the benefits of digital services

The first step in enabling consumers to make use of digital services – once the appropriate digital infrastructure has been put in place – is to ensure that they know and understand the different benefits that these services can offer them. As set out in Chapter 2 of this paper, the benefits that digital services can offer consumers include:

- access to more and cheaper products and services – both from public and private sector providers
- convenience
- the opportunity to share views and experiences with fellow consumers
- new channels through which they can interact with providers and government on a wide range of different issues

However, there is strong evidence which suggests that many consumers are unaware of the potential benefits that digital technology might offer. For example, research by Ofcom has found that more than 70 per cent of adults in the UK who don't use the internet at the moment say that they choose not to do so because they are *'not interested'*⁷².

Some caution should be applied to these statistics, as it is likely that at least some consumers who say that they are *'not interested'* in the internet may cite this reason to mask other factors such as cost or lack of confidence. Nevertheless, it is clear that broadband service providers and public policy makers have significant work to do if they are to persuade a range of different groups of consumers of the potential benefits that digital technology might offer.

In the coming months and years, there are likely to be further significant changes to the digital landscape in Scotland which may strengthen the benefits that digital technologies can offer to consumers – and may therefore act as an impetus, and provide a reason or a 'hook' for more consumers to take up digital services.

For example, the Scottish Government has outlined plans to establish a Scottish Digital Network, a new public service broadcasting service offering a range of Scottish specific content. It is likely that this service, if it is set up, will be delivered through both broadcasting and broadband platforms. If established, a new Scottish Digital Network would clearly bring significant benefits for consumers in Scotland, offering greater choice and plurality in public sector broadcasting. It could also help to boost digital participation.

⁷² UK Adults Media Literacy; Ofcom; 2010

The final report of the Scottish Digital Network Panel states that *'new and attractive forms of Scottish content [such as those intended to be made available through the digital network] could drive take-up.....the SDN will help to get all of Scotland connected and participating in the digital age'*⁷³. However, funding for a Network still needs to be secured. The Network Panel report indicated that the television licence fee would be the most appropriate mechanism in the longer-term, but this is ultimately a decision for the UK Government.

A further driver for consumers in Scotland to take up digital services may be the increasing number of public services likely to be made available online or via mobile phones over the next few years. Clearly there is a wider debate to be had about the consumer benefits of delivering public services online – and as we stated in the introduction, we believe that consumers must continue to have the option of accessing services in face-to-face settings even if these services are also available online. Nonetheless, the potential savings that digital service delivery can offer to service providers, combined with the convenience, quality and accessibility that this approach can offer to consumers, means that there are likely to be an increasing number of public services made available via digital platforms over the next decade. For example, 'Scotland's Digital Future – A Strategy for Scotland' sets out the Scottish Government's commitment to:

- driving forward telehealth care development
- developing a single online portal for Scottish public information and services
- producing a national plan for preserving Scotland's digital assets
- using digital technology to support the release of more government information and data for the public to use⁷⁴

All of these developments will bring significant benefits to consumers, and may therefore act as an important spur to encouraging more and more consumers to take up digital technologies.

Meanwhile, new technological developments, and the convergence of the services available through different digital platforms such as TV, mobile phones, computer consoles and PCs, may also have an impact on consumers' interest in and take up of digital services – particularly broadband. For example, faster and better broadband is increasingly available through devices such as mobile phones, and computer consoles which some consumers may feel more comfortable with than a PC. Perhaps more importantly, with the advent of 'Youview', consumers will soon be able to use the internet to watch catch-up TV, and access a wide range of other digital content, through their television rather than a computer. In its digital strategy the Scottish Government suggests that this development *'will potentially make online technology much less intimidating and more desirable for people who trust television, but are wary of the internet'*⁷⁵.

⁷³ Scottish Digital Network Panel – Final Report; Scottish Digital Network Panel; 2011

⁷⁴ Scotland's Digital Future – A Strategy for Scotland
⁷⁵ Scotland's Digital Future – A Strategy for Scotland

Alongside these broader landscape developments there are a number of specific initiatives and programmes currently being delivered to try and encourage consumers to access digital services. Of particular significance is the work being carried out by Martha Lane Fox, the UK Digital Champion, who was appointed by the UK Government with the aim of getting millions of consumers connected to the internet by 2012. Not all of Fox's work covers Scotland but certain elements do, including locating 'digital champions' in all Jobcentre Plus premises; working with Scottish libraries; and projects and activities with UK-wide companies such as the Post Office Ltd and BT⁷⁶.

Meanwhile, the Scottish Government has indicated that it will develop and launch an awareness-raising campaign in late 2011 on the benefits of digital technology. While this campaign will undoubtedly lead to some increase in the take-up of digital services, it is important to remember that consumers who are not sure of the benefits that digital services have to offer often face other challenges or barriers to taking up these services – such as issues around confidence, costs, and knowledge of rights and responsibilities. Therefore it is likely that such a campaign would achieve a far greater impact if it was closely tied to other activities and initiatives which tackle the full range of barriers and difficulties that consumers might experience when accessing digital technology.

Being able to afford digital equipment

Once consumers are aware of the benefits that digital technology can offer, and have decided to try and access digital services, the next challenge they face is to choose and buy the equipment that they need. In doing this many consumers face a major barrier – cost.

Although the data suggests that cost is not the main barrier to digital participation in Scotland, there is evidence that it is an increasingly significant barrier. Ofcom figures show that 31 per cent of UK consumers who did not have the internet at home in 2009 cited cost as a reason for this. This represents an increase from 18 per cent in 2005 and 21 per cent in 2007⁷⁷. The current financial climate may have had an impact on this apparent rise in the significance of cost as a potential barrier to digital participation as people are likely to have fewer resources available to spend on broadband services – even although the costs of these have generally become cheaper in recent years.

There are a range of different costs attached to accessing digital services. For example, people wishing to access broadband at home generally need to pay for the necessary computer hardware and software, plus a broadband package. For consumers on low incomes – among whom groups such as older people, disabled people and those who are unemployed are likely to be disproportionately represented – this can represent a significant set of costs.

⁷⁶ *Scotland's Digital Future – A Strategy for Scotland*

⁷⁷ *UK Adults Media Literacy; Ofcom; 2010*

These costs may well prevent these consumers from accessing broadband services – particularly if they are not certain that having access to broadband will ultimately save them more money than it will cost them⁷⁸. Therefore it is of little surprise that the groups of consumers who tend to have the lowest incomes are among those least likely to have access to broadband services.

Different options exist for tackling some of these problems. In terms of supplying hardware, there are a number of different initiatives which recycle unwanted computer equipment and make it available again at a low cost. As more and more new equipment is developed and purchased by consumers, it is likely that there will be an increase in the availability of ‘old’ kit which is no longer being used. In its new digital strategy, the Scottish Government commits to investigating the potential for expanding programmes which disperse unwanted digital equipment to individual consumers and community centres. We strongly welcome this commitment, but suggest that such a programme would be likely to have a greater impact if it was conducted alongside activities which tackle the other key consumer barriers to digital participation – such as those which help people to understand the benefits of digital technology and give them the confidence to use it.

Increasingly, consumers are accessing broadband through digital devices such as mobile phones and computer consoles, in addition to simply PCs or laptops – and they will soon be able to access the internet through their TV. These developments may reduce the need for consumers to have their own PC hardware in order to access the internet, but clearly there are still costs attached to the acquisition of any digital equipment. Therefore any digital inclusion programme which looks at increasing the availability of digital equipment to consumers on low incomes should seek to identify and make use of the full range of equipment that consumers might use to get online.

The price of broadband packages has been falling steadily over time, and Ofcom has indicated that this trend has had a significant impact on the proliferation of broadband services to more than 70 per cent of the UK population⁷⁹. Research conducted on behalf of the Scottish Government on broadband and businesses in Scotland found that ‘*Major providers now offer up to 20 Mb/ps download speeds for as little as £15 per month, while niche products offering higher upload speeds exist for a small premium*’⁸⁰. Meanwhile, telephone packages such as BT Basic allow consumers receiving certain welfare benefits to have access to fixed-line telephone services at a low cost, with the option of adding in broadband services at an extra cost if required⁸¹.

⁷⁸ *Broadband minded*; Consumer Focus; 2010

⁷⁹ *The Communications Market Report – Scotland*; Ofcom; 2009

⁸⁰ *Research on Broadband and Business in Scotland*; Ekosgen; 2011

⁸¹ www.bt.com/basic

However, even this can represent a significant cost for consumers on low incomes. We believe that, given the benefits it can offer to consumers, broadband is no longer a luxury but a necessity which should be accessible to all, and that more could be done to make it more affordable for those on the lowest incomes.

We therefore believe that all broadband providers should consider whether and how they might develop very-low-cost broadband packages – effectively social tariffs – targeted at consumers on low incomes. These tariffs could, for example, be made available to consumers who are in receipt of particular welfare benefits. Tariffs of this nature could bring significant advantages for these consumers and help to improve the take-up of broadband among some of the groups who could benefit from it most.

However, this is a complex issue. If any new social tariffs were introduced for some consumers then this would effectively constitute an element of cross-subsidy in the broadband market – and the bills of other consumers may rise to help pay for those in receipt of the new, cheaper tariffs. Therefore, we believe there is an important role for Ofcom within this debate. A similar precedent already exists in the energy market. Government legislation actually requires the six largest energy providers to set aside a proportion of their profits for social purposes. As part of this obligation, each supplier must provide an annual discount to consumers in receipt of pension credit or other criteria agreed with the regulator Ofgem.

The most effective way of managing any introduction of social tariffs within the broadband market may be for Ofcom to place a similar obligation upon internet service providers (ISPs) – to require them to offer cheaper broadband rates to certain groups of disadvantaged consumers. However, we would suggest that Ofcom should look to carry out a comprehensive impact analysis before introducing any social tariff obligation for broadband, to explore which groups of consumers it should be targeted at, and ensure that there would be no unintended or detrimental consequences for either these consumers or others.

In addition, the issues involved in introducing a social tariff are arguably more complex in the broadband market than they are in the energy market. Broadband consumers make decisions about which package they want based not just on cost, but also on issues such as speed, reliability and the ‘bundling’ of broadband services with other digital services such as a landline telephone or digital TV. There are also a range of devices that consumers can use to access broadband – including fixed-line, mobile, or services delivered via television or computer consoles. Any debate about the introduction of a social tariff would need to consider which type of services should be included within such a tariff, and what impact this might have on the potential for that tariff to benefit those who need it most.

There would also be a number of other issues to consider if an obligation was to be placed upon ISPs to offer a social tariff. For example, Ofcom would need to decide to which internet providers the obligation would apply. In the energy market, only the six largest suppliers have the obligation, so a decision based on market share of different companies would be required in relation to ISPs. Ofcom would also need to consider whether a single social tariff should be offered by all relevant providers, or whether each provider would be free to design its own social tariff based on certain overarching criteria.

However, despite all these complexities, we believe that broadband is now such an essential service for consumers that there would be merit in Ofcom and broadband providers working together to explore this issue further – to identify if and how such a tariff might be introduced, and what benefit it could have for some of the lowest income consumers in Scotland and the UK.

We believe that Ofcom and broadband providers should also consider the potential for the more widespread introduction of pay-as-you-go-tariffs for fixed-line broadband services. Tariffs of this nature could benefit consumers who do not wish to, or who are not in a position to, take out a longer contract, and improve broadband take-up among this group.

Ideally broadband providers should make these types of tariff available of their own accord, but if this does not happen, Ofcom could consider the option of requiring providers to offer pay-as-you-go broadband services. It is important to note, however, that the experience in mobile phone markets suggests that pay-as-you-go services would be likely to have higher costs attached to them, and may therefore lead to disadvantaged consumers paying more for their broadband services than consumers who are able to afford a longer-term contract.

Both social tariffs and pay-as-you-go tariffs for broadband may also require consumers to have access to potentially expensive digital equipment, and to have a fixed-line telephone service. Therefore, these may not be suitable for all consumers. An additional approach, as highlighted in Consumer Focus' 'Broadband minded' report, could be for broadband providers to increase the availability and marketing of USB modems ('dongles') as a subscription-free option for people who do not want to, or who are not able to, pay a regular bill and who have no landline telephone⁸².

⁸² *Broadband minded*; Consumer Focus; 2010

Choosing the right digital products and services

The cost of digital services clearly impacts upon the ability of certain groups of consumers to get access to them. However, the complexity of the digital market – in terms of choosing the products and services that they want and need – is also a major challenge for many consumers. It can act as a barrier to some consumers getting access to digital markets in the first place; while for others, it can prevent them from deriving the maximum possible value from these markets. Digital markets are inherently complex:

- The digital infrastructure is not consistent across Scotland – as highlighted in Chapter 3 – and not all products and services are available in all areas
- Each purchase that a consumer makes in the digital market involves weighing up a number of different factors, such as reliability, cost, speed, quality of service and coverage. These factors may not be directly comparable between providers and may actually compete against each other (eg cost versus speed of service) in terms of the ‘best’ service available
- There is a wide range of different products and tariffs available. This is obviously beneficial in terms of consumer choice, but can lead to confusion and uncertainty. For example, there are nearly 13 million different mobile phone tariffs available to consumers in the UK⁸³. Recent research by Billmonitor, a mobile phone comparison site approved by Ofcom, has found that around three-quarters of mobile phone users pay an average of £200 too much every year because they are on the wrong contract⁸⁴. Research has also found that 67 per cent of consumers believe that there are too many mobile phone tariffs in the marketplace⁸⁵
- The nature of the items and services being purchased means that there will always be technical considerations which can be challenging for consumers to fully comprehend. A survey of 3,000 UK internet users, carried out for Virgin Media, found that 53 per cent did not know there are other ways to get broadband apart from a fixed telephone line; 45 per cent were not clear what a dongle is; 40 per cent did not know what ADSL is; and 18 per cent were not even sure what broadband is⁸⁶

⁸³ *Better Choices: Better Deals – Consumers Empowering Growth*; UK Government Department of Business Innovation and Skills; 2011

⁸⁴ *The national billmonitor mobile report*; Billmonitor; 2011

⁸⁵ *Mobile: what's the problem?*; Consumer Focus; 2009

⁸⁶ *Consumers and broadband technology*; Virgin Media; 2009

- The convergence of different technologies means that the lines between different services (eg broadband, mobile phones, and TV) are becoming increasingly blurred

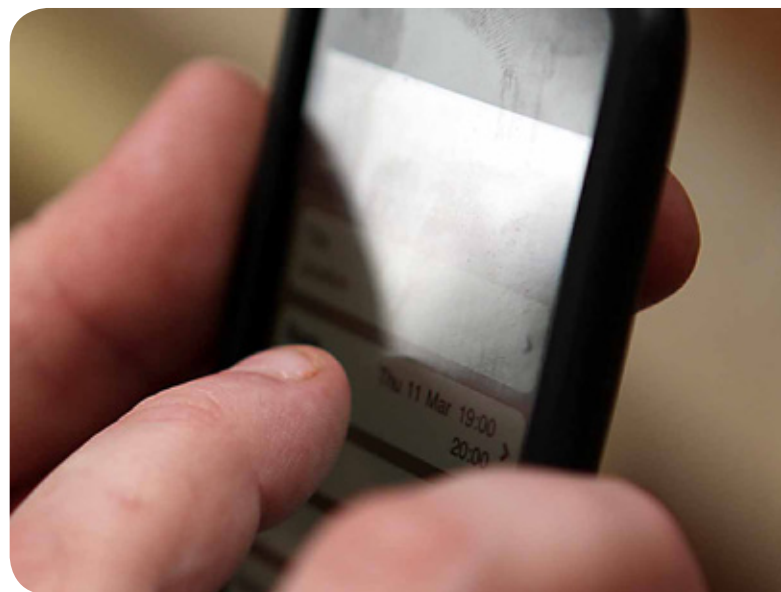
It is clearly very difficult to change some of these particular elements of the digital market place. However, it is critical that consumers are provided with clear, transparent and easy-to-use information about the products and services available to them, and that they have access to appropriate help, advice and support to enable them to find their way through the market and choose the services that they want.

In addition, there are certain elements of the digital market where the situation is made more complicated for consumers than it should be. These include:

- unreliable advertising of certain products. One of the most striking examples of this is the advertising of the speed of broadband service offered by different ISPs. Research by Ofcom has shown that most internet providers advertise the speed of service that they offer as an ‘up to’ speed – but that the average speed of broadband received by consumers in the UK is only 6.8Mb/ps, which is less than half the average advertised speed of 15Mb/ps⁸⁷

- the problems involved in switching from one telecoms provider to another. According to a recent Ofcom consultation document these problems include: the difficulties involved in switching two or three different services at once (eg broadband, telephone and digital TV), the process for which is often not nearly as joined up and streamlined as consumers would wish; the temporary loss of digital services while a switch is being implemented; and the need for the ‘losing provider’ to hand over information in order for a switch to take place – which often takes longer than it should⁸⁸

We believe action can and should be taken on these issues to benefit consumers. We set out overleaf our views on some of the work that could make it easier for consumers to navigate their way through the digital marketplace.



⁸⁷ UK Fixed Broadband Speeds; Ofcom; May 2011

⁸⁸ Switching phone and broadband companies – a consultation; Ofcom 2010

Independent advice and information

There are a range of different activities currently being undertaken to give consumers advice and support in their dealings with digital providers. For example:

- consumers can get advice on navigating particular digital markets from Consumer Direct
- Ofcom produces helpful consumer guides on a range of relevant issues such as broadband speeds and getting the best mobile phone deal
- the work of Martha Lane Fox is also relevant in this area
- there are many different local projects and groups which can help consumers with their choices and decision

However, there is no overarching picture of the type of advice available to consumers in Scotland; the concentration of this advice in different geographic areas; and the extent to which tailored advice is available for particular demographic groups who may be most in need of extra support.

We believe that there would be value in carrying out an in-depth audit of all digital advice activities that are currently delivered in Scotland. This audit would identify if there are gaps in the information and advice available to consumers on specific topics, and highlight any gaps in the information available to consumers living in particular locations or from particular demographic groups.

The findings from the audit could then be used to develop a comprehensive strategy to address any gaps in provision and ensure that all consumers in Scotland have access to the information and advice that they need.

Some consumers may not need individual advice and support to choose the digital services that they require – but would benefit from having clear and independent information about the services and products available to them.

Ofcom runs a Price Accreditation Scheme for digital price comparison websites. We support this scheme, as price comparison websites have a vital role to play in helping consumers navigate their way through the complex digital market. Consumers need to be confident that these websites are providing accessible, accurate, up-to-date, transparent and comprehensive information. The Ofcom Accreditation Scheme can give consumers this assurance.

However, while three websites which compare prices of different broadband deals have been accredited by Ofcom, only two websites focusing on mobile phone services and one website focusing on fixed-line telephone services have been accredited. Meanwhile, 82 per cent of consumers responding to a Consumer Focus survey on a range of issues in the mobile phone market were not aware of the Ofcom Accreditation Scheme⁸⁹.

⁸⁹ *Response to Ofcom's Strategic Review of Consumer Switching*; Consumer Focus; 2010

The low awareness among consumers of the accreditation scheme and low take-up from companies can undermine the potential benefits of this kind of independent information. We believe that a key priority for Ofcom must be to raise awareness of the Accreditation Scheme among telecoms providers, operators of comparison websites, and consumers.

Furthermore, as set out above, consumers need to consider a far wider range of issues than simply cost when deciding which digital service to use. These include network performance, and customer service standards. Consumers need information on these critical issues, alongside information on price, when making choices in relation to digital services. Ofcom carries out research and publishes data on key issues such as mobile phone coverage, broadband speed and on the complaints it receives from consumers in relation to various customer service issues.

However, at present, this information is not presented as a coherent package to consumers for them to use when deciding which digital services to purchase. Presenting all of this important information in a single place, for consumers to use and compare as appropriate, would bring significant benefits. We believe that Ofcom should seek to develop its Price Accreditation Scheme to incorporate network performance and customer service information, as well as information on price. This would ensure that consumers have access to all of the vital information that they need when seeking to navigate complex digital markets.

Clear and transparent information from digital providers

In addition to having access to independent advice and information on digital services should they need it, consumers should be able to rely on the information provided to them by telecoms companies directly. There have been some positive developments in this area recently. For example, following a mystery shopping exercise by the Communications Consumer Panel which found that consumers often did not receive accurate information about the cancellation policies for their mobile phone contracts⁹⁰, a number of mobile phone providers have introduced clearer and more consistent cancellation policies. However, problems still exist across digital markets. A recent briefing paper published by Citizens Advice Scotland states that⁹¹:

- consumers purchasing mobile phone contracts are not always aware of important details such as contract lengths or early termination costs associated with their contracts
- consumers of landline telephone services are continuing to experience ‘slamming’ where they are switched from their current provider to a new provider without their knowledge
- consumers signing up for internet packages can be attracted by special offers or deals, but then find out that their contract includes additional charges and costs which can negate the savings they thought they had made

⁹⁰ *Can I cancel? Mobile coverage and contract cancellation*; Communications Consumer Panel; 2010

⁹¹ *Telecommunications problems – briefing paper*; Citizens Advice Scotland; 2011

As highlighted above, there are particular problems in relation to certain elements of broadband advertising – with a particularly significant problem being that consumers often receive broadband speeds well below those they thought they would when they signed up for a service.

We accept that there are likely to be variations in broadband speeds based on factors such as distance from the computer to the nearest exchange; the age and type of infrastructure being used to deliver the service; and the traffic management practices implemented by ISPs to ease network congestion. While we believe that significant improvements are required to the digital infrastructure to minimise the differences in speeds delivered to consumers in different areas, we accept that variations will always exist.

However, we believe that the current practice of most ISPs of advertising a theoretical maximum broadband speed that consumers will be able to achieve, using the terminology of *'broadband up to XX Mb/ps'*, is unhelpful and potentially misleading given that the average speed of broadband received by consumers is less than half the average advertised speed⁹². Consumers need clear, accurate information from broadband providers about the speed of service they can expect to receive, and they need this information before they purchase a broadband service, so that they can take this into account when deciding which provider and which service to use. This is a particularly significant issue in rural Scotland, as speeds in rural areas are often far lower than those in urban areas.

A new, strengthened voluntary code of practice on broadband speeds came into force in July 2011. Internet providers who have signed up to the code have to:

- explain to new customers the broadband speed they are likely to receive
- try to resolve problems for those customers who receive a speed significantly below the estimate that was provided
- allow customers to change provider in the first three months of their contract, without penalty, if a problem relating to their broadband speed cannot be fixed

We welcome this new code, but urge Ofcom to monitor its impact and consider strengthening it and making it mandatory if it does not lead to the desired improvements across the industry.

Meanwhile, the Advertising Standards Authority (ASA) is currently scrutinising how it can ensure there is greater clarity for consumers on this issue and is examining options for how this should be addressed. We support Ofcom's position that ISPs' advertising should not use the phrase *'up to'* when describing the broadband speed that will be provided, and should instead offer a typical speed range (TSR) which would represent the range of speeds actually achieved by half of customers. We urge the ASA to require ISPs to use this terminology when advertising broadband packages. There is precedent from other markets for this type of advertising requirement to be placed upon providers.

⁹² UK Fixed Broadband Speeds; Ofcom; May 2011

For example, the Consumer Credit (Advertisements) Regulations 2010 require that if an advert for credit includes an interest rate then it must provide a ‘representative’ APR and at least 51 per cent of borrowers must be able to obtain this APR or better⁹³.

Better switching processes

As well as being able to choose the digital services that they require in the first place, it is vital that consumers in Scotland are able to switch between different providers in order to get the services that they want and need. We believe that consumers of digital services should have access to switching processes which:

- are straightforward and which take place swiftly and smoothly
- smoothly align switching of multiple services
- are led by the provider whose incentives align most closely with the interests of the consumers
- are safe and secure
- limit the disruption of services
- provide clear information to consumers, such as any outstanding contractual liabilities
- ensure that consumers have access to clear, independent information about providers to aid their switching decision
- give consumers the opportunity to receive the best deal from their current provider, while avoiding excessive retention activity
- promote healthy competition in the market

Digital service providers clearly have a vital role to play in ensuring that their switching processes meet these criteria – and we urge them to take the necessary steps to ensure that they adhere to these criteria as closely as possible. Meanwhile, Ofcom is currently carrying out a strategic review of switching processes across telecoms markets in the UK. We would encourage Ofcom to work towards achieving switching processes which meet the criteria set out above. In particular, we would like all switching processes in the digital market to be led by the ‘gaining provider’.

When the gaining provider manages the process it provides certainty for consumers who will know who to contact if there are problems with the process. There is little incentive for a ‘losing provider’ to resolve issues if they know they are going to lose the customer after doing so. Until all communications switching processes are led by the gaining provider, the ability of the losing provider to frustrate the switching process will continue to be an issue. Processes led by the gaining provider will also greatly minimise the loss of service experienced by consumers during the switching process.

In addition, further work is needed to simplify the process for consumers when switching bundles of services (eg broadband, mobile phone, landline and digital TV) to reduce delays. ‘Bundled’ services are a relatively new market development and Ofcom needs to carefully monitor their development. For example, it is important that consumers do not have to manage multiple contracts with potentially different terms and different minimum service periods.

⁹³ Consumer Credit (Advertisements) Regulations 2010

Although consumers in Scotland experience many of the same issues and difficulties when switching telecoms provider as consumers in other parts of the UK, there are also particular issues which are more prevalent in Scotland:

- Consumers in Scotland are less likely than those in England and Wales to describe their experience of switching fixed-line provider or mobile provider as ‘very easy’⁹⁴
- A recent survey of 170 volunteers from Consumer Focus Scotland’s Consumer Network⁹⁵ about their experience of broadband services revealed that nearly a fifth (18 per cent) of the sample had switched supplier in the past two years, of whom nearly a third (31 per cent) found the process difficult⁹⁶
- Nearly half (44 per cent) of the Consumer Network members responding to this survey had considered switching broadband provider in the past two years, but had not actually done so. More than a third (38 per cent) had never switched or even considered it. The most common reason given for not switching, by those who had considered it but had not actually done so, was that switching was ‘not worth the hassle’⁹⁷
- Older consumers (those aged 55 and over) in Scotland are less likely to have switched fixed-line, mobile or ISP than consumers in other age groups⁹⁸
- Our recent survey found that consumers in Scotland rated the fixed-line telephone market poorly on: the ability to compare quality and price of services; choice; and advertising in a trustworthy manner⁹⁹

Some of these issues are clearly similar to those experienced by consumers in other parts of the UK and, as in other parts of the UK, the propensity of consumers in Scotland to switch is influenced by factors such as age and socio-economic group. However, research undertaken by Consumer Focus Scotland and its predecessor organisation, the Scottish Consumer Council, has identified a number of Scottish-specific issues in relation to consumers’ ability to switch and their attitude towards doing so.

⁹⁴ *Making Markets Work*; Scottish Consumer Council (2008)

⁹⁵ *Consumer Network’s experiences of broadband services in Scotland*; Consumer Focus Scotland; 2010

⁹⁶ Please note the small sample size – therefore this figure should be treated with caution

⁹⁷ 31 per cent of those who had considered switching but had not done so said it was because it was ‘not worth the hassle’. However, please note the small sample size and treat this figure with caution.

⁹⁸ *Making Markets Work*; Scottish Consumer Council (2008)

⁹⁹ *Consumers and the Market for Fixed Line Telephone Services in Scotland*; Consumer Focus Scotland, (2010)

As highlighted in Chapter 3, there are often fewer opportunities to switch in remote and rural areas, as fewer telecoms providers are likely to be operating in these areas. Consumers in Scotland are more likely to show loyalty to established brands. People feel that it makes more sense to use a well-established company with which they are familiar rather than going to a new company, even if it offers a better deal¹⁰⁰. More consumers in Scotland than in England and Wales tend to think that switching provider will not be worth the effort. Although cost saving is the primary motivator for switching in every market, consumers in Scotland often believe that switching will yield only minor rather than major savings¹⁰¹.

Policymakers at both UK and Scottish level must be aware of these particular issues in Scotland, to ensure that the specific barriers to switching in Scotland are tackled effectively.

Having the confidence and skills to get maximum benefit from digital technology

If consumers in Scotland are to get the maximum benefit from the digital technologies available to them, they not only need to be aware of the benefits that these technologies offer, and to be able to afford and choose the technologies that they need – they also need to have the confidence and skills to use digital services effectively.

The confidence and skills that consumers need to get the most from digital services can cover a wide range of issues – from knowing how to set up and use a digital device; to finding the content they are looking for; to interacting and communicating with service providers; to knowing their rights and responsibilities and protecting themselves online.

The Communications Consumer Panel's research report 'The Journey to Digital Participation' provides qualitative evidence of the challenges that consumers face in getting maximum benefit from digital services. The report draws a number of important conclusions¹⁰²:

- many people who have the internet at home have either never used it or have had a bad experience and stopped using it
- if a consumer lacks confidence in using digital services then this is usually not just a concern about technology – it reflects wider issues about that individual's previous experiences, particularly in relation to learning
- consumers can regress as well as progress in developing their digital skills and confidence, particularly if they don't have the appropriate support to help them keep developing their skills
- those consumers who lack confidence can be extremely risk adverse

¹⁰⁰ *Making Markets Work*; Scottish Consumer Council (2008)

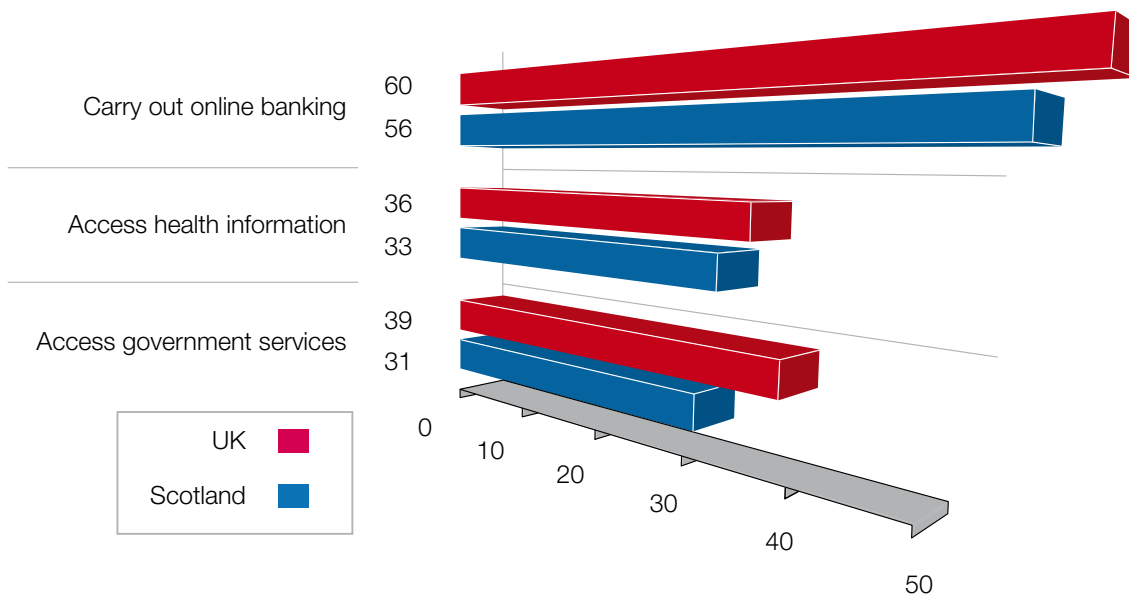
¹⁰¹ *Ibid*

¹⁰² *The Journey to Digital Participation*; Communications Consumer Panel; 2010

Quantitative data provides some evidence of the extent to which each of these issues affects consumers. For example, Ofcom data illustrates that not having the necessary confidence and skills can put some consumers off using digital services altogether. Just over a tenth (11 per cent) of those who do not use the internet at present say that a lack of knowledge, such as not knowing how to use a computer, discourages them from seeking to get online¹⁰³.

Other consumers may be able to get connected to services, but may not feel comfortable or able to use technology in certain ways. This can mean that they do not get as much benefit from digital services as they could. This seems to be a particular issue in Scotland, as the data below on the extent to which consumers use the internet for certain activities, suggests (figure 6):

Figure 6 Percentage of consumers using the internet for particular activities¹⁰⁴



¹⁰³UK Adults Media Literacy; Ofcom; 2010

¹⁰⁴The Communications Market Report – Scotland; Ofcom; 2011

Even allowing for the lower take-up of broadband in Scotland (61 per cent versus 74 per cent in the rest of the UK), these figures are relatively low.

Meanwhile, other consumers may be concerned about the security and privacy of particular digital services, and be unclear about how best to protect themselves – leading to them opting out of using these services. A study for the Office of Fair Trading (OFT) found that one in four people worry more about buying goods online than offline, while *‘one in seven consumers has experienced a problem when buying online, of whom 37 per cent have been reluctant to buy online again’*¹⁰⁵.

This data is useful, but there is arguably a need for more comprehensive information to be gathered, to build a more robust picture about the extent to which different issues or concerns prevent consumers from getting maximum benefit from the internet. This data is also needed to explore whether consumers in different parts of Scotland lack confidence and skills in relation to particular issues; and whether there are specific confidence and skill gaps among particular demographic groups.

As with the other key aspects of digital inclusion discussed in this paper, there are a range of local projects and initiatives in Scotland designed to give consumers the skills and confidence that they need to get the maximum benefit from digital services. As highlighted in the new digital strategy published by the Scottish Government, these include:

- Glow, the national intranet for Scottish schools
- adult learning activities through libraries
- activities delivered by trade unions
- initiatives linked to the work of Martha Lane Fox, the UK Digital Champion

‘Scotland’s Digital Future – A Strategy for Scotland’ includes a commitment from the Scottish Government to develop a ‘Technologies for Learning’ strategy in 2011. We believe that this work should be joined up in a single, coherent digital strategy alongside work to boost awareness of the benefits of digital services; initiatives to help consumers meet the costs of accessing these services; and programmes which support consumers to navigate complex digital markets. Only by joining up these issues, and taking a holistic approach to tackling the barriers to digital participation, can consumers’ needs truly be met.

¹⁰⁵*Protecting Consumers Online – A Strategy for the UK*; Office of Fair Trading; 2010

The strategic context for tackling digital exclusion in Scotland

The evidence above gives a good indication of the range of issues that can prevent consumers in Scotland from participating in the digital revolution. However, we believe that more research is needed on the prevalence and extent of each of these barriers.

We need:

- to know how many consumers are prevented from making the best use of digital technology according to each of the different indicators listed in the Communications Consumer Panel Digital Participation Framework
- to develop a greater understanding of the extent to which multiple factors can prevent consumers from gaining access to digital technology, and whether there is a correlation between different factors
- to examine the prevalence of particular barriers to digital participation in different parts of Scotland and among different demographic groups – to identify the areas and groups where the level of disadvantage is the greatest
- specific research to explore in greater detail the particular issues which contribute to the chronic and significantly lower take-up of broadband in Glasgow compared to other parts of Scotland

Only by developing this detailed, sophisticated understanding of why consumers do not take up digital technology can an effective plan be put in place to tackle these issues.

Meanwhile, there are many different projects and programmes currently taking place across Scotland, at national, regional and local level, aimed at helping consumers to participate in the digital revolution. These activities can help to make consumers aware of the benefits of digital technology; help them with the cost of digital equipment; provide advice and information to help consumers navigate the digital market; or give consumers the skills and confidence to get the maximum benefits from digital technology.

However, there is currently no clear, comprehensive picture of all the different initiatives that are being delivered, and there is only limited evidence available on the effectiveness of each of these different approaches and activities. This makes it difficult to assess how well current provision meets consumers' needs, and to design and develop future programmes that will meet these needs. We suggest that a mapping exercise could be carried out to: consider the range of digital participation initiatives that are in place across Scotland; build up an understanding of the relative effectiveness of each of these initiatives; identify if there are any gaps in the landscape which need to be addressed; and give an indication of which type of programmes or activities would be most appropriate for addressing these gaps.

In 'Scotland's Digital Future – A Strategy for Scotland' the Scottish Government makes welcome commitments to:

- carrying out an awareness-raising campaign on the benefits of digital technology
- developing a 'Technology for Learning' strategy to boost digital skills and confidence
- enhancing schemes to make low-cost digital equipment available to consumers who need it

However, many disadvantaged consumers can face multiple barriers to digital participation – for example, they may be unable to afford computer equipment and may lack the skills and confidence to use this equipment. Therefore, we believe that a joined-up holistic approach, which encompasses each of these different elements, and the other factors which may prevent consumers from engaging with digital services, is essential if digital exclusion is to be tackled effectively.

The research and mapping exercises suggested above could play a critical role in helping to identify the level of resources and activities that will be required in the plan to tackle the different barriers that consumers might face. They could also identify the particular demographic groups and geographic areas in most need of support.

Tackling the wide range of barriers to digital participation that consumers face will require a huge amount of work and co-ordination. It will involve many different organisations at national, regional and local level over a long period of time. There are a number of different options for how this might be achieved. However, there are a number of good examples in other policy themes of area-based projects and implementation models being used to help consumers make significant changes to their behaviours. For example, the digital TV switchover has been rolled-out across the UK on an area-by-area basis from 2008 to 2011.

Meanwhile, area-based projects have been used in Scotland and in other parts of the UK to help consumers overcome the range of barriers to making their homes more energy efficient. Area-based approaches can make it easier to generate awareness, enthusiasm and action on an issue within a local area. As a result, this can lead to more consumers engaging with the programme and to positive change being achieved. Organisations with which consumers already engage and have a relationship, such as schools, community groups, voluntary organisations, local authority workers and relevant government agencies such as Jobcentre Plus, all have a key role to play in any area-based programme. Indeed many of these organisations already play an important role in helping consumers to tackle some of the different barriers that can prevent them from getting online. Meanwhile local media and local one-off events are also likely to be important components of an effective area-based programme.

Based on our experience in other policy areas, we believe that an area-based digital inclusion programme could have significant value, given the importance of, and complexity involved in, enabling consumers to take up and make the best use of digital technology. An area-based project, which tackles the full range of challenges to digital participation that consumers may experience, and which can be rolled out across Scotland on an area-by-area basis, could bring significant benefits and would support a large number of consumers to join the digital revolution within a relatively short space of time.

A programme of this nature could be rolled-out across Scotland over a period of time, using the research and mapping exercises recommended above to ensure that existing resources and initiatives are used to maximum effect, and to ensure that there is a clear focus on areas and groups which are most likely to be suffering from digital exclusion. The programme would clearly need to include mechanisms to help address the full range of challenges that can prevent consumers from accessing digital services – including awareness; cost; access to equipment; the complexity of the market; confidence; and skills. The programme would also need to include mechanisms to help consumers to sustain and further develop their use of digital technology in the medium to long term.

This might require some element of ‘knowledge transfer’ with voluntary organisations and public sector support workers, to help boost their own skills and confidence in relation to digital technology, enabling them to help their clients and service users take full advantage of this technology. There may also be the potential for the programme to help develop ‘peer networks’, where consumers can support each other to build and develop their digital skills. Schools would be likely to have a particularly important role to play, as there is clearly the potential for pupils to help disseminate their own learning and experiences in relation to digital technology among other, less technology-savvy, family members¹⁰⁶.

There may be potential for an area-based approach to tackling digital exclusion to be rolled-out alongside work to improve the digital infrastructure in Scotland – so that consumers are given help to tackle the barriers to digital participation at the same time as superfast broadband arrives in their area. Regardless of whether or not this symmetry can be achieved, it is clear that broadband providers should play a significant role in promoting, delivering and helping to fund any programme to improve digital participation, given the benefits that they will derive from more consumers taking up broadband services.

¹⁰⁶Recent research by Ofcom found that nearly half of UK parents (48 per cent) who have children aged 5-15 who use the internet at home believe that they know less about the internet than their children do. This rises to 70 per cent of adults who have children aged 12-15 years (*UK Adult Media Literacy Report*; Ofcom; 2011)

In addition, given the vital role that different local agencies and groups might play in a programme to help improve digital participation in Scotland, it is clear that Scottish local authorities and the Convention of Scottish Local Authorities (COSLA) should be closely involved in policy discussions and debates on this issue. They should seek to work with the Scottish Government in order to ensure that local resources and services are used to best effect to support more consumers to participate in the digital revolution, and to ensure that any major digital participation programme meets the needs of consumers in their local area.

Recommendations

In order to address the issues set out in this chapter, and ensure that all consumers in Scotland are able to make the most of the benefits that digital technology might offer them, we make the following recommendations:

To the UK Government:

We recommend that the UK Government works with the Scottish Government and other stakeholders in Scotland in order to develop both short-term and longer-term funding models for a new Scottish Digital Network.

To the Scottish Government:

We recommend that the Scottish Government continues to develop and take forward plans to use digital technology to transform public service delivery in Scotland.

We recommend that the Scottish Government carries out further research on the extent to which different factors act as a barrier preventing consumers in Scotland from getting the maximum benefit from digital services, including a particular focus on the low levels of broadband take-up in Glasgow.

We recommend that the Scottish Government conducts a mapping exercise to identify all the current activities and initiatives in Scotland designed to tackle barriers to digital participation, including an assessment of the effectiveness of each of these different approaches.

We recommend that the Scottish Government develops a single, joined-up plan for eradicating digital exclusion in Scotland, addressing all of the different barriers that consumers may experience.

We recommend that the Scottish Government considers developing an area-based approach to support the roll-out of its holistic digital inclusion programme.

To Scottish local authorities:

We recommend that all local authorities in Scotland engage with the Scottish Government in order to develop an overarching plan for improving digital participation in Scotland that meets the needs of consumers in different areas, and ensures that local resources and initiatives are used to maximum effect.

To Ofcom:

We recommend that Ofcom works with broadband providers to investigate the potential for the introduction of broadband ‘social tariffs’ and pay-as-you-go broadband services for different groups of disadvantaged consumers.

We recommend that Ofcom enhances its Price Accreditation Scheme to take account of the fact that price is only one factor that consumers might consider when purchasing a digital service – alongside network performance and customer service – and that consumers need all of this information in one place in order to make straightforward comparisons between providers.

We recommend that Ofcom promotes its Price Accreditation Scheme more widely among consumers, digital service providers, and comparison websites.

We recommend that in its work to review the switching processes in digital markets, Ofcom should take into account the Consumer Focus switching principles and the particular barriers to switching experienced by digital consumers in Scotland.

To the Advertising Standards Authority:

We recommend that the Advertising Standards Authority requires broadband providers to use a typical speed range measure when advertising the speed of broadband service they will deliver – rather than the ‘up to’ measure which is in widespread use at present.

To the telecoms industry:

We recommend that telecoms providers provide practical and financial support to help deliver a joined-up, Scottish Government-led plan for eradicating digital exclusion in Scotland.

We recommend that broadband providers work with Ofcom to explore the potential for the introduction of broadband ‘social tariffs’ and pay-as-you-go broadband services for different groups of potentially disadvantaged consumers.

We recommend that broadband providers seek to increase the availability and marketing of USB modems (dongles) as a subscription-free option for consumers who do not want to, or who are not able to, pay a regular bill and who have no landline telephone.

We recommend that telecoms providers should seek to adhere to the Consumer Focus switching principles.

We recommend that broadband providers should use a typical speed range measure when advertising the speed of broadband service they will deliver – rather than the ‘up to’ measure which is currently in widespread use.

5. Representation and redress – making sure consumers’ interests are heard and protected

Overview

Even if a high-quality digital infrastructure were to be put in place, and all consumers had access to the support and help that they need to take advantage of the benefits that digital technology can offer, there would continue to be a clear consumer interest in the digital debate. If digital markets are to truly operate in the consumer interest then consumers’ views must be represented on an ongoing basis as these markets develop. Consumers must also have access to effective redress mechanisms to resolve any problems that they encounter in these markets.

In 2009 Consumer Focus published a detailed Consumer Conditions Survey, which measured UK consumers’ confidence in 45 different markets according to a range of key indicators:

- the range and choice of services available
- living up to expectations
- protecting consumers’ rights
- trustworthiness of advertising and marketing
- ease of comparing quality
- ease of comparing prices

Out of the 45 markets examined, mobile phone networks were ranked 30th and internet service providers 35th¹⁰⁷. This evidence suggests that consumers currently lack confidence in digital markets. Given this low confidence, it is absolutely essential that consumers of digital services have clear structures through which their views can be represented and heard; and robust mechanisms through which any problems or difficulties that they have with digital providers can be resolved.

These issues are particularly critical in rural Scotland, where fewer digital providers are operating. This means that rural consumers are severely restricted in their ability to switch provider if they are unhappy with the service that they receive.

There have been some recent improvements to the redress mechanisms available to consumers in digital markets, but we believe there is still more that could be done. Meanwhile, it is essential that action is taken to safeguard the consumer voice in this market in the future. We set out below some recommendations for how these objectives might be achieved.

¹⁰⁷ *Consumer Conditions Survey*; Consumer Focus; 2009

Getting access to redress

Until recently, Ofcom required telecommunications providers in the UK to comply with two key regulations to enable consumers to resolve any disputes that they had with their provider:

- to have a complaints code of practice which was approved by Ofcom
- to belong to an Ofcom-approved Alternative Dispute Resolution (ADR) scheme and adhere to the final decisions made by that scheme

There are two Ofcom-approved ADR schemes operating in the UK and telecoms providers can opt to join either one¹⁰⁸. The ADR schemes are independent bodies that can examine consumer complaints which have not been resolved within eight weeks. Providers pay a fee when a complaint relating to their service is examined by an ADR scheme, but there is no cost to the consumer.

However, in 2010 Ofcom published research which showed that despite these regulations¹⁰⁹:

- 30 per cent of consumer complaints about telecoms companies are still unresolved 12 weeks after they were initiated – a figure which represents around three million UK consumer complaints each year

- the majority of consumers who have been unable to resolve their complaint satisfactorily have had considerable difficulties in finding information about their telecoms provider's complaints handling process, and in getting their provider to actually recognise that they are trying to make a complaint
- only 8 per cent of consumers in the telecoms sector are aware that they can take a complaint about their provider to an ADR scheme – a considerably lower proportion than in other sectors where similar schemes operate
- Ofcom itself is still receiving a large number of complaints every month from consumers who are unhappy with how their complaint has been handled by their telecoms provider

This state of affairs is clearly not in consumers' interests and action is required in order to improve digital consumers' access to redress. Ofcom has recognised this and has introduced two new regulations to try and improve the situation for consumers.

Since January 2011, all telecoms providers have had to sign up to new minimum standards for complaints handling procedures. These standards, which are known as 'the Ofcom Code', set out minimum requirements in relation to critical issues such as the timescales, accessibility, transparency, and effectiveness of telecoms providers' complaints handling systems. This new, industry-wide code replaces the previous requirement for providers to have their own code of practice which was then approved by Ofcom.

¹⁰⁸The two approved ADR schemes are the Ombudsman Services: Communications and the Communications and Internet Services Adjudication Scheme (CISAS)

¹⁰⁹A *Review of Consumer Complaint Procedures*; Ofcom; 2010

Since July 2011 all telecoms providers have had to comply with new requirements which aim to raise awareness among consumers about their right to use an ADR scheme to sort out unresolved disputes. Since July, providers have been obliged to include relevant information about the ADR scheme of which they are a member on consumers' bills; and will also have to write to consumers whose dispute has not been resolved within eight weeks to inform them of their right to take their dispute to the ADR scheme. These changes are welcome, and we hope that they will lead to consumers' disputes being resolved faster and more satisfactorily.

Meanwhile, in April 2011, Ofcom for the first time published data on the number of complaints it receives about fixed-broadband, fixed-telephone, and mobile phone providers. Ofcom now intends to publish this data on a quarterly basis. Given that Ofcom receives around 450 complaints a day about telecoms providers, this is an extremely positive development which can help consumers to make more informed decisions about which providers to use.

However, clearly many consumers who have a complaint about their telecoms provider will not contact Ofcom. Therefore we believe that all telecoms providers should publish their own complaints data, highlighting the number of customers who have complained to them about different aspects of their service. This would bring a number of important benefits for consumers:

- It would enable consumers to compare how effectively different telecoms companies handle complaints, and factor this into their decision making when considering which telecoms provider to use
- It would act as a spur for providers to improve their complaints handling processes, to provide a good service for those with cause for complaint – in the knowledge that data on the effectiveness of their complaints system will be published

There is precedent from other markets for complaints information being published. For example, Royal Mail publishes an annual statement on the number and type of complaints it has received. Meanwhile, Consumer Focus publishes a quarterly league table giving each of the six largest energy suppliers a 'star rating' based on the number and severity of complaints made to Consumer Focus, Consumer Direct and the Energy Ombudsman over the previous three months. The Financial Services Authority publishes data on complaints regarding financial service providers on a regular basis.

Publishing such information can also bring benefits for providers – highlighting areas for improvement and enabling them develop customer service as an issue which may help to give them a competitive edge in the market.

Ensuring the consumer voice is heard

This is a critical time for the consumer interest in digital markets in Scotland:

- Digital services are increasingly essential for consumers, and lack of access to these services can have hugely negative impacts on the outcomes that consumers can achieve across a whole range of private markets and public services
- A significant investment in the digital infrastructure is required over the next 10 years, and many of the costs of this investment may be passed on to consumers
- The benefits of competition in the market – which should deliver value and quality for consumers – have not yet been fully felt by digital consumers, particularly in rural Scotland where the market has regularly failed to deliver the digital services that consumers need
- Digital markets are large and complex, and this complexity is increasing as new technology rapidly develops, and converges. It is critical that the right regulatory provisions are in place to ensure that this complexity does not have a negative impact on consumers' experiences
- There is currently a range of challenges and issues which are vital to digital consumers which must be addressed – such as affordability, access to advice and information, complaints handling standards, switching processes, and the need to develop the necessary confidence and skills

- Those consumers who are currently among the least likely to have access to the digital services that they need, such as consumers in rural and remote areas and consumers from particular demographic groups, are arguably those who could benefit the most from having reliable, high quality and affordable access to these services

We believe it is essential that the consumer voice is at the heart of the discussions and decision-making processes which inform the direction of travel on these critical issues. The consumer interest is traditionally less well represented in policy debates than the interests of major providers and organised labour. One of the reasons for this is that the consumer interest is usually more diverse and more dispersed than these competing interests.

However, we believe that an independent consumer voice is needed within this policy field. The risk is that without such a voice, digital markets will fail to properly recognise and cater for consumers' needs. The result may be that:

- some consumers will continue to struggle to get access to the digital services that they need
- there will be a lack of choice of digital services for some consumers and a bewildering array of options and choices for others
- consumers may end up paying a disproportionate share of the cost of the necessary investment in the digital infrastructure

- digital products and services may fail to adequately protect consumers' safety and security
- consumers will not receive the clear, accurate and transparent information that they need in order to make the right decisions about the products and services they want and need
- the redress mechanisms available to consumers will fail to adequately resolve their concerns and their complaints
- consumers who are disadvantaged either by their geographic location or their socioeconomic status will continue to suffer from poorer access to digital markets than other consumers

There is currently great uncertainty about the future of two of the bodies responsible for representing the consumer interest in digital markets. The Communications Consumer Panel is being reduced in size and its future beyond 2012 is yet to be determined. Meanwhile Consumer Focus Scotland is due to close in 2013 and its functions either transferred to Citizens Advice Scotland or an alternative body, depending on decisions taken by the UK and Scottish Governments.

We do not express a view as to which body should undertake the work to represent the consumer interest in digital markets in Scotland. This is a decision for policymakers at Westminster and Holyrood. What we are saying is that it is critical that this work is done, and that sufficient resources, powers, skills, knowledge and processes are in place to ensure positive outcomes are achieved for digital consumers in Scotland.

Recommendations

To the UK Government and Scottish Government:

We recommend that the UK and Scottish Governments agree a plan to ensure there are robust, adequately resourced structures to represent the consumer interest in digital markets in Scotland in the future.

To Ofcom:

We recommend that Ofcom investigates options for requiring telecoms providers to publish their own complaints data.

To the telecoms industry:

We recommend that all telecoms providers should publish their own complaints data, regardless of whether this is required by Ofcom or not.



6. Recommendations

We have set out below a summary of the recommendations offered in this paper, arranged by the organisations to which these are addressed.

To the UK Government and Scottish Government:

Digital infrastructure

We recommend that the UK Government and Scottish Government should work together to agree a single, joined-up action plan for the roll-out of next-generation broadband to all consumers in Scotland.

Consumer representation

We recommend that the UK Government and Scottish Government agree a plan to ensure there are robust, adequately resourced structures, to represent the consumer interest in digital markets in Scotland in the future.

To the UK Government:

Digital infrastructure

We recommend that the UK Government issues a direction to Ofcom, indicating the primary objective in the auction of newly available spectrum should be to maximise the number of consumers in remote and rural areas who are provided with a mobile broadband service.

Digital participation

We recommend that the UK Government works with the Scottish Government and other stakeholders in Scotland in order to develop both short-term and longer-term funding models for a new Scottish Digital Network.

To the Scottish Government:

Digital infrastructure

In developing a robust plan to support the roll-out of next generation broadband we recommend that the Scottish Government sets clear and ambitious targets and objectives regarding the proportion of the Scottish population who will be able to access next-generation broadband each year up to 2020; and the speed of broadband service that will be delivered to consumers via this next-generation broadband technology.

We recommend that the plan for next-generation broadband roll-out in Scotland should include detailed proposals for the deployment of this technology in remote and rural areas. This must include scoping work to identify which areas of Scotland are likely to be unserved by the market and will therefore require an alternative solution; and a commitment to delivering this solution at an early stage rather than waiting for the market to fail.

We recommend that the plan for next-generation broadband roll-out in Scotland should explicitly state that this technology will be delivered to 100 per cent of the Scottish population by 2020, and should include a clear set of exceptions criteria which can be used to determine any households that cannot be provided with a service.

We recommend that the governance arrangements for the delivery of the Scottish Government's digital strategy include appropriate consumer representation.

Digital participation

We recommend that the Scottish Government continues to develop and take forward plans to use digital technology to transform public service delivery in Scotland.

We recommend that the Scottish Government carries out further research on the extent to which different factors act as a barrier to consumers in Scotland getting the maximum benefit from digital services.

We recommend that the Scottish Government also conducts a mapping exercise to identify all the different activities and initiatives in Scotland designed to tackle barriers to digital participation.

We recommend that the Scottish Government develops a single, joined-up plan for eradicating digital exclusion in Scotland, covering all of the different barriers that consumers may experience.

We recommend that the Scottish Government considers developing an area-based approach to support the roll-out of its holistic digital inclusion programme.

To Scottish local authorities:

Digital infrastructure

We recommend that all 32 local authorities in Scotland, along with Scottish Enterprise and Highlands and Islands Enterprise, work together and engage fully with the Scottish Government in order to develop a joined-up action plan for the roll-out of next generation broadband in Scotland, which meets the needs of consumers throughout the country.

Digital participation

We recommend that all local authorities in Scotland engage with the Scottish Government in order to develop an overarching plan for improving digital participation in Scotland that meets the needs of consumers in different areas, and ensures that local resources and initiatives are used to maximum effect.

To Ofcom:

Digital infrastructure

We recommend that Ofcom manages future spectrum releases in such a way as to guarantee that at least some of this vital resource is used for the benefit of consumers in rural and remote Scotland, improving their access to broadband and mobile technology. Ofcom should investigate a range of options as to how at least one provider awarded a spectrum licence might be required to make mobile broadband available to a specified proportion of consumers in rural and remote communities in Scotland, with the aim of ensuring that as many consumers as possible can receive a service.

We recommend that in order to inform the future release of spectrum, Ofcom carries out new consumer research to find out directly from consumers how they would like to see the newly available spectrum be released.

Digital participation

We recommend that Ofcom works with broadband providers to investigate the potential for the introduction of broadband 'social tariffs' and pay-as-you-go broadband services to different groups of potentially disadvantaged consumers.

We recommend that Ofcom enhances its Price Accreditation Scheme to take account of the fact that price is only one factor that consumers might consider when purchasing a digital service – alongside network performance and customer service – and that consumers need all of this information in one place in order to make straightforward comparisons between providers.

We recommend that Ofcom promotes its Price Accreditation Scheme more widely among consumers, digital service providers, and comparison websites.

We recommend that in its work to review the switching processes in digital markets, Ofcom takes into account the Consumer Focus switching principles and the particular barriers to switching experienced by digital consumers in Scotland.

Redress

We recommend that Ofcom investigates options for requiring telecoms providers to publish their own complaints data.

To the Advertising Standards Authority:

Digital participation

We recommend that the Advertising Standards Authority requires broadband providers to use a typical speed range measure when advertising the speed of broadband service they will deliver – rather than the ‘up to’ measure which is in widespread use at present.

To the telecoms industry:

Digital infrastructure

We urge telecoms providers to explore to all possible options and approaches that would enable them to deliver next generation broadband services to as many consumers in Scotland as possible, as quickly as possible.

We recommend that broadband providers agree upon, use, and publicise a consistent industry definition of the term ‘superfast’ broadband.

We recommend that digital service providers engage with the UK Government and Scottish Government in order to contribute to the development of a single, joined-up action plan for the roll-out of next-generation broadband across Scotland.

Digital participation

We recommend that telecoms providers provide practical and financial support to help deliver a joined-up, Scottish Government-led plan for eradicating digital exclusion in Scotland.

We recommend that broadband providers work with Ofcom to explore the potential for the introduction of broadband ‘social tariffs’ and pay-as-you-go broadband services for different groups of potentially disadvantaged consumers.

We recommend that broadband providers seek to increase the availability and marketing of USB modems (dongles) as a subscription-free option for consumers who do not want to, or who are not able to, pay a regular bill and who have no landline telephone.

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