



Wholesale mobile voice call
termination
Statement

Annex 11

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Equality Impact Assessment

Introduction

A11.1 Over and above our duties to promote the interests of consumers we are required by statute to have due regard to any potential impacts our proposals may have on race, disability and gender equality. We fulfil these obligations by carrying out an Equality Impact Assessment (EIA), which examines the potential impacts our proposed policy is likely to have on people, depending on their background or identity.

Our views in the April 2010 consultation

A11.2 In the April 2010 consultation, we suggested that consumers who use fixed services are likely to benefit from reductions in MTRs, while the effect on consumers who use mobile services will depend on their price elasticity of demand – broadly, if they have a high elasticity of demand for calls they are likely to benefit, while if they are insensitive to the price of calls they are likely to lose out. Those who use both fixed and mobile may be either positively or negatively affected, depending on their relative use of the two services and their relative price elasticities for both.

A11.3 We then assessed whether the composition of the groups most likely to be affected (either positively or negatively) is skewed with regard to race, disability or gender. We do this in the following way:

11.3.1 In the absence of more disaggregated data, we assessed whether mobile users (including those who also use fixed services) on low incomes or in the DE socio-economic group were more likely to belong to the socio-demographic groups in question, as well as mobile-only users in general. This was used as our proxy for those who were most likely to be negatively affected, although we acknowledged that this was a highly imperfect proxy;¹

11.3.2 We went through the same procedure to assess those most likely to be positively affected, focusing on fixed-only users;² and

11.3.3 We then compared the composition of these groups to that of the wider population to establish whether there would be any (negative or positive) impact on equality.

A11.4 We concluded, on the basis of this analysis, that our proposed decision would not have a material negative impact on race, disability and gender groups.

¹ We considered that mobile-only users with a low elasticity of demand were more likely to be negatively affected, but noted that we did not have data on the demand elasticities or usage of different groups, and that accurately gathering this data would require extensive additional quantitative market research. We therefore used mobile users on low incomes or in DE socio-economic groups as the best (though highly imperfect) proxy for those likely to be negatively affected.

² We considered that fixed-only users and potentially mobile users with a high elasticity of demand were those most likely to benefit, but focused on fixed-only users as could not directly identify users on the basis of their elasticity or amount of usage, and we had no evidence on which groups of users were most likely to be price sensitive.

Views of respondents

- A11.5 Many respondents agreed with our proposals in the April 2010 consultation without discussion including BT, Talk Talk, FCS, Mundio and Telephony Services Ltd.
- A11.6 Conversely H3G³ disagreed on the basis that reducing MTRs will have a significant positive benefit on all identifiable groups. H3G did not provide evidence to support this, instead using their own impact assessment referring to a broad set of consumers to support their views.
- A11.7 Virgin Media disagreed with our analysis, arguing that it lacks robustness – specifically, we could not conclude that *“our proposed recommendation will not have a material negative impact on race, disability and gender groups”* when we make clear that we cannot accurately assess how the recommendation will affect different groups through price changes and can only suggest we will monitor the impact after implementation.⁴
- A11.8 EE’s⁵ and Vodafone’s responses to the EIA relate to the broader group of DE/low income consumers, Vodafone noting that they believe that *“2.6 million low spending customers will be adversely affected by Ofcom’s proposals”*.⁶ The potential impact of our decision on this broader group is addressed in section 8 and annex 3 of the Statement. However neither EE nor Vodafone make direct reference to race, disability and gender equality.
- A11.9 Through the ‘terminate the rate’ campaign, we have received submissions from relevant groups such as Dementia UK, Age Concern, Help the Aged, Carers UK, The Princess Royal Trust for Carers, Cross Road Care and RNID. Although these respondents did not directly address the EIA question, they have expressed support for reductions in termination rates.
- A11.10 O2 did not respond to the EIA in the April 2010 consultation.

Our view of consultation responses and further analysis undertaken

- A11.11 As noted by Virgin Media, accurately predicting the impact on particular groups of citizens is difficult, especially when MTRs are a wholesale charge and therefore not immediately reflected in retail pricing, and we do not have disaggregated elasticity data for particular gender, race and ethnic groups. Our approach has therefore been to use the best proxies available to us for those groups likely to be most negatively and positively affected by our decision, and to then assess whether the composition of these proxy groups is skewed with regard to gender, race or disability. We consider this to be a reasonable approach to our obligation to have due regard to any potential impact our decision may have on race, disability and gender equality.

³ H3G’s response to consultation question 9.10 at paragraph 295 of its response, available at <http://stakeholders.ofcom.org.uk/binaries/consultations/wmctr/responses/H3G.pdf>.

⁴ Page 14 of Virgin Media’s response, available at <http://stakeholders.ofcom.org.uk/binaries/consultations/wmctr/responses/Virgin.pdf>.

⁵ EE’s response to consultation question 9.10 at page 70 of its response (referring to paragraphs 68-85 of its response), available at http://stakeholders.ofcom.org.uk/binaries/consultations/wmctr/responses/Everything_Everywhere.pdf.

⁶ Vodafone’s response to consultation question 9.10 on page 72 of its response, available at <http://stakeholders.ofcom.org.uk/binaries/consultations/wmctr/responses/Vodafone.pdf>.

A11.12 We have updated the analysis used in the April 2010 consultation, but followed the same methodology. Table A11.1 below shows the updated analysis and proportions of each of the above groups who belong to equality groups.

Table A11.1: Proportion of total population and proxy groups who belong to equality groups

	Population as a whole (%)	Mobile-only households (%)	Mobile and fixed households (%) (<£11.5k/DE)		Fixed-only households (%)
Sample size	N=2106	N=326	N=209	N=342	N=145
Percentage female	52	48	61	54	54
Percentage non-white	8	10	8	10	4
Percentage with a disability	17	16	23	24	45

Source: Ofcom Technology Tracker data, Q2 2010. Total base: 2106 UK adults aged 15+

A11.13 From the above table, the instances where there are statistically significant differences⁷ between specific proxy groups and the general population are:

11.13.1 Those living in households with mobile and fixed-line services and in the DE socio-economic group are statistically more likely to have a disability than those in the population as a whole; and

11.13.2 Those living in fixed-only households are statistically more likely to have a disability than those in the population as a whole.

A11.14 The analysis shows that both those consumers who are more likely to benefit from our decision (those in fixed-only households) and the group who we have taken as a proxy for those more likely to be disadvantaged by our decision (those in DE households with fixed and mobile services) are more likely to be disabled, compared to the general population. We note that, on balance, a greater proportion of those in fixed-only households report having a disability than those mobile consumers in the DE socio-economic group, which may indicate that reducing MTRs could be marginally more likely to benefit disabled consumers as a whole. We therefore do not consider that these differences should cause concerns that would warrant a change to our decision.

A11.15 As we highlighted in the April 2010 consultation, the effect of changes to MTRs on consumers will depend on how mobile and fixed operators react with regard to changing retail prices. At this stage it is unclear whether the changes in retail prices

⁷ In our April 2010 consultation, we noted that the data also showed that females were statistically more likely to be in households with mobile and fixed-line services and with an income of less than £11.5k or in the DE socio-economic group, and ethnic minority (non-white) groups were statistically less likely to be in households with fixed-only telephony services. These differences are not statistically significant in the data for Q2 2010 used here.

we anticipate will necessarily affect any specific socio-demographic groups more than the population in general.

- A11.16 However as proposed in the April consultation, we will develop a targeted 'report card' on mobile take-up and subscriptions that will track the impact of lower MTRs, if any. We intend to publish this report card as part of our annual communications market report, published in August each year.
- A11.17 Based on the available information we conclude that the changes in MTRs contained in this statement are unlikely to have a material negative impact on race, disability and gender groups.