



The best deal for consumers
A guide to Ofcom and its work

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Introduction



Telecommunications are an integral part of peoples' lives. We all depend on a wide range of telecoms services such as mobile phones, the Internet and fixed line networks to access and share information.

Oftel regulates the UK telecoms industry so that effective competition will deliver our goal of the best deal for consumers in terms of quality, choice and value for money.

The challenge for us is to ensure the appropriate level of regulation in markets that are constantly changing and developing. Too much regulation can distort and hinder market developments, while too little regulation can leave consumers and competition unprotected from companies with market power.

Oftel must make sure that companies can compete fairly to provide services to consumers, but also that consumers are protected through regulation where competition is not effective. Access to networks, including broadcasting networks, is a key part of this work.

This leaflet explains how Oftel carries out its work, and how it is working with Government, other regulators and the European Commission to ensure consistent regulation across all communications networks.

A handwritten signature in black ink, appearing to read 'David Edmonds'.

David Edmonds
Director General of Telecommunications

September 2001

Protecting consumers and promoting competition



Oftel was set up under the 1984 Telecommunications Act to regulate the UK telecoms market. Telecoms are fundamental to the UK's economy and social inclusion, and Oftel's role is to protect consumers and encourage competition through regulation.

Oftel's powers to regulate are set out in the 1984 Act, licence conditions on telecoms operators and the 1998 Competition Act, which came into force in March 2001.

Protecting and informing consumers

Oftel acts to ensure consumers are protected where markets are not competitive and where consumers have special needs that may affect their use of telecoms and which the market alone will not provide.

Examples of Oftel's work are:

- To ensure that consumers have access to a basic telephony service, Oftel imposes a universal service obligation on BT and Kingston in Hull to provide a service to all consumers on reasonable demand.
- Price controls set by Oftel on BT's residential calls have saved consumers an estimated £40 million over the past four years.
- Oftel's Consumer Representation Section deals with complaints from consumers about their telecoms service provider. They will advise consumers on how to escalate their complaint with the company and when appropriate can intervene on the customer's behalf.

- Consumers need easy access to clear information on the range of products and services available to them so they can make the most of the competitive telecoms market. Oftel encourages the industry to provide information on prices and quality of service and is involved in a number of initiatives. These include the residential price comparison website www.phonebills.org.uk and small businesses website www.telecomsAdvice.org.uk.
- Oftel has four independent country advisory committees that represent the interests of consumers to Oftel. There are also two special interest committees that give advice on how businesses and elderly and disabled people can make the most of the telecoms services available to them.

Promoting competition

Oftel believes that its goal of the best deal for consumers should, wherever possible, be delivered through effective competition. Effective competition delivers choice and lower prices to consumers, as well as opportunities for new services and companies.

Oftel has promoted competition in a number of ways:

- Where a network operator has market power, Oftel will set terms and conditions for other operators to have access to the network. As the largest network operator, BT is required by Oftel to provide cost-based interconnection with other operators' networks. Operators can provide competing services using a combination of their own and BT's networks.
- One example of this work is Oftel's action on unmetered Internet access. This has been given a major boost by Oftel's requirement on BT to allow other service providers to use its network to provide unmetered Internet access to consumers. Oftel was the first European

regulatory authority to make such a requirement, and the resulting competition to provide Internet access has resulted in the UK having some of the cheapest Internet access prices in Europe.

- As the telecoms market becomes more competitive, there is less need for regulation. Oftel will move away from using sector specific regulation and will instead use the Competition Act. The Act gives Oftel tough powers to stop anti-competitive practices and impose fines on companies that breach the Act.
- As markets continue to grow, operators need a constant supply of new telephone numbers, so their customers can access and use the ever-increasing range of telecoms services. Oftel's new national code and number scheme contains nine billion numbers, enough to support the competitive market for the foreseeable future.

Today's telecoms market

With an annual turnover of around £40 billion, today's telecoms market is very different from the one in 1984 when Oftel was created.

The telecoms market has grown both in size and in range of services available to businesses and consumers. The number of fixed lines has grown by 75 per cent since 1984 and cable networks now pass half of all UK homes.

A combination of competition and new technology has brought considerable benefits to consumers. Prices for many telecoms services have fallen, with prices for residential fixed line telephony over 50 per cent cheaper than in 1984.

Whole new markets have been created. There are now over 40 million mobile phone users, with more mobile phones than fixed line telephones in use. The Internet market has also developed, with 40 per cent of UK homes now online.

Regulation in a competitive telecoms market



Oftel's approach to regulation has had to change to take into account today's increasingly diverse and competitive telecoms market.

As competition increases and technology develops ever more rapidly, it is vital that Oftel takes the appropriate regulatory actions that will enable consumers to get the best deal.

The challenge for Oftel is to regulate the telecoms industry without undermining investment and innovation through inappropriate regulation. Over £8 billion of investment is planned over the next few years in new communications networks and services.

Oftel's strategy

Oftel has a strategy of appropriate regulation, where the level of regulation is proportionate to the level of competition. The greater the level of competition in a particular market, the less the need for regulation. Instead, Oftel can rely on general competition law and self- and co-regulation with the industry.

Consumers are at the heart of Oftel's work, and Oftel's goal is the best deal for consumers in terms of quality, choice and value for money. The goal is delivered through four underlying objectives of promoting competition, informing consumers, protecting consumers and preventing anti-competitive practices.

Implementing Oftel's strategy

When markets are changing rapidly in the telecoms sector, ensuring the right level of regulation is vital so that markets can flourish.

Oftel has a rolling programme of market reviews to assess the level of competition in a market and decide the appropriate level of regulation. Reviews so far cover the mobile, fixed line calls, dial-up Internet access and leased lines markets. In the current review of the fixed line calls market, if Oftel finds that competition has increased to a sufficient level to protect consumers, it will withdraw the retail price controls currently in place on BT.

Where necessary however, Oftel will regulate to promote competition. Oftel's action on unmetered Internet access has helped create a flourishing market that has brought considerable benefits to consumers.

Self- and co-regulation

Oftel encourages the industry to use self- and co-regulation where appropriate because it offers a faster and more flexible alternative to sector regulation by Oftel. Operators can work together to resolve issues of common interest. The recent national code and number change is an example where the industry co-operated together to implement the technical changes and publicise the changes to their customers.

Oftel is also working with the industry to set up a new telecoms Ombudsman scheme to resolve disputes between customers and their service providers. Experience has shown that independent Ombudsmen are a cheap and effective way for consumers to get their complaints dealt with without using the courts. A telecoms Ombudsman could order a company to take action to resolve a dispute and could award compensation. Companies that sign up for the Ombudsman scheme will demonstrate their commitment to take complaints from their customers seriously.

Oftel and broadcasting

Oftel is involved in the regulation of certain services related to digital broadcasting. Oftel regulates the provision of conditional access services, which restrict access to individual digital channels to consumers that subscribe to them. Electronic programme guides (EPGs) that list the channels and programmes available on a network are regulated by Oftel in association with the ITC.

Oftel also regulates the provision of access control services. These services include broadcast interactive services like interactive sports channels and shopping through the television set. Oftel has designated Sky Subscriber Services Ltd as a regulated supplier, and requires it to provide its access control system to other broadcasters that want to provide interactive services over Sky's digital network.

The transmission networks used for terrestrial broadcasting are also regulated by Oftel. Oftel sets the price controls ntl and Crown Castle UK charge broadcasters for using their transmission networks.

The impact of new technology

Broadband technology is seen as the next leap forward in telecommunications, which will revolutionise the types of services that can be delivered to consumers.

Video on demand, high speed Internet access and interactive services will be available over cable modems, third generation mobile phones, fixed wireless access and over BT's telephone network through local loop unbundling and BT's wholesale ADSL services.

Much of Oftel's current regulation is focused on enabling these developments to happen. BT is obliged to allow other operators to install DSL equipment in its local exchanges to deliver high speed services, and must also provide wholesale ADSL services to other operators.

Future regulation of the communications sector



Telecoms markets continue to develop and evolve. Markets are becoming more competitive, and digital technology means the same services can be carried over different networks. It is possible to send e-mails from a digital television, download videos over the telephone network and access the Internet using a mobile phone.

This convergence of services has profound implications for regulation. With one single evolving communications sector, there are advantages of having one regulatory framework that applies to all networks – telecoms, television and radio.

The new European framework for regulation

Much of the framework for regulation of the telecoms sector is set at a European level to

ensure a consistent approach to regulation across all member states.

Five new Directives that will set a new framework for regulation of all electronic communications networks are currently being negotiated by the Council of Ministers and European Parliament. The Directives cover a common regulatory framework, universal service, authorisation of networks, access and interconnection, and data protection.

The new Directives will create one regulatory framework for all communications networks, supporting and sustaining competitive markets with an emphasis on withdrawing from regulation where it is no longer needed. This is very much in line with Oftel's approach to regulation.

The new Directives are expected to come into force in spring 2002 and will be implemented over the following 15 months.

Oftel is closely involved in the process with the Commission and other national regulatory authorities, drawing upon its own practical experience of regulating in increasingly competitive markets.

A new UK framework for regulation

Convergence of the different communications networks means that, in the UK, it is no longer appropriate to continue with separate regulators for radio, television, telecommunications and radio spectrum.

In December 2000 the Government published the White Paper 'A New Future for Communications' which set out a new

framework for regulation of the communications sector. The new framework has three important objectives:

- to make the UK home to the most competitive communications and media market in the world;
- to ensure universal access to a choice of diverse services of the highest quality; and
- to ensure that citizens and consumers are safeguarded from overcharging by dominant players and protected with basic standards of decency and privacy.

These objectives will be delivered by a new single regulator for the communications sector called OFCOM – the Office of Communications. It will be made up from bringing together the existing communications regulators – Oftel, the Independent Television Commission, the Radio Authority, the Radiocommunications Agency and the Broadcasting Standards Commission.

A single regulator will ensure a consistent approach to regulation across the different communications networks. OFCOM will be responsible for economic and content regulation, as the new framework covers issues about content and the way that it is carried to people.

Delivering the benefits of convergence to consumers

Convergence is transforming the communications sector and has the potential to bring enormous benefits to consumers. People will have access to hundreds of different broadcast channels, Internet-based services and other specialist information products using a range of different communications networks.

However, the significant cost of building and maintaining a network could limit the number of different communications networks.

A key role for OFCOM will therefore be to ensure access to networks with market power, so that a wide range of services can be delivered to consumers at competitive prices. OFCOM must also ensure that, wherever possible, scarce resources like radio spectrum are freed up to create new communications networks. Competitive markets will mean regulation can be kept to the minimum and general competition law can be used instead to address anti-competitive behaviour when it occurs.

Increasing competition between different networks has created the dynamic telecoms sector that the UK has today, with a wide range of services available to consumers over a number of different networks.

Creating the new OFCOM

Creating the new OFCOM out of the five existing regulators raises a number of important challenges. The role of OFCOM must not simply be to replicate the functions of the five existing regulators. Fresh thinking is needed to map out the responsibilities and functions of the new regulator, so it can help deliver the benefits of convergence to consumers. Once these functions have been agreed, the organisational structure of OFCOM can be drawn up.

All of the current regulators are working closely together to create the new organisation. The regulators have signed a memorandum of understanding and meet regularly to discuss a range of organisational issues. The Government has published the Office of Communications Bill to set up a shadow OFCOM. A draft Communications Bill will be published in this Parliamentary session, with OFCOM due to be in place by 2003.

Oftel key contacts

Switchboard: 020 7634 8700
Website: www.oftel.gov.uk

Consumer Representation Section
0845 714 5000
advice@oftel.gov.uk

Press Office
020 7634 8991
press.office.oftel@gtnet.gov.uk

Research and Information Unit
020 7634 8761
infocent@oftel.gov.uk

Oftel's approach to regulation in increasingly competitive markets is set out in its Strategy statement available in the publications section of its website. The Director General's response to the Government's Green Paper on future communications regulation is also in the publications section.

The Government has set up a dedicated website on the new framework for communications at www.communicationswhitepaper.gov.uk. It contains a copy of the White Paper, responses from the industry and other organisations to the proposals and other supporting documents.

Contact details of other organisations

Department of Trade and Industry
www.dti.gov.uk
020 7215 5000

Department of Culture, Media and Sport
www.culture.gov.uk
020 7211 6200

Independent Television Commission
www.itc.gov.uk
020 7255 3000

Broadcasting Standards Commission
www.bsc.org.uk
020 7808 1000

Radiocommunications Agency
www.radio.gov.uk
020 7211 0211

Radio Authority
www.radioauthority.org.uk
020 7430 2724