Annual Plan 2006/7

Statement

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Section 1

Foreword

Our Annual Plan reflects the rapidly-evolving developments in the communications sector, and changing consumer attitudes and preferences. The nation is embracing digital in all its forms and with enthusiasm. There are now over ten million broadband connections, digital TV is in more than two-thirds of homes and sales of DAB digital radio sets are approaching the three-million mark. In mobile, 3G is taking off, with more than four million users; and there is a growing range of televisual content being delivered, on demand and streamed, over an increasing number of platforms and devices, fixed and mobile, creating new media opportunities for Britain’s creative community.

The transition by many telecommunications operators to next generation, IP-based, networks provides the opportunity for reduced costs and higher efficiency among British business more widely. The increasing roll-out of Local Loop Unbundling (LLU) offers higher-speed data transfer, voice over internet protocol (VoIP) and video downloading for small businesses and home professionals as well as the residential market.

In wireless, the potential of new technologies and standards, such as WiMax, Ultra Wideband and DVB-H, for new business and consumer services, creates a rising demand for more spectrum to be made available, more freely, in the market.

The year ahead will see significant international activity, with the European Union’s review of its framework for electronic communications, the draft directive on TV and other audio-visual content and, in spectrum, the most significant set of international negotiations in over 40 years.

For Ofcom, the big strategic reviews of each part of the communications sector are completed and a key challenge ahead is to ensure in the implementation that they deliver for competition, quality and the consumer. Against that backdrop, Ofcom’s 2006/7 Annual Plan has nine priorities which commanded broad support during the consultation. These are:

- spectrum release: auctions and liberalisation;
- implementation of the telecommunications strategic review;
- continued deregulation;
- next-generation network deployment in telecommunications;
- public service broadcasting: future developments;
- content delivery;
- protection of citizens and consumers;
- availability and access; and
- greater international engagement.

The Annual Plan is a full and ambitious work programme. But it has also been constructed to represent value for money for our stakeholders. We will continue to achieve cost savings; in addition to the 5 per cent real reduction in 2004/5, we anticipate achieving a reduction of around 8 per cent in real terms by the end of 2005/6. In 2006/7 our budget will be £129.5m, a further 5 per cent reduction in real terms. We will continue to improve our efficiency by investing in changes across our operating systems and therefore expect a further reduction in costs in 2007/8. By the end of this period we will have paid off entirely the loan made to fund the creation of Ofcom.

David Currie, Chairman

Stephen A Carter, Chief Executive
Section 2

Priorities

2.1 This section sets out our priorities for 2006/7. In view of the broad support for the nine priorities in our Draft Plan, we have decided to retain them. However, we have changed some of the specific pieces of work that we will carry out under each priority to reflect the comments made by stakeholders.

2.2 The nine priorities, which are not ranked in order of importance, are:

- **Spectrum release: auctions and liberalisation** – we will: release and liberalise spectrum; facilitate spectrum trading; and raise awareness of the opportunities offered by a more market-led approach to spectrum management. More spectrum will be made available for DAB digital radio and we will consider how radio should be licensed in the future. There will also be work to ensure that we maximise the ‘digital dividend’ which results from digital TV switchover.

- **Implementation of the telecoms strategic review** – we will promote competition and innovation in both voice and broadband services by ensuring effective implementation of the Undertakings made by BT Group plc. An essential part of this work will be to evaluate whether the expected benefits for consumers materialise.

- **Continued deregulation** – we will continue to explore opportunities to reduce and better target regulation, taking account of the latest regulatory thinking, such as the recommendations of the Hampton Review. Our Simplification Plan in Annex 1 details the specific ways in which we plan to reduce the burden on stakeholders by removing unnecessary regulation.

- **Next-generation deployment** – we will develop our understanding of how the next generation of telecoms networks and services are evolving and consider the implications for regulation of both core and access networks. In doing so, we will examine the extent to which new networks will increase the availability of higher-speed broadband services.

- **Public service broadcasting: future developments** – there will be continuing work to combine consumer choice with the benefits for citizens of vibrant and enduring public service broadcasting. Following on from the review of public service broadcasting that we completed at the start of 2005, we will: conduct a financial review of Channel 4; develop our proposal for a public service publisher; conclude our work on the television production sector; and carry out further research on local TV. We will also consider how news content is likely to be produced and consumed in the future.

- **Content delivery** – we will examine how new methods of delivering internet and media content are creating opportunities for innovation. This will involve considering: the potential benefits for citizens and consumers; the implications for regulation; and how to ensure appropriate protection for children.

- **Protection of citizens and consumers** – we will protect consumers and citizens by: taking appropriate enforcement action; promoting media literacy; handling complaints via our Contact Centre; carrying out research to understand better the varying needs of different groups within the UK population; and working with Digital UK and the Government to ensure that vulnerable consumers, including older people, receive the
necessary support prior to digital TV switchover. Furthermore, we will: implement the recommendations made by the independent Ofcom Consumer Panel to ensure that the interests of consumers are at the heart of our policy decisions; and seek to define more clearly the interests of citizens.

- **Availability and access** – we will promote availability and access to communications services, such as broadband and digital TV. This will include work to identify areas where market failures make intervention necessary and will be informed by both Ofcom’s audit of the Nations and Regions and by research into the needs of different consumers, including older people, the disabled and small and medium enterprises.

- **International engagement** – we will seek to influence the way that regulatory policy evolves, in particular: the new EU directive on TV and other audio-visual content; the revised EU framework for electronic communications; and international negotiations on spectrum, including the Regional Radio Conference 2006.

2.3 These priorities highlight Ofcom’s wide-ranging responsibilities. In our role as regulator for the communications sector we have many duties, from protecting viewers and listeners against offensive material to ensuring the optimal use of the radio spectrum. We also have an important role in enforcing consumer law, which means protecting consumers against mis-selling and other harmful conduct. And in our role as a competition authority, we aim to make markets work better by tackling and deterring anti-competitive behaviour.
Section 3

Work programme

3.1 In this section we describe our full programme of work for 2006/7 and highlight the projects designed to achieve our priorities.

3.2 We have organised our planned work for 2006/7 into eight areas that represent our aims and activities:

Aims
- addressing citizen and consumer issues;
- encouraging innovation;
- promoting competition;
- pursuing better regulation;

Activities
- engaging internationally;
- providing key services;
- understanding the sector and our stakeholders; and
- operating effectively.

3.3 The work we will be doing in each area is described below and more detail is provided in a table on our website: http://www.ofcom.org.uk/about/accoun/reports_plans/annual_plan0607/projects. The table provides information about our planned projects, including expected outputs and contact details. It will be updated every quarter to reflect changes to our work programme, for example, new developments may mean that the timing of some outputs will change.

3.4 The priorities identified in the previous section are subsets of our eight broad areas of work. For example, the priority of “spectrum release: auction and liberalisation” will form part of our work on “encouraging innovation”. Similarly, “implementation of the telecoms strategic review” falls within our work on “promoting competition”. The eight areas of work are shown in figure 3.1.

Figure 3.1: Ofcom's aims and activities
Addressing citizen and consumer issues

3.5 Our work to address issues affecting citizens and consumers includes three priority areas:

- public service broadcasting: future developments;
- protection of citizens and consumers; and
- availability and access.

3.6 In this section we describe the projects that come within each of these priorities, before setting out other projects designed to address citizen and consumer issues.

Public service broadcasting: future developments

3.7 We will work to ensure that choice for consumers in a digital world is combined with the benefits of more vibrant and enduring public service broadcasting:

- We will review Channel 4’s financial position, taking into account the changing nature of broadcasting.
- Having put forward the idea of a public service publisher as a way of sustaining public service broadcasting, we will develop our thinking about how this might work.
- Following publication of the Government’s White Paper, we will continue to contribute to the BBC Charter Review in relation to areas that overlap with Ofcom’s responsibilities as the decisions taken will affect the provision of public service broadcasting generally.
- We will examine how news content is likely to be produced and consumed in future.
- We will complete our review of the TV production sector.
- We will commission further research into local TV, and other local digital content and services. This will feed into our work to assess the ‘digital dividend’ that will result from digital TV switchover, and our work on the public service publisher.

Protection of citizens and consumers

3.8 There will be a range of work to protect and empower citizens and consumers:

- We will promote media literacy to enable citizens to make better use of communications technologies through increased understanding and engagement with changing media services.
- We will enforce regulations designed to protect consumers against harmful conduct, such as mis-selling.
- We will introduce revised rules concerning the advertising to children of food, initially looking at TV advertising but with the possibility of looking at radio advertising later.
- To ensure a coherent approach across the full range of Ofcom’s responsibilities, we will clarify the way in which we serve the interests of citizens.
• We will develop our plans to empower and protect consumers (following our consultation on consumer policy). We will also review the extent to which consumers are aware of their rights.

• We will implement recommendations made by the independent Ofcom Consumer Panel, using the ‘toolkit’ it developed to ensure that the interests of consumers are at the heart of our policy decisions.

• We will review a number of important issues which affect consumers of communications services, namely switching, migration and mis-selling.

Availability and access

3.9 We will carry out a number of projects to promote availability and access to communications services:

• We will conduct an accessibility and inclusion review. This will identify areas where market failures make intervention necessary to offer people access to services such as broadband and digital TV. This work will be informed by Ofcom’s audit of the Nations and Regions. The research findings will be published shortly and we will then assess the policy implications.

• We will publish a statement setting out the obligations on suppliers with a Universal Service Obligation.

• We will continue work to ensure that broadcasters meet their obligations to provide TV access services, such as signing, sub-titling and audio description.

• We will encourage the availability of electronic communications’ apparatus that can be used easily by the widest range of individuals, including those with disabilities.

Other work to address citizen and consumer issues

3.10 In addition to the work which relates to our priorities, there will be a number of other significant projects:

• Broadcasting standards – we will continue to ensure broadcasters maintain standards in radio and TV by enforcing Ofcom’s Broadcasting Code. We are also planning to review how we handle complaints and impose sanctions concerning breaches of the Broadcasting Code and licence conditions. In doing so, we will consider the possibility of introducing a ‘Broadcaster First’ scheme. We will also publish revised procedures in relation to the separate process of handling complaints about fairness and privacy (following our recent public consultation).

• Diversity – we will carry out work to promote a best practice approach to equal opportunities in the broadcasting sector.

• Public service broadcasting obligations – we will:
  • assess and track the delivery of public service broadcasting;
  • ensure that broadcasters comply with their obligations to produce annual statements of programme policy and reviews of their output; and
  • publish an annual review of the public service broadcasting sector, featuring the latest industry and consumer statistics.
• ITV networking arrangements – we will conduct the 2006 review of the ITV networking arrangements.

• Codes of practice for independent production – we will review the codes governing the commissioning relationship between broadcasters and the independent production sector.

• Codes on funding – there will be further work to develop policies on product placement, channel sponsorship and appeals for funds.

• Electronic programme guide (EPG) code – we will review the electronic programme guide code, building on our work on technical platform services.

Encouraging innovation

3.11 The work we will be doing to encourage innovation includes three priority areas:

• spectrum release: auctions and liberalisation;

• next generation deployment; and

• content delivery.

3.12 In this section we describe the projects that come within each of these priorities, before setting out other projects aimed at encouraging innovation.

Spectrum release: auctions and liberalisation

3.13 There will a significant number of projects concerned with enabling a more market-led approach to spectrum management and making more spectrum available:

• We plan to auction a number of bands of spectrum, including parts of: 10, 28 and 32 GHz; 1452 to 1492 MHz (part of the L-Band); 1781.7 to 1785 MHz (DECT guard band); 1785 to 1805 MHz (Northern Ireland); 412 to 414 MHz paired with 422 to 424 MHz; 872 to 876 paired with 917 to 921 MHz.

• We will make proposals in relation to the ‘digital dividend’ which will result from ultra high frequency (UHF) spectrum becoming available following digital TV switchover, and identify the most effective means of releasing this spectrum to the market.

• We will produce regulations to increase the availability of spectrum for licence-exempt use.

• To enable the further development of spectrum markets, we will:
  o implement the recommendations of the Independent Audit of Spectrum Holdings carried out by Professor Martin Cave (in so far as they apply to Ofcom);
  o introduce regulations to provide recognised spectrum access for radio astronomy;
  o continue gathering information about the possibility of introducing recognised spectrum access for other services;
  o develop our thinking on the provision of information about spectrum, to enable markets to function better;
make decisions about spectrum pricing for broadcasting and radars;

- develop our policy on spectrum pricing generally, with this work including an examination of the scope for simplification, and the links between spectrum trading and liberalisation;

- develop our policy on the application of spectrum trading and liberalisation to the mobile sector;

- re-design the business radio licence classes to allow greater flexibility of use and greater scope for spectrum trading;

- develop a new model for spectrum usage rights;

- investigate the possibility of allowing higher power transmission in rural areas to facilitate wireless broadband services;

- enable the use of ultra wideband technology in the UK; and

- examine the possibility of a more market-led approach to managing spectrum used for programme making and special events.

Next-generation deployment

3.14 Enabling the development of next-generation telecoms networks is also a priority. We will consider how telecoms networks and services are developing and explore the implications for regulation:

- This will include developing a regulatory framework that will encourage investment in next-generation networks, while at the same time enabling sustainable competition at the network level.

- We will also be looking at next-generation access networks, including the extent to which higher-speed broadband services will become available, and assessing different policy options.

Content delivery

3.15 We will continue our work to understand how digital multi-media platforms are evolving. This will involve exploring how new methods of delivering internet and media content are creating opportunities for innovation and examining the potential benefits for citizens and consumers. We will also consider the implications for regulation, and ensure appropriate protection for children.

Other work to encourage innovation

3.16 We will seek to encourage innovation through a number of other projects:

- Digital TV switchover – during 2005, plans for digital TV switchover moved into an important new implementation phase. Although Digital UK has now been established as the primary delivery vehicle, Ofcom maintains a substantial role. We will continue to lead in three areas: planning and management of the spectrum used for Digital Terrestrial TV (DTT); licensing and regulation of digital TV services; and research and analysis about switchover-related issues and digital TV generally. This translates into work to:

  o monitor consumer issues relating to switchover;
• manage the spectrum plan and licensing regime for the DTT multiplexes;
• examine the options for future regulation to ensure effective competition between broadcasters using the DTT platform, and between digital TV platforms generally;
• report on the progress towards switchover in the UK in the Digital Television Quarterly Update and publish research on specific switchover-related issues during the course of the year; and
• contribute fully to the UK’s switchover programme, ensuring that our work is co-ordinated effectively with Digital UK, the Government and other stakeholders.

- Radio licensing – we will issue a range of new licences for: DAB digital radio (using VHF Band III spectrum); community radio services; FM commercial radio services; and restricted services.
- The future of radio – we will explore developments in technology and spectrum, and consider how the spectrum currently used by analogue (FM and AM) radio broadcasters could be used in future. We will also consider how the licensing regime for radio should evolve, looking in particular at the policy options for: re-licensing existing analogue commercial radio stations; and the migration of small commercial and community radio stations to a digital platform.
- Radio format changes – we will process requests for format changes in analogue commercial radio and review formats where there is a change in control of radio stations.
- Regulation and the internet – we will carry out a survey of regulatory, public policy and institutional developments in relation to the internet.
- Numbering – we will develop a new telephone numbering strategy that leads to both the efficient use of numbers and consumer confidence in the numbering system. Meanwhile, we will continue to allocate numbers to communications providers and maintain the National Telephone Numbering Plan.
- Number Translation Services – we will develop our policy on number translation services and will consult further on policy options.

Promoting competition

3.17 There will be a wide range of work to promote competition in telecoms and broadcasting markets, including one of our priorities: implementing the telecoms strategic review.

Implementing the telecoms strategic review

3.18 We will promote competition and innovation in both voice and broadband services by ensuring effective implementation of the Undertakings made by BT Group plc. In particular, we will:

- monitor the implementation of those aspects of the Undertakings that require BT to make changes to governance or organisational arrangements; and
- evaluate the impact of the Undertakings, in particular whether the expected benefits for consumers materialise.
Other work to promote competition

3.19 As well as our work to implement the telecoms strategic review, there will be a range of other projects aimed at promoting competition:

- **Voice telephony** – to promote competition in voice markets we will:
  - ensure that equivalent inputs are available to suppliers using BT’s wholesale line rental products to offer services to consumers;
  - consider relaxing the existing price control on BT’s retail services;
  - review our policy on voice over internet protocol (or VoIP) services; and
  - review the wholesale market for international calls.

- **Broadband** – we will promote competition among suppliers of broadband services by beginning a review of the wholesale broadband access market.

- **Business telecoms** – to ensure that businesses benefit from fair competition in the supply of telecoms services, we will:
  - review whether competition in retail business markets has developed sufficiently to enable further deregulation; and
  - review the markets for leased lines to assess the extent to which there are geographic variations in the level of competition.

- **Directory enquiries** – we will examine and review the structure and regulation of the wholesale market for directory information.

- **Mobile** – we will review the extent to which competition is delivering benefits for consumers by:
  - examining whether mobile call termination charges should continue to be controlled;
  - monitoring developments in the mobile sector and analysing emerging trends; and
  - reviewing the wholesale international roaming market and, as a Europe-wide solution is needed, seeking to influence the position taken by the European Regulators’ Group.

- **Broadcasting** – there will be a substantial amount of work to promote competition in broadcasting markets, which will include:
  - carrying out market impact assessments for new BBC services;
  - publishing new codes on cross-promotion;
  - analysing the degree of competition between different broadcasting platforms;
  - defining the economic market which radio falls within, in particular, whether newspapers are in the same market; and
• issuing new guidelines on conditional access and technical platform services.

• Competition law – we will investigate allegations of anti-competitive behaviour and take enforcement action where appropriate.

• Business rates – we will examine the way that business rates are levied on suppliers of communications services and assess the extent to which this stifles competition, particularly from operators using local loop unbundling (LLU).

Pursuing better regulation

3.20 One of our priorities will be to reduce and target regulation across the full range Ofcom’s responsibilities.

3.21 The work we will be doing to reduce regulation is set out in the Simplification Plan in Annex 1. Publishing the plan is a useful discipline which will provide stakeholders with a clear understanding of how they can expect regulation to be reduced. Government departments and other regulators will be publishing their own simplification plans during the course of this year.

3.22 The Simplification Plan describes the statutory framework which governs our work and explains our strategic approach to regulation. It then details what we will do to remove and streamline regulation. We have taken into account the administrative burdens which we impose on stakeholders and the Simplification Plan shows how we will reduce these burdens.

3.23 More broadly, we will be seeking to improve our approach to regulation:

• Impact assessments – in July 2005 we published guidelines based on current best practice, including Cabinet Office guidance. In the coming year, we will do further work to embed our approach to impact assessments in order to improve our policy decisions. In particular, we will ensure that impact assessments begin at an early stage of project development, allowing a full range of options to be considered and encouraging early dialogue with stakeholders. We will also be using impact assessments to ensure that the interests of citizens and consumers are placed at the heart of our decisions, in line with the recommendations of our independent Consumer Panel.

• Evaluation – we intend to expand our programme of evaluation by looking at the impact of particular policy decisions. We will assess whether the expected benefits have materialised and whether our regulatory principles have been applied in practice.

• Media ownership – we will carry out a review of media ownership rules as required by the Communications Act 2003.

• Approaches to regulation – we will complete our work to analyse regulatory approaches around the world, culminating in the publication of a collection of essays which we hope will generate further debate and inform our future decisions.

Engaging internationally

3.24 International engagement will be a priority for Ofcom in 2006/7, reflecting the range of international developments which will affect the regulatory framework for communications in the UK. Our international activities fall into three main areas:
• EU framework for electronic networks and services – we will contribute to the development of a revised EU framework, with Ofcom’s chairmanship of the European Regulators’ Group during 2006 offering an important opportunity to provide leadership.

• EU directive on TV and other audio-visual content – we will seek to ensure that the revised directive reflects our aspirations and those of our stakeholders.

• Spectrum – we will be contributing to international negotiations on spectrum in a variety of arenas, including the International Telecommunication Union (ITU) Regional Radio Conference 2006. We will also be preparing for the World Radio Conference in 2007.

Providing key services

3.25 Ofcom provides some key services to our stakeholders. They fall into four categories:

• Supporting authorised use of spectrum – work in this area will include:
  o facilitating access to the spectrum needed for the 2012 Olympic Games;
  o supplying business radio licences to enable businesses to make use of spectrum;
  o developing and implementing a policy on authorising the use of higher frequencies i.e. above 60 GHz;
  o developing a regulatory framework for the deployment of GSM networks on aircraft;
  o enabling the use of spectrum by fixed wireless, mobile and satellite users; and
  o preparing to assess 3G licensees’ compliance with roll-out obligations.

• Licensing access to spectrum – we will continue to issue: licences for the use of spectrum; and Broadcasting Act licences for UK TV channels and radio services.

• Keeping spectrum free of interference – taking action to prevent interference is another important function, which includes:
  o ensuring that safety-of-life communications systems are kept free of interference;
  o removing non-compliant equipment from the market; and
  o stopping the illegal use of spectrum, for example, by shutting down illegal broadcasters.

• Providing advice via our Contact Centre – we will respond efficiently to enquiries from stakeholders and feed into the policy-making process the issues which are raised.

Understanding the sector and our stakeholders

3.26 To ensure that we have a strong evidence base to inform our thinking and decision-making, we will carry out a comprehensive programme of research:
• We will complete our audit of the Nations and Regions, identifying the key issues for stakeholders regarding availability, take-up and consumption of communications services, broken down by age, social class, nation and region. We will be publishing our research findings in *The Communications Market: Nations and Regions Report*, and will then be assessing the policy implications.

• We will publish a survey, *The Digital Consumer*, which will examine the ways in which consumers value communications services, focusing on the attitudes which different groups share. This survey will help to inform future consumer studies and enable us to identify areas where consumer needs are not being met.

• We will commission research to help us learn more about the communications issues which affect young people (in conjunction with the Carnegie Trust). This will help to inform our work to protect and empower consumers.

• We will carry out research to better understand ethnic minorities and the issues they face, building on the conclusions of our audit of the Nations and Regions and our media literacy research. This will be followed in 2007/8 by research on older and disabled people.

• We will publish research on the issues affecting small and medium enterprises (SMEs), including the take-up of key communications services.

• We will monitor and report on specific developments in relation to digital TV, broadband, mobile services and other fast-moving technologies. Our *Digital Progress Reports* will review advances in these areas.

• We will undertake an annual assessment of consumer issues and concerns, examining how the consumer interest is being served, and how it can be further served in the future.

• We will publish our annual review of industry and consumer developments, *The Communications Market 2006*, and its sister publication, *The Communications Market: International Report*. We will also continue to publish relevant industry statistics on a regular basis.

**Operating effectively**

3.27 There are a number of projects that will help Ofcom to operate more effectively, including:

• improving the information technology services within Ofcom;

• re-organising our business processes and systems to achieve the most efficient and integrated use of resources;

• managing the Spectrum Efficiency Scheme to help understand technological developments and enhance the efficiency with which spectrum is used;

• exploring ways of achieving a more diverse workforce and encouraging diversity in the communications sector more generally; and

• providing high-quality support to Ofcom’s advisory panels and committees.
Annex 1

Simplification Plan

A1.1 Ofcom operates with a bias against intervention and where intervention is necessary, uses the least intrusive regulatory mechanism. We have already taken substantial steps to reduce and simplify regulation and these deregulatory activities have been highlighted each year in our Annual Report.

A1.2 One of our priorities for 2006/7 is to continue to reduce and better target regulation across the full range of Ofcom’s responsibilities, and many of the projects in our Annual Plan could lead to deregulation or reduced regulatory burdens.

A1.3 Following the approach taken by Government departments, we are this year publishing a separate Simplification Plan which: explains the background to this initiative; describes our approach to regulation; highlights our planned deregulatory activities; provides further information about the administrative burdens we place on our stakeholders; and explains how we intend to reduce these burdens.

The Government’s better regulation agenda

A1.4 The Government’s response to the Better Regulation Task Force report Less is More committed all Government departments to publishing rolling programmes of simplification. This means identifying regulations that can be simplified, repealed, reformed or consolidated, and making proposals for reducing administrative burdens.

A1.5 Ofcom welcomed the Task Force’s report, together with Philip Hampton’s report Reducing Administrative Burdens: Effective Inspection and Enforcement. In putting together our Simplification Plan, we have taken into account the latest regulatory thinking and guidance from the Cabinet Office.

A1.6 In implementing the Task Force’s recommendations, the Cabinet Office has estimated the administrative burdens placed on businesses, charities and the voluntary sector by both legislation and by the regulation imposed by independent regulators. Ofcom has contributed to this work and the results are detailed below.

Ofcom’s statutory framework

A1.7 Ofcom operates within a statutory framework created primarily by the Communications Act 2003. Our principal duty is to:

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

A1.8 The Communications Act specifies certain functions we must carry out in order to fulfil this duty. We must:

- achieve the optimal use of the electro-magnetic spectrum;
- ensure that a wide range of electronic communications services are available throughout the UK;
• ensure a wide range of TV and radio services of high quality and wide appeal are available throughout the UK;
• maintain plurality in the provision of broadcasting;
• provide audiences with adequate protection against offensive and harmful material; and
• provide audiences with adequate protection against unfairness or unwarranted infringements of privacy.

A1.9 The Communications Act was also one of the first major pieces of legislation to incorporate the better regulation principles developed by the Better Regulation Task Force. These principles require Ofcom to act in a way which is transparent, accountable, proportionate, consistent and targeted. We must also have regard to any other principles representing best regulatory practice. This reflects Parliament’s recognition that regulatory thinking would evolve.

A1.10 Furthermore, we have a duty to ensure that regulation does not impose burdens which are unnecessary, or maintain burdens which have become unnecessary. We are also required to carry out impact assessments, a process which helps promote better policy-making.

A1.11 In order to carry out our functions in accordance with best practice we have developed a set of regulatory principles. These are set out in figure A1.1.

**Figure A1.1: Ofcom’s regulatory principles**

**When we regulate**

• Ofcom will operate with a bias against intervention, but with a willingness to intervene promptly and effectively where required.
• Ofcom will intervene where there is a specific statutory duty to work towards a public policy goal that markets alone cannot achieve.

**How we regulate**

• Ofcom will always seek the least intrusive regulatory methods of achieving our policy objectives.
• Ofcom will strive to ensure that our interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.
• Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated policy objectives.

**How we support regulation**

• Ofcom will research markets constantly and will aim to remain at the forefront of technological understanding.
• Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.
Ofcom’s strategic approach

A1.12 An important element of Ofcom’s approach to regulation has been to conduct major strategic reviews of telecoms, spectrum and public service broadcasting. In these reviews, we have considered how these sectors are likely to evolve and the key issues requiring regulatory action. In this way, we can target regulation more effectively and remove regulation which is no longer necessary.

A1.13 In developing our Annual Plan 2006/7, we have identified nine strategic priorities. These priorities reflect: comments from stakeholders; developments in the communications sector; the outcomes of our strategic reviews; and the fact that our resources are limited. One of our priorities is continued deregulation and we have identified a number of areas where there may be scope to reduce regulation. Any such reduction will generally lead to a reduction in the administrative burden on stakeholders.

A1.14 We also seek to use the least intrusive means of achieving our objectives. For example, we will promote self- and co-regulation where appropriate, thus reducing the regulatory burden on our stakeholders.

A1.15 It is worth noting, however, that in order for us to perform our regulatory functions we have to impose some administrative burdens on our stakeholders, for example, by gathering the evidence needed to support our decisions.

A1.16 In some areas of our work, we are directly seeking to reduce administrative costs. An example is spectrum licensing. Ofcom currently issues a large number of non-discretionary Wireless Telegraphy Act licences. Each year we issue or renew around 200,000 licences for businesses and private individuals. For each licence class Ofcom is considering:

- whether the current licensing regime (which generally involves annual renewal) can be replaced by a simpler one, for example, lifetime licensing or the removal of the need for a licence altogether; or

- where licensing continues to be necessary, what can be done to ensure that the process is as straightforward as possible, for example, by ensuring that applications can be made online.

Removing and streamlining regulation

A1.17 Figure A1.2 sets out details of Ofcom’s work plan for 2006/7, focusing on the activities which may contribute to a reduction in regulation. This table is a subset of the table on our website which details all our projects for 2006/7. Proposed changes to policy will be subject to consultation.

A1.18 We have not attempted to quantify the expected reduction in the regulatory burden. In most cases, however, a proposed reduction in regulation will be subject to an impact assessment. Where possible, we will quantify the costs and benefits associated with the proposed policy options, including a reduction in regulation.
**Figure A1.2: Ofcom’s plans to consider scope for reducing or streamlining regulation**

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<th>Theme</th>
<th>Planned work to reduce / streamline regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Addressing citizen and consumer issues</strong></td>
<td></td>
</tr>
<tr>
<td>Metering and billing</td>
<td>Review the way in which companies have their metering and billing systems approved, seeking to use the least intrusive regulatory mechanisms.</td>
</tr>
<tr>
<td>Review of procedures for handling broadcasting standards cases</td>
<td>Review Ofcom’s process for handling complaints and imposing sanctions in relation to broadcasting standards – this will consider scope for streamlining.</td>
</tr>
<tr>
<td>Deregulation of funding code changes</td>
<td>Follow-up the consultation proposing reduced regulation for product placement, channel sponsorship and appeals for funds.</td>
</tr>
<tr>
<td>Training co-regulation</td>
<td>Provide support for the co-regulatory Broadcast Training Skills Regulator.</td>
</tr>
<tr>
<td><strong>Encouraging innovation</strong></td>
<td></td>
</tr>
<tr>
<td>Spectrum awards (various projects)</td>
<td>Provide spectrum to the market with the minimum of restrictions.</td>
</tr>
<tr>
<td>Licence exemption: general review</td>
<td>Review policy towards licence exemption, including the opportunities for moving further towards technology and usage neutrality.</td>
</tr>
<tr>
<td>Spectrum pricing: general policy</td>
<td>Develop policy towards spectrum pricing – including scope for simplification.</td>
</tr>
<tr>
<td>Spectrum trading and liberalisation: 2G/3G</td>
<td>Develop Ofcom’s policy on the application of trading and liberalisation to the mobile sector.</td>
</tr>
<tr>
<td>Spectrum trading and liberalisation: business radio</td>
<td>Re-design business radio licence classes to allow greater flexibility of use and greater scope for spectrum trading.</td>
</tr>
<tr>
<td>Licence exemption: potential for high power in rural areas</td>
<td>Examine potential for allowing higher power for licence-exempt use of the spectrum in rural areas.</td>
</tr>
<tr>
<td>Spectrum for programme making and special events (PMSE)</td>
<td>Examine the opportunities for a more market-based approach to managing spectrum used for programme making and special events.</td>
</tr>
<tr>
<td>Review of spectrum policy in satellite sector</td>
<td>Review the way in which Ofcom facilitates spectrum access for satellite operators.</td>
</tr>
<tr>
<td>Convergent media</td>
<td>Develop a regulatory model appropriate for the future content landscape – this will consider scope for less regulation in future.</td>
</tr>
<tr>
<td>Future of radio</td>
<td>This will look at the future of radio licensing, with the aim of reducing regulation where possible.</td>
</tr>
<tr>
<td>Numbering strategy</td>
<td>Examine options for more market-orientated approaches to number allocation.</td>
</tr>
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### Theme

<table>
<thead>
<tr>
<th>Promoting competition</th>
<th>Planned work to reduce / streamline regulation</th>
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<tbody>
<tr>
<td>Review of retail price control</td>
<td>Consider replacing or relaxing the existing price control for BT’s retail services when it expires in July 2006.</td>
</tr>
<tr>
<td>Review of market for wholesale international direct dial calls</td>
<td>Review the wholesale market for international services – current proposals are to remove ex-ante regulation in all 112 regulated markets.</td>
</tr>
<tr>
<td>Wholesale broadband access market review</td>
<td>Begin to review the wholesale broadband access market – this will consider scope for reducing regulation, if appropriate.</td>
</tr>
<tr>
<td>Business pricing</td>
<td>Review the scope for further deregulation of retail business markets.</td>
</tr>
<tr>
<td>Geographic leased lines</td>
<td>Analyse geographic variations in competition conditions in leased lines markets – this could lead to more targeted regulation.</td>
</tr>
<tr>
<td>Cross-promotion code review</td>
<td>Publish revised codes on cross-promotion – current proposals would reduce the amount of regulation.</td>
</tr>
</tbody>
</table>

### Pursuing better regulation

<table>
<thead>
<tr>
<th>Better regulation</th>
<th>Continue work to improve our approach to regulation and take account of and respond to Government initiatives.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeronautical radio</td>
<td>Identify ways to reduce the regulatory burden of spectrum licensing in the aeronautical sector.</td>
</tr>
<tr>
<td>Amateur radio</td>
<td>Implement a lighter licensing regime for amateur radio use.</td>
</tr>
<tr>
<td>Citizens’ band and community audio distribution (CAD)</td>
<td>Reduce the regulatory burden on users of Citizens’ Band and introduce a lighter licensing or licence-exempt regime for community audio distribution (CAD).</td>
</tr>
<tr>
<td>Review of site clearance and National Frequency Assignment Panel procedures (NFAP)</td>
<td>Review procedures relating to site clearance and NFAP in order to streamline the authorisation process.</td>
</tr>
<tr>
<td>Ships’ radio</td>
<td>Implement lighter licensing regime for ships’ radios.</td>
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</table>

### Engaging internationally

| Telecommunications framework review | Press for the revised EU framework to reflect Ofcom’s objectives, in particular: |
|-----------------------------------|• maintaining Ofcom’s current degree of regulatory discretion in applying the framework in the UK; and |
|                                   |• providing scope for deregulation where appropriate, e.g. in the list of mandatory markets. |
| Leadership to the European Regulators’ Group | Ensure that its work becomes more transparent. |
| International strategy on content / broadcasting | Work with industry stakeholders to lead the debate on regulatory approaches and on scope for effective self-regulatory and co-regulatory models. |

### Providing key services

<table>
<thead>
<tr>
<th>Wireless Telegraphy Act consolidation</th>
<th>Ensure that any consolidation Act meets Ofcom objectives and makes the legislation easier to find and use.</th>
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<tbody>
<tr>
<td>Spectrum access (various projects)</td>
<td>Provide spectrum access by issuing licences and continue work to liberalise the licensing regime.</td>
</tr>
</tbody>
</table>

### Operating effectively

| Field operations business transformation | 1. Cease routine spectrum compliance inspections, focusing instead on targeted enforcement. |
|------------------------------------------| 2. Modernise the field force teams, improvement in delivery, governance and quality of service. |
The administrative burdens Ofcom imposes

A1.19 The Cabinet Office has been seeking to quantify the administrative burdens imposed on businesses, charities and the voluntary sector by Government departments and regulators. The exercise involved the following key steps:

- Cabinet Office identified the legislative clauses which create an administrative burden by imposing an obligation to supply information. In relation to the communications sector, obligations are contained in the Communications Act, the Broadcasting Acts, and the Wireless Telegraphy Acts;
- Ofcom estimated how often the information has to be provided; and
- Cabinet Office estimated the cost of supplying the information on each occasion by contacting businesses.

A1.20 The intention is that this base information will enable Cabinet Office to calculate the annual cost of the administrative burden imposed:

- by each legislative requirement;
- by each Government department and regulator; and
- across Government as a whole.

A1.21 When our Annual Plan went to press, this exercise had not been completed. However, using the Cabinet Office’s methodology, we estimate that the overall cost imposed on our stakeholders is around £6m. This takes account of obligations to both provide information directly to Ofcom and to provide information to third parties, for example, to publish price information.

A1.22 However, we believe that there may be additional administrative burdens on our stakeholders which the Cabinet Office’s approach has not identified. For example:

- where obligations are imposed through sectoral regulation (rather than being linked to a specific legislative clause), the associated administrative burden may not have been taken into account; and
- because the Cabinet Office’s approach focuses on the burdens imposed by specific legislative provisions, the burden on stakeholders of responding to the wide range of consultations which we carry out may not have been reflected in full.

A1.23 We have therefore built on the Cabinet Office’s work by carrying out some further investigations. As a result, we believe that the total administrative burden on our stakeholders is likely to be more than the estimate of £6m mentioned above.

A1.24 The exercise led by Cabinet Office and our additional analysis have proved very helpful in identifying the areas where we impose the most significant administrative burdens. The top five areas are listed in Figure A1.3 below and in respect of each of them, we estimate that the cost to our stakeholders is in the region of £2m per year. In some cases, it may be more than that.
**Figure A1.3: Top five administrative burdens on businesses**

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Issuing / renewing 57,000 Wireless Telegraphy Act licences to businesses every year</td>
<td></td>
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<tr>
<td>BT financial reporting</td>
<td></td>
</tr>
<tr>
<td>Responding to consultations</td>
<td></td>
</tr>
<tr>
<td>Broadcasters’ involvement in programme complaints (including retention of recordings of broadcasting programmes)</td>
<td></td>
</tr>
<tr>
<td>Ad-hoc information obligations relating to market reviews, and complaints and disputes</td>
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**How our plans will reduce administrative burdens**

A1.25 We believe that the activities set out in our Annual Plan will help to reduce the burdens imposed in the five areas mentioned above. Figure A1.4 explains how these reductions will be achieved.

A1.26 The combination of activities indicated in figure A1.4 is estimated to produce savings of at least £1m-£1.5m.

A1.27 The savings indicated relate to reductions in the administrative burdens on businesses and do not reflect other cost savings. For example, Ofcom’s plans for reducing Wireless Telegraphy Act licensing activity will involve:

- a reduced administrative burden for private individuals. This has not been quantified, but the majority of the 150,000 licence applications and renewals will no longer be needed;

- a net reduction in Ofcom’s operating costs of about £1m per annum; and

- a reduction in licence fees payable of about £2.4m per annum (revenue which will be lost by HM Treasury).
### Administrative burden | Scope for reduction

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<tbody>
<tr>
<td>Issuing / renewing 57,000 Wireless Telegraphy Act licences for businesses every year</td>
<td>Ofcom plans to reduce the need for annual renewal of licences. This is expected to very substantially reduce the number of licences issued overall and reduce those to businesses by over 25 per cent. We also plan to simplify the licensing process, e.g. by introducing online applications.</td>
</tr>
<tr>
<td>BT financial reporting</td>
<td>Ofcom is currently reviewing the information required from BT with a view to: maximising the value derived from regulatory financial information; and ensuring that we do not require BT to provide information which is unnecessary. As part of the review we will balance the scope for cost savings against the benefits the information provides.</td>
</tr>
<tr>
<td>Responding to consultations</td>
<td>Ofcom’s actions will affect people and organisations across the UK. It is very important that we take our decisions at the right time and in the right way, with decisions based on evidence and taking into account the views of those who have an interest in the outcome. Consultation plays an important part in achieving this. Every year we consult on our proposed work programme for the coming year – generally this leads to calls for us to increase rather than reduce our regulatory activity. While we recognise the costs consultations impose on stakeholders, there is considerable benefit to all involved in ensuring that existing and new regulations are properly reviewed.</td>
</tr>
<tr>
<td>Broadcasters involvement in programme complaints</td>
<td>Retention of recordings is a specific statutory requirement which leaves little room for Ofcom discretion. However, we will be conducting a full examination of the broadcasting complaints process and will consider the scope for streamlining the process.</td>
</tr>
<tr>
<td>Ad-hoc information obligations relating to market reviews, and complaints and disputes</td>
<td>Ofcom will be engaging internationally and will press for the revised EU framework for electronic communications to provide scope for deregulation where appropriate, for example, in the list of mandatory markets. Market reviews are a key way in which we determine the appropriate level of regulation for a market – they are one of the ways in which we identify opportunities for deregulation. Ofcom will continue to ensure that it applies its guidelines on handling complaints and disputes. The guidelines are intended to reduce unwarranted regulatory intervention and allow Ofcom to focus on the most serious competition issues in the sector.</td>
</tr>
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Annex 2

Summary of responses

A2.1 There were over 50 written responses to the consultation on the Draft Annual Plan 2006/7 and more than 380 people attended our public events in Plymouth, London, Liverpool, Cardiff, Caernarfon, Dumfries, Glasgow, Belfast and Londonderry. Non-confidential responses can be found on the Ofcom website: http://www.ofcom.org.uk/consult/condocs/annual_plan2006/responses/

A2.2 All responses and feedback from stakeholders have been considered in finalising the Annual Plan. Responses that relate to a specific project have been passed to the appropriate project manager for further consideration.

A2.3 Most stakeholders supported our priorities and welcomed our planned programme of work. There was strong support for spectrum release as one of our priorities, although several respondents suggested a need to look beyond a market-led approach in some instances. In particular, stakeholders welcomed our work to assess the ‘digital dividend’ and a number said it should be used to deliver public service broadcasting content, including local TV.

A2.4 The need to promote access to existing communications services and next-generation telecoms networks was raised in many responses, with stakeholders saying that we need to understand the particular problems faced by some groups, for example, individuals and businesses in rural areas.

A2.5 More generally, the need to extend and deepen our evidence base was highlighted by many respondents. Stakeholders would like us to understand better the needs of vulnerable groups, particularly younger, older and disabled people, the blind and partially-sighted.

A2.6 Many stakeholders supported our plans to remove and better target regulation, although a number warned that this should not be at the expense of effective protection for citizens and consumers.

A2.7 Many respondents supported our proposed work to protect citizens and consumers. They also endorsed our focus on media literacy, although some stakeholders would like us to extend the scope of this work. More generally, a significant group of stakeholders would like us to define more clearly what we mean by the interests of citizens.

A2.8 There was also a lot of interest in our work on public service broadcasting. There was support for further work on the idea of a public service publisher and for our planned financial review of Channel 4. There was also a call for work on electronic programme guides (EPGs) to be given priority and support our planned project on the future production and consumption of news.

A2.9 A number of stakeholders welcomed our work on next-generation telecoms networks and expressed a desire for more certainty about the regulation which will apply to them. Some stakeholders expressed the view that we should give more prominence to our work to promote competition in broadcasting markets, suggesting that creating a competitive environment is essential to the long-term health of the broadcasting sector. There was also a request for us to give more
weight to the work we are planning to do in relation to radio, particularly planning for the transition from analogue to digital.

A2.10 Below we set out a more detailed summary of the issues raised by the responses. We have organised them into the eight areas of our work programme and at the end of each section have set out an Ofcom response.

**Addressing citizen and consumer issues**

A2.11 Many respondents welcomed the prominent position given to citizen and consumer issues in the Draft Annual Plan and reminded Ofcom that furthering the interests of citizens and consumers is its principal duty. Respondents also commented that these issues should be addressed in a way that citizens and consumers can understand.

A2.12 A number of respondents raised consumer protection issues. Some sought greater clarity from Ofcom about how consumers should complain, and how to interpret the Broadcasting Code. There were mixed responses on the topic of 'Broadcaster First' complaints handling, with a roughly even split of those for and against. One respondent asked that Ofcom make more resources available to deal with consumer complaints.

A2.13 Consumer protection issues in the telecoms industry were raised by a number of respondents. Two called for the introduction of call price labelling to protect consumers from excessive call charges. Some respondents called for the outcome of the current consultation on number translation services to be linked to the review of the numbering plan. A single code of practice for telecoms was also requested.

A2.14 A number of respondents suggested areas where Ofcom should conduct research to understand citizen and consumer protection needs, including: the health effects of digital TV and mobile telephony; broadcasting security systems; internet security; mobile phone charging; and further work on the advertising of food to children.

A2.15 A number of respondents raised the issue of media literacy and gave suggestions as to what the definition of media literacy should include. One respondent commented that the definition of media literacy should be widened to include the ability to evaluate content. Another felt that it should include the ability to use media. One respondent felt that our work should reflect initiatives to promote media literacy using community media. Another felt that it should include education about how to participate in programme content decisions. Some respondents felt that Ofcom should be doing work to promote access to services and technological fluency. Educating consumers about the risks associated with the theft of intellectual property was also highlighted as an issue that should come under the media literacy umbrella. One respondent saw media literacy as an opportunity to promote self-regulation.

A2.16 A number of respondents called on Ofcom to address the issue of citizen interests and to properly differentiate between citizen and consumer interests. Many referred to work that Ofcom had previously committed to doing to develop our approach to citizen issues. One respondent suggested that Ofcom should create a toolkit for citizen interests similar to the toolkit for consumer interests developed by the independent Ofcom Consumer Panel.

A2.17 Two respondents commented on the work that Ofcom proposed to carry out on new methods of content delivery. One called for the work to take account of the need for
universal standards in the provision of meta-data. The other called for account to be taken of the needs of vulnerable groups in new content delivery methods.

A2.18 One respondent noted that diversity was only addressed in the Draft Annual Plan in relation to Ofcom’s own workforce and that Ofcom has a role to play in monitoring and promoting best practice on diversity in the industries we regulate.

A2.19 A large number of respondents addressed availability and access to communications services. Many of these focused on availability and access to communications services in rural areas including broadband access, competitive telephony services, 3G mobile coverage, and digital TV transmission. Some of these called for the extension of Universal Service Obligations to broadband and mobile telephony. Another group of respondents focused on the access needs of vulnerable groups.

A2.20 A number of respondents commented on Ofcom’s plans for work on public service broadcasting. Many sought more information and greater clarity about Ofcom’s plans to take forward the idea of a public service publisher. A number of respondents called on Ofcom to prioritise work on electronic programme guides (EPGs) and how they will evolve over time. Another group of respondents asked Ofcom to give consideration to specific issues in its response to the BBC Charter Review.

A2.21 A number of respondents felt that Ofcom should be a source of trusted consumer information in relation to the communications sector.

A2.22 Addressing the needs of vulnerable groups was a theme running throughout many of the responses in relation to all areas of the communications sector. Specifically, respondents mentioned the needs of older and disabled people, the blind and partially-sighted, and small and medium enterprises.

Ofcom response

A2.23 Addressing citizen and consumer issues will be a key aim during the coming year and Section 3 of this document gives details of a large number of projects in this area. This includes work on the following priorities: protection of citizens and consumers; availability and access; and the future development of public service broadcasting.

A2.24 Much of the work in the year ahead will build on the consultation on consumer policy published in Q4 2005/6. Ofcom has further committed to a project to clarify what we mean by the ‘citizen interest’ and ensure that we take a consistent approach to the interests of citizens across the full range of our work.

A2.25 There will be a comprehensive programme of research. For example, we will be carrying out research to: learn more about the communications issues which affect young people; and understand better different consumer segments, including small and medium enterprises, ethnic minorities, and older and disabled people.

A2.26 As well as encouraging diversity within Ofcom, we will fulfil our statutory duty to promote a best-practice approach to equal opportunities in the broadcasting sector.

Encouraging innovation

A2.27 It was suggested that our work on digital TV switchover (DSO) should be a priority and that Ofcom had an important role to play in supporting vulnerable consumers.
A2.28 A number of respondents commented on Ofcom’s aim of encouraging innovation and highlighted the importance of local TV and radio. Some called for spectrum released by DSO to be allocated for local TV and radio. Others asked for further work to be undertaken to understand the need for local TV in rural areas and the appropriate formats. Two respondents called on Ofcom to carry out pilots of local content formats.

A2.29 Next-generation networks (NGN) were addressed by many respondents. Most called for greater clarity about the regulatory framework which will apply. Many called on Ofcom to maintain a visible role in overseeing the development of NGNs and ensuring the provision of key requirements. Two respondents called for a centralised approach to number portability in relation to NGN.

A2.30 A number of respondents asked for greater clarity on specific spectrum issues including the release of unused spectrum, spectrum liberalisation, unlicensed spectrum, release of ultra high frequency (UHF) spectrum, spectrum property rights, the digital dividend, and 3G roll-out obligations versus obligations in relation to new services. One respondent called on Ofcom to start work on a migration path to digital radio broadcasting in consultation with the radio industry.

A2.31 There were also requests for more spectrum to be made available for community radio stations.

A2.32 One respondent called on Ofcom to consult with stakeholders on the interpretation of technology neutrality while another called on Ofcom to conduct research into the effect of wind farms on the level of spectrum interference.

Ofcom response

A2.33 Although Digital UK has now been established as the primary delivery vehicle, Ofcom maintains a substantial role in relation to DSO. We will continue to lead in three areas: planning and management of the spectrum used for digital terrestrial TV; licensing and regulation of digital TV services; and research and analysis into switchover-related issues and digital TV generally.

A2.34 The Annual Plan sets out the work that Ofcom will be doing in the digital dividend review to identify how the spectrum released by digital TV switchover should be made available to the market. This project will include a thorough consideration of the potential uses for the spectrum and of how the spectrum could be released to the market in a way that is likely to maximise the benefits, including options for auction design and packaging. We will also give consideration to the allocation of spectrum for local TV and radio services.

A2.35 In the Draft Annual Plan Ofcom proposed that next-generation deployment should be a priority for the coming year and in this document commits to a project to ensure a regulatory framework for NGN that leads to sustainable competition and the associated benefits for consumers.

A2.36 Spectrum release is also an area of priority. The Annual Plan sets out the projects that will be undertaken in relation to spectrum. As part of this work, we will be developing our thinking on the provision of information about spectrum to enable markets to function better.
Promoting competition

A2.37 The majority of respondents who commented on Ofcom’s proposed work to promote competition were concerned with competition in broadcasting and telecoms markets, and the implementation of the telecoms strategic review (TSR).

A2.38 In broadcasting markets, respondents felt that Ofcom should carry out research into the impact of product placement on the funding of public service broadcasting, and examine the TV advertising sales market, with particular focus on cross-selling by ITV and Channel 4. One respondent felt that public service broadcasters should be dealt with more favourably in terms of conditional access and regional services.

A2.39 In fixed telecoms markets, respondents felt that Ofcom should be examining consumer expectations of voice over internet protocol (VoIP) services versus traditional publicly available telephony services (PATS). One respondent suggested a project to examine options to enable LLU operators to compete in the provision of voice services against operators using BT wholesale products. Another suggested that Ofcom should look again at the level of competition to ensure that there is fair and equitable treatment of all providers.

A2.40 On the TSR, respondents called for an easily accessible set of criteria to assess if BT is meeting its commitments under the regulatory settlement. Some respondents called for the publication of time-specific targets for BT.

A2.41 In mobile telecoms markets, respondents were concerned with a number of issues, including: the discrepancy between the treatment of 2G and 3G termination rates; the long lead time for mobile number portability by international comparisons; the speed of migration from 2G to 3G networks; and prices for international roaming.

A2.42 For the radio broadcasting sector, one respondent was concerned with the effect of BBC dominance on choice and diversity and called on Ofcom to press for further powers in the areas of ex-ante regulation and market impact assessments.

Ofcom Response

A2.43 The Annual Plan sets out a range of work to promote competition in broadcasting markets and we will adopt an evidence-based approach to decision-making.

A2.44 We will be developing our understanding of VoIP services and reviewing our policy in this area.

A2.45 We will also begin a review of the wholesale broadband access market in order to ensure the conditions for sustainable competition. And there will be continued work to promote competition in the supply of voice services.

A2.46 A key part of implementing the TSR will be evaluating the success of the Undertakings made by BT Group plc, including whether the expected benefits for consumers have materialised.

A2.47 We will be monitoring developments in the mobile sector and in particular, will be looking at mobile call termination and international roaming.

Pursuing better regulation

A2.48 A number of responses addressed Ofcom’s aim of pursuing better regulation. Some were concerned with deregulation and ensuring that the appropriate market conditions exist in advance of deregulatory action. Respondents voiced the need to
ensure safety-of-life at sea; the existence of full replicability of the systems needed by wholesale competitors; and the need to carry out impact assessments prior to deregulation.

A2.49 One respondent commented that we frequently speak of our stakeholders but do not publish a list of who these stakeholders are. Another respondent felt that the Draft Annual Plan read with a predisposition towards co-regulation as opposed to self-regulation and felt that this should not be the case.

A2.50 For Ofcom’s planned work on multimedia platforms, one respondent felt that it was inappropriate to consult on regulatory models and roles without first establishing a clear case for regulation.

A2.51 On Ofcom’s commitment to impact assessments, one respondent suggested that Ofcom should do a review of all current and recently closed consultations to check for consistency.

Ofcom response
A2.52 It is not practical for Ofcom to publish a list of its stakeholders. A stakeholder can be thought of as any individual or organisation with an interest in the work that Ofcom performs and as such, there is not a stable or definable list of our stakeholders.

A2.53 Ofcom does not operate with a predisposition towards co-regulation over self-regulation and will aim to develop the most appropriate regulatory model for the circumstances in question.

A2.54 Ofcom continually assesses and reviews its policies and the effectiveness of the work that it undertakes. In the Annual Plan we outline projects for the coming year to: improve our approach to regulation; evaluate our policy decisions; and carry out peer reviews of our economic reasoning.

Engaging internationally
A2.55 The vast majority of respondents supported the work that Ofcom proposed to carry out on international engagement.

A2.56 One respondent called on Ofcom to represent the collective view of UK industry in meetings at which there is no industry representation.

A2.57 Another called on Ofcom to promote EU initiatives more widely, including on our website.

A2.58 A number of respondents asked Ofcom to pursue specific issues at EU level, including consumer protection and media literacy.

Ofcom Response
A2.59 We will be carrying out a range of work to represent the interests of UK stakeholders internationally. The Annual Plan highlights the work we will be doing to influence: the revised EU framework for electronic networks and services; the new EU directive on TV and other audio-visual content; and the important forthcoming negotiations on spectrum.

A2.60 We do not think it would be appropriate for us to “promote” EU initiatives, but we will consider making more information available about our international activities.
Understanding the sector and our stakeholders

A2.61 A number of respondents addressed Ofcom’s activities to understand the sector and our stakeholders.

A2.62 One respondent felt that business markets were not given adequate weighting in the Draft Annual Plan, despite their importance to the UK economy.

A2.63 A group of respondents felt that Ofcom needed to research further the drivers of broadband take-up in different regions of the UK and among different user groups.

A2.64 One respondent asked us to better define the distinctive needs of radio broadcasting as opposed to TV broadcasting.

A2.65 Another suggested that Ofcom should have an overarching priority of “preparing for convergence”.

Ofcom response

A2.66 Ofcom recognises the importance of businesses to the UK economy and our research programme will include work to enable us to reflect the interests of SMEs in our decisions.

A2.67 Ofcom is committed to understanding the communications needs of the Nations and Regions, including the divergence in broadband take-up in different regions. Ofcom’s work will be informed by its audit of the Nations and Regions and the other areas of research described in the Annual Plan.

Providing key services

A2.68 One respondent called on Ofcom to carry out a review of the way both broadcast and advertising complaints are handled. They would like less ambiguity in the relevant codes and would like there to be further public consultation.

Ofcom response

A2.69 The Ofcom Contact Centre provides a central point for collecting complaints on all parts of the communications industry. This enables Ofcom to efficiently analyse complaints and review whether we are tackling the right issues. There will also be a review looking specifically at our approach to handling complaints about broadcasting standards.

A2.70 We believe that the Advertising Standards Authority (ASA) provides a useful one-stop shop for all complaints about advertising. However, we will be monitoring the performance and effectiveness of the ASA and the new Broadcast Committee of Advertising Practice in relation to the contracted-out activities of broadcast advertising regulation.

Operating effectively

A2.71 No respondents directly addressed this section in the Draft Plan. However, a number did signal appreciation that Ofcom is continuing to reduce its operating costs.

Other issues raised

A2.72 A number of respondents asked Ofcom to provide further information on the proposed work plan for the year. In particular timings, outputs, contact details and
prioritisation of work streams were called for. One respondent also called for a system whereby progress against the plan could be monitored.

A2.73 It was also suggested that we should assess whether we set the right priorities for last year, 2005/6.

A2.74 A group of respondents commented that the Ofcom Draft Annual Plan was not very user-friendly and would be difficult to understand for those outside of industry.

Ofcom response
A2.75 Ofcom realises that the Annual Plan is an important document for stakeholders and is used by stakeholders in the planning of work in the year ahead. The Annual Plan will be accompanied by an online table which contains a detailed list of projects to be undertaken in the year ahead, along with a description of the project, the project owner, and the planned outputs with expected timing by quarter. This will be updated on a quarterly basis to reflect changes to our work programme.

A2.76 Ofcom is aware of the need to publish the plan in a user-friendly format, free from unnecessary technical jargon and acronyms. However, given the nature of communications markets it is not always possible to completely remove the requirement for some industry knowledge in reading Ofcom documents. Where this is the case, Ofcom takes care to try and explain technical terms.

A2.77 As part of the process for planning for 2006/7 we reviewed the priorities set for 2005/6 and considered the extent to which they needed to be revised for the coming year. Our Annual Report – to be published in the summer – will look back at the work carried out during 2005/6 and will contain details of our evaluation programme. This will involve an assessment of our performance against key indicators.