Draft Annual Plan 2013/14

Consultation

Publication date: 19 December 2012

Closing date for responses: 22 February 2013

Contents

Section 1

Executive summary

Ofcom's Draft Annual Plan sets out our work programme for 2013/14

1.1 This Draft Annual Plan presents Ofcom's strategic purposes, proposed priorities and work programme for the twelve months from 1 April 2013 to 31 March 2014.

1.2 We encourage those with an interest in Ofcom's work to respond to this consultation by 22 February 2013. Your views will help us inform our Final Annual Plan statement for 2013/14 which will be published in time for the start of the next financial year in April 2013.

Our strategic purposes guide our draft priorities for the year ahead

1.3 Ofcom's principal duties are to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. In post, our primary duty is to secure the provision of a universal postal service. Where we are carrying out our functions in relation to postal services, we are required to give priority to this primary duty in post if it appears to us that it conflicts with our principal duties.

1.4 We have defined an overarching strategy setting out those elements we think are key to delivering consumer and citizen benefits in light of these duties:

Ofcom's strategy

We will work for consumers and citizens by promoting effective competition, informed choice and the opportunity to participate in a wide range of communications services, including post. We will secure the optimal use of spectrum, through market mechanisms where possible and regulatory action where necessary. We will provide proportionate protection for consumers and help maintain audiences' confidence in broadcast content. We will contribute to public policy defined by Parliament, including high quality public service broadcasting and plurality of media ownership.

To achieve these aims, we will be consultative, transparent and proportionate. We will be informed through high quality research and information, which we will share widely. We will be mindful of the diversity of the UK and its nations. We will aim to be innovative, responsive and effective in everything we do.

1.5 In addition to this strategy statement, Ofcom's regulatory principles[1] continue to remain relevant, including:

- Ofcom will operate with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required;

[1] http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/

- Ofcom will strive to ensure that its interventions will be evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome; and

- Ofcom will always seek the least intrusive regulatory mechanisms to achieve its policy objectives.

1.6 This year, we have refined our strategic purposes, first established in 2011/12, to reflect our strategy and frame our programme of work over the coming years.

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
Contribute to and implement public policy defined by Parliament				

1.7 Ofcom also has a wider strategy in relation to citizens – supporting public policy is not the only way that we discharge our duties in this area. Specific actions and interventions in the citizen interest will continue to be spread across all of our strategic purposes rather than falling solely under our role of contributing to and implementing public policy defined by Parliament.

1.8 Ofcom's work programme for 2013/14 is underpinned by these strategic purposes and informed by:

- last year's priorities and our progress against these;

- wider market developments, including the changing consumer use of communications services;

- legislative changes to our duties; and

- areas where Ofcom provides technical and industry expertise to advise government.

We have delivered a number of priorities from 2012/13 and made significant progress on many others

1.9 There are a number of priorities which featured in the Annual Plan 2013/14 which we have already delivered or will have done by the end of the 2012/13 financial year. These include:

- **Deliver the Government's spectrum guarantees for the London 2012 Olympic Games and Paralympic Games** – Ofcom successfully delivered the Olympics and Paralympics spectrum guarantees with minimal disturbance to users or viewers.

- **Auctioning of the 800 MHz and 2.6 GHz spectrum bands** – Ofcom has recently initiated the application process for the upcoming 4G auction which will take place over a number of weeks from January 2013. This represents the most important spectrum release for meeting consumer demand for wireless services in recent times. These two bands add up to 250 MHz of additional mobile spectrum, compared to 333 MHz in use today.

- **Determine the needs of postal users** – in October Ofcom published a consultation document on the reasonable needs of users in relation to the market for the provision of postal services in the United Kingdom, with a full statement to follow by the end of 2012/13.

- **Ensure effective competition in business connectivity and voice telephony markets –** in June 2012 Ofcom consulted on proposals to promote competition in the provision of leased lines in the UK. In spring 2013, we will publish our final decision. In 2012 we also started our review of the market for fixed voice call origination and termination and will publish consultation proposals early in 2013. We aim to conclude this review by September 2013.

- **Assess the provision of communications services in the nations** – in Q4 2012/13 we will publish a report studying the economic geography of communications services in the UK and each of the nations.

- **Ongoing advice to the Government on the measurement of media plurality and contributing to the Leveson Inquiry** – Ofcom submitted two reports to the Secretary of State advising on approaches to the measurement of media plurality. We also gave evidence and provided advice to the Leveson enquiry on issues including models of media regulation. Under our media plurality duties we also completed a public interest test on Global Radio's purchase of GMG Radio.

1.10 There are a number of items where we have made significant progress but which have carried over into the forthcoming financial year:

- timely spectrum clearance in 800 MHz and 2.6 GHz to enable new awards while mitigating co-existence issues;

- promote effective choice for consumers by ensuring that clear information on service price and quality is available;

- develop and implement policies that will improve the ease of switching between communications providers;

- secure the provision of the universal postal service; and

- implement Digital Economy Act 2010 provisions on online copyright infringement.

The communications sector continues to develop rapidly and challenge our approach to regulation

1.11 Communications are at the heart of all of our lives and they play an important economic and cultural role. The communications sector enables participation and social cohesion in UK society. Furthermore the sector makes a substantive direct contribution to the economy (in 2011 the UK communications industry revenue stood at £53.3bn[2]) and indirectly aids UK growth through increased business productivity, improved access to markets and enhanced speed and quality of information flows.

1.12 Consumer behaviour and new technologies are driving change in the market and Ofcom needs to ensure that its work reflects and responds to these developments, including:

[2] *Ofcom Communications Market Review 2012*

- **The continued growth in superfast broadband availability and adoption** – in March 2012 BT and Virgin Media's superfast broadband services were available to around 65% of UK homes. This was seven percentage points higher than a year previously, mainly as a result of BT's ongoing fibre-to-the-cabinet rollout. At the end of March 2012 there were 1.4 million UK superfast broadband connections; 6.6% of all connections.

- **The increase in take-up of connected devices** – smartphone ownership rose to 39% of UK adults in Q1 2012, up 12 percentage points on 2011. Tablet ownership rose to 11% of UK households, up 9pp year on year, and already now stands at 19% whereas connected TV ownership stands at 5% of TV homes.

- **The increasing demand for mobile data** – as a result of the proliferation of connected devices and changing consumer behaviour, the average time spent using mobile data services was 2.1 hours a month in 2011, 25 minutes per month (24.7%) more than in 2010, while the volume of data consumed more than doubled in the 18 months to January 2012.

Our proposed priorities for 2013/14

1.13 The priority areas in Figure 1 will be our primary focus over the next financial year. Some of our priority areas in last year's work programme will continue into 2013/14, alongside a number of new areas of work.

1.14 We will assess the successful delivery of our proposed priorities for 2013/14 against the positive outcomes we are seeking to secure for citizens and consumers. To achieve this, we have identified interim and final outcomes for each of our priorities (see pages 41 and 42) and we will measure our progress towards delivering these in our Annual Report.

Figure 1: Draft Annual Plan 2013/14 proposed priorities

Further the interests of citizens and consumers in relation to communications matters

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
• Ensure effective competition and investment in both current and superfast broadband • Promote effective choice for consumers by ensuring that clear and relevant information is readily available • Develop and implement policies that will improve the ease of switching between communications providers	• Timely spectrum clearance in 800 MHz and 2.6 GHz to enable new awards while mitigating co-existence issues • Implement the UHF strategy to enable a potential release of 700 MHz for harmonised mobile use • Support the release of 2.3 GHz and 3.4GHz bands to meet spectrum demand	• Secure the provision of the universal postal service • Work in collaboration with Government and industry to promote the widespread availability of superfast broadband	• Implement reform of non-geographic numbering to ensure price transparency • Protect consumers in a range of priority areas, including silent calls and mid-contract price increases	• Target licensing and enforcement to ensure effective protection for audiences • Relicensing of Channels 3, 4 & 5 • Develop approaches to future content regulation

Contribute to and implement public policy defined by Parliament

- Implement Digital Economy Act 2010 provisions on online copyright infringement
- Conduct and publish public service broadcasting review

1.15 As well as these priorities, we will undertake a range of other work as part of our 2013/14 programme (discussed in Section 5), reflecting our statutory duties and responsibilities. We will also continue to deliver other services to stakeholders, such as licensing access to the radio spectrum (detailed in Section 6). We will deliver these services in the most efficient and effective way possible.

1.16 We will also continue to remain responsive to new issues, emerging concerns that affect consumers across the UK and new government requests, focusing on those areas where we can make the most difference.

1.17 In addition to responding to requests from the Government and to help it to implement its policies in respect of communications matters, we will also aid government in the UK nations to ensure that consumer and citizen benefits are available across and within all the nations of the UK.

1.18 For the first time this year we include a list of areas of potential future relevance to Ofcom. These areas comprise possible future priorities for the organisation and emerging issues on which Ofcom may be required to have a view in the future. Both are areas over which Ofcom will continue to have a watching brief, but where it is too early to undertake work within next year's Annual Plan.

Consultation questions

1.19 We are seeking views from all our stakeholders on our proposed priorities and work programme for 2013/14. In particular, it would be helpful if you could consider the following questions:

- What are your views on Ofcom's proposed priorities for 2013/14?

- What are your views on Ofcom's proposed work areas for 2013/14?

1.20 See Annex 1 for details of how to respond to this consultation.

Section 2

Understanding the current and future communications market

Our approach is based on a detailed understanding of the communications market

2.1 Ofcom regularly carries out research into the markets it regulates. This research informs the delivery of our duties and the programme of work in the Annual Plan. It also keeps us, and others, informed about new technology developments and the impact these may have on the sectors that we regulate.

2.2 Our research is presented across a number of reports which contribute to our planning of priorities, major work areas and programmatic work. Key publications are:

- the Communications Market Report[3], published in July 2012;
- the International Communications Market Report[4], published in December 2012;
- the Consumer Experience Report[5], to be published in January 2013;
- the Infrastructure Report 2012 Update[6], published in November 2012; and
- the Public Service Broadcasting (PSB) Annual Report[7] 2012, published in June 2012.

Our research informs the Annual Plan by helping to understand how the communications sectors may develop

2.3 Taken in combination, the reports above contribute to our picture of the market as a whole. The information provided within them also helps us to consider future developments in the light of current trends.

2.4 This section considers how consumers' use of communications services is changing, how industry is both driving and responding to those changes and the possible implications for longer term sectoral developments.

Consumers' use of communications services continues to evolve

2.5 The precise future shape of the market is uncertain, although prospects for consumer outcomes look broadly positive, with underlying infrastructure, content and device

[3] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr12/
[4] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr12/international/
[5] http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/
[6] http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/infrastructure-report-2012/
[7] http://stakeholders.ofcom.org.uk/broadcasting/reviews-investigations/public-service-broadcasting/annrep/

trends underpinning an increasing range of choice for communications services and platforms.

2.6 Availability and take-up of communications services and technologies continues to grow, although growth in some areas is slowing:

- availability of superfast broadband services increased during 2011 to an estimated 60% of homes, a seven point increase year on year. Today it stands at approximately 65%;

- as digital switchover neared completion, digital terrestrial television availability rose to an estimated 98.5% of households (October 2012);

- total home internet access continued to edge up to reach 80% of UK households in Q1 2012. Broadband take-up continues to increase steadily and in Q1 2012 stood at 76% of UK households. While fixed broadband take-up rose to 72% in Q1 2012, mobile broadband decreased from 17% to 13% since the previous year which is likely to be due to substitution following the rise in fixed broadband take-up and the increased use of internet on a mobile phone (up seven percentage points to 39%);

- Take-up of connected devices has increased – smartphone ownership rose to 39% of UK adults in Q1 2012, up 12 percentage points on 2011. Tablet ownership rose to 11% of UK households, up 9pp year on year. Connected TV ownership stood at 5% of TV homes by Q1 2012 and has risen to 15% in Q4;

- Bundling has aided take-up – 27% of households now take fixed voice and broadband, whereas 19% of UK homes have a triple-play bundle of fixed voice, broadband and multichannel TV (up 3pp on 2011). Overall, take-up of bundled communication services continues to grow, with 57% of UK homes taking a bundle in Q1 2012, against 53% in 2011.

2.7 However, this is against a backdrop of decreasing UK communications industry revenue in nominal terms (-0.3% to £53.3bn in 2011) in the broader context of a tough economy and the commoditisation of some services reducing consumer willingness to pay.

2.8 The take-up of connected devices and the evolution of access technologies has stimulated demand for new services and applications. Over-the-top services are being enabled by the increasing use of IP-based distribution and devices which can access multiple networks. Consumers are increasingly demanding and using content ‘on the go’. Portability of content across devices is now considered a basic expectation by some consumers, and the demand for such flexibility in use may become commonplace in future.

2.9 The growth in use of online communications services may affect the minimum quality of service required to engage effectively with communication services. Data from Ofcom’s *Infrastructure Report 2012 Update* suggested that it may be appropriate in the near future to consider increasing the USC target. The practicality and timing of such a change must clearly take account of affordability, though the report noted that there are a number of developments in wireless and fixed-line technologies which could help reduce the costs of delivering an increased commitment.

2.10 Ofcom recently published *Communication Choices*, a segmentation report on communication methods used by UK consumers[8]. This document emphasises the diversity among UK consumers and shows that traditional methods of communicating, such as post and fixed voice, still have an important role to play for certain segments of the population.

2.11 While there have been rapid advances in the media communications market over the past decade, differences still remain between older and younger people's take-up and use of these services. For example, television viewing among 25-34s and radio listening among 15-24s has decreased, while the proportion of 16-24s who live in homes where mobile is the sole form of telephony is more than double the UK average.

2.12 The means by which UK consumers can communicate has transformed over the past five years as new digital services such as smartphones and social networking grow in popularity. These developments have resulted in a rise in text-based communications over IP networks.

2.13 While UK adults of all ages say that they still prefer to communicate face-to-face with their friends and family, many say that technology has changed the way they communicate and that new communications methods, including text messaging and social networks, have made their lives easier. The UK is one of the leaders in text messaging amongst our comparator countries. The average person sent 199 SMS messages per month in 2011, up 17% compared with 2010.

2.14 In this context, mail volumes continue to fall and have declined by 25% between 2006 and 2011. This has been driven by a decline in the residential customer segment which now accounts for less than 10% of total mail volume (8.5 letters or cards received versus 3.2 sent per month) while direct mail volumes have remained broadly stable. However, post is still the preferred method of communicating for special occasions such as birthdays, with 58% of UK adults sending greetings this way.

2.15 Conversely, the volume of parcels delivered to households on the other hand has increased in recent years as more and more consumers buy items online and have them delivered to their homes. On average, residential consumers receive an estimated 1.3 parcels per month.

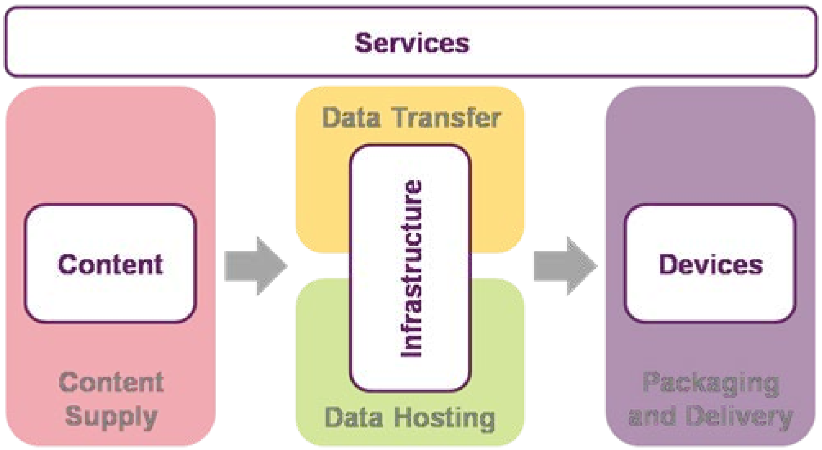
2.16 Regardless of communications service, it is important to note that there is in all cases a core of consumers excluded from services. Ofcom works hard to guard against involuntary exclusion of consumers by maximising the opportunity to participate. We are especially mindful of disabled consumers and other vulnerable groups in the UK.

Alongside changes in consumer use, the communications value chain continues to evolve and become more complex

2.17 There are various drivers of change that influence the communications value chain – technological, strategic and structural. Taking a simplified value chain framework as a basis for analysis, this section describes current trends and how the future may evolve for each of content, services, infrastructure and devices.

[8] http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/communication-choices.pdf

Figure 2: Simplified framework for describing communications sector trends and developments



Infrastructure

2.18 In many ways, infrastructure underpins the other elements of the value chain – it enables content and service delivery and as convergence continues it is increasingly relevant to a wider range of devices. The demands placed on the UK's infrastructure are increasing as consumer demand for data grows. The changes to infrastructure necessary to meet this demand, or serving to increase it, can be split into four broad categories:

- building new physical infrastructure, including utilising more spectrum;
- deploying more efficient technologies in conjunction with existing infrastructure to meet growing demand;
- moving to new network designs and topologies, including the convergence of traditionally separate core and access networks; and
- moving to new models of service delivery, with greater use of cloud-based or distributed services and processing.

<u>Building new physical infrastructure</u>

2.19 Investment in superfast broadband continues from BT and Virgin (who, together, have fibre networks passing over 65% of premises).The Government remains committed to its goal of ensuring that, by 2015, 90% of premises in the UK will be able to access superfast broadband services and a basic broadband service of at least 2Mbit/s will be available to virtually all premises.

2.20 A range of public schemes are launching as a result of this ongoing investment. Local authorities are developing their own local broadband plans and various sources of public funding are being used to support private investment into superfast broadband in areas where it would otherwise be commercially non-viable. A superfast programme has already completed in Northern Ireland, while in Cornwall over 40% of premises now have access to superfast service. It is expected that during 2013 many other projects will begin procurement.

2.21 Investment in mobile networks is also continuing. 4G (LTE) is now commercially available having recently launched in the UK. New spectrum in the 800 MHz and 2.6

GHz bands is being awarded early in 2013 to support the launch of further 4G services.

2.22 Furthermore, investment in WiFi services continues. In the Infrastructure Report, we asked the biggest fixed and mobile operators about the public WiFi hotspots they manage. We learned that they provide in excess of16,000 WiFi hotspots in locations such as cafes, restaurants, trains, pubs, airports and London Underground stations.

2.23 Demand for spectrum will continue, thanks in part to rising consumer demand for mobile data as a result of the proliferation of connected devices. We and the Government are working to make additional spectrum available. Specifically, we will be supporting the Government to meet its target to make 500 MHz of spectrum, currently used by the public sector, available for commercial use by 2020.

2.24 In conjunction with industry and international stakeholders, we are looking to develop a longer term roadmap for mobile spectrum. To date we have identified future potential sources of spectrum from:

- the planned 800 MHz and 2.6 GHz spectrum awards;
- the potential liberalisation of existing 2G and 3G mobile bands to permit LTE;
- MoD's planned release of around 200 MHz at 2.3 GHz and 3.4 to 3.6 GHz; and
- the potential release of harmonised spectrum at 700 MHz.

2.25 Investment continues in building more fixed backhaul links to support the growth in use of access networks. For example, as data use over mobile access networks continues to increase, Virgin Media has a £100m contract to provide fixed backhaul links on behalf of MBNL, a joint venture between Three and Everything Everywhere.

2.26 Network consolidation and convergence trends continue, with all of the UK mobile operators now participating in one of two radio access network sharing deals. We are also likely to see the continuing trend of increasing use of fibre in access networks to support multiple services including mobile, residential fixed, business telecoms and WiFi.

2.27 As the UK's supply of unallocated IPv4 addresses dwindles there remain a number of critical questions regarding the next steps for internet addressing. The deployment of IPv6, a successor protocol, has taken longer than many commentators would like and we understand that some network operators are looking to deploy alternative technologies to support the continuing growth in demand for new IP addresses.

Deploying more efficient technologies in conjunction with existing infrastructure

2.28 Investment in physical infrastructure represents a significant capital commitment. A large proportion of the cost is fixed (civil works account for about 70% of superfast broadband network deployment costs) and are therefore out of the control of many cost saving initiatives.

2.29 Industry is therefore also looking to new, more efficient technologies or approaches to meet growing demand from consumers while maintaining a return on past investment. Examples include:

- a move to LTE and LTE-Advanced in mobile;

- increased use of white space devices;
- deployment of DVB-T2 and MPEG 4 in DTT;
- use of vectoring and channel bonding technologies in FTTC;
- wider use of DOCSIS 3.0 in the cable network; and
- a move to new optical technologies in backhaul including 40G and 100G Ethernet.

2.30 Other, longer-term options for making technology more efficient are also available including the use of cognitive radio technology and WDM-PON for fibre-to-the-home deployments.

Moving to new network designs and topologies

2.31 Another way to meet increasing demand for services will be to adopt new approaches to building and managing networks and data traffic loads.

2.32 We are already seeing examples of this today, such as through the increasing use of WiFi offload for mobile data traffic. In our UHF strategy work, we estimated that WiFi offload accounts for approximately 40% of mobile data traffic today. At the same time, the move to more, smaller cells in wireless networks is set to continue as data demand increases.

2.33 There are similar developments in fixed access –the GFAST technology standard for superfast broadband, with equipment deployed at distribution points, is an example of the increasing number of network topologies and technologies available to the industry to deliver higher-quality services to end-users.

2.34 This trend is likely to continue – we expect players to increasingly seek to use converged core and access networks and to deploy networks that draw on a range of technologies, potentially from a range of providers. Heterogeneous, self-organising and adaptive networks are all key areas for future exploration by industry.

Moving to new models of service delivery, with greater use of cloud-based or distributed services or processing

2.35 Linked to the deployment of new network architectures, industry will continue to develop and deploy new approaches to the delivery of content. BT's and TalkTalk Group's use of multicast distribution is one example here, as is the increasing use of content delivery networks (CDNs)[9] as evidenced by BBC's use of Akamai, Level3 and Limelight to deliver iPlayer and Olympics content.

2.36 Many of these initiatives revolve around developments in distributed hosting and processing – often referred to as cloud computing or cloud services. This trend is characterised by an increasing amount of storage or processing capacity moving away from the edge of networks towards the core and potentially outside national boundaries. Increasingly these technologies may raise jurisdictional implications or concerns about the location and storage of data and information.

[9] A content delivery network is a distributed system of servers whose aim is to serve content to end-users with in the most seamless way possible.

2.37 However, whatever efficiencies are gained may be offset by the reliance within the network infrastructure on processes which were previously carried out at the local level now being transported to a remote server. Whether the net position is one of an efficiency gain or loss will depend on the depth at which this new technology is embedded in networks.

Content

2.38 Content services remain key to end-users' experience of communications services. Within this heading, there are three main areas of note:

- linear versus non-linear content services;
- content producers; and
- rights-holders and copyright owners.

Linear versus non linear content services

2.39 While connected device adoption is growing rapidly, linear viewing remains resilient. Viewing as a whole to linear TV continues to remain high and stable at a little over four hours per day per person, the third highest level of scheduled linear viewing amongst comparator countries. Only Italy (253 minutes per person per day) and the US (293 minutes) watch more television than the UK.

2.40 Within linear viewing, public service broadcasting remains strong in the UK. The 2012 Communications Market Report states that, in 2011, the main five PSBs and their portfolio channels together attracted 73.5% of total viewing in multichannel homes, an increase of 2.1pp since 2010. The increasing share of PSBs' portfolio channels, which now accounts for 20.3% of total viewing (up 2.9pp on 2010) offsets losses in core channels.

2.41 Non-linear content consumption is growing slowly. Among UK adults with home internet, 37% watch online catch-up TV (Q1, 2012), a small increase of two percentage points against the same period in 2011. Despite the relatively large penetration of this service, the total percentage of all viewing for non-linear remains low and is currently complementary to the linear TV experience.

2.42 The PSBs have future-proofed themselves to a certain extent against the increasing share of on-demand viewing by building out their online catch-up services and syndicating these across a broad range of devices (mobile, consoles, STBs). Ofcom's recent *International Communications Market Review* states that UK internet users (23%) are the most likely globally to access TV content over the internet, which may be evidence of the ongoing success of PSB IPTV player strategies.

2.43 The launch of new services such as Now TV, Netflix and LoveFilm, which offer a new way of accessing content with a new payment model, have been a significant development in the market. However, so far, these too seem to be complementary to more traditional platforms.

2.44 Broadcasters are finding ways of embracing non-linear delivery of content which support rather than impair their business models. Adoption of PVRs, launch of backwards EPGs and the early performance of YouView (TalkTalk Group reported an installed base of 29,000 at 11 November 2012, having begun marketing the platform in October, with new connections running at 1,000 per day), are examples of functionality that supports rather than challenges linear viewing.

2.45 We believe that linear TV will continue to remain robust because broadcasters and programme makers will continue to invest in content which draws in volume audiences to serve advertisers' needs (or, for non-commercial broadcasters, to compete with commercial rivals). Event TV and the social aspect of mass-market TV will remain powerful forces.

2.46 However, there are situations where this could change and consumers could move to different models including:

- the increased take-up of connected TV models driven by exclusive content or improved accessibility and use;
- online infringement of copyright spreading from music, film and games to traditional TV content; and
- new forms of curation emerging combined with dynamic recommendation engines and personalised content.

<u>Content producers</u>

2.47 Technology has simplified production and the delivery of content to end-users. This has resulted in an increase in the number and variety of content producers ranging from professional long-form commercially-supported content to short-form user-generated material.

2.48 Despite this growth the vast majority of consumed content is still professionally produced and broadcast on the traditional digital platforms (DTT, satellite and cable). Although linear consumption has been eroded, non-linear consumption remains relatively small (c.10% of viewing) and is largely made up of PVR use.

2.49 The move to digital TV services has resulted in additional television channels catering for specific tastes and interests. Now that digitisation is virtually complete it remains to be seen to what extent audiences will fragment further, or remain relatively stable.

2.50 Although fragmentation is a potential risk, broadcast TV has retained the mass reach and high levels of consumption that drive its scale revenue streams. But at the margins, the fragmentation of audiences may result in certain genres becoming better-funded as they attract larger, more valuable (e.g. ABC1) audiences – to the detriment of content that fulfils PSC objectives but attracts a smaller audience (e.g. arts programming).

2.51 More interactive, personalised content models are being developed in order to market direct to consumers. However most advertisers will continue to use existing platforms as their most effective channel, taking advantage of their scale of consumption, brand, consumer trust and the range of back-office functions (e.g. audience reporting, billing). Newer content models will act as a complement to incumbents but are not likely to replace them.

2.52 The rise in the number of producers and distribution models also presents challenges to the audience protection and assurance model; especially those challenges presented by operators based in overseas locations with different local protection regimes.

Rights-holders and copyright owners

2.53 Content rights remain key to attracting volume audiences and will continue to be important.

2.54 Content platforms will be under pressure to secure these valuable assets especially when the market is open to new entrants. New entry may be further stimulated by over-the-top models of service provision where players do not have to invest in connectivity but can instead focus all their efforts, including financial resources, on service functionality and content rights acquisition.

2.55 Regardless of these new entrants' success in the market, they may generate competition for the market which could result in greater value for rights-holders, but may also promote innovation in the use of content rights once acquired.

2.56 There is continued use of legal and illegal distribution networks for online content. However, rights-holders, copyright owners, content producers and platforms continue to innovate in new business models and ways to distribute legal content to consumers.

Devices

2.57 The power and functionality of connected devices are making them increasingly attractive to consumers; especially their ability to access multiple networks and services. This is demonstrated in the adoption rate, cited above.

2.58 Alongside ownership, use has also been steadily increasing. In 2011, the average time spent using mobile data services was 2.1 hours a month. This has more than doubled in the 18 months to January 2012. The UK consumed the most mobile data per connection in 2011 – 424MB of data was downloaded per mobile connection, more than in any other comparator country.

2.59 As smarter more powerful devices become the norm for consumers, operating systems and device platforms are becoming a key element of the market. There has been continued consolidation in the number of operating system providers.

2.60 Of these operating systems, some are specifically tied to devices making them a relatively closed platform/managed service, while others support more open platforms. Consumers seem to value both business models as can be seen by the increase in penetration of these devices over the past year. However, both models may represent challenges to policy designed for more traditional platforms.

2.61 In the future we may see a move away from bespoke device/platform combinations (e.g. set-top boxes) towards using more common underlying operating systems across devices and classes of devices. This may drive faster upgrade cycles and also enable new players to enter into the value chain.

2.62 New operating systems and platforms may also pose challenges of their own. Although many consumers are using the more closed platforms, it is not yet clear that they fully appreciate the potential consequences of this should they wish to change service provider. At the same time, industry continues to develop approaches that may mitigate this risk. There are mechanisms for continued competition in the device market and in content delivered to devices. Examples include technologies such as HTML5, cloud-based services and interoperable systems, all of which might mitigate future consumer retention and switching concerns.

Services

2.63 One of the most noteworthy recent trends in the value chain is the emergence of over-the-top (OTT) platforms and services alongside more traditional vertically-integrated providers. Such services are enabled both by the changing behaviour of consumers and the technologies available to them, as described above.

2.64 The most successful OTT platforms are often large, international players. Examples include;

- Skype – in excess of 70 million downloads on Android devices;
- Netflix – recently surpassed 1 million UK and Ireland subscribers seven months after launch; and
- Amazon – 18 million unique visitors per month making it the eighth most popular website in the UK.

2.65 These new platforms are both complementing and potentially competing with traditional players and platforms such as those in satellite, DTT, cable and fixed telecoms.

2.66 There will continue to be a role both for OTT and vertically-integrated players. They may start to adopt each others' characteristics to gain market share, for example:

- OTT players may seek the benefits of vertical integration;
- both OTT and traditional platforms may compete in the same big-ticket content rights space;
- more traditional platforms are increasingly seeking to complement their 'core' platforms and services with anytime, anywhere, on-demand propositions; and
- all players are seeking to develop a presence on as wide a range of devices as practically and economically possible.

Section 3

Overarching strategy, strategic purposes and approaches

Our overarching strategy is to ensure that UK communications markets work to support consumer and citizen interests

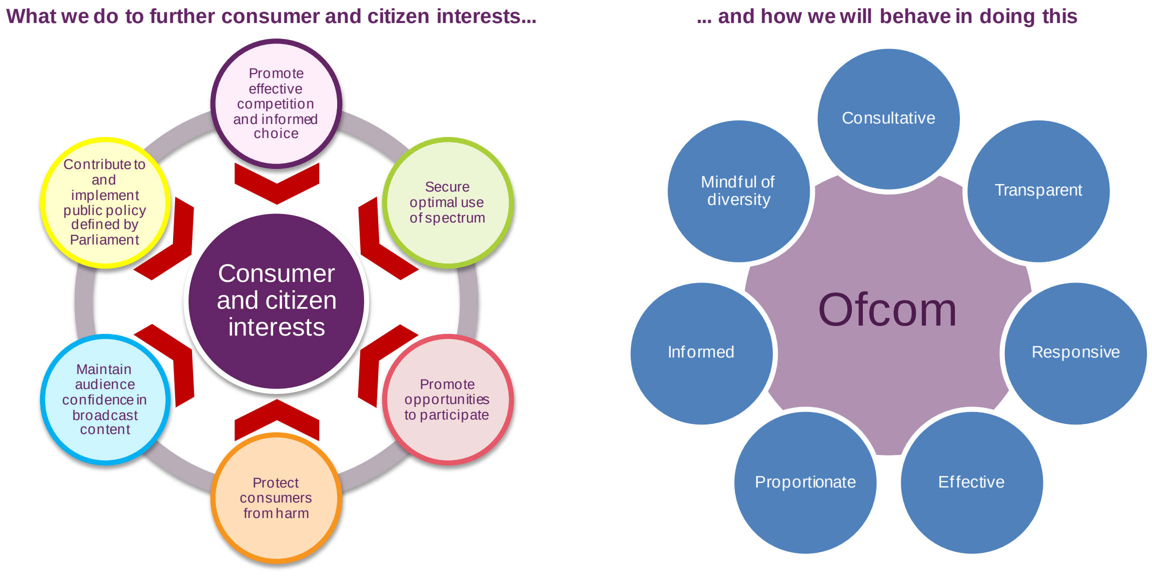
3.1 Ofcom's principal duties are to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. In post, our primary duty is to secure the provision of a universal postal service. Where we are carrying out our functions in relation to postal services, we are required to give priority to this primary duty in post if it appears to us that it conflicts with our principal duties.

Ofcom's strategy

We will work for consumers and citizens by promoting effective competition, informed choice and the opportunity to participate in a wide range of communications services, including post. We will secure the optimal use of spectrum, through market mechanisms where possible and regulatory action where necessary. We will provide proportionate protection for consumers and help maintain audiences' confidence in broadcast content. We will contribute to public policy defined by Parliament, including high quality public service broadcasting and plurality of media ownership.

To achieve these aims, we will be consultative, transparent and proportionate. We will be informed through high quality research and information, which we will share widely. We will be mindful of the diversity of the UK and its nations. We will aim to be innovative, responsive and effective in everything we do.

Figure 3: Ofcom's strategy



3.2 **Effective competition and informed choice** across all communications services is a key element of our strategy. This incorporates activities on both the demand and supply side to increase choice for consumers. Under this purpose, key activities will include:

- supply-side competition policy for services where there are or may be enduring economic bottlenecks, including residential fixed access, business telecoms, mobile communications, broadcasting and post; and
- demand-side activities to empower consumers by providing the information necessary to enable effective consumer choice and to ensure easy switching between services.

3.3 We will continue to promote the **opportunity to participate** in society for consumers and citizens through the availability and use of a wide range of communications services. Consumers and citizens across the UK need to be able to engage with and benefit from communications services. Specific examples of our work in this area include:

- the widespread availability of networks and services;
- direct support for the most vulnerable;
- the effective and efficient delivery of universal services;
- selective activities to assist in consumer awareness of services and options for participation, especially for vulnerable groups; and
- providing information and evidence in support of wider public policy development on issues such as inclusion and media literacy.

3.4 **Securing optimal use of spectrum** – this is a fundamental element of our strategy and a major area of our work. Our preferred approach is the use of market mechanisms. However, in some cases we recognise that regulatory action may be needed. Our wider duties, including the goals of effective competition, informed choice and widely available networks and services, can also be supported by our spectrum decisions.

3.5 **Protecting consumers from harm** –while effective markets provide a range of good outcomes for consumers, backstop protections continue to be necessary in an increasingly liberalised and competitive market with low barriers to entry and exit. Our priorities in this area are decided on an administrative priority basis using factors such as scale or nature of detriment and our ability to address the issue. Examples of issues have included early termination charges in fixed voice and broadband contracts, fixed line mis-selling and silent calls.

3.6 **Supporting continued audience confidence in broadcasting content** – consumers continue to expect a degree of protection in relation to standards for broadcast content. This entails a number of specific activities, including

- licensing and enforcement; and
- effective assurance and continued high standards in an increasingly globalised IP world.

3.7 **Contributing to public policy defined by Parliament** – citizen interests in relation to communications matters are often delivered through public policy defined by Parliament. We have a role in assisting in their development, through implementing and enforcing public policies to deliver citizen outcomes such as public service broadcasting and plurality of media ownership. We focus our activities on issues that both fall within our duties and enable us potentially to make a difference to citizens. This role is complementary to many of those mentioned above, with citizen issues cutting across the range of Ofcom activities.

3.8 This overarching strategy is based on a revision of our previous strategic purposes, placing increased emphasis on the outcomes that will deliver consumer and citizen benefits as opposed to the mechanisms by which we will achieve them.

3.9 In addition to this strategy statement, Ofcom's regulatory principles[10] remain relevant, including:

- Ofcom will operate with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required;
- Ofcom will strive to ensure that its interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome; and
- Ofcom will always seek the least intrusive regulatory mechanisms to achieve its policy objectives.

Our more detailed strategic approaches to delivering consumer and citizen benefits

3.10 We set out below the specific principles, strategies and approaches that we will apply in each of these areas in order to support the delivery of consumer and citizen benefits. These statements cover our approaches to the majority of Ofcom's work and responsibilities. They are used to inform our priorities and major work areas for the coming year, described further in Sections 4 and 5.

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
Contribute to and implement public policy defined by Parliament				

Strategic Purpose 1: Promote effective competition and informed choice

3.11 Ofcom's basic approach is that good consumer and citizen outcomes are often, but not always, delivered by effective and well-functioning markets. Much of what Ofcom does relates to removing barriers to the effective functioning of markets, with the aim of securing effective choice for end-users, both consumers and businesses.

3.12 This strategic purpose therefore covers a significant proportion of Ofcom's work, both on the demand and supply side. It can be broken down into a number of specific areas of focus.

[10] http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/

- Telecoms networks – residential fixed, mobile and business services.
- Audio-visual services, including broadcasting.
- Demand-side competition policies and interventions to help markets work for consumers.

Telecoms networks strategic approach

<u>Residential fixed access</u>

3.13 Support end-to-end competition 'in the market' to drive investment and innovation in new superfast broadband networks. This approach is of specific relevance to denser urban areas.

3.14 Promote competition amongst communications providers, with a focus on maintaining the functional separation of BT's access division from its other businesses and ensuring equality of access to essential services.

- In current generation access, focus on competition through access to unbundled copper lines.
- In BT's fibre network, focus on regulated access to services that offer all users of the network a flexible way to offer retail services (VULA) on terms that retain incentives to invest.

3.15 In more rural areas, open up access to BT's ducts and poles to enable competition 'for the market'.

3.16 Ensure that regulation provides suitable incentives for sufficient service quality from Openreach, given its critical role in the delivery of fixed voice and data services throughout the UK.

3.17 Conduct regular market reviews under the EU Framework to ensure that regulation is current and fit for purpose.

<u>Mobile access</u>

3.18 Deliver consumer benefits in terms of availability, price and innovation through a combination of:

- promoting competition in national wholesale service provision, by ensuring four national wholesale providers;
- facilitating innovation through flexible and prompt spectrum policy, prioritising 4G and licence-exempt use of spectrum (including white spaces) where appropriate; and
- enabling increasingly efficient network deployment and consolidation in physical assets and radio access networks, where this benefits consumers and is consistent with maintaining competition.

Business telecoms

3.19 Promote competition, innovation and value for money in the provision of leased lines and the migration of services to new, lower-cost platforms through:

- focusing our regulation on bottleneck services;
- ensuring that where BT is dominant, its competitors have access to wholesale services delivered over its newer platforms on an equivalent basis to BT's retail arm;
- protecting end-users and wholesale customers in declining markets through appropriate price signals and managed transition from platforms reaching the end of life; and
- adapting regulation to the different competitive conditions in different parts of the UK.

Strategic approach to audio-visual services, including broadcasting

3.20 Promote effective and sustainable competition in audio-visual services, securing consumer benefits of choice, pricing and innovation.

3.21 Address enduring bottlenecks where they arise in content rights (including premium content), broadcasting platforms and new platforms for the delivery of audio-visual services.

3.22 Provide support to Government in its review of communications regulation, assisting it in its objectives of considering the clarity and scope of the framework for *ex-ante* competition in broadcasting in the context of market developments, and determining whether market convergence requires a degree of convergence in the telecoms and broadcast competition regimes.

3.23 Remain aware of potential links with wider policy goals; in particular, the role of interventions to secure high quality free-to-air PSB and its implications for consumer choice in audio-visual services, explored in Strategic purpose 6 below.

Demand-side competition policies and interventions to help markets work for consumers

3.24 Our strategy in this area is about empowering consumers to make effective choices, reducing barriers to their ability to make the most of choice on the supply side. We do this by developing policies, and where necessary intervening, to correct demand-side market failures; for example, arising from inadequate information for consumers to make informed choices and barriers to switching.

3.25 Broadly, our strategy has two strands – information and switching.

Strategic approach to empowerment through information

3.26 Intervene to ensure suitable consumer information in cases where the market does not provide sufficient information and where the information is important to consumer choice.

3.27 Ensure that the consumer information provided is: appropriate; accessible; understandable; verifiable; and comparable.

3.28 Promote and facilitate market provision of reliable and credible information wherever possible; e.g. accrediting third-party price comparison calculators.

Strategic approach to empowerment through switching

3.29 Promote more satisfactory and convenient switching so that consumers find it easy to switch and processes do not obstruct effective competition.

3.30 Against the background of our long-term strategic view that gaining provider-led processes are preferable to losing provider-led processes, consider how best to improve switching in specific market contexts.

3.31 In principle, enable consumers to switch between bundled services in ways that are consistent with our preferred approach to single services.

3.32 Remain alert to unintended consequences of proposed interventions and their impact on consumers' experiences.

Strategic Purpose 2: Secure optimal use of spectrum

3.33 In delivering on our duty to secure optimal use of spectrum there are five main strands to our strategic approach:

- continue to use market-led approaches to spectrum management where suitable, while recognising the value of regulatory action in spectrum matters;
- identify and repurpose additional spectrum bands to support the continued widespread availability of mobile data services, while balancing the needs of other valuable uses of spectrum;
- develop and support new approaches for spectrum sharing in order to better exploit this scarce resource, focusing on dynamic spectrum management access, including white space devices;
- assist Government to make informed decisions on its current and future uses of spectrum; and
- promote UK interests in international and European regulatory fora in line with our spectrum strategy and noting the increasing influence of international developments on the UK market.

Strategic Purpose 3: Promote opportunities to participate

3.34 In order for consumers and citizens to benefit from communications services, they need the opportunity to participate; they need to be able to access services and make effective use of them. In the past, much of our activity in this area has been conducted under the heading of access and inclusion. Within this area, there are three main elements to our strategic approach.

3.35 **Promote widespread availability of communications services** and ensure that all citizens have the opportunity to participate in their use. Key activities in this area include:

- secure private investment in widespread networks by maintaining efficient incentives for investment through competition and associated policy, reflecting the potentially higher risk of investment in new networks where appropriate;

- support the delivery of widespread mobile services, including mobile broadband, across the UK and its nations by setting licence obligations for 4G services and supporting public sector intervention to address mobile not-spots (DCMS' Mobile Infrastructure Project[11] (MIP));

- secure the ongoing delivery and evolution of effective and efficient universal services in telecoms;

- secure the provision of the universal postal service through work on financial sustainability, efficiency, ongoing monitoring and research and economic regulation;

- actively promote understanding of availability, take-up and network performance among policy makers in England, Scotland, Wales and Northern Ireland to stimulate debate and policy development to deliver against governments' availability and inclusion goals; and

- use our expertise to help government make good and effective decisions and policy to deliver widespread availability and inclusion, with focus on superfast broadband, DSO and digital radio switchover.

3.36 **Promote, and where appropriate intervene, to secure equivalent opportunities for disabled and vulnerable users** to participate in the use of communications services. We do this by promoting the development and availability of communications equipment and devices which are easily usable by the widest possible range of citizens and consumers, including disabled users. Examples of activities include:

- provision of access services (subtitled services, services (e.g. EPGs) for people with sensory impairments); and

- provision of equivalent access to communications services for disabled users.

3.37 **Provide information and high quality research** to understand levels of participation in communications services across the UK and its nations, supporting the identification of opportunities for further participation. We do this by collaborating with other stakeholders in government, NGOs and industry to promote participation and by publishing a range of reports, including the *Consumer Experience* and media literacy research.

Strategic Purpose 4: Protect consumers from harm

3.38 Consumer protection continues to be necessary in an increasingly liberalised and competitive market with low barriers to entry and exit. Our strategic approach for consumer protection is to focus on the scale of consumer detriment and our ability to address it.

[11] http://www.culture.gov.uk/what_we_do/telecommunications_and_online/8757.aspx

3.39 Examples of areas of focus in delivering our strategy to reduce consumer harm include: silent calls; unexpectedly high bills; mis-selling and slamming; erroneous landline transfers; fair contract terms and non-geographic numbering. We will use our range of powers as appropriate and proportionate to prevent harm and deter bad behaviour.

3.40 We will also work with industry and other regulators, where appropriate, to ensure that consumers are protected where their data, including their personal data, is being collected as they engage with internet services.

Strategic Purpose 5: Maintain audience confidence in broadcast content

3.41 There are two main elements to our strategic approach to audience confidence in broadcast content; outlined below. In addition, there are links between this strategic purpose and the ongoing delivery of high quality, free-to-air public service broadcasting. This is covered in more detail below.

Targeting licensing and enforcement to ensure protection for audiences

3.42 Provide continued protection to audiences through effective delivery of the Broadcasting Code and a strategic review of the way we license and regulate broadcasting services, with a particular focus on protecting children and on restricting content that poses the greatest risk of harm to audiences.

Providing effective assurance in a globalised IP world

3.43 In partnership with co-regulators, enforce a basic threshold for audience assurance across all digital services provided in the UK, with a specific focus on VoD.

3.44 Identify mechanisms to resolve jurisdictional challenges in a globalised IP world working with partners in the UK, Europe (including through the European Platform of Regulatory Authorities – EPRA) and internationally, especially on the challenges posed by the delivery of content through a range of connected devices, including connected television.

Strategic Purpose 6: Contribute to and implement public policy defined by Parliament

3.45 In addition to the five areas; competition and choice, the opportunity to participate, optimal spectrum use, consumer protection and audience confidence, Ofcom has a role in supporting the development of wider public policy in relation to communications matters. We can play a range of roles in support of wider public policy:

- Advisory; providing input into policy debate. Past examples have included local TV and smart metering.

- Implementation; effecting and enforcing new legislation. The key example today is in implementing the Digital Economy Act 2010 provisions around online copyright infringement.

3.46 Our strategic approach is to deliver on this objective by using our sectoral understanding, stakeholder relationships and technical and policy expertise.

3.47 Within this area Ofcom has a number of explicit duties, including those relating to public service broadcasting and plurality of media ownership; in these areas we will continue to support the Government's policy development activities.

Maintaining high quality, free-to-air PSB

3.48 Maintain the stability and effectiveness of the PSB regime as part of a healthy and mixed broadcast content ecosystem.

3.49 Underpin the clarity and effectiveness of PSB interventions in the next decade, focusing on:

- **evolving navigation, prominence and must-carry requirements** – ensuring that this key benefit of PSB status continues to apply to licensees in a world of changing distribution and on-demand services, including on new platforms as appropriate;
- **enforcing effective quotas** – ensuring that production quotas for programmes produced outside London set minimum percentages for the four main PSBs, which must broadcast programmes that have been produced in the nations and English regions, to contribute to the UK's creative economy; and
- **securing the widespread availability of a credible free-to-air broadcasting platform (DTT)** – ensuring that wide distribution is maintained as an advantage of PSB status to maximise the benefits for UK citizens.

3.50 Ensure an effective and well-managed DTT platform in order to support PSB goals.

Maintaining media plurality, including media ownership

3.51 Ofcom has a role in maintaining a sufficient plurality of providers of different television and radio services. In our advice to the Secretary of State[12], we concluded that plurality contributes to a well-functioning democratic society and defined plurality with reference to desired market outcomes:

- ensuring there is a diversity of viewpoints available and consumed across and within media enterprises; and
- preventing any single media owner or voice having too much influence over public opinion and the political agenda.

3.52 There are essentially two approaches to achieving this duty:

- measures which are aimed at preventing actions taking place which would reduce media plurality. These include the existing regulatory framework governing media mergers (across television, radio and newspapers) and media ownership and broadcast standards for television and radio; and
- positive mechanisms to promote media plurality – such as the existing PSB policy or advice to government. These are likely to be particularly important in circumstances where the desired level of media plurality may not be commercially sustainable for example the provision of news by public service broadcasters.

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[12] http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/statement.pdf

Ofcom also has a wider strategy in relation to citizens

3.53 Supporting public policy is not the only way in which we discharge our duties in respect of citizen interests. We have clear powers and duties in relation to citizens that give us the mandate to act independently of government. Ofcom's duties to citizens have informed our thinking since its inception – whether in seeking a balanced approach to spectrum allocation or in public service broadcasting. They continue to underpin much of what we do today and inform our annual planning process and the priorities that we set.

3.54 Effectively working markets are the first route to achieve consumer and citizen interests. However, this is not always enough and we need to exercise judgement on citizen issues; economic tools can illuminate the issue but do not always provide the answers. Our role in furthering the interests of citizens includes promoting or securing outcomes beyond those which the private market alone can provide. We seek to ensure that people have access to the services and content they need in order to participate fully in society.

3.55 Assessing whether regulatory intervention is necessary requires a careful approach. Intervention to extend the availability of communications services could stifle investment and innovation while failure to intervene could mean that some citizens are excluded or services of public value are lost.

3.56 Justifications for action in the citizen interest can broadly be grouped into two categories:

- **Interventions to address market failures:** aimed at correcting an economically inefficient outcome, for example, an externality, market power, public goods and, potentially, merit goods. Addressing externalities that stem from the increasing consumption of mobile and broadband has driven our work in emergency roaming and our work on including coverage obligations on the 4G licence.

- **Interventions to deliver broader social value:** aimed at pursuing a public policy goal where the rationale for acting goes further than a pure economic justification. The market may already be producing an efficient outcome, but it can leave a perceived shortfall in provision of a good or service. In such cases, an intervention can realise broader social value. One example is governments' goal to support universal services, widespread availability of new technologies and the value from delivering government services online.

3.57 For those issues where we have a clearly defined role as policy maker within the Communications Act 2003 and the Postal Services Act 2011, we will continue to proactively further citizen interests in relation to communications matters where there is a risk that markets alone will not provide good outcomes (e.g. widespread availability of services).

3.58 In addition, for issues where we have a less clearly defined role, we will continue to support good citizen outcomes where we can make a difference, either through advice to government (e.g. on PSB policy and plurality) or through engaging with industry.

3.59 Importantly, specific actions and interventions in the citizen interest will continue to be spread across all of our strategic purposes rather than falling solely under our role of contributing to and implementing public policy defined by Parliament.

Ofcom has also identified a number of themes relevant to more than one strategic purpose

3.60 We have identified a number of ‘cross-cutting’ themes that will influence our strategic approaches, with relevance to and implications for more than one strategic purpose. Each of these will continue to require activity on Ofcom’s part and may provide significant challenges to implementing our strategy.

Supporting technological development, including interoperability and standardisation

3.61 Ofcom will continue to support the deployment of new technologies and approaches to service delivery, especially where there is the risk of market failure. Examples may include situations where barriers to harmonisation or coordination could exist.

3.62 We will focus on areas where new technologies and approaches contribute to one of our strategic purposes. Examples may include: white space devices which might assist us in securing the optimal use of spectrum or developments in wavelength unbundling supporting effective competition and informed choice in superfast broadband.

3.63 We think that markets work well for consumers, much of the time, in that they are able to make choices about their use of technologies; but we do not rule out playing a decision-making role if necessary.

Continued globalisation and the challenge of jurisdiction

3.64 The continued use of IP service delivery and the globalisation of communications services will increasingly challenge the powers of national regulators.

3.65 As a result, we will need to focus more on international engagement, liaison and influence to achieve good outcomes for UK consumers and citizens. This will affect many issues, including audience and consumer protection, measures to address online copyright infringement, traffic management, data protection, internet governance, content investment and new competition concerns.

Government relationship and wider policy goals

3.66 On public policy issues, we anticipate that Ofcom’s working relationship with the Government will continue to be fluid, ranging from supporting to implementing specific policies as defined by Parliament. It is for the Government to decide how far regulatory policy should and could be used in support of wider government growth and innovation goals. This can affect specific policies in a number of areas, including competition and spectrum, as well as specific issues such as network neutrality and the creative economy.

Managing the process of migrating legacy services to new platforms and technologies

3.67 As markets and services evolve and as new technologies require consumers to move to new services and devices, the management of consumer migration will raise issues for Ofcom.

3.68 The challenges posed by migrating to new services are various and include:

- the risk that new services do not fully replicate the functionality of old services or meet all consumers' needs;
- the allocation of any involuntary one-off cost to consumers, required by suppliers, and how this may vary by service;
- how regulated pricing of new services should be defined relative to the old, especially for those consumers who did not actively seek to move to the new technology; and
- protection for vulnerable users of legacy services where falling volumes may result in prices rising to unaffordable levels.

Internet policy

3.69 The role of internet and IP-based services is increasingly important to communications services, both for consumers and suppliers of these services.

3.70 Relevant consumer and citizen interests in these emerging environments include: awareness and understanding of the impact of new services and business models, including implications on intellectual property rights; choice in new services through competition, innovation, network investment, availability and resilience; consumer trust in new communications services; and protection for users.

3.71 Looking forwards, there are a number of internet-related debates in which Ofcom will be required to have a good understanding of the pertinent issues, such as: the role of intermediaries in securing good outcomes for consumers; measures to reduce online copyright infringement beyond those set out in the Digital Economy Act 2010; data protection; content portability and device interoperability; evolving internet architecture and governance models; and the role of the internet in supporting innovation in communications markets and economic growth across the UK.

Section 4

Draft priorities for 2013/14

Our strategic purposes and approaches guide our priorities

4.1 The Draft Annual Plan for 2013/14 separates our programme of work into the following categories:

- **Priorities,** representing the critical areas of work for Ofcom to progress in the forthcoming year to ensure we further the interests of citizens and consumers.

- **Outcomes** for each of our proposed priorities, to help assess their successful delivery and to ensure we are delivering positive benefits to citizens and consumers.

- **Other work areas** - other important issues where we plan to undertake further work on during 2013/14 (Section 5).

- **Programmatic work** and responsibilities that we carry out on an ongoing basis, providing key services to stakeholders, citizens and consumers (Section 6).

4.2 In response to market developments relating to our current duties, our priorities balance new work with important ongoing commitments. They are guided by our six strategic purposes.

Strategic Purpose 1: Promote effective competition and informed choice

4.3 Effective competition and informed choice are elements of well functioning communications markets and are more likely to result in efficient prices for consumers, to support innovation and to drive incentives for efficient investment in new and existing networks and services.

4.4 The characteristics of communications markets include strong network effects, scale benefits and complexity. We anticipate an ongoing role for *ex-ante* regulation, including regulation to promote competition between suppliers and to support the exercise of choice by consumers.

4.5 We have identified three priorities for 2013/14 which respond to market developments and are intended to deliver significant benefits to citizens and consumers.

Promote effective competition and informed choice	• Ensure effective competition and investment in both current and superfast broadband • Promote effective choice for consumers by ensuring that clear and relevant information is readily available • Develop and implement policies that will improve the ease of switching between communications providers

Ensure effective competition and investment in both current and superfast broadband

4.6 The deployment and adoption of superfast broadband services continues, with services are available to over 65% of premises and more than one in ten broadband customers take a superfast service. The Government has the ambition that superfast broadband services will be available to over 90% of premises by 2015 and it is providing public funding to supplement private investment to help achieve this target.

4.7 In 2010 Ofcom established a clear regulatory framework for investment in next-generation access (NGA) and competition in superfast broadband. This framework requires BT to offer virtual unbundled local access (VULA) to its next-generation fibre infrastructure, so that other providers can compete with BT in the supply of superfast broadband services to consumers; this is considered key to supporting competition in the market for superfast broadband services. This framework also requires BT to provide access to its physical infrastructure, including ducts and poles, so that other providers have the option of investing in NGA. This is considered key to promoting competition for the market, enabling contestable investment in new areas.

4.8 During 2013/14 we will continue to ensure that BT meets all reasonable demands for these access remedies, and other regulated services (such as WLR and LLU), allowing other providers to use them effectively.

4.9 Also, in line with the European framework for electronic communications, we have recently begun to review the markets for fixed voice and broadband connections and local access. This work will run throughout 2013 and will consider what is the appropriate regulatory framework having regard, in particular, to market developments. Our final conclusions are due to be published in early 2014.

4.10 An important consideration in our review of the fixed voice and broadband markets is how to ensure that regulation incentivises Openreach to deliver services to the quality expected by its wholesale customers and their respective end-users.

Promote effective choice for consumers by ensuring that clear and relevant information is readily available

4.11 We believe that for communications markets to work well, consumers must be able to make informed choices. It is important that relevant, clear, accurate and understandable information is available to them. This will enable them to make decisions and act on them; for example, by switching provider in order to get a better deal.

4.12 During 2013/14 Ofcom's work on consumer information will address areas where we believe information provided by the market is insufficient. Examples of this will include:

- **Broadband speeds research**: We will continue our work to ensure that consumers have adequate information on the actual fixed-line and mobile broadband speeds available, to help them make informed choices when selecting their broadband provider. We plan to publish research every six months, allowing consumers to see how broadband speeds vary across different providers, technologies, geographic areas and time periods.

- **Consumer complaints data**: On a quarterly basis we publish complaints received by Ofcom by service and by communications provider. We believe that such information is useful for consumers, especially those considering a new service or provider. In addition, the publication of provider-specific complaints data may act as an incentive for providers to improve their performance. We will continue to develop this publication to ensure that it remains relevant and useful for consumers.

- **Traffic management practices:** we are doing further work to consider the transparency of information on traffic management, including a more detailed review of traffic management practices, to ensure consumers are getting the information they need to make informed choices. This work has started only recently, but may result in modifications to the current industry codes, or the integration of new content with the existing Ofcom sponsored codes such as that on broadband speeds. Any outcomes will be based on analysis of how well the existing industry code fulfils the intended goal of providing sufficient transparency for consumers to make informed decisions.

4.13 Ofcom is undertaking a review of the use of consumer information remedies as one of a range of tools to help consumers make more informed choices about products or services. The aim of this work is to offer high level considerations in relation to the appropriateness, design and the evaluation of information remedies.

Develop and implement policies that will improve the ease of switching between communications providers

4.14 It remains a priority for Ofcom to make further progress in ensuring the effectiveness of switching procedures, to deliver on the goals of effective competition and informed choice. To achieve this we are continuing our review of switching processes for electronic communications services. We are focusing on delivering two key outcomes:

- An easy and convenient consumer experience of switching, both now and in the future. We want to ensure that there are no undue process barriers to switching, for single services or for bundles.

- Ensuring that switching processes will deliver efficient competitive outcomes.

Review of switching processes

4.15 The first stage of our review is to address the switching processes for copper-based services using the Openreach network. In February 2012 we consulted on the options to make changing fixed voice and broadband providers (delivered over the Openreach copper access network) easier for consumers.

4.16 We are currently considering the evidence submitted to us by respondents to the consultation. We have also undertaken further work and analysis in some areas. We will inform stakeholders of next steps once our assessment of all the evidence is completed. We expect this to be in Q4 2012/13.

4.17 Once we have completed our review of fixed voice and broadband services, we will consider the need to look at switching in other sectors.

Early termination charges in contracts for communications services

4.18 During 2012/13, we continued our work enforcing the Unfair Terms in Consumer Contracts Regulations in the fixed voice and broadband sector under the Additional Charges Enforcement Programme. We focused particularly on terms relating to early termination charges (ETCs).

4.19 We also announced our General Condition 9 enforcement and monitoring programme on 25 January 2012. GC9 sets out the requirement to offer contracts with minimum terms. The condition includes requirements relating to the provision of information, the length of contracts and the conditions for termination.

4.20 We intend to continue our work in relation to ETCs in consumer contracts in 2013/14. We will engage with service providers in the fixed voice and broadband sector where appropriate. In parallel, we will also be monitoring consumer complaints in relation to ETCs in all communications sectors and considering other issues and developments in those sectors. This will help us to identify what our next priority should be under the programme. This may include enforcement action against specific providers.

Strategic Purpose 2: Secure optimal use of spectrum

4.21 Ofcom is responsible for securing the optimal use of the electro-magnetic spectrum. While not itself a consumer outcome, optimal use of spectrum is a key input into delivering good consumer and citizen outcomes in terms of delivery of services, competition, choice and widespread availability.

4.22 Given the potential value to citizens and consumers of services that are enabled by spectrum resources, managing spectrum is a significant responsibility. Understanding how spectrum is used and, if appropriate, facilitating a change of use for a block of spectrum, is important to delivering the best outcomes for citizens and consumers.

Secure optimal use of spectrum	• **Timely spectrum clearance in 800 MHz and 2.6 GHz to enable new awards while mitigating co-existence issues** • **Implement the UHF strategy to enable a potential release of 700 MHz for harmonised mobile use** • **Support the release of 2.3 GHz and 3.4GHz bands to meet spectrum demand**

Timely spectrum clearance in 800 MHz and 2.6 GHz to enable new awards while mitigating co-existence issues

4.23 Following the combined 800 MHz and 2.6 GHz auction, we will focus on completing clearance and interference mitigation activities. This will enable full use of the 800 MHz and 2.6 GHz spectrum.

4.24 In relation to the 2.6 GHz band, we will continue to support the cross-Government radar remediation programme.

4.25 In relation to the 800 MHz band:

- we will ensure completion of the clearance of channel 61 & 62 so that DTT completely vacates this band. When these engineering works take place, consumers will be informed and given guidance if required about retuning their TV sets or set-top boxes. We will continue to reconcile and audit expenditure in the programme;

- new 800 MHz licensees must prevent or mitigate potential interference of 4G signals into DTT. We are making this a licence obligation and will closely monitor compliance as well as decide on any adjustments to mitigation measures in the light of experience;

- having completed PMSE clearance from channel 69, we will close the grant scheme, including reconciliation, audit and closure of the scheme contract;

- we will support emergency services users operating at the top of the 800 MHz band in undertaking technical risk assessments of potential solutions that will enable them to manage possible interference to users of short range devices (SRDs); and

- we will continue to engage with manufacturers and groups representing users of SRDs, including social alarms, to enable them to address potential interference issues arising from LTE handsets. We will continue to work with European standards bodies to ensure that harmonised technical standards remain appropriate.

Implement the UHF strategy to enable a potential release of 700 MHz for harmonised mobile use

4.26 As we outlined in our UHF Strategy Statement in November 2012, consumers continue to increase their demand for mobile capacity, with growth of 119% in the past year. Spectrum policy will play a key role in meeting this growing demand alongside technology and network improvements such as the move to LTE, increasing the number of cells and offloading wireless data to fixed networks. At the same time, UHF spectrum will continue to be important for DTT which delivers near-universal, low-cost access to PSB content and choice for consumers in services, receiver equipment and platforms. This spectrum is also important for PMSE services.

4.27 As a result, we set out our UHF spectrum strategy to support the international process and seek to enable a potential release of 700 MHz for harmonised mobile use. The strategy also seeks to ensure that the DTT platform, local TV and PMSE and white space device-based services can access the 600 MHz spectrum band assuming a change of use in 700 MHz.

4.28 To begin the implementation of this strategy, we will undertake a range of activities to prepare for the potential future change of use of the 700 MHz band:

- international engagement on harmonisation including future band plans for 700 MHz and frequency co-ordination negotiation relating to DTT uses;

- examining how and when a future change of use in 700 MHz can be secured to best serve consumer and citizen interests;

- exploring options to reduce costs and disruption associated with any future replan of UHF spectrum;

- working with multiplex operators to consider the necessary technical and regulatory changes to safeguard the benefits of DTT;
- enabling continued and future provision of PMSE and local TV services; and
- supporting Government activities related to future decisions on spectrum allocation for emergency services.

Support the release of 2.3 GHz and 3.4 GHz bands to meet spectrum demand

4.29 Plans by the Ministry of Defence (MoD) to release around 200 MHz of spectrum in the 2.3 GHz and 3.4 GHz spectrum bands will make a significant contribution to future spectrum availability. As a result, we will undertake specific actions to support the release of this spectrum, including:

- technical analysis to identify potential co-existence challenges with existing civil uses;
- developing potential approaches for resolving co-existence issues;
- assessing the impact on spectrum users who may need to be cleared to facilitate the release and potential mitigating actions;
- defining technical conditions for the spectrum release that would permit its use for mobile data; and
- preparing the necessary regulations to permit release of these bands.

Strategic Purpose 3: Promote opportunities to participate

4.30 Communications services continue to grow, both in prevalence and in their importance to consumers and citizens enabling consumers to participate in wider society effectively. In support of this, we have a key focus on promoting opportunities to participate – seeking to ensure widespread availability of services and seeking to reduce barriers to their adoption and effective use by consumers.

Promote opportunities to participate	• Secure the provision of the universal postal service • Work in collaboration with Government and industry to promote the widespread availability of superfast broadband

Secure the provision of the universal postal service

4.31 The universal service obligation requires Royal Mail to collect and deliver letters six days a week at an affordable and geographically uniform price to every address in the UK. Ofcom now regulates postal services and our primary duty is to carry out our functions in relation to post in a way that we consider will secure the provision of a universal postal service. Therefore, ensuring the financial sustainability of the universal postal service and its efficient provision is a priority for Ofcom.

4.32 Without changes to the regulatory framework, there is a risk that Royal Mail may not be able to continue to deliver a universal postal service to all customers across the UK. We have already undertaken a number of actions in support of this duty. We have given Royal Mail greater pricing and operational freedom on most products, but have put in place regulatory safeguards, such as a safeguard cap on Second Class stamps and an effective monitoring regime. We are also in the process of reviewing the needs of postal users. We will complete this review of users' needs by the end of March 2013 (as required by the Postal Services Act 2011).

4.33 During 2013/14 we will take forward our approach to the economic regulation of post, by undertaking a range of work to secure the continued provision of a universal postal service. This will include:

- further developing a regime to monitor closely the performance of Royal Mail, focusing particularly on the provision of universal service, end-to-end competition, efficiency, profitability and pricing;
- ongoing monitoring of and research into the affordability of postal services, particularly with regard to the purchase of stamps by vulnerable consumers;
- assessing our approach to protecting against margin squeeze with regard to access services;
- assessing the impact on the provision of the universal service of any development with regard to end-to-end competition; and
- assessing potential approaches to the determination of Royal Mail efficiency levels.

Work in collaboration with Government and industry to promote the widespread availability of superfast broadband

4.34 The Government has a stated aim of ensuring that the UK has the best broadband networks in Europe by the end of 2015, with 90% of premises having access to superfast broadband and speeds of 2Mbit/s available to all homes across the UK.

4.35 The devolved administrations in Scotland, Wales and Northern Ireland have set similar targets. Additional funding has been secured by the Scottish Government and local authorities in Scotland to assist roll-out. In Northern Ireland a £52m investment project, led by the Department of Enterprise, Trade and Investment has already been completed, making fibre-based superfast broadband available to more than 95% of households. Similarly, the Next Generation Broadband Wales Project aims to provide services of at least 30Mb/s to homes and businesses throughout Wales.

4.36 Broadband Delivery UK (BDUK) is responsible within the Department for Culture, Media and Sport for allocating the £530m of public funds that the Government has made available to support the achievement of its goals for superfast broadband. BDUK is also responsible for putting in place a procurement framework that will allow local authorities to efficiently run superfast broadband procurements to address specific local needs.

4.37 Ofcom has played an active role in advising government in these areas. We will continue to provide expertise and advice to help the Government and the Devolved Administrations meet their objectives. We will also gather and publish data to help the Government benchmark the UK's broadband infrastructure against the rest of Europe through a 'Best in Europe Scorecard'.

Strategic Purpose 4: Protect consumers from harm

4.38 As the communications landscape continues to evolve, new forms of potential harm for consumers continue to emerge. Our overall approach to providing consumer protection is to focus on those issues that generate significant scale of consumer harm and where we have an ability to address the issue. Much of this work is ongoing and falls into Ofcom's major work areas outlined in the next section. However, we have identified two priorities for 2013/14.

Protect consumers from harm	• Implement reform of non-geographic numbering to ensure price transparency • Protect consumers in a range of priority areas, including silent calls and mid-contract price increases

Implement reform of non-geographic numbering to ensure price transparency

4.39 For 2013/14, our priority will be to implement any reforms made during early 2013 affecting how consumers buy calls to non-geographic numbers.

4.40 We define non-geographic calls as those made to 03, 05, 070/076, 080, 0845, 0870, 083/4, 0871, 09, 116 and 118 numbers. Consumers use these numbers to call businesses and government agencies, to get information, make payments for services and vote on radio and television shows. In 2010/11, we proposed a simpler approach to the provision and regulation of non-geographic calls, including exploring the option of simpler number ranges and more standardised charges.

4.41 We published a detailed proposal for regulation in April 2012 in which we proposed making non-geographic numbers and their prices more intuitive, with clearer divisions between number ranges and simplifying the way calls to revenue-sharing numbers are priced, including call cost 'unbundling'. We also proposed that Freephone numbers (080 and 116) should be free to call from all telephones, fixed and mobile.

4.42 We will continue our work on non-geographic calls in the next financial year, including the publication of a final statement and implementation of any regulatory changes that we decide to make.

Protect consumers in a range of priority areas, including silent calls and mid-contract price increases

4.43 We will continue to focus on key areas of consumer harm that we have identified through our monitoring and enforcement programmes and through data coming to our contact centre, taking action that is effective and proportionate, including investigations where necessary. Areas of work for 2013/14 are as follows, although we will also undertake unplanned work as unexpected new issues come to the fore:

- silent calls – a programme of work including enhanced research to better understand the main drivers of complaints about silent calls joint regulator action (for example with the ICO, the Ministry of Justice and the OFT), and working with industry on technical solutions; supported by enforcement where appropriate to reduce the harm caused by this issue;

- standard contract terms – looking at 'right to vary the contract' terms, focusing on price variation terms in particular;

- additional charges – ensuring contact terms are fair, focusing on early termination charges (ETCs) but also considering other terms identified as being unfair, as appropriate;
- unexpectedly high bills (UHBs) – continued engagement with providers on the causes of UHBs and how we can prevent them and ensuring compliance with the Roaming Regulations;
- mis-selling and slamming – a programme of work to tackle mis-selling and slamming, including investigations as appropriate and remedying the root causes of erroneous landline transfers; and
- complaints handling – ensuring compliance with complaints-handling rules.

Strategic Purpose 5: Maintain audience confidence in broadcast content

4.44 Given consumer expectations of assurance on broadcast content standards, we will continue to develop and deliver efficient, effective and future-proofed ways to ensure audience confidence in broadcast content.

Maintain audience confidence in broadcast content	• Target licensing and enforcement to ensure effective protection for audiences • Relicensing of Channels 3, 4 & 5 • Develop approaches to future content regulation

Target licensing and enforcement to ensure effective protection for audiences

4.45 Despite the evolving nature of broadcasting and content services, there will be a need for continuing audience assurance on content standards on traditional services. In order to provide this ongoing assurance in an efficient and effective manner, we will undertake work in the next year to design and adopt new approaches to targeting enforcement activity.

Relicensing of Channels 3, 4 & 5

<u>Channels 3 & 5</u>

4.46 We will ensure the ongoing health of the PSB system by relicensing both the commercial PSBs (Channels 3 and 5) and Channel 4.

4.47 The current licences for Channel 3 services, held by ITV plc, STV and UTV, and the Channel 5 licence expire at the end of 2014. As directed by the Secretary of State, Ofcom will consult on possible changes to the terms of the licences, determine the financial obligations and manage the renewal process. We will also address issues raised with Ofcom by the Secretary of State, such as the provision of news in the Border region and the possible creation of a Welsh licence. The deadline for the current licences to apply for renewal is 15 March 2013 with licences to be renewed in the summer.

Channel 4

4.48 The current licence for the main Channel 4 service runs from 2004 to the end of 2014. Channel 4 Corporation's public service remit and regulatory framework were modified in the Digital Economy Act (2010).

4.49 We will consider the renewal of the Channel 4 licence and how it might be updated or adapted to ensure the continued delivery of appropriate public service content.

Develop approaches to future content regulation

4.50 As content is distributed to an increasing number of devices via a growing number of services from an ever-expanding range of originators, the regulatory demands of securing a healthy and mixed content ecosystem are constantly shifting.

4.51 We will continue to review our wider regulatory approach to content regulation to ensure that it remains fit for purpose, continues to serve the interests of citizens and consumers and is clear for stakeholders.

4.52 We see a number of challenges in this area. Changes in technology, including the emergence of mass-market IPTV services in the UK, will challenge the existing regulatory structures, which were designed predominantly for linear broadcasting. We will consider how regulatory approaches to content regulation might further evolve to remain fit for purpose and proportionate.

Strategic Purpose 6: Contribute to and implement public policy defined by Parliament

4.53 In addition to the five strategic purposes above, Ofcom continues to play a role in leading or contributing to a number of public policy issues at the request of Parliament or the Government. We expect that this will continue, where Parliament identifies a clearly-defined role for Ofcom.

Contribute to and implement public policy defined by Parliament	• **Implement Digital Economy Act 2010 provisions on online copyright infringement** • **Conduct and publish public service broadcasting review**

Implement Digital Economy Act 2010 provisions on online copyright infringement

4.54 Ofcom will take forward its responsibilities for implementing a number of provisions under the Digital Economy Act 2010 (DEA) in relation to measures to tackle online copyright infringement. Under the DEA, the implementation and regulation of these provisions must be set out in a code. In the absence of an approved code drawn up by industry, Ofcom has a duty to make a code in accordance with the requirements of the DEA, which include a requirement to establish an independent body to hear subscribers' appeals against reports of apparent online copyright infringement linked to their accounts.

4.55 Ofcom has consulted on a draft code and, subject to approval both by the European Commission and Parliament, will take forward our planned implementation. In parallel with our work on the draft code, we have consulted on a tariff for the processing of copyright infringement reports by ISPs. Subject to approval of a related Government Order on the sharing of costs, we will take forward the process of establishing the tariff structure for the recovery of the costs of the implementation and operation of the proposed scheme.

4.56 We are also required to report on the estimated level of online copyright infringement at the beginning of the notification scheme, with quarterly and annual reports due thereafter. As part of our preparation for this reporting duty, we will look to engage with stakeholders about how we can identify and capture relevant information. This includes information that relates to the development and promotion of lawful services, initiatives to raise public awareness of copyright and online infringement and enforcement actions taken by copyright owners against alleged infringers.

4.57 In advance of this formal reporting duty coming into force, we have been working in partnership with the Intellectual Property Office on a programme of independent research, both into levels of online copyright infringement and into behavioural drivers of infringement. We published our first *Online Copyright Infringement Tracker Benchmark Study*[13] in November and will look to publish further reports during the next year.

Conduct and publish public service broadcasting review

4.58 The Communications Act 2003 requires Ofcom to conduct a review of public service broadcasting and report on it at least once every five years. The previous PSB review was concluded in January 2009. The review is therefore due for publication by the end of January 2014.

4.59 Ofcom’s duties in conducting this review are:

- to review the extent to which the public service broadcasters have delivered the purposes of public service television broadcasting;
- to report on it with a view to maintaining and strengthening the quality of public service broadcasting in the future; and
- to review the extent to which material included in media services contributed towards the fulfilment of the public service objectives

Our role in media plurality

4.60 In addition to our existing duties in regard of media plurality, Ofcom is mentioned in the Right Honourable Lord Justice Leveson’s November 2012 report *An Inquiry into the Culture, Practices and Ethics of the Press*. Any activity in this area will be led by Parliament’s decisions.

To help in measurement against these priorities, we have set interim and final outcomes

4.61 We will judge the success of our work to deliver our priorities for 2013/14 against the positive outcomes we are seeking to secure for citizens and consumers.

4.62 We have identified outcomes for each of our priorities, as shown in Figure 3 below. We will assess our progress towards delivering these at the end of the financial year, within Ofcom’s Annual Report.

[13] http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/copyright-infringement-tracker/

4.63 We have divided our outcomes into interim and final outcomes:

- **Interim outcomes** are events in the market that result from a decision taken by Ofcom; for example, enabling third parties access to a particular network or service. These play a part in delivering final outcomes.

- **Final outcomes** describe wider benefits for citizens and consumers; for example, a consumer being able to choose from a range of competitive and innovative retail offerings. We intend to do what can reasonably be done to judge our success in securing final outcomes, while acknowledging that these outcomes will also be influenced by wider market developments.

Figure 4: Draft Annual Plan 2013/14 proposed priorities and outcomes

	STRATEGIC PRIORITIES	INTERIM OUTCOMES	FINAL OUTCOMES
Promote effective competition and informed choice	Ensure effective competition and investment in both current and superfast broadband	Complete a set of market reviews which cover fixed voice and broadband and local access and, where necessary, introduce remedies, including new charge controls, into these markets	Maintain innovation and competition in the supply of current generation voice and broadband to consumers and create the conditions that will allow the market to retain these favourable supply conditions as it transitions to superfast broadband
	Promote effective choice for consumers by ensuring that clear and relevant information is readily available	Understand areas in which information provided commercially in markets falls short of what consumers need in order to engage in the market and, particularly, make effective choices	Consumers are able to make choices and decisions in the market based on clear and complete information. This information is accessible, understandable, verifiable, and comparable
	Develop and implement policies that will improve the ease of switching between communications providers	Ensure switching processes for services on the Openreach copper access network do not lead to barriers to switching for consumers and harm to the competitive process	Consumers can switch easily between providers without hassle, and barriers to switching do not result in harm to the competitive process
Secure optimal use of spectrum	Timely spectrum clearance to enable new awards while mitigating co-existence issues	Spectrum released by auction cleared and co-existence challenges overcome	Spectrum available for rollout of 4G services
	Implement the UHF strategy to enable a potential release of 700 MHz for harmonised mobile use	UK industry alert to likelihood of future change of use of 700 MHz to mobile-use	Internationally harmonised spectrum made available for mobile broadband services at 700MHz; continued widespread availability of DTT services for consumers
	Support the release of 2.3 GHz and 3.4GHz bands to meet spectrum demand	Co-existence issues with existing civil users understood and where possible resolved. Technical conditions developed for the spectrum to be released conducive to its use for mobile data services	Increase in the total amount of spectrum available and used to match growing demand for wireless services
Promote opportunities to participate	Secure the provision of the universal postal service	On the basis of robust evidence define the universal postal service so that it meets the reasonable needs of users now and in the future.	Financially sustainable universal postal service which meets the needs of business and residential customers
	Work in collaboration with Government and industry to promote the widespread availability of superfast broadband	Continued development of both private sector and public sector schemes to deploy superfast broadband	Consumers in 'Final Third' able to benefit from superfast broadband

	STRATEGIC PRIORITIES	INTERIM OUTCOMES	FINAL OUTCOMES
Protect consumers from harm	Implement reform of non-geographic numbering to ensure price transparency	Subject to consultation responses, apply the recommendations on improving price transparency contained in our final statement	Measurable improvements in consumer understanding of non-geographic calls pricing and a reduction in associated bill shock
	Protect consumers in a range of priority areas, including silent calls and mid-contract price increases	Formulation of an enforcement strategy for each issue	Measurable improvements in levels of consumer harm caused by each issue
Maintain audience confidence in broadcast content	Target licensing and enforcement to ensure continued protection for audiences	Licences continue to be issued to suitable persons; compliance continues to be monitored effectively; interventions are tailored and based on potential risk of harm posed by specific content, services or sectors; and audiences are appropriately protected	A protection and assurance framework that inspires high-levels of consumer confidence and provides high levels of protection from harm, with a particular focus on protecting children and on content that poses the greatest risk of harm to audiences
	Relicensing of Channels 3, 4 & 5	New licences for Channels 3, 4 and 5 designed to fully serve and deliver PSB purposes	High quality PSB delivery from commercially owned broadcasters into the 2020s and a Channel 4 Corporation with obligations designed to meet the needs of a diverse UK audience throughout a new licence period
	Develop approaches to future AV content regulation	Develop options for a new framework incorporating appropriate minimum levels of protection and assurance for audiences across linear broadcast television and VoD	Effective framework for AV regulation within the scope of current legislation and contribute to the Government/European debate as appropriate for future legislation on AV content.
Contribute to and implement public policy defined by Parliament	Implement Digital Economy Act 2010 provisions on online copyright infringement	Publish Initial Obligations Code, establish an independent appeals body and establish a system for reporting to the Secretary of State.	A reduction in the level of online copyright infringement using peer-to-peer technologies.
	Conduct and publish public service broadcasting review	Publication of public service television broadcasting review statement	Continued delivery of high quality, free to air PSB

Section 5

Other work areas for 2013/14

5.1 In addition to our priorities, we are planning to undertake work in a number of other important areas during 2013/14.

Figure 5: Ofcom's work areas for 2013/14

Further the interests of citizens and consumers in relation to communications matters

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
• Ensure fair and effective competition in the delivery of pay TV services • Review framework for regulatory financial reporting in telecommunications • Contribute to the consistency of communications regulation in Europe through BEREC and ERGP • Undertake Market Impact Assessment in support of Public Value Tests by the BBC Trust • Monitor underlying approaches to traffic management	• Develop a forward-looking spectrum work programme • Progress the release of spectrum • Enable use of white space devices (WSDs) in the UK • Undertake a strategic review of the use of spectrum by the Programme Making and Special Events (PMSE) sector • Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games • Consult on and implement spectrum pricing policies, including annual licence fees for 900 and 1800MHz and AIP in broadcasting	• Ensure the adequate provision of services for consumers with hearing impairments • Continue to promote investment that would address mobile phone not-spots • Undertake further research into the effect of communications infrastructure availability on geographic areas	• Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors • Support industry and Government initiatives to improve levels of user trust in internet services	• License television and radio services in the UK including a further round of community radio licensing and a continued focus on effective enforcement • License new local TV services

Contribute to and implement public policy defined by Parliament

- Contribute to the Government's Communications Review
- Support the Government's digital radio programme

Strategic Purpose 1: Promote effective competition and informed choice

Promote effective competition and informed choice	
	• Ensure fair and effective competition in the delivery of pay TV services • Review framework for regulatory financial reporting in telecommunications • Contribute to the consistency of communications regulation in Europe through BEREC and ERGP • Undertake Market Impact Assessment in support of Public Value Tests by the BBC Trust • Monitor underlying approaches to traffic management

Ensure fair and effective competition in the delivery of pay TV services

5.2 In March 2010 we published a statement setting out our decision that Sky Sports 1 and 2 (both standard and high definition) should be offered to retailers on platforms other than Sky's, at prices set by Ofcom for the standard definition service. This decision was appealed by Sky and other parties, to the Competition Appeal Tribunal. In August 2012, the Tribunal agreed that we have the power to impose such a remedy, while reaching a different conclusion as to Sky's historic behaviour on the basis that Sky acted as a willing wholesaler.

5.3 We also made a market investigation reference to the Competition Commission in August 2010 under the Enterprise Act 2002 regarding pay TV films, particularly subscription video-on-demand services. In August 2012, the Competition Commission concluded its investigation, finding that Sky has market power in a broader pay TV retail market and that there remains a lack of effective competition in that market, though it concluded that there was no adverse effect on competition in relation to pay TV films in particular.

5.4 We have a duty to ensure fair and effective competition in this sector and we note that, in contrast to the Tribunal, the Competition Commission reached the conclusion that competition in pay TV is ineffective. During 2013/14, we will continue to monitor developments in the market, in the light of commercial negotiations for content and the emergence of new platforms and services, to establish whether further action may be required to promote competition for consumers. We will support the Government in the development of any relevant legislation in this area.

Review framework for regulatory financial reporting in telecommunications

5.5 We are reviewing the arrangements for regulatory financial reporting. BT and KCOM currently publish information on the financial performance of regulated services. They also provide information to Ofcom privately. We are reviewing the requirements on telecoms providers to provide this information and published our first consultation in September 2012.

5.6 We plan to consult further in 2013. We will make proposals for relevant and reliable regulatory financial information that serves the needs of stakeholders. Following this, we will implement our new framework, which may require changes to the current regulatory financial reporting processes and systems from Q4 2013/14.

Contribute to the consistency of communications regulation in Europe through BEREC and ERGP

5.7 The Body of European Regulators for Electronic Communications (BEREC) is a board comprising the heads of the 27 national regulatory authorities, including Ofcom. Its main functions are to contribute to the promotion of competition in European communications markets and to ensure the consistent implementation of the EU regulatory framework. BEREC also plays an active role in the development of European policy proposals. The European Commission is required to seek BEREC's input on draft Recommendations and Decisions, while the European Parliament and Council of Ministers may ask for BEREC's advice.

5.8 Ofcom is an active member of BEREC and is involved in all of its working groups. Working closely with our European counterparts, we aim to make a substantial contribution to the body's work programme and output. During 2013/14 we will continue to do this, with a particular focus on the following issues:

- providing an opinion on the upcoming Commission Recommendation on non-discrimination and costing methodologies;
- contributing to the successful implementation of the roaming regulation, through developing guidance and monitoring market developments;
- the consistent application of regulatory remedies, both through our contribution to the Article 7 market review process and through the development of a monitoring programme, following the review and update in 2012 of BEREC's common positions to take account of technological developments; and
- further analysis of issues related to traffic management and the open Internet, which will include providing an opinion on the forthcoming Commission Recommendation on net neutrality.

5.9 Similarly, Ofcom is an active member of the European Regulators Group for Postal Services (ERGP), whose main role is to advise the Commission on best practice in relation to regulating postal services. Ofcom is involved in all the five working groups and in 2013, will also chair a new ERGP work stream assessing the development of end-to-end competition for letters and packets.

- The five ERGP sub-groups comprise: cost allocation; net costs of USO (including VAT exemption); end-user satisfaction and market monitoring; end-to-end competition; and access regulation and cross-border products and services.
- Main deliverables for 2013 include publishing a common position on cost allocation rules and an analysis of: activities where common costs are significant; mail traffic validation; and cost of capital. ERGP will also be publishing a series of reports, including on quality of service indicators, best practice in key consumer areas and end to end competition.

Undertake Market Impact Assessment in support of Public Value Tests by the BBC Trust

5.10 When the BBC seeks to make changes to its UK PSB or non-PSB activities, in situations where it considers those changes to be significant, the BBC Trust is required to scrutinise the proposals. It does this by subjecting them to a Public Value Test, incorporating a Public Value Assessment and Market Impact Assessment.

5.11 Ofcom is responsible both for providing advice to the BBC Trust in its assessment of significance and in conducting the Market Impact Assessments. We work closely with the BBC Trust in order to understand the implications for competition of the BBC Trust's decisions and the consequent benefit to consumers in terms of choice and innovation.

5.12 We will continue to fulfil this role, with specific activity depending on changes to the BBC's UK PSB and non-PSB activities.

Monitor underlying approaches to traffic management

5.13 In the publication *Ofcom's Approach to Net Neutrality* in November 2011, we set out our position on net neutrality and traffic management.

5.14 In particular, we provided our views on the level of consumer information which we want to see the market deliver and also the potential circumstances which might warrant the development of a minimum quality of service. As set out in our priorities, we are committed to undertaking further research on consumer information. In doing this, we are aware of the balance between consumer benefits from getting the right type of information in a form that is targeted and clear and of the risks of overloading consumers with too much information resulting in consumer confusion. We will also undertake research on the provision of 'best-efforts'[14] internet access.

5.15 To support our wider work on traffic management, we will continue to monitor actual traffic management approaches as part of our infrastructure reporting duty. We updated our position in the Infrastructure Report statement published in November 2012. In this document we considered whether the use of traffic management practices are consistent with the principles we set out in our Net Neutrality statement. Our view of the current position is that:

- There are currently no substantive concerns in relation to the traffic management practices used by fixed ISPs.

- Some mobile operators are blocking some services, such as Skype's VoIP service. This is a concern, but our current view is that competition between operators should be an effective means of addressing the problem, as long as consumers are made aware of these practices. We have not identified any traffic management practices which are in use by mobile operators and which are not publicly reported.

5.16 Our next infrastructure report update will be published at the end of 2013.

Strategic Purpose 2: Secure optimal use of spectrum

Secure optimal use of spectrum	• Develop a forward-looking spectrum work programme • Progress the release of spectrum • Enable use of white space devices (WSDs) in the UK • Undertake a strategic review of the use of spectrum by the Programme Making and Special Events (PMSE) sector • Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games • Consult on and implement spectrum pricing policies, including annual licence fees for 900 and 1800MHz and AIP in broadcasting

Develop a forward-looking spectrum work programme

5.17 We are close to completing many of the major tasks set out in the Spectrum Framework Review: Implementation Plan, including the 4G auction and liberalisation of mobile spectrum. As such, we believe that the time is now right to refresh our spectrum management strategy and plan a new forward-looking work programme to help us implement this refreshed strategy.

5.18 The strategy will look at:

- our overall strategic approach to spectrum management;

- the future market, technology and regulatory changes that might affect spectrum use over the next five to ten years;

[14] Best efforts describes internet services that are not hindered or blocked but may be managed during times of congestion

- the specific future challenges we, as the regulator, might face; and
- the priority activities we may need to undertake to meet these challenges.

5.19 The *Spectrum Framework Review* (SFR) of 2005 placed a central emphasis on the role of market mechanisms in driving change in spectrum use. While we retain a preference for changes in spectrum use to be driven by the market, where possible, we have a richer understanding of the circumstances in which regulatory action plays a significant, value-enhancing role in this process, based on seven years' experience of doing this since the SFR was published. The lessons we have learned since 2005 will be built into our strategic approach to spectrum management.

5.20 Following on from this refreshed strategy we expect to identify the need for specific spectrum management strategies for some key sectors. In particular, we expect to identify the need for a mobile data strategy to guide the correct mix of spectrum in future.

5.21 As part of this mobile data strategy and in addition to our work to prepare for the possible change of use for mobile of the 700 MHz band, we will review the implications for other spectrum bands of continued growth in mobile data demand.

5.22 Our objective will be to set out a longer-term road map for the provision of spectrum for mobile data to meet the growing demand for wireless services by consumers. We will specifically consider the role of**:**

- licensed spectrum for the core mobile networks as well as the associated spectrum requirements and applications to support mobile backhaul and meshed networks; and
- licence-exempt use.

5.23 In addition to this work and following on from our *Spectrum Review*[15], we will prioritise the review of the current self-coordinated light licensing approach for the 71-76 GHz and 81-86 GHz bands as part of our strategy to support mobile data.

5.24 The immediate urgency to address this arises from the expectation that 4G networks will be deployed in new spectrum at 800 MHz and 2.6 GHz over the coming year and a strong indication from stakeholders that the 71-76 GHz and 81-86 GHz bands have a key role to play in the provision of the backhaul component for these networks.

5.25 Although the current approach enables the use of this spectrum for point-to-point links including mobile backhaul, there is a perception among some stakeholders that the self-coordinated approach at 71-76 GHz and 81-86 GHz does not offer the certainty that is required for the applications used to support 4G networks.

5.26 The key focus of our work will be to explore and decide on the best approach to provide stakeholders with the higher level of confidence that they are seeking to enable them to invest in mobile backhaul solutions for the 71-76 GHz and 81-86 GHz bands. In reviewing this spectrum, considerations that are likely to be important include the recognition of the range of uses that exist for this spectrum, including those for which the self-coordinated approach already meets the needs.

[15] Our Spectrum Review considered the management of the spectrum currently used by fixed point to point links in the UK

Progress the release of spectrum

600 MHz spectrum

5.27 In the light of the conclusions of our UHF strategy work we will prioritise the release of the 600 MHz band for interim use by additional DTT multiplexes, PMSE services and applications based on white space device technology. To enable this we will progress the award of one or more DTT multiplexes (using DVB-T2 and MPEG-4 standards) in the 600 MHz band.

5.28 Given that this spectrum could be needed to facilitate 700 MHz release as early as 2018, and hence the window for interim use may be relatively limited, we will be looking to award the spectrum as soon as practicable. We also intend to conduct further work on the precise arrangements for the coexistence of PMSE equipment and WSDs in the 600 MHz band.

872-876 MHz / 917-921 MHz spectrum

5.29 Ofcom last published an update on the 872-876 MHz / 917-921 MHz spectrum in February 2010. In the light of the progress of CEPT work on the use of this band subsequent to our 2010 update, we are now planning to publish a further consultation document in Q4 2012/2013 which will inform the scope and timing of our work on this band in 2013/2014.

5.30 In particular, it will include consideration of whether the UK should seek to release this band in line with the CEPT; for example to enable use of low-power, licence-exempt, short-range devices. It will also consider the potential release of 870-872 / 915-917 MHz alongside 872-876 MHz / 917-921 MHz if and when management of this is transferred to Ofcom from government. Consequently we will update the final 2013/2014 Annual Plan to reflect the proposals set out in that document.

Enable use of white space devices (WSDs) in the UK

5.31 The term ‘white space spectrum’ refers to frequencies that are *not* being used by existing licensees at all times or at all locations. A white space device can make use of these frequencies provided that the risk of harmful interference to the licensed users of the spectrum can be appropriately managed.

5.32 Location-aware wireless devices, assisted by databases which provide information on white space availability taking into account existing licensed use, offer the promise of opportunistic access to under-utilised frequency bands around the UK for innovative and useful services. We believe that such database-assisted operation can also be a key enabling technology for the efficient and dynamic sharing of spectrum in a variety of frequency bands.

5.33 We have been investigating the prospects for access to white spaces in the UHF TV band[16] (also known as TV white spaces) since 2007. Our latest step towards enabling the use of TV white spaces was our consultation on white space devices requirements in November 2012[17].

5.34 Our work in the area of TV white spaces will continue in the following areas:

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[16] The UHF TV band extends from 470 MHz to 790 MHz

[17] http://stakeholders.ofcom.org.uk/consultations/whitespaces/

- **Device requirements and licence exemption** – following this consultation and the review of the responses, we expect to notify the European Commission of our draft regulations and device specifications. After this, and in the absence of comments from the European Commission or any member state, we will be in a position to make the licence exemption regulations. We intend to do this once the first databases have successfully undergone Ofcom's qualification process.

- **Co-existence with incumbent services** – we have engaged with stakeholders to discuss the technical parameters for co-existence between WSDs and incumbent users. We intend to publish a consultation document to summarise our proposals regarding the co-existence of WSDs with incumbent services that operate in (and immediately adjacent to) the UHF TV band. We will also include in that consultation the proposed role of Ofcom in quantifying the TV white spaces availability across the UK subject to the defined co-existence criteria.

- **White spaces database (WSDB) requirements and specification** – at this stage we are still developing the details of the WSDB requirements and translating these requirements into a draft database contract for WSDBs and Ofcom. Once the work has progressed sufficiently, we will publish the WSDB requirements and a draft contract and will discuss these with stakeholders through a series of workshops. We are also considering holding an end to end trial to test the interoperability of Ofcom systems, WSDBs and devices. This trial will help us fine tune the details of the contract.

- **Enhanced mode** – our work on TV white spaces so far has been to enable the *baseline* framework for the operation of WSDs. This *baseline* framework involves the automatic reporting of device parameters from WSDs to WSDBs. However, our discussions with stakeholders have indicated that fixed WSDs may benefit from *enhanced* TVWS availability, if specific parameters pertaining to these devices are reported by the user of the device and accounted for by the WSDBs. We aim to return to the *enhanced mode* once the details of the *baseline mode* have been finalised.

5.35 Based on our current observations on industry and standardisation activity, we currently estimate that white space devices could be in a position to be deployed from 2014.

Undertake a strategic review of the future use of spectrum by the Programme Making and Special Events (PMSE) sector

5.36 We plan to initiate a review of spectrum requirements and availability for the PMSE sector. This recognises the continued increase in licensed PMSE-use, alongside the impact of reductions in the amount of access to spectrum available to the sector. We will also consider the approach to PMSE spectrum management, noting that proposals for PMSE band management were put on hold in 2010 in the light of our need to commit attention and resources to preparations for the Olympic Games.

Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games

5.37 Glasgow 2014 will take place between 23 July and 3 August 2014. It will be staged at a number of locations around Scotland but will be primarily concentrated in and around Glasgow. Ofcom is responsible for organising a full spectrum plan for

Glasgow 2014, for arranging all the licences in good time in support of the plan and for ensuring that key wireless services are free from harmful interference.

5.38 These responsibilities flow from two guarantees given by the UK Government, underwritten financially by the Scottish Government, to the Commonwealth Games Federation in support of Glasgow's bid for the Commonwealth Games. These guarantee the allocation of spectrum required for the organisation of Glasgow 2014 and the waiving of fees otherwise payable for that spectrum by certain users.

5.39 In July 2012 Ofcom published a consultation on radio spectrum planning that sets out our proposals for making spectrum available for wireless communications at the Commonwealth Games. As with the London 2012 Olympic and Paralympic Games, our contribution to the success of the event will be ensuring that spectrum is used effectively, with the least disruption to users.

5.40 In 2013/14 we will consult on a draft spectrum plan and how we propose to secure the spectrum needed for the successful delivery of the Games.

Consult on and implement spectrum pricing policies, including annual licence fees for 900 and 1800MHz and AIP in broadcasting

<u>Amend the annual licence fees (ALF) for the 900 MHz and 1800 MHz spectrum</u>

5.41 In December 2010 the Government made a Direction to Ofcom', the express purpose of which was to ensure the release of additional spectrum for use by providers of next generation mobile broadband services.

5.42 As part of this Direction we were instructed to revise the annual licence fees payable for 900 MHz and 1800 MHz spectrum to reflect full market value having particular regard to the sums bid for licences in the 800 MHz and 2.6 GHz auction.

5.43 In our consultations on the combined award we consulted on the methodology to set these fees. We will consult on revised fees for this spectrum following completion of the combined award. We currently expect to publish that consultation in Q2 2013/14.

<u>Administered incentive pricing (AIP) in broadcasting</u>

5.44 We will consult and issue a statement on policy and implementation options for AIP in broadcasting in the first half of 2013/14.

<u>Review some spectrum licence fees based on a contribution to costs</u>

5.45 We intend to consult on some changes to spectrum licence fees, which are set by reference to our costs, in Q4 2012/13. We will follow this is 2013/14 with a statement and a revised fees structure.

Strategic Purpose 3: Promote opportunities to participate

Promote opportunities to participate	• **Ensure the adequate provision of services for consumers with hearing impairments** • **Continue to promote investment that would address mobile phone not-spots** • **Undertake further research into the effect of communications infrastructure availability on geographic areas**

Ensure the adequate provision of services for consumers with hearing impairments

5.46 The European Universal Service Directive enables National Regulatory Authorities to specify requirements to be met by providers to ensure that disabled end-users have access to electronic communications services equivalent to those enjoyed by the majority of end-users.

5.47 Under the Communications Act 2003, Ofcom is required to have regard to the needs of older and disabled people and the Universal Service Order (set by the Government) requires us to secure the provision of one or more text relay services. General Condition 15.3 requires communications providers to provide their customers with access to a relay service approved by Ofcom. Currently, the only relay service approved by Ofcom is the text relay service provided by BT.

5.48 Relay services enable people with hearing and/or speech impairments to communicate with others through telephone or textphone equipment. Under the current system, a relay assistant acts as an intermediary to convert speech to text and vice versa for the two parties.

5.49 We have carried out a review of relay services to consider the regulatory case for introducing new or improved relay services, in the light of changes in user requirements and technological developments since the service was introduced over 30 years ago. In October 2012 we published our statement, following on from our May 2012 and July 2011 consultations to improve communications services for people with hearing and/or speech impairments.

5.50 Our decision means that all UK landline and mobile providers must provide their customers with access to a next generation 'text relay' service, approved by Ofcom, by 18 April 2014. The new service will offer significant improvements, including:

- parallel two-way speech, which makes use of an internet connection to allow users to interject, instead of having to wait until the end of a message. Conversation flows much more quickly and naturally as a result; and

- a wider range of equipment for accessing the service, including easier use of text relay on the move via mobile phones.

5.51 As well as mandating these improvements to text relay, Ofcom will work with industry and disability representatives to explore the impact of speech recognition technology on the accuracy and speeds of current and future relay services.

5.52 In addition, we recognise the potential significance of a video relay service for users of British Sign Language, particularly those who struggle with written English. Ofcom is working with government, industry and disability groups to encourage the provision of video relay services by communications providers, organisations and businesses on a voluntary basis. We are also continuing our review of whether other requirements in General Condition 15 secure equivalent access to services in an appropriate way.

Continue to promote investment that would address mobile phone not-spots

5.53 Ofcom has a longstanding programme of work examining mobile coverage in the UK. In addition to our work supporting the Government to deliver the Mobile Infrastructure Project (MIP) which seeks to improve mobile coverage, we have increased coverage obligations on 3G operators and will require one of the 800 MHz 4G licensees to deliver at least 98% indoor coverage across the UK (at least 95% in each nation) by the end of 2017.

5.54 We also closely monitor market developments such as commitments to improve coverage. These have the potential to materially reduce the extent of mobile not-spots. We will provide an update on our wider work programme in the Consumer Experience Report 2012.

5.55 However, these developments are still evolving and it is too early to determine how effective they will be. Our ongoing work is therefore focused on understanding their effect on consumers. For example, we are currently carrying out further research into consumer and small business perceptions of mobile reception and will continue to do so, on an ongoing basis.

5.56 We have not ruled out further action in the future if a significant problem remains, but consider that we should do so only once we better understand the impact of all the current developments.

Undertake further research into the effect of communications infrastructure availability on geographic areas

5.57 In 2013/14 we will undertake further research into the effect of communications infrastructure availability on geographic areas. This research will be used together with the conclusions of our work in 2012/13 on the availability of communications services in the nations (Economic Geography). This existing research focused on rural and lower-density geographies; our follow-up work will complement this by focusing on higher-density areas, including cities and towns.

5.58 Research in this area will help Ofcom to better understand the communications needs of geographic areas. It will assist us in understanding the changing face of UK geographies: both their increasing social diversity and the changing demands now placed on the communications infrastructure for service delivery. This will assist us in developing and implementing future policies.

Strategic Purpose 4: Protect consumers from harm

Protect consumers from harm	• Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors • Support industry and Government initiatives to improve levels of user trust in internet services

Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors

5.59 We will continue to play an active role in supporting the Government's UK Council for Child Internet Safety (UKCCIS). We are able to inform the work of UKCCIS through our market research into awareness and use of online media, particularly through our media literacy reports. In addition, we will support government and industry in their efforts to secure an effective self-regulatory regime in relation to child safety online. Finally, we will continue to contribute to European debates on the protection of minors, as appropriate.

Support industry and Government initiatives to improve levels of user trust in internet services

5.60 Ofcom has traditionally supported industry measures to improve user trust when engaging with the internet, intervening directly where it has been apparent that there were significant barriers to industry-led solutions. Examples include our work on broadband speeds and our support for the Internet Advertising Bureau's range of activities to improve consumer understanding where its data is being used to support online targeted advertising.

5.61 The continued growth in online content and advertising markets depends in part on the maintenance of a trusted and secure environment for consumer data. We will monitor the development of online data markets and their role in supporting content investment. In doing this, we will consider the interests of consumers and core regulated stakeholders in the transparent and fair development of such markets.

5.62 Ofcom will continue to work closely with partner regulators, such as the Information Commissioner's Office and PhonePay Plus, to ensure that users continue to enjoy the benefits that the internet can provide.

5.63 In particular, we will continue to be active in securing the right balance between funding new services from the exploitation of user information and ensuring effective levels of user protection.

5.64 We will also work closely with stakeholders to better understand the potential opportunities presented by DNS Security Extensions for improving levels of security for users engaged in e-commerce. In this regard we will look to work closely with Nominet and provide support for initiatives to roll out the service more widely. Similarly, we will continue to support industry initiatives to tackle malware and other risks to user confidence in this area.

Strategic Purpose 5: Maintain audience confidence in broadcast content

Maintain audience confidence in broadcast content	• License television and radio services in the UK including a further round of community radio licensing and a continued focus on effective enforcement • License new local TV services

License television and radio services in the UK, including a further round of community radio licensing and a continued focus on effective enforcement

5.65 Ofcom will continue to license television and radio services which come under UK jurisdiction, in order to provide consumers with a wide range of broadcast services. In 2013/14 this will include the ongoing third round of community radio licensing; we will assess applications from Northern Ireland (having already completed the process for Wales and Scotland in 2012/13), the north-east of England, the north-west of England, Yorkshire, the Midlands and east and south-east England. Licences are granted for five years and services are required to deliver social gain to their chosen communities.

5.66 As of the end of November 2012, there were over 200 community radio stations on air, delivering community benefits to around 12.5 million people throughout the UK. Ofcom intends throughout 2013/14 to continue licensing community radio services where there is a suitable frequency available and where applications meet the requirements set out in legislation.

5.67 We will also continue to implement a robust and vigorous approach to compliance issues, prioritising cases where the risk of harm to audiences and citizens is higher.

License new local TV services

5.68 Following new powers and duties to license and regulate local television given to Ofcom in 2012, we have begun awarding the first new (L-DTPS) local television licences.

5.69 We anticipate concluding the first phase of local TV licensing by the end of 2012/13 – this comprises 21 local service licences plus a single multiplex licence for a transmission network. In 2013/14 we will grant these licences and work with the licensees to get their services on air. We will also consider advertising further local service licences.

Strategic Purpose 6: Contribute to and implement public policy defined by Parliament

Contribute to and implement public policy defined by Parliament	• Contribute to the Government's Communications Review • Support the Government's digital radio programme

Contribute to the Government's Communications Review

5.70 The Secretary of State for Culture, Olympics, Media and Sport published an open letter in May 2011 asking a broad range of questions about the communications sector. Responses to this, and other work undertaken since then, resulted in a series of seminars in lieu of the publication of a green paper. The output of these seminars will form a large part of any input into a white paper.

5.71 While the expected date of such a white paper remains uncertain, we will continue to respond as appropriate to the Government's requests for advice during 2013/14 as it develops policy in this area. We will contribute to the debate, drawing on our experience of regulating the communications sector while seeking to further the interests of citizens and consumers.

Support the Government's digital radio programme

5.72 Ofcom will also continue to support the Government's Digital Radio Action Plan, working with government, broadcasters, Digital Radio UK and Arqiva. As set out in the plan, we will continue to lead the coverage and spectrum planning work during 2013/14, including considering future uses for the MW spectrum and any vacated FM spectrum.

Section 6

Programmatic work and services to stakeholders

Ofcom delivers a number of essential services for consumers and other stakeholders

6.1 We have a wide range of responsibilities which we fulfil by undertaking projects in specific areas. Our programmatic work is important in delivering our priorities, other work areas and services to citizens, consumers and stakeholders.

Figure 6: Ofcom's ongoing programmatic work

Further the interests of citizens and consumers in relation to communications matters

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
• Enforce competition e.g. through resolving disputes and investigating complaints under the Competition Act and imposing penalties where appropriate • Implement measures to ensure availability of geographic numbers for allocation to communications providers	• Actively represent UK interests in international spectrum committees • Plan spectrum assignments and grant licences • Engage in the development of the international regulatory environment for spectrum and ensure compliance with our related international obligations • Spectrum enforcement: advise and assist in cases of interference, confiscate unauthorised equipment and prosecute where appropriate	• Carry out and publish market and consumer research, including Media Literacy • Understanding and promoting the interests of older and disabled consumers • Advise consumers on how to get the best from communications services through an increased online presence • Continued engagement with nations and regions	• Provide protection from and enforcement against unfair terms and practices by Communications Providers • Ongoing monitoring of existing licence holders to ensure they are fit and proper to hold those licences	• Ensure efficient and effective programme standards enforcement • Enhance cooperation with audiovisual regulatory authorities in Europe to address jurisdictional challenges

Contribute to and implement public policy defined by Parliament

- Provide support and advice to Government on policy implementation where appropriate
- Engage with stakeholders internationally and actively participate in European regulatory networks (including BEREC, RSPG, ERGP and EPRA)
- Undertake ongoing work to support network resilience, cyber security and access to emergency services

Engaging with the nations

6.2 Our duties reflect our responsibilities towards citizens and consumers across the whole of the UK. In particular, we must have regard to the interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of people living in rural and urban areas.

6.3 We will continue to promote the interests of the four nations of the UK in a number of ways during 2013/14:

- through our work in the priority areas set out in Section 4, specifically:
  - o finalising arrangements to facilitate the newly-auctioned spectrum at 800 MHz and 2.6 GHz to be used to roll out 4G networks;
  - o securing the provision of the universal postal service; and
  - o working in collaboration with government and industry to promote widespread superfast broadband.
- through our work in the other areas in Section 5, specifically:
  - o licensing new local TV services and conducting a further round of community radio licensing;
  - o building on our Economic Geography research by undertaking complementary research in higher-density areas, including cities and towns; and
  - o through our engagement with devolved institutions and other stakeholders.

6.4 In Northern Ireland we will:

- provide appropriate regulatory advice to the Northern Ireland Executive, the Assembly and local government to help support the provision of mobile, broadband and other communications services across Northern Ireland;
- assess the provision of Irish Language and Ulster Scots broadcasting services;
- continue to assess the impact of cross-border communications services on consumers and business users; and
- run the Telecoms Stakeholders Forum, to allow telecoms providers to address issues of mutual interest.

6.5 In Scotland we will:

- liaise with the Scottish Government and other stakeholders over preparations for the Glasgow 2014 Commonwealth Games;
- continue to track broadband take-up in Glasgow and the surrounding area;
- seek to inform ongoing discussions about broadcasting and connectivity issues including the Scottish Government's Scotland's Digital Future Plan; and
- contribute as appropriate to discussions about the impact on communications regulation of independence or further devolution in Scotland.

6.6 In Wales we will:

- specifically consider the impact of broadcast and print media plurality issues in Wales as appropriate through our existing media plurality duty, through relevant public interest tests or through our upcoming PSB review;

- provide appropriate regulatory and technical advice to the Welsh Government in support of its Digital Wales policy commitments, in particular the Broadband Support Scheme and the Next Generation Broadband for Wales Project;

- ensure that the needs of Wales are considered in any work we undertake on DAB radio technology and migration; and

- encourage the evaluation of new innovations and their potential to provide alternative solutions to known NGA and LTE connectivity issues in Wales and to facilitate, where possible, test-beds and trials to be undertaken in Wales.

6.7 In addition to the programmatic work shown above, we also provide a number of essential services to stakeholders and consumers to fulfil our duties as the regulator for the communications sector.

Addressing the needs of business consumers

6.8 As with our engagement with the nations, the needs of business consumers are a constant thread in our work. We appreciate that these needs can differ from those of residential consumers and are likely to require a different regulatory approach.

6.9 In a rapidly-changing communications market, we want to ensure that services are available to support the needs of businesses, both small and large. We also want to ensure that communications providers have what they need in order to provide services to those businesses.

6.10 In June 2012 as part of our review of the Business Connectivity Market we published consultation proposals setting out how we propose to regulate the market for leased lines. Leased lines are used to deliver data connectivity to enterprises and public sector organisations as well as to mobile and fixed broadband providers. We will intend to conclude this review by spring 2013.

6.11 Our proposals are designed to promote competition in the provision of leased lines and the services which depend on them (e.g. mobile, broadband connectivity) and will affect the availability, choice, price, quality and value for money of these services throughout the UK.

6.12 We will specifically consider the communications needs of small and medium enterprises (SMEs) within the business community as we recognise their importance to the current economic fibre and future growth of the UK and its nations.

6.13 During 2013/14 we will remain responsive to the broader needs of business consumers and ensure that providers are able to compete to offer effective services to business end-users.

Responding to consumer enquiries and complaints from the public

6.14 Our central operations team deals with enquiries and complaints from consumers about telecommunications services, TV and radio services and use of the radio spectrum. We aim to help consumers resolve their enquiries and complaints by directing them to useful advice and by liaising with service providers.

6.15 Additionally, people often complain to us directly about TV and radio programmes. We consider complaints relating to a number of areas such as the protection of under-18s, harm and offence, fairness and privacy and impartiality and accuracy in news. However, we do not consider issues relating to impartiality and accuracy in BBC programmes as these are the responsibility of the BBC Trust. We also manage complaints about programme sponsorship and alleged commercial influence.

6.16 Ofcom's Consumer Contact Team provides early warning of consumer concerns. New areas of concern arise all the time and increase the number of complaints we receive.

Keeping the radio spectrum free from interference

6.17 We monitor the radio spectrum and take appropriate action to prevent harmful spectrum interference. The increasing demand for and use of spectrum leads to a corresponding increase in the risk of interference. Ofcom will continue to take action to prevent interference and to mitigate it when it occurs.

6.18 Our Spectrum Engineering and Enforcement Team handles around 5,000 cases per year, taking action to:

- protect safety-of-life communications, including emergency services and air traffic control;
- prevent illegal use of the radio spectrum;
- enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and
- ensure that non-compliant equipment is not placed in the market.

Licensing access to the radio spectrum

6.19 Ofcom controls access to the radio spectrum by issuing, renewing and revoking licences. Where necessary, we make frequency assignments, perform site clearances and coordinate the use of spectrum internationally. In the past year we have issued around 23,000 spectrum licences (excluding renewals) covering satellite, fixed links, private business radio, amateur, maritime and other users.

6.20 We will deliver these services in the most efficient and effective way possible, improving our processes and customer service to minimise revocations and address unlicensed use of spectrum.

Providing information services

6.21 We provide information to the public about use of the radio spectrum. This is an important contribution to the efficient coordination of spectrum use. We also facilitate the trading of spectrum licences by stakeholders.

Corporate responsibility

6.22 Ofcom is committed not only to being a responsible employer but also to managing its impact on the wider community. Our corporate responsibility objectives are:

- To treat all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all.

- To reduce our carbon footprint, provide value for money and ensure that Ofcom's practices are environmentally sustainable.

- To engage, inspire and develop colleagues while proactively seeking to support our local community.

6.23 In 2011 we published our Single Equality Scheme (SES) which brings together and strengthens Ofcom's commitment towards diversity and equality. The SES sets out clearly the work we have done so far and what we hope to achieve in the future. As part of this we set ourselves equality objectives we hope to achieve by October 2014. We report annually on the progress we make against our equality objectives.

6.24 In 2012/13 we made great progress to achieving all our equality objectives, set out in our Single Equality Scheme. Key developments include significantly increasing the number of projects which are assessed for disproportionate effects on those with protected characteristics, publishing our first report on the diversity profile of colleagues and carrying out our first equal pay audit, which showed there were no significant pay discrepancies between men and women.

6.25 The 2011 SES met the new requirements of the Equality Act 2010 and covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, marriage and civil partnership and sexual orientation.

6.26 Following this, in 2012 we published our first report on the diversity profile of colleagues to fulfil part of our public sector duty under the Equality Act 2010. We have used the findings of this report to inform our diversity and equality work and will provide updated reports annually. Likewise, we carry out benchmarking to ensure that we operate in line with diversity and equality best practice; we were recently named in the list of top ten public sector employers by Business in the Community with regards to race and gender.

6.27 We continue to support a local primary school, where Ofcom colleagues run a popular reading scheme. We also recently started team volunteering, which has been an effective way to improve team development.

Section 7

Potential longer-term priorities and work areas

7.1 This document sets out Ofcom's plans for the coming year to deliver consumer and citizen benefits. However, we continue to expect the communications sector to develop and change over time, resulting in a number of potential forward looking policy issues. The purpose of this section is to acknowledge these developments and the potential longer-term issues we may face.

7.2 The inclusion of these issues does not suggest that Ofcom will undertake work in these areas as a priority in the Annual Plan during the next or subsequent financial years. Indeed it is unclear whether the market will develop in such a way that we may be required to have a view in the future at all.

7.3 Some of these issues may become active priorities in 2013/14 after the publication of the final Annual Plan statement due to unplanned external events or spare capacity being available internally. But until then, Ofcom will continue to have a watching brief or undertake small-scale internal work to prepare for the future while continuing to monitor and track their developments.

7.4 It is also important to note that this is not a closed list – new priorities and emerging issues will emerge, but these are ones that we have already recognised.

Emerging issues that may inform future Annual Plans

Wider business telecommunications market review

7.5 Building on the recent *Business Connectivity Market Review*, a future priority may be to undertake a more in-depth review of the changing needs of all businesses requiring data connectivity and how well providers are responding to these changes.

Further research and information provision on quality of service

7.6 Continue to conduct research on the service quality received by end-users; for example, on mobile broadband speeds.

Ongoing advice to the Government on further public sector interventions to deliver 'final-third' broadband coverage and final 10% superfast broadband

7.7 Another potential work area may be to continue to advise or to provide our expertise to the Government in meeting its targets for UK broadband and superfast broadband coverage.

Supporting further public sector spectrum release

7.8 As new sources of supply of spectrum for commercial uses becomes increasingly important, a future priority could entail supporting further public sector spectrum release beyond 2.3 and 3.4 GHz.

Emergency services spectrum planning

7.9 We are aware that the emergency services in the UK are considering their future requirements from mobile networks, as are others around the world. We anticipate that our advice will be sought on the spectrum options that may be available to them.

Undertake a strategic review of the business radio UHF1 and UHF2 bands

7.10 With rising demand for application-based services for private mobile radio (PMR), especially in the most popular bands, Ofcom will soon need to consider how these challenging requirements can be met.

7.11 It is likely, therefore, that a strategic review of UHF1 and UHF2 will need to be undertaken in the context of global developments in PMR.

The increasing use of consumer data and information

7.12 As a result of the opportunities offered by the internet and IP services, players across the communications sector value chain will increasingly collect and use information about their customers. This poses a number of potential issues, including prospective competition, consumer protection and privacy concerns. While not an issue exclusively for Ofcom, it is a sensitive and emerging area where we will need to work with other regulators as appropriate, to safeguard the interests of consumers and citizens.

An expanding role for NRAs in securing resilient critical national infrastructure

7.13 Article 13a of the Framework Directive was transcribed last year into the Communications Act. This gives Ofcom new powers in relation to ensuring that public networks and services are resilient and secure. To date our activity has focussed on ensuring that the largest communications providers can demonstrably follow industry best practice. However, as communications services become increasingly important to consumers, citizens and the economy, there may be increasing calls for Ofcom to adopt a more proactive role, beyond our regular infrastructure reports, in securing a resilient critical national infrastructure.

Understanding the role of intermediary liability in future policy making

7.14 In future, internet intermediaries such as ISPs may play more or less formal roles in securing policy goals as diverse as copyright protection and the protection of minors. If necessary, we will ensure that we have a good understanding both of the relevant UK and European legislation, potential for regulatory obligations and of the development of relevant voluntary initiatives by such intermediaries as debates on this issue continue.

The risks to consumers posed by malware

7.15 In collecting private data without the user’s knowledge and attacking computer systems, malware could pose a real risk to online users. With this in mind it may be important that we are aware of any developments in order to enable a trusted online environment for UK citizens and consumers and to understand possible future consumer protection issues related to online services.

Consumer protection in respect of micropayments

7.16 Use of, and interest in, micropayments is increasing in our sectors as a means to generate returns on online or digital content and services. With the emergence of a digital content business model comes the risk that neither generic consumer law nor the market alone will ensure that consumers are fully protected from prospective harm. At the same time, it is not necessarily clear which regulatory or enforcement bodies have responsibility for any consumer protection. Ofcom already has a limited role in an associated area through its regulation of premium rate services and may be looked to as one advisor in considering future risks of consumer harm and options for consumer protection. This is an emerging area which we may have to observe and to which it may be necessary to contribute.

Section 8

Delivering our duties and value for money

Ofcom delivers value for money within its budget

8.1 2013/14 represents the third year of Ofcom's current four-year Treasury Spending Review. Within this timeframe Ofcom has responded to the wider challenges facing public expenditure by reviewing how it delivers effective, targeted regulation in the interests of citizens and consumers, while maintaining value for money for its stakeholders.

8.2 The 2013/14 Annual Plan builds on our achievements to date within the context of the efficiencies set out within the 2011/12 and 2012/13 Annual Plans following our internal Expenditure Review Project.

8.3 In addition to the economic challenge, we are also actively responding to changes in UK and European legislation including advising and assisting Government as required.

Delivering our internal Expenditure Review Project

8.4 Our Expenditure Review Project was designed to enable the organisation to deliver on its duties and obligations despite funding reductions, while also achieving greater strategic focus and organisational effectiveness over a four-year period.

8.5 This comprehensive review of all of our financial requirements produced a clear set of measures to enable delivery of all of our commitments (excluding postal services) within a 28.2% real-term reduction target (over four years), as required by HM Treasury.

8.6 So far, we have achieved savings of 22.8% and are on course to achieve the 28.2% reduction required over the four-year period. An important element of this saving is staff costs: over a five year period, Ofcom's headcount is expected to reduce by around 170 excluding the additional headcount required to regulate postal services following the transfer of responsibilities from Postcomm in October 2011.

8.7 Ofcom's overall 2013/14 budget will benefit from a significant reduction following the successful discharge of our duties in relation to the 2012 Olympic and Paralympic Games. We will focus on maintaining the legacy value of this work.

Managing our resources effectively

8.8 Ofcom recognises that our internal resources are critical to the overall success of the organisation. To this end, we continue to develop the organisation internally and 2013/14 will see the commencement of a management development programme to sit alongside our leadership programme and our graduate intake scheme.

8.9 Having appropriate toolsets and processes in place is critical in enabling Ofcom to carry out its duties in the most effective way. To facilitate this in 2013/14, we will continue to review the way that we work and where appropriate, we will revise our processes and approach to deliver further efficiencies.

8.10 Ofcom will continue to keep our property requirements under review, disposing of or subletting space that is surplus to our ongoing needs.

8.11 To enable Ofcom to make the best use of its available financial resources, we continue to focus on our commercial function to better promote:

- professional, effective and sustainable procurement, in accordance with all applicable EU and UK laws; and
- achieving value for money and quality of service, while minimising commercial and legal risk.

8.12 This is underpinned by clear and robust procurement and contracting processes which are fair, transparent and non-discriminatory, taking full account of developing best practice. We are committed to ensuring that all potential suppliers are given equal opportunity to compete for Ofcom's business.

8.13 In 2013/14, we will continue to work with other regulators with a view to minimise total costs where possible and to share best practice.

Facilitating appropriate outcomes for citizens and consumers

8.14 As in previous years, the 2013/14 Annual Plan clearly articulates our strategic priorities and the outcomes from our work that we wish to secure on behalf of citizens and consumers.

8.15 Outcomes are the effect or behavioural change brought about by Ofcom actions. We define two levels of outcome: interim outcomes are those impacts or behavioural changes within the industry stakeholder environment, while final outcomes are those experienced by the consumer and citizen.

8.16 The capturing and reporting of outcomes is built into our project delivery framework. This includes for each activity we undertake, clear articulation of the desired outcome and the associated internal actions required to be undertaken. These outcomes set out the positive benefits we seek to deliver to citizens and consumers as a result of our work. Progress against delivery of our outcomes is set out in our Annual Report.

8.17 We have again set interim and final outcomes to assess the successful delivery of our priorities in this year's Annual Plan. We will report on how effective we have been in delivering against these outcomes and on how successful our work has been in our 2013/14 Annual Report.

Section 9

Ofcom's approach to regulation and recent simplification initiatives

We seek to minimise regulatory burdens on stakeholders, in line with Ofcom's duties

9.1 In fulfilling our duties and meeting our strategic purposes, we follow a defined set of regulatory principles. These principles ensure that our work tackles problems effectively and in a timely, robust and comprehensive manner. They also help us clarify our regulatory approach and simplify and reduce regulation, while maximising value for money, wherever possible.

9.2 Our regulatory principles, which are related to our statutory duties, are set out below[18]:

When we regulate

9.3 Ofcom will operate with a bias against intervention, but with a willingness to intervene promptly and effectively where required.

9.4 Ofcom will intervene where there is a specific statutory duty to work towards a goal that markets alone cannot achieve.

How we regulate

9.5 Ofcom will always seek the least intrusive regulatory methods of achieving its objectives.

9.6 Ofcom will strive to ensure that interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.

9.7 Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated priorities.

How we support regulation

9.8 Ofcom will research the communications market and will aim to remain at the forefront of technological understanding.

9.9 Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.

9.10 Our bias against intervention aims to ensure that we regulate only where necessary. Unnecessary intervention could distort or stifle the development of competitive and innovative markets. However, where intervention is required we will act quickly and decisively.

[18] http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/

9.11 Section 6 of the Communications Act 2003 places a duty upon Ofcom not to impose burdens that are unnecessary or maintain burdens that have become unnecessary. Section 6 also requires Ofcom to publish a statement every 12 months, showing how it has fulfilled this duty. We fulfil this requirement through a description of recent simplification initiatives, which is presented in the context of our Draft Annual Plan.

Our approach to regulation is designed to minimise burdens

9.12 Our annual planning process seeks to set out our future work programme with our approach to regulation in mind.

9.13 In addition to our regulatory principles, there are several themes that will remain important to our work throughout 2013/14. These are:

- Considering how our work and its outcomes relate to each nation of the UK. Our work is increasingly influenced by the implications of devolution and the differences between the nations.

- Adhering to Ofcom's consumer interest toolkit as a way of ensuring that we identify and address consumer interests across our work. The toolkit includes a series of questions that every internal team should ask, to ensure that consumers are appropriately considered.

9.14 The Communications Act 2003 explicitly states that we should fulfil our duties in a manner consistent with the principles of Better Regulation. This requires regulatory intervention to be evidence-based, transparent, accountable, proportionate, consistent and targeted only at cases where action is needed.

9.15 Impact assessments form a key part of our regulatory action. They provide a way of clearly identifying the problems to be addressed, considering different options for regulation (including not regulating) and then selecting the option which maximises expected benefits and minimises the costs of intervention.

9.16 Section 7 of the Communications Act 2003 says that Ofcom must carry out and publish an impact assessment where it appears to us that our proposal is important. However, because impact assessments form part of good regulatory practice, we carry them out in relation to the vast majority of our decisions.

9.17 Targeted and proportionate regulation has had a key role in the delivery of positive outcomes for UK citizens and consumers. Although the imposition of burdens on regulated companies is inherent in the practice of regulation, we believe that interventions are justified when the cost of these burdens are outweighed by the overall benefits that result from their implementation.

9.18 In analysing the costs and benefits of regulation, it is necessary to apply the principle of proportionality, which means it will often be appropriate to focus on the most significant costs and benefits and not spend a disproportionate amount of time considering those which are relatively minor. Furthermore, the amount of information we request from stakeholders to enable us to carry out our analysis must also be proportionate.

9.19 When assessing options for intervention, we consider a range of alternative solutions. These range from no regulation at all, to industry self-regulation (where industry administers a solution without formal oversight or regulatory backstop powers), coregulation (where government or the regulator does have a backstop powers and a degree of oversight), through to full statutory intervention.

9.20 We have continued to develop and deploy project management guidance to ensure that all project managers understand and consider impact assessments, equality impact assessments, risk and co- and self-regulation, as well as being able clearly to define measures of success.

We regularly review regulation to examine whether it is still fit for purpose and to remove burdens that are no longer justified

9.21 Once regulation is in place, we subject it to periodic review to take account of changing market conditions, stakeholder needs and statutory requirements to conduct formal reviews at given intervals. We also evaluate major interventions in relation to the outcomes that they were originally intended to achieve. Reviews and evaluations are very important to determine whether current regulations and their associated burdens are still necessary and justified.

9.22 Since its inception Ofcom has taken a strategic approach to regulation, publishing wide-ranging sectoral reviews. While these can result in administrative burdens on stakeholders, through information requests and the consultation process, they are necessary for us to assemble an evidence base for analysis. On the other hand, a strategic approach to regulation reduces the likelihood of the imposition of multiple, uncoordinated layers of regulation resulting in unnecessary burdens for us and our stakeholders.

Ongoing simplification initiatives from 2012/13

We will continue to implement our new e-services initiative

9.23 We will continue to develop our e-services initiative to provide a new portal for consumers to get advice, guidance and to be able to log complaints about communications services. This is aimed at encouraging consumers towards a ‘web first’ strategy via the Ofcom web portal.

9.24 The portal will allow users to log on to the website 24/7, will deliver an improved customer experience and will apply to telecoms advice, queries and complaints. It will also enable Ofcom to gather valuable data on key issues, emerging trends and service provider performance, to inform policy development and enforcement.

9.25 We hope that the consumer portal will reduce the volume of calls into our Consumer Contact Centre (CCT), allowing our associates to deal with the more complex calls that cannot be resolved via the web and to provide assistance to vulnerable consumers and those not yet online.

We will continue our expenditure review project

9.26 Throughout 2012/13, the Planning and Performance Team has, and will continue to have, primary responsibility for Ofcom’s performance management framework. A key focus for this framework has been to streamline our internal reporting processes, allowing more timely information to be made available to managers on a more regular basis as an aid to effective decision making. The long-term aim of the framework is to ensure that by more effective monitoring and reporting of progress, consumers will benefit from our more efficient use of resources. This work will continue into 2013/14

We have allowed Royal Mail to introduce a 'delivery to neighbour' scheme

9.27 We have given approval for Royal Mail to roll out a 'delivery to neighbour' scheme, whereby Royal Mail will be able to deliver undeliverable mail to a neighbour of the addressee.

9.28 The scheme, which is optional for mail customers, was first trialled in a limited number of areas in 2011. Following successful completion of the trial, Royal Mail made a formal request to introduce the scheme nationwide.

9.29 Having regard to our duty under section 29 of the Postal Services Act 2011; to carry out our functions in a way that we consider will secure the provision of a universal postal service, including the need for the provision of that service to be financially sustainable and efficient, we permitted Royal Mail to deliver items to neighbours to improve the convenience of the service for postal users, and to enable a more efficient delivery system for Royal Mail.

9.30 In developing this proposal, we noted that other packet delivery services competing with Royal Mail were already permitted to leave undelivered items with neighbours.

We have reduced the regulations on Royal Mail to give it greater commercial flexibility

9.31 As a result of our consultations in 2011 and final decision in March 2012, from 1 April 2012, Royal Mail has had the freedom to set its own prices for the vast majority of its retail and wholesale products. At this time we also:

- reduced from three months to one month the notice Royal Mail is required to give customers when changing prices or terms for universal service products;
- removed all publication and advance notification obligations for changes to the price and non-price terms of Royal Mail's retail non-universal services;
- removed the prior approval process for changes to the non-price terms of universal services subject to a requirement that terms for these services must be fair and reasonable; and
- removed obligations for Royal Mail to publish quality-of-service information on non-universal services.

9.32 We considered that these changes would help to give Royal Mail greater commercial flexibility to innovate and respond to its challenging market environment.

We have simplified the spectrum trading process, extended trading to new licence classes and introduced leasing

9.33 We have made it easier for businesses to trade spectrum and have extended this ability to the maritime and satellite earth station sectors. We removed the need for Ofcom to consent to a transfer of rights to use spectrum, in most instances. Extending the ability to transfer a licence to a new licence class allows licensees the flexibility to transfer unused or underused elements of their spectrum holdings to a third party who can make use of them.

9.34 We also introduced the ability for some licence classes to lease their spectrum; e.g. spectrum access and business radio (area defined). This enables licensees to lease their spectrum for a specified period under a contract without obtaining a further licence from Ofcom. This streamlined form of trading is simpler and faster to execute, enabling licensees to provide access to spectrum without needing to rescind their rights over the spectrum.

9.35 This year we have also consolidated most of the existing secondary legislation surrounding trading. We believe that this will make it easier for stakeholders to understand the regulatory environment and reduce the administrative burden. Consolidating the legislation reduces the number of Statutory Instruments from 20 to two in this area.

We have extended the fee payment interval for an aircraft licence from one to three years

9.36 Previously, aircraft spectrum licensees had to renew their licence each year, but we have now moved to a three year cycle. We hope that this will reduce the administrative burden placed upon the licensees.

New simplification and deregulatory initiatives 2013/14

We will establish best-practice initiatives to support our work in the lead up to the Commonwealth Games in Glasgow in 2014

9.37 As part of the UK and Scottish Government commitments to the Glasgow 2014 Commonwealth Games, Ofcom is making detailed preparations to achieve a safe and successful Games.

9.38 Ofcom's role is to create a special spectrum plan for the Games. We are working to achieve this in a way that delivers significant value for money.

9.39 The successful experience of the London 2012 Games has given us a model for Ofcom's key tasks in support of the Commonwealth Games: spectrum planning; licensing; deploying monitoring processes and devices; and deploying a field engineering force for interference management. The lessons learned from the London 2012 Games will inform and guide Ofcom's activities in support of the Glasgow 2014 Games and subsequent major events.

We will deregulate and simplify regulations in line with future legislation

9.40 Many of Ofcom's actions are determined by legislation. In some areas we have wide discretion over the extent and manner in which we regulate, whilst in others the legislation is more prescriptive. Where we have discretion, we strive to minimise burdens while following our regulatory principles. Elsewhere we strictly follow the approach set by Parliament.

9.41 The Government has raised the possibility of changing some of the legislation relevant to Ofcom's duties and powers, notably through an Order under the Public Bodies Act[19] It has also indicated that a new Communications Bill will be introduced by the end of this Parliament to ensure the UK continues to have a world-beating communications sector, delivering innovative and high-quality content along with safe

[19] http://www.culture.gov.uk/news/media_releases/7485.aspx.

and efficient services. As a result there are some actions for which we are responsible that may change over the coming years.

9.42 The legislative process is always subject to a degree of uncertainty, so it is not possible for Ofcom to state with any certainty whether these duties and powers will ultimately be simplified or removed, thereby easing the burden on our stakeholders. However we will act to inform and advise the Government in this process wherever appropriate. Ultimately it will fall to us to implement any resulting legislation.

Annex 1

Responding to this consultation

Consultation questions

A1.1 We are seeking views from all our stakeholders on our proposed priorities and work programme for 2013/14. In particular, it would be helpful if you could consider the following questions:

What are your views on Ofcom's proposed priorities for 2013/14?

What are your views on Ofcom's proposed work areas for 2013/14?

How to respond

A1.2 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 22 February 2013**.

A1.3 Ofcom strongly prefers to receive responses using the online web form at https://stakeholders.ofcom.org.uk/consultations/draft-annual-plan-2013-14/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.

A1.4 For larger consultation responses - particularly those with supporting charts, tables or other data - please email AnnualPlan@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.

A1.5 Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.

Tim Part
3rd Floor
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Fax: 020 7981 3706

A1.6 Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

A1.7 It would be helpful if your response could include direct answers to the questions asked in this document as listed above in paragraph A1.1. It would also help if you can explain why you hold your views and how Ofcom's proposals would impact on you.

Further information

A1.8 If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Tim Part on 020 7981 3529.

Confidentiality

A1.9 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, www.ofcom.org.uk, ideally on receipt. If you think your response should be kept confidential, can you please specify whether all or part(s) of your response should be kept confidential and specify why. Please also place such parts in a separate annex.

A1.10 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A1.11 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at http://www.ofcom.org.uk/about/accoun/disclaimer/

Next steps

A1.12 Following the consultation period, Ofcom intends to publish a statement by the end of March 2013.

A1.13 Please note that you can register to receive email updates alerting you to the publications of relevant Ofcom documents. For more details please see: http://www.ofcom.org.uk/static/subscribe/select_list.htm

Ofcom's consultation processes

A1.14 Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 2.

A1.15 If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or email us at consult@ofcom.org.uk . We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to give their opinions through a formal consultation.

A1.16 If you would like to discuss these issues or Ofcom's consultation processes more generally, please contact Graham Howell, Secretary to the Corporation, who is Ofcom's consultation champion:

Graham Howell
Ofcom
Riverside House
2a Southwark Bridge Road

London SE1 9HA

Tel: 020 7981 3601

Email Graham.Howell@ofcom.org.uk

Annex 2

Ofcom's consultation principles

A2.1 Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A2.2 Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

A2.3 We will be clear about who we are consulting, why, on what questions and for how long.

A2.4 We will make the consultation document as short and simple as possible with a summary of no more than two pages. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English Guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A2.5 We will consult for up to ten weeks depending on the potential impact of our proposals.

A2.6 A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A2.7 If we are not able to follow one of these principles, we will explain why.

After the consultation

A2.8 We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex 3

Consultation response cover sheet

A3.1 In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, www.ofcom.org.uk.

A3.2 We have produced a coversheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of responses and help to maintain confidentiality where appropriate.

A3.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to complete their coversheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.

A3.4 We strongly prefer to receive responses via the online web form which incorporates the coversheet. If you are responding via email, post or fax you can download an electronic copy of this coversheet in Word or RTF format from the 'Consultations' section of our website at www.ofcom.org.uk/consult/.

A3.5 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your cover sheet only, so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	☐	Name/contact details/job title	☐
Whole response	☐	Organisation	☐
Part of the response	☐	If there is no separate annex, which parts?	

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part) and you would prefer us to publish your response only once the consultation has ended, please tick here. ☐

Name

Signed (if hard copy)