Annual Plan 2017/18

About this document

Ofcom exists to make communications markets work for everyone. To achieve this, we have three main goals: to promote competition and ensure that markets work effectively for consumers; to secure standards and improve quality; and to protect consumers from harm. Our Annual Plan highlights some of the key work areas that we will deliver in 2017/18 to meet these goals, across the UK and its nations. We also outline our broader ongoing work to support these goals, and how we will work for consumers across the UK's nations.

This Annual Plan takes into account stakeholder responses to our consultation on the proposed Plan, published on 29 November 2016.

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Section 1

What we do

1.1 We regulate fixed-line and mobile telecoms, TV, radio, video on demand services, post, and the airwaves used by wireless devices. We help UK businesses and individuals get the best from communications services and protect them from sharp practices. Where appropriate, we support competition as the basis for delivering good consumer outcomes.

1.2 We act independently from governments and commercial interests to deliver our duties. However, we are accountable to Parliament, and to perform our role effectively we need to engage openly and constructively with governments. We provide technical advice to governments (for example, our regular reviews of public service broadcasting) and in some cases we act as a formal representative of the UK government (for example, in international negotiations on spectrum).

Our principal duty is to further citizen and consumer interests

1.3 Ofcom was established under the Office of Communications Act 2002, and operates under a number of Acts of Parliament[1]. The Communications Act 2003 states that our principal duty is 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 postal services, our duty is to carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws, and our competition powers are outlined later in this section.

Our main legal duties guide the direction of our work

1.4 Our main legal duties are to ensure that:

- the UK has a wide range of electronic communications services;

- radio spectrum is used in the most effective way;

- a wide range of high quality television and radio programmes are provided by a range of different organisations, appealing to a range of tastes and interests;

- people are protected from harmful or offensive material, unfair treatment and invasion of privacy on the television and radio;

- the BBC is held to account on its compliance with appropriate content standards, its performance against its Mission and Public Purposes, and the impact of its activities on fair and effective competition; and

- the universal service obligation on postal services is secured in the UK.

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[1] These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Act 2010 and the Postal Services Act 2011.

1.5   Ofcom can enforce consumer law on behalf of consumers, but does not have the power to resolve individual consumer complaints about telecoms or postal services, unlike in TV and radio. Where appropriate, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved.

Integrating our new regulatory responsibilities for the BBC

1.6   From 2015, the UK Government conducted a process to review and replace the BBC's Royal Charter, which expired at the end of 2016. As part of this Charter Review process, the Government published a White Paper in May 2016 setting out its key policy proposals. A central plank of the new arrangements in the new Charter and Framework Agreement was the reform of the BBC's governance and regulation, including the creation of a new unitary Board to run the BBC, and responsibility for external regulation of the BBC passing to Ofcom.

1.7   Under the previous Charter, the BBC Trust was the BBC's main regulator and governance body. Ofcom regulated the BBC only in relation to certain content standards issues (but not accuracy and impartiality complaints), supported the BBC Trust's decision making around competition concerns, and periodically reported on BBC performance as part of our Public Service Broadcasting Reviews.

1.8   Under the new BBC Charter, from 3 April 2017 Ofcom's responsibilities include three key areas: responsibility for investigating the full range of content standards complaints (including accuracy and impartiality complaints); assessing the BBC's performance against its Mission and Public Purposes; and regulating the impact of the BBC's activities on fair and effective competition.

1.9   We have consulted on and published new frameworks and procedures relating to our role in overseeing the BBC's broadcasting standards and the BBC's impact on competition in the wider market. We have also begun consulting on a performance framework for the BBC including a draft operating licence. In 2017/18 we will complete our preparatory work, including publishing a final operating licence, and will embed and deliver our new responsibilities to ensure the BBC is held to account by a strong and effective regulatory framework that recognises the BBC's role as the cornerstone of Public Service Broadcasting in the UK.

Ofcom's competition law powers

1.10   In addition to our regulatory responsibilities set out above, we have powers in relation to communications matters;[2] to

- enforce the prohibitions on anti-competitive agreements and abuse of a dominant position, set out in the Competition Act 1998, and the corresponding provisions under the Treaty on the Functioning of the European Union; and

- investigate markets and make references under the Enterprise Act 2002 to the Competition and Markets Authority (CMA).

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[2] The term 'communications matters' covers various aspects of electronic communications, as well as broadcasting and the provision of postal services. We exercise these powers concurrently with the CMA.

1.11   Ofcom considers whether it is more appropriate to exercise Competition Act or sectoral powers in any given case, subject to the specific legislative requirements.

1.12   We are currently investigating one case under our competition law powers: a complaint from Whistl UK in relation to the prices, terms and conditions on which Royal Mail is offering to provide access to certain letter delivery services.

Changes in the markets we regulate

2.1   In setting our goals and Annual Plan, we have considered the environment in which we operate. Communications markets are fast-moving, with changing consumer and business needs and ongoing innovation in networks, devices and services. This section examines key factors influencing the communications markets we regulate.

Changing consumer and business needs

Connectivity is increasingly central to UK consumers and businesses

2.2   The internet is playing an increasingly central role in the lives of people in the UK. In August 2016, 86% of UK adults had access to the internet at home, the average UK internet user reported spending 25 hours online each week, and 75% considered the internet "important" to their daily lives.[3] People use the internet for a variety of activities, including person-to-person communication, social networking, news consumption and watching TV. The internet has also transformed the way in which audiences access news, and is gradually changing TV consumption. For example, in 2016 around six in ten UK adults used video on demand services such as BBC iPlayer, All4, Netflix or Amazon,[4] with 6 million households subscribed to Netflix.[5] Between 2015 and 2016, UK mobile data use grew by over 40%, while average monthly household/small businesses' fixed data use grew by 36%.[6]

2.3   Connectivity is also increasingly important for UK businesses. For example, teleworking, online access to customer and public services, e-commerce and cloud-based office software are increasingly common. Further, machine to machine (M2M) communications – with applications ranging from 'smart' utility meters to connected cars– are increasingly common, with nearly 7 million connections in the UK.[7]

Investment in new and evolving network technologies

Operators are investing in networks to improve speed and meet user needs

2.4   Responding to these demands, fixed network operators are investing to increase the speeds of existing networks, including through the use of fibre to the premises (FTTP), to provide higher speeds directly to homes and businesses. For example, BT has announced plans to deliver FTTP to two million premises by 2020, and G.FAST to a further 10 million. Virgin Media's 'Project Lightning' will extend cable coverage to 60% of premises, planning to build 800k homes this year. As a result of investment, 'superfast' broadband speeds of at least 30Mbit/s are now available to 89% of UK premises.[8] In its Autumn Statement[9], the Government has announced a £400m broadband investment fund to support further deployment of fibre networks.

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[3] Ofcom, Communications Market Report 2016, pp. 31, 179-187.
[4] Ofcom, Public Service Broadcasting Report 2016, p. 12.
[5] BARB Establishment Survey 2016.
[6] Ofcom, Connected Nations 2016, pp. 1, 2.
[7] Ofcom, Connected Nations 2016, p. 59.
[8] Ofcom, Connected Nations 2016, p. 1.
[9] HM Treasury, Autumn Statement 2016, 23 November 2016

2.5   Mobile network operators are also upgrading their networks, rolling out 4G and using WiFi and small cells to improve mobile data coverage. Research into and preparation for future 5G networks continues, with the potential to provide speeds up to 40 times faster than current 4G networks. Mobile improvements, including 5G, are being designed to provide greater capacity and improved reliability, enabling innovative new services across different industry sectors. The deployments of the first international '5G' standard are expected to begin by 2020, but with further evolution (for example to more small cells) after that.

However, concerns remain about availability and connection quality

2.6   Despite increased network investment, an estimated 1.4 million, or 5% of, UK households are unable to receive a decent broadband speed of 10Mbit/s to allow effective access to the internet.[10] This risks creating a 'digital divide' between those who can fully engage with new communications services and those who cannot. In addition, quality of service in telecoms has failed to meet people and businesses' expectations. Fault rates and repair times cause considerable concern and dissatisfaction.

A new, converged communications landscape is emerging

Online media is changing the competitive landscape for established players

2.7   As consumers increasingly use internet-delivered, "over-the-top" (OTT) services for media, OTT providers have begun to invest in content production, including original UK content, thereby challenging established media providers. For example, Amazon has launched a competitor to the BBC's *Top Gear* in December, while Netflix has invested in original drama *The Crown*, released in November. In March, YouTube announced its plans to launch a new 40 channel TV subscription service which will compete directly with US cable networks.[11] Established broadcasters and pay-TV operators have also entered the video on demand (VOD) market, resulting in an increasingly complex and shifting competitive landscape. As the BBC has exploited new online opportunities for delivering its public purposes, the competitive impact of these activities has become a focus of concern for some stakeholders.

M&A activity continues to reconfigure the communications industry

2.8   In recent years, there has been a wave of mergers and acquisitions among European communications firms, driven by convergence of services and the continuing importance of scale. Examples include 'quad-play' mergers combining fixed and mobile operators (e.g. BT's acquisition of EE); horizontal international mergers (e.g. the acquisition of Virgin Media by Liberty Global, and BSkyB's merger with Sky Deutschland and Sky Italia) and vertical acquisitions by pay-TV operators investing in content firms (e.g. Liberty Global investing in All3Media, and indirectly in Eurosport).

2.9   On 3 March 2017 21st Century Fox made a formal notification to the European Commission of its intention to acquire the shares in Sky it does not already own. On 16 March 2017, the Secretary of State issued a European intervention notice on the proposed acquisition. This requires Ofcom to consider two public interest grounds, media plurality and commitment to broadcasting standards, and to provide advice and a recommendation on any public interest issues raised by the merger relating to

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[10] Ofcom, Connected Nations 2016, p. 3.
[11] BBC News, YouTube takes on cable with new TV service, 1 March 2017

these grounds. We are required to provide our advice to the Secretary of State by 16 May 2017. We have published a guidance note[12] setting out how we are undertaking this process.

Changes in the policy and regulatory spheres

2.10   In July 2016, the Government introduced the Digital Economy Bill (DEB) to Parliament. The Bill contains a range of provisions designed to help Ofcom carry out its functions and deliver better communications services for citizens and consumers. These include confirming our powers to make rules related to switching and automatic compensation; to collect and publish information from communications providers; and to regulate the BBC. The Bill also includes changes to our powers to regulate electromagnetic spectrum.

2.11   Following the June 2016 referendum, on 29 March 2017 the UK government is due to start the legal process for exiting the European Union. The impact of Brexit on the UK's communications market remains to be determined, and will depend on arrangements yet to be negotiated between the UK and the EU.

2.12   We will continue to work closely with Government and relevant international stakeholders and regulatory bodies to support and protect the interests of UK consumers and businesses. This will include contributing to the on-going review of the EU Electronic Communications Framework and the Audiovisual and Media Services (AVMS) Directive, given these provisions may have implications for the UK's future regulatory arrangements.

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[12] Ofcom, Guidance note for public interest test on proposed acquisition of Sky plc by Twenty-First Century Fox, Inc. , 16 March 2017.

Our goals and highlights for 2017/18

3.1 Ofcom exists to make communications markets work for everyone. To achieve this, we have three high-level, long-term goals:

Promote competition and ensure that markets work effectively for consumers	**Secure standards and improve quality**	**Protect consumers from harm**

3.2 The 2017/18 financial year is likely to be one of significant change for Ofcom, implementing our digital communications strategy and taking on our new BBC responsibilities. We set out below three areas of particular importance for people and businesses within our 2017-18 work programme. Ofcom will ensure the following areas are adequately prioritised in the coming year:

3.2.1 implementing the conclusions from our Digital Communications Review, including monitoring the implementation and effectiveness of BT's voluntary notification to strengthen Openreach's independence;

3.2.2 successfully completing the integration of our new BBC responsibilities. This includes issuing and enforcing new regulatory frameworks holding the BBC to account on delivering its Mission and Public Purposes, its impact on fair and effective competition, and its application of content standards; and

3.2.3 awarding further mobile spectrum (the 2.3GHz and 3.4GHz spectrum bands) to help meet the growing demand for mobile services and capacity.

3.3 At the same time, deliver positive outcomes for people and businesses, we need to remain adaptable and flexible whilst delivering on this annual plan.

3.4 To achieve our goals, we need to address specific challenges within our sectors. For each goal, we highlight below the key work areas of particular importance in 2017/18. Further detail on our wider work plan, including these highlighted areas of work, can be found in Annex 1. Our broader programmatic work also supports these goals on an on-going basis (Section 5).

Promote competition and ensure that markets work effectively for consumers

3.5 **Our aim** is to ensure consumers and businesses benefit from a range of communications products and services, with the market providing good outcomes in terms of choice, price, quality, investment and innovation.

3.6 **We do this by** ensuring that markets can work effectively, through regulation where appropriate, so that consumers can gain from the benefits of competition.

Areas to highlight from our 2017/18 work plan:

3.7 **Enabling competing operators to invest in super- and ultra-fast fixed-line networks.** We will open up and improve access to Openreach's ducts and poles and

apply appropriate price controls to BT's regulated access network products, to create the opportunity for all operators to deploy their own fibre networks.

3.8 **Promoting competition in fixed-line services**, by strengthening Openreach's strategic and operational independence from BT. In 2017/18 we will oversee transition to the new model of legal separation notified by BT in March 2017. This includes setting up new processes and functions to closely monitor BT and Openreach Limited's compliance with the new model.

3.9 **Making available better, more granular information** for people and businesses on the availability, speed, quality of service, and pricing of communications services. We will also improve people's ability to engage with the market and switch providers.

3.10 **Ensuring fair and effective competition to deliver a wide range of high quality and varied content for broadcasting audiences**, including assessing whether the potential public value of new services (or significant changes to existing services) proposed by the BBC justifies any potential effect on competition. This is in addition to our work on public service broadcasting performance and diversity, discussed in 3.16 and 3.17 below.

Secure standards and improve quality

3.11 **Our aim** is to secure widespread availability, affordability and accessibility of good quality communications and broadcast services, for consumers and businesses across the UK.

3.12 **We do this by** recognising competition alone cannot deliver the full range of desirable outcomes. Where this is the case, we make targeted interventions to improve consumer and citizen outcomes.

Areas to highlight from our 2017/8 work plan:

3.13 **Improving the coverage of fixed and mobile communications services to meet the needs of people and businesses across the UK**, including in rural and remote areas where commercial approaches have often failed to deliver on expectations. We will implement any UK Government decision on a broadband Universal Service Obligation (USO) to improve the availability of decent broadband services to people and businesses across the UK. We will also seek to support wider mobile coverage by assessing and implementing new regulatory approaches. These may include mobile licence conditions and coverage obligations in new licences for the 700 MHz spectrum band, and policy on mobile repeaters.

3.14 **Improving quality of service in fixed and mobile telecommunications services for consumers and businesses** - achieving a step change in Openreach's quality of service by rigorously applying and enforcing new minimum service levels and targets. We will also ensure that consumers receive automatic compensation when things go wrong.

3.15 **Increasing the capacity of mobile networks by ensuring sufficient spectrum is available** for operators to provide mobile broadband services to people and businesses. We will award the 2.3GHz and 3.4GHz spectrum bands released by Government and are preparing to make spectrum available for 5G.

3.16 **Securing quality in Public Service Broadcasting (PSB),** by: a) implementing a new approach to performance assessment of the BBC, including a new operating

licence, which will hold the BBC to account for delivery to its audiences including the distinctiveness of its output and services; and b) assessing Channel 4 Corporation's performance in delivering its media content duties through the annual Statement of Media Content Policy process. This is in addition to our work relating to competition in broadcasting as discussed in 3.10 above.

3.17   **Ensuring broadcasting represents and accurately portrays UK society,** by ensuring the BBC's output reflects, represents and serves the diverse communities of the UK's nations and regions, and by monitoring and reporting on diversity and equality of opportunity across the Public Service Broadcasters.

Protect consumers from harm

3.18   **Our aim** is to ensure consumers do not face sharp practices and vulnerable consumers are protected from specific harms where they may be at risk.

3.19   **We do this by** intervening directly to protect consumers, especially vulnerable groups at risk of harm. We implement additional measures where there is a risk of exposure to harmful behaviour by firms, or to offensive content on television and radio.

Areas to highlight from our 2017/18 work plan:

3.20   **Protecting audiences from harmful content in TV, radio and on demand services.** We will ensure that content meets the relevant standards, whilst considering audience complaints under the Broadcasting Code and other applicable codes and guidelines. We will embed our new duties for considering BBC complaints into our on-going programme of work for content standards. This year for the first time we will be responsible for investigating complaints around the BBC's accuracy and impartiality.

3.21   **Ensuring landline-only customers get value for money from voice services.** We are concerned that competition is not working effectively for consumers who buy a standalone fixed voice service. Our aim is to ensure these customers (many of whom are vulnerable consumers) are protected from high prices and benefit from choice.

3.22   **Addressing nuisance calls** by working with UK communications providers to monitor and block problematic call traffic, and with international partners on enforcement and caller line identification. We will also work closely with the Information Commissioner's Office (ICO) and other bodies to reduce nuisance calls, which are particularly harmful for vulnerable consumers.

Our approach to regulation in 2017/18

3.23   To deliver our purpose of making communications work for everyone, it is essential that the regulations which apply to communications markets remain appropriate. Under the Communications Act 2003, Ofcom is required to minimise the burden it places on the companies it regulates. The Act requires us to keep regulation under review to ensure that it does not bring about (a) the imposition of burdens that are unnecessary; or (b) the maintenance of burdens that have become unnecessary. Ofcom is required to remove or reduce unnecessary burdens where it finds them. These requirements inform all of our regulatory work, including our market review programme. In addition, some activities planned for 2017-18 will allow us to investigate further scope for removing or amending current regulation.

3.24   Ofcom's consumer protection regulation is underpinned by the "General Conditions of Entitlement", a set of legal obligations to which electronic communication providers or networks must adhere. We are carrying out a review of the General Conditions of Entitlement to produce a coherent set of regulatory conditions which are clearer and more practical, easier to comply with and simpler to enforce.

3.25   Our narrowband consultation put forward proposals for deregulation in light of increased competition and new choices of voice services for consumers, including proposals to end cost-based charge controls for Wholesale Line Rental and Wholesale Call Origination. We are also consulting on the case for deregulating newly connected ISDN lines and simplifying several elements of the regulatory regime which applies to existing ISDN lines.

3.26   Our Wholesale Broadband Access consultation will explore opportunities for deregulation in geographic areas where network-based competition is already effective in achieving good results for residential consumers and small businesses.

3.27   We are also investigating the scope for limiting legal restrictions on the use of mobile repeaters, inviting inputs from communications providers and equipment vendors on the key parameters needed to prevent harmful interference, with a view to developing a voluntary national specification. This specification would set out the parameters under which consumer-installed repeaters might be brought to market as licence-exempt devices.

3.28   We are actively exploring new areas where we can empower stakeholders and consumers through the provision of better and more accessible information. We continue to promote our open data policy, with a view to identifying and publishing a range of new data sets in 2017/18. We will also engage with third parties who have re-used our data, in order to understand how future releases can better meet their needs and in turn benefit citizens and consumers.

3.29   In addition, we are releasing information to enable stakeholders to better understand how spectrum is used. We have started with the publication of our interactive spectrum map, and have since released information on spectrum use in open format for easy re-use.

Section 4

Delivering our goals across the UK

4.1   We are committed to delivering for citizens and consumers across all the nations and regions of the UK. To do this effectively, we need to take account of national and regional diversity. We do this by engaging a range of stakeholders in each nation through our offices in the nations, and by working closely with Ofcom's four national Advisory Committees, which provide advice and challenge.

4.2   Further devolution to Scotland, Wales and Northern Ireland will see changes to our Board over the coming year, with the administrations in Edinburgh, Cardiff and Belfast each appointing a new Ofcom Board member. In addition, new Memoranda of Understanding will set out formal arrangements for Ofcom to consult with devolved governments and legislatures on our strategic priorities and to provide evidence to Committees of the Scottish Parliament, the Northern Ireland Assembly and National Assembly for Wales as requested.

Common challenges

4.3   The full range of Ofcom's work on regulating communications, postal services and broadcasting is important for people and businesses across the UK. Good quality communications services are critical to people and businesses wherever they are located. Public Service Broadcasting should reflect cultural identity at the UK, national and regional levels. This section highlights some aspects of our work for the coming year which are common to all nations, alongside some specific work with particular relevance for individual nations.

4.4   Providing fixed broadband, mobile, and postal services that meet the needs of consumers and SMEs in rural and remote areas presents particular challenges, given their economic geography. These areas fall disproportionately within Northern Ireland, Scotland, and Wales, as well as some English regions.

4.5   In 2017/18, we will publish reports on broadband and mobile coverage and speeds, including data on variations between rural and urban consumers. We will make this information available and accessible through publications giving detail for each nation. In addition, we will work to improve the availability of broadband services by implementing any UK Government decision on a broadband universal service obligation. We will also work to improve mobile coverage, for example through further coverage obligations on new spectrum or wider policy action where appropriate. Finally, we will continue our work to better understand the causes and effects of parcel surcharging in Northern Ireland and the Highlands and Islands of Scotland.

4.6   We will monitor all Public Service Broadcasters' (PSBs) compliance with their licence conditions regarding programmes made outside London and England. In addition, we will be responsible for holding the BBC to account for ensuring that its output reflects, represents and serves the diverse communities of the UK's nations and regions, in line with the new Royal Charter agreed in November 2016. We are consulting on an Operating Licence structure that reflects the particular requirements on the BBC to deliver in each of the UK's nations. The 2015 *PSB Review* raised particular concerns from audiences that people from black, Asian or minority ethnic (BAME) backgrounds were under-represented in and under-served by PSB TV content. In 2017/18, we will monitor and report on diversity and equality of opportunity across the PSBs.

England

4.7   In addition to the issues outlined above, high population density in England's urban areas presents unique challenges for network operators. Our work on mobile broadband speeds, as well as consumer research on reception and ease of access, will help us identify potential network and quality-of-service problems specific to urban users.

Northern Ireland

4.8   We will continue to work with the Northern Ireland Executive, the Northern Ireland Assembly and local councils, offering regulatory and technical advice, particularly in support of improved broadband roll-out and mobile coverage.

4.9   BT's March notification for the legal separation of Openreach includes changes to help ensure the benefits of Openreach reforms are felt across the UK including Northern Ireland, whilst taking into account the specific local circumstances and current outcomes for people and businesses.

4.10   Northern Ireland's border with the Republic of Ireland presents unique challenges, with many services available in both jurisdictions. While this can benefit consumers, such as through a greater choice of TV and radio stations, it can also cause harm, such as when consumers incur cross-border mobile roaming charges. We will continue our strong relationships with the Irish regulatory authorities in order to co-ordinate our work, preserve cross-border services and protect consumers.

Scotland

4.11   We will continue to work with the Scottish Government, Committees and Members of the Scottish Parliament and the Scotland Office, including through the provision of technical advice. We will also engage with the Scottish Government's Competition and Consumer Policy Unit in relevant markets and Cross Party Groups in Holyrood (for example on digital participation).

4.12   Ofcom has now opened new premises in Edinburgh as part of our strategy to move part of our operations outside London. We aim to build a policy and operations hub to help ensure that we can effectively represent the interests of citizens and consumers not just in Scotland, but across the UK.

Wales

4.13   In 2017/18 we will continue to work with the Welsh Government and National Assembly for Wales and Wales Office to improve communication services across Wales by offering technical advice, particularly in support of improved broadband roll-out and mobile coverage.

4.14   We will implement the new Welsh Language Standards legislative framework as set out in the Welsh Language Commissioner's Final Compliance Notice issued on 25 July 2016 (which replaces Ofcom's existing Welsh Language Scheme).

Ongoing work to fulfil our duties

5.1   In sections 3 and 4 above we have highlighted areas of work that will help us meet our goals in 2017/18 across the UK. Our broader programme of ongoing work also helps us achieve our goals. It includes important activities that are key to ensuring that consumers experience good outcomes in communications markets. Much of this work is non-discretionary for Ofcom, as it is required by statute. Typically, our approach to delivering this work does not change substantially from year to year.

Promote competition and ensure that markets work effectively for consumers

Allocating numbers

5.2   Ofcom allocates telephone numbers to communications providers, who then issue these to consumers. We ensure efficient use of numbers, minimising the need for disruptive and costly measures to address shortages.

Monitoring pay TV

5.3   Ofcom tracks market developments across the pay TV value chain to understand the consumer experience and retail competition as the sector evolves. We will continue to monitor any concerns in relation to access to pay TV content (including supply of premium sports content) and TV platforms, enabling us to intervene quickly, if necessary.

Monitoring the effectiveness of the regulatory framework for post

5.4   On 1 March 2017 we completed our fundamental review of the regulation of Royal Mail. In this, we decided that the approach to regulation we established in 2012 should remain in place until 2022.

5.5   As one of the key safeguards of the regulatory framework, we will continue to monitor a range of factors including Royal Mail's performance on efficiency, quality of service, the financial performance of the universal service network, and competition in parcels and letters. We will also continue to monitor consumers' experiences in the postal sector. We will also complete our work on reviewing Royal Mail's regulatory financial reporting and cost modelling of its delivery network.

Competition enforcement

5.6   Ofcom enforces the regulatory conditions that we impose on communications providers which have a competition focus. We will enforce competition-related requirements that apply to the BBC under its Charter and Agreement and under the Operating Framework set by Ofcom. We also assess complaints and determine disputes between providers of electronic communications networks and services and conduct investigations under competition law.

Secure standards and improve quality

Spectrum management and planning for future requirements

5.7   Ofcom ensures UK radio spectrum is used in the most efficient way. This includes planning for future spectrum requirements, such as for mobile data, satellite and space, and fixed wireless backhaul. We will continue to contribute to technical studies on spectrum bands for 5G ahead of the World Radiocommunications Conference in 2019, and will explore spectrum sharing opportunities as part of our strategic sectoral reviews.

Spectrum authorisation

5.8   Ofcom plans efficient use of radio spectrum in the UK in ways which limit interference between users and maximise benefits to consumers. We authorise the use of spectrum by issuing licences, and by making rules to allow use without a licence.

Spectrum assurance and enforcement

5.9   Ofcom advises and assists spectrum users to help resolve harmful interference. Our Spectrum Technology, Engineering and Enforcement Teams handle reports of interference and carry out activities to protect and manage the UK's spectrum. These include reacting to interference to safety-of-life communications and proactively preventing unauthorised use of spectrum by identifying and addressing unlicensed use of spectrum and the sale or use on non-compliant equipment. Our enforcement is proportionate, in accordance with our statutory duties and regulatory principles.

Releasing information and analysis on spectrum use

5.10   We release information on spectrum use in an open format, including by publishing interactive spectrum maps to analyse the various geographic aspects of spectrum use. We maintain and update the UK Frequency Allocation Table. We will continue to release information and undertake analysis on specific sectors' use of spectrum to support our own strategic reviews, and to enable stakeholders to better understand how spectrum is used.

Radio and TV broadcast licences

5.11   Ofcom issues licenses for all national and local UK commercial TV services and all analogue and digital commercial and community radio services. In serious cases of non-compliance with licence requirements, Ofcom can revoke licences.

Monitoring Openreach's copper and fibre access products' quality of service

5.12   We monitor Openreach's performance in the delivery of its copper-based voice and broadband access services and its fibre-based access services (leased lines for businesses). We will ensure that Openreach is meeting the minimum quality standards imposed by our 2014 Fixed Access Market Review Statement and 2016 Business Connectivity Market Review Statement, and detect any other issues with the quality of Openreach's fixed access products.

Network security and resilience

5.13   Ofcom ensures that network operators design and operate networks in line with good security practice and we work to ensure compliance with our guidance, using our enforcement powers if appropriate. We also collate reports on network failures, summaries of which are published in our annual Connected Nations report and provided to the European Commission. We follow up incidents of concern to understand the cause and steps taken to respond, in order to minimise future risk.

Protect consumers from harm

Programme standards enforcement

5.14   Ofcom ensures that the content of TV and radio services meets certain standards. We consider complaints received from members of the public about broadcast content in TV and radio programmes if the complainant believes a programme fails to meet these standards. Ofcom will also consider referred complaints about content shown on BBC channels and the BBC iPlayer from 3 April 2017 if the complainant is dissatisfied with the BBC's resolution of their complaint. We consider complaints against the Broadcasting Code and other relevant codes and guidelines.

On demand programme services

5.15   Ofcom regulates catch-up and video on demand services which meet the statutory definition of an 'on demand programme service'. The applicable rules relate to material which might seriously impair the development of children; prohibited material such as incitement to hatred; and prohibited commercial references.

Consumer protection and investigations

5.16   Ofcom actively enforces the regulatory conditions that we impose on communications providers, as well as general consumer law. We routinely monitor complaints, analyse evidence and take swift action to deal firmly and effectively where we see harm, including formal investigations and penalties where appropriate.

Complaints handling

5.17   Communications providers must have, and comply with, procedures that conform to the Ofcom-approved *Code of Practice for Complaints Handling*. We have an ongoing programme to drive improvements in this area, including ensuring that providers make consumers aware of alternative dispute resolution (ADR) mechanisms, in particular through letters informing them of their right to go to ADR after eight weeks if complaints remain unresolved.

Other work across our goals

Conducting market research and updating market intelligence

5.18   Ofcom undertakes a broad programme of research into communications markets and consumer preferences and behaviour. This research ensures that we have an up-to-date and thorough understanding of consumers in the markets we regulate. Our market intelligence work collects data directly from industry stakeholders and makes

it available through publications and website data updates.[13] Our Statistical Release Calendar[14] provides links to all statistical data on a regular and recurring basis that informs government decision-making.

Engaging with the UK government, devolved governments and administrations, and other bodies on audience protection

5.19   Ofcom engages with governments, industry and other bodies to promote the safety of audiences, especially children, across traditional and online environments. We play an active role in supporting the Government's UK Council for Child Internet Safety (UKCCIS). We also work closely with other regulators across Europe, through the European Regulators Group for Audio Visual media services (ERGA), to enhance the protection of audiovisual services.

Engaging with the UK government, devolved governments and administrations, and other bodies on technical and spectrum matters

5.20   Ofcom engages with UK Government, devolved governments and administrations, and a range of other bodies across the UK, advising on technical issues. For example, we advise the UK Government and devolved governments and administrations on availability issues through our work as part of the Digital Infrastructure Task Force and provide support for improving mobile coverage on trains. We support the Government's Central Management Unit in achieving the Government's target of releasing or sharing the spectrum that Government departments currently use. We will also work with the Information Commissioner's Office and other organisations on matters such as exploring solutions to data privacy issues for the Internet of Things.

Engaging with international stakeholders

5.21   Ofcom engages with a range of international stakeholders in the field of communications regulation, to learn from their experiences and ensure that emerging policy thinking responds to the needs of UK consumers. We actively participate in European regulatory networks, such as the Body of European Regulators for Electronic Communications (BEREC), the Radio Spectrum Policy Group (RSPG) the European Regulatory Group for Audiovisual (ERGA), and the European Regulators Group for Post (ERGP). We represent the UK, under Ministerial Direction, in the International Telecommunications Union (ITU) and, as part of this, lead the UK delegation at the World Radiocommunications Conference (WRC) and World Telecommunication Standardisation Assembly (WTSA).

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[13] https://www.ofcom.org.uk/research-and-data/telecoms-research/data-updates/q1-2016
[14] https://www.ofcom.org.uk/research-and-data/statistics/stats17

Section 6

Ensuring value for money

We will continue to deliver efficiencies and savings

6.1   The Government has confirmed its continuing commitment to reduce the deficit in public finances. The Spring Budget, published on 8 March 2017, indicated that further efficiencies are expected to be achieved by public sector bodies, amounting to £3.5 billion in resource savings by 2019-20.

6.2   Ofcom will continue play its part in meeting the challenge facing public finances and is committed to achieving real-terms reductions over the Spending Review period. The proposals set out for 2017/18 build on our previous work to reduce our budget; Ofcom has delivered 12 consecutive years of like-for-like real-terms budget reductions, and will continue to reduce spending wherever it can.

Our budget for 2017/18

6.3   Our 2017/18 Annual Plan reflects and is underpinned by the efficiencies that we identified and set out in previous Annual Plans. It also reflects our commitment to providing value for money, particularly important as we respond to new challenges in the markets we regulate. In the Draft Annual Plan on which we consulted in December 2016, we proposed to set our budget at £120.5m. This included incremental capacity for our new responsibilities regulating the BBC.

6.4   We have since identified an opportunity to accelerate our planned work on the modifications to our London Headquarters from 2018/19 into 2017/18. Bringing forward this expenditure will enable us to accelerate our plans to reduce our London footprint by almost 6 months, thereby delivering further cost savings earlier than originally planned. To take advantage of this opportunity, we have set our budget for 2017/18 at £121.7m.

6.5   Excluding the additional costs related to our new BBC responsibilities and the costs we are bringing forward from 2018/19 in respect of our London Headquarters, our budget for the coming financial year represents a 1.8% real-terms reduction from 2016/17[15].

6.6   The Digital Economy Bill is now before Parliament, and sets out measures to simplify Ofcom's funding model. These proposals mean that Ofcom would be funded entirely through industry fees and charges, a more efficient model that also helps to underline our independence.

6.7   Costs for 2017/18 by stakeholder sector will be published in our Tariff Tables alongside this Annual Plan. Our work plan is reflected in the tariffs we have set, and there is no change to the method we have used to calculate these charges.

How we will manage our resources in 2017/18

6.8   We continually look at how we carry out our work, to make sure that what we do supports our aim to make communications markets work for everyone. Where

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[15] Based on HM Treasury's Gross Domestic Product (GDP) deflator.

resources are limited, we will make choices, guided by our goals and our duty to promote citizen and consumer interests.

6.9   We have progressed a number of initiatives which will enable us to perform our functions more effectively and deliver long term cost savings. For example:

6.9.1   We have relocated a number of roles to our hubs in the North-West of England and Scotland, including Ofcom's Customer Contact Team and spectrum licensing services. In addition to helping us represent the nations and regions more effectively, this will enable us to reduce our London footprint and make significant ongoing cost savings.

6.9.2   We have commenced an Agile working project to ensure that we are using our remaining property space as efficiently and effectively as possible.

6.9.3   As part of our ICT strategy, we re-contracted our ICT provision (and other key supplier contracts) and moved some of our functions and systems to cloud-based platforms. This supports more collaborative working and will continue to save money.

6.10   As set out in Section 3, one of our priorities is delivering the 700 MHz clearance programme. This involves a major programme of infrastructure modifications to DTT transmission infrastructure. Government is funding this and we are operating a grant scheme to disburse the funds in question.

6.11   Delivering value for money is at the heart of our work on the grant scheme. To this end, we have put in place a robust assurance framework to make sure that only efficiently incurred incremental costs of clearance are publicly funded. This assurance framework involves detailed scrutiny of grant applications by technical experts and by an independent non-executive advisory panel.

6.12   More broadly, a key focus of our work is ensuring that we complete the 700 MHz clearance programme in a manner which maximises the benefits to the wider UK economy.

Work plan for 2017/18

A1.1   Below, we set out our proposed work plan for 2017/18. We provide detail on the projects underpinning our key work areas, as set out in Section 3, as well as our wider work plan to achieve our goals.

Promote competition and ensure that markets work effectively for consumers

Enabling competing operators to invest in super- and ultra-fast fixed-line networks

Project details	Project director	Milestone
Improving access to Openreach's telegraph ducts and poles: to achieve our goal of making it easier and more cost effective for telecoms providers to invest in advanced, competing network infrastructure making use of existing duct and pole infrastructure, we will consider amendments to how other telecoms providers gain duct and pole access, covering both costs and processes, to ensure telecoms providers are not disadvantaged compared to BT when using Openreach's ducts and poles.	Paul Jacobus	Publish consultation: Q1 2017/18; publish statement**:** Q4 2017/18
Conducting the Wholesale Local Access Market Review (WLAMR): the WLAMR concerns access to the fixed telecommunications infrastructure. WLA is the local connection from the local exchange or street cabinet to the customer's home or business premises. This connection can be copper, cable or fibre based and is used to provide fixed line services such as voice calls and broadband. We will consider appropriate regulation for fibre products, copper products, and passive access (ducts and poles)	Timothy Cross	Publish statement: Q4 2017/18

Promoting competition in fixed-line services by strengthening Openreach's strategic and operational independence from BT

Implementing the new model for regulating Openreach, including monitoring compliance with the new arrangements to strengthen Openreach's independence: we will manage the regulatory transition to the new model of legal separation notified by BT. We will set up processes and functions to closely monitor compliance by BT and Openreach with BT's Notification to ensure that the new arrangements continue to address our competition concerns and benefit the wider market. We will produce a series of annual reports detailing our monitoring and reporting work.	Gaucho Rasmussen Clive Carter	Statement on proposed release of the Undertakings, Q1 2017/18 Publish an initial monitoring report, six months after the Commitments come into effect, and annual ongoing reports thereafter.

Making available better, more granular information for people and businesses and improving their ability to engage with the market

Improving consumers' ability to switch: we will be deciding on potential reforms of the process for mobile, and setting out next steps on switching triple play (landline, broadband and/or pay TV) services between platforms.	Siobhan Pointer Selina Chadha	Publish consultation on mobile switching Q1 2017/18; publish statement Q3 2017/18; publish next steps on triple play Q3 2017/18
Helping SMEs to engage in communications markets: we plan to align our work with the Business Connectivity Market Review next year, where we will consider how we can promote SME engagement in communications markets.	Jane Rumble	Begin assessment alongside review of business connectivity markets: Q3 2017/18
Ensuring price comparison websites can help consumers navigate communications markets: we will work with industry and PCWs to improve the information available to help consumers choose services, and engage with the Competition & Market Authority's market study of digital comparison tools and develop actions following its conclusions.	Elisa Pruvost	Undertaking regular audits of accredited PCWs: Q1-Q4 2017/18

Improving information on fixed broadband speeds and availability: we will continue to provide accessible and comparable information to consumers regarding availability and estimated speeds for superfast and ultrafast fixed broadband and for mobile networks. For fixed networks, we will provide certain data at a household level. Relevant data will be published in our *Connected Nations* reports and accompanying visualisation tools. In addition, we will continue to provide updates to the government's Digital Infrastructure and Inclusion Task Force on broadband speeds.	Gary Clemo	Publish Connected Nations report and update consumer tools: Q3 2017/18
Improving mobile & broadband consumer tool: we will add new functionality to our broadband checker tool to provide more information to consumers. We will update the data used in the tools frequently, working with industry to explore the possibility of real time data feeds.	Gary Clemo	Improve consumer tools: Q3 2017/18
Monitoring home broadband performance: we are undertaking research covering the performance of UK residential fixed-line broadband connections in terms of a number of metrics, with results published at a UK and ISP package/technology level.	Nick Collins	Publish performance report: Q4 2017/18
Monitoring pricing trends: we will publish data on trends in pricing, and will assess changes in communications tariff prices and structures, how they are advertised, and how they affect different consumer segments.	Nick Collins	Publish annual report into pricing trends: Q4 2017/18
Conducting the 'Smartphone Cities' report: programme of mobile network performance measurement across the four UK MNOs. Key metrics include download speeds, webpage loading time and dropped voice calls.	Beatrix Kalmar	Publish report: Q3 2017/18
Mobile research app: we are undertaking an app-based research project which measures mobile data network availability, voice and data performance, consumer experience and perception, and consumer use of mobile services.	Beatrix Kalmar	Publish report: Q4 2017/2018
Reporting on quality of service in the fixed and mobile sectors: we will publish a range of comparative network and customer service quality measures for providers in the communications sectors.	Sean O'Hara	Publish Annual Quality of Service report: Q1 2017/18 Complaints and ADR publications: quarterly

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Revising the Broadband Speeds code in line with changes to European directives: we will revise the voluntary broadband speeds Codes of Practice for business and residential users, aiming to improve speed information; by moving to speed estimates which can reflect the impact of contention; improve customers' ability to seek direct routes to redress when speeds fall below a minimum; ensure consistency of speed information between the Codes; incorporate new information requirements introduced by the Telecoms Single Market (TSM) regulation; and provide guidance on the speed information requirements of the TSM.	Elisa Pruvost	Publish draft codes: Q2 2017/18; publish statement Q3 2017/18

Ensuring fair and effective competition to deliver a wide range of high quality and varied content for broadcasting audiences

Regulating the impact of the BBC on fair and effective competition: we will regulate the impact of the BBC on fair and effective competition, including by assessing whether the potential public value of new services proposed by the BBC (or significant changes to existing services) justifies any potential impact on competition.[16]	Siobhan Walsh	Ongoing
Conduct a Public Interest Test on the proposed acquisition of Sky plc by Twenty-First Century Fox Inc: in accordance with the Secretary of State's European intervention notice issued on 16 March 2017, we will provide advice and a recommendation on the effects of the proposed transaction on public interest considerations relating to (i) media plurality and (ii) commitment to broadcasting standards.	Richard Wronka	We will provide our advice to the Secretary of State by 16 May 2017

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[16] For details of our approach to regulating the BBC, see https://www.ofcom.org.uk/consultations-and-statements/ofcom-and-the-bbc

Further projects to promote competition and ensure that markets work effectively

International

EU Electronic Communications Framework: the European Commission published proposals reviewing the Electronic Communications Framework in September 2016. We are working with the European institutions, other EU regulators and the UK Government to contribute to the debate, to ensure that any new legislation is proportionate, reflects the challenges facing the sector and meets the needs of consumers now and in the future.	Camilla Bustani	Expected adoption of proposals: Q1 2017/18
The Audiovisual Media Services Directive: proposals reviewing the AVMS Directive were published in May 2016. Our European engagement seeks to ensure that the regulatory framework continues to deliver the protection that audiences expect and to promote a vibrant European content market in the digital age.	Jeremy Olivier	Expected adoption of proposals: Q4 2017/18
Cross-border parcels: we will continue to offer advice to Government on the proposals for a Regulation to increase oversight and transparency of EU internal cross-border parcel delivery services, including on amendments proposed in the Council and European Parliament, and will work with the ERGP on the implementation of any agreed measures.	Vince Affleck	Expected adoption of proposals: Q3 2017/18

Implementing the EU Connected Continent package: work is underway to implement the two strands of the Telecoms Single Market Regulation. We are monitoring Internet Service Providers' compliance with the new rules around data traffic management and on improved transparency for consumers about broadband speeds and how traffic management practices might affect the quality of their internet service. From June 2017, consumers who have roaming services will be able to use their phone abroad within the EU for no extra charge, subject to certain safeguards. We are contributing to BEREC (the EU network of telecoms regulators) guidelines on these new rules. We are also monitoring compliance with existing rules and, from June 2017 onwards, will monitor compliance with the new roaming rules.	Katherine Morrison, Eric Bash, Brian Potterill, and Camilla Bustani	Net neutrality implementation throughout 2017/18; first annual report to Commission June 2017; new roaming rules come into force in June 2017

Market reviews

Conducting our Wholesale Broadband Access market review: the wholesale broadband access market relates to the wholesale broadband products that communications providers supply, provide for themselves, and sell to each other. These services can be used as one of the building blocks of the retail broadband offers that consumers buy. A key decision in this review will be the extent to which we can further deregulate this market.	Caroline Longman	Publish consultation: Q1 2017/18 Publish statement: Q4 2017/18
Conducting our Business Connectivity Market Review: we will undertake a competition assessment of the market for leased lines in the UK.	Keith Hatfield (interim)	Begin review of business connectivity markets: Q3 2017/18

Conducting the mobile call termination (MCT) market review: the MCT 2018 project will undertake a market review of mobile call termination in the UK with the aim to set new regulation, if required, by 31 March 2018, when the current charge control on mobile termination rates is set to expire. MCT is a wholesale service provided by mobile communications providers (MCP) to connect a call to a recipient on its network. When fixed or mobile communications providers enable their customers to call a UK mobile number, they pay the terminating MCP a wholesale charge, called a 'mobile termination rate' (MTR). MTRs are set on a per-minute basis and are currently subject to regulation.	Valeria Baiamonte	Publish consultation: Q1 2017/2018; publish statement: Q4 2017/18
Conducting the narrowband market review: the review will consider the products and services that underpin the delivery of retail fixed telephony services in the UK. We will conclude our review of the narrowband market in 2017/18. This review is broader in scope than our last review in 2013; it now includes three narrowband access markets (wholesale fixed analogue exchange lines, wholesale ISDN2 and wholesale ISDN30) as well as wholesale call origination, wholesale call termination and interconnect circuits.	Louise Marriage	Publish statement: Q3 2017/18

Monitoring, cost modelling, reporting and enforcement

Monitoring pay TV: we will continue to monitor any concerns in relation to access to pay TV content (including supply of premium sports content) and TV platforms, enabling us to intervene quickly if necessary.	Yih-Choung Teh	Ongoing
Post cost modelling: build a costing model to help develop our own view of the costs of Royal Mail's delivery network.	Chris Rowsell	Start project: Q1 2017/18
Post regulatory financial reporting review: consult on proposals for amending the USP Accounting Condition and Regulatory Accounting Guidelines to ensure they remain fit for purpose and make some technical changes to the detailed workings of the margin squeeze control (part of the Universal Service Provider Access Condition).	Chris Rowsell	Publish statement: Q3 2017/18

Quality of service review: we will review whether the regulation in relation to Royal Mail's quality of service remains appropriate in light of market developments	Chris Rowsell	Publish consultation: Q1 2017/18; publish statement: Q3 2017/18
Review of the funding of postal regulation and consumer advocacy bodies: we will review the approach to recovering the costs of regulation and the consumer advocacy bodies in relation to postal services.	Chris Rowsell	Publish consultation: Q1 2017/18; publish statement: Q3 2017/18
Competition enforcement: we will continue to enforce the regulatory conditions that we impose on communications providers which have a competition focus and to determine disputes between providers of electronic communications networks and services. We will enforce competition-related requirements that apply to the BBC under its Charter and Agreement and under the Operating Framework set by Ofcom. We will also continue to assess complaints and conduct investigations under competition law.	Gaucho Rasmussen	Ongoing
Whistl UK / Royal Mail investigation: We are currently investigating one case under our competition law powers: a complaint from Whistl UK in relation to the prices, terms and conditions on which Royal Mail is offering to provide access to certain letter delivery services.	Gaucho Rasmussen	Final decision 2017/18

Radio

Small Scale Digital Audio Broadcasting (DAB): we will develop plans for the implementation and licensing of small-scale DAB.	Neil Stock/Peter Madry	Ongoing

Non-geographic numbering		
Review success of non-geographic numbering proposals: in July 2015 the revised regulation of non-geographic numbers with revenue share and Freephone came into effect. We committed to review the success of these changes after 12 months of operation. We will be undertaking consumer market research and traffic analysis with a view to understanding how the changes have impacted on consumer behaviour and understanding. In the event that this analysis identifies any areas of concern we will consider whether further regulatory change is required.	Markham Sivak	Ongoing

Secure standards and improve quality

Improving the coverage of fixed and mobile communications services to meet the needs of consumers and businesses across the UK

Universal Service Obligation: we will support any Government decision on broadband USO policy, including, if appropriate, making regulations for the designation of universal service providers, designating universal service providers as appropriate and establishing a funding mechanism.	Ana Serodio	TBC (subject to Government decision)
Improving mobile coverage: we will develop policies to deliver improved mobile coverage both inside and outside premises. We will do this by ensuring existing coverage obligations are met, introducing targeted new obligations where appropriate and by considering spectrum options to support rail connectivity. Other measures include the development of new rules to allow the use of licence exempt mobile repeaters to help consumers improve coverage in the home.	Charles Jenne	Publish consultation on new obligation in 700 MHz licences: Q3-Q4 2017/2018
700 MHz Spectrum clearance: we will continue to work to clear DTT and PMSE services from the 700 MHz band in order to release this spectrum for mobile data. As part of our work in this area we will continue to administer a grant scheme to fund incremental costs broadcasters incur as a result of the infrastructure changes associated with 700 MHz clearance. We will also work to develop a grant scheme to fund a proportion of the costs PMSE users incur as a result of loss of access to the 700 MHz band. We will review the target date for 700 MHz spectrum clearance in Summer 2017.	Mark Walls/Graham Plumb/Helen Hearn	Publish consultation on co-existence and remediation options, Q1 2017/18 Publish formal review of timing of clearance: Q2 2017/18

Our current objective is to make the 700 MHz band available for mobile services by May 2020.		
700 MHz Spectrum award: we will start work on preparing an auction for the 700 MHz band. Issues we will consider as part of this work include: the design of the auction; what form any coverage obligations we place in 700 MHz licences should take; and what, if any, measures we should take to ensure that the auction promotes competition in the mobile market. We anticipate holding the auction in late 2018 or 2019.	Mark Caines/Luis Gaspar	Ongoing
Supporting reforms to the Electronic Communications Code (ECC): the Digital Economy Bill, which is currently progressing through Parliament, includes measures to reform the ECC which make it easier for network operators to roll out infrastructure on private and public land. The Bill includes obligations upon Ofcom to publish a code of practice to accompany the proposed changes to the ECC, alongside template notices and standard terms of agreement. We published our consultation which included drafts of these documents on 24 March 2017.	Huw Saunders	Publish Statement Q3 2017/18

Improving quality of service in fixed and mobile telecommunications services for consumers and businesses

Wholesale landline and fixed broadband quality of service: we will continue to monitor Openreach's quality of service in the fixed access market. Following the publication of the initial conclusions of our strategic review of Digital Communications, we plan to set and enforce more demanding quality targets for Openreach's network through the Wholesale Local Access market review. In addition to our work on the market review, we will consider how to encourage communications providers to share information and to pass this information onto consumers to improve outcomes.	Ali Abbas-Ali	Publish statement: Q4 2017/18
Introducing automatic compensation for consumers: we will conclude our work on introducing requirements for communications providers to automatically compensate consumers when things go wrong.	Tanja Salem	Publish statement: Q3 2017/18

Increasing the capacity of mobile networks by ensuring sufficient spectrum is available

Awarding the 2.3 and 3.4 GHz spectrum bands: we will proceed with an auction of the 2.3 and 3.4 GHz spectrum – released to Ofcom under the Government's Public Sector Spectrum Release programme.	Mark Caines	Publish statement setting out auction arrangements: Q1 2017/18

Securing quality in Public Service Broadcasting (PSB)

Holding the BBC to account for performance: we will consult on our approach to holding the BBC to account for delivering its mission and public purposes. This will include a draft Operating Licence for the UK public services regime as well as measures aimed at ensuring that the BBC's output is distinctive, reflects the diversity of the UK and represents and portrays people in the UK accurately and authentically in its output and services.	Jacquie Hughes	Operating licence in place Q2/Q3 2017/18
Responding to Channel 4 Corporation's annual Statement of Media Content Policy: we will publish an analysis of Channel 4 Corporation's delivery of its media content duties.	Simon Terrington	Publish report: Q1 2017/18

Ensuring that broadcasting represents and accurately portrays UK society

Monitoring diversity and equality of opportunity in broadcasting: we will publish a new annual monitoring report on 'Diversity in Broadcasting', based on equal opportunities data and information on diversity initiatives from broadcasters. This report will provide a comprehensive picture of how well each broadcaster – and the industry as a whole – is performing on staff diversity.	Tony Close	Publish monitoring report: Q2 2017/18

Further projects to secure standards and improve quality

Security, monitoring, pricing and accessibility

Network security and resilience: we are in the process of updating our guidelines on the full range of security requirements for network operators in the light of new technology trends and issues, particularly with regard to cyber security and associated risks. The guidance will set out our expectations for a risk-based approach to the	Huw Saunders	Publish consultation: Q1 2017/18; publish guidance: Q2 2017/18

management of security, highlight appropriate sources of industry best practice and detail our incident reporting requirements.		
Monitoring Openreach's copper and fibre access products' quality of service: we will ensure that Openreach is meeting the minimum quality standards imposed by our 2014 Fixed Access Market Review Statement and our 2016 Business Connectivity Market Review Statement, and detect any other issues with the quality of Openreach's fixed access products.	Gideon Senensieb	Ongoing
Parcel surcharging: Ofcom will continue to work with Citizens Advice Scotland and the General Consumer Council for Northern Ireland to better understand the causes and effects of surcharging for parcels in Northern Ireland and the Highlands and Islands of Scotland.	Chris Rowsell	Ongoing
Promoting accessibility of TV and On Demand Programme Services (ODPS): including implementing signing requirements for non-domestic channels, and working with industry to improve the quality of live subtitling.	Tony Close	Ongoing

Reporting on telecoms, media, broadcasting, and post

Reporting on the UK communications market: we will continue to produce our regular suite of annual reports looking at the communications sector across the UK and in Northern Ireland, Wales and Scotland. The reports contain data and analysis on broadcast television and radio, fixed and mobile telephony, internet take-up and consumption, and post.	Ian Macrae	Publish communications market report: Q2 2017/18
Reporting on the international communications market: we will continue to produce our regular annual report providing comparative international data on the communications sector. The aim of the report is to benchmark the UK communications sector against a range of comparator countries in order to assess how the UK is performing in an international context.	Ian Macrae	Publish international communications market report: Q3 2017/18
Public Service Broadcasting Annual Report 2017: this annual report summarises the evidence base for assessing delivery of the purposes of public service television broadcasting (PSB) by the public service broadcasters (PSBs) on the PSB	Guy Holcroft	Publish report: Q2 2017/18

channels.		
Reporting on Public Service Compliance, Made out of London Programmes, and Access Services: we will publish a number of reports on broadcasters' compliance with certain requirements. The annual Public Service Annual Compliance Report summarises the performance of the PSB channels on a range of quotas. The Made out of London Programmes Register documents the titles of programmes that PSBs have certified as "Made outside of London" and broadcast in 2016. Finally, the Television Access Services Reports set out broadcasters' compliance with the requirement to deliver a certain proportion of their programmes with subtitles, signing, and audio description.	Stephen Barrett	Publish reports: Q2 and Q4 2017/18
Reporting on adults' and children's media use and attitudes: as part of our media literacy duties, we will publish reports providing data on adults' and children's media use and attitudes across TV, radio, games, mobile and the internet, with a particular focus on online use and attitudes.	Alison Preston	Publish adults report: Q1 2017/18 Publish children's report: Q3 2017/18
News Consumption Report 2017: this report will provide data on various news consumption measures, including the sources and platforms used, the use of local news, the perceived importance of different outlets for news, attitudes to individual news sources, the reasons people follow news, and news consumption in the nations.	Alison Preston	Publish report: Q1 2017/2018
Spectrum		
Preparing to make spectrum available for 5G: we are preparing to make spectrum available for 5G, in an appropriate and timely way. We have initiated a programme of work focusing on options to make all or part of the 26 GHz band available for 5G in the UK. This band has been identified as a "pioneer" band for Europe. We will continue to play a critical role in international discussions on bands for 5G in CEPT and ITU, and will be preparing for the next World Radiocommunications Conference in 2019, where spectrum bands for 5G are expected to be identified globally.	Cristina Data	Publish consultation on proposals for 26 GHz: Q1 2017/18 Publish roadmap on further bands for 5G: Q1 2017/18
Expanding mobile access in 3.6-3.8 GHz Proposal: we will develop a proposal to expand mobile data/5G access in the 3.6-3.8 Ghz band.	Cristina Data	Q2 2017/18

This work will include preparation for awarding the band, subject to consultation.		
Fixed Wireless Spectrum Strategy: we are undertaking a review of the spectrum available and required for fixed wireless backhaul and other fixed wireless applications, particularly in the context of increasing demand for 5G systems and interest in higher bands. Our findings will inform our policy in this sector.	Alex Dixon	Publish Fixed Wireless Spectrum Strategy Consultation, Q2 2017/18; publish Statement Q4 2017/18
The Radio Equipment Directive 2014/53/EU: This harmonises of the laws of the Member States relating to the making available on the market of radio equipment. Ofcom is an enforcement authority with a duty to enforce, to protect and manage the radio spectrum. We are preparing to fulfil our statutory obligations following transposition into national law.	Clive Corrie	From 13 June 2017 undertake our new responsibilities
Mobile Data Strategy: we will continue to update our spectrum roadmap to support mobile data growth.	Cristina Data	Ongoing
Supporting licence-exempt spectrum for wireless data growth: we will continue to review spectrum requirements to support consumer demand for WiFi.	Cristina Data	Publish statement on 5.8 GHz Wi-Fi: Q1 2017/18
PMSE sharing in the band 960 to 1164 MHz: following our decision to allow low power audio PMSE (Programme Making and Special Events) applications to operate in the 960 to 1164 MHz band we are now working on implementing this arrangement. Access to the spectrum can be authorised now, and we are integrating this into our online licensing system.	Helen Hearn	Ongoing

Protect consumers from harm

Protecting audiences from harmful content in TV, radio, and on demand services

Continuing to ensure that broadcast and on demand content meets relevant standards: this includes considering audience complaints and issues under the Broadcasting Code, and other relevant codes.	Tony Close	Ongoing

Embedding our new duties for considering BBC complaints referred to Ofcom into our ongoing programme of work on content standards: this year, for the first time, we will be responsible for ensuring the BBC meets all the required content standards of the Broadcasting Code, including for impartiality and accuracy, and commercial references.	Tony Close	Ongoing

Ensuring landline only customers get value for money from voice services

Improving outcomes for landline only customers: we will consider appropriate responses to concerns about the narrowband retail landline only market. Any steps adopted will seek to ensure that landline only customers (many of who are elderly consumers) benefit from choice and value for money.	Markham Sivak	Publish statement: Q3 2017/18

Addressing nuisance calls

Monitoring and blocking problematic call traffic: we will work with UK communication providers to monitor and block problematic call traffic, under the memorandum of understanding agreed in November 2015, and with international partners on enforcement and caller line identification.	Huw Saunders	Ongoing; publish consultation on Caller Line Identification guidelines: Q2 2017/18

Further projects to protect consumers from harm

Responding to issues as they emerge: as part of our ongoing programme of investigations, Ofcom will continue to respond to consumer issues as they emerge throughout the year.	Lynn Parker	Ongoing
Reporting on audience attitudes towards broadcast media: we will publish a report looking at audiences' attitudes towards content on TV and radio, including levels of perceived harm and offence.	Vanessa Hyland	Publish report: Q1 2017/18
Considering the tools designed to protect children from inappropriate content: we will consider whether it is appropriate to update rules in the Broadcasting Code relating to the protection of children. Specifically, we will examine whether it is appropriate to allow broadcasters to show content more suitable for adults during the day, provided	Tony Close	Publish consultation: Q2/3 2017/18; publish statement: Q4 2017/18

that robust access controls, such as mandatory PIN protection, are in place. As part of this we will examine the effectiveness of these tools, alongside any potential benefits to broadcasters and audiences.		
Reviewing the General Conditions of Entitlement: We are carrying out a review of the General Conditions of Entitlement, the regulatory conditions that all providers of electronic communications networks and services must comply with to operate in the UK. Our aim is to produce a coherent set of regulatory conditions which are clearer and more practical, easier to comply with and simpler to enforce.	Robert Wells	Q2 2017/2018
Conducting a review of Alternative Dispute Resolution Schemes: we will undertake a review of the effectiveness of the Alternative Dispute Resolution (ADR) schemes approved by Ofcom under the Communications Act 2003 and ADR for Consumer Dispute Regulations 2015.	Alan Pridmore	Publish statement: Q3 2017/18
Review of the regulatory regime for public call boxes: we will review the requirements for public call boxes, including the rules that should be applied where call boxes should be maintained and the rules for assessing whether call boxes can be removed and the processes for removing them.	Alan Pridmore	Publish consultation: Q3 2017/18

Annex 2

Responses to the Proposed Annual Plan

A2.1   We received 32 written responses to our Proposed Annual Plan from firms active in a range of communications markets, as well as from trade bodies, consumer interest organisations, and individuals.

A2.2   In January and February 2016, we hosted well-attended events in Belfast, Cardiff, Edinburgh and London. This gave us the opportunity to engage with a wide range of stakeholders and hear diverse views on Ofcom's priorities from across the UK.

A2.3   We have considered all submissions in finalising our Annual Plan and have published all non-confidential submissions in full on our website.[17] Below we provide a summary of the submissions received as well as our responses to key points raised (in italics).

A2.4   We received the Scottish Government's response on 9 March 2017. This did not provide us with sufficient time ahead of publication of the Annual Plan to provide specific replies to the issues raised in their contribution. However, Ofcom enjoys regular, positive engagement with Scottish Ministers and Scottish Government officials; for example, a number of Scottish Government civil servants attended our Annual Plan event in Edinburgh. We look forward to this engagement continuing in the year ahead across the range of issues (broadcasting, digital connectivity, spectrum, competition and consumer issues) identified in the Scottish Government's response.

Promoting competition and ensuring that markets work effectively for consumers

Infrastructure investment and price controls on regulated products

A2.5   **TalkTalk** submitted that the most important way Ofcom can support competitive investment in fibre infrastructure in the forthcoming year is by imposing a price cap on BT's VULA products and ensure prices reflect Ofcom's estimate of Openreach's cost of providing FTTC. In TalkTalk's view, by doing this Ofcom can create a level playing field for ISPs in the UK.[18] TalkTalk also raised concerns around delays in Ofcom's Wholesale Local Access market review and stressed that if Ofcom does not impose price controls in a timely manner competition and consumers will be harmed.[19]

The question of the appropriate approach to price regulation of BT's wholesale products that underpin the provision of retail broadband services is being considered in the Wholesale Local Access market review. We published our proposals on these issues in March 2017.

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[17] Ofcom, Proposed Annual Plan Consultation Responses.
[18] TalkTalk, pp. 3-4.
[19] TalkTalk, p. 2.

A2.6   **TalkTalk** submitted that Ofcom's Annual Plan should address the issue of BT making returns above its cost of capital, particularly in relation to ISDN2/ISDN30 products.[20]

In recent years BT has made returns above its cost of capital across its regulated wholesale markets. This is in part a consequence of our policy decisions (e.g. to incentivise investment in new technology or incentivise customer migration to new services) and in part the consequence of actual demand being higher and/or costs being lower for BT than forecast. We consider that past wholesale pricing has facilitated effective competition whilst not compromising incentives to invest (by BT or by other telecoms providers with their own networks). Going forward, we will consider carefully the appropriate balance of cost recovery between regulated markets in our upcoming market reviews. For instance, the regulation of ISDN2 and ISDN30 is being considered in our Narrowband market review.[21]

A2.7   **Three** submitted that Ofcom should focus on addressing the underlying causes of higher retail prices - in particular areas of the wholesale market where competition is failing to deliver. In particular, it argued Ofcom should take a proactive approach to the implementation and operation of its Dark Fibre Access remedy.[22]

As part of our market reviews, we conduct careful analysis to understand the underlying reasons for the levels of prices that we observe in the wholesale markets. This analysis typically includes an assessment of competition within a geographic area, assessing alternative options for delivering services and, where proportionate, obtaining information in relation to the costs of the components that are used to provide wholesale services.

We are monitoring Openreach's engagement with the industry in its implementation and operation of the dark fibre access remedy.

A2.8   In the context of the EU's approach to competition in telecommunications, **Three** submitted that national regulators should not be burdened with the complex task of demonstrating market power in wholesale markets, and should be able to intervene to prevent detrimental impacts on competition. Three argued that regulation which favours extending networks rather than increasing competition is likely to lead to an increase in concentration and detriment to consumers. They contended that access at the wholesale layer would provide better opportunities for cost effective network expansion.[23]

We are working within BEREC and with the EU institutions to contribute to the ongoing debate on changes to the European Electronic Communications Code.

Openreach independence

A2.9   Some stakeholders expressed concerns about Ofcom's proposed legal separation of Openreach from BT Group. **BT** submitted that the change would impose disproportionate costs on BT and its stakeholders; would take considerable time to implement; and would not deliver greater benefits than the current model.[24] The

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[20] TalkTalk, p. 2.
[21] See Ofcom, Narrowband Market Review, consultation, December 2016.
[22] Three, p. 6.
[23] Three, p. 7.
[24] BT, p. 3.

Communication Workers Union (CWU) submitted that Ofcom's proposal may jeopardise the rollout of high quality broadband and undermine BT's commitment to contribute to the Universal Service Obligation.[25] The CWU also contended that this proposal will have a negative impact on resource and labour standards and therefore on quality of service.[26]

A2.10 Other stakeholders argued for stronger measures than those proposed by Ofcom. **Three** argued that Ofcom should impose full structural separation in order to remove BT's incentives to discriminate against competitors.[27] **TalkTalk** also favoured full structural separation, but submitted that Ofcom's preferred option of legal separation is workable, providing it is proactively and effectively enforced.[28]

On 10 March 2017, BT notified Ofcom of voluntary commitments to further reform Openreach. This means that Openreach will become a distinct company with its own staff, management, purpose and strategy. We consider that BT's March Notification sufficiently addresses the competition concerns as set out in our Strategic Review of Digital Communications. In our 17 March 2017 consultation, we explained why we consider that BT's March Notification sufficiently meets our competition concerns, how we will monitor compliance with the new arrangements and ultimately assess whether they deliver positive outcomes for consumers and businesses[29].

Mobile market competition

A2.11 **O2** submitted that Ofcom should actively assess the level of competition in the four-player mobile market, particularly given market developments like BT's acquisition of EE, Sky's MVNO offering, and the 21st Century Fox's bid for Sky.[30]

As with all markets, we continue to monitor market developments, including the nature and level of competition, in mobile services. While we have no plans to carry out a separate review of the mobile market following recent market developments, such issues will be a consideration in some of our key projects, such as our planned spectrum auction of 2.3 and 3.4 GHz spectrum (Public Spectrum Release Programme).

Switching and consumer information

A2.12 The **CCP** stressed the importance of ensuring that the switching process has effective safety nets to mitigate against loss of service, and argued that Ofcom should focus on older, disabled and vulnerable consumers, as well as on micro-businesses.[31] **SSE** noted its support of Gaining Provider Led (GPL) switching and urged Ofcom to look to examples of switching governance processes for other essential services, such as energy and the water market in England.[32] **Three**

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[25] CWU, p. 2.
[26] CWU, p. 5.
[27] Three, pp. 5-6.
[28] TalkTalk, p. 4.
[29] Ofcom, Delivering a more independent Openreach, 17 March 2017.
[30] O2, p. 1.
[31] CCP, p. 3.
[32] SSE, p. 2.

submitted that the Losing Provider Led process is burdensome on customers, and urged that Ofcom pursue its ambitions for switching reform without delay.[33]

As part of our work looking at consumers' experiences of switching landline, broadband and/or pay TV services between platforms, in July 2016 we consulted[34] on options to reduce difficulties including loss of service and double paying – we provisionally set out a preference for a GPL switching process. In the consultation document, we also welcomed views from stakeholders on whether there could be synergies across costs between implementing a GPL proposal for cross-platform switching and mobile phone switching – we are working through these views and other comments to determine next steps. More generally, as part of our work we have looked to see what we can learn from approaches in other sectors (including energy) and countries.

We will also be publishing a further consultation on mobile switching processes in Spring 2017. This will provide an opportunity for stakeholders to review and comment on the latest evidence collected to help us evaluate the case for reforming the mobile switching process. This will be followed by a Statement later in the year.

A2.13   **O2, BT** and **Three** all questioned the value and proportionality of Ofcom's proposals for publishing better and more granular information. **O2** contended there is no evidence that consumers actually use or want this information, or that publishing it would result in better purchasing decisions, given that there is a limit to how much information consumers can absorb.[35] Similarly, **BT** argued that Ofcom should focus on publishing better, more useful information since 'choice overload' can reduce consumers' ability to make informed decisions; in particular, on QoS **BT** argued Ofcom should evaluate which metrics are most useful to consumers.[36] **Three** argued that Ofcom's plans to publish better, more granular information might be used by third parties to support misleading analyses, particularly if different operators have incomparable performance metrics.[37]

Ofcom constantly endeavours to improve the information it provides to consumers and has always engaged with stakeholders to publish information that is useful and reflects consumers' experience. We believe that consumers benefit from accurate, comparable and accessible information on the communications services available in locations that are important to them. Additionally, we believe that the publication of this information also incentivises communications providers to compete on the basis of service quality. We have made progress in delivering better information (e.g. through our apps and online tools) and will continue to explore ways to make further improvements. Where we make data available that could be used to make comparisons, we will continue to engage with operators on the methodologies and performance metrics used.

Misleading advertising / monitoring pricing trends

A2.14   **Three** submitted that it does not believe Ofcom's work with the ASA to require fixed providers to market services on the basis of price-inclusive of line rental has gone

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[33] Three, p. 14.
[34] Ofcom, Consumer Switching: Further proposals to reform switching of mobile services, 29 July 2016.
[35] O2, pp 2-3.
[36] BT, p. 3.
[37] Three, p. 18.

far enough. **Three** welcomed Ofcom's commitment to monitor pricing trends, and contended that Ofcom should undertake a broader pricing comparison effort encompassing pricing trends without being overly prescriptive around tariffs and measurements of pricing.[38]

As part of our work to promote competition and ensure that markets work effectively for consumers, we aim to ensure that the market provides good outcomes, including in terms of prices. In 2017/18, we will publish data on trends in pricing, and will assess changes in communications tariffs, how they are advertised, and how they affect different consumer segments.

BBC competition regulation

A2.15   **Pact** submitted that Ofcom should commit to reviewing BBC Studios in 2017/18 and scrutinize any potential signs of preferential commissioning.[39] **Pact** also contended that Ofcom should not use the current principles and framework of the BBC Fair Trading guidelines as their basis for regulating the BBC's commercial activities.[40] **COBA** also submitted that it is crucial for Ofcom to have robust oversight of the BBC's market impact.[41]

A2.16   *Ofcom has recently consulted on a set of requirements that we intend to place on the BBC to ensure, among other things, that its subsidiaries do not distort the market or create an unfair competitive advantage. We are considering the responses we have received and will publish finalised requirements and guidance by 3 April 2017. Under the Agreement between the Government and the BBC, Ofcom is required to consider whether to carry out a review of BBC Studios within two years.*

Ofcom is developing a range of regulations and guidelines designed to address risks that the BBC will crowd out competition or deter others from investing or innovating. We will look at potential market impacts alongside any public benefits, taking into account the BBC's need to fulfil its Mission and promote its Public Purposes, and the requirement to protect fair and effective competition.

A2.17   The Welsh Government requested further details around the geographic granularity of Ofcom's BBC competition impact assessments, arguing that potential new BBC services which might have an adverse competitive impact on commercial services in major cities in England might simultaneously address a keen need in parts of Wales where there is currently insufficient market provision.[42]

In our consultation "Assessing the impact of proposed changes to the BBC's public service activities", we set out how we expect to assess potential adverse impacts on fair and effective competition as a result of BBC proposals. We set out that Ofcom will identify the range of services and products likely to be affected by the BBC proposal. In some cases, if appropriate, we may consider the geographic basis on which the market impact should be assessed. Furthermore, as part of our new regulatory responsibilities, we will be ensuring that the BBC's output reflects, represents and serves the diverse communities of the UK's nations and regions.

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[38] Three, p. 12.
[39] Pact, p. 4.
[40] Pact, p. 5.
[41] COBA, p. 3.
[42] Welsh Government, p. 2.

Other issues

A2.18 **UKCTA** suggested that Ofcom take greater account of business customers and B2B providers. It considers, for example that the latest narrowband market review is focused on residential competition and substitutes to WLR, which UKCTA considers are effectively impossible for B2B providers to use.[43] **ACNI** urged Ofcom to increase its focus on supporting and addressing the connectivity needs of SMEs.[44]

We will consider all responses from stakeholders in our Narrowband Market Review consultation,[45] including any evidence presented as to whether the competitive conditions are different for business and residential consumers, or for providers specialising in a particular group of customers. More generally, our wholesale local access, wholesale broadband access and narrowband market reviews all carefully consider the needs of both residential and business consumers in order to identify what regulation is appropriate to address concerns in these markets. In addition, following the publication of last year's Business Connectivity Market Review, we put forward strict new rules to improve BT's performance in installing high-speed business lines, whilst significantly reducing the wholesale prices BT charges for these lines. Finally, in January 2017 we published a research report[46] measuring the use, experience and attitudes towards communications services and service providers among UK SMEs.

A2.19 An anonymous respondent raised concerns about confusion around and misuse of certain **non-geographic number ranges, mobile short codes, and charges for unanswered calls**. The respondent noted that the management of the closure of the 0500 range, expected for June 2017, was missing from the Annual Plan; and that there was no mention of future consultations on the 055, 056, 070 and 076 ranges in the Annual Plan.

We set new pricing regulations with respect to Freephone and revenue sharing ranges (084/087/09/118) to improve consumer transparency and confidence which came into force in July 2015. We are monitoring the impact of these changes on consumer consumption and expenditure of these and the 03 ranges and will consider whether additional interventions are required.

We do not regulate mobile charges for short codes but we require mobile operators to provide readily accessible price information. There are no legitimate charges for unanswered calls. We are not aware of any companies making such charges. The use of the 0500 range is very low and we consider that the management of the withdrawal is best undertaken on a number by number basis by affected companies. The timing of the reviews of the 055/056, 070/076 ranges are subject to decisions on administrative priorities.

A2.20 The Welsh Government submitted that Ofcom should take a more granular, **geographic approach to competition regulation in telecommunications** – taking into account factors such as geography and population density – in particular when considering whether regulation should be increased or decreased.[47]

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[43] UKCTA, p. 3.
[44] ACNI, p. 1.
[45] Ofcom, Narrowband Market Review consultation, 1 December 2016.
[46] Ofcom, The SME experience of communications services: research report, January 2017.
[47] Welsh Government, p. 3.

We recognise that in some markets there are differences in availability and competition in different geographic areas. As we set out in the Initial Conclusions of our Strategic Review of Digital Communications in February 2016, where a lack of service availability is driven by reasons of geography, we will intervene with targeted and effective regulation to ensure customers in these areas can access the services they need. With regards to competition regulation, an assessment of the existence of different geographic markets is a standard part of our market reviews. In our previous market review of the wholesale broadband access market we have defined remedies specifically for the largely rural areas in which there is not sufficient competition from exchange based telecoms providers or from cable TV providers. In other cases where the markets we review are national in nature we apply remedies at the national level, including the use of charge controls that set prices at the average national cost. We will continue to consider the existence of different geographic markets in our market reviews

A2.21   **Three** submitted that there is a need for a level **regulatory playing field between traditional and 'over-the-top' (OTT) communication providers**, arguing that regulation of OTT services must provide adequate protection for consumers and not competitively disadvantage traditional service providers.[48]

The appropriate regulation of 'OTT communications providers' is a central issue in the European Commission's review of the EU Telecoms Framework. In preparing for the review, Ofcom worked with BEREC on a review of OTT regulation and responded to the Commission's consultation. In our response, we considered it "disproportionate to automatically extend the scope of the Framework to incorporate all OTT services". Instead, regulators should consider "the case for extending individual regulatory obligations to individual OTT services or service types". This remains our position: we do not consider that all of the same regulations should apply to all OTT providers as to traditional communications providers; but also that some rules applying to traditional communications might reasonably be applied to some OTTs. Given this, we broadly support the Commission's proposed measured approach.

Securing standards and improving quality

Broadband Universal Service Obligation

A2.22   **Three** argued that a broadband Universal Service Obligation (USO) is, and should continue to be, an obligation on fixed operators only. Three stressed the need for Ofcom to ensure that any funding for a designated USO operator does not impact the competitive landscape of the UK mobile market.[49]

A2.23   **MG Alba** submitted that implementing the USO in Scotland should be a priority, as superfast broadband in rural areas is essential to ensuring that Gaelic media content is readily accessible and that Gaelic media content creators have enhanced upload and download capability.[50] **The Welsh Government** submitted that Ofcom should engage with stakeholders to ensure that USO regulation reflects the needs

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[48] Three, p. 8.
[49] Three, p. 10.
[50] MG ALBA, p. 3.

of Wales and supports the Welsh Government's ambitions to offer fast and reliable superfast broadband (of 30Mbps) to all Welsh premises.[51]

Ofcom provided technical advice on the design of the broadband USO to the UK Government in December. Our report[52] set out a range of options for Government. Many of the final USO policy decisions (including the technical specification) are for Government, while Ofcom's role would be to implement the Government's policy. We are awaiting Government's decision on its USO policy. Where this is progressed under the universal service directive, we will consult on our proposals for implementation. We will engage extensively with stakeholders (including the Welsh Government) at the appropriate time.

Mobile coverage and capacity

A2.24   A number of stakeholders raised concerns in connection to our plans for **mobile coverage and capacity**. **Three** submitted that Ofcom must provide more clarity on its ambitions for a coverage obligation and how it plans to incorporate this ambition through the 700 MHz award.[53] **Which?** submitted that Ofcom needs to take more action to ensure improved coverage and capacity in mobile to support UK consumer requirements, in particular for mobile data.[54] The **Welsh Government** submitted that the 700 Mhz award offers great potential to deliver mobile coverage to rural areas and requested that Ofcom engage with the Welsh Government and other stakeholders in Wales in the design of the auction, to ensure that any geographic coverage obligations are fit for Wales.[55] The **CCP** submitted that Ofcom should require MNOs to develop contingency further plans to address areas where coverage is poor or non-existent, for example by obliging MNOs to meet or exceed coverage targets and financially penalising them if they do not. The CCP recommended that future spectrum auctions should be designed to oblige MNOs to cater for hard-to-reach areas from the start of the process.[56] Finally, the **ACNI** called for more information on Ofcom's plans in relation to mobile repeaters.

We continue to see a role for coverage obligations and look to include such obligations in suitable future spectrum awards. We will seek to include a coverage obligation in the 700 MHz award, expected to take place in late 2018 or early 2019.

We have now begun a programme of work to consider where current MNO roll-out plans are likely to take coverage, what the appropriate ambitions for coverage beyond this might be, and how these might be delivered, including through the use of new coverage obligations. We expect that this work will take until the second half of 2017/18, following which we will develop specific proposals for public consultation in advance of the 700 MHz award.

We have recently launched a consultation[57] on the use of license-exempt spectrum for applications including mobile repeaters.

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[51] Welsh Government, p. 4.
[52] Ofcom, Achieving decent broadband connectivity for everyone: Technical Advice to UK Government on broadband universal service, 16 December 2016.
[53] Three, p. 9.
[54] Which?, p. 1.
[55] Welsh Government, p. 4.
[56] CCP, p. 6.
[57] Ofcom, Notice of proposal to make Wireless Telegraphy Exemption Regulations 2017, consultation on Regulations and proposed technical parameters, 9 March 2017.

Quality of Service in communications services

A2.25   In connection to our proposals for automatic compensation, **Three** raised concerns about the technical difficulties intrinsic to mobile networks and services, suggesting it may be difficult to implement a scheme that addresses customers' experiences.[58] **SSE** argued that Ofcom should adopt a 'polluter pays' principle, whereby payments for failures caused by upstream participants are seen to originate from those companies, even if the retailer is involved in passing on the payment to the consumer.[59] **Ombudsman Services** submitted that automatic compensation should be seen as providing a floor, and not a ceiling, of redress when service standards are not met; and that consumers should still be able to take complaints further, with access to ADR, even where automatic compensation has been paid.[60] The **CCP** also argued in favour of proportional billing, whereby providers would adjust tariffs when service quality falls below expectations and this cannot be rectified.[61]

Ofcom recently set out detailed proposals on automatic compensation in a consultation published on 24 March 2017.[62]The consultation addresses the points raised above. We would welcome any further response to our proposals. The deadline for responses is 5 June 2017.

A2.26   **Ombudsman Services** submitted that Ofcom should publish customer service and complaint handling performance data, including a metric which shows how effectively suppliers resolve complaints/ use of ADR[63].They further encouraged Ofcom to take a proactive strategy for raising awareness to encourage consumers to use the data available to them.

Ofcom will publish customer service and complaint handling performance data in its first annual Quality of Service report, including data gathered from providers and from consumer research. We will also publish data provided by the two Ofcom-approved ADR schemes. We recognise the importance of ensuring that any quality of service data we publish is comparable. We will not publish provider-specific data in our annual quality of service report unless we are satisfied that it is sufficiently comparable to ensure that consumers' decision making is better informed and that providers are treated equitably. We will take steps to ensure that the information contained in the report is made as accessible as possible to consumers, through the use of social media as well as traditional media outlets, as well as improved accessibility to consumer-relevant data on our website.

A2.27   The **Consumer Communications Panel (CCP)** advocated for a more direct link between Openreach's performance and the experience of end users, including clear consumer based targets for which Openreach is wholly accountable and an accompanying system of incentives and penalties to deter poor performance.[64]

In 2014 we imposed service quality standards on Openreach that require it, over time, to complete a rising proportion of repairs in 1-2 days or else face substantial fines. Through our Wholesale Local Access market review consultation, we will

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[58] Three, p. 11.
[59] SSE, p. 3.
[60] Ombudsman Services, p. 4.
[61] CCP, p. 4.
[62] Ofcom, Automatic Compensation, consultation, 24 March 2017.
[63] Ombudsman Services, p. 2.
[64] CCP, p. 6.

> *consult on tougher service quality standards that will require Openreach to resolve a higher proportion of faults on time, reflecting the greater needs of consumers and businesses.*

A2.28   The **CCP** also encouraged Ofcom to provide details on what constitutes 'good quality of customer service', so as to better measure successful outcomes. In the CCP's view this should include price, availability, QoS, protection from harm, and inclusivity targets.

> *In March we published research[65] into the level of service consumers expect from their providers, including, for example, what they see as an acceptable time to wait for the installation or repair of a service.*

A2.29   The **UKCTA** raised concerns about what it sees as a lack of a co-ordinated approach to QoS across the markets regulated by Ofcom. It submitted that, at present, Ofcom's work on QoS is spread across various market reviews and other documents, which makes it difficult to track and scrutinise. UKCTA submitted there should be an over-arching project on QoS covering all products and services.

> *As set out in our Annual Plan, we are undertaking work to improve QoS through various projects. This reflects that we are using different levers across our powers to improve outcomes for people and businesses. These efforts range from providing information through our Service Quality report, to applying and enforcing new minimum service levels and targets for Openreach, to compensating consumers when things go wrong. We agree with UKCTA that these efforts should be carefully coordinated and in line with our overall strategy, as set out in the DCR. In the coming year we will coordinate our efforts across these projects; however, we do not envisage combining these into a new project.*

Spectrum allocation and clearance

A2.30   The **British Entertainment Industry Radio Group (BEIRG)** argued that Ofcom should work towards wider international **harmonization of the 960-1164 MHz band** by promoting its use for PMSE abroad. BEIRG also contended that Ofcom should release finalised post-700 MHz clearance spectrum maps for the 470-694 MHz band as soon as possible, whilst continuing to monitor developments within the European Conference of Postal and Telecommunications Administrations (CEPT) with regards to other frequency bands that are being recommended for use by audio PMSE devices.[66] BEIRG further submitted that the 700 MHz clearance process should result in minimum disadvantage for PMSE users.[67]

- > *Our October 2016 statement on Maximising the benefits of 700 MHz clearance[68] acknowledges the impact on the PSME community, whilst setting out the rationale for our clearance decision. We continue to engage with spectrum regulators in other countries to share our analysis and conclusion that the band is a good spectrum resource for PMSE. We will fully support the work in CEPT on sharing studies between PMSE and aeronautical services in the band.*

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[65] Ofcom, Automatic Compensation, consultation, 24 March 2017, Annex 10: Jigsaw Research.
[66] BEIRG, p. 1.
[67] BEIRG, p. 2.
[68] Ofcom, Statement: Maximising the benefits of 700 MHz clearance, October 2016, p. 6, 13-14.

- *With regard to the other frequency bands identified by BEIRG in ECC Recommendations 70-03 and 25-10, and those bands made available by the EC Implementing Decision 2016/687, all but one is available for PMSE in the UK.*

- *The post-700 MHz clearance DTT frequency plan is expected to be finalised by the middle of 2017. Once this is done we will provide the spectrum availability maps.*

- *We also expect to consult shortly on proposals for how a scheme to provide Government funding might operate.*

A2.31 **The Voice of the Listener and Viewer** (VLV) submitted concerns about the rise of mobile data consumption and resulting spectrum demand and urged Ofcom to monitor the relocation of DTT transmissions from the 700 MHz band to ensure that **TV viewer disruption** is minimised.[69]

As confirmed in our October 2016 statement[70], minimising disruption to viewers is one of the key objectives of the 700 MHz clearance programme. A small number of viewers may need to replace their rooftop aerials. Ofcom is working with Government to ensure that disruption to viewers is appropriately managed.

M2M communications and the Internet of Things

A2.32 The **Joint Radio Company (JRC)** submitted that critical infrastructure utilities will need to migrate to Smart Grid systems, which will necessarily involve a significant increase in data rates and increased spectrum access. JRC anticipated that this will require 2 x 3 MHz of 400 MHz band private spectrum. [71] JRC also requested that 150 kHz wideband video systems and 1.25 MHz broadband systems could be made available within the 400 MHz Band for on-site security and other uses.[72]

We note that Professional Mobile Radio (PMR) users will continue to require access to the UHF spectrum, including for the use of innovative new technologies. We consider our existing authorisation regime for Business Radio can accommodate IoT/M2M applications which require access to the UHF range. These Business Radio licences are designed to be both service and technology neutral. Our policy position on PMR networks is reflected in the Radio Spectrum Policy Group's Opinion[73] on the IoT, published in November 2016.

With respect to on-site security, there are a number of licence exempt video allocations already available for use in the UK. These can be found in our national Interface Requirement IR2030. Ofcom does not see the need to replicate these on-site security applications within the 400 MHz bands.

A2.33 **Thingitude** submitted that the UK IoT market has been lagging behind other European markets, in part because of confusion and **uncertainty about current rules**, particularly regarding obligations around privacy and data protection. Thingitude urged Ofcom to review existing rules and update and clarify the

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[69] Voice of the Listener and Viewer, pp. 3, 6-8.
[70] Ofcom, Statement: Maximising the benefits of 700 MHz clearance, October 2016, p.6, 13-14.
[71] Voice of the Listener and Viewer, pp. 3, 6-8.
[72] Ibid.
[73] European Commission, RSPG17-006 Final, 9 November 2016, pp. 9-10.

obligations and duties placed upon different stakeholders in the value chain as a matter of urgency in the coming year.[74]

The Internet of Things will generate large volumes of data collected from sensors and other devices, and much of this data will be stored and processed in the cloud. Concerns over the privacy issues raised by the collection, sharing and use of this data apply to nearly all sectors. Data privacy is not directly under Ofcom's remit. However, we acknowledge that data privacy issues can strongly affect consumers and if not handled appropriately could be an inhibitor to the future growth of the IoT. Given this, Ofcom will continue to play a role alongside the ICO in raising consumer awareness of the privacy issues associated with using the IoT.

Broadcasting

A2.34 **MG Alba** argued that Ofcom's forthcoming Operating License for the BBC should address economic challenges in addition to those related to representation and portrayal. It further argued that the Annual Plan should "encompass the establishment of the measures that will hold the BBC to account" for paragraph 40 of the BBC Agreement (which covers Gaelic language provision).[75]

We have recently opened a consultation on our proposed approach to holding the BBC to account for its delivery of its mission and public purposes, including in relation to its performance in the Nations and Regions.[76] The Operating Licence that we put in place for the BBC will make clear the regulatory conditions we have placed on the BBC in Scotland. We will measure annually how the BBC performs against these requirements, and how far it meets the expectations of licence fee payers in each part of the United Kingdom.

Alongside these new requirements, in 2017/18 we will commence a review of our guidance on Out of London programme-making, to ensure that the programmes that the BBC and other public service broadcasters identify as being made outside of London make a genuine contribution to the nations' and regions' creative economies.

A2.35 The **European Group for Technology and Health** submitted that the BBC have lost many of its earlier accepted **ISO standards of accessibility** in relation to colours, shapes, and forms and how these issues affect people with disabilities. It argued that Ofcom must consider these matters.[77]

Ofcom publishes guidelines[78] on the provision of television access services but does not mandate technical standards. We are currently consulting on the Code that will apply to BBC public services in relation to accessibility and welcome views from any interested stakeholders.[79]

A2.36 The **Voice of the Listener and Viewer** urged Ofcom to work with Government and broadcasters to reverse the process of a continuing loss of **investment in PSB**

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[74] Thingitude, p. 1.
[75] MG ALBA, p. 3.
[76] Ofcom, Holding the BBC to account for the delivery of its mission and public purposes, 29 March 2017.
[77] EKTG, p. 1.
[78] Annex 3 of the Code on Television Access Services.
[79] Ofcom, Holding the BBC to account for the delivery of its mission and public purposes, 29 March 2017.

output, particularly on UK children's, arts, classical music, and religious programming.[80]

Ofcom highlighted a range of potential challenges in relation to the delivery of certain genres in its PSB Review in 2015. Any decision on whether to reform the system to address them are a matter for Government. Our focus this year in relation to PSB is our annual review of Channel 4 Corporation's performance and implementing our new duties in relation to the BBC.

A2.37 The **CCP** expressed disappointment at "the recent lack of progress in Access Services - especially in relation to subtitling and speaking Electronic Programme Guides". It further argued that Ofcom should measure and understand user requirements, with the aim of achieving equivalent access.

Ofcom strongly believes that consumers with hearing and/or visual impairments should have access to a wide range of television services whether broadcast or on demand. We have been working with on demand service providers and consumer groups to encourage increased accessibility of on demand services.

In 2016 we conducted a programme of engagement with major on demand service providers and consulted on changes to the way we report on the accessibility of such services to make this information of greater use to industry, in monitoring progress, and to consumers, in choosing accessible services.

Currently, Ofcom has no statutory powers to require that the on demand services we regulate are made accessible. We have set out to Government and Parliament that we would welcome stronger powers in this area in order to drive further progress. Regulatory measures are now included within the Digital Economy Bill, currently progressing through Parliament. These measures provide Ofcom with new powers to create a Code of Practice for the accessibility services provided by VOD broadcasters. If this version of the Bill is enacted, we will have new powers to regulate the accessibility of on demand services in future.

A2.38 **The Welsh Government** submitted that when TV and radio licences are reviewed and awarded to stations in Wales, Ofcom should consider Wales's **bilingual nature and require as a licence condition** that a set number of hours be broadcast in Welsh.[81]

Ofcom licenses a number of TV and radio stations in Wales. Ofcom assesses applications for these licences (and subsequent changes to licences) against specified statutory criteria. These do not include Welsh language considerations specifically, although applicants may propose to include Welsh language in their services and this would be incorporated into their licences. Changes to the statutory criteria would require legislative amendment.

A2.39 **The Welsh Government** submitted that there should be no **digital switchover for radio** until there is a guarantee of at least 97% coverage of DAB throughout Wales, on the basis that DAB coverage should be no worse than current Welsh AM/FM coverage.[82]

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[80] Voice of the Listener and Viewer, p. 4.
[81] Welsh Government, pp. 2-3.
[82] Welsh Government, p. 3.

Whether there is a digital switchover for radio, and the form that any such switchover may take, is a policy matter for the UK Government to decide. The Government has stated that it will consider a possible date for a switchover when certain criteria relating to levels of DAB coverage and listening have been met. It is currently expected that these criteria may be met towards the end of 2017, or in early 2018, at which point we anticipate Government may wish to carry out a review before making any decisions about a switchover. As part of this review, Ofcom may be asked for technical advice on matters such as the level of DAB coverage in the nations of the UK.

Media literacy

A2.40 The Association for Media Education in Scotland (AMES) submitted that there is a need to inform the wider public about Ofcom's roles, especially given Ofcom's imminent assumption of regulatory responsibilities in relation to the BBC, as well as current concerns over 'fake news'. AMES suggested that Ofcom's media literacy remit would benefit by contacting Education Scotland's Digital Learning and Teaching team with a view to developing on-line resources which would increase public understanding.[83]

We agree that providing clear information about communications developments is important. We have a range of consumer guides on our website to assist in this area and communicate with consumers via social media. We have developed educational resources using our children's media literacy research data which we launched in 2016, and updated in February 2017 as part of Safer Internet Day. We liaise regularly with a range of stakeholders about our media literacy research, and sit on various steering groups to advise and promote media literacy best practice, including MediaSmart which develops classroom resources.

Royal Mail regulatory framework

A2.41 **John Knowles** submitted that Ofcom should study the cost structure of all aspects of Royal Mail's work, and not only for delivery, to satisfy itself that the public is properly charged for each service, in particular with regard to the prices of postings of various weights and sizes.[84] The **BBC Licence Fee Unit** highlighted the importance of the review of the regulation of Royal Mail for creating a regulatory framework which facilitates competition.[85]

A2.42 The **Consumer Council of Northern Ireland** urged the importance of ensuring increased transparency around Royal Mail's delivery network efficiency.[86] The **CCP** raised concerns that Royal Mail did not meet the minimum quality of service standards required of it under its regulatory obligations.[87] The **Communications Workers Union** called on Ofcom not to set unreasonable efficiency standards for Royal Mail and to provide a regulatory framework that supports investment.[88]

Citizens Advice Scotland submitted that particular attention needs to be paid to

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[83] AMES, p. 1.
[84] John Knowles, p. 1.
[85] BBC Licence Fee Unit, p. 2.
[86] Consumer Council, p. 2.
[87] CCP, p. 8.
[88] CWU, pp. 3-5.

monitoring competition in parcel and letter delivery services in rural areas.[89] **Royal Mail** urged Ofcom to reconsider the measures that it had proposed with regard to the sustainability of the USO, noting the importance of maintaining the revenue pools needed to pay for the USO.[90]

Ofcom has recently completed its review of Royal Mail Regulation.[91] In this we concluded that the current approach to Royal Mail's regulation (including pricing flexibility) remains appropriate to securing the provision of a financially sustainable and efficient universal postal service and that consumer benefits in the parcels sector are best secured by competition. Ofcom considers the quality of service of the universal postal service to be very important. We will continue to monitor Royal Mail's performance and will if necessary take further enforcement action. In addition, during 2017-18 Ofcom will review the quality of service regulations to ensure that they remain appropriate.

A2.43   **Royal Mail** submitted that Ofcom's work places a substantial burden on Royal Mail, including an obligation for USO and Access services to undertake consultations and announce changes in advance, and to produce 170 reports for Ofcom each year. Royal Mail further pointed to overlaps between Ofcom and the Consumer Advocacy Bodies' work plans, duplicating work and raising regulatory costs for industry. Royal Mail further submitted that there is a pressing need for greater transparency and fair apportionment in regard to postal regulation fees.[92]

Since taking responsibility for postal regulation in 2011, Ofcom has reduced the cost of regulation in the postal sector by more than 50% in real terms. For 2017/18, the proposed charge for postal regulation of £2.86m is a further material reduction. This follows the completion of our comprehensive review of the regulation of Royal Mail in 2017. As such our planned work for postal regulation is significantly lower for 2017/18, than it has been in previous years. However, future tariffs may not continue at this low level as they will be determined by the work we need/plan to undertake in any given year.

Royal Mail is the designated universal service provider for the UK, with a near monopoly of letter delivery and the largest parcel company in the UK. It is entirely appropriate that it is the focal point for postal regulation. Nonetheless, since 2011 Ofcom has significantly reduced regulation on Royal Mail. For example, while in 2011 about 80% of Royal Mail's revenues were price controlled, now less than 5% are. The recently completed Review of Royal Mail Regulation[93] further reduced the notification requirements on Royal Mail. With regard to regulatory reporting, we dispute Royal Mail's assertion that it is required to produce 170 reports a year for Ofcom. In any event, we will soon publish our Review of Regulatory Financial Reporting in which we will propose further reducing the cost and volume of Royal Mail's reporting obligations.

In addition, Ofcom's work with the consumer advocacy bodies is designed to be complementary. For example, with regard to parcel surcharging, Ofcom has analysed some of the supply-side issues (e.g. costs of parcel delivery), while consumer advocacy bodies have researched demand side issues (e.g. consumer

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[89] Citizen's Advice Scotland, p. 3.
[90] Royal Mail, pp. 7, 11.
[91] Ofcom, Review of the Regulation of Royal Mail, 1 March 2017.
[92] Royal Mail, pp. 3-8.
[93] Ofcom, Review of the Regulation of Royal Mail, 1 March 2017.

experience). For 2017/18, there is no duplication of work between Ofcom and the consumer advocacy bodies. Finally, in 2017/18, Ofcom will review its approach to recovering the costs of postal services regulation and consumer advocacy, with the aim of implementing new arrangements for 2018/19.

Postal workers' rights and scam emails

A2.44   **Communications Workers Union** raised concerns around false self-employment in the parcel sector.[94] **Citizens Advice Scotland** further encouraged Ofcom to consider the issues posed by scam mail.[95]

Ofcom does not have a role in relation to the employment practices of companies. It is for individual companies to ensure they comply with labour laws and for the appropriate agencies to enforce the law. With regard to scam mail, Ofcom will continue to support the appropriate enforcement agencies and postal companies.

Other post-related issues

A2.45   **Royal Mail** argued that Ofcom should put in place regulations and applying a set of **minimum standards to all major parcels operators**, including mail integrity and complaints handling requirements.[96] The **Communications Workers Union** submitted that unregulated parcel competition driven by the rise of online commerce is undermining regulation and the economic and financial sustainability of the universal postal service and argued that Ofcom should have introduced minimum quality standards.[97].

Ofcom has considered these arguments as part of the consultation on the Review of Royal Mail Regulation. Ofcom collected information from industry and carried out its own analysis of mail integrity in the parcels sector. We concluded that consumers were protected by competition, tracking on most parcel services and consumer law when shopping online. Therefore, we decided it was not necessary to increase regulation on competitive parcel companies.

A2.46   **Royal Mail** submitted that the European Commission's **draft regulation on cross-border parcel delivery services** is unnecessary, since the market is highly competitive, with low barriers to entry, low switching costs, and a plurality of operators. Royal Mail argued that additional regulation must not inadvertently negatively impact Europe's delivery services and customers.[98]

Ofcom notes Royal Mail's concerns about the necessity of the European Commission's measures in its draft regulation on cross-border delivery services. We are providing technical advice to the Government on the details of the proposed regulation which is currently being considered by the European Council and Parliament. While we welcome the intentions behind these measures designed to enhance price transparency and regulatory oversight of intra-EU cross-border parcels delivery services, we would agree that this market is largely competitive and we also have a number of concerns about specific parts of the draft Regulation and their proportionality, clarity and enforceability. These concerns include the regulatory burden the proposals would be likely to place on a large number of small

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[94] CWU, pp. 3-5.
[95] Citizen's Advice Scotland, p. 3.
[96] Royal Mail, p.11.
[97] CWU, p. 3.
[98] Royal Mail, p. 10.

parcel operators in the UK as well as new proposed burdens on national regulatory authorities which include a requirement to undertake affordability assessments on a wide range of products to short deadlines. Moreover, we consider that such affordability assessments are not yet adequately defined in the Commission's proposals.

Ofcom will continue to raise these and other issues, directly and where appropriate through the European Regulators' Group for Post, with a view to influencing the text of any final regulation.[99]

Other issues

A2.47 **BT** submitted that **payphone regulation** has not changed in over a decade despite radical changes to mobile affordability, accessibility and coverage during this period. BT stated that while it expects PSTN legacy technologies to be replaced by IP-based systems, the costs of developing and rolling out an IP based solution for payphones cannot currently be justified against the current regulatory obligation under universal service. BT urged Ofcom to act now to ensure any remaining regulation is appropriate, defensible, and sustainable in the longer term.[100]

Ofcom will review the requirements for public call boxes including the rules that should be applied where call boxes should be maintained and the rules for assessing whether call boxes can be removed and the processes for removing them. We expect to consult on this by Q3 2017/18.

A2.48 The **UKCTA** raised concerns about Ofcom using simplified assumptions of networks and end-users when dealing with remedies that impact the range of complex value chains that have evolved in the UK. It argued that this can have unintended consequences and cause damage. It pointed to Ofcom's view of the mobile value chain in the current switching consultations as an example.

We agree with UKCTA that it is important to understand the value chain of any market in which we intervene and to carefully consider the potential impact of our remedies on the players involved. We encourage stakeholders to respond to our consultations with information about the relevant market, particularly if they are concerned about the potential impact of remedies we might put in place.

Protecting consumers from harm

Landline only consumers

A2.49 **Citizens Advice Scotland** highlighted the disproportionately expensive charges faced by landline only consumers, contending that lack of competition in this market and rising line rental prices are particularly detrimental to the finances of vulnerable and low income consumers.[101]

A2.50 The **European Group for Technology and Health** questioned Ofcom's commitment to improving outcomes for landline only customers, especially in regards to people who are reliant on them. It argued that BT in particular has not

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[99] See for instance ERGP, Work Programme 2017.
[100] BT, p. 4.
[101] Citizen's Advice Scotland, pp. 3-4.

offered any compensatory payments in response to on-going service outages.[102]

As we highlight in section 3.21 of our Annual Plan, we are committed to ensuring that landline only consumers are protected from high prices and benefit from choice and competition in the market. Our reviews of the narrowband retail landline only market, and of the wholesale narrowband market, will be key to identifying specific issues which need to be addressed.

On 24 March 2017 we published our consultation on automatic compensation.[103] This includes proposals to compensate customers who lose fixed voice and/or fixed broadband services. We invite you to read the consultation and welcome any response you may have. The deadline for response is 5 June 2017.

Low-income broadband consumers

A2.51 **Citizens Advice Scotland** submitted that low-income consumers of broadband services are at risk of financial detriment from rising line rental prices. It encouraged Ofcom to consider how the benefits of increased competition in fixed-line services can be opened up to low-income consumers.[104]

We continue to monitor pricing of services for all consumers, including vulnerable consumers. We have concerns about outcomes for standalone voice only consumers and have initiated a review. Bundled services continue to be relatively competitive, but we have worked with the ASA on the advertising of broadband pricing. Further, in December 2016, we provided technical advice on the design of the broadband USO to the UK Government, including with regard to a social tariff to ensure broadband is affordable to all. Finally, we note that BT's Basic + Broadband package is available to low-income consumers on a means-tested basis.

Nuisance calls

A2.52 The **CCP** encouraged Ofcom to implement the proposal of free caller line identification by default for consumers and to identify and take action against perpetrators of nuisance calls.[105] **ACNI** raised concerns about the length of time it is taking to significantly reduce Nuisance Calls, and indicated it would be beneficial to consumers to see timeframes attached to this objective.[106] **Three** submitted that Ofcom should complement technical solutions like blocking, with other measures such as informing consumers on how to deal with nuisance contact, similar to the work Ofcom has done with the TPS.[107] **Which?** called for concrete actions taken as quickly and effectively as possible, with positive outcomes for consumers clearly identified, measured and monitored.[108]

Ofcom's approach to nuisance calls is multifaceted and includes:

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[102] EKTG, p. 1.
[103] Ofcom, Automatic Compensation, consultation, 24 March 2017.
[104] Citizen's Advice Scotland, pp. 3-4.
[105] CCP, p. 7.
[106] ACNI, p. 2.
[107] Three, p. 14.
[108] Which?, pp. 3-5.

- *working with CPs to implement technical solutions, such as blocking or stopping calls. We have already seen a number of CPs launch call blocking or diverting systems to reduce the harm from nuisance calls.*

- *formalising a process for Ofcom to issue blocking directions under General Condition 20.3. This will enable Ofcom to issue such directions more efficiently in the future, where necessary. The final statement is forecast to be completed in spring 2017.*

- *We are strengthening the requirements on communications providers in relation to Caller Line Identification, including requiring them to provide this service free of charge.*

- *taking formal enforcement action where appropriate and necessary, consistent with its revised policy statement on persistent misuse, published 20 December 2016.*

- *publishing every year an annual update to Ofcom's Joint Action Plan with the ICO. Our most recent publication[109] also included complaint and consumer research analysis which suggested that consumers were beginning to experience fewer nuisance calls.*

Alternative Dispute Resolution (ADR) schemes

A2.53   **Ombudsman Services** recommended that, as part of its review of ADR schemes, Ofcom consider the role that an ombudsman can play by taking the lessons learned from individual complaints and using these to prevent wider consumer harm.[110] **The Welsh Government** requested further information about the extent to which an ADR service would be available in Welsh.[111] The **CCP** called for the publication complaints data from ADR schemes, for shortening the current 8-week referral period, and for greater publicity of ADR schemes.[112]

We have an ongoing enforcement programme to drive improvements in complaints handling by communications providers, including ensuring they make consumers aware of ADR mechanisms. We have also set out proposals to strengthen the regulatory rules on complaints handling as part of our wider review of the General Conditions. Ofcom works closely with the approved ADR schemes to understand the issues that consumers are taking to ADR. We also plan to begin publishing data this year about the cases that the schemes receive. While we work with providers of ADR schemes, we do not run such schemes and they do not fall within the scope of our Welsh Language requirements. The decision on making an ADR scheme available in Welsh is a matter for the provider and the Welsh Language Commissioner.

BBC editorial standards

A2.54   The **Voice of the Listener and Viewer** (VLV) urged Ofcom to provide greater clarity as to how it will regulate editorial standards, accuracy, and impartiality of

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[109] Ofcom, Tackling nuisance calls and messages: update on the ICO and Ofcom Joint Action Plan, December 2016.
[110] Ombudsman Services, pp. 4-5.
[111] Welsh Government, p. 5.
[112] CCP, p. 3.

BBC content, including by ensuring that there is an effective appeals process in place. The VLV recommended that Ofcom act as an external regulatory backstop for all BBC content across all platforms (as is currently the case with the BBC Trust), for instance including the world service and commercial services abroad.[113]

Under the new BBC Charter and Agreement, Ofcom is required to apply its Broadcasting Code rules to BBC broadcasting content, and, as relevant, to BBC on demand content. Ofcom's Statement following our recent review of the rules on due impartiality, due accuracy, elections and referendums sets out how we will apply these particular sections of the Code to the BBC.[114] We have set out in a separate Statement how other areas of the Code have been amended to apply to the BBC.[115] BBC complainants will also be able to obtain an independent opinion from Ofcom on whether the BBC has observed the relevant editorial guidelines for its online material. Ofcom will set and publish transparent and accessible complaints procedures for the handling of BBC content standards complaints, which will make clear how Ofcom will consider complaints referred on a 'BBC first' basis and how Ofcom will handle content standards investigations (including fairness and privacy cases).[116]

PIN protection

A2.55   COBA submitted that Ofcom needs to review PIN protection across different platforms, since – in COBAs view – the majority of linear services are constrained by an increasingly out-dated level of regulation.[117]

We are considering whether the Broadcasting Code rules for the protection of children remain appropriate, in light of changes to viewing habits and technological advances. Last year we sought industry views through a Call for Inputs on the potential risks and benefits of allowing broadcasters to show a wider variety of content more suitable for adults pre-watershed, provided a mandatory PIN system is in place. We also conducted consumer research to examine audience use of, and confidence in, PIN protection systems, and the appetite for such potential changes. The Call for Inputs and consumer research (which we will also publish) will inform proposals which Ofcom will consult on later in 2017, as set out in Annex 1 Work Plan for 2017/18 under the heading "Further projects to protect consumers from harm" above.

Other submissions across our goals

Ofcom's approach to regulation

A2.56   **O2** contended that Ofcom's regulatory starting point should always preserve a bias against intervention and for a general reduction in regulatory burdens. **O2** further suggested that Ofcom must ensure it is approaching issues with an open mind, that

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[113] Voice of the Listener and Viewer, p. 5.

[114] Ofcom, Ofcom's rules on due impartiality, due accuracy, elections and referendums, 9 March 2017

[115] Ofcom, Broadcasting Code Review: Preparing for Ofcom's new responsibilities for regulating the BBC, 29 March 2017.

[116] Ofcom, New procedures for handling content standards complaints, investigations and sanctions for BBC programmes, 29 March 2017.

[117] COBA, p. 3.

it is willing to compromise with stakeholders' legitimate concerns, and that it fully considers all evidence put forward by industry.[118]

Ofcom exists to make communications work for everyone. The Communications Act 2003 places a statutory obligation upon Ofcom to review existing and proposed regulation to ensure that we do not a) impose burdens which are unnecessary; or b) maintain previously imposed regulatory burdens which have become unnecessary. These obligations underpin the full range of our regulatory work, including our market review programme. Accordingly, sections 3.23-3.28 of Annual Plan identify a number of areas where we consider there may be scope for deregulation, including reviewing our "General Conditions of Entitlement".[119]

Ofcom governance

A2.57 **Jason Whalley** and **Ewan Sutherland** recommended that Ofcom sign Memoranda of Understanding with devolved city regions, in particular in the north of England, to ensure that Ofcom's policy is suitable to the development needs of these areas.[120] They further submitted that Ofcom should hold its board meetings in public, webcast its meetings, and publish detailed minutes of these meetings in a timely fashion.[121]

Ofcom recognises the importance of engaging with all nations and all parts of the nations of the UK equally. This should take account of the particular political and social context of these nations, and should seek to understand any unique characteristics within these areas. With regards to the North of England, Ofcom values the input of its Advisory Committee for England – which comprises members from the regions of England, including at least three members from the North. The chair of this Committee also sits on the Nations Committee, chaired by a member of Ofcom's Board.

Because Ofcom's Board and Advisory Committees discuss confidential information, it is unfortunately not possible to webcast their meetings. We will keep this matter under review. Minutes and agendas of Ofcom's Board meetings, as well as the Advisory Committees, are regularly published on Ofcom's website.

Ofcom's Annual Plan and Programme of Work

A2.58 **BT** noted duplication between the work plan within the Annual Plan and Ofcom's 'Programme of Work' and suggested this leads to confusion that could be avoided with consolidation. They further submitted that when the 'programme of work' is updated, changes should be specifically highlighted; and that it would also be helpful if Ofcom kept a fully up to date 'live' programme of work that can be referred to at any point.

We publish our programme of work alongside our annual plan. However, because we update the programme of work on a quarterly basis, whereas we only issue the annual plan once a year, we do not feel it would be practicable to consolidate the two documents into one. We will consider the point BT raised regarding highlighting changes in the programme of work in advance of our next quarterly update.

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[118] O2, p. 2.
[119] Ofcom, Review of the General Conditions of Entitlement, 20 December 2016
[120] Jason Whalley and Ewan Sutherland, p. 3.
[121] Ibid.

Ofcom auditing its own performance

A2.59   **TalkTalk** urged Ofcom to publish an annual assessment of its performance in terms of outputs and market outcomes, using clear and measurable goals. In TalkTalk's view this will improve Ofcom's transparency and accountability to stakeholders and will encourage Ofcom to set more realistic deadlines.[122]

Our Annual Report and Accounts includes a Performance Report. This provides a summary of our progress on delivering against our annual plan priorities. In this we provide an overview of what we have done and what outcomes in the market we expect to result from our actions.

Delivering value for money

A2.60   **Three** requested clarity around what the shift of resource to Ofcom's regional offices means about how Ofcom is delivering value for money.[123]

During 2016/17, we opened new offices in Warrington (Cheshire) and Edinburgh. As a national regulator, it's important to have strong links in every part of the UK and we believe that these moves will further strengthen those links. In addition, reducing the space we occupy in London has ensured efficiency savings. Our Warrington office is a Consumer Contact Hub bringing together our Consumer Contact and Spectrum Licencing functions. We have worked hard to ensure that consumers will not have noticed any difference in the service that we provide to them, and our KPIs for answering calls have not changed.

A2.61   **O2** argued that Ofcom should deliver greater efficiency and savings, "especially in view of the Digital Economy Bill's proposal to change Ofcom's funding model so that it is funded entirely through industry fees". It further submitted that despite reductions in Ofcom's budget, "the network and services charges payable by MNOs have continued to increase and have increased by over 40% since 2012".[124]

As O2 notes, the Digital Economy Bill's proposal to change how Ofcom will recover the costs of our spectrum management and other general government duties will mean we are funded entirely through industry fees. This in itself will lead to a more efficient funding model. Our current Statement of Charging Principles remains intact and there will be no change in how we set fees to the network & services, broadcasting and postal sectors.

Since its inception, Ofcom has consistently delivered real-terms savings in the cost of regulation. Pending introduction of our new funding model, our costs have to date been divided between industry and the tax payer. In 2013/14 there was an increase in our charges to industry (including those to the network & services sector). As we communicated to all industry stakeholders at that time, this was driven by a re-apportionment of our IT costs between commercial licensees and the tax payer rather than by an increase in Ofcom's overall costs. Since that year, whilst Ofcom has been able to continue to deliver real-terms savings, the specific charges to the network & services sectors have increased in line with the very significant programme of work we have undertaken each year, more recently in relation to the Digital Communications Review.

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[122] TalkTalk, p. 5.
[123] Three, p. 18.
[124] O2, p. 3.

Review of General Conditions

A2.62 **Three** urged Ofcom to be more ambitious in its approach, while streamlining regulation to make sure it remains relevant to the changing communications market. In Three's view, there is scope to change existing GC's to reduce the regulatory burden on providers and make compliance easier.[125]

Ofcom has carried out a thorough and far ranging review of the General Conditions.[126] Our consultation included a number of proposals aimed at reducing the burden for industry, making the conditions simpler, more practical and easier to comply with.

Nations' Memoranda of Understanding

A2.63 The **Welsh Government** raised concerns that there has been no substantive progress on the development of a Memorandum of Understanding with the Welsh Government and the National Assembly for Wales.[127]

We are working together with DCMS and the Welsh Government to create and approve a new Memorandum of Understanding.

Ofcom's resources and nations strategy

A2.64 In relation to Ofcom's expanded presence in Edinburgh, the **Welsh Government** asked whether Ofcom had plans for any comparable expansion in the other devolved nations, including Wales. The Welsh Government also expressed concern as to whether Ofcom had sufficient capacity to undertake the additional responsibilities associated with regulating the BBC.[128]

Ofcom has opened new premises in Edinburgh and Warrington as part of our strategy to move part of our operations outside London, and to develop a more diverse operational spread across the UK's nations and regions. Our objective of building a policy and operations hub in Edinburgh is to help ensure that we can effectively represent the interest of citizens and consumers, not just in Scotland, but across the UK. This presence will ensure that we have closer proximity to key challenges which are faced by all nations, including those presented by geographically dispersed and remote rural populations, and on-going issues relating to the coverage, reliability and availability of communications services.

In order to deliver our new responsibilities for the BBC we will have recruited approximately 40 new members of staff by April 2017. We have recruited across all disciplines, but with particular focus around content policy professionals who will work to hold the BBC to account for the delivery of its responsibilities for providing output and services that meet the needs of the U.K.'s nations and regions. Ofcom plans to deliver its new duties effectively and efficiently, providing maximum value for money for the Licence fee payers and ensuring that the BBC meets audiences' needs.

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[125] Three, p. 16.
[126] Ofcom, Review of the General Conditions of Entitlement, 20 December 2016.
[127] Welsh Government, p. 1.
[128] Welsh Government, p. 1.

Ofcom's information requests and planning

A2.65 **BT** submitted that industry is finding it challenging to cope with the number of information requests it receives from Ofcom, and suggested that Ofcom ensure requests are proportionate take into account resource implications for CPs. BT recommends Ofcom appoints a process owner with remit of working with industry in 2018 to improve Ofcom's internal processes, as well as those of industry.[129] On a similar vein, **TalkTalk** submitted that information requests have become more frequent and more detailed, with shorter time limits, while draft requests and prior notifications have become rarer. TalkTalk requested that Ofcom either give longer time scales or advance warning and that it provide a regularly updated forward view of expected information requests.[130] **Three** also encouraged Ofcom to consult with stakeholders earlier, and where appropriate less formally, arguing that Ofcom's formal information requests could be tailored to individual operators to ensure relevance.[131] The **UKCTA** submitted that Ofcom's requests are complicated and long, and responses require detailed consideration, and called for improved visibility of future requests and more flexibility on deadlines.[132]

Ofcom will review how it gathers information. This review will cover both our internal processes and how stakeholders respond to our information requests.

Ofcom's website

A2.66 **UKCTA** highlighted issues in connection to the redesign of Ofcom's website, in particular in relation to navigation, poor search facilities and broken links.[133]

In 2016 we made significant changes to Ofcom's website in response to user feedback. This involved relocating thousands of web pages and documents. While care was taken to minimise broken links, there are indeed some such cases, and we have put in place tools designed to address this. More generally, we will continue to collect user feedback, as well as data on website usage and search performance, and will continue to refine our website on the basis this evidence.

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[129] BT, p. 4.
[130] TalkTalk, p.4.
[131] Three, p. 13.
[132] UKCTA, p .2.
[133] UKCTA, p. 3.