



Annual Plan 2012/13

Publication date:

29 March 2012

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Section 1

Executive summary

Ofcom's Annual Plan sets out our work programme for 2012/13

- 1.1 This Annual Plan presents Ofcom's priorities and work programme for the twelve months from 1 April 2012 to 31 March 2013.
- 1.2 Our plan has been further developed following consultation with stakeholders. We have responded to the points raised in the plan itself, and also in more detail in the annex. Alongside this plan we have also published a table on our website that sets out our programme of work for the forthcoming year¹.

Our strategic purposes guide our priorities for the year ahead

- 1.3 Ofcom's 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. Therefore, the needs of consumers and citizens are at the heart of our programme of work.
- 1.4 Last year, Ofcom established five strategic purposes which reflect our duties to citizens and consumers in the communications sector, and frame our work over the coming years.



- 1.5 Ofcom's work programme for 2012/13 is underpinned by these strategic purposes, and informed by:
 - last year's priorities and our progress against these;
 - wider market developments, including the ways in which consumers' use of communications services has changed;
 - legislative changes to our duties, most notably our new responsibility for the regulation of postal services;
 - areas where Ofcom provides technical and sector expertise to advise government; and
 - additional issues raised by consultation responses.

The communications sector plays a vital economic and cultural role in the UK

¹ <http://www.ofcom.org.uk/files/2012/03/Programme-of-Work-2012-13.pdf>

- 1.6 Our aim is to support a healthy communications sector in which consumers are supported and protected, a range of high quality content is available, and consumers and citizens benefit as competing providers offer innovative services delivered over a resilient infrastructure.
- 1.7 Consumer behaviour and new technologies are changing the market and Ofcom needs to ensure that its work reflects, and responds to, these developments:
- Broadband take-up continues to grow and has now reached three-quarters (76%) of all UK households, although there is some variance by locality. Superfast broadband is available to 58% of premises across the UK and is more extensive in urban environments and where public funding has been provided.
 - There has been significant growth in smartphone take-up, with over four in ten (45%) mobile users now using a smartphone handset, increasing mobile connectivity to the internet. Twenty-eight per cent of all UK adults access the internet via their mobile phone.
 - Nearly all homes in the UK (94%) now have digital TV, as we approach completion of digital switchover in 2012.

Ofcom has a duty to support the interests of consumers across the UK

- 1.8 Our duties reflect our responsibilities towards consumers across the whole of the UK, including small and large business customers. They include requirements on us to have regard to the interests of persons in the different parts of the UK and of those living in rural and urban areas.
- 1.9 As part of our statutory duties, we will continue to report on the take-up, availability and quality of service of communications services within the nations and English regions. These sources of data will be made publicly available to government, communications providers and consumers.
- 1.10 During 2012-13 our priorities will support consumers across the UK. The areas of particular interest to the nations include:
- mobile not-spots;
 - superfast broadband roll-out;
 - the availability of local TV and community radio; and
 - the overall provision of communications services in the nations.

Ofcom now has responsibility for the regulation of postal services

- 1.11 In the past year we have implemented new and revised duties, which require a number of changes to Ofcom's role and responsibilities. The most significant of these is our new responsibility for regulation of the UK's postal services.
- 1.12 Ofcom took over regulation of postal services from Postcomm on 1 October 2011. This followed the recommendations of the 2010 Hooper Report into the postal

services sector, which were accepted by government and implemented through the Postal Services Act 2011.

- 1.13 The postal sector is essential to the UK economy and society. It is part of a much wider communications sector and is influenced by the growing take-up and use of other communications services.
- 1.14 In 2010, 16 billion letters were delivered to 28.2 million addresses². The universal postal service, which ensures that these letters are delivered to every address in the UK, six days a week, at an affordable and geographically uniform price, is highly valued by the public.
- 1.15 Under the Postal Services Act, we have a primary duty to carry out our functions in relation to post in a way that will continue to secure the provision of a universal postal service. In fulfilling this, we will represent the interests of both residential and business customers.

We are also implementing new and revised duties in other areas

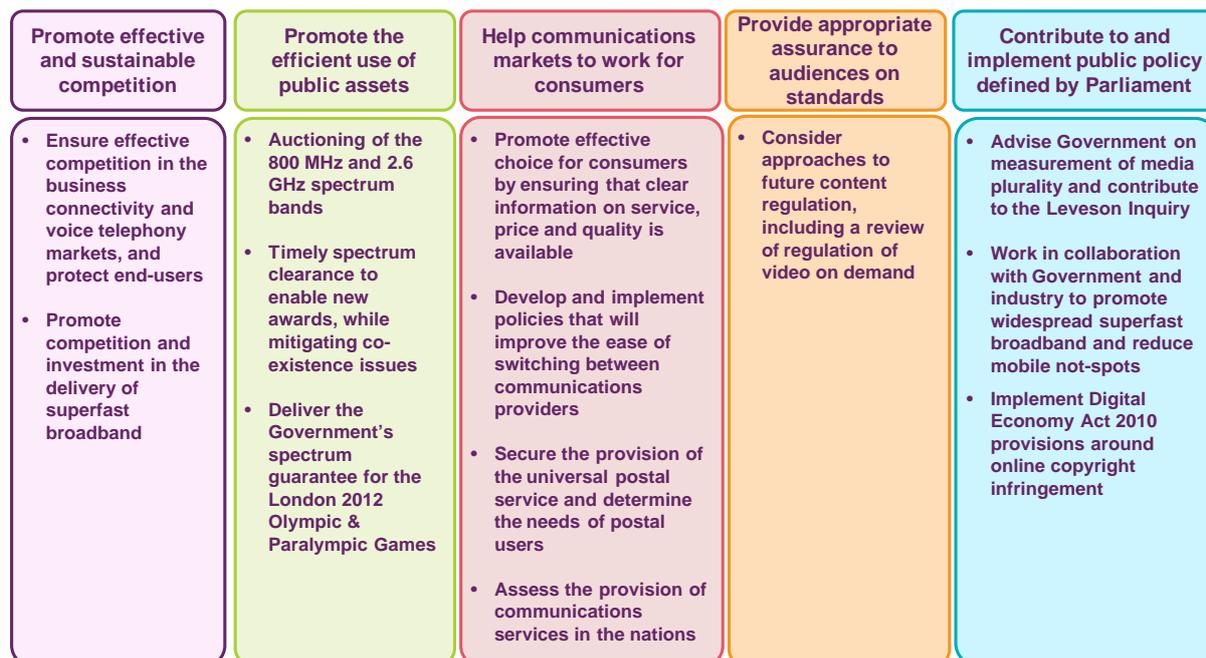
- 1.16 Other amendments to UK and European legislation have also changed our duties. They include:
- developing the framework to implement provisions in the Digital Economy Act aimed at addressing online copyright infringement; and
 - in May 2011 we implemented the revised provisions of the European Framework for Electronic Communications.

Our priorities for 2012/13

- 1.17 The priority areas in Figure 1 will be our primary focus over the next financial year. Some of our priority areas in last year's work programme will continue into 2012/13, alongside a number of new areas of work.
- 1.18 We will assess the successful delivery of our priorities for 2012/13 against the positive outcomes we are seeking to secure for citizens and consumers. To achieve this, we have identified interim and final outcomes for each of our priorities (see page 18) and we will measure our progress towards delivering these in our Annual Report.

² This figure excludes unaddressed volumes.

Figure 1: Annual Plan 2012/13 priorities



- 1.19 As well as these priorities, we will undertake a range of other work as part of our 2012/13 programme (discussed in Section 4), reflecting our statutory duties and responsibilities. We will also continue to deliver other services to stakeholders (such as licensing access to the radio spectrum). We will deliver these services in the most efficient and effective way possible, making real-term cost savings every year.
- 1.20 We will also continue to respond to new issues, emerging market failures, concerns that affect consumers across the UK, and government requests, focusing on those areas where we can make the most difference.

Section 2

Delivering our duties and value for money

Ofcom delivers value for money within its budget

- 2.1 Last year, Ofcom responded to the wider challenges facing public expenditure by reviewing how it delivers effective, targeted regulation in the interests of citizens and consumers, while maintaining value for money for its stakeholders.
- 2.2 In the Annual Plan 2011/12, we set out how we would deliver these improvements through our internal Expenditure Review Project, and this year's Annual Plan reflects our achievements to date against this plan.
- 2.3 In addition to the economic challenge, we are also actively responding to changes in UK and European legislation.

Integration of postal regulation

- 2.4 Ofcom took over regulation of the UK's postal services from Postcomm on 1 October 2011. In the period leading up to this, Ofcom and Postcomm worked together closely to secure a smooth transition of regulatory responsibilities with minimum disruption for industry and users.
- 2.5 During the transition period, an Integration Steering Group made up of senior management from Postcomm and Ofcom met regularly to agree an approach to the transfer of regulatory responsibility and to monitor progress. Members of the Ofcom management team attended Postcomm's Executive Board and worked closely with their counterparts to guarantee an efficient and effective transfer of all operations. At the same time, a number of Ofcom Board members were appointed to the Postcomm Board.
- 2.6 We expect that the actual total cost of regulation following the transition of Postcomm to Ofcom will fall by approximately £2m per annum.

Delivering our internal Expenditure Review Project

- 2.7 Our Expenditure Review Project was designed to enable the organisation to deliver on its commitments despite funding reductions, while also achieving greater strategic focus and organisational effectiveness over a four-year period.
- 2.8 This comprehensive review of all of our financial requirements produced a clear set of measures to enable delivery of all of our commitments (excluding postal services) within a 28.2% real-term reduction target (over four years), as required by HM Treasury.
- 2.9 So far, we have achieved savings of 22.5% and are on course to achieve the 28.2% reduction required over the four-year period. One element of this is staff costs: Ofcom's headcount is expected to reduce by around 170 full time equivalents by 2014/15, excluding any additions as a result of regulating postal services.

Managing our resources effectively

- 2.10 To enable Ofcom to make the best use of its available resources, we have strengthened our commercial function to better promote:
- Professional and sustainable procurement, in accordance with all applicable EU and UK laws; and
 - achieving value for money and quality of service, while minimising commercial and legal risk.
- 2.11 This is underpinned by clear and robust procurement and contracting processes which are fair, transparent and non-discriminatory, taking full account of developing best practice. We are committed to ensuring that all potential suppliers are given equality of opportunity to compete for Ofcom's business.

Harnessing new technologies

- 2.12 During 2011/12, we transitioned our IT infrastructure to an external service provider. As a result, we have achieved significant reductions in hardware costs, which, coupled with optimum service level agreements with our new IT partner, will produce significant year-on-year savings.
- 2.13 To give consumers more choice and better service, we are improving the services we offer online, allowing consumers to log complaints through our website, rather than having to rely solely on our consumer contact centre.
- 2.14 We will extend this service during 2012/13 and beyond. As well as benefiting consumers, this will drive efficiencies in our data capture and reporting methods. Critically, it will, for the first time, enable consumers to log complaints outside working hours. In turn, we anticipate that this may increase the volume of complaints that we are able to address.

Delivering high quality work and value for money

- 2.15 We have implemented an updated framework for the effective delivery of projects, which will be fully embedded by the beginning of the next financial year. An important component of this framework is the clear articulation of the desired outcome for each activity we undertake. These outcomes set out the positive benefits we seek to deliver to citizens and consumers as a result of our work.
- 2.16 We have again set interim and final outcomes to assess the successful delivery of our priorities in this year's Annual Plan. We will report on how effective we have been in delivering against these outcomes, and the success of our interventions, in our 2012/13 Annual Report.

The Annual Plan for 2012/13 incorporates these changes

- 2.17 In developing our priorities for the year ahead we have sought to reflect consumer and market developments as well as any likely legislative changes. Our programme of work reflects where we expect to undertake significant new responsibilities, while ensuring that sufficient resources are allocated to our existing duties.

- 2.18 The budget for 2012/13 is £121.4 million; this includes £7.2 million for Ofcom to fulfil its new duties to regulate the postal services sector following the merger of Postcomm in October 2011. Ofcom's budget in 2011/12 was £115.8 million. The budget was set before Ofcom merged with Postcomm whose 2011/12 budget was £8.9 million. Taking into account Ofcom's lower core budget and the reduced budget for postal regulation Ofcom will deliver a 6.1 per cent real terms (2.6 per cent nominal terms) reduction in the total cost of regulation year-on-year.

Section 3

Priorities for 2012/13

Our strategic purposes guide our priorities, which reflect the consumer, economic and legislative environment

3.1 The Annual Plan for 2012/13 separates our programme of work into the following categories:

- **Priorities**, which represent the critical areas of work for Ofcom to progress in the forthcoming year to ensure we further the interests of citizens and consumers.
- **Outcomes** for each of our priorities, to assess their successful delivery and ensure we are delivering positive benefits to citizens and consumers.
- **Other work areas**, important issues where we plan to undertake further work during 2012/13 (Section 4).
- **Programmatic work** and responsibilities that we carry out on an ongoing basis, providing key services to stakeholders, citizens and consumers (Section 5).

3.2 In response to market developments and legislative changes, our priorities balance new work with important ongoing commitments. They are guided by our five strategic purposes:



Strategic Purpose 1: Promote effective and sustainable competition

3.3 We believe that there is a need for ongoing *ex ante* regulation to respond to the pace of change within our regulated sectors. We have identified two particular priorities for 2012/13, which respond to market developments and are intended to deliver significant benefits to citizens and consumers.



Ensure effective competition in business connectivity and voice telephony markets, and protect end-users

3.4 Our *Business Connectivity Market Review* is considering whether regulation is required to address significant market power in markets covering a broad range of services used by businesses and communications providers, including:

- between the sites belonging to a business or organisation or between businesses (e.g. a business and a major supplier);

- between businesses and the internet; and
 - purchased by communications providers to carry mobile or broadband traffic between end-users and their network.
- 3.5 As part of this work we will consider whether the charge controls that are currently in place should continue, and if so, what the appropriate level of charges should be for the three years from September 2012. We are planning to complete this review (and any related charge controls) by September 2012, when the current controls expire.
- 3.6 We will also commence a Narrowband Market Review to assess the retail and wholesale markets for voice calls and lines. We will assess how well removing rules on BT's retail service (in 2006) has worked, and whether any further intervention may be required to safeguard end-users. This review will consider what, if any, regulation is required in the wholesale markets, which include the call origination, geographic call termination and transit markets, to promote competition and deliver consumer benefits in related markets, including retail. We aim to conclude this work by September 2013, prior to the expiry of the current charge controls that are in place for wholesale calls.

Promote competition and investment in the delivery of superfast broadband

- 3.7 Ofcom has established a regulatory framework for investment in next-generation access (NGA) and competition in superfast broadband. This framework requires BT to offer virtual unbundled local access (VULA) to its next-generation fibre infrastructure, so that other providers can compete with BT in the supply of superfast broadband services to consumers. It also requires BT to provide access to its physical infrastructure, including ducts and poles, so that other providers have the option of investing in NGA.
- 3.8 During 2012/13 we will continue to ensure that BT meets all reasonable demands for these access remedies, and other regulated services (such as WLR and LLU), allowing other providers to use them effectively. This will involve working closely with BT, the Office of the Telecoms Adjudicator and industry stakeholders, to keep ensuring that BT's wholesale access services meet the needs of communications providers and, ultimately, consumers.

Strategic Purpose 2: Promote the efficient use of public assets

- 3.9 Ofcom is responsible for ensuring the optimal use of the electro-magnetic spectrum. Given the potential value to citizens and consumers of services that are enabled by spectrum resources, managing spectrum is a significant responsibility. Assessing how spectrum is used, and if appropriate taking steps to enable its use to change, are important to delivering the best outcomes for citizens and consumers.

Promote the efficient use of public assets

- Auctioning of the 800 MHz and 2.6 GHz spectrum bands
- Timely spectrum clearance to enable new awards, while mitigating co-existence issues
- Deliver the Government's spectrum guarantee for the London 2012 Olympic & Paralympic Games

Auctioning of the 800 MHz and 2.6 GHz spectrum bands

- 3.10 The digital switchover (DSO) of television services presents the opportunity to release significant amounts of spectrum below 1 GHz (known as the digital dividend)

in frequency bands that are particularly suited to broadcasting and wireless broadband applications. The key spectrum bands that we intend to auction next year are the 800 MHz and 2.6 GHz bands.

- 3.11 We aim to hold an auction for licences to use the 800 MHz and 2.6 GHz bands in the 2012/13 financial year. To achieve this we will:
- complete consultation on our assessment of future competition in mobile markets and proposals for design of the combined auction;
 - publish our final decisions on these matters;
 - consult on and confirm auction regulations via secondary legislation, and publish an Information Memorandum; and
 - finalise software to run the auction and train prospective bidders in its use.

Timely spectrum clearance to enable new awards, while mitigating co-existence issues

- 3.12 To facilitate the awards for spectrum in the 800 MHz and 2.6 GHz bands, we are undertaking significant work to clear this spectrum. We are moving services that currently use the 800 MHz band – digital terrestrial television, and programme-making and special events – to other spectrum bands.
- 3.13 We are assessing the impact that the launch of mobile broadband in the 800 MHz and 2.6 GHz bands could have on adjacent services, including television multiplex operators (close to 800 MHz) and radar in the 2.7 GHz band (also known as S-band). Where necessary and appropriate, we will take steps to address that impact. This will include consulting on arrangements to mitigate interference into existing digital television services from mobile broadband. We will complete our assessment in time for the Information Memorandum related to the auction of this spectrum.
- 3.14 We will continue our work to move existing users from the 800 MHz band in 2012/13. This will include:
- completing all grants under the scheme to help programme-making and special events users move out of channel 69, at the top of the 800 MHz band; and
 - continuing to work with multiplex operators, Digital UK and Arqiva, to clear digital terrestrial television (DTT) from channels 61 and 62 at the bottom of the 800 MHz band.
- 3.15 We will also take forward work to assist in managing the risks of interference to users in adjacent bands. This will include:
- a fully operational testing facility for short range devices, including social alarms, to be in place at Baldock in the early part of 2012/13;
 - plans to manage the risk of interference with adjacent emergency services' uses, to be implemented by government, Ofcom and relevant users from 2012/13; and
 - providing consumer support to mitigate DTT interference from mobile broadband in the 800 MHz band, during the latter part of 2012/13.

- 3.16 We also continue working closely with the Government's radar remediation programme, comprising the Department for Culture, Media and Sport, the Department for Transport, the Ministry of Defence, and supported by the Civil Aviation Authority and Ofcom, to support operators of aeronautical radar in planning and implementing the changes to their radars necessary to ensure they can continue to operate safely in the presence of emissions from the 2.6 GHz band.

Deliver the Government's spectrum guarantee for the London 2012 Olympic & Paralympic Games

- 3.17 Ofcom published a full spectrum plan for the London 2012 Games, highlighting our plans for providing licences to wireless users and managing any cases of interference. Our contribution to the success of the event will be ensuring that spectrum is used effectively, with the least disruption to users.
- 3.18 During 2012/13 we will carry out the following:

Prior to the Games

- Make all the technical assignments of spectrum for Games users and co-ordinate these with assignments for non-Games users, operating licensing processes that meet the needs of the Games organisers and participants.
- Participate in the final test events before the beginning of the Games and implement any lessons for improvement.
- Operate a process of pre-commissioning, testing and tagging wireless equipment to mitigate the risk of harmful interference in Games venues.

During the Games

- Provide spectrum for non-accredited media and other users, as far as possible, during the period of intensive demand in the summer of 2012, working with Arqiva (JFMG).
- Provide 24/7 support during the Games, working with expert staff at the Technology Operations Centre and the National Management Centre to ensure that any problems are resolved quickly.
- Deploy expert staff and equipment in all key Games locations to help licensed users maintain their services, and deal with any harmful interference.
- Provide real-time reporting to government of spectrum matters and play our full part in cross-government activities to resolve any problems during the Games period.

After the Games

- Provide detailed reports and lessons learned to the International Olympic Committee, successor Olympic cities and the organisers of the Commonwealth Games in Glasgow in 2014, for which Ofcom will produce a full spectrum licensing plan and manage any cases of interference.

- Re-deploy the assets used for the Games to support Ofcom's ongoing tasks, ensuring that we achieve their full legacy value.

Strategic Purpose 3: Help communications markets work for consumers

3.19 Communications markets are developing quickly and consumers face a number of demand-side failures that require sector-specific regulation. We are focusing on securing the benefits of the universal service obligation for postal services, improving the ease of consumer switching and providing clear information on communications services.



Promote effective choice for consumers by ensuring that clear information on service, price and quality is available

- 3.20 We believe that for communications markets to work well for consumers, consumers must be able to make informed choices. It is important therefore that clear, accurate and understandable information is available to consumers, to enable them to make decisions and act on them, for example by switching provider in order to get a better deal.
- 3.21 During 2012/13 Ofcom's work on consumer empowerment will address areas where we believe information provided by the market is insufficient. Examples of this will include:
- **Broadband speeds research:** We will continue our work to ensure that consumers have adequate information on the actual fixed-line and mobile broadband speeds available to help them make informed choices when selecting their broadband provider. We plan to publish research every six months, allowing consumers to see how broadband speeds vary across different providers, technologies, geographic areas and time periods.
 - **Consumer complaints data:** We record complaints received by Ofcom by service and by communications provider. We believe that such information is useful for consumers, especially those considering a new service or provider. In addition, publication of provider-specific complaints data may act as an incentive for providers to improve their performance. We intend to continue to develop this programme so that consumers can use the data to compare the performance of different providers.
- 3.22 Ofcom is undertaking further work to evaluate conditions in which consumer information remedies in the communications sector are most effective. The aim is to produce a framework for assessing whether to use information remedies and what to take into account when designing, implementing and evaluating an information remedy. The work will include the role of information provided by the regulator, product or service provider, and intermediaries (e.g. price comparison websites).

- 3.23 Our review of switching processes will remain an important part of our work to promote effective choice for consumers during 2012/13.

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

- 3.24 Making further progress in ensuring the effectiveness of switching procedures is a priority for Ofcom. To achieve this we are undertaking a review of switching processes for electronic communications services.
- 3.25 We are focusing on delivering two key outcomes:
- An easy and convenient consumer experience of switching, both now and in the future. We want to ensure that there are no undue process barriers to switching, for single services or for bundles.
 - Ensuring that the consumer experience of switching processes does not prevent providers competing to deliver benefits to all consumers, in terms of lower prices, greater choice and innovation, and value for money.

Review of switching processes

- 3.26 Switching between communications providers can be complex, and involves co-ordinating processes between providers in ways that do not arise in other markets. Consumers switch providers in a variety of ways; some of these processes have been developed by industry, while others have been designed with input from Ofcom.
- 3.27 In February 2012 we published a second consultation in our strategic review of switching processes. We identified a number of problems that consumers experience when switching fixed voice and broadband services delivered over Openreach's copper network. We presented a number of options which seek to address these problems. At present, we consider the option of Third Party Verification (a 'gaining provider led' option), in which consumers confirm their consent to switch with an independent third party is the best option to deal with the problems we identified. The closing date for responses to this consultation is 23 April 2012, a further consultation will be published in Q3 2012-13. There will also be a statement which is scheduled to be published in Q1 2013-14.

Additional charges in contracts for communications services

- 3.28 Ofcom concluded its work in the fixed voice and broadband sectors under the Additional Charges Enforcement Programme during 2011/12. Specifically, we have concluded our work in the fixed voice, fixed voice plus broadband and broadband-only sectors, having worked with a number of providers in relation to the fairness of their terms regarding early termination charges.
- 3.29 We have decided to extend the enforcement programme for a further period in 2012/13 to continue our work on consumer contract terms that relate to additional charges.

Secure the provision of the universal postal service and determine the needs of postal users

- 3.30 The universal service obligation (USO) requires Royal Mail to collect and deliver letters six days a week at an affordable and geographically uniform price to every address in the UK. Ofcom now regulates postal services and our primary duty is to carry out our functions in relation to post in a way that we consider will secure the provision of a universal postal service. Therefore, ensuring the financial sustainability of the universal postal service is a priority for Ofcom. Without changes to the regulatory framework, there is a risk that Royal Mail may not be able to continue to deliver a universal postal service to all customers across the UK.
- 3.31 In October 2011 we consulted on a new approach to the economic regulation of post, in which we proposed to give Royal Mail freedom to set its own prices for the majority of its products. We also proposed a number of significant regulatory safeguards to help ensure that the universal service remains viable, and to protect consumers, in particular vulnerable consumers. This included a cap on second class stamp prices for standard letters, and rigorous monitoring of Royal Mail's performance in relation to the USO.
- 3.32 During 2012/13, in line with our new duties, we will take forward our approach to the economic regulation of post, by undertaking a range of work to secure the continued provision of a universal postal service (see page 19). This will include:
- further developing a regime to monitor closely the performance of Royal Mail, focusing particularly on the provision of universal service, efficiency, profitability and pricing;
 - ongoing monitoring of the affordability of stamps to vulnerable consumers;
 - assessing our approach to margin squeeze;
 - assessing the impact on the universal service of any development with regard to end-to-end competition; and
 - evaluating the costs imposed on Royal Mail by requirements to publicly notify the market of changes to its products.
- 3.33 The Postal Services Act 2011 also requires us to conduct an assessment of user needs in relation to postal services within 18 months of receiving responsibility for postal regulation. Our review of business and residential customers will undertake consumer research into the value and use consumers make of postal services, and what else might be valued in the future. We will conduct the majority of this review in 2012, including consumer research, direct engagement with stakeholders, and public consultation. We will publish our conclusions by March 2013.

Assess the provision of communications services in the nations

- 3.34 Ofcom produces extensive research covering communications services used by citizens and consumers. Experiences of those services vary between the four nations of the UK, with residential households and small businesses in rural communities facing particular challenges, such as poor mobile coverage in some areas.
- 3.35 In 2012/13, we will assess levels of coverage and competition for broadcasting, telecommunications and postal services across the nations of the UK. We will also seek to understand why there are differences between the nations, and look at the

way in which UK devolved and local authorities, as well as communities themselves, are working to reduce them.

- 3.36 This work is undertaken pursuant to our duties to secure the availability throughout the UK of a wide range of electronic communications services and the provision of a universal postal service.

Strategic Purpose 4: Provide appropriate assurance to audiences on standards

- 3.37 While the media landscape continues to evolve, providing appropriate assurances to audiences on standards remains an essential part of our role. We are considering the current framework for this and future requirements for content regulation.

Provide appropriate assurance to audiences on standards

- Consider approaches to future content regulation, including a review of regulation of video on demand

Consider approaches to future content regulation, including a review of regulation of video on demand

- 3.38 We will continue to review our wider regulatory approach to content regulation, to ensure that it remains fit for purpose, continues to serve the interests of citizens and consumers, and is clear for stakeholders.
- 3.39 We see a number of challenges in this area. Changes in technology, including the emergence of mass-market IPTV services in the UK, will challenge the existing regulatory structures, which were designed predominantly for linear broadcasting. We will consider how regulatory approaches to content regulation might further evolve to remain fit for purpose and proportionate.
- 3.40 In March 2012, two years will have passed since the Authority for Television On Demand (ATVOD) was designated by Ofcom as the co-regulator of editorial content in on-demand services. In accordance with the terms of the Designation, Ofcom is required to carry out a review of the Designation. We will conduct this review during 2012/13; it will assess the overall effectiveness of the co-regulatory arrangements for on-demand services.

Strategic Purpose 5: Contribute to and implement public policy defined by Parliament

- 3.41 Ofcom has led or contributed to a number of public policy issues at the request of Parliament or government. We expect that this will continue, where Parliament identifies a clearly-defined role for Ofcom. During 2012/13 we will provide ongoing advice on the measurement of media plurality, and work with government in relation to superfast broadband coverage and mobile not-spots. We will also fulfil our responsibilities under the Digital Economy Act in relation to online copyright infringement.

Contribute to and implement public policy defined by Parliament

- Advise Government on measurement of media plurality and contribute to the Leveson Inquiry
- Work in collaboration with Government and industry to promote widespread superfast broadband and reduce mobile not-spots
- Implement Digital Economy Act 2010 provisions around online copyright infringement

Advise Government on the measurement of media plurality and contribute to the Leveson Inquiry

- 3.42 In October 2011, Ofcom was requested by the Secretary of State for Culture, Olympics, Media and Sport to provide advice on measuring plurality across media. The specific questions we have been asked are:
- a) What are the options for measuring media plurality across platforms? What do you recommend is the best approach?
 - b) Is it practical or advisable to set absolute limits on news market share?
 - c) What could trigger a review of plurality in the absence of a merger, how might this be monitored and by whom?
 - d) Could or should a framework for measuring levels of plurality include websites and if so which ones?
 - e) Whether or how it should include the BBC?
- 3.43 We are working to respond to this request and we invited stakeholders to comment on the questions above by 18 November 2011. Our role is to act as an independent advisor to Government, taking into account our duties, research and analysis.
- 3.44 We will provide our advice to the Secretary of State and the Leveson Inquiry by June 2012 and we will also publish this advice on our website, when possible. Following submission of our advice, we also anticipate providing ongoing ad-hoc advice on measuring media plurality to government as it undertakes its Communications Review through the course of 2012/13. In addition, Ofcom will play such a role as the Leveson Inquiry requires in assisting it with its considerations.

Work in collaboration with Government and industry to promote widespread superfast broadband and reduce mobile not-spots

- 3.45 The Government has a stated aim of ensuring the UK has the best broadband networks in Europe by the end of 2015, with 90% of premises having access to superfast broadband, and speeds of 2Mbit/s available to all homes across the UK.
- 3.46 The devolved administrations in Scotland, Wales and Northern Ireland have set similar targets and additional funding has been secured by the Scottish Government and local authorities in Scotland to assist roll-out. In Northern Ireland a £52m investment project, led by the Department of Enterprise, Trade and Investment has already been completed, making fibre-based superfast broadband available to more than 81% of households. Similarly, the Next Generation Broadband Wales Project aims to provide services of at least 30Mb/s to homes and businesses throughout Wales.

- 3.47 Broadband Delivery UK (BDUK) is responsible within the Department for Culture, Media and Sport for allocating the £530m of public funds that the Government has made available to support the achievement of its goals for superfast broadband. BDUK is also responsible for putting in place a procurement framework that will allow local authorities to efficiently run superfast broadband procurements to address specific local needs.
- 3.48 Ofcom has played an active role in advising the Government in these areas. We will continue to offer our expertise and advice to help the Government and devolved administrations meet their objectives. We will also gather and publish data to help the Government benchmark the UK's broadband infrastructure against the rest of Europe through a 'Best in Europe Scorecard'.
- 3.49 In addition, during 2012/13 we will provide advice to the Government on its Mobile Infrastructure Project (MIP) which will invest £150m in new infrastructure to improve mobile coverage in areas around premises and key roads of the UK where mobile coverage is poor or non-existent. The Government expects to start its procurement process in spring 2012, with contracts awarded by end of the year.

Implement Digital Economy Act 2010 provisions around online copyright infringement

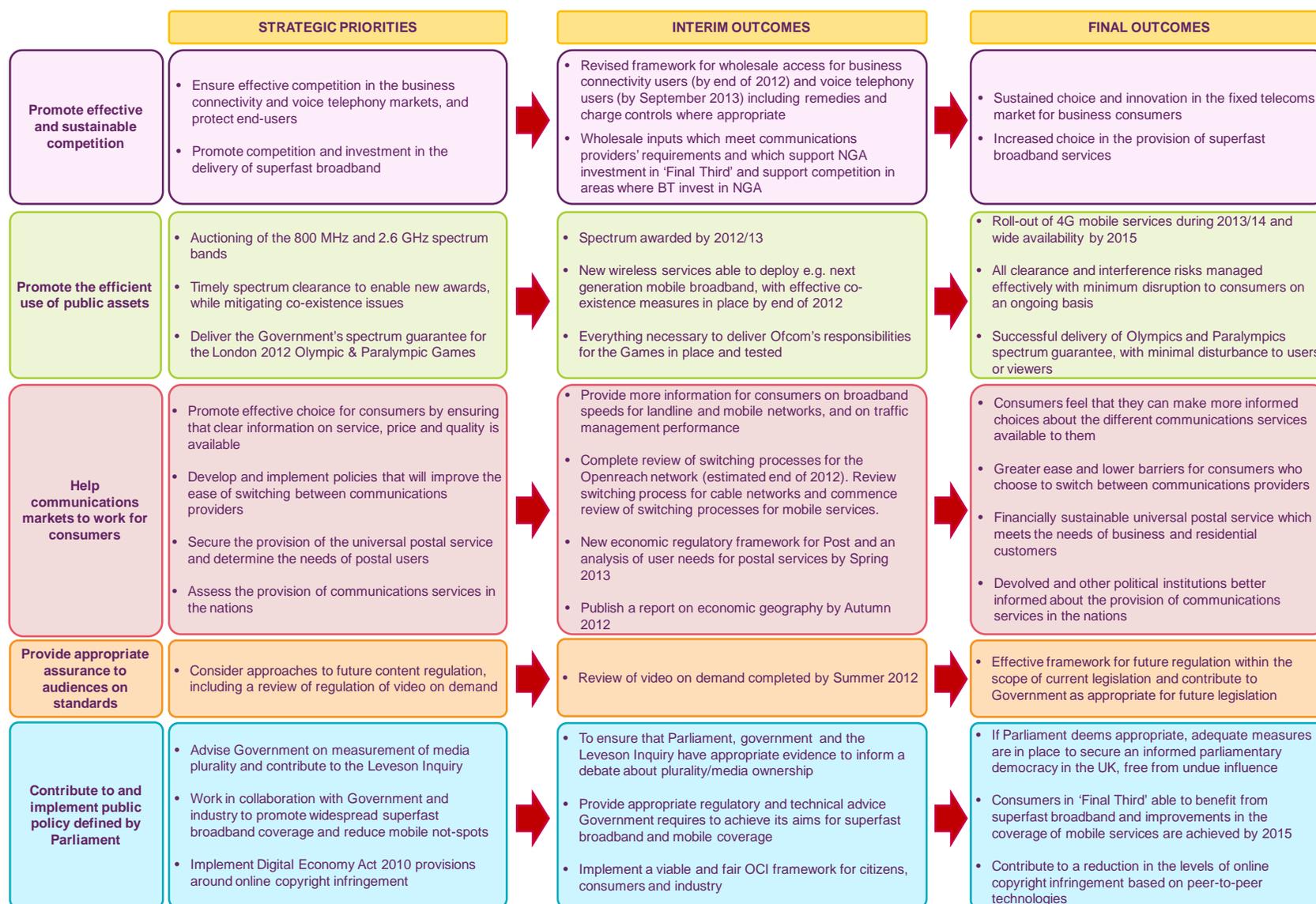
- 3.50 Ofcom will take forward its responsibilities for implementing a number of provisions under the Digital Economy Act 2010 (DEA) in relation to measures to tackle online copyright infringement. Under the DEA, the implementation and regulation of these provisions must be set out in a code. In the absence of an approved code drawn up by industry, Ofcom has a duty to make a code in accordance with the requirements of the DEA, which include a requirement to establish an independent body to hear subscribers' appeals against reports of apparent online copyright infringement linked to their accounts. We will also consult on a tariff for the processing of copyright infringement reports by ISPs.
- 3.51 We are also required to report on estimated levels of online copyright infringement, with the first report covering the first full quarter after implementation. In preparing for Ofcom's reporting duties, we will look to engage with stakeholders about how we can identify and capture relevant information. This includes information that relates to the development and promotion of lawful services, initiatives to raise public awareness of copyright and online infringement, and enforcement actions taken by copyright owners against alleged infringers.

We have set outcomes for these priorities

- 3.52 We will judge the success of our work to deliver our priorities for 2012/13 against the positive outcomes we are seeking to secure for citizens and consumers.
- 3.53 We have identified outcomes for each of our priorities, as shown in Figure 2 below. We will assess our progress towards delivering these at the end of the financial year, within the Annual Report.
- 3.54 We have divided our outcomes into interim and final outcomes:
- **Interim outcomes** are events in the market that result from a decision taken by Ofcom; for example, enabling third parties access to a particular network or service. These play a part in delivering final outcomes.

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

Figure 2: Annual Plan 2012/13 final priorities and outcomes

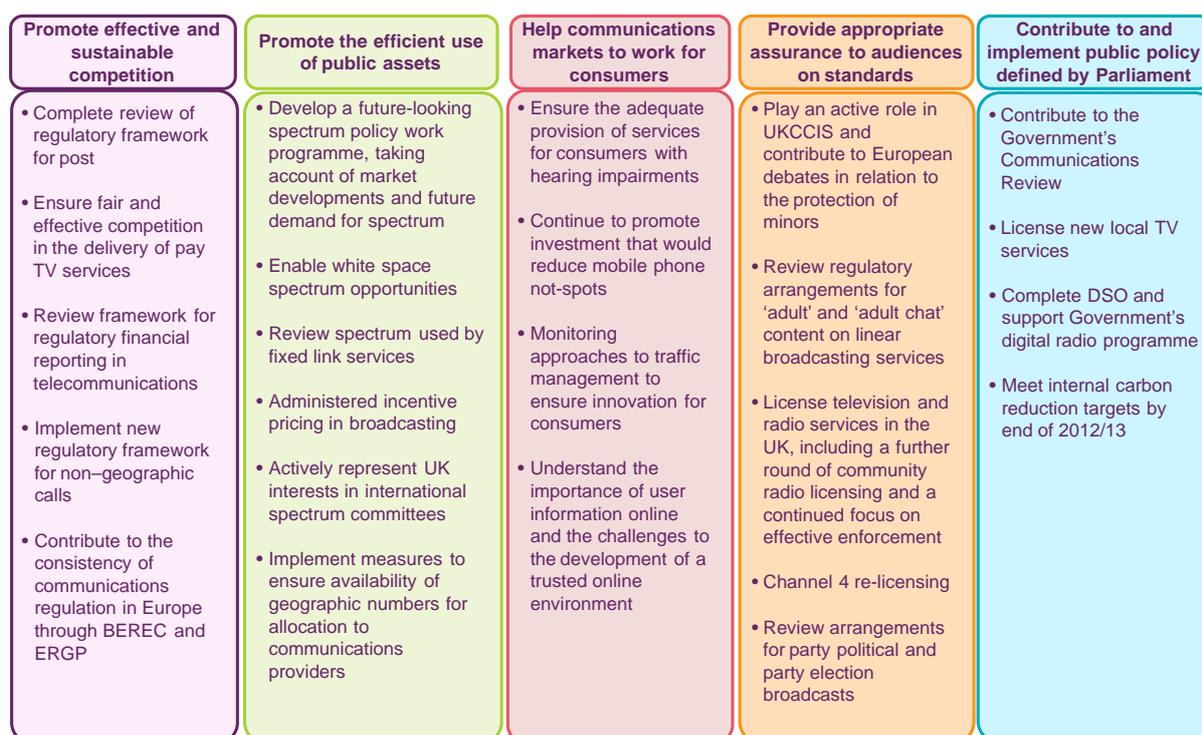


Section 4

Work areas for 2012/13

4.1 In addition to our priorities, we are planning to undertake work in a number of other important areas during 2012/13.

Figure 3: Ofcom's work areas for 2012/13



Strategic Purpose 1: Promote effective and sustainable competition



Complete review of regulatory framework for post

4.2 Ofcom has consulted on a new approach to the economic regulation of post, in which we proposed the widespread removal of price controls, coupled with safeguards to protect vulnerable consumers. The proposed safeguards include setting a maximum price ceiling for second class stamps, and protecting the ability of efficient access operators to compete effectively with Royal Mail. Following the consultation, we will issue a statement on our regulatory framework in spring 2012.

4.3 During 2012/13 we will also implement a monitoring regime to underpin the new regulatory framework. We will monitor performance in fulfilling universal service, and Royal Mail's efficiency, profitability and prices. We will also assess whether the

current approach to margin squeeze should be continued into the future, or whether an approach based on Royal Mail's long-run incremental cost would be more suitable. Our work will also consider the affordability of stamps for vulnerable consumers.

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

- 4.4 In March 2010 we published a statement setting out our decision that Sky Sports 1 and 2 (both standard and high definition) should be offered to retailers on platforms other than Sky's, at prices set by Ofcom for the standard definition service. This decision was appealed by Sky and other parties, to the Competition Appeal Tribunal.
- 4.5 During 2012/13, we will continue to monitor consumer take-up of the new services resulting from our decision. We will also consider what further work, if any, may be appropriate to ensure fair and effective competition in the delivery of pay TV services, following the outcome of the Competition Appeal Tribunal's judgment.
- 4.6 We also made a market investigation reference to the Competition Commission in August 2010 under the Enterprise Act 2002 regarding pay TV movies, particularly subscription video-on-demand services. The Competition Commission is now carrying out this investigation, and we will continue to contribute to its inquiry, as requested, during the forthcoming year.

Review framework for regulatory financial reporting in telecommunications

- 4.7 In 2012/13 we will review our use of cost orientation obligations in markets for electronic communications (telecoms). Cost orientation is one of a number of remedies we can impose on telecoms providers with significant market power. We plan to produce new guidelines on how we expect to enforce cost orientation in practice.
- 4.8 As part of this work, we are also reviewing the arrangements for regulatory financial reporting. BT and KCOM currently publish information on the financial performance of regulated services. They also provide information to Ofcom privately. We are reviewing the requirements on telecoms providers to provide this information.
- 4.9 We plan to consult in 2012 on new cost orientation guidelines and proposals for a new framework for regulatory financial reporting. Following this, we will implement our new framework, which may require changes to the current regulatory financial reporting processes and systems.

Implement new regulatory framework for non-geographic calls

- 4.10 Non-geographic calls are those made to 03, 05, 070/076, 080, 0845, 0870, 083/4, 0871, 09, 116 and 188 numbers. Consumers use these numbers to call businesses and government agencies, to get information, make payments for services and vote on radio and television shows. In 2010/11, we proposed a simpler approach to the provision and regulation of non-geographic calls, including exploring the option of simpler number ranges and more standardised charges. We publish a detailed proposal for regulation in early 2012 and will continue this work in the next financial year, subject to consultation.

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

- 4.11 The Body of European Regulators for Electronic Communications (BEREC) is a Board comprising the heads of the 27 national regulatory authorities, including Ofcom. Its main functions are to contribute to the promotion of competition in European communications markets and to ensure the consistent implementation of the EU regulatory framework. BEREC also plays an active role in the development of European policy proposals. The European Commission is required to seek BEREC's input on draft Recommendations and Decisions, while the European Parliament and Council of Ministers may ask for BEREC's advice.
- 4.12 Ofcom is an active member of BEREC, and Ed Richards will act as BEREC Vice-chair for 2012. Working closely with our European counterparts, we aim to make a substantial contribution to the body's work programme and output. During 2012/13 we will continue to do this, with a particular focus on the following issues:
- providing opinions on upcoming Commission Recommendations on non-discrimination and costing methodologies;
 - developing guidance on the implementation of the roaming regulation;
 - the consistent application of regulatory remedies, through the review and update of existing common positions to take account of technological developments; and
 - further analysis of issues related to net neutrality.

Strategic Purpose 2: Promote the efficient use of public assets

<p>Promote the efficient use of public assets</p>	<ul style="list-style-type: none"> • Develop a future-looking spectrum policy work programme, taking account of market developments and future demand for spectrum • Enable white space spectrum opportunities • Review spectrum used by fixed link services • Administered incentive pricing in broadcasting • Actively represent UK interests in international spectrum committees • Implement measures to ensure availability of geographic numbers for allocation to communications providers
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Develop a future-looking spectrum policy work programme, taking account of market developments and future demand for spectrum

- 4.13 In managing the radio spectrum, we will continue to pursue a balanced approach that makes appropriate use of the tools at our disposal – both market mechanisms and regulatory intervention - to secure optimal use of the radio spectrum. In line with our statutory duties and regulatory principles, we seek to remove unnecessary restrictions from the use and assignment of spectrum where we judge this to be in the best interests of citizens and consumers.
- 4.14 During 2012/13 we will continue to develop our understanding of the likely demand for spectrum beyond currently planned releases, taking a longer-term view of developments affecting spectrum use.
- 4.15 A key example of this type of activity is our Ultra High Frequency (UHF) strategy project. The work was initiated by a call for input that we published on 20 April 2011. In this document, we invited stakeholders to set out their views on the likely long-term

demand for UHF spectrum bands IV and V by different services, noting that a number of developments are starting to raise questions on the long-term balance of use of the UHF spectrum. We think it is important to develop a framework for the long-term future of these valuable spectrum bands, to inform future decisions concerning this spectrum.

- 4.16 We have today published a consultation on proposals for this framework. During 2012/13 we will take forward this work and publish a statement, which will set out some of the key actions and considerations for the coming years, including on international engagement and specific policies.
- 4.17 We have removed our work area to progress the release of 600 MHz spectrum from the Annual Plan. The extent and scope of further work to progress the release of 600 MHz spectrum during 2012/13 will depend on the outcome of our UHF strategy review.

Enable white space spectrum opportunities

- 4.18 White space is the name given to parts of spectrum that are unused in a particular location and time. In September 2011, Ofcom published the outcomes of our consultation on implementing a geolocation-based approach to enable white space access on a licence-exempt basis in the UHF TV band.
- 4.19 In 2012/13, we plan to continue our work on enabling white space devices:
- We will continue to work closely with stakeholders to finalise the technical requirements to ensure that white space devices do not cause harmful interference to incumbent licensed users. Work is also progressing to put in place necessary regulations to licence-exempt white space devices.
 - We will continue work on the issues for the specification of geolocation database providers, including putting in place a mechanism to enable incumbent licensed users' data to be made available to database providers.
 - We will also continue our proactive involvement in European regulatory bodies to develop a common approach to enabling white space access.
- 4.20 Based on our current observations on industry and standardisation activity, we currently estimate that white space devices will be in a position to be deployed from 2014.

Review spectrum used by fixed link services

- 4.21 Following our consultation on the framework for spectrum pricing, we published a statement outlining the considerable support we had received for reviewing the fees charged for licences in the spectrum bands used by fixed links. As a precursor to reviewing fees, and to allow us consider a range of related issues about how we manage this spectrum, we initiated a review of the spectrum bands used by fixed links.
- 4.22 As part of this exercise, we commissioned Aegis Systems Ltd to review potential future demand for this spectrum. We are now seeking views on these findings, as well as views on the spectrum management policies we might adopt in these bands, as part of a formal Call for Inputs which closes at end of April. We expect to publish

an initial consultation setting out options for change, and to initiate the fees review, later this year.

Administered incentive pricing in broadcasting

- 4.23 We recognise the importance of certainty for stakeholders on levels of spectrum fees. Therefore, Ofcom will undertake analytical work to enable it to consult on the implementation of administered incentive pricing (AIP) assessing the potential level of fees, the potential impact of these fees on broadcasting output and the appropriate timetable over which they should be introduced. We would encourage the broadcasting sector to engage fully with this process.

Actively represent UK interests in international spectrum committees

- 4.24 Ofcom has been directed by government to represent the UK in the spectrum committees of the EU, the European Conference of Postal and Telecommunications Administrators (CEPT) and the International Telecommunications Union (ITU), and we will continue to play an active role in these fora in 2012/13. Within the EU we will contribute to the Radio Spectrum Policy Group's work programme for 2012/13 and to activities in the Radio Spectrum Committee, which can lead to European Commission Decisions that are binding on the UK. We will also oversee implementation of the newly-adopted European Radio Spectrum Policy Programme, including co-ordination of UK inputs to a European spectrum inventory, which will seek to better understand how spectrum is currently used and anticipate future spectrum demand across Europe.
- 4.25 As part of the ITU and CEPT, we will assess the outcome of this year's World Radio Conference and begin the UK preparations for the next conference, in 2015, which will address issues critical to the development of wireless services in the UK. We will actively engage in all relevant international discussions, including seeking chairmanships of specific international groups where this will contribute to the achievement of UK spectrum policy goals.

Implement measures to ensure availability of geographic numbers for allocation to communications providers

- 4.26 Geographic numbers are fixed-line telephone numbers beginning with 01 and 02. Ofcom is responsible for administering these numbers and for ensuring that sufficient numbers are available for allocation to communications providers so that consumers have a wide choice of services.
- 4.27 Following consultations in November 2010 and September 2011, we published a third consultation on our proposals in March 2012, designed to encourage the efficient use of numbers by communications providers, thereby safeguarding the availability of geographic numbers for allocation in all UK area codes in the future.
- 4.28 The further consultation:
- Proposes a firm date of 1 November 2012 on which communications providers will close local dialling in the Bournemouth area code (01202);
 - Finalises the proposal to charge communications providers for geographic numbers allocated to them in a pilot scheme covering around 30 areas with the fewest number blocks remaining to be allocated. It also consults on the detailed

arrangements for doing this, including the administrative arrangements and the legal instrument;

- Finalises arrangements to allocate to communications providers a limited quantity of number blocks of reduced size (100 rather than 1,000 numbers), initially in 11 areas covering small populations; and
- Consults on changes to General Condition 17 and the National Telephone Numbering Plan that would bring the above measures into effect.

4.29 Having reviewed the responses to the consultation we plan to publish a statement on our proposal to close local dialling in the Bournemouth area code (01202) in the first quarter and a statement on the remainder of the proposals in the second quarter.

4.30 Separately, we are also undertaking a review of our administrative process for allocating geographic numbers to communications providers, with a view to strengthening this process. We plan to publish a consultation during Q2 2012 setting out our proposals to introduce a number reservation stage into the allocation process and to change the information we request in the numbering application forms.

Strategic Purpose 3: Help communications markets work for consumers

Help communications markets to work for consumers

- Ensure the adequate provision of services for consumers with hearing impairments
- Continue to promote investment that would reduce mobile phone not-spots
- Monitoring approaches to traffic management to ensure innovation for consumers
- Understand the importance of user information online and the challenges to the development of a trusted online environment

Ensure the adequate provision of services for consumers with hearing impairments

4.31 Ofcom has a duty to have regard to the needs of older and disabled consumers. In the context of this duty, we have been reviewing the current provision and implementation of relay services in the UK. Relay services help consumers with hearing and/or speech impairments to make and receive telephone calls. The Universal Services Order 2003 (set by government) requires us to secure the provision of one or more text relay services. At present BT operates a text relay service and all telecoms providers are required to provide access to this service for their customers who have hearing and/or speech impairments.

4.32 The recently revised Universal Services Directive (which is set at the European level and came into force in May 2011)³ gives national authorities the power, where appropriate, to impose requirements on providers to ensure that disabled end-users have access to electronic communication services equivalent to those enjoyed by the majority of end-users, and benefit from the choice of providers and services available.

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:337:0011:0036:EN:PDF>

- 4.33 In July 2011 we published a consultation which proposed enhancements to the existing text relay service, referred to as Next Generation Text Relay, to provide a more natural flow of conversation and to enable it to be used in different ways according to consumers' needs. We also considered the case for the introduction of a video relay service for users of British Sign Language.
- 4.34 This is the first substantive review of relay services that Ofcom has carried out since its creation in 2003 although we have commissioned a number of studies, which have helped inform the debate⁴.
- 4.35 After considering responses to the July 2011 consultation, we intend to publish a further document in spring or early summer 2012, which will include questions on implementing the improvements to text relay, which will be then be taken forward in 2012/13. We will also set out our next steps on video relay, in the light of the consultation responses received and other developments. We will continue to work with the Department for Culture, Media and Sport throughout the year on these issues.

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

- 4.36 Mobile not-spots continue to be a significant problem for consumers and businesses, particularly those in rural and semi-rural areas. In addition to our work supporting government to deliver the Mobile Infrastructure Project (MIP) which is improving mobile coverage (see paragraph 3.49), we will consider what further measures are necessary to address mobile not-spots, based on the regulatory mechanisms we have available.
- 4.37 The causes of mobile not-spots are highly local and complex; there is no single cause linking all coverage problems, and therefore, no standard solution. We will continue to assess these issues in 2012/13 and provide an update on our work across different types of mobile not-spots. We will ensure that this analysis is linked to our work with the MIP, to ensure that together, we take a holistic approach to tackling mobile not-spots.
- 4.38 We will also continue to examine the scope to facilitate coverage on the rail network to determine how to improve coverage for UK consumers as they travel, an area where not-spots particularly affect business consumers. As part of this, we will work with stakeholders in the communications and rail sectors to explore ways to improve mobile coverage on the rail network.

Monitoring approaches to traffic management to ensure innovation for consumers

- 4.39 In the publication *Ofcom's Approach to Net Neutrality* in November 2011, we set out our position on net neutrality and traffic management. In particular, we provided our views on the level of consumer information which we want to see the market deliver, and also the potential circumstances which might warrant the development of a

⁴ Technical studies have been carried out on behalf of Ofcom, including the study by City University on the "Feasibility of Additional Telephone Relay Services" 2006 and extended in 2008, available at <http://stakeholders.ofcom.org.uk/market-data-research/telecoms-research/relayservices/> and the study by Plum in 2009 entitled "Voice telephony services for deaf people".

minimum quality of service. We are committed to undertaking further research on consumer information, given the balance between the benefits to consumers of getting the right type of information in a form that is targeted and clear, and the risks of overloading consumers with too much information, resulting in consumer confusion. We will also undertake research on the provision of 'best-efforts'⁵ internet access.

- 4.40 We will monitor progress, and keep under review the possibility of intervening more formally in relation to the issues we have identified. We will, in particular, seek to monitor progress as part of our ongoing work, within the context of our infrastructure reporting duty, to monitor traffic management practices. We expect to publish our next update on this work later in 2012.
- 4.41 We will also continue to engage with stakeholders to identify market developments that might hinder or support the co-existence of 'best-efforts' internet and managed services. We will take into account this research and engagement in assessing whether any further regulatory action is necessary. We will continue to engage in the European debate and contribute to ongoing BEREC work on transparency, discrimination, quality of service and IP interconnection.

Understand the importance of user information online and the challenges to the development of a trusted online environment

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

Strategic Purpose 4: Provide appropriate assurance to audiences on standards

<p>Provide appropriate assurance to audiences on standards</p>	<ul style="list-style-type: none">• Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors• Review regulatory arrangements for 'adult' and 'adult chat' content on linear broadcasting services• License television and radio services in the UK, including a further round of community radio licensing and a continued focus on effective enforcement• Channel 4 re-licensing• Review arrangements for party political and party election broadcasts
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Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors

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

⁵ Best efforts describes internet services that are not hindered or blocked by may be managed during times of congestion

will continue to contribute to European debates on the protection of minors, as appropriate.

Review regulatory arrangements for ‘adult’ and ‘adult chat’ content on linear broadcasting services

- 4.44 Ofcom has a statutory duty to draw up and occasionally revise a code (or codes) for television and radio services, covering standards in broadcast content. This duty involves setting and enforcing rules to ensure:
- that people under the age of 18 are protected;
 - that generally accepted standards are applied so as to provide adequate protection to the public from the broadcast of offensive and harmful material; and
 - that the inclusion of advertising which may be misleading, harmful or offensive in television and radio services is prevented.
- 4.45 With these objectives in mind, Ofcom and its co-regulator the Advertising Standards Authority have set strict rules in our codes to ensure that broadcast content is appropriately scheduled and children are protected from material that is unsuitable for them. There are also comprehensive rules governing ‘adult’ programming and ‘adult chat’ content (i.e. long-form advertising which is of a sexual nature, is broadcast at night and typically includes interaction with the presenters on-screen).
- 4.46 Over the last 12 to 18 months there have been a number of compliance failures involving ‘adult’ programming and ‘adult chat’ content. Ofcom therefore considers it appropriate to review the regulatory arrangements for such services during 2012/13 to ensure that they remain fit for purpose.

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

- 4.47 Ofcom will continue to license television and radio services which come under UK jurisdiction, in order to provide consumers with a wide range of broadcast services. In 2012/13 this will include the ongoing third round of community radio licensing; we will assess applications from Scotland (having already completed the process for Wales in early 2012), and invite applications from Northern Ireland, the north-east of England, the north-west of England, Yorkshire, the Midlands and east and south-east England. Licences are granted for five years, and services are required to deliver social gain to their chosen communities.
- 4.48 As of the end of November 2011, there were 196 community radio stations on air, delivering community benefits to around 12.5 million people throughout the UK. Ofcom intends throughout 2012/13 to continue licensing community radio services where there is a suitable frequency available and where applications meet the requirements set out in legislation. We will also continue to implement a robust and vigorous approach to compliance issues, prioritising cases where the risk of harm to audiences and citizens is higher.

Channel 4 re-licensing

- 4.49 The current licence for the main Channel 4 service runs from 2004 to the end of 2014. Channel 4 Corporation's public service remit and regulatory framework were modified in the Digital Economy Act (2010).
- 4.50 We will consider the renewal of the Channel 4 licence, and how it might be updated or adapted in the light of Channel 4's wider remit, and continued evolution in the delivery of public service content.

Review arrangements for party political and party election broadcasts

- 4.51 Ofcom sets broadcasting rules for elections and referendums, including in relation to party election broadcasts and party political broadcasts. The rules are minimum requirements set by Ofcom to assist broadcasters (with the exception of the BBC) in deciding the allocation, length, frequency and scheduling of party political and party election broadcasts. Ofcom applies the rules in determining any disputes referred to it by political parties or broadcasters. During 2012/13 we will review these rules to ensure that they remain fit for purpose.

Strategic Purpose 5: Contribute to and implement public policy defined by Parliament

Contribute to and implement public policy defined by Parliament

- Contribute to the Government's Communications Review
- License new local TV services
- Complete DSO and support Government's digital radio programme
- Meet internal carbon reduction targets by end of 2012/13

Contribute to the Government's Communications Review

- 4.52 The Government is undertaking a wide-scale review of the legislative framework supporting the UK communications sector. The review will focus on growth, innovation and deregulation, a communications infrastructure that provides the foundations for growth and creating the right environment for the content industry to thrive.
- 4.53 The Secretary of State for Culture, Olympics, Media and Sport published an open letter in May 2011 asking a broad range of questions about the communications sector. Responses to this, and other work undertaken since then, will result in the publication of a government Green Paper in 2012 setting out options for a legislative framework to support the sector. A consultation about the proposals in the Green Paper will inform a subsequent White Paper and Communications Bill. Government has said that it intends to have the legislation in place by the end of this Parliament.
- 4.54 We will continue to respond to government requests for advice during 2012/13 as it develops policy in this area. We will contribute to the debate, drawing on our experience of regulating the communications sector, and seeking to further the interests of citizens and consumers.

License new local TV services

- 4.55 Following new powers and duties given to Ofcom by three Orders – now passed by Parliament and signed into law by the Secretary of State – in 2012/13 Ofcom will advertise and award new local television licences.

- 4.56 We have already consulted on our approach to licensing and regulating these new services. In the first half of 2012/13, we anticipate licensing a single multiplex operator to deliver local television using geographically interleaved (GI) spectrum in a number of different locations. Concurrently, we anticipate licensing the first local services.

Complete DSO and support government's digital radio programme

- 4.57 Ofcom will continue to support digital TV switchover in 2012/13. We have statutory duties to: amend broadcaster licences; manage the radio spectrum; and ensure that statutory TV coverage requirements are met. We will continue to work with Digital UK, government, broadcasters, the Digital Television Group and other stakeholders to ensure a successful completion of digital switchover in late 2012.
- 4.58 Ofcom will also continue to support the government's Digital Radio Action Plan, working with government, broadcasters, Digital Radio UK and Arqiva. As set out in the plan, we will continue to lead the coverage and spectrum planning work during 2012/13, including considering future uses for the MW spectrum and any vacated FM spectrum.

Meet internal carbon reduction targets by end of 2012/13

- 4.59 Ofcom seeks to adopt sustainable practices wherever possible. Following an independent carbon audit in 2007, we committed to reducing carbon emissions by 25% by 2012/13. An interim audit was undertaken in 2009 which confirmed that we had already achieved a 15% reduction in emissions.
- 4.60 We expect that the majority of the remainder of the reduction target will be delivered in 2012/13, based on savings made by the transition to greener data centres. We will include a discrete sustainability section within our Annual Report, which will include both financial and non-financial reporting metrics, and comply with HM Treasury reporting guidelines.

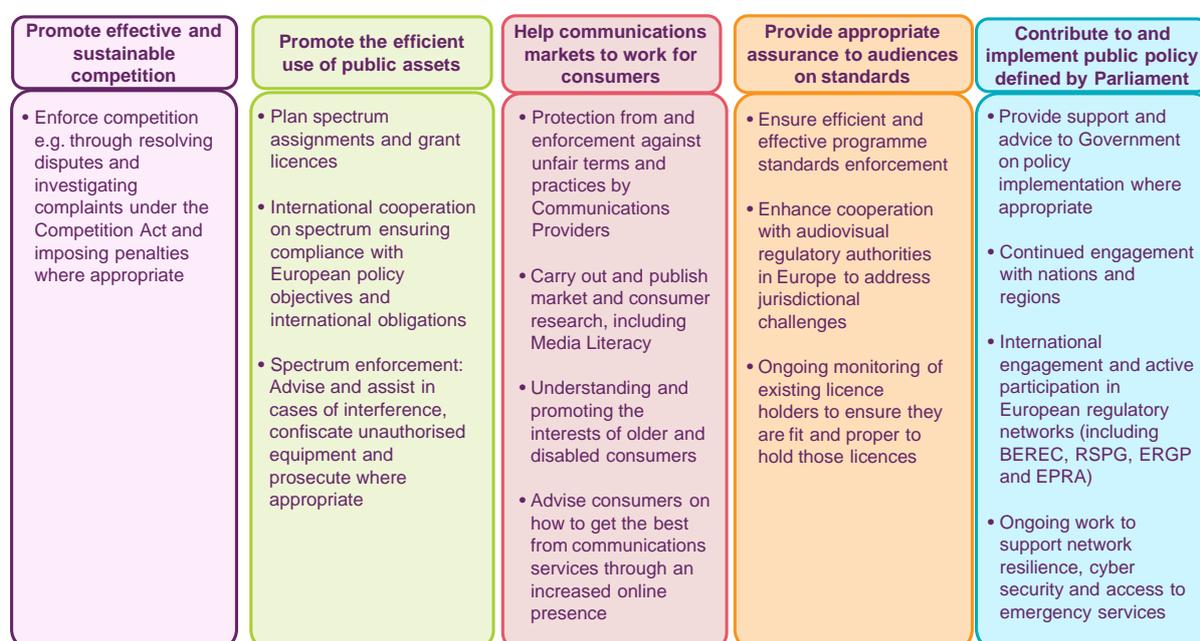
Section 5

Programmatic work and services to stakeholders

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

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

Figure 4: Ofcom’s ongoing programmatic work



Engaging with the nations

5.2 As noted in our Draft Annual Plan, our duties reflect our responsibilities towards citizens and consumers across the whole of the UK. In particular, we must have regard to the interests of persons in the different parts of the UK and of those living in rural and urban areas.

5.3 We will continue to promote the interests of the four nations of the UK in a number of ways during 2012/13:

- through our work in the priority areas set out in section 3, specifically:
 - auctioning the 800 MHz and 2.6 GHz spectrum bands;
 - securing the provision of the universal postal service and determining the needs of postal users;

- assessing the provision of communications services in the nations;
- advising Government on measurement of media plurality; and
- working in collaboration with Government and industry to promote widespread superfast broadband and reduce mobile not-spots.
- through our work in the other areas set out in section 4, specifically:
 - conducting a further round of community radio licensing;
 - licensing new local TV services; and
 - through our engagement with devolved institutions and other stakeholders.

In Northern Ireland, we will:

- publish a revised equality scheme;
- conduct follow-up research on inadvertent mobile roaming;
- contribute to digital switchover; and
- run the Telecoms Stakeholders Forum.

In Scotland, we will:

- make appointments to the board of MG ALBA in consultation with the UK and Scottish Governments;
- liaise with the Scottish Government and other stakeholders over preparations for the Glasgow 2014 Commonwealth Games;
- continue to track broadband take-up in Glasgow and the surrounding area; and
- seek to inform ongoing discussions about broadcasting and connectivity issues.

In Wales, we will:

- liaise with the Welsh Language Commissioner on the new system of standards that will replace our Welsh Language Scheme;
- provide regulatory advice to the Welsh Government in support of its legislative programme – e.g. the roll-out of the Next Generation Broadband Project for Wales, Delivering a Digital Wales and the Digital Inclusion Framework;
- provide advice and support to the Welsh Government on the implementation of its community radio policy; and
- work with the All-Party Parliamentary Group on the future of the media in Wales.

5.4 We will provide regulatory advice to the devolved executives as they implement schemes to extend broadband availability and other initiatives, and we will contribute to the work of devolved legislatures across the range of our responsibilities.

- 5.5 Finally, we will refresh our Advisory Committee for England to improve its ability to represent the interests and opinions of citizens and consumers living in England. To that end, we will seek to appoint members with experience of communications matters as they affect rural communities, small- and medium-sized enterprises and ethnic groups, among others.
- 5.6 In addition to the programmatic work shown above, we provide a number of essential services to stakeholders and consumers, in order to fulfil our duties as the regulator for the communications sector.

Addressing the needs of business consumers

- 5.7 As with our engagement with the nations, the needs of business consumers are a constant thread in our work. We appreciate that these needs can differ from those of residential consumers, and are likely to require a different regulatory approach.
- 5.8 In a rapidly-changing communications market, we want to ensure that services are available to support the needs of businesses, both small and large. We also want to ensure that communications providers have what they need in order to provide services to those businesses.
- 5.9 Our review of the Business Connectivity Market is a priority for 2012/13. It will consider whether regulation is required to address significant market power in markets covering a broad range of services used by businesses and communications providers. We will also address a range of issues important to business users across the UK, including:
- promoting competition and investment in the delivery of superfast broadband;
 - auctioning the 800 MHz and 2.6 GHz spectrum bands;
 - securing the provision of the universal postal service and determining the needs of postal users;
 - working in collaboration with government and industry to promote widespread superfast broadband and reduce mobile not-spots; and
 - actively representing UK interests in international spectrum committees.
- 5.10 During 2012/13 we will remain responsive to the broader needs of business consumers and ensure that providers are able to compete to offer effective services to business end-users.

Responding to consumer enquiries and complaints from the public

- 5.11 Our central operations team deals with enquiries and complaints from consumers about telecommunications services, TV and radio services, and use of the radio spectrum. We aim to help consumers resolve their enquiries and complaints by directing them to useful advice and by liaising with service providers.
- 5.12 Additionally, people often complain to us directly about TV and radio programmes. We consider complaints relating to a number of areas such as protection of under-18s, harm and offence, fairness and privacy, and impartiality and accuracy in news. However, we do not consider issues relating to impartiality and accuracy in BBC

programmes as these are the responsibility of the BBC Trust. We also manage complaints about programme sponsorship and alleged commercial influence.

- 5.13 Ofcom's Consumer Contact Team provides early warning of consumer concerns. New areas of concern arise all the time and these create unexpected increases in the number of complaints we receive.

Keeping the radio spectrum free from interference

- 5.14 We monitor the radio spectrum and take appropriate action to prevent harmful spectrum interference. Increasing demand for, and use of, spectrum leads to a corresponding increase in the risk of interference. Ofcom will continue to take action to prevent interference and to mitigate it when it occurs.
- 5.15 Our Spectrum Engineering and Enforcement Team handles around 5,000 cases per year, taking action to:
- protect safety-of-life communications, including emergency services and air traffic control;
 - prevent illegal use of the radio spectrum;
 - enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and
 - ensure that non-compliant equipment is removed from the market.

Licensing access to the radio spectrum

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

Providing information services

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

Corporate responsibility

- 5.18 Ofcom is committed to being a responsible employer, and managing its impact on the wider community. Our corporate responsibility objectives are:
- To treat all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all.
 - To reduce our carbon footprint, provide value for money and ensure that Ofcom's practices are environmentally sustainable.
 - To engage, inspire and develop colleagues while proactively seeking to support our local community.

- 5.19 We have recently published our 2011 Single Equality Scheme (SES) which brings together and strengthens Ofcom's commitment towards diversity and equality⁶. The SES sets out clearly the work we have done so far and what we hope to achieve in the future. As part of this, we have set ourselves equality objectives and a series of actions that we hope to achieve in the next three years. We will report annually on the progress we make against the equality objectives.
- 5.20 The 2011 SES meets the new requirements of the Equality Act 2010 and covers equality strands such as age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 5.21 We continue to support a local primary school, where Ofcom colleagues run a popular reading scheme. We also recently started team volunteering, which has been an effective way to improve team development.

⁶ http://www.ofcom.org.uk/files/2011/10/SES_2011.pdf

Section 6

Ofcom's approach to regulation

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

- 6.1 In fulfilling our duties and meeting our strategic purposes, we follow a defined set of regulatory principles. These principles ensure that our work tackles problems effectively and in a timely, robust and comprehensive manner. They also help us clarify our regulatory approach and simplify and reduce regulation, while maximising value for money, wherever possible.
- 6.2 Our regulatory principles, which are related to our statutory duties, are⁷:

When we regulate

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

How we regulate

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

How we support regulation

- Ofcom will research the communications market and will aim to remain at the forefront of technological understanding.
 - Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.
- 6.3 Our bias against intervention aims to ensure that we regulate only where necessary. Unnecessary intervention could distort or stifle the development of competitive and innovative markets. However, where intervention is required we will act quickly and decisively.
- 6.4 Section 6 of the Communications Act 2003 places a duty upon Ofcom not to impose burdens that are unnecessary or maintain burdens that have become unnecessary.

⁷ <http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/>

Section 6 also requires Ofcom to publish a statement every 12 months, showing how it has fulfilled this duty. We do this in our Draft Annual Plan⁸ every year by giving examples of our recent simplification initiatives.

Our approach to regulation is designed to minimise burdens

- 6.5 Our annual planning process sets out our future work programme with our approach to regulation in mind.
- 6.6 In addition to our regulatory principles, several themes will remain important to our work throughout 2012/13. These are:
- Considering how our work, and outcomes, relate to each nation of the UK. Our work is increasingly influenced by the implications of devolution and differences with and in between the nations.
 - Using Ofcom's consumer interest toolkit to help identify and address consumer interests across our work. The toolkit includes a series of questions that every Ofcom team should ask, to ensure that the interests of consumers are appropriately considered in everything we do.
- 6.7 The Communications Act 2003 requires that we fulfil our duties in a manner consistent with the principles of Better Regulation. This requires regulatory intervention to be evidence-based, transparent, accountable, proportionate, consistent, and targeted only at cases where action is needed.
- 6.8 Impact assessments inform our decisions. Undertaking an assessment can help identify the problem to be addressed, different options for regulation (including not regulating) and provide a basis for selecting the option which maximises expected benefits and minimises the costs of intervention.
- 6.9 Section 7 of the Communications Act 2003 requires that Ofcom carry out and publish an impact assessment where it appears to us that our proposal is important. However, because impact assessments form part of good regulatory practice, we carry them out in relation to the vast majority of our decisions.
- 6.10 Targeted and proportionate regulation can help deliver positive outcomes for UK citizens and consumers. Although the imposition of burdens on regulated companies is inherent in the practice of regulation, we believe that interventions are justified where the cost of these burdens are outweighed by the overall benefits that result from their implementation.
- 6.11 In analysing the costs and benefits of regulation, it is necessary to apply the principle of proportionality, which means it will often be appropriate to focus on the most significant costs and benefits and not spend a disproportionate amount of time considering those which are relatively minor. Furthermore, the amount of information we request from stakeholders to carry out our analysis must also be proportionate.
- 6.12 When assessing options for intervention, we consider a range of alternative solutions. These range from no regulation at all, to industry self-regulation (where industry administers a solution without formal oversight or regulatory back-stop

⁸ <http://stakeholders.ofcom.org.uk/binaries/consultations/936793/summary/condoc.pdf>

powers), co-regulation (where government or the regulator does have a back-stop powers and a degree of oversight), through to full statutory intervention.

- 6.13 We have continued to develop and deploy project management guidance to ensure that all project managers understand and consider impact assessments, equality impact assessments, risk, and co- and self-regulation, as well as clearly defined metrics of success.

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

- 6.14 Once regulation is in place, we subject it to periodic review to take account of changing market conditions, stakeholder needs and statutory requirements to conduct formal reviews at given intervals. We also evaluate major interventions in relation to the outcomes that they were originally intended to achieve. Reviews and evaluations are very important to determine whether current regulations and their associated burdens are still necessary and justified.
- 6.15 Since its inception Ofcom has taken a strategic approach to regulation, publishing wide-ranging sectoral reviews. While these can result in administrative burdens on stakeholders, through information requests and the consultation process, they are necessary for us to assemble an evidence base for analysis. On the other hand, a strategic approach to regulation reduces the likelihood of the imposition of multiple, uncoordinated layers of regulation that result in unnecessary burdens for us and our stakeholders.

Annex 1

Summary of consultation responses

Introduction

- A1.1 We received 33 consultation responses from stakeholders, including private individuals, advocacy groups, consumer interest organisations, companies and trade bodies. We also held events across the UK to share our proposed work programme, where we received questions and feedback.
- A1.2 Overall we received broad support for our priorities and work programme, but some stakeholders raised issues on particular aspects of our 2012/13 Draft Annual Plan. We have summarised these issues and our responses in this annex but it is not possible for us to respond to all detailed questions.
- A1.3 This summary groups the consultation responses under our five strategic purposes and covers both the priority and the major work areas that we presented in the Draft Annual Plan.

General comments on the Draft Annual Plan

- A1.4 Overall, respondents welcomed the opportunity to provide input on Ofcom's programme of work through the Draft Annual Plan, and some appreciated that the structure was consistent with last year's document.
- A1.5 The Advisory Committee for Northern Ireland suggested the inclusion of a specific nations section in the Annual Plan, highlighting specific regulatory issues which are of particular relevance to Northern Ireland, Scotland, Wales and England.
- A1.6 We have updated the Annual Plan statement to highlight the specific issues encountered in the nations (see pages 30-32). As these issues are addressed by a range of Ofcom projects, we plan to include a nations chapter in future versions of the Draft Annual Plan.

Promote effective and sustainable competition

General competition responses

- A1.7 BT and TalkTalk sought clarification on any market reviews and associated charge controls on which Ofcom could potentially begin work in the latter half of 2012/13.
- A1.8 *The charge controls for LLU, WLR and WBA products all expire by April 2014. It is therefore necessary for us to review these markets and, if we consider that charge controls are still required, to introduce new charge controls before then. We will therefore start work on these reviews in late 2012.*

Business Connectivity Market Review

- A1.9 We received a number of responses in relation to the Business Connectivity Market Review (BCMR). The UK Competitive Telecommunications Association (UKCTA)

supported the BCMR, but requested that Ofcom take a more strategic role in trying to promote the interests of UK businesses. The Federation of Communications Services (FCS) argued that the review should include the requirements of SME end-user businesses, smaller service providers and resellers.

- A1.10 Cable & Wireless Worldwide argued that the BCMR should not be undertaken in isolation from considering the deployment of next-generation access (that is, optic fibre networks) that will serve both business and residential consumers. Verizon Business was concerned that the BCMR consultation had been subject to delays and would be issued with a shortened consultation period.
- A1.11 *We appreciate stakeholder comments on the review we are undertaking and will consider these comments in the BCMR as appropriate.*

Narrowband Market Review

- A1.12 BT requested clarification on whether the Annual Plan would include a review of exchange lines within the Narrowband Market Review and if not, how this will take place. The Internet Telephony Services Providers' Association (ITSPA) welcomed the Narrowband Market Review and urged Ofcom to ensure that it is well resourced and that radical components of the review are addressed.
- A1.13 *As set out above, we intend to review analogue exchange lines and ISDN30 exchange lines, starting in late 2012 in order to conclude these reviews in time to introduce new charge controls, if necessary, in April 2014. Therefore we will not review these markets within the narrowband review during 2012/13. We also plan to review the ISDN2 market at the same time as the analogue exchange lines and ISDN30 markets and so ISDN2 will also not be included within the narrowband market review.*

Superfast broadband

- A1.14 The Advisory Committee for Northern Ireland (ACNI) was encouraged that the regulatory framework for next generation broadband is already delivering retail competition in Northern Ireland. TalkTalk believed that Ofcom's key focus in terms of superfast broadband should be on ensuring effective retail competition.
- A1.15 *We appreciate stakeholder comments on this issue and will consider these within our programme of work as appropriate.*

Non-geographic calls

- A1.16 There were a range of views among industry stakeholders about our work on non-geographic numbering. The Number Ltd strongly supported the review, but believed it should be treated as a higher priority than other work areas in the Annual Plan. Cable & Wireless Worldwide suggested that Ofcom work towards an outcome that preserves the current level of interconnect payments in order to minimise the impact of any changes on UK business and consumers. FCS requested a clearer explanation of the intention behind the "specific set of regulatory rules" in section 5.12 of the consultation.
- A1.17 *We intend to advance our work to simplify non-geographic calls during 2012/13. This is a priority project, because of the scale of the market and the scope for benefits to UK domestic and small business consumers if reforms are successful in*

making the regime simpler and more effective, with fewer industry disputes. Our objective is to further the interests of consumers, not to preserve the current level of interconnection payments, although our impact assessment will consider how a number of industry segments would be affected by any reforms (as well as assessing, primarily, the impact on consumers).

- A1.18 *In relation to the FCS' query, as with other policy consultations, we anticipate publishing proposed changes to the regulatory regime as part of the process of giving effect to any policy proposals (as we are required to do under section 48 of the Communications Act). This is subject to the outcome of any consultation process.*

Number portability

- A1.19 UKCTA and ITSPA called for a review of the current process of number porting between communication providers. Similarly, a fixed telecoms provider supported the review of switching in the retail market but felt that the wholesale aspect of switching needed specific focus as well.
- A1.20 *We intend to consider the case for a further review of number portability arrangements only after we have completed the current phase of our strategic review of switching.*

Regulatory financial reporting

- A1.21 Cost orientation and regulatory accounting was raised by Verizon Business, which argued that it should be given greater prominence in the Annual Plan as it a key policy area which has not been considered for a significant period.
- A1.22 *We agree that it is an important policy area, and are devoting sufficient resources in order to ensure that we consider it carefully.*

Pay TV

- A1.23 BT stated that the objective of ensuring fair and effective competition had not been achieved, and pay TV should continue to be a priority for Ofcom during 2012/13. The Voice of the Listener and Viewer was concerned about potential competition issues relating to the availability of films and overseas originated content.
- A1.24 *Currently, this is a work area for 2012/13 as we are awaiting the outcome of the Competition Appeal Tribunal's judgement, after which we will consider what further work may be appropriate to ensure fair and effective competition in the delivery of pay TV services. Similarly, we will continue to contribute to the Competition Commission's inquiry regarding movies on pay TV.*

Wider issues in telecommunications access regulation

- A1.25 UKCTA and the Communications Management Association (CMA) suggested that Ofcom undertake a review of the BT Undertakings in the context of the transition from copper to fibre. Geo also believed that Ofcom should undertake a further strategic review of the UK telecommunications sector which should also include BT's Undertakings.

- A1.26 *We continue to monitor and assess the effects of market circumstances and technical change on existing regulatory policy, including the outcome of the last strategic review of telecoms. If evidence emerges that suggests the need for a wider strategic review, we will consider this accordingly.*
- A1.27 Sky raised the issue of the poor quality of service provided by Openreach and considered that that a review of the Service Level Agreement (SLA) was required across all regulated products.
- A1.28 *As noted in the Annual Plan, competition in the provision of broadband and voice services is based to a significant degree on the products provided by Openreach. It is therefore important that Openreach performs well in providing these products. Following a period where performance fell below acceptable levels, we asked the OTA to prioritise, within its work programme, the areas that impact on Openreach's ability to deliver a good level of service performance. A number of actions are being implemented and work is continuing to identify further operational improvements that will help improve overall service levels.*
- A1.29 *During the course of the year we will continue to support the OTA's work in this area and we intend to hold regular review meetings with Openreach to ensure it meets our expectations in the key areas of service delivery.*

Promote the efficient use of public assets

Spectrum clearance and awards

- A1.30 We received considerable interest from stakeholders in our spectrum clearance and awards priority. Several stakeholders commented on aspects of the award of the 800MHz and 2.6GHz bands.
- A1.31 A mobile network operator welcomed Ofcom's overall objectives for the auction but was concerned that Ofcom believes sub-1GHz spectrum is not necessary to be a national wholesale mobile network operator. Cable and Wireless Worldwide said that a strengthening of competition among the mobile network operators would lead to a better wholesale market in the provision of mobile services.
- A1.32 The ACNI gave its support for an increased coverage obligation on one of the 800MHz licences, to 98% of the UK population. The British Entertainment Industry Radio Group (BEIRG) stated that measures to mitigate interference, set out in the Draft Annual Plan, should be in place before the auction goes ahead, as interference cannot be easily rectified.
- A1.33 *We appreciate these stakeholder submissions and will respond to them within our programme of work as appropriate.*

Future looking spectrum policy work

- A1.34 BEIRG stated that the objective of greater spectrum efficiency, and enabling new spectrum awards, must not simply push out pre-existing users of radio spectrum.
- A1.35 *Ofcom welcomes BEIRG's comments and will continue to engage with it to address the concerns and issues of the PMSE that it represents.*

- A1.36 Arqiva suggested that Ofcom should prioritise its work on the future of UHF spectrum bands, given their importance to DTT, and changes in the international background since the Draft Annual Plan was published.
- A1.37 *The work Ofcom is conducting through the UHF strategy project is extremely important. In section 4 we highlight this as one of the key projects of relevance to future use of spectrum. The consultation we published in March 2012 reflects on international developments and major trends in spectrum demand for key services, including DTT and mobile broadband. We also put forward our proposals on how best to secure long-term benefits for citizens and consumer from the future use of UHF spectrum bands IV and V. Over the course of 2012/13 we will continue to engage with stakeholders on this issue, and we expect to publish a statement which will set out some of the key actions and considerations for the coming years, including on international engagement and specific policies, particularly the future use of 600 MHz spectrum.*
- A1.38 The release of public spectrum in the 2300-2400 MHz and 3400-3600 MHz bands was raised by Samsung.
- A1.39 Cable and Wireless Worldwide commented that actions by Ofcom, such as spread spectrum techniques in the 870 MHz band, can be a key facilitator in allowing the energy industry to roll out smartmeters in a cost-effective manner. Arqiva noted that Ofcom has not included the release of 872-876/917-921 MHz in the Draft Annual Plan. It urged Ofcom to consider whether it would be appropriate to hold a joint release of this band with the adjacent 2x2 MHz of spectrum held by the Ministry of Defence (MoD).
- A1.40 *The 2300-2400 MHz, 3400-3600 MHz and 870-872 / 915-917 MHz spectrum bands are held and managed by the Ministry of Defence (MoD). They have been identified as priority candidates for release to the market, within the Government's plan to release 500 MHz below 5GHz for new uses by 2020. Decisions on the manner and timing of any releases will be a matter for Government. Ofcom will co-ordinate with Government where there is a close interaction between Government and Ofcom future releases, for example between 870-872 / 915-917 MHz and 872-876 / 917-921 MHz.*

AIP in broadcasting

- A1.41 Arqiva requested that Ofcom engages with the broadcast industry on AIP during 2012/13, or delays its introduction to give time for appropriate review and debate.
- A1.42 *Ofcom has made preparatory work for the implementation of AIP a work area for 2012/13 (see page 23), and will engage with the broadcast industry and other stakeholders to inform this work, prior to a consultation.*

White Space Devices

- A1.43 BEIRG raised the concern that interference might be caused by hand-held mobile devices operating using unlicensed interleaved spectrum.
- A1.44 BT believed that Ofcom should aim to complete regulations for white space devices in 2012, and it would be helpful if the final Annual Plan could reflect this. It also commented that 2013 would be more appropriate for the implementation date.

- A1.45 *Ofcom is working towards putting in place regulations to licence-exempt white space devices. Operation of white space devices is subject to not causing harmful interference to incumbent services.*

Olympic and Paralympic Games

- A1.46 BEIRG suggested that, as part of the post-Games analysis detailed within the Draft Annual Plan, Ofcom should publish information about the quantity of spectrum used at peak times during the Games, and whether subsequent major events will have enough spectrum.
- A1.47 RadioCentre believed that spectrum management considerations for the Olympics should be extended to include the activities of other broadcasters who may not have access to the coverage of the Games from within the venues.
- A1.48 *Ofcom will contribute to the International Olympic Committee's knowledge management process so that useful learning from London can be used by our successors. We will therefore seek to publish information which will be helpful to other spectrum regulators contributing to large special events. The experience of the London 2012 Games will also help us fulfil our own responsibilities for Glasgow 2014, the International Athletics Championship in 2017 and other major events in the UK.*
- A1.49 *Ofcom is responsible for meeting the Government's guarantee to allocate the necessary radio frequencies for the organisation of the Games. Ofcom (and in the case of PMSE, Arqiva) will do all it can to meet the needs of all PMSE spectrum users, but where spectrum is limited we may not be able to meet every requirement in all locations.*

Help communications markets to work for consumers

General consumer responses

- A1.50 The Communications Consumer Panel (CCP) suggested a change of emphasis in Ofcom's strategic purpose of helping communications markets to work for consumers, suggesting that the purpose should be to 'ensure that consumers' communications needs are met so that they are well served by, and benefit from effective and efficient markets'.
- A1.51 *The core strategic purposes established as part of last year's Annual Plan are intended to frame Ofcom's work over the medium term. We appreciate stakeholder comments on the purposes and will consider these as part of our next strategic review. In the meantime, we note the Panel's suggestion that the purpose be adjusted to 'ensure that consumers' communications needs are met so that they are well served by, and benefit from effective and efficient markets'. We consider this to be a good alternative description of our purpose and fully consistent with our strategic purpose 'to help communications markets work for consumers'. We look forward to working with the Panel and other stakeholders in the coming year to this end.*

Switching processes

A1.52 The majority of respondents expressed support for our work on switching and a gaining provider-led process. Other issues raised included:

- That our latest consultation did not cover switching mobile provider
- That Ofcom support a self-regulatory industry approach with Ofcom providing oversight
- That there are increasing costs for consumers in the fixed-line market and consumers need to be aware of, and have confidence in, the switching process
- That further work is needed to simplify the process for consumers when switching bundles of services to reduce delays
- That Ofcom should take action against automatically renewable contracts

A1.53 *Switching is a priority issue for Ofcom in the year ahead and our strategic review encompasses switching across the UK communications markets, including fixed and mobile platforms. Initially, our priority is switching between competing fixed-line voice and broadband services. We will consider other sectors in future phases of the project. Ofcom banned automatically renewable contracts in the sale of fixed voice and broadband services to residential consumers and small businesses as of December last year. Any such customers who are currently on ARC should be moved onto an alternative deal by the end of this year.*

Clear consumer information

A1.54 ACNI and the CCP both encouraged Ofcom to use behavioural economics to help understand how consumers make decisions and the role played by information (for example, information required to be provided to consumers choosing a new service).

A1.55 The CCP also welcomed the provision of further information for consumers and encouraged the inclusion of information on complaint levels and outcomes from Alternative Dispute Resolution services. Consumer Focus Scotland stated that Ofcom should investigate options for requiring telecoms providers to publish their own complaints data.

A1.56 Consumer Focus recommended that Ofcom link its work on consumer information remedies with its work on the transparency of consumer information regarding traffic management. This work should cut across the wider communications market and form part of any postal performance monitoring system.

A1.57 The Northern Ireland Department for Enterprise, Trade and Investment (DETI) suggested that the fixed-line speeds analysis published by Ofcom should consider the impact of investment on speeds of available services.

A1.58 *We are grateful to respondents for their views. Consumer information will continue to be central to our work on consumer empowerment in 2012/13. We agree that behavioural economics can be a powerful analytical tool in assessing consumer harm and we will continue to consider including behavioural economics in our evidence gathering on consumer projects.*

A1.59 *We agree that complaints data provide useful comparative data for consumers, and will continue to publish data on the complaints we receive within the framework the law allows. We are happy to explore further and discuss with stakeholders the question of published data from other sources which we believe must be truly comparable to assist consumers in making choices. The need for transparent and understandable consumer information will also be a key part of our work on traffic management.*

Services for consumers with hearing and/or speech impairments

A1.60 The Communications Workers Union (CWU) stressed the importance of ensuring adequate provision of services for consumers with hearing impairments. PhoneAbility recognised that improvement to relay services is a work in progress, but believed it should remain a priority issue for Ofcom.

A1.61 Sorenson outlined the potential benefits of video relay services (VRS) and suggested that Ofcom should promote VRS as a priority in the Annual Plan 2012/13. ACOD argued that enhancements to existing provisions (e.g. next generation relay, speech to text, and video relay services) should be introduced as soon as possible.

A1.62 *Our review of relay services continues to be a major work area for Ofcom in 2012/13, as set out on page 25. We will assess the current arrangements for the provision of relay services, identifying gaps in provision in achieving equivalence and considering proportionate solutions.*

Reducing mobile ‘not-spots’

A1.63 The ACNI reiterated its concern about inadvertent mobile roaming and the overall level of mobile coverage across Northern Ireland.

A1.64 Additionally, DETI highlighted the opportunity to deliver a single investment in the mobile networks in Northern Ireland and called on Ofcom to work constructively with the Department in achieving this.

A1.65 ACOD asked for consideration to be given to broadening the scope of the project to include the disadvantaged groups of older and disabled people, for example by segmenting data by age or disability.

A1.66 *The issue of mobile not-spots remains important to Ofcom and continues to be a major work area for us. The Government’s Mobile Infrastructure Project (MIP) is already working on how we will address coverage not-spots across the UK through investing in new infrastructure to extend mobile services, and engagement in the nations will form part of this process. Ofcom is supporting DCMS in delivering this work.*

A1.67 The CMA reiterated its request that Ofcom mandates national roaming between mobile networks.

A1.68 *Mobile operators are already free to enable roaming arrangements on a commercial basis if they wish to do so. Further information on national roaming is provided in Section 8 of our 2009 Mobile Sector Assessment⁹.*

Universal postal service and needs of postal users

A1.69 Consumer Focus raised a number of points with regard to postal regulation:

- Royal Mail's performance should be monitored effectively;
- monitoring affordability must also be a priority for Ofcom; and
- Ofcom needs to carefully consider the impact of removing market notification requirements from Royal Mail.

A1.70 The CWU stated that there must be a monitoring and control mechanism to ensure that the price of universal service products remains affordable.

A1.71 *The issues raised are being taken into account in the current review of the regulatory framework for post, including the review of regulatory conditions. We expect to implement measures to ensure effective monitoring of the new regime during the course of 2012/13.*

Communications services in the nations

A1.72 Consumer Focus supported Ofcom's programme of into access to communications services in the nations, but suggested that this should be linked to projects that focus on take-up of communications services, in particular broadband. Arqiva said that work should be done to improve the evidence base that is available to the Government on differences in communications services for urban and rural consumers.

A1.73 *Ofcom conducts a regular survey of residential consumers, measuring take-up of communications services, including broadband. The results are published regularly and in depth analysis is provided in our annual Communications Market Report. In addition to this, Ofcom's media literacy research provides detailed analysis of the reasons for use and non-use of digital services, including broadband.*

Monitoring approaches to traffic management

A1.74 The CWU suggested the introduction of minimum standards for traffic management through regulatory enforcement. An individual respondent requested that Ofcom publish more detail on its research on the provision of 'best-efforts' internet access.

A1.75 ITSPA agreed with Ofcom that more needed to be done by ISPs and mobile network operators to provide clearer information to consumers about their traffic management policies.

A1.76 *We have set out our approach to net neutrality in a statement which can be found [here](#). We will continue to encourage the market to deliver positive outcomes to consumers and citizens, such as the Broadband Stakeholder Group's initiative on*

⁹ <http://stakeholders.ofcom.org.uk/binaries/consultations/msa/summary/msa.pdf>

the Code of Practice on Traffic Management, but will keep under review the possibility of intervening more formally in relation to the issues we have identified in this document. We will also continue to work on these issues at the European level through the Body of European Regulators for Electronic Communications (BEREC). We appreciate stakeholder comments on this issue and will consider these within our programme of work, as appropriate.

User information online

- A1.77 The CCP suggested that this area should be a priority, rather than a work area, for Ofcom during 2012/13, in light of the European-wide concern with citizen data protection.
- A1.78 *The development of online data markets is an important area for Ofcom's regulated sectors and an area of significant development, notably in the forthcoming negotiations over the EU Data Protection Framework. We will aim to maintain our good understanding of how affected markets are evolving and how these developments impact on the ability of consumers to get the most value out of internet services. However, we do not see this as an Ofcom priority because the Information Commissioner has primary responsibility for data protection matters.*

Provide appropriate assurance to audiences on standards

Future content regulation

- A1.79 The BBFC agrees with Ofcom that the area of online on-demand services will continue to pose significant challenges and it is therefore right to review the effectiveness of existing regulatory structures. The BBFC considers that its own online service demonstrates that self-regulation can work in the online world without the need for extension of the current statutory regime, at least for now.
- A1.80 With regard to the Ofcom's planned review of ATVOD in 2012/13, the BBFC strongly urges Ofcom not to do anything that would interfere with the existing regulatory architecture, designed, set up and run by the BBFC and the home entertainment industry in online content rating and advice services.
- A1.81 *We welcome stakeholder comments and practical experience in this review and will consider these within our programme of work as appropriate.*

Commercial radio

- A1.82 RadioCentre stated that Ofcom should review the rules regarding analogue licensing and commercial references in radio programming. Folder Media Ltd also requested a review of the rules for commercial references.
- A1.83 *In our consultation document concerning commercial communications in radio programming (20 December 2011) we proposed to keep a watching brief on the implementation of Section Ten of the Broadcasting Code and, within two years, decide whether to consult on any further changes to the rules, depending on such criteria as developments in public policy, radio output that may raise consumer protection concern and complaints/issues raised by stakeholders. Being a little over half-way through this two-year period, we will maintain our watching brief and reach a decision before the end of 2012 on whether a further consultation is necessary.*

Contribute to and implement public policy defined by Parliament

Online Copyright Infringement

- A1.84 Consumer Focus stated that Ofcom should publish an assessment of whether the initial obligations code meets a number of requirements set out in the Digital Economy Act 2010.
- A1.85 *We have concluded our consultation process on the proposed Initial Obligations Code and expect to publish the draft Code soon. The Code will be submitted to the European Commission for consideration under the Technical Standards Directive and will then be laid before Parliament. We will publish a statement alongside the Code which will include a timetable for implementation.*

Media plurality

- A1.86 The ACNI encouraged Ofcom to take into consideration the diversity of media available to people in Northern Ireland on TV and radio.
- A1.87 *We appreciate stakeholder comments on this issue and will consider these within our programme of work as appropriate.*

Digital radio

- A1.88 RadioCentre welcomed Ofcom's work supporting Government's Digital Radio Action Plan, but felt that work on DAB Spectrum Planning and assisting in the Statutory Review for the Digital Radio Switchover should be more explicit in Ofcom's plans.
- A1.89 Folder Media Ltd stated that the Annual Plan should include reviewing the opportunity to advertise the second national DAB multiplex.
- A1.90 *Ofcom is not at present actively planning to advertise a second national commercial radio multiplex. However, we continue to monitor levels of interest from potential applicants, and as the Government and industry move towards an agreed way forward for digital radio, we will keep such a licence advertisement under review.*

Other responses

- A1.91 While the majority of responses we received relate to the areas of the Annual Plan, stakeholders also comment on other areas of work.

Delays to Ofcom projects

- A1.92 A number of respondents highlighted delays in concluding Ofcom projects, in particular, market reviews. There was concern that sufficient resources and budget should be available to ensure that competition issues are addressed in a timely manner.
- A1.93 *We appreciate that the concerns raised in submissions concerning delays to a number of significant market reviews. Ofcom anticipates having sufficient resources available, in line with Ofcom's established budget and strategic priorities, to deliver the outputs described in the Annual Plan during 2012/13.*

Business users

- A1.94 The CMA and Cable & Wireless Worldwide suggested that the Annual Plan place more emphasis on the needs of the business consumers, who require a different regulatory approach to residential consumers.
- A1.95 *We appreciate that the needs of business consumers can differ from that of residential consumers and that this may necessitate a different regulatory approach. Our review of the Business Connectivity Market is a priority in our work programme for 2012/13 and will cover a broad range of services used by businesses and communications providers. During 2012/13 we will also remain responsive to the broader needs of business consumers and ensure that providers are able to compete to offer services to business end-users.*

General Conditions

- A1.96 A number of respondents believed that Ofcom should review the General Conditions to ensure that they still remain effective. Respondents also recommended that Ofcom should publish guidance for the interpretation of the General Conditions.
- A1.97 *A number of our current projects consider whether General Conditions should be changed or updated (e.g. Review of General Condition 15). We will consider whether further work is needed on individual General Conditions or a broader review.*

Fraud and misuse

- A1.98 FCS and a fixed telecoms provider suggested that Ofcom should consider an additional work area regarding mechanisms to block access to numbers or services where this is justified by reasons of fraud or misuse.
- A1.99 *We will continue to keep the Consumer Protection Test (CPT) under review. The CPT enables Ofcom to refuse to allocate blocks of numbers to individuals in some circumstances, to protect consumers from the risk of fraud or misuse. We will also consider the question of access to numbers as part of our work on non-geographic calls, particularly in relation to number ranges that are established to be at risk of fraud, such as 070.*

Mobile payments

- A1.100 Consumer Focus suggested that Ofcom works with other regulators in this area to map any potential consumer protection and enforcement gaps.
- A1.101 *We will work with other regulators and stakeholders to understand the emerging landscape of micropayments. It is important to ensure that consumers are protected, both in the sectors we regulate and across other payment platforms.*

Investigation and interference services

- A1.102 An individual respondent enquired whether loss of the revenue from the BBC for spectrum interference investigation services will affect the level or amount of investigation service Ofcom can offer.

A1.103 *The loss of the BBC contract did result in a reduction in case-load for the interference team, which necessitated a reduction in the size of the team across the UK. The adjustment was made as swiftly as possible and the interference function is now sized appropriately for the demands on our services. We monitor our performance carefully through the use of Key Performance Indicators and have seen an overall improvement in performance since these changes took effect.*