



Annual Plan 2007/8

Regulating for Convergence

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Section 1

Foreword

Convergence is the reason that Ofcom was created and it is now becoming a reality. It has the potential to provide widespread benefits for consumers, both businesses and individuals, and for citizens.

For consumers, convergence means increased choice and the lower prices that come from greater competition between platforms and providers. For citizens, it means the chance to use communications services to participate in society in new ways.

Convergence is the work of markets, but Ofcom has a role in influencing the speed at which it occurs and how widely the benefits are enjoyed. We believe that the interests of citizens and consumers are served by regulating *for* convergence. To this end, we have developed a strategic framework that will see us focusing on seven policy areas over the next three years:

- driving forward a market-based approach to spectrum by continuing to reduce the restrictions on how spectrum can be used, promoting spectrum trading and making more spectrum available;
- promoting competition and innovation in converging markets by ensuring that BT's Undertakings are implemented effectively, encouraging efficient investment in next-generation networks and examining the potential for new sources of market power to emerge;
- ensuring that public outcomes continue to be delivered by reviewing our approach to content regulation, promoting access in all parts of the UK to the communications services needed to participate in society and ensuring that high-quality content is available on a range of platforms, including radio;
- improving compliance by the businesses we regulate by simplifying regulatory rules and examining our approach to enforcement, and empowering citizens and consumers by promoting media literacy and ensuring that consumers have the information to make informed choices;
- considering the extent to which it is desirable to move towards greater consistency between the legal and economic frameworks that govern communications platforms;
- continuing to reduce regulation and minimise administrative burdens; and
- maximising our impact on international policy development.

Our Annual Plan for 2007/8 sets out in detail the work we will be doing in the coming year:

- Section 2 describes the key changes that are happening in the communications sector and explains our three-year strategic framework in more detail.
- Section 3 sets out our 15 policy priorities for 2007/8 – organised under the policy areas identified in the strategic framework – and highlights the main projects that we will be undertaking. The table on our website provides information about all our projects and planned work:

http://www.ofcom.org.uk/about/accoun/reports_plans/annual_plan0708/projects/.

- Section 4 describes the range of services that we deliver to stakeholders and explains what we will be doing to improve them. These services include responding to calls and emails from the public, licensing access to the radio spectrum, keeping the spectrum free from interference, publishing market research and allocating phone numbers to service providers.

The Annual Plan reflects the wide-ranging input that we have received from our stakeholders. We have held public events in Glasgow, Belfast, Cardiff, Caernarfon, Newcastle, Bristol and London. We have received input from our advisory bodies and considered all the written responses to the consultation on the Draft Plan.

There was broad support for our three-year strategic framework and for our proposed policy priorities for 2007/8, so we have not changed them following the consultation. We received other comments and suggestions that have helped us to refine and improve the Annual Plan. For example, in response to the comments of a number of stakeholders, we have added details of how we evaluate our performance to the end of Section 2. The main points made in the responses, and our reaction to them, are set out in the Annex, and we will take account of the responses in carrying out our planned programme of work.

We remain committed to providing stakeholders with value for money and will continue to make efficiency savings, building on the savings made so far.

As a result of recent discussions with HM Treasury, there has been a minor change to our funding arrangements. In the past, technology research was funded directly by HM Treasury under the Spectrum Efficiency Scheme. In the future, this research, which is expected to cost £3.5m in 2007/8, will be included in our budget. However, because the research will relate predominantly to the management of the radio spectrum, it will be funded by the Department of Trade and Industry (DTI). On a like-for-like basis, reflecting the fact that technology research was reported previously as a separate item, our budget for 2007/8 will be £126.7m, which is 5 per cent less in real terms than our budget for 2006/7.

In 2007/8, we will finish repaying the loan received from the Department of Trade and Industry (DTI) to set up Ofcom, meaning that in subsequent years stakeholders will no longer have to contribute to repayments. We will also benefit from disposing of properties that we inherited from the previous regulators; from implementing improvements to our information systems; and from renegotiating major contracts. More information about our budget and the fees that will be payable by stakeholders is available on our website: <http://www.ofcom.org.uk/about/accoun/tariffable0708/>.

We thank you for contributing to the development of our Annual Plan for 2007/8 and look forward to discussing and debating with you the wide range of issues that we will be addressing over the next year.

David Currie

Chairman

Ed Richards

Chief Executive

Section 2

Strategic framework

- 2.1 This section describes the three-year strategic framework that will guide our policy work. It was developed following discussion with a broad range of stakeholders and analysis of how the communications sector is changing as convergence increasingly occurs. The stakeholders who responded to the consultation expressed broad support for the strategic framework, so it is unchanged.
- 2.2 In describing how the sector is changing, we distinguish between platforms and services. A platform is a means of delivering services to consumers, and a wide range of platforms is used in the UK, including digital terrestrial TV, cable, satellite, fixed wireless, and fixed and mobile phone lines. The growth of services provided using these platforms is a central feature of the converging communications landscape.
- 2.3 By convergence, we mean the ability of consumers to obtain more services on a single platform or device – or obtain any given service on multiple platforms or devices. This is driven by many different factors, including technological advances, more open technical standards, increased economies of scale as markets become global, and the adoption by consumers of always-on digital technologies such as mobile phones and broadband.

Developments in the communications sector

- 2.4 We believe that six key changes are occurring and contributing to convergence:

- **Wireless platforms and services are of increasing importance**

The importance of wireless platforms and services continues to grow. This is being driven by a number of factors:

- consumers place a high value on mobility;
- technological advances have made mobile devices more user-friendly;
- new ways of compressing data mean that pictures and video clips can be sent more quickly;
- mobile devices have become smaller, can store more data and have increased processing power; and
- the development of wireless technologies has benefited from global economies of scale.

Indeed, many of the new ways of communicating that have emerged in the last five years are wireless-based. We have seen the rollout of 3G and Wi-Fi networks, and the emergence of new wireless services, such as mobile TV, mobile music downloads, Wi-Fi phones and services to enable parents to check where their children are.

We expect wireless platforms and services to continue to be the main focus for innovation and Ofcom has an important role in regulating the radio spectrum on

which these platforms and services rely. In our *Spectrum Framework Review Statement* (June 2005), we set out our plans to release more spectrum to the market, liberalise the use of spectrum and enable spectrum trading. However, given the increasing importance of wireless platforms and services we believe it is appropriate to refine our approach. In particular:

- We plan to drive forward liberalisation and do more to encourage spectrum trading.
- We will consider our long-term role in relation to spectrum. Some major spectrum awards are in the pipeline and, once these have been completed, our role in releasing spectrum may diminish. On the other hand, we will continue to have a role in licensing and enforcement, international co-ordination will remain important, and some activities, such as defining spectrum usage rights, may increase.

- **There is greater competition between platforms**

We are seeing increasing competition between platforms. This is partly because the emergence of new wireless networks means that the number of platforms has increased. But there are other reasons for growing competition:

- Fixed phone, cable and wireless networks increasingly use Internet Protocol (IP) technology. This means they can increasingly support the same services as one another.
- The components of devices are increasingly modular, so the functionality of a device can be expanded at low cost. A good example is the fact that many mobile phones are no longer simply phones: they can be used to play games, take pictures and listen to music, as well as to make calls or send texts.
- The economies of scale which result from manufacturing equipment for a global market create an incentive to produce devices that are compatible with all platforms and services.

These changes mean that similar sets of services are now available on different platforms, leading to increased choice for consumers. They can obtain more services on a single platform, or obtain any given service on multiple platforms. For example, broadband internet access can be obtained via cable, fixed wireless, or a fixed or mobile phone line.

Historically, platforms have been regulated in different ways and convergence is exposing the differences between the frameworks under which we regulate fixed and mobile telecoms, TV and radio. This creates potential for the development of competition to be distorted because stakeholders may invest in platforms with less restrictive regulatory regimes.

However, this does not mean that a simple platform-neutral approach to regulation is always desirable. For example, TV programmes can now be shown via a variety of platforms – broadcast in the traditional way, supplied on-demand via a fixed phone line or streamed via the internet. These platforms are currently regulated in different ways. Ofcom regulates programmes that are broadcast; programmes supplied on-demand are subject to self-regulation; and programmes streamed via the internet are not subject to any regulation.

There may be legitimate reasons for these platforms to be regulated in different ways. For example, viewers have different expectations about the regulation that should apply, tending to believe that programmes which are broadcast should meet higher standards. We believe, therefore, that a platform-specific approach to content regulation may continue to have merit, at least for a significant transitional period. In any case, our ability to address inconsistencies in the way that platforms are regulated is constrained by national and European legislation.

During the next three years, therefore, we will need to consider:

- the extent to which it is desirable for platforms to be subject to different regulatory frameworks;
 - the extent to which it is possible to have a more consistent approach to platform regulation within the current legislative framework; and
 - in the longer term, at what point it would be useful to have a debate about how the legislative framework might need to change to enable a more consistent approach to regulation.
- **Traditional suppliers are facing increased competitive pressure**

Linked to increasing competition between platforms is the fact that suppliers who have traditionally held a strong market position are subject to growing competitive pressure. This is true of both telecoms and broadcasting.

Increased competition reflects, in part, the success of regulation, and technological change is also an important factor. For example, the broadband market is becoming increasingly competitive as regulation helps enable significant new players to enter the market and offer innovative services, often bundling broadband with other services such as fixed and mobile voice calls.

However, this increased competition is also contributing to the fact that some of the ways in which public outcomes have been achieved in the past are being challenged. By public outcomes we mean outcomes that society wants, but which the market alone will not deliver.

For example, most people would agree that access to a telephone is needed in order to be included in society. This public outcome is achieved by obliging BT to provide all homes with a fixed phone line, even where this is not economically viable. Similarly, most people would agree that public service programming, such as accurate and impartial news, should be widely available. This public outcome is achieved by placing obligations on TV and radio broadcasters, who, in return, are licensed to use scarce spectrum.

One of the consequences of increasing competition, however, is that it is harder for companies to fund these obligations. Historically, communications platforms, such as fixed phone lines or TV, were either available everywhere at a uniform price, or not available at all. Increasingly, platforms do not display these characteristics and companies only wish to rollout platforms where it is profitable to do so.

- **Attitudes to communications services are changing**

Communications services are increasingly central to people's lives. But consumers display different attitudes to services, and use them in different ways. For example, though people of all ages use social networking websites, such as Friends Reunited or MySpace, younger people tend to use them more regularly.

Alongside this trend, what society expects of regulation is likely to change. Participating fully in society is likely to require access to a wide range of communications services – not just a fixed line phone, but internet access and a mobile phone too. This is likely to lead to demands for a range of communications services to be made available to everyone.

However, in different parts of the UK, the price and choice of services can vary. For example, 99.6 per cent of households can now receive fixed broadband services and the small percentage that cannot are likely to be able to receive wireless or satellite broadband. However, this may be at a higher price.

The availability of some newer services, such as higher-speed broadband, may also vary considerably from area to area. This raises the question of the extent to which new platforms should be rolled out to areas where this would not be commercially viable and, if so, how this should be funded.

In relation to content, changing attitudes and behaviour mean that there may be a greater role for self-regulation, allowing us to remove formal regulation in some areas. In particular, as more people gain the tools and knowledge to control access to content, society may decide that less formal regulation is needed to protect audiences from harm and offence.

Another important consideration is that achieving positive public outcomes may not always require public intervention. Market developments may mean that some public outcomes can be achieved without regulation. For example, we are already seeing the emergence of local TV services, and telecoms access services for people with disabilities, such as software which enables a phone to read out text to someone who is visually impaired.

But increasing competition between platforms, combined with pressure on traditional suppliers and evolving attitudes to communications services, means that we will need to review:

- the key public outcomes that society will want in the future;
- which of these outcomes the market is likely to provide and which will require regulation; and
- how rapidly we should move to new or modified mechanisms for achieving key public outcomes, and how they should be funded.

- **Services and technologies are becoming more complex**

Communications services are becoming more complex, as well as changing at a faster rate. In the past, only a few services were available – telephone, TV and radio – and there was a limited choice of supplier. There are now a huge number of suppliers, numerous services to choose from and the services themselves are more complex. Consumers are also grappling with new technology.

This increased complexity means:

- it is harder for consumers to make well-informed comparisons between services;
- the process of switching from one service to another can become more complicated, particularly when services are bundled;
- there may be an increasing number of scams or other practices which exploit consumers' unfamiliarity with new services; and
- people may become increasingly concerned about how to protect themselves, and their families, against harmful or offensive content online.

Equally, technology is enabling people to exert greater control over the content they view, and it is also making services more accessible. So that people are able to benefit fully from the services available to them, it will be important for them to develop improved media literacy.

In response to these developments, Ofcom will examine:

- our role in ensuring that citizens and consumers are empowered to address these challenges, and how much we should delegate to industry or other institutions;
 - to what degree Ofcom will continue to need to protect people directly, and how we can ensure that enforcement is effective;
 - the extent to which Ofcom should increase its activities to ensure that citizens and consumers have the skills, knowledge and understanding necessary to engage effectively in communications markets; and
 - how actively Ofcom should facilitate a transition towards people taking more responsibility for protecting themselves against harmful and offensive content, allowing formal regulation to be reduced.
- **Traditional business models are being challenged**

There are increasing challenges to traditional business models. Many platform operators have enjoyed two decades of growth, but a large number of the most successful new business models of the last five years have not involved platform ownership. Instead, many have focused on providing services or supplying content, and have not required the kind of significant capital expenditure involved in operating a platform.

However, many new, innovative services depend for their development on platform operators making substantial investments in their networks. The challenge is to fund these platform upgrades when traditional business models are threatened by increased competition.

Traditionally, regulation has been targeted at platform operators with market power, and there remains a need to promote competition in telecoms and broadcasting markets. For example, work will continue to ensure that BT Group plc implements effectively the Undertakings designed to ensure that competitors

have equivalent access to the wholesale products needed to supply services to consumers.

At the same time, we need to be aware that convergence may mean that new sources of market power could emerge in areas such as online navigation or digital rights management.

Increased competition does mean, however, that the amount of regulation can be reduced. For example, in response to increased competition we have lifted the restrictions on the prices which BT can charge for voice calls.

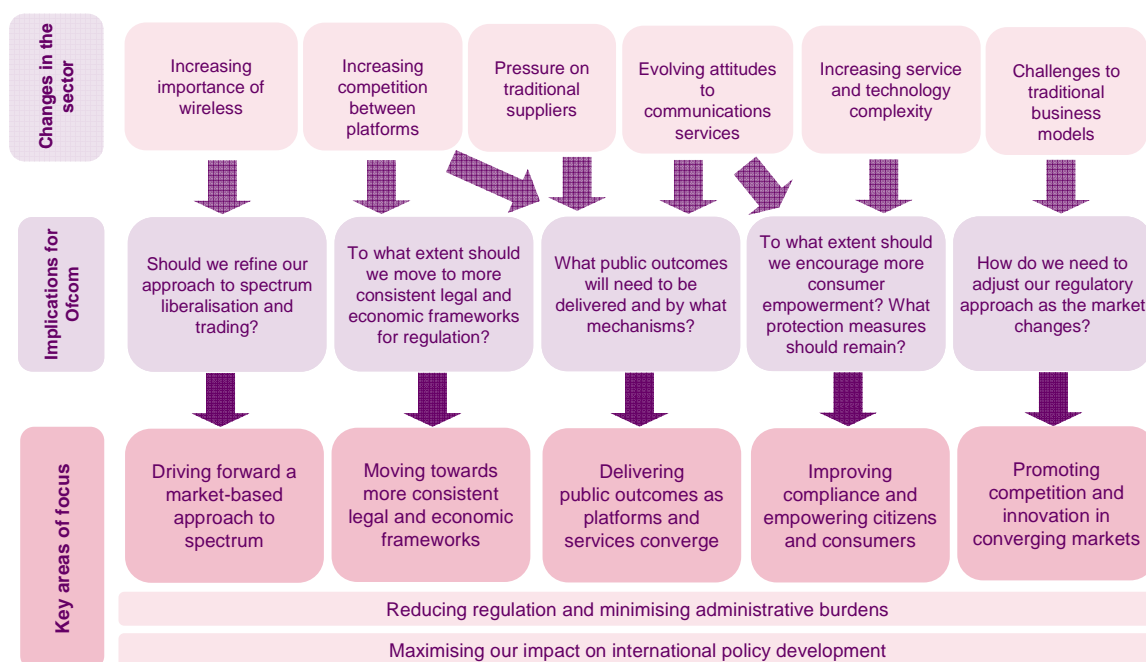
We therefore need to:

- examine what our approach to regulation should be as the economic power of platform operators diminishes in some markets, and the extent to which we can further reduce regulation;
- consider where sectoral regulation is sufficiently flexible to deal with markets that are changing rapidly, and where we should move towards using competition law more;
- explore how we balance the need for innovation and efficient investment with the need to continue protecting consumers and promoting competition;
- consider how we respond to any new barriers to competition which might arise as convergence develops; and
- take a more strategic view of certain wireless platforms, examining the implications for other platforms and considering the long-term implications for regulation.

Three-year strategic framework

- 2.5 These changes are shaping how communications markets evolve and converge, and are summarised in Figure 2.1, along with the questions that they raise for Ofcom. The chart also shows the seven policy areas that we will be focusing on in order to answer these questions. In doing so, we aim to ensure that regulation encourages convergence, and that citizens and consumers enjoy the benefits.

Figure 2.1: Ofcom's three-year strategic framework



Approach to regulation

- 2.6 This strategic framework will guide our work over the next three years. However, this will not necessarily mean more regulation. As markets converge and competition increases we expect to be able to remove some regulation. And our bias against intervention is designed to minimise the risk of unintended consequences that could distort or stifle the development of competitive and rapidly changing markets.
- 2.7 Where intervention is required, however, we will intervene quickly and decisively. The emergence of new services and technologies creates an increased risk that consumers will fall victim to scams, such as internet rogue diallers. Taking firm action to prevent such activities is vital in ensuring that consumers have the confidence to benefit from the increased flexibility and choice that convergence brings.
- 2.8 To ensure that regulation helps rather than hinders the development of markets, we also aim to use the least intrusive regulatory mechanisms. An example of this is the creation of a Telecoms Adjudicator to deal with disputes about local loop unbundling (LLU). This meant that problems with the implementation of LLU could be dealt with quickly and efficiently, without the development of the market being held back by lengthy formal investigations. Another way in which we seek to minimise the burdens on stakeholders is by looking for self- and co-regulatory ways to solve problems.
- 2.9 The rapid pace of change in the communications sector makes it vital that our decisions are underpinned by a clear understanding of people's attitudes and of how markets are developing. Our commitment to evidence-based decision-making is underpinned by wide-ranging market research and regular reports on developments in communications markets.
- 2.10 It is also important for us to review and evaluate our performance. This is not straightforward. Unlike a private company that seeks to maximise profits on behalf of its shareholders, Ofcom, as a public corporation, must serve the public interest by fulfilling our principal duty to further the interests of consumers and citizens. Our success in fulfilling this duty can be difficult to measure because, for example:

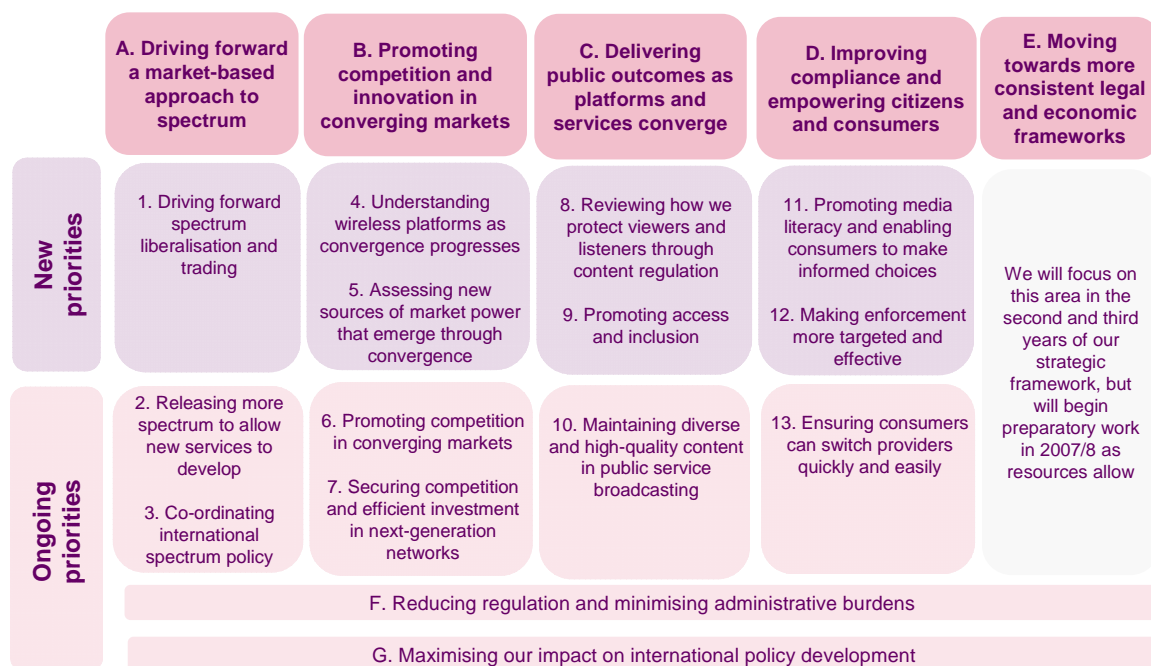
- it is often hard to distinguish between our impact on market developments and a wide range of external influences; and
 - deciding whether we are fulfilling our duties and applying our regulatory principles is often subjective – assessing our performance in a measurable way is not easy.
- 2.11 Nevertheless, there are a number of ways in which we do seek to examine our effectiveness and we are continuing to develop new ways of doing this. In our Annual Report we look back and review our performance over the past year, but a number of stakeholders suggested that in setting out our work programme for 2007/8 it would be helpful to explain how success will be measured.
- 2.12 Every quarter we update the table on our website that shows the outputs, such as consultation documents or statements, that we are intending to produce. This enables stakeholders to see where outputs have been delayed or postponed.
- 2.13 We also record the extent to which we have managed to reduce regulation and minimise administrative burdens. Our *Updated Simplification Plan* (December 2006) sets out a range of measures we are taking to reduce the burdens on our stakeholders, and in our Annual Report we will set out the action that we have taken to do so.
- 2.14 Ultimately, we believe that our performance should be judged by reference to the outcomes that are delivered for citizens and consumers. We measure these outcomes in a number of ways. Every year we publish *The Communications Market*, which provides a comprehensive picture of developments in the communications sector. This is supplemented by a range of reports on specific issues, such as the take-up of digital TV and broadband, and an extensive programme of market research. In particular, we published a report called *The Consumer Experience* (November 2006) that, overall, provided a positive picture of the benefits that competition has delivered for consumers. For example, the cost of a basket of residential communications services fell from £113.40 per month in 2001 to £76.20 per month four years later. Overall customer satisfaction remains high – between 88 per cent and 93 per cent – and this in line with banking and energy markets.
- 2.15 We are also starting to examine the impact of particular policy initiatives. We published a report *Evaluating the impact of the Telecoms Review* (October 2006) that sought to assess the effectiveness of the action we took to stimulate competition in the telecoms sector and thereby deliver increased benefits for consumers. We plan to do more of this kind of analysis in the future and will publish our findings.

Section 3

Policy work programme

- 3.1 This section sets out our policy priorities for 2007/8 and highlights the main projects that we will be doing in relation to each of them. We have not changed the priorities following the consultation as there was broad support for them, but we have refined the list of projects that we will be doing.
- 3.2 Figure 3.1 sets out the priorities, showing how they fit into the three-year strategic framework described in Section 2 and distinguishing between those priorities that are new, and those that are ongoing.

Figure 3.1: Policy priorities for 2007/8



- 3.3 We have also published a table on our website that provides comprehensive details of all our policy projects for next year, including expected outputs and contact details for the person accountable for each project:
http://www.ofcom.org.uk/about/accoun/reports_plans/annual_plan0708/projects/.
- 3.4 Our priorities are focused on the policy issues we need to address. However, we also devote substantial resources to delivering services to our stakeholders. Providing these services, and further improving them, will continue to be important and we describe these activities in Section 4.

A. Driving forward a market-based approach to spectrum

3.5 Under this part of the strategic framework, we will continue to implement a more market-based approach to spectrum management, as set out in our *Spectrum Framework Review*. During 2007/8 we will focus on the following areas:

- **Priority 1 – driving forward spectrum liberalisation and trading**

We will examine how we can accelerate the development of a secondary market in spectrum by driving forward the process of spectrum liberalisation and facilitating spectrum trading. Allowing the market to decide how spectrum should be used will foster increased competition and innovation, and will mean that the regulator has a less intrusive role in spectrum management. Another important consequence will be that the administrative burdens on spectrum users are reduced further. Work in this area will include:

- facilitating more efficient spectrum markets by providing better information about current spectrum use;
- implementing spectrum trading for high-volume business radio licences;
- considering the application of trading and liberalisation to the mobile sector;
- exploring the scope for a new approach to spectrum usage rights;
- implementing the recommendations of the Cave Audit, in particular defining the spectrum access rights of public bodies to facilitate trading;
- developing a vision of our future role in relation to spectrum markets;
- carrying out analysis of the impediments to secondary spectrum trading;
- continuing the development of administered incentive pricing for aeronautical and maritime spectrum, as recommended by the Cave Audit;
- determining the future pricing of spectrum used for analogue radio broadcasting; and
- starting a major review of spectrum pricing three years on from the last such review.

- **Priority 2 – releasing more spectrum to allow new services to develop**

Carrying out our programme of spectrum awards will be a continuing priority in 2007/8. Making more spectrum available to the market will be critical in enabling the development of platforms for the next generation of converged services. We plan to carry out work in the following key areas:

- completing the award of a number of spectrum bands, as shown in Figure 3.2;
- preparing for possible awards in the following spectrum bands:
 - 1790 to 1798 MHz in Great Britain;
 - 2302 to 2310 MHz;

- 3.6 GHz; and
- determining how the spectrum freed-up by digital TV switchover should be released to the market and then addressing the detailed issues concerned with the award of this spectrum.

Figure 3.2: Planned spectrum awards

BAND	POTENTIAL USES
1785 to 1805 MHz in Northern Ireland	Wireless broadband and radio microphones
10, 28, 32 and 40 GHz	Fixed links, fixed wireless access and possibly backhaul in cellular networks
1452 to 1492 MHz	Mobile television, satellite radio and possibly wireless broadband
2500 to 2690, 2010 to 2025 and 2290 to 2300 MHz	Mobile multimedia, mobile television, technologies such as WiMax, wireless broadband and wireless cameras
872 to 876 MHz paired with 917 to 921 MHz	Business radio and public access mobile radio

- **Priority 3 – co-ordinating international spectrum policy**

Effective international co-ordination on spectrum policy will continue to be a priority in 2007/8. We will represent the UK on the key international bodies concerned with spectrum management and will seek to achieve an international approach that helps us to secure the optimal use of spectrum in the UK. In particular, we will represent the UK at the World Radio Conference 2007 and in the International Telecommunication Union (ITU), European Conference of Postal and Telecommunications Administrations (CEPT) and the EU. Specific projects will include:

- co-ordinating spectrum access for radio and TV services internationally, which will include reaching agreement with neighbouring countries on Digital Audio Broadcasting (DAB) rights; and
- contributing to and then implementing European decisions on the allocation of spectrum for ultra-wide band (UWB) services.

- **Additional policy projects**

We will also carry out additional projects in relation to spectrum management, including:

- carrying out a wide-ranging review of the policy issues that relate to licence exemption;

- developing new codes of practice for business radio licences;
- planning for digital TV switchover;
- planning for the 2007 Tour de France, which will begin in London;
- planning for the London 2012 Olympic Games and Paralympic Games;
- reforming the aeronautical licensing system;
- seeking to determine future policy towards GSM gateways, high density fixed satellite services (HDFSS), business radio, fixed links, and programme-making and special events;
- establishing the regulatory framework for the deployment of GSM networks on aircraft; and
- measuring 3G mobile operators' compliance with their rollout obligations.

B. Promoting competition and innovation in converging markets

3.6 Under this part of the strategic framework, we intend to do work in the following areas in 2007/8:

- **Priority 4 – understanding wireless platforms as convergence progresses**

A new priority in 2007/8 will be to take a more strategic view of the development of certain wireless platforms. In a converging world, it is important to understand how wireless platforms, such as mobile TV and wireless broadband, will evolve and contribute to further convergence. We plan to:

- continue to monitor the impact of convergence in mobile markets;
- develop our strategy in relation to mobile TV and wireless broadband;
- promote competition in mobile telecoms markets, including:
 - implementation of the planned EC Regulation on international roaming;
 - a review of the national roaming condition; and
 - a review of the market for short message services (SMS);
- monitor the standardisation process and international deployment of Digital Radio Mondiale (DRM); and
- monitor and evaluate inadvertent roaming in Northern Ireland.

- **Priority 5 – assessing new sources of market power that emerge through convergence**

Another new priority during 2007/8 will be to develop our approach to the new sources of market power that may emerge through convergence at different points in the value chain. In considering the case for regulating or deregulating at any one point in the value chain, we will need to consider carefully what could

happen elsewhere. This will help us to avoid the risk of regulation distorting the way that markets are developing. Planned projects include:

- reviewing developments in business models as a result of convergence to determine what new sources of market power or bottlenecks may emerge – for example, in relation to search and navigation tools; and
- keeping abreast of new technologies and considering the impact that they will have on the marketplace.

- **Priority 6 – promoting competition in converging markets**

We will continue to promote competition in converging telecoms and broadcasting markets. Central to this will be to ensure that BT Group plc complies with its Undertakings by giving competitors equivalent access to the wholesale products they need to provide services to consumers. This will lead to greater competition in a range of markets, with consumers, including businesses, benefiting from lower prices and increased choice as a result. We will also continue our work to promote increased competition in broadcasting markets. There will be a range of work to ensure TV broadcasters have access to the platforms they need in order to compete fairly for viewers. In particular, we plan to focus on:

- ensuring that BT Group plc implements its Undertakings effectively by:
 - ensuring that the application of equivalence to key products encourages improved service performance, especially in relation to the provision of wholesale line rental and fully-unbundled copper loops;
 - ensuring that BT achieves separation of its operational support systems;
 - ensuring that, in respect of its 21st Century Network, BT delivers equivalence of input for operators using bitstream access to supply broadband services;
 - creating a long-term financial framework for Openreach to deliver efficiency, coverage and high-quality services; and
 - producing quarterly reports evaluating BT's progress in implementing the Undertakings;
- promoting competition in broadband markets, which will include finishing our review of wholesale broadband access markets and sustaining our commitment to local loop unbundling;
- opening up business telecoms markets, which will include continuing our review of leased lines markets and carrying out further work on the pricing of business telecoms services;
- promoting competition in TV broadcasting markets, including:
 - carrying out a market investigation into the pay TV industry;

- completing our market review of wholesale digital TV platforms, which includes reviewing the rules that promote fair and effective competition in relation to digital terrestrial TV multiplexes;
- setting access-related conditions for Top Up TV Limited;
- reviewing the codes on minimum carriage requirements and bundling;
- providing support to the Office of Fair Trading, if required, in any review of the contract rights renewal (CRR) remedy in the TV advertising market;
- examining how the regulation of the digital terrestrial TV platform should evolve;
- promoting competition in radio broadcasting markets by:
 - considering content and platform capacity issues in radio;
 - considering the implications of syndicated radio content;
 - updating our understanding of the flow of funds to radio;
 - licensing new DAB national and local radio multiplexes;
 - re-licensing local analogue commercial radio; and
- carrying out market impact assessments in relation to new TV and radio services being developed by the BBC, with our conclusions then to be considered by the BBC Trust.
- **Priority 7 – securing competition and efficient investment in next-generation networks**

A continuing priority in 2007/8 will be to ensure that, as operators make the transition to next-generation networks, the conditions are in place to promote effective competition and efficient investment by both incumbent operators and new entrants. Planned work in this area includes:

- modifying the regulatory regime for fixed telecoms networks in the light of the development of next-generation networks, including:
 - reviewing markets that are likely to be affected by next-generation networks, such as those for voice access and origination;
 - developing product specifications for new wholesale products, such as voice line access; and
 - appropriate pricing;
- continuing to work with NGN UK, the industry co-ordination forum, to facilitate the development of a new interconnection framework, while at the same time being prepared to intervene where industry agreement is not reached;

- developing our approach to next-generation access networks to secure competition and efficient investment, enabling consumers to receive timely access to innovative services;
 - examining the issue of net neutrality and developing our approach to differential quality of service over broadband networks; and
 - considering the commercial and economic aspects of the bundling of communications services.
- **Additional policy projects:**

We also plan to carry out a number of other policy projects aimed at promoting competition and innovation in converging markets, including:

- promoting competition in converging narrowband markets, with this work including:
 - a review of the market for network termination charges;
 - the further development of our policy on Voice over Internet Protocol (VoIP) services;
 - a review of retail markets; and
 - a review of wholesale voice access and origination;
- examining and reviewing the structure and regulation of the wholesale market(s) for directory information;
- ensuring the delivery of fit-for-purpose products for wholesale line rental, thereby promoting greater competition in the supply of voice calls;
- introducing modifications to the rules governing number translation services (NTS);
- reviewing General Condition 18, which relates to number portability;
- implementing the conclusions of our review of numbering policy;
- finalising our work to improve the gathering and analysis of financial information;
- monitoring compliance with charge controls and introducing new compliance procedures; and
- examining developments in approaches to estimating the cost of capital.

C. Delivering public outcomes as platforms and services converge

3.7 Work under this part of the strategic framework will involve the following priorities in 2007/8:

- **Priority 8 – reviewing how we protect viewers and listeners through content regulation**

A new priority will be to review our approach to negative content regulation, i.e. the rules that restrict what can be shown on TV and radio. These include the rules protecting viewers and listeners against harm and offence. We will focus on how regulation should evolve, considering the extent to which we should maintain the differences in how content is regulated depending on the platform over which it is delivered. As part of this debate, we will consider the extent to which there ought to be a shift towards self-regulation, and how quickly this might feasibly happen. Proposed projects include:

- considering how our approach to content regulation should evolve in the light of convergence;
- considering the consumer dimension of content regulation, particularly in relation to participation TV, and examining how it should be regulated;
- examining the child protection issues surrounding children's participation in TV; and
- reviewing the procedures we follow in dealing with standards complaints and in imposing sanctions.

- **Priority 9 – promoting access and inclusion**

Work to promote access and inclusion will continue to be a priority for Ofcom. We will carry out research to understand better the nature of concerns in this area, building on our work to understand how the availability, take-up and consumption of communications services varies in different parts of the UK. At the same time, we will consider what services we can expect the market to provide without regulation, and the future availability, accessibility and take-up of those services.

Ofcom has an important role in facilitating increased access and inclusion, working closely with stakeholders and other public bodies. More broadly, we will need to take account of the potential impact of our policy decisions on the full range of our stakeholders, including vulnerable groups and people living in remote and rural areas.

We plan to carry out the following specific projects:

- ongoing implementation of the Universal Service Obligation (USO), including the new social tariff scheme BT Basic, setting up a text relay advisory panel and ongoing work on payphone issues;
- responding to proposals about how the concept of universal service should evolve as part of the review of the Universal Service Directive;
- considering how access to the communications services needed for an inclusive society could be extended;
- ensuring the development of TV access services, such as signing, to better meet the needs of citizens and consumers; and
- examining the benefits of easily usable equipment and researching the development of new technologies that increase the accessibility of services and devices.

- **Priority 10 – maintaining diverse and high-quality content in public service broadcasting**

The task of reviewing the ways to achieve high-quality TV and radio programmes will be a continuing priority in 2007/8. The existing approach to maintaining public service broadcasting (PSB) may become unsustainable, particularly following digital TV switchover. Similarly, the pattern of commercial local radio provision that has developed over many years may no longer be viable. Planned projects in this area include:

- concluding our review of Channel 4's financial position, the viability of its funding model and the nature of any policy intervention required to ensure continued delivery of its remit;
- publishing an annual report on the delivery of PSB;
- developing further the concept of a public service publisher;
- reviewing the future of children's programming on TV;
- examining what the future obligations on ITV should be in relation to non-news programming in the Nations and Regions;
- concluding our analysis of the future of news in the light of convergence;
- carrying out our annual review of ITV networking arrangements;
- starting work early in 2008 on our next statutory review of PSB;
- continuing our work on the future of radio, which includes content and ownership regulation and the ability to free up analogue spectrum when the time is right; and
- completing our review of community radio, while continuing to license new services.

- **Additional policy projects**

Another significant area of focus will be our continuing work with the Government and Digital UK as one of the organisations responsible for the switchover to digital TV. The process will begin in 2007 with switchover in Whitehaven, Cumbria, and continue across the UK over the subsequent five years, ending in 2012. During 2007/8 we will:

- continue to participate in the digital TV switchover programme led by Digital UK;
- assist in the preparations for switchover in Whitehaven;
- conduct research and publish regular market updates and other reports, particularly in relation to the interests of consumers;
- work with DTI and other organisations in promoting usable digital equipment; and

- as mentioned previously, continue the spectrum planning work required by switchover.

We also plan to carry out a number of other projects in related areas:

- reviewing the code on electronic programme guides (following publication of the guidelines on technical platform services and completion of our review of the conditional access market); and
- working with Government to implement the Audio-Visual and Media Services Directive once it has been finalised.

D. Improving compliance and empowering citizens and consumers

3.8 Under this part of the strategic framework, we will do work in the following areas during 2007/8:

- **Priority 11 – promoting media literacy and enabling consumers to make informed choices**

In 2007/8 Ofcom will place a much greater emphasis on media literacy, and on consumers' ability to make informed choices and obtain value for money. Taken together, these two areas will lead to people having improved communication capability.

By communication capability we mean the skills, knowledge and understanding that citizens and consumers need to benefit from communications services – to access and engage with content, be able to use communications services confidently and get the best deal in the marketplace.

We recognise that communication capability is dependent on having access to services that are easy to use. Ofcom also has a role in promoting access and inclusion and this priority is discussed above (priority 9).

During 2007/8 our work to promote media literacy will include raising people's awareness of, for example:

- how to use tools, such as web browsers and electronic programme guides, in order to navigate safely and effectively; and
- how to manage audio and visual content using information, such as content labelling and trust marks, and tools, such as parental controls, internet filtering and firewalls.

We will also seek to improve people's understanding of: editorial and commercial agendas; the difference between reportage and advocacy; and the context in which content is supplied.

We intend to divide this work into two areas:

- To maximise our impact, we will be reviewing how we engage with other organisations that have a role in facilitating media literacy, including government. In doing so, we will build on our working relationships with key stakeholders, including the Broadband Stakeholders' Group, the BBC, the Media Literacy Task Force and the Community Media Association.

- Underpinning our activities will be a substantial programme of research designed to understand how people relate to content and services. We will return to some of the questions we asked in our *Media Literacy Audit* (MLA) in order to monitor developments. We will also undertake specific qualitative research into the barriers to, and factors which enable, effective use and understanding of media, focusing on skills gaps identified by the MLA.

We will also seek to enhance consumers' ability to make informed choices in the marketplace. To this end, we will:

- review the provision of information about quality of service that is provided by Topcomm; and
- enable consumers to compare the prices of services by dealing with applications for accreditation under our revised price accreditation scheme.

- **Priority 12 – making enforcement more targeted and effective**

A priority for 2007/8 will be to take a more targeted and effective approach to enforcing the rules designed to protect citizens and consumers. There needs to be confidence, shared by companies, consumers and citizens, that rules will be enforced effectively.

We will seek to identify the scams or practices that have the potential to cause most harm to people, and take action to stop them before they have a widespread impact. We will promote improved compliance with the rules that prevent anti-competitive behaviour and the rules that protect consumers from, for example, mis-selling. And we will maintain standards in broadcasting by dealing effectively with complaints from listeners and viewers.

Our projects will include:

- enhancing Ofcom's capability in effective enforcement. In particular, this means stepping up our pro-active enforcement of regulation designed to protect consumers from, for example, mis-selling and silent calls;
- completing our review of premium rate services regulation, taking into account technological advances and the development of new services;
- reviewing our approach to enforcement in the light of the Macrory Review of Regulatory Penalties, which set out a range of best-practice enforcement principles;
- examining whether we can use competition law more effectively to tackle anti-competitive behaviour;
- reviewing the procedures that we use in broadcasting standards cases; and
- considering how we can deal with illegal broadcasting more effectively.

- **Priority 13 – ensuring consumers can switch providers quickly and easily**

A continuing priority will be to ensure the effectiveness of the processes that are necessary to allow consumers to switch suppliers. We propose to:

- implement improvements to existing processes, such as the process for broadband migration;
- understand and minimise any risks to consumers, including businesses, that arise from the migration to next-generation networks; and
- consider how migration processes will need to develop as communications providers increasingly supply complex bundles of services to consumers.

E. Moving towards more consistent legal and economic frameworks

3.9 As part of our three-year strategic framework, we will examine where it is desirable to move towards greater consistency between the legal and economic frameworks which govern different platforms. We will focus on this issue during the second and third years covered by our strategic framework, although we will begin preparatory work in 2007/8 as resources allow. For example, we plan to review our experience of applying the Communications Act to inform a longer-term debate about future legislation.

F. Reducing regulation and minimising administrative burdens

3.10 Across all our activities, we will examine the scope for removing regulation and easing the administrative burdens on our stakeholders (**priority 14**). Particular projects will include:

- considering the extent to which co- and self-regulation offer an alternative to formal regulation, with content regulation being an area where there is potential for individuals to play a greater role in regulation;
- ensuring that we carry out effective impact assessments and evaluate the impact of our policy decisions, including the environmental impact;
- developing our approach to identifying and reducing administrative burdens;
- ensuring we are clear about how our decisions will further the interests of citizens and consumers, including how we will resolve any conflicts between these interests;
- reviewing the general conditions which govern the supply of communications services, in order to assess the scope for simplifying them; and
- monitoring and examining what we can learn from developments in regulatory best practice, in the UK and abroad.

G. Maximising our impact on international policy development

3.11 Another cross-cutting area of activity will be to maximise our impact on international policy development (**priority 15**). In particular, in 2007/8 we aim to:

- participate in core EU negotiations by:
 - supporting Government in concluding negotiations on the Audio-Visual and Media Services Directive; and

- providing significant input to negotiations on the EU Framework Directive Review and the follow-on review of the Universal Service Directive;
- contribute to other EU negotiations by:
 - addressing the legislative proposals which will follow the Commission's Content Online Communication, which is expected by 2007;
 - taking a leading role in shaping the European spectrum agenda through the Radio Spectrum Committee, Radio Spectrum Policy Group, and other fora;
 - addressing new Commission initiatives on horizontal consumer protection in communications markets; and
 - influencing the development of the EC Regulation on international roaming;
- be pro-active in:
 - promoting development of the European Regulators Group and greater co-operation among EU content regulators;
 - developing a programme of bilateral engagement with regulators outside the EU and policymakers in key overseas markets;
 - engaging with the European Conference of Postal and Telecommunications Administrations (CEPT) and International Telecommunications Union (ITU) in the run-up to the World Radio Conference; and
 - developing ties with other converged regulators around the world.

Section 4

Service delivery

- 4.1 On an average day, Ofcom provides a wide range of important services to around 2,500 stakeholders, involving about 250 of Ofcom's staff.
- 4.2 We also gather information about communications markets and carry out research into the preferences of citizens and consumers, including business consumers. The information that we collect and the research that we carry out feed into regular reports that, as well as informing our policy decisions, provide stakeholders with independent, authoritative information about the communications sector.
- 4.3 In this section we:
- provide an overview of the services we deliver to stakeholders;
 - describe how we are improving those services; and
 - explain the links between delivering services to stakeholders and achieving our policy priorities.

Dealing with enquiries and complaints from the public

- 4.4 Ofcom's Contact Centre deals with enquiries and complaints from consumers about telecommunications services, TV and radio services, and use of the radio spectrum. Over the past year, we received around 370,000 phone calls, 43,000 messages via our website, 11,000 emails and 16,000 letters and faxes.
- 4.5 Consumers often complain to Ofcom about telecoms issues because they have received an inadequate response from their service provider, or because they have been unable to contact them. We aim to help consumers resolve their complaints by pointing them to useful advice and information.
- 4.6 People usually complain directly to Ofcom about TV and radio programmes. For programmes broadcast on commercial TV and radio, and by S4C, we consider issues relating to harm and offence, fairness and privacy, impartiality and accuracy. For programmes broadcast by the BBC, we only consider issues related to fairness and privacy, and harm and offence. We also deal with complaints about programme sponsorship and alleged product placement.
- 4.7 The Ofcom Contact Centre also receives enquiries about the use of the radio spectrum, although these are mainly referred to our dedicated Licensing Centre.
- 4.8 We are investing in information systems to improve our call-handling performance in addressing enquiries and complaints. We also aim to optimise the role of the Ofcom Contact Centre in providing early warning about consumer concerns, such as silent calls, slamming and mis-selling. This is against the backdrop of rapidly changing communications markets; new types of complaints therefore arise all the time and create unexpected increases in the number of complaints we receive.

Allocating telephone number ranges to service providers

- 4.9 Ofcom plays an important role in allocating telephone number ranges to communications service providers who, in turn, allocate individual numbers to their customers. The number of applications received from service providers has grown steadily in recent years, exceeding 2,000 for the first time in 2005. Indeed, in the first eight months of 2006, the number of applications had already reached 1,850.
- 4.10 As part of our review of numbering policy, we have established the following principles governing numbering:
- the numbers consumers want should be available when they are needed;
 - the numbers consumers currently use should not be changed if this is avoidable;
 - the meaning that certain types of numbers have for consumers – such as 0800 numbers being associated with free calls – should be maintained;
 - number allocation processes should support competition and innovation; and
 - consumers should not be exposed to abuse.
- 4.11 A number of operational changes will be needed to apply these principles, with the objective of creating a number allocation process which is efficient, more consumer-driven and more market-led. Although changes will take place over a number of years, we have already started to allocate smaller blocks of numbers where there is a risk of shortages occurring.

Licensing access to the radio spectrum

- 4.12 Ofcom licenses access to the radio spectrum by issuing, renewing and revoking licences. Where necessary we make frequency assignments, perform site clearances and co-ordinate the use of spectrum internationally. In 2005/6 we issued 212,000 licences, the majority being annual renewals. Our work to simplify spectrum licensing will result in us issuing fewer licences. For example, we are moving to lifetime licences for ships and amateur radio.
- 4.13 Licensing will still be a significant activity for Ofcom, however, and over the next 18-24 months we are aiming to provide an improved service to stakeholders and reduce the costs of licensing administration by:
- automating much of the licensing administration;
 - enabling stakeholders to apply for, and receive, licences online;
 - in-sourcing the licensing of ships and amateur radio; and
 - administering licences for the majority of licence types via a centralised Ofcom Licensing Centre.

Keeping the radio spectrum free of interference

- 4.14 We monitor the radio spectrum and take action to prevent harmful spectrum interference. The increasing demand for spectrum is leading to more intensive usage

and the increased risk of interference. In 2005/6 our Field Operations team handled 16,500 cases. They take action to:

- protect safety-of-life communications;
- prevent illegal use of the radio spectrum;
- enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and
- remove non-compliant equipment from the market.

4.15 Our strategy has been to focus our resources on keeping the radio spectrum free from harmful interference. This has involved a wide-ranging transformation of our Field Operations team, including the organisational structure, property, vehicle and equipment strategy, volume and mix of work, and people-management and culture.

4.16 These changes are now largely complete, and our current focus is on reviewing our approach in the key areas of illegal broadcasting; investigations and enforcement; monitoring; and interference resolution.

Providing information services

4.17 Ofcom provides the information services which underpin delivery of services to stakeholders, such as enabling the move towards increasing online access to services.

4.18 Ofcom adopted 50 of the 70 information systems used by the regulators we replaced. These legacy systems are mostly bespoke and are based on differing platforms and technologies. In 2004/5 we began to integrate these systems and our aim is that, by the end of 2007/8, this project will be largely completed.

Providing information to consumers via our website

4.19 Via our website we provide information to consumers by issuing, for example, alerts about scams to which they may be exposed.

4.20 We will continue to develop our website. In 2007/8 we plan to look at the scope for greater personalisation according to different types of user. We will also examine the feasibility and likely impact of providing additional alerts about scams and other topical issues.

Publishing market research and communications market reports

4.21 We publish a wide range of reports on developments in the communications sector and on the attitudes of citizens and consumers:

- Communication market reports– annual reports on:
 - the UK – to be published in August;
 - the Nations and Regions – to be published in May; and
 - international developments – to be published in November.

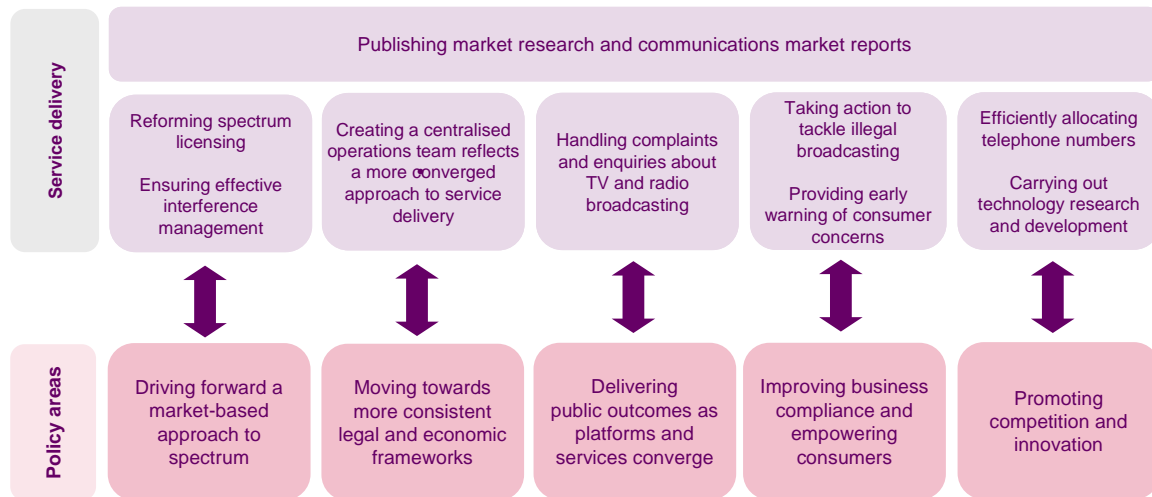
- Communications market reports – special reports on:
 - young people;
 - minority ethnic groups; and
 - other demographic groups.
- Digital progress reports – reports on:
 - digital TV every quarter;
 - broadband – to be published in April; and
 - other fast-moving markets on an ad-hoc basis.

4.22 We also aim to publish all research conducted to support policy projects. In 2007/8 this will involve publishing major research on illegal broadcasting, convergence, news, TV programming in the Nations and Regions, children's TV and media literacy. We will also track the take-up and consumption of communications services by large businesses and small and medium-sized enterprises (SMEs).

Links between service delivery and policy development

- 4.23 The effective delivery of our operational services is closely linked to the key policy areas of our strategic framework (described in Section 2):
- Driving a market-based approach to spectrum will be underpinned by the reform of spectrum licensing and effective interference management.
 - Developing new mechanisms for delivering public outcomes will be supported by the Contact Centre handling complaints about programmes broadcast on TV and radio.
 - Improving compliance and empowering consumers will benefit from the early warning system provided by the Contact Centre, and effective action to tackle illegal broadcasting.
 - Promoting conditions for competition and innovation will be supported by the efficient allocation of telephone numbers, and technology research and development.
- 4.24 Figure 4.1 provides some examples of the important links between the services we deliver to stakeholders and the policy areas identified in our three-year strategic framework.

Figure 4.1: Links between service delivery and policy development



Annex 1

Summary of stakeholders' comments

- A1.1 We received 36 written responses to the Draft Annual Plan. There was a diverse range of respondents, with responses from three of our advisory bodies, six public bodies, five individuals, two voluntary organisations, twelve companies, and eight representative bodies.
- A1.2 This section provides a summary of the main points made by stakeholders in response to the Draft Plan and sets out Ofcom's responses to them. We have focused on the comments made specifically about the Draft Plan and on suggestions about additional areas of work that we could do.

General comments

- A1.3 There was wide support for our three-year strategic framework and policy priorities for 2007/8. There was also support for the theme of regulating for convergence. One stakeholder welcomed the strategic framework, but said that we should not lose sight of the need to promote competition in existing markets and ensure that previous strategies are implemented effectively.
- A1.4 There was support for our high-level analysis of the increasing importance of convergence, but one stakeholder said that specific projects seemed to focus on particular sectors rather than taking a converged approach.
- A1.5 Some stakeholders welcomed the approach of setting out our high-level priorities and leaving the detail about projects until the final version of the Annual Plan. However, a number of stakeholders said that they would like to see more information about our planned projects and outputs.
- A1.6 A number of stakeholders said that there was insufficient mention of business consumers and sought confirmation that we define consumers to include business or enterprise consumers. It was argued the short-term needs of enterprise consumers can lead to longer-term benefits for individual consumers and society, but that sometimes the interests of business consumers may be at odds with the interests of individual consumers. Stakeholders also noted that service performance can be critical for business consumers and suggested that this can be overlooked when regulation focuses on business and consumer markets in aggregate.
- A1.7 One stakeholder said that the cost of communications products and services should be viewed as a strategic issue. This is because as new products and services have become available and their ownership and use have become the norm, the cost of these products and services for an ordinary household has risen sharply.
- A1.8 Another stakeholder said that three themes should be given more attention over the next three years: a) the needs of business customers in relation to spectrum and choice of communications services; b) the analysis and research in relation to applications used in key sectors, such as transport, environment, health and defence, which would focus attention on the UK's communications needs; and c) the international benchmarking of the contribution to UK competitiveness of communications regulation.

- A1.9 One stakeholder was concerned in particular about the interests of local businesses and about the quality of service and value for money for business and residential consumers of telecoms services.
- A1.10 Another stakeholder suggested that we should be more specific about our objectives and clearer about the measures that will be used to assess whether these objectives have been met. This was supported by another stakeholder, who wanted to see more transparency in relation to the effectiveness of Ofcom's spending against its strategic and policy priorities, as part of its commitment to providing stakeholders with value for money.
- A1.11 There was concern that citizens were not mentioned in the strategic framework or list of policy priorities and it was suggested that prominence was given to consumers over citizens throughout the Draft Plan. One stakeholder also expressed concern that there was still no clear statement from Ofcom regarding the nature of citizen interests. They said that, at the moment, it is not possible to evaluate how well or poorly we are furthering the interests of citizens. It was suggested that Ofcom has the power and ability to promote the interests of consumers, but is much less well-equipped to promote the interests of citizens. The effect, they said, is that our duty to promote consumers tends to drive policy. There was support for our distinction between the interests of citizens and consumers.
- A1.12 One stakeholder was disappointed that there was no mention of broadcasting training and skills in our strategic framework or list of policy priorities. Another stakeholder argued that, in the light of convergence, we should be encouraging workforce training for telecoms.
- A1.13 It was argued by one stakeholder that we should apply the concept of technology neutrality to our work on converged wireless platforms, next-generation access and moving towards consistent legal and economic frameworks.
- A1.14 Some stakeholders said that it was unsatisfactory not to be able to comment on our budget and one said that we should be planning to reduce stakeholder fees in 2008/9 by the amount of the final payment to DTI in respect of the loan made to set up Ofcom.
- A1.15 One stakeholder said they were disappointed that Ofcom did not acknowledge its responsibilities in relation to designated landscape areas and suggested that we should conduct research into citizens' views on the visual impact of overhead telephone lines.

Ofcom response

- A1.16 We agree that it will be important for us to implement existing policies. For example, we will continue to devote a significant amount of resources to ensuring that BT complies with the Undertakings that it made following our telecoms strategic review.
- A1.17 Our three-year strategic framework reflects the impact of convergence on the communications sector and signals that we are pursuing a converged approach to regulation. We will ensure that this is reflected in the way that individual projects are carried out.
- A1.18 We realise that stakeholders want detailed information about our projects. For this reason, we have published a table on our website that describes all our policy

projects and gives details of planned outputs and the appropriate person to contact for more information.

- A1.19 We have made clear in the final version of the Annual Plan that we do regard businesses as consumers and that the interests of business and individual consumers may sometimes be different. The Plan sets out a number of projects that will benefit businesses, including further work to open up business telecoms markets.
- A1.20 We have an extensive research programme that includes research into the experiences of consumers, both businesses and individuals.
- A1.21 We publish a report *The International Communications Market* that considers how the UK compares with our competitors.
- A1.22 We will consider the suggestion that it would be useful to conduct analysis and research in relation to applications used in key sectors, such as transport, environment, health and defence.
- A1.23 In response to the suggestion that we should be clearer about how we evaluate our performance, we have added a passage on this at the end of Section 2.
- A1.24 We certainly do not favour the interests of consumers over the interests of citizens. For example, a key element of our strategic framework involves delivering public outcomes, which involves pursuing those outcomes that society wants but which the market alone will not deliver. And we are intending to publish a paper on Ofcom's role in furthering citizen interests shortly.
- A1.25 We will continue to facilitate broadcast training and skills through the system of co-regulation operated by the Broadcast Training and Skills Regulator.
- A1.26 We have provided details of our budget for 2007/8 in the final version of the Annual Plan. Unfortunately, we were unable to include this information in the Draft Plan, unlike in previous years, because we had not concluded our discussions with HM Treasury about our future funding.
- A1.27 With regard to the environmental impacts of our policies, we plan to take these into account when carrying out future impact assessments where it is proportionate to do so.

Comments on driving forward a market-based approach to spectrum

- A1.28 There was strong support for our commitment to driving forward a market-led approach to spectrum. It was suggested by some stakeholders, however, that we should be mindful of the need to fulfil the full range of our responsibilities, including maintaining a range of high-quality public service broadcasting across all platforms and ensuring that spectrum is used optimally to further the interests of both citizens and consumers.
- A1.29 One stakeholder said they would like to know what we intend to do to encourage licence holders to release or trade unused spectrum.
- A1.30 Another stakeholder expressed concern that liberalisation is happening more slowly in other EU countries and said that we should seek reciprocation from other member states, and equivalence of access and information.

- A1.31 Some stakeholders were concerned about the impact of spectrum liberalisation on areas of low population density. It was suggested that coverage conditions should be applied to some bands and that there should be financial incentives to extend coverage, such as in areas where there is limited competition or limited availability of wired broadband.
- A1.32 One respondent pointed to the fact that the maritime use of spectrum is almost entirely safety-related and said that safety should be paramount when considering liberalisation, including the application of administered incentive pricing and band-sharing.
- A1.33 Another stakeholder suggested that we should have a comprehensive project to cover all regulatory issues relating to the Olympics.
- A1.34 There was concern about Ofcom's intention to introduce spectrum charging from 2014 without first agreeing with Government how provision will be made for the ongoing funding of public service broadcasting within such a regime.
- A1.35 Two respondents raised the issue of spectrum property and usage rights, saying that we should include projects on developing spectrum property and usage rights in a liberalised environment – ensuring that there are robust ownership rights would enable spectrum to be valued properly.
- A1.36 It was suggested that we should resolve the legacy issues relating to spectrum allocation. In particular, we should re-allocate 900 MHz spectrum to all mobile operators to make sure there is a level playing field before refarming 900 MHz for 3G services.
- A1.37 Finally, we should reduce the burden on stakeholders by spacing out consultations and auctions, limiting data requests made without warning and allowing the maximum possible time to respond to consultations.

Ofcom response

- A1.38 Clearly it is desirable for licence holders to release or trade unused spectrum. We will be taking this into account in promoting the development of secondary spectrum markets.
- A1.39 We agree that it is important for liberalisation to occur in other EU countries and one of our priorities is to pursue international spectrum co-ordination.
- A1.40 In general, our policy is to move away from placing conditions on the use of spectrum. However, we have plans to make spectrum available in a number of bands, some of which are suitable for extending broadband coverage to areas of low population density.
- A1.41 We recognise the concerns expressed about maritime safety and will consider carefully the possible impacts on safety that may flow from spectrum liberalisation.
- A1.42 We have set up a project that will bring together all Ofcom's work in preparation for the 2012 Olympics.
- A1.43 On the subject of spectrum usage rights, we are intending to publish a paper shortly.

- A1.44 The question of how to address the legacy issues relating to spectrum allocation is an important one. We will be addressing this in our ongoing programme of work to apply trading and liberalisation to the mobile sector.
- A1.45 We recognise that the amount of our spectrum-related activity places a burden on our stakeholders. We will seek to balance the need to proceed quickly with our programme of liberalisation against the need to minimise the burden of responding to consultations and preparing for auctions.

Comments on promoting competition and innovation in converging markets

- A1.46 There was support for our planned work on new sources of market power and one respondent suggested that this should include looking at whether existing regulation will continue to be appropriate.
- A1.47 One stakeholder commented that we should protect enterprise consumers from the anti-competitive supply of bundled services and that we should provide greater legal certainty about the use of multi-user GSM gateways.
- A1.48 It was suggested as well that we should require mobile operators to improve coverage or mandate national roaming.
- A1.49 There was concern felt by a number of stakeholders about the quality of service provided by BT Wholesale and Openreach. We were asked to ensure that BT's Undertakings are implemented in a way that secures good-quality service and there was a suggestion that there should be a specific project to investigate ways of improving the service performance of BT's regulated wholesale products.
- A1.50 One stakeholder said that we should encourage and provide incentives for Openreach to place telephone lines underground in national parks and areas of outstanding beauty, and should encourage Openreach to work jointly with electricity distribution companies.
- A1.51 There was wide support for our emphasis on securing competition and efficient investment in next-generation networks, but one stakeholder commented that this should take into account mobile and wireless investment.
- A1.52 One stakeholder was disappointed that there was no mention of starting work on the next charge control review.
- A1.53 There was support from a number of stakeholders for our proposed work to promote competition in broadcasting markets, particularly the review of wholesale digital platforms.
- A1.54 Our plan to take a more strategic view of the development of wireless platforms was welcomed widely and it was suggested that this should take account of mobile TV and wireless broadband.
- A1.55 One stakeholder said that we should make implementing the review of numbering an absolute priority and should take on board new approaches to economic analysis, particularly in relation to the cost of capital and Ramsey pricing.

Ofcom response

- A1.56 We will be seeking to provide greater certainty about the use of multi-user GSM gateways.
- A1.57 We will be reviewing the issue of national roaming as part of our work to promote competition in mobile markets.
- A1.58 Improving the quality of service provided by Openreach will be a key focus of our work to achieve equivalence of input. We note, as well, the concerns about BT Wholesale's quality of service.
- A1.59 With regard to our next charge control review, we will be starting work on this during 2007/8, although there are unlikely to be any outputs until 2008/9.
- A1.60 We will be discussing further the issue of providing incentives for operators to minimise their environmental impact.
- A1.61 In developing our approach to next-generation networks, we will take into account the potential impact of mobile and other wireless networks. And, in taking a strategic view of wireless platforms, we will look at mobile TV and wireless broadband.
- A1.62 We will be focusing on implementing our review of numbering and we will be exploring different economic approaches to estimating the cost of capital.

Comments on delivering public outcomes as platforms and services converge

- A1.63 In relation to the Universal Service Obligation (USO), one stakeholder argued that our first priority should be ongoing implementation, including a review of costs and benefits. They argued that it was no longer appropriate for the burden to remain solely on incumbents and suggested that a review of the scope of the USO should only occur following completion of the EU Framework Review.
- A1.64 Another stakeholder asked what work will be done by Ofcom to promote access and inclusion. Specifically:
- What are the services that Ofcom expects the market to deliver?
 - How available and accessible should these services be?
 - What level of take-up of these services would be regarded as a success?
 - What exactly does Ofcom intend to do to further its declared role in facilitating increased access and inclusion?
- A1.65 In addition, we were challenged to set out our vision of what would be desirable social outcomes in respect of access and inclusion. It was argued that the services that are essential to citizenship include fixed telephony, mobile telephony, internet access and digital TV, and that the provision of services for people with disabilities, and the provision of information and confidence-building measures are also essential.
- A1.66 Another stakeholder said that they would like to see Ofcom engage far more actively with film, both as a genre of public service broadcasting and as a key

element in helping to drive forward the development of digital Britain. They argued that on-demand services for film are at the forefront of developments in new digital services and suggested that there should be a workstream on film.

- A1.67 One stakeholder said that the issue of funding of public service content goes wider than just news and children's programming. They welcomed, therefore, the forthcoming second review of PSB and asked us to consider whether an earlier review of public funding for PSB might be needed.
- A1.68 Another stakeholder said that local TV and wireless broadband should be the main priorities in order to develop national, regional and local layers of PSB.
- A1.69 It was also suggested that public outcomes should include the promotion of skills in the audio-visual workforce, especially at a time of rapid change and convergence.
- A1.70 Another stakeholder said that in communications, there were few more important policy goals than ensuring that all citizens have access to broadband, which is an increasingly important means of participating in the information society. Also, they suggested that it was essential that we maintain and develop the current services for people with disabilities.
- A1.71 One stakeholder welcomed our work on the future of news, but was keen for it to include consideration of the future of regional news. They suggested, as well, that the financial review of Channel 4 has highlighted the need for a broader review of Channel 4, like the BBC Charter Review.
- A1.72 Another stakeholder asked us to signal our commitment in the final version of the Annual Plan to our project on the future of radio.
- A1.73 It was also commented that we should resist pre-judging the outcomes of convergence and commit to work within the remit of our role. Otherwise, they suggested, there was a risk that we would influence the market by pre-empting how and which public outcomes should be delivered.
- A1.74 It was suggested as well, that we should not look at the consumer dimension of content regulation, such as the impact of quiz channels, until the Gambling Commission and ICSTIS have completed their work in this area.

Ofcom response

- A1.75 We will be continuing work to implement the Universal Service Obligation, including the new social tariff scheme, BT Basic, setting up a text relay advisory panel and ongoing work on payphone issues.
- A1.76 The questions about access and inclusion are very pertinent and we will be considering them as part of our access and inclusion project.
- A1.77 We do not plan to have a specific project on film, but we recognise that film may play a valuable role in the development of new digital services.
- A1.78 Our forthcoming review of PSB will consider the issue of PSB funding. Given that this will commence during 2007/8, we do not think an earlier review of funding is appropriate.

- A1.79 The PSB review and work to develop the idea of a public service publisher will take account of the different ways in which PSB content can be delivered.
- A1.80 We agree that the promotion of skills is important and will continue to support the work of the Broadcast Training and Skills Regulator in this area.
- A1.81 We are currently carrying out a review of Channel 4's financial position, the viability of its funding model and the nature of any policy intervention required to ensure continued delivery of its remit. And we will be starting work on our next statutory review of PSB in early 2008.
- A1.82 We are committed to completing our project on the future of radio and it is mentioned explicitly in the final version of the Annual Plan.
- A1.83 Our work on the consumer dimension of content regulation will look at participation TV generally, so we do not think it would be appropriate to delay this until ICSTIS and the Gambling Commission have completed their pieces of work, which are more narrowly focused.

Comments on improving compliance and empowering citizens and consumers

- A1.84 There was wide support for our intention to improve compliance by businesses and empower citizens and consumers.
- A1.85 There was particularly strong support for placing increased emphasis on facilitating improved communication capability, including media literacy.
- A1.86 It was suggested that we could do more to empower people with learning difficulties in the areas of media literacy and accessible technology. Related to this, one stakeholder pointed out that there were excellent, but insufficiently recognised, opportunities for businesses to "design for inclusion". They said that Ofcom should promote citizen engagement and participation in design decision-making and encourage businesses to recognise the role of innovation in addressing the needs of the UK's ageing population and excluded groups.
- A1.87 Another stakeholder said that providers have a major role to play in empowerment and that they cause some of the difficulties for consumers by making their promotional and marketing material difficult to understand.
- A1.88 One stakeholder was puzzled by use of the term "communications capability". They pointed out that although we have a specific duty to encourage media literacy, there is no mention in the Communications Act of communications capability. They said, as well, that media literacy encompasses creative expression and critical understanding, as well as an understanding of the tools and knowledge consumers need to benefit from communications services – they would like to see this broader conception more fully embedded in Ofcom's work.
- A1.89 In contrast, another stakeholder argued that as well as promoting media literacy, it is necessary to promote technological fluency and we should promote collaboration between telecoms companies and educational establishments to develop e-skills courses and qualifications.
- A1.90 There was concern from one stakeholder at the lack of a policy for those who are relatively low on media literacy. It was argued that there will always be a substantial

minority of people who are unable to protect themselves sufficiently from content-related harm and they asked for concrete proposals to achieve specific outcomes.

- A1.91 One stakeholder said that we should help to generate interest and growth in the take-up of new telecoms products and services by promoting the business benefits – this would help dispel the perception in the business community, particularly among SMEs, of a lack of need.
- A1.92 There was support for our focus on consumer protection. A number of stakeholders stated the importance of enabling consumers to switch quickly and easily to new providers – of fixed, mobile and broadband services. It was suggested that Ofcom should invest in its own price and quality comparison tool and not rely solely on the market.
- A1.93 Some stakeholders expressed concern about security and privacy, and the lack of trust that may deter people from using the internet.
- A1.94 A number of stakeholders said that they would like us to improve the effectiveness of our approach to enforcement. There was a particular focus on competition law enforcement, with concern being expressed about the length of time that investigations take. One stakeholder questioned whether sufficient resources were being deployed on investigations.
- A1.95 Another stakeholder said that we should monitor compliance pro-actively. They suggested that we often have knowledge of potential breaches and should act before, rather than after, a breach has occurred.
- A1.96 Finally, one stakeholder argued that we should recognise that, at times, resolving disputes is more important than carrying out reviews and we should divert resources accordingly.

Ofcom response

- A1.97 We will take into account the comments on accessible technology in the context of our project on easily usable equipment.
- A1.98 In the final version of the Annual Plan we have clarified what we mean by communication capability. Our intention is to place a much greater emphasis on media literacy and consumers' ability to make informed choices and obtain value for money. Taken together, these two areas will lead to people having improved communication capability.
- A1.99 Media literacy includes being able to use communications services effectively and we will be working with a wide range of partners, including in the education sector. We will be publishing more details of our media literacy work programme in the summer.
- A1.100 We recognise the importance of businesses understanding the benefits of new telecoms products and services, but we see the role of generating interest and growth in such products and services as primarily one for providers.
- A1.101 We do not plan to invest in our own price and quality comparison tool, but we will be reviewing the operation of Topcomm, which enables comparisons to be made about quality of service. We also plan to accredit providers of price comparison information under our revised price accreditation scheme.

A1.102 We will be reviewing our approach to enforcement in 2007/8. In particular, we will be looking at the effectiveness of our approach to applying competition law. In doing so, we will take into account the comments that stakeholders have made.

Comments on moving towards more consistent legal and economic frameworks

A1.103 There was only a small number of comments on this area of our strategic framework. The stakeholders that did comment, however, supported the need to move towards greater consistency.

A1.104 It was argued by one stakeholder that the need for consistent application of regulatory rules is an urgent issue that should be addressed now because a lack of consistency is already causing distortions. They said that this was not just about legislative changes – we should ensure that we apply our regulatory principles as consistently as possible.

A1.105 Another stakeholder commented that a review of the Communications Act should consider the unique needs of Scotland.

Ofcom response

A1.106 We recognise the need to apply our regulatory principles in a consistent way and this is one of the things that we evaluate on an ongoing basis. And the theme of the Annual Plan – regulating for convergence – demonstrates that we recognise the importance of a converged approach.

Comments on maximising our impact on international policy development

A1.107 One stakeholder said that they would like to see greater harmonisation, consistency and transparency across Europe, and suggested that there should be a minimum level of regulation that no member state should fall below.

A1.108 Another commented that the planned work in relation to Europe should more fully reflect the domestic focus on media literacy, high-quality programming and the development of online services.

A1.109 It was suggested as well that we should seek to reduce the impact of the proposed EU regulation on international roaming.

Ofcom response

A1.110 We agree that there should be effective implementation of EU regulation in all member states.

A1.111 A significant portion of our work to maximise the impact we have on international policy development will be focused on content regulation. And the implementation of the Audio-Visual and Media Services Directive is expected to involve monitoring the effectiveness of our efforts to promote media literacy.

A1.112 We will seek to ensure that the planned EU regulation on roaming is implemented appropriately.

Comments on reducing regulation and minimising administrative burdens

- A1.113 One stakeholder asked us to monitor ICSTIS' review of 0871 numbers because of concern that it could lead to disproportionate administrative burdens on the users of these numbers.
- A1.114 We should take account of potential environmental impacts in our policy decisions.
- A1.115 We should do more accurate impact assessments and estimate costs and benefits more accurately.
- A1.116 There was support for our proposed review of the General Conditions and it was hoped that this would reduce the administrative burden on retail service providers. It was suggested, as well, that there is scope to introduce more self- and co-regulation, with the General Conditions being more like over-arching principles.
- A1.117 Another stakeholder said that the focus of the General Conditions review should be on simplifying the rules and the language to make compliance simpler.

Ofcom response

- A1.118 We will be carrying out a review of the scope, purpose and effectiveness of premium rate services regulation so that it keeps pace with developments in technology and in society.
- A1.119 We are continuously seeking to improve our approach to impact assessments and recognise the need to take account of environmental impacts where appropriate.
- A1.120 The focus of our review of the General Conditions will be to make it more straightforward to both comply with and enforce the regulatory rules. We are carrying out a separate piece of work on self- and co-regulation that will examine the extent to which such approaches to regulation could be applied more widely.