Draft Annual Plan 2012/13

Contents

Section 1

Executive summary

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

1.1   This Draft Annual Plan presents Ofcom's strategic purposes, proposed priorities and work programme for the twelve months from 1 April 2012 to 31 March 2013.

1.2   We encourage those with an interest in Ofcom's work to respond to this consultation by 17 February 2012. Your views will help inform our Final Annual Plan statement for 2012/13, which will be published at the start of our next financial year in April 2012.

Our strategic purposes guide our draft priorities for the year ahead

1.3   Ofcom's principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. Therefore, the needs of consumers and citizens are at the heart of our programme of work.

1.4   Ofcom established five strategic purposes last year, which reflect our duties to citizens and consumers in the communications sector, and frame our programme of work over the coming years.

Promote effective and sustainable competition	Promote the efficient use of public assets	Help communications markets to work for consumers	Provide appropriate assurance to audiences on standards	Contribute to and implement public policy defined by Parliament

1.5   Ofcom's work programme for 2012/13 is underpinned by these strategic purposes, and informed by:

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

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

- legislative changes to our duties, most notably our new responsibility for the regulation of postal services; and

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

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

1.6   Our focus is on supporting a healthy communications sector in which consumers are supported and protected, a range of high quality content is available, and consumers and citizens benefit from competition and innovation in services delivered over a capable infrastructure.

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

- Broadband take-up continues to grow and has now reached nearly three-quarters (74%) of all UK households, although there is some variance by locality. The roll-out of superfast broadband services also varies across the UK, and is more extensive in urban environments and where public funding has been provided.

- There has been significant growth in smartphone take-up, with three in ten mobile users now using a smartphone handset, increasing mobile connectivity to the internet.

- Nearly all homes in the UK (96%) now have digital TV, as we approach completion of digital switchover in 2012, with a third of households having access to HD channels.

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

1.8 Our duties reflect our responsibilities towards consumers across the whole of the UK. In particular, we must have regard to the interests of persons in the different parts of the UK and of those living in rural and urban areas.

1.9 As part of our statutory duties, we will continue to report on the take-up, availability and quality of service of communications services within the nations and English regions. These sources of data will be made publicly available to government, communications providers and consumers.

1.10 During 2012-13 our proposed priorities will support consumers across the UK. The areas of particular interest to the nations include:

- mobile not-spots;

- superfast broadband roll-out;

- the availability of local TV and community radio; and

- the overall provision of communications services in the nations.

Ofcom now has responsibility for the regulation of postal services

1.11 In the past year we have implemented new and revised duties, which require a number of changes to Ofcom's role and responsibilities. The most significant of these is our new responsibility for regulation of the UK's postal services.

1.12 Ofcom took over regulation of postal services from Postcomm on 1 October 2011. This followed the recommendations of the 2010 Hooper Report into the postal services sector, which were accepted by government and implemented through the Postal Services Act 2011.

1.13 The postal sector is essential to the UK economy and society. It is increasingly part of a much wider communications sector and is influenced by the growing take-up and use of other communications services.

1.14   In 2010, 16 billion letters were delivered to 28.2 million addresses. The universal postal service, which ensures that these letters are delivered to every address in the UK, six days a week, at an affordable and geographically uniform price, is highly valued by the public.

1.15   Under the Postal Services Act, we have a primary duty to carry out our functions in relation to post in a way that will continue to secure the provision of a universal postal service. In fulfilling this, we will represent the interests of both residential and business customers.
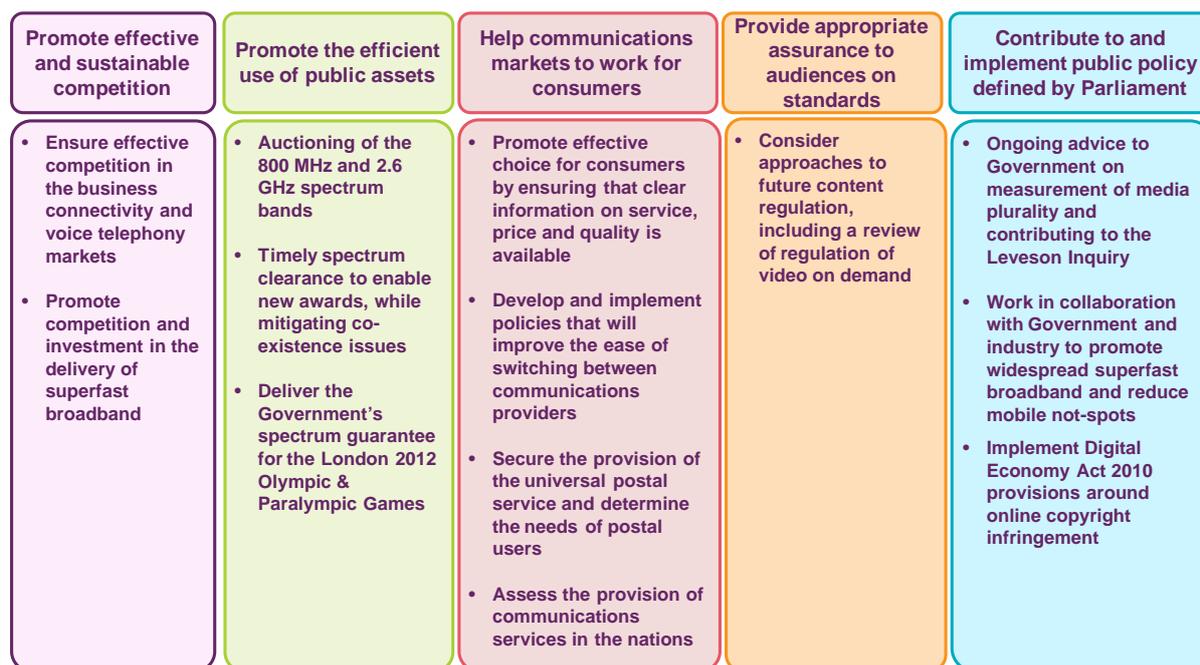
We are also implementing new and revised duties in other areas

1.16   There are other amendments to UK and European legislation that have changed our duties. They include:

- developing the framework to implement provisions in the Digital Economy Act aimed at addressing online copyright infringement; and

- in May 2011 we implemented the revised provisions of the European Framework for Electronic Communications.

Our proposed priorities for 2012/13

1.17   The priority areas in Figure 1 will be our primary focus over the next financial year. Some of our priority areas in last year's work programme will continue into 2012/13, alongside a number of new areas of work.

1.18   We will assess the successful delivery of our proposed priorities for 2012/13 against the positive outcomes we are seeking to secure for citizens and consumers. To achieve this, we have identified interim and final outcomes for each of our priorities (see page 26) and we will measure our progress towards delivering these in our Annual Report.

Figure 1: Draft Annual Plan 2012/13 proposed priorities

Promote effective and sustainable competition	Promote the efficient use of public assets	Help communications markets to work for consumers	Provide appropriate assurance to audiences on standards	Contribute to and implement public policy defined by Parliament
• Ensure effective competition in the business connectivity and voice telephony markets • Promote competition and investment in the delivery of superfast broadband	• Auctioning of the 800 MHz and 2.6 GHz spectrum bands • Timely spectrum clearance to enable new awards, while mitigating co-existence issues • Deliver the Government's spectrum guarantee for the London 2012 Olympic & Paralympic Games	• Promote effective choice for consumers by ensuring that clear information on service, price and quality is available • Develop and implement policies that will improve the ease of switching between communications providers • Secure the provision of the universal postal service and determine the needs of postal users • Assess the provision of communications services in the nations	• Consider approaches to future content regulation, including a review of regulation of video on demand	• Ongoing advice to Government on measurement of media plurality and contributing to the Leveson Inquiry • Work in collaboration with Government and industry to promote widespread superfast broadband and reduce mobile not-spots • Implement Digital Economy Act 2010 provisions around online copyright infringement

1.19   In addition to our priorities, we will continue to deliver important services to other stakeholders (such as licensing access to the radio spectrum), as well as a number of other work areas that are an important part of our 2012/13 programme. We will deliver these services in the most efficient and effective way possible, making real-term cost savings every year.

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

Section 2

Understanding the changing use of communications services

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

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

2.2   Our research is presented annually in the *Consumer Experience*[1] and the *Business Consumer Experience*[2] research reports, as well the *Communications Market Report*[3] and *International Communications Market Report*[4], our statistical surveys of developments in the communications sector in the UK and internationally. We have also now published our first *Communications Infrastructure Report*[5]. These reports provide data by nation, as well as looking at the UK as a whole.

Consumers' use of communications services has transformed over the past decade

2.3   The *Communications Market Report* presents our latest research into availability, take-up, consumer satisfaction with, and costs of communications services. It provides data and analysis on broadcast television and radio, the internet, and fixed and mobile telephony.

2.4   This year's report, published in August 2011, took the opportunity to look back at the changes that have taken place across the UK in the past decade. It revealed how the communications market has been transformed by increased ownership and use of broadband, mobile phones and multichannel TV services. Several services have made the journey from niche to mainstream, and even though there has been an increase in availability and take-up of communications services, there is still further room for growth:

- Since 2000, the proportion of homes with an internet connection has tripled, increasing from 25% to 76%.

- Fixed and mobile broadband services have been launched and are now found in three-quarters of UK households (74%).

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[1] http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/
[2] http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/
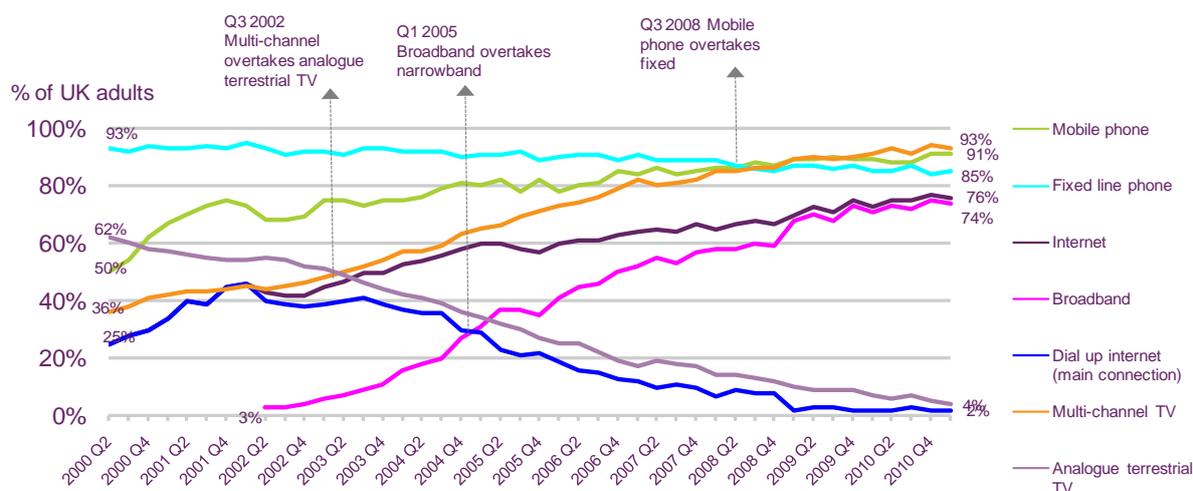[3] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/
[4] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/
[5] http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bbspeeds2011/infrastructure-report.pdf

- Multichannel television penetration has increased by a similar amount, from 36% to 93%, driven by the digital switchover of television across the UK, which will be completed in 2012.

- In 2000, only half of UK adults said that they had a mobile phone – that figure now stands at 91%.

2.5   During the same period, fixed-line phone ownership has gradually declined, from 93% to 85%, as some consumers have chosen to rely entirely on mobile telephony. Figure 2 also shows that dial-up internet connections, along with five-channel analogue terrestrial TV services, are now almost non-existent.

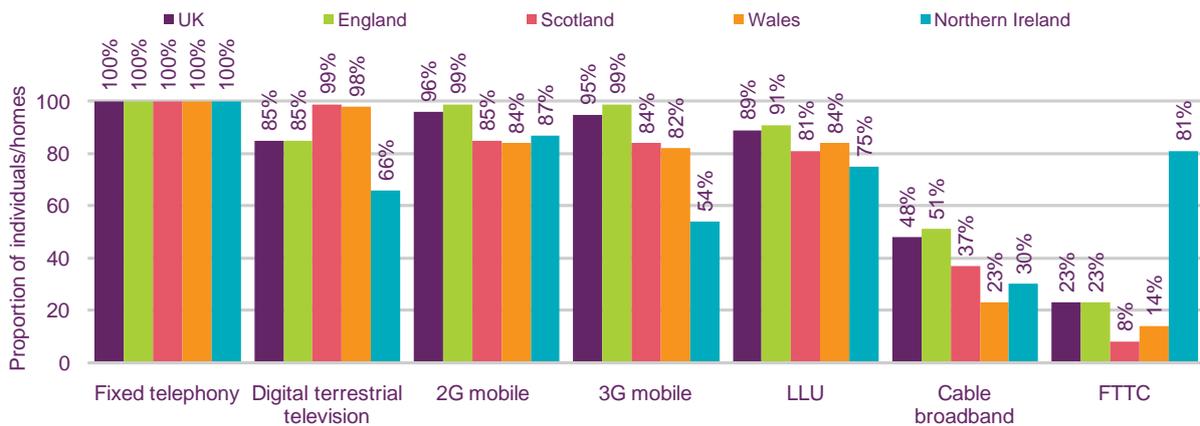**Figure 2: Take-up of communications services, 2000-2010**

Source: Oftel/Ofcom survey research

There is wide availability of communications services across much of the UK

2.6   The availability of most key communications services remained largely unchanged during 2010, reflecting the near-universal levels of coverage across the UK shown in Figure 3. The most significant rise in availability was of the digital terrestrial television (DTT) signal, which rose from 81% to 85% across the UK as the switchover to digital gathered pace. Broadband availability from multiple suppliers (using local loop unbundling services) reached 89% last year, growing at a faster rate than the previous year.

Figure 3: Availability of communications services, 2010

Source: Ofcom Communications Market Report

2.7   Not-spot issues affect the nations much more than England. For example, the Ofcom infrastructure report revealed that while total outdoor not-spots account for only 1.4% of the landmass in England, they account for 15.5% of Scotland and 5.8% of Wales. Mobile coverage also varies within the regions of England and between urban and rural areas. During 2012/13 we will provide advice to government on its proposals to invest £150m in new infrastructure to improve mobile coverage in areas of the UK where it is poor or non-existent.

Figure 4: Mobile coverage, by nation

Percentage of landmass not coverage by **any** operator

Source: Ofcom Infrastructure Report

2.8   The provision of fixed superfast broadband has continued:

- Virgin Media launched its 'up to' 100Mbit/s service at the end of 2010, and in June 2011 announced that the service was available to four million UK homes[6].

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[6] http://mediacentre.virginmedia.com/Stories/Virgin-Media-s-ultrafast-100Mb-broadband-now-available-to-over-four-million-UK-homes-211c.aspx
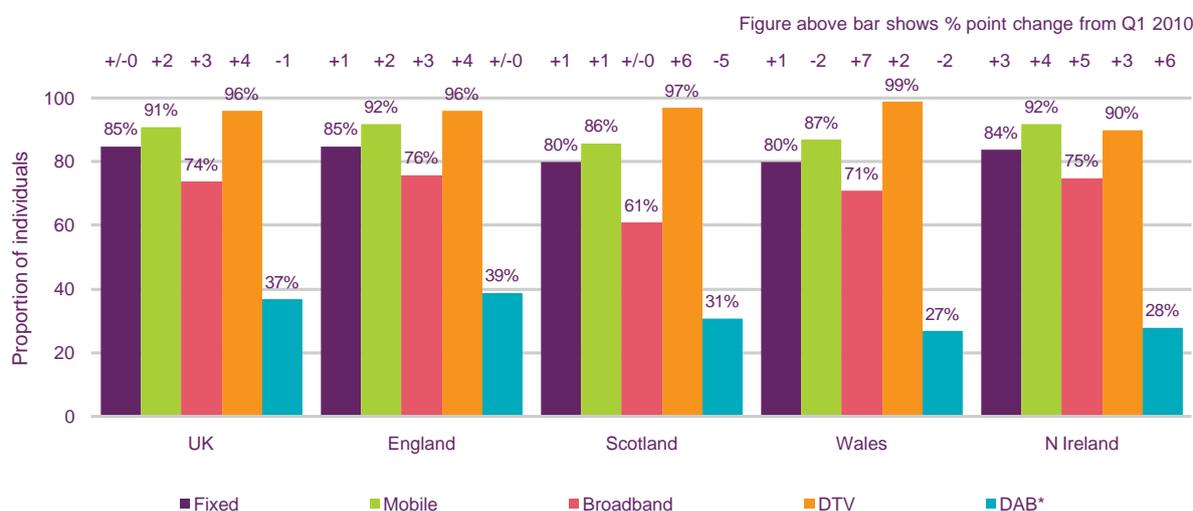
- In May 2011 BT announced that its 'up to' 40Mbit/s fibre-to-the-cabinet (FTTC) service would soon be available to five million homes and was passing 80,000 additional premises a week[7].

- A number of local fibre deployments continued, and there are further plans to provide coverage in more local areas, including in Bournemouth, Belfast and Cumbria.

- The Scottish Government has allocated £62m over the next four years in funding for the digital economy and broadband infrastructure, including the delivery of next generation broadband across Scotland by 2020.

2.9   This is a major area of work that we will focus on in 2012/13, promoting competition and investment in the delivery of superfast broadband, and working in collaboration with government to ensure its widespread availability across the UK.

Take-up of communications services varies across the nations of the UK

2.10   We also consider how our work programme affects the nations of the UK. Take-up of the most established communications services remained stable or increased modestly in the past year. Although broadband take-up has continued to increase, in Scotland it still remains relatively low at 61%, 13% points behind the UK average of 74%. Take-up of fixed-line telephones is lower in both Scotland and Wales (both 80%).

Figure 5: Take-up of communications services across the nations

Source: Ofcom Communications Market Report
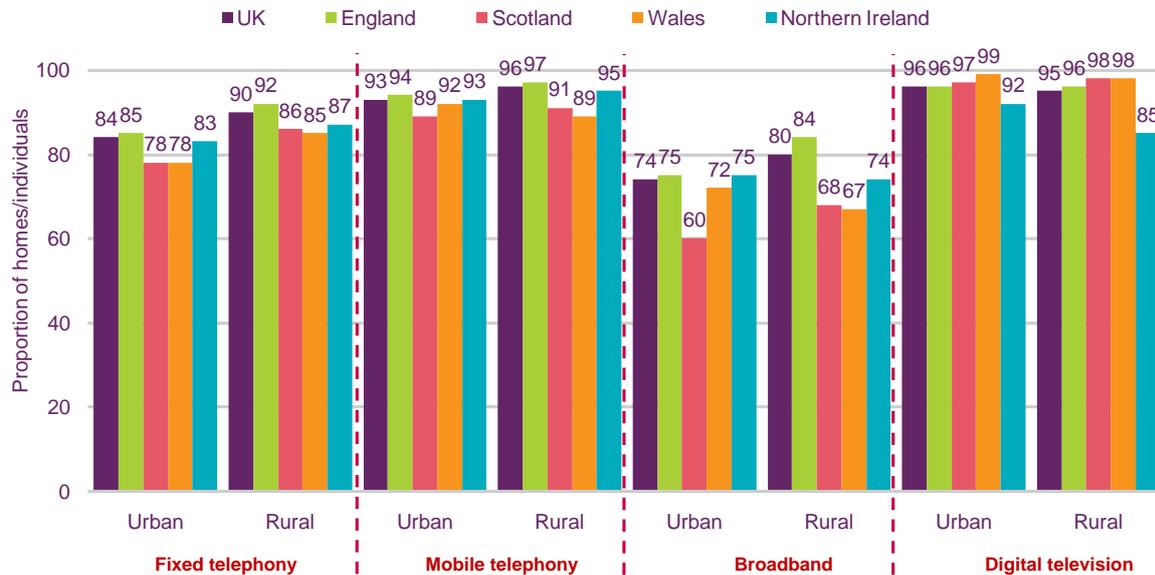
2.11   Figure 6 shows how the adoption of communications services also varies by urban and rural locations. Broadly, higher levels of take-up in rural locations tend to correspond with higher levels in urban areas. Fixed-line services are the only deviation from this pattern, where take-up is higher in rural locations.

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[7] http://www.btplc.com/News/ResultsPDF/q411release.pdf

Figure 6: Adoption of communications technology/services in urban and rural locations
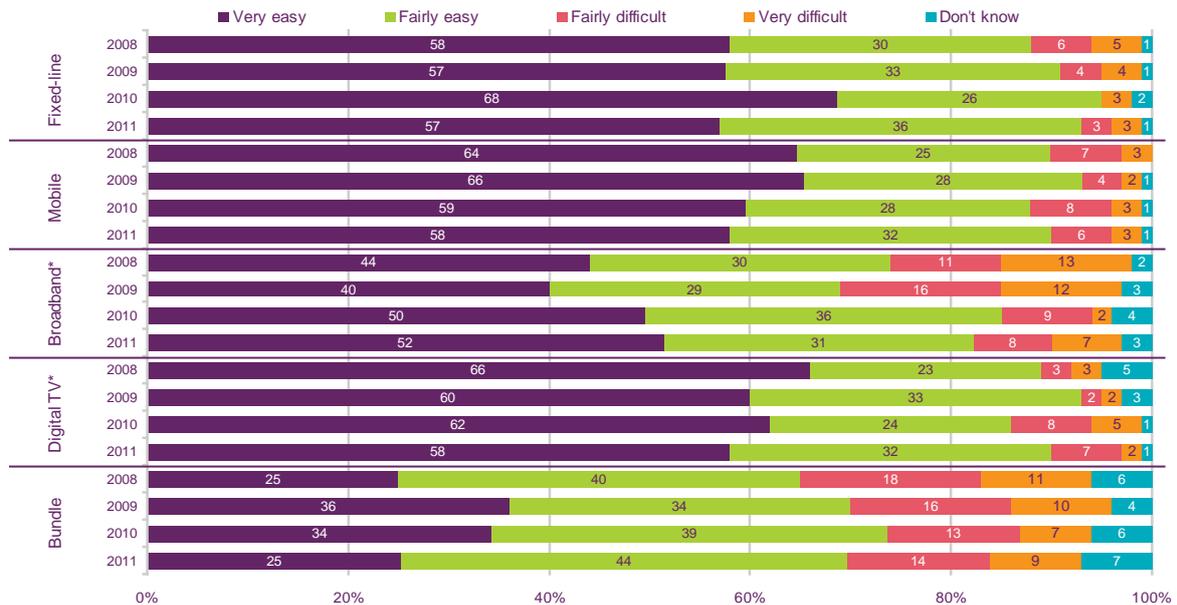

Source: Ofcom Communications Market Report

Levels of switching vary by communications service

2.12   The majority of consumers who have switched in the past 12 months said that they considered it to be 'very' or 'fairly' easy to do so, with highest stated difficulties in the market for triple-play bundles (23%) and to a lesser extent in the standalone broadband market (15%).

2.13   During 2012/13 we will progress our strategic review of consumer switching to ensure that consumers' experience of switching is easy and hassle-free, both now and in the future.

2.14   We do not believe that high levels of switching *per se* are necessarily advantageous, as they could reflect high levels of dissatisfaction. However, a competitive market requires that barriers to switching should be low enough to avoid customers being trapped into an unsatisfactory contract. We also want to ensure that switching processes do not get in the way of providers competing vigorously with each other to deliver benefits for all consumers.
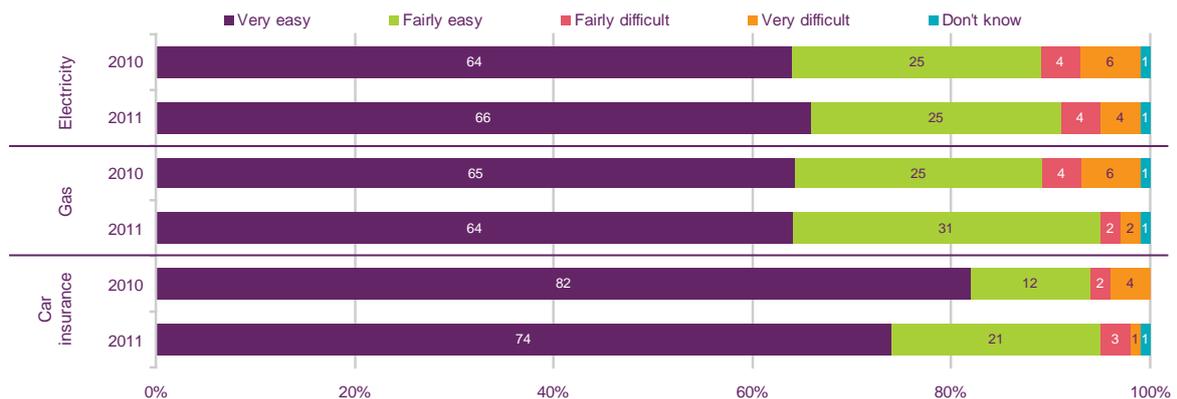
Figure 7: Consumer opinions on ease of switching communications supplier, among those who switched in the past 12 months

Legend: ■ Very easy ■ Fairly easy ■ Fairly difficult ■ Very difficult ■ Don't know

Fixed-line
- 2008: Very easy 58, Fairly easy 30, Fairly difficult 6, Very difficult 5, Don't know 1
- 2009: 57, 33, 4, 4, 1
- 2010: 68, 26, 3, 2
- 2011: 57, 36, 3, 3, 1

Mobile
- 2008: 64, 25, 7, 3
- 2009: 66, 28, 4, 2, 1
- 2010: 59, 28, 8, 3, 1
- 2011: 58, 32, 6, 3, 1

Broadband*
- 2008: 44, 30, 11, 13, 2
- 2009: 40, 29, 16, 12, 3
- 2010: 50, 36, 9, 2, 4
- 2011: 52, 31, 8, 7, 3

Digital TV*
- 2008: 66, 23, 3, 3, 5
- 2009: 60, 33, 2, 2, 3
- 2010: 62, 24, 8, 5, 1
- 2011: 58, 32, 7, 2, 1

Bundle
- 2008: 25, 40, 18, 11, 6
- 2009: 36, 34, 16, 10, 4
- 2010: 34, 39, 13, 7, 6
- 2011: 25, 44, 14, 9, 7

Source: Consumer Experience Report, December 2011

2.15   As with the communications market, the vast majority of consumers who have switched their utility supplier/s and/or car insurance provider in the past 12 months said that they also considered it to be 'very' or 'fairly' easy to do so. In comparison to communications services, switching car insurance provider appears to be the process working best for consumers, with 74% stating it was very easy to make the switch, although this level has declined from 82% last year.

Figure 8: Consumer opinions on ease of switching utilities supplier, among those who switched in the past 12 months

Legend: ■ Very easy ■ Fairly easy ■ Fairly difficult ■ Very difficult ■ Don't know

Electricity
- 2010: Very easy 64, Fairly easy 25, Fairly difficult 4, Very difficult 6, Don't know 1
- 2011: 66, 25, 4, 4, 1

Gas
- 2010: 65, 25, 4, 6, 1
- 2011: 64, 31, 2, 2, 1

Car insurance
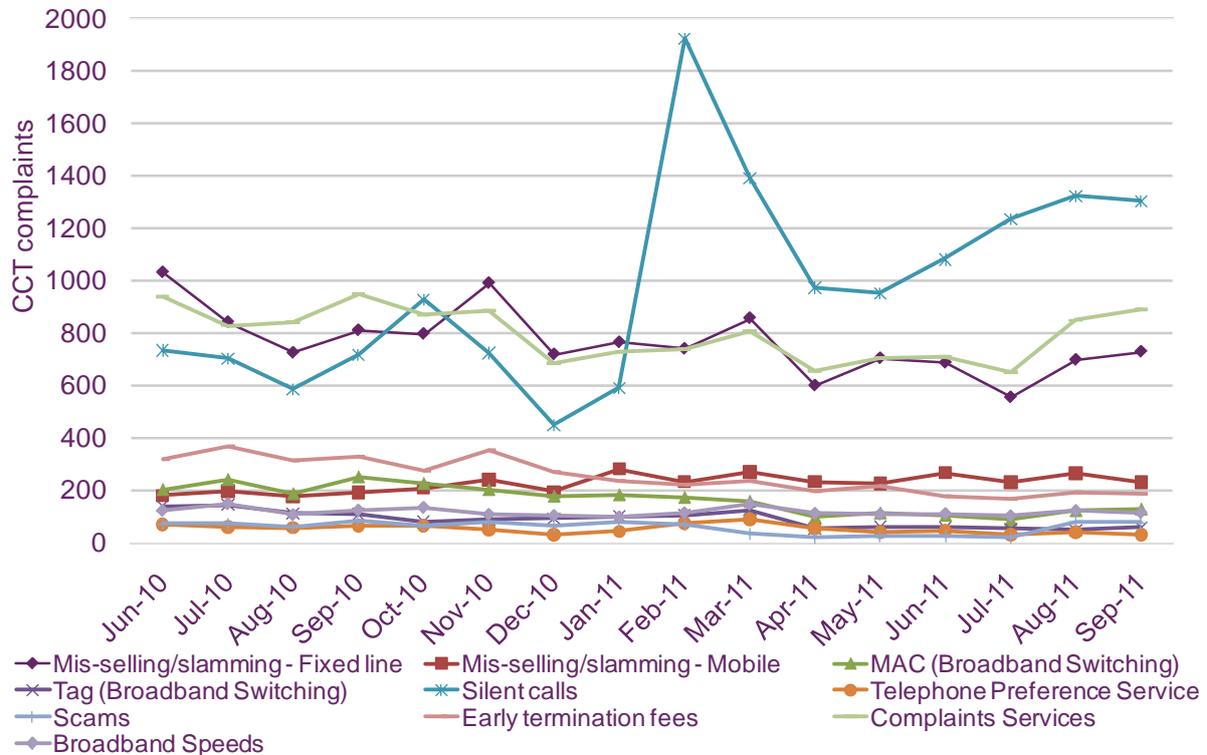- 2010: 82, 12, 2, 4
- 2011: 74, 21, 3, 1, 1

Source: Consumer Experience Report, December 2011

2.16   We also regularly review the complaints data that we receive from our Consumer Contact Team to understand the key problems faced by consumers and the work we need to undertake to mitigate these issues wherever possible. In April 2011, we published this data by provider and intend to continue this with quarterly updates. We believe that this information, together with our market research on customer satisfaction and pricing data available on Ofcom-accredited websites, provides

consumers with the comparative data they need to make informed choices about their communications services.

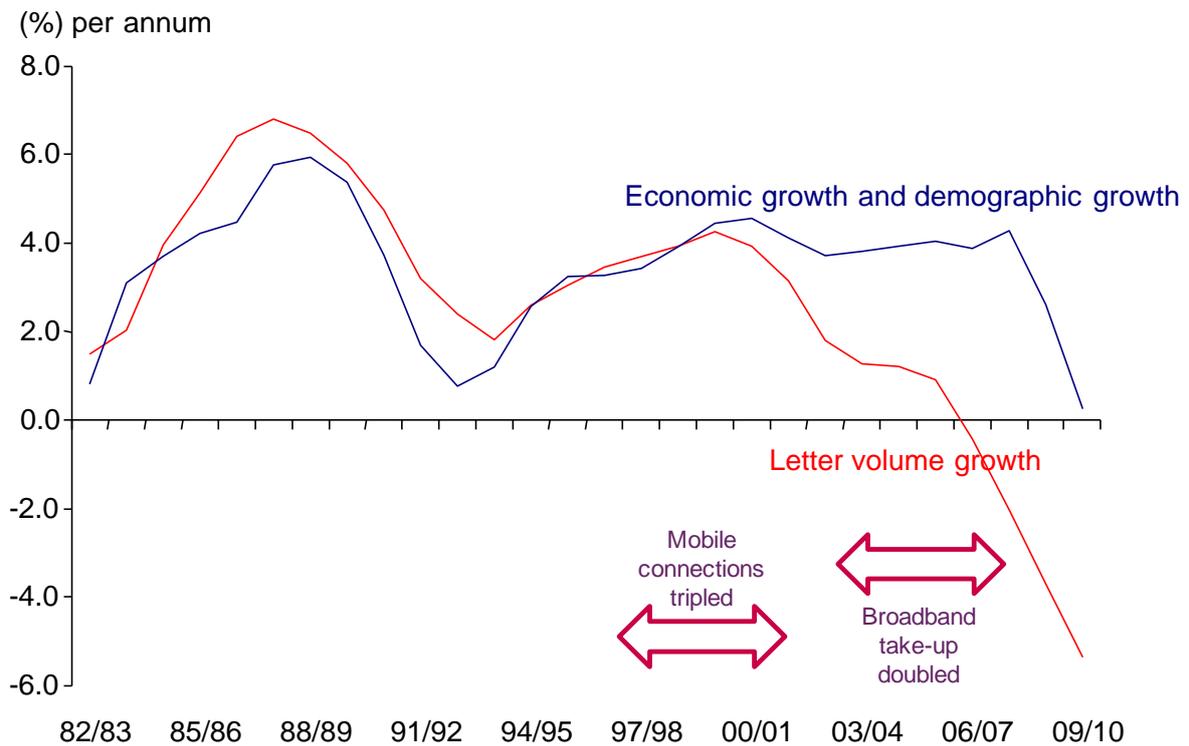**Figure 9: Trend in complaints about telecoms issues**

Source: Consumer Experience Report, December 2011

The postal market has also undergone substantial change

2.17   The postal sector is essential to the UK economy and society, and is particularly critical to business users who currently send 87% of all mail. It is increasingly part of a much wider communications sector and is influenced by the growing take-up and use of other communications services.

2.18   In both the business and consumer sectors, the past five years have seen substantial changes in the postal market, with significant volume declines in letter post as users have moved towards lower-priced or free alternatives such as email, and increases in parcel traffic as a result of online shopping.

2.19   As shown in Figure 10 below, since 1998, there has been a de-coupling of the volume of mail from the general level of economic growth, driven primarily by substitution by digital media.

Figure 10: Royal Mail performance and economic growth

(%) per annum

Note: Data refer to three-year moving average annual growth rates
Source: Economics Forecasting, Group Regulation

2.20   These changes are closely connected with ongoing innovation in electronic communications, as well as being driven by a shifting demographic profile and developments in consumer behaviour (for instance, the use of social media and online shopping). Post should therefore be seen as an integral part of the wider communications market, and this is reflected within our priorities.

2.21   Before 2006, stamp price increases did not keep pace with inflation. However, since then stamp prices have risen significantly as a result of the Royal Mail's need to address its reductions in profit and revenue, and its worsening cash flow caused by continuing market volume declines and slower than expected efficiency gains. This trend in Royal Mail's stamp prices is shown in Figure 11 below.

Figure 11: First and second class stamp prices: 1983 to 2011

Source: Ofcom analysis

2.22   In 2012/13 we will focus on several aspects of the postal market, including securing the continued provision of a universal postal service, and undertaking a review of the needs of postal users.

Section 3

Delivering our duties and value for money

Ofcom delivers value for money within its budget

3.1 Last year, Ofcom responded to the wider challenges facing public expenditure by reviewing how it delivers effective, targeted regulation in the interests of citizens and consumers, while maintaining value for money for its stakeholders.

3.2 In the Annual Plan 2011/12, we set out how we would deliver these improvements through our internal Efficiency Review Project (ERP), and this year's Draft Annual Plan reflects our achievements to date against this plan.

3.3 In addition to the economic challenge, we are also actively responding to changes in UK and European legislation.

Integration of postal regulation

3.4 Ofcom took over regulation of the UK's postal services from Postcomm on 1 October 2011. In the period leading up to this, Ofcom and Postcomm worked closely to secure a smooth transition of regulatory responsibilities with minimum disruption for industry and users.

3.5 During the transition period, an Integration Steering Group made up of senior management from Postcomm and Ofcom met regularly to agree an approach to the transfer of regulatory responsibility and to monitor its progress. Members of the Ofcom management team attended Postcomm's Executive Board and worked closely with their counterparts to guarantee an efficient and effective transfer of all operations. At the same time, a number of Ofcom Board members were appointed to the Postcomm Board.

Delivering our internal Expenditure Review Project

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

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

3.8 So far, we have achieved savings of 22.5% and are on course to achieve the 28.2% reduction required over the four-year period. One element of this is staff costs: Ofcom's headcount is expected to reduce by around 170 full time equivalents by 2014/15, excluding any additions as a result of regulating postal services.

Managing our resources effectively

3.9 To enable Ofcom to make the best use of its available resources, we have strengthened our commercial function to better promote:

- professional procurement in accordance with all applicable EU and national laws; and

- achieving value for money while minimising commercial and legal risk.

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

Harnessing new technologies

3.11   During 2011/12, we transitioned our IT infrastructure to an external service provider. As a result, we have achieved significant reductions in hardware costs, which, coupled with optimum service level agreements with our new IT partner, will produce significant year-on-year savings.

3.12   To give consumers more choice and better service, we are improving the services we offer online, allowing consumers to log complaints through our website, rather than having to rely solely on our consumer contact centre.

3.13   We will extend this service during 2012/13 and beyond. As well as benefiting consumers, this will drive efficiencies in our data capture and reporting methods. Critically, it will, for the first time, enable consumers to log complaints outside working hours. In turn, we anticipate that this may increase the volume of complaints that we are able to address.

Delivering high quality work and value for money

3.14   We have implemented an updated framework for the effective delivery of projects, which will be fully embedded by the beginning of the next financial year. An important component of this framework is the clear articulation of the desired outcome for each activity we undertake. These outcomes set out the positive benefits we seek to deliver to citizens and consumers as a result of our work.

3.15   We have again set interim and final outcomes to assess the successful delivery of our proposed priorities in this year's Annual Plan. We will report on how effective we have been in delivering against these outcomes, and the success of our interventions, in our 2012/13 Annual Report.

The Draft Annual Plan for 2012/13 incorporates these changes

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

Section 4

Draft priorities for 2012/13

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

4.1   The Draft Annual Plan for 2012/13 separates our programme of work into the following categories:
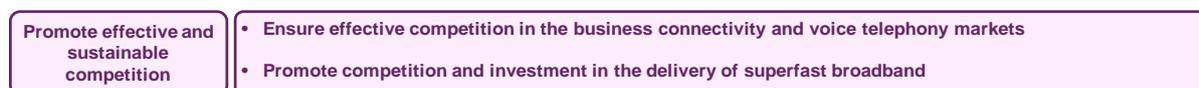
- **Priorities**, which represent the critical areas of work for Ofcom to progress in the forthcoming year to ensure we further the interests of citizens and consumers.

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

- **Other work areas** which are other important issues we plan to undertake further work on during 2012/13 (Section 5).

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

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

Promote effective and sustainable competition	Promote the efficient use of public assets	Help communications markets to work for consumers	Provide appropriate assurance to audiences on standards	Contribute to and implement public policy defined by Parliament

Strategic Purpose 1: Promote effective and sustainable competition

4.3   *Ex ante* regulation is intended to respond to the pace of change within our regulated sectors. We have identified two particular priorities for 2012/13, which respond to market developments and are intended to deliver significant benefits to citizens and consumers.

Promote effective and sustainable competition	• Ensure effective competition in the business connectivity and voice telephony markets • Promote competition and investment in the delivery of superfast broadband

Ensure effective competition in business connectivity and voice telephony markets

4.4   Our *Business Connectivity Market Review* will look at the extent of market power and what regulation may be required for providers with market power, to ensure that other providers are able to compete in this market to offer services to end-users. The business connectivity market covers a broad range of services used by businesses and communications providers, including:

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

- between businesses and the internet; and

- purchased by communications providers to carry mobile or broadband traffic between end-users and their network.

4.5   As part of this work we will consider whether the charge controls that are currently in place should continue, and if so, what the appropriate level of charges should be for the three years from September 2012. We are planning to complete this review (and any related charge controls) by September 2012, when the current controls expire.

4.6   We will also undertake a *Narrowband Market Review* to assess the markets for wholesale calls, which provide the basis upon which providers compete in providing retail telephony services to residential consumers. These include the call origination, geographic call termination and transit markets.

4.7   This review will consider what, if any, wholesale regulation is required to promote competition in these retail markets. We will also assess how well de-regulation of the retail market has worked, and whether any further intervention may be required to safeguard end-users. We aim to conclude this work by September 2013, prior to the expiry of the current charge controls that are in place for wholesale calls.

Promote competition and investment in the delivery of superfast broadband

4.8   Ofcom has established the regulatory framework for investment in next-generation access (NGA) and competition in superfast broadband. This framework requires BT to provide access to its physical infrastructure, including sub-loops, ducts and poles, so that other providers have the option of investing in NGA. It also requires BT to offer virtual unbundled local access (VULA) to its next-generation fibre infrastructure, so that other providers can compete with BT in the supply of superfast broadband services to consumers.

4.9   During 2012/13 we will continue to ensure that BT meets all reasonable demands for these access remedies, allowing other providers to use them effectively. This will involve working closely with BT, the Office of the Telecoms Adjudicator and industry stakeholders, ensuring that BT's wholesale access products are appropriately specified and resolving any issues related to product design, pricing and delivery.

Strategic Purpose 2: Promote the efficient use of public assets

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

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

Auctioning of the 800 MHz and 2.6 GHz spectrum bands

4.11   The digital switchover (DSO) of television services presents the opportunity to release significant amounts of spectrum below 1 GHz (known as the digital dividend) in frequency bands that are particularly suited to broadcasting and wireless broadband applications. The key spectrum bands that we intend to auction next year are the 800 MHz and 2.6 GHz bands.

4.12   We aim to hold an auction for licences to use the 800 MHz and 2.6 GHz bands in the 2012/13 financial year. To achieve this we will:

- complete consultation on our assessment of future competition in mobile markets and proposals for design of the combined auction;

- publish our final decisions on these matters;

- consult on and confirm auction regulations via secondary legislation, and publish an Information Memorandum; and

- finalise software to run the auction and train prospective bidders in its use.

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

4.13   To facilitate the awards for spectrum in the 800 MHz and 2.6 GHz bands, we are undertaking significant work to clear this spectrum. We are moving services that currently use the 800 MHz band – digital terrestrial television, and programme-making and special events – to other spectrum bands.

4.14   We are assessing the impact that the launch of mobile broadband in the 800 MHz and 2.6 GHz bands could have on adjacent services, including television multiplex operators (close to 800 MHz) and radar in the 2.7 GHz band (also known as S-band). Where necessary and appropriate, we will take steps to address that impact. This will include consulting on arrangements to mitigate interference into existing digital television services from mobile broadband. We will complete our assessment in time for the Information Memorandum related to the auction of this spectrum.

4.15   We will continue our work to move existing users from the 800 MHz band in 2012/13. This will include:

- completing all grants under the scheme to help programme-making and special events users move out of channel 69, at the top of the 800 MHz band; and

- continuing to work with multiplex operators, Digital UK and Arqiva, to clear digital terrestrial television (DTT) from channels 61 and 62 at the bottom of the 800 MHz band.

4.16   We will also take forward work to assist in managing the risks of interference to users in adjacent bands. This will include:

- a fully operational testing facility for short range devices, to be in place at Baldock in the early part of 2012/13;

- plans to manage the risk of interference with adjacent emergency services' uses to be implemented by government, Ofcom and relevant users from 2012/13; and

- providing consumer support to mitigate DTT interference from mobile broadband in the 800 MHz band, during the latter part of 2012/13.

4.17   We will also continue to work closely with the Department for Transport, the Civil Aviation Authority, the Ministry of Defence, and industry, to deliver the necessary programme of upgrades required to remediate S-band radars to emissions from 2.6 GHz and 3.4 GHz spectrum users.

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

4.18   Ofcom published a full spectrum plan for the London 2012 Games highlighting our plans for providing licenses to wireless users and managing any cases of interference. Our contribution to the success of the event will be ensuring that spectrum is used effectively, with the least disruption to users.

4.19   During 2012/13 we will carry out the following:

Prior to the Games

- Make all the technical assignments of spectrum for Games users and co-ordinate these with assignments for non-Games users, operating licensing processes that meet the needs of the Games organisers and participants.

- Participate in the final test events before the beginning of the Games and implement any lessons for improvement.

- Operate a process of pre-commissioning, testing and tagging wireless equipment to mitigate the risk of harmful interference in Games venues.

During the Games

- Provide spectrum for non-accredited media and other users, as far as possible, during the period of intensive demand in the summer of 2012, working with our agents JFMG.

- Provide 24/7 support during the Games, working with expert staff at the Technology Operations Centre and the National Management Centre to ensure that any problems are resolved quickly.

- Deploy expert staff and equipment in all key Games locations to help licensed users maintain their services, and deal with any harmful interference.

- Provide real-time reporting to government of spectrum matters and play our full part in cross-government activities to resolve any problems during the Games period.

After the Games

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

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

Strategic Purpose 3: Help communications markets work for consumers

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

Help communications markets to work for consumers	• Promote effective choice for consumers by ensuring that clear information on service, price and quality is available
	• Develop and implement policies that will improve the ease of switching between communications providers
	• Secure the provision of the universal postal service and determine the needs of postal users
	• Assess the provision of communications services in the nations

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

4.21   We believe that for communications markets to work well in the consumers' interests, consumers must be able to make informed choices. Clear, accurate and understandable information must therefore be made available to all consumers, to enable them to make decisions and act on them, for example by switching provider in order to get a better deal.

4.22   During 2012/13 Ofcom's work on consumer empowerment will address areas where we believe information provided by the market is insufficient. Examples of this will include:

- **Broadband speeds research**: We will continue our work to ensure that consumers have accurate information on the fixed and mobile speeds available when they make their choice of broadband supplier. We will publish research bi-annually, allowing consumers to see how broadband speeds vary across different providers, technologies and time periods.

- **Consumer complaints data**: We keep a record of complaints by service and by communications provider. We believe that such information is useful for consumers, especially those considering a new service or provider. We intend to continue to develop this programme so that consumers can use the data to compare the performance of different providers.

4.23   Ofcom is undertaking further work to identify and evaluate conditions in which consumer information remedies in the communications sector may be effective, and conditions where they may not work. The aim is to produce a framework for assessing whether to use information remedies and what to take into account when designing, implementing and evaluating an information remedy. The work will include the role of information provided by the regulator, product or service provider, and intermediaries (e.g. price comparison websites).

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

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

4.25   Making further progress in ensuring the effectiveness of switching procedures is a priority for Ofcom. To achieve this we are undertaking a review of switching processes across fixed and mobile communications services.

4.26   Overall, we are focusing on delivering two key outcomes:

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

- Ensuring that the consumer experience of switching processes does not prevent providers competing to deliver benefits to all consumers, in terms of lower prices, greater choice and innovation, and value for money.

Review of switching processes

4.27   Switching between communications providers can be complex, and involves the co-ordination of processes between providers in ways that do not arise in other markets. Consumers switch providers in a variety of ways; some of these processes have been developed by industry, while others have been designed with input from Ofcom.

4.28   In 2010 we published an initial consultation on our strategic review of switching processes. We identified that, other things being equal, consumers and competition would be best served by switching processes which are led by the gaining provider (i.e. the provider to which the consumer intends to switch) and that switching processes should be harmonised between services and between the wholesale platforms on which they are provided. During 2011 we have been working with stakeholders to understand the costs and benefits of a number of options for improving current switching processes, or moving to new ones. We will consult on switching processes early in 2012.

Additional charges in contracts for communications services

4.29   Ofcom concluded its work under the Additional Charges Enforcement Programme in the fixed voice sector during 2011/12. Specifically, we have concluded our work in the fixed voice, fixed voice plus broadband and broadband-only sectors, having worked with a number of providers in relation to the fairness of their terms regarding early termination charges.

4.30   We have decided to extend the enforcement programme for a further period in 2012/13 to continue our work on consumer contract terms that relate to additional charges.

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

4.31   The universal service obligation (USO) requires Royal Mail to collect and deliver letters six days a week at an affordable and geographically uniform price to every

address in the UK. Ofcom now has responsibility for the regulation of postal services and our primary duty is to carry out our functions in relation to post in a way that we consider will secure the provision of a universal postal service. Therefore, ensuring Royal Mail's financial sustainability is a priority for Ofcom. Without changes to the regulatory framework, there is a risk that Royal Mail may not be able to continue to deliver a universal postal service to all customers across the UK.

4.32   In October 2011 we consulted on a new approach to the economic regulation of post, in which we proposed to give Royal Mail freedom to set its own prices for the majority of its products. We also proposed a number of significant regulatory safeguards to help ensure that the universal service remains viable, and to protect consumers. This includes a cap on second class stamp prices for standard letters and rigorous monitoring of Royal Mail's performance in relation to the USO.

4.33   During 2012/13, in line with our new duties, we will take forward our approach to the economic regulation of post, by undertaking a range of work to secure the continued provision of a universal postal service (see page 27). This will include:

- developing a regime to monitor the performance of Royal Mail closely, focusing particularly on the provision of universal service, efficiency, profitability and pricing;

- ongoing monitoring of the affordability of stamps to vulnerable consumers;

- assessing our approach to margin squeeze; and

- evaluating the costs imposed on Royal Mail by requirements to publicly notify the market of changes to its products.

4.34   The Postal Services Act also requires us to conduct an assessment of user needs in relation to postal services within 18 months of receiving responsibility for postal regulation. Our review of business and residential customers will undertake consumer research into what is valued about the current specification of the USO, and what else might be valued in the future. It will also consider the associated costs of providing different specifications of the USO. We will conduct the majority of this review in 2012, including consumer research, direct engagement with stakeholders and public consultation. We will publish our recommendations by March 2013.

Assess the provision of communications services in the nations

4.35   Ofcom produces extensive research covering communications services used by citizens and consumers. Experiences of those services vary between the four nations of the UK, with residential households and small businesses in rural communities facing particular challenges, such as poor mobile coverage in some areas.

4.36   In 2012/13, we will assess levels of coverage and competition for key broadcasting, telecommunications and postal services across the nations of the UK. This will include the underlying causes of real or potential deficits and the interventions made by bodies at all levels - UK, devolved and local as well as communities themselves - to secure delivery where these exist.

4.37   This work will help to underpin our duties to secure the availability throughout the UK of a wide range of electronic communications services and the provision of a universal postal service.

Strategic Purpose 4: Provide appropriate assurance to audiences on standards

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

Provide appropriate assurance to audiences on standards	• Consider approaches to future content regulation, including a review of regulation of video on demand

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

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

4.40   There will be a number of challenges in this area. Changes in technology, including the emergence of mass-market IPTV services in the UK, will challenge the existing regulatory structures, which were designed predominantly for linear broadcasting. We will continue to work with our co-regulators, such as ATVOD, to develop these regulatory structures. We will consider how regulatory approaches to content regulation might further evolve to remain fit for purpose and proportionate.

4.41   In March 2012, two years will have passed since the Authority for Television On Demand (ATVOD) was designated by Ofcom as the co-regulator of editorial content in on-demand services. In accordance with the terms of the Designation, Ofcom is required to carry out a review of ATVOD. We will conduct this review during 2012/13; it will assess the overall effectiveness of the co-regulatory arrangements for on-demand services.

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

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

Contribute to and implement public policy defined by Parliament	• Ongoing advice to Government on measurement of media plurality and contributing to the Leveson Inquiry
	• Work in collaboration with Government and industry to promote widespread superfast broadband and reduce mobile not-spots
	• Implement Digital Economy Act 2010 provisions around online copyright infringement

Ongoing advice to Government on the measurement of media plurality and contributing to the Leveson Inquiry

4.43   In October 2011, Ofcom was requested by the Secretary of State for Culture, Olympics, Media and Sport to provide advice on measuring plurality across media. The specific questions we have been asked are:

    a) What are the options for measuring media plurality across platforms? What do you recommend is the best approach?

    b) Is it practical or advisable to set absolute limits on news market share?

    c) What could trigger a review of plurality in the absence of a merger, how might this be monitored and by whom?

    d) Could or should a framework for measuring levels of plurality include websites and if so which ones?

    e) Whether or how it should include the BBC?

4.44   We are working to respond to this request and issued an invitation for stakeholders to comment on the questions above. This closed on 18 November 2011. Our advice is being provided independently of government and will represent our own views, taking into account our duties, research and analysis.

4.45   We will provide our advice to the Secretary of State and the Leveson Inquiry by June 2012 and we will also publish this advice on our website. Following submission of our advice, we also anticipate providing ongoing ad-hoc advice on measuring media plurality to government as it undertakes its Communications Review through the course of 2012/13. In addition, Ofcom will play such a role as the Leveson Inquiry requires in assisting it with its considerations.

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

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

4.47   The devolved administrations in Scotland, Wales and Northern Ireland have set similar targets and additional funding has been secured by the Scottish Government and local authorities in Scotland to assist roll-out. In Northern Ireland a £52m investment project, led by the Department of Enterprise, Trade and Investment has already been completed, making next generation broadband services available to at least 85% of businesses, and 81% of households are now connected to an exchange where FTC is deployed. Similarly, the Next Generation Broadband Wales Project aims to provide services of at least 30Mb/s to homes and businesses throughout Wales.

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

4.49 Ofcom has played an active role in advising government on these issues since the *Digital Britain* report was published in 2009. We will continue to offer our expertise and advice to help government and those in the devolved nations meet their objectives. We will also gather and publish data to help government benchmark the UK's broadband infrastructure against the rest of Europe through a 'Best in Europe Scorecard'.

4.50 In addition, during 2012/13 we will provide advice to the UK government on its proposals to invest £150m in new infrastructure to improve mobile coverage in areas of the UK where mobile coverage is poor or non-existent. The government expects to commence this process in 2012.

Implement Digital Economy Act 2010 provisions around online copyright infringement

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

4.52 We are also required to report on estimated levels of online copyright infringement, with the first report covering the first full quarter after implementation. In preparing for Ofcom's reporting duties, we will look to engage with stakeholders about how we can identify and capture relevant information. This includes information that relates to the development and promotion of lawful services, initiatives to raise public awareness of copyright and online infringement, and enforcement actions taken by copyright owners against alleged infringers.

We have set outcomes for these priorities

4.53 It is important that we are able to assess the successful delivery of our proposed priorities for 2012/13 against the positive outcomes we are seeking to secure for citizens and consumers.

4.54 To achieve this, we have identified outcomes for each of our priorities, as shown in Figure 12 below. We will assess our progress towards delivering these at the end of the financial year, within the Annual Report.

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

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

- **Final outcomes** describe wider benefits arising in the market for citizens and consumers; for example, a consumer being able to choose from a range of competitive and innovative retail offerings. Final outcomes should arise as a result of Ofcom's decisions, but will also be influenced by wider market developments.

Figure 12: Draft Annual Plan 2012/13 proposed priorities and outcomes

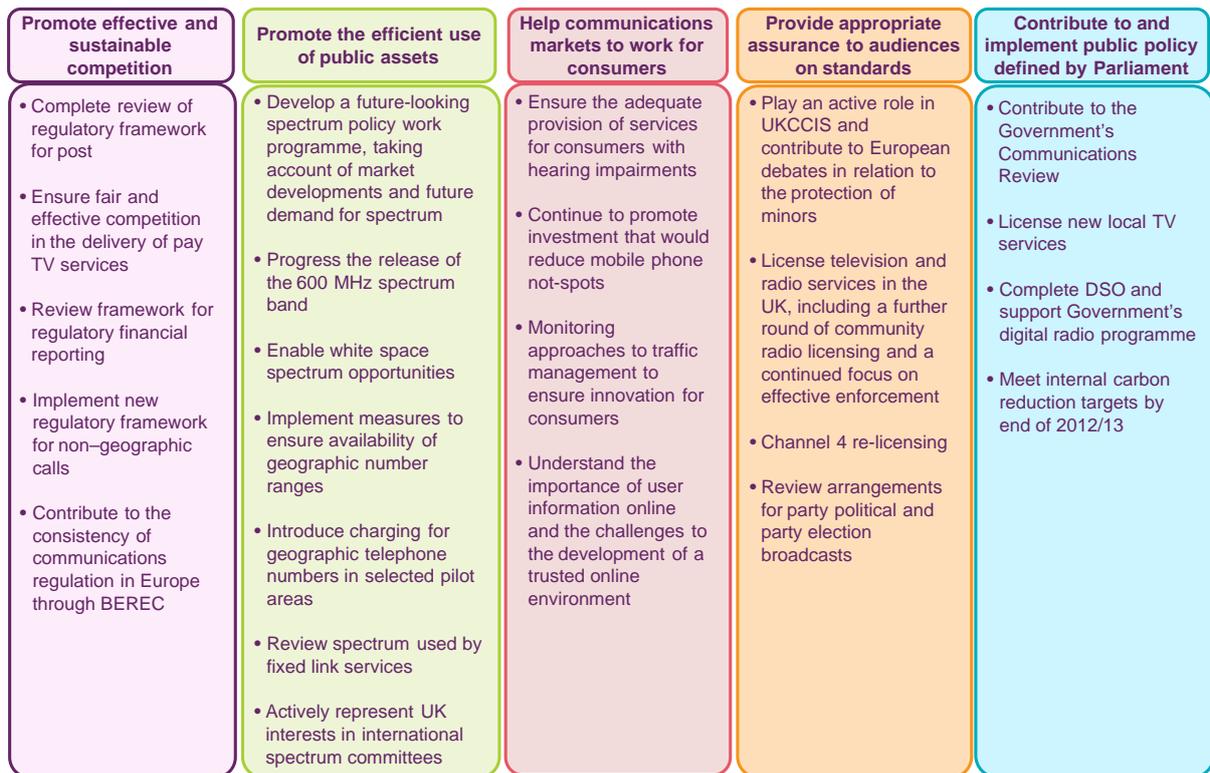| STRATEGIC PRIORITIES	INTERIM OUTCOMES	FINAL OUTCOMES
Promote effective and sustainable competition • Ensure effective competition in the business connectivity and voice telephony markets • Promote competition and investment in the delivery of superfast broadband	• Revised framework for wholesale access for business connectivity users (by end of 2012) and voice telephony users (by September 2013) including remedies and charge controls where appropriate • Wholesale inputs which meet communications providers' requirements and which support NGA investment in 'Final Third'	• Sustained choice and innovation in the fixed telecoms market for business consumers • Competitive procurement of NGA services and roll-out of NGA in 'Final Third' by 2015
Promote the efficient use of public assets • Auctioning of the 800 MHz and 2.6 GHz spectrum bands • Timely spectrum clearance to enable new awards, while mitigating co-existence issues • Deliver the Government's spectrum guarantee for the London 2012 Olympic & Paralympic Games	• Spectrum awarded by 2012/13 • New wireless services able to deploy e.g. next generation mobile broadband, with effective co-existence measures in place by end of 2012 • Everything necessary to deliver Ofcom's responsibilities for the Games in place and tested	• Roll-out of 4G mobile services during 2013/14 and wide availability by 2015 • All clearance and interference risks managed effectively with minimum disruption to consumers on an ongoing basis • Successful delivery of Olympics and Paralympics spectrum guarantee, with minimal disturbance to users or viewers
Help communications markets to work for consumers • Promote effective choice for consumers by ensuring that clear information on service, price and quality is available • Develop and implement policies that will improve the ease of switching between communications providers • Secure the provision of the universal postal service and determine the needs of postal users • Assess the provision of communications services in the nations	• Provide more information for consumers on broadband speeds for landline and mobile networks, and on traffic management performance • Complete review of switching processes for the Openreach network (estimated end of 2012). Review switching process for cable networks and commence review of switching processes for mobile services. • New economic regulatory framework for Post and an analysis of user needs for postal services by Spring 2013 • Publish a report on economic geography by Summer 2012	• Consumers feel that they can make more informed choices about the different communications services available to them • Greater ease and lower barriers for consumers who choose to switch between communications providers • Financially sustainable universal postal service which meets the needs of business and residential customers • Devolved and other political institutions better informed about the provision of communications services in the nations
Provide appropriate assurance to audiences on standards • Consider approaches to future content regulation, including a review of regulation of video on demand	• Review of video on demand completed by Summer 2012	• Effective framework for future regulation within the scope of current legislation and contribute to Government as appropriate for future legislation
Contribute to and implement public policy defined by Parliament • Ongoing advice to Government on measurement of media plurality and contributing to the Leveson Inquiry • Work in collaboration with Government and industry to promote widespread superfast broadband coverage and reduce mobile not-spots • Implement Digital Economy Act 2010 provisions around online copyright infringement	• To ensure that Parliament, government and the Leveson Inquiry have appropriate evidence to inform a debate about plurality/media ownership • Provide appropriate regulatory and technical advice Government requires to achieve its aims for superfast broadband and mobile coverage • Implement a viable and fair OCI framework for citizens, consumers and industry	• If Parliament deems appropriate, adequate measures are in place to secure an informed parliamentary democracy in the UK, free from undue influence • Consumers in 'Final Third' able to benefit from superfast broadband and improvements in the coverage of mobile services are achieved by 2015 • Contribute to a reduction in the levels of online copyright infringement based on peer-to-peer technologies

Section 5

Other work areas for 2012/13

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

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

Promote effective and sustainable competition	Promote the efficient use of public assets	Help communications markets to work for consumers	Provide appropriate assurance to audiences on standards	Contribute to and implement public policy defined by Parliament
• Complete review of regulatory framework for post	• Develop a future-looking spectrum policy work programme, taking account of market developments and future demand for spectrum	• Ensure the adequate provision of services for consumers with hearing impairments	• Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors	• Contribute to the Government's Communications Review
• Ensure fair and effective competition in the delivery of pay TV services	• Progress the release of the 600 MHz spectrum band	• Continue to promote investment that would reduce mobile phone not-spots	• License television and radio services in the UK, including a further round of community radio licensing and a continued focus on effective enforcement	• License new local TV services
• Review framework for regulatory financial reporting	• Enable white space spectrum opportunities	• Monitoring approaches to traffic management to ensure innovation for consumers	• Channel 4 re-licensing	• Complete DSO and support Government's digital radio programme
• Implement new regulatory framework for non–geographic calls	• Implement measures to ensure availability of geographic number ranges	• Understand the importance of user information online and the challenges to the development of a trusted online environment	• Review arrangements for party political and party election broadcasts	• Meet internal carbon reduction targets by end of 2012/13
• Contribute to the consistency of communications regulation in Europe through BEREC	• Introduce charging for geographic telephone numbers in selected pilot areas			
	• Review spectrum used by fixed link services			
	• Actively represent UK interests in international spectrum committees			

Strategic Purpose 1: Promote effective and sustainable competition

Promote effective and sustainable competition	• Complete review of regulatory framework for post
	• Ensure fair and effective competition in the delivery of pay TV services
	• Review framework for regulatory financial reporting
	• Implement new regulatory framework for non–geographic calls
	• Contribute to the consistency of communications regulation in Europe through BEREC

Complete review of regulatory framework for post

5.2 Ofcom has consulted on a new approach to the economic regulation of post, in which we proposed the widespread removal of price controls, coupled with safeguards that would monitor Royal Mail's performance. We also proposed setting a maximum price ceiling for second class stamps, and protecting the ability of efficient access operators to compete effectively with Royal Mail. Following the consultation, we will issue a statement on our regulatory framework in spring 2012.

5.3   There will be further critical elements of work related to the implementation of this approach during 2012/13; in particular, developing an effective monitoring regime. We will also assess whether the current approach to margin squeeze should be continued into the future, or whether an approach based on Royal Mail's long-run incremental cost would be more suitable. Our work will also consider the affordability of stamps for vulnerable consumers.

5.4   We will evaluate the justification of costs imposed by the current regulatory constraints on Royal Mail, in the form of requirements to publicly notify the market of changes to its products. In assessing this, our intention will be to simplify these obligations and, wherever appropriate, to consider the benefits of permitting greater commercial freedom for Royal Mail.

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

5.5   In March 2010 we published a statement setting out our decision that Sky Sports 1 and 2 (both standard and high definition) should be offered to retailers on platforms other than Sky's, at prices set by Ofcom for the standard definition service. This decision was appealed by Sky and other parties, to the Competition Appeal Tribunal.

5.6   During 2012/13, we will continue to monitor consumer take-up of the new services resulting from our decision. We will also consider what further work, if any, may be appropriate to ensure fair and effective competition in the delivery of pay TV services, following the outcome of the Competition Appeal Tribunal's judgment.

5.7   We also made a market investigation reference to the Competition Commission in August 2010 under the Enterprise Act 2002 regarding pay TV movies, particularly subscription video-on-demand services. The Competition Commission is now carrying out this investigation, and we shall continue to contribute to its inquiry, as requested, during the forthcoming year.

Review framework for regulatory financial reporting

5.8   In 2012/13 we will review our use of cost orientation obligations, which is one of a number of remedies we can impose on telecoms operators with significant market power. We plan to produce new guidelines on how we expect to enforce cost orientation in practice.

5.9   As part of this work, we are also reviewing the arrangements for regulatory financial reporting. BT and KCOM currently publish a variety of information on the financial performance of regulated services. They also provide information to Ofcom privately. We are reviewing the requirements on telecoms operators to provide this information, balancing our needs with those of our stakeholders as we carry out our regulatory duties.

5.10   We plan to publish new cost orientation guidelines and a new framework for regulatory financial reporting in autumn 2012. Following this, we will implement our new framework, which may involve enabling new financial models to be put in place.

Implement new regulatory framework for non-geographic calls

5.11   Non-geographic calls are those made to 03, 05, 070/076, 080, 0845, 0870, 083/4, 0871, 09, 116 and 118 numbers. Consumers use these numbers to call businesses and government agencies, to get information, make payments for services and vote

on radio and television shows. In 2010/11, we proposed a simpler approach to non-geographic calls, including exploring the option of simpler number ranges and more standardised charges. We will be publishing a detailed proposal for regulation in early 2012 and will take forward this work into the next financial year, subject to consultation.

5.12   Alongside a new *approach* to the regulation of non-geographic calls, we also intend to consult during 2012/13 on a *specific set of regulatory rules* for non-geographic calls. We will work with industry to implement these rules as quickly as reasonably possible, so that consumers can benefit from a simpler, clearer regime.

Contribute to the consistency of communications regulation in Europe through BEREC

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

5.14   Ofcom is an active member of BEREC and, working closely with our European counterparts, we aim to make a substantial contribution to the body's work programme and output. During 2012/13 we will continue to do this, with a particular focus on the following issues:

- providing opinions on upcoming Commission Recommendations on non-discrimination and costing methodologies;

- developing guidance on the implementation of the roaming regulation;

- the consistent application of regulatory remedies, and

- further analysis of issues related to net neutrality.

Strategic Purpose 2: Promote the efficient use of public assets

Promote the efficient use of public assets	• Develop a future-looking spectrum policy work programme, taking account of market developments and future demand for spectrum • Progress the release of the 600MHz spectrum band • Enable white space spectrum opportunities • Implement measures to ensure availability of geographic number ranges • Introduce charging for geographic telephone numbers in selected pilot areas • Review spectrum used by fixed link services • Actively represent UK interests in international spectrum committees

Develop a future-looking spectrum policy work programme, taking account of market developments and future demand for spectrum

5.15   In managing the radio spectrum, we will continue to pursue a balanced approach that makes appropriate use of the tools at our disposal – both market mechanisms and regulatory intervention - to secure optimal use of the radio spectrum. In line with our statutory duties and regulatory principles, we seek to remove unnecessary restrictions from the use and assignment of spectrum where we judge this to be in the best interests of citizens and consumers.

5.16   During 2012/13 we will continue to develop our understanding of the likely demand for spectrum beyond currently planned releases, taking a longer-term view of developments affecting spectrum use.

5.17   A key example of this type of activity is our Ultra High Frequency (UHF) strategy project. The initiation of this work was marked by a call for input that we published on 20 April 2011. In this document, we invited stakeholders to put forward their views on a series of themes concerning the long-term future of UHF spectrum bands IV and V, noting that a number of developments are starting to raise questions on the long-term balance of use of the UHF spectrum. We think it is important to develop a framework for the long-term future of these valuable spectrum bands, to inform future decisions concerning this spectrum.

5.18   We expect to publish a consultation on proposals for this framework in Q4 2011/12. This will provide a key opportunity for further stakeholder engagement on our emerging thinking on these topics. During 2012/13 we will take forward this work and publish a statement, which will set out some of the key actions and considerations for the coming years, including on international engagement and specific policies such as the 600 MHz award, in the light of our overall UHF strategy.

Progress the release of the 600 MHz spectrum band

5.19   The 600 MHz band represents valuable spectrum that is becoming available for release after completion of digital switchover in 2012. One potential use would be to provide new TV services that consumers could receive through a standard roof-top aerial. This might include new standard definition and high definition channels on Freeview, or a completely new TV service. Another potential use of this spectrum would be the provision of enhanced wireless data services, for example, the provision of services with better range than today's WiFi technology.

5.20   We aim to hold the 600 MHz auction in the 2012/13 financial year, but we will prioritise the 800 MHz and 2.6 GHz auction over the 600 MHz auction, to avoid running the two auctions at the same time. However, in the event that there is a delay to the 800 MHz and 2.6 GHz auction, we may progress the 600 MHz auction in the meantime.

Enable white space spectrum opportunities

5.21   White space is the name given to bands of spectrum that are unused by the licence holder in a particular location. Ofcom recently published the outcomes of our consultation on implementing a geolocation-based approach to enable white space access on a licence-exempt basis in the UHF TV band.

5.22   In 2012/13, we plan to continue our work on enabling white space devices:

- We will continue to work closely with stakeholders to finalise the technical requirements to ensure that white space devices do not cause harmful

interference to incumbent licensed users. Work is also progressing to put in place necessary regulations to licence-exempt white space devices.

- We will continue work on the legal contractual issues for the specification of the geolocation database providers, including putting in place a mechanism to enable incumbent licensed users' data to be made available to database providers.

- We will also continue our proactive involvement in European regulatory bodies to develop a common approach to enabling white space access.

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

Implement measures to ensure availability of geographic number ranges

5.24 Geographic numbers are fixed-line telephone numbers whose dialling codes begin with 01 and 02. Ofcom is responsible for administering these numbers and for ensuring that sufficient numbers are available to communications providers to enable them to provide a choice of services to consumers.

5.25 In September 2011 we published a statement on our plans to safeguard the future of geographic numbers. During the forthcoming year we will work with the industry to agree implementation plans to create new supplies of geographic numbers where and when they are needed. The plans will include an appropriate communications campaign, notice periods for changes and relevant timelines for implementation.

5.26 We also plan to publish a statement on our proposals for a limited roll-out of allocations of numbers in 100-number blocks to communications providers. This would apply to the 11 area codes of the form 01XXXX. If we proceed with this proposal we will consult on the relevant changes to the National Telephone Number Plan during 2012/13.

5.27 Additionally, we are undertaking a review of our administrative process for allocating geographic numbers, with a view to improving this process. We will publish a consultation in the first quarter of 2012 on proposals to introduce a reservation step into the process and potential changes to the information we request in the application form. Subject to this consultation, we will then take forward our proposals during the next financial year.

Introduce charging for geographic telephone numbers in selected pilot areas

5.28 In September 2011 we consulted on revised proposals to launch a pilot scheme in which communications providers would be charged for their allocations of geographic numbers. We proposed that this would include around 30 area codes of the form 01XXX, in which remaining geographic numbers available for new allocations are most scarce.

5.29 We plan to publish a statement in the first quarter of 2012 concluding on these proposals. If we proceed with the pilot scheme, we will publish a further consultation setting or modifying the relevant General Condition during 2012/13.

Review spectrum used by fixed link services

5.30 Following Ofcom's consultation on the framework for spectrum pricing, we published a statement outlining the considerable support we had received for reviewing the fees charged for licences in the spectrum bands used by fixed links. We are currently gathering evidence to help inform and scope this review, which we anticipate will run throughout 2012/13.

5.31 As part of this exercise, we commissioned Aegis Systems Ltd to review potential future demand for this spectrum. We will consult on the findings of this review as part of a formal Call for Inputs, when interested parties will be invited to provide any further information that they consider should be taken into account in framing the scope of our assessment.

Actively represent UK interests in international spectrum committees

5.32 Ofcom has been directed by government to represent the UK in the spectrum committees of the EU, the European Conference of Postal and Telecommunications Administrators and the International Telecommunications Union, and we will continue to play an active role in these fora in 2012/13. Within the EU we will contribute to the Radio Spectrum Policy Group's work programme for 2012/13 and to activities in the Radio Spectrum Committee, which can lead to European Commission Decisions that are binding on the UK. We will also oversee implementation of the newly-adopted European Radio Spectrum Policy Programme, including co-ordination of UK inputs to a European spectrum inventory, which will seek to better understand how spectrum is currently used and anticipate future spectrum demand across Europe.

5.33 As part of the ITU and CEPT, we will assess the outcome of the World Radio Conference, being held in early 2012, and begin the UK preparations for the next conference, in 2015, which promises to address issues critical to the development of wireless services in the UK. We will actively engage in all relevant international discussions, including seeking chairmanships of specific international groups where this will contribute to the achievement of UK spectrum policy goals.

Strategic Purpose 3: Help communications markets work for consumers

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

Ensure the adequate provision of services for consumers with hearing impairments

5.34 Ofcom has a duty to have regard for the needs of older and disabled consumers. In fulfilling this duty, we have been reviewing the provision of text and video relay services, which help consumers with hearing and speech impairments to make and receive telephone calls.

5.35 In July 2011 we published a consultation which proposed enhancements to the text relay service to provide a more natural flow of conversation and to enable it to be

used in different ways according to consumers' needs. We also proposed the introduction of a video relay service for users of sign language.

5.36 After considering responses to the July consultation, we intend to publish a further document setting out our next steps in early 2012, which will be then be taken forward in 2012/13.

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

5.37 Mobile not-spots continue to be a significant problem for consumers and businesses, particularly those in rural and semi-rural areas. In addition to our work with government improving mobile coverage (as set out in Section 4), we will consider what further measures are necessary to address mobile not-spots based on the regulatory mechanisms we have available.

5.38 The causes of mobile not-spots are highly local and complex; there is no single cause linking all coverage problems, and therefore, no standard solution. We will continue to assess these issues in 2012/13 and provide an update on our work across different types of mobile not-spots. We will ensure that this analysis is linked to our work with the Government, to ensure that together, we take a holistic approach to addressing mobile not-spots.

5.39 We will also continue to examine the scope to facilitate coverage on the rail network to determine how to improve coverage for UK consumers as they travel, an area where not-spots particularly affect business consumers. As part of this, we will work with stakeholders in the communications and rail sectors to explore ways to improve mobile coverage on the rail network.

Monitoring approaches to traffic management to ensure innovation for consumers

5.40 In the publication *Ofcom's Approach to Net Neutrality* in November 2011, we set out our position on net neutrality and traffic management. In particular, we provided our views on the level of consumer information which we want to see the market deliver, and also the potential circumstances which might warrant the development of a minimum quality of service. We are committed to undertaking further research on consumer information. We appreciate the importance of finding a balance between providing the right type of information and ensuring it is targeted and clear, and overloading consumers with too much information, resulting in consumer confusion. We will also undertake research on the provision of 'best-efforts'[8] internet access.

5.41 We will monitor progress, and keep under review the possibility of intervening more formally in relation to the issues we have identified. We will do so as part of our ongoing work, within the context of our infrastructure reporting duty, to monitor traffic management practices. We expect to publish our next update on this work in summer 2012.

5.42 We will also continue to engage with stakeholders to identify market developments that might hinder or support the co-existence of 'best-efforts' internet and managed services. Based on this research and engagement, we will assess whether any

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[8] This results in an 'open internet' with no specific services being hindered or blocked, although some may need to be managed during times of congestion

further regulatory action is necessary. We will continue to engage in the European debate and contribute to ongoing BEREC work on transparency, discrimination, quality of service and IP interconnection.

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

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

Strategic Purpose 4: Provide appropriate assurance to audiences on standards

Provide appropriate assurance to audiences on standards	• Play an active role in UKCCIS and contribute to European debates in relation to the protection of minors • License television and radio services in the UK, including a further round of community radio licensing and a continued focus on effective enforcement • Channel 4 re-licensing • Review arrangements for party political and party election broadcasts

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

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

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

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

5.46 As of the end of November 2011, there were 196 community radio stations on air, delivering community benefits to around 12.5 million people throughout the UK. Ofcom intends throughout 2012/13 to continue licensing community radio services where there is a suitable frequency available and where applications meet the requirements set out in legislation. We will also continue to implement a robust and

vigorous approach to compliance issues, prioritising cases where the risk of harm to audiences and citizens is higher.

Channel 4 re-licensing

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

5.48   We will begin the process of considering renewal of the Channel 4 licence, and how it may be updated or adapted in the light of Channel 4's wider remit and continued evolution in the delivery of public service content.

Review arrangements for party political and party election broadcasts

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

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

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

Contribute to the Government's Communications Review

5.50   The Government is undertaking a wide-scale review of the legislative framework supporting the UK communications sector. The review will focus on growth, innovation and deregulation, a communications infrastructure that provides the foundations for growth and creating the right environment for the content industry to thrive.

5.51   The Secretary of State for Culture, Olympics, Media and Sport published an open letter in May 2011 asking a broad range of questions about the communications sector. Responses to this, and other work undertaken since then, will result in the publication of a government Green Paper in 2012 setting out options for a legislative framework to support the sector. A consultation about the proposals in the Green Paper will inform a subsequent White Paper and Communications Bill. Government has said that it intends to have the legislation in place by the end of this Parliament.

5.52   We will continue to respond to government requests for advice during 2012/13 as it develops policy in this area. We will contribute to the debate, using our experience of regulating the communications sector, and seeking to further the interests of citizens and consumers.

License new local TV services

5.53   Following the framework set out by the Department for Culture, Media and Sport in July 2011, in 2012/13 Ofcom anticipates being given a new set of statutory powers and duties by government in relation to licensing a new local television sector.

5.54   In the event that the necessary Orders are passed by Parliament, we will have consulted, prior to the start of the year, on our approach to licensing and regulating these new services. In the first half of 2012/13, we anticipate licensing a single multiplex operator which will deliver local television using geographically interleaved (GI) spectrum in a number of different locations. Concurrently, we anticipate licensing the first allocation of local channels.

Complete DSO and support government's digital radio programme

5.55   Ofcom will continue to support digital TV switchover in 2012/13. We have statutory duties to: amend broadcaster licences; manage the radio spectrum; and ensure that statutory TV coverage requirements are met. We will continue to work with Digital UK, government, broadcasters, the Digital Television Group and other stakeholders to ensure a successful completion of digital switchover in late 2012.

5.56   Ofcom will also continue to support the government's Digital Radio Action Plan, working with government, broadcasters, Digital Radio UK and Arqiva. As set out in the plan, we will continue to lead the coverage and spectrum planning work during 2012/13, with a focus on considering future uses for the MW spectrum and any vacated FM spectrum.

Meet internal carbon reduction targets by end of 2012/13

5.57   Ofcom seeks to adopt sustainable practices wherever possible. Following an independent carbon audit in 2007, we committed to reducing carbon emissions by 25% by 2012/13. An interim audit was undertaken in 2009 which confirmed that we had already achieved a 15% reduction in emissions.

5.58   We expect that the majority of the remainder of the reduction target will be delivered in 2012/13, based on savings made by the transition to greener data centres. We will also continue to comply with HM Treasury reporting guidelines and include a discrete sustainability section within our Annual Report, which will include both financial and non-financial reporting metrics.

Consultation questions

5.59   We are seeking views from all our stakeholders on our proposed priorities and work programme for 2012/13. In particular, it would be helpful if you could consider the following questions:

i)   What are your views on Ofcom's proposed priorities for 2012/13?

ii)   What are your views on Ofcom's proposed work areas for 2012/13?

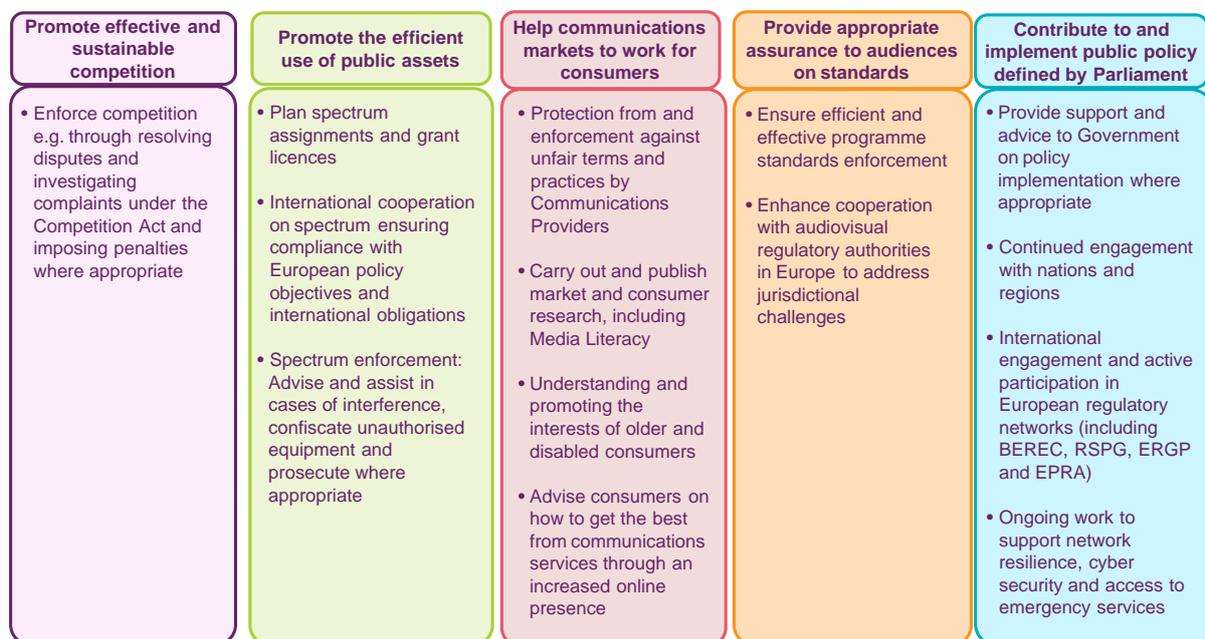5.60   See Annex 1 for details of how to respond to this consultation.

Section 6

Programmatic work and services to stakeholders

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

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

Figure 14: Ofcom's ongoing programmatic work

Promote effective and sustainable competition	Promote the efficient use of public assets	Help communications markets to work for consumers	Provide appropriate assurance to audiences on standards	Contribute to and implement public policy defined by Parliament
• Enforce competition e.g. through resolving disputes and investigating complaints under the Competition Act and imposing penalties where appropriate	• Plan spectrum assignments and grant licences • International cooperation on spectrum ensuring compliance with European policy objectives and international obligations • Spectrum enforcement: Advise and assist in cases of interference, confiscate unauthorised equipment and prosecute where appropriate	• Protection from and enforcement against unfair terms and practices by Communications Providers • Carry out and publish market and consumer research, including Media Literacy • Understanding and promoting the interests of older and disabled consumers • Advise consumers on how to get the best from communications services through an increased online presence	• Ensure efficient and effective programme standards enforcement • Enhance cooperation with audiovisual regulatory authorities in Europe to address jurisdictional challenges	• Provide support and advice to Government on policy implementation where appropriate • Continued engagement with nations and regions • International engagement and active participation in European regulatory networks (including BEREC, RSPG, ERGP and EPRA) • Ongoing work to support network resilience, cyber security and access to emergency services

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

Responding to consumer enquiries and complaints from the public

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

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

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

Keeping the radio spectrum free from interference

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

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

- protect safety-of-life communications, including emergency services and air traffic control;

- prevent illegal use of the radio spectrum;

- enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and

- ensure that non-compliant equipment is removed from the market.

Licensing access to the radio spectrum

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

Providing information services

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

Corporate responsibility

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

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

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

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

6.11   We have recently published our 2011 Single Equality Scheme (SES) which brings together and strengthens Ofcom's commitment towards diversity and equality. The

SES sets out clearly the work we have done so far and what we hope to achieve in the future. As part of this, we have set ourselves equality objectives and a series of actions that we hope to achieve in the next three years. We will report annually on the progress we make against the equality objectives.

6.12   The 2011 SES meets the new requirements of the Equality Act 2010 and covers equality strands such as age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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

Section 7

Ofcom's approach to regulation and recent simplification initiatives

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

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

7.2   Our regulatory principles, which are related to our statutory duties, are[9]:

When we regulate

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

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

How we regulate

- Ofcom will always seek the least intrusive regulatory methods of achieving our objectives.

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

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

How we support regulation

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

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

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

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

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

Our approach to regulation is designed to minimise burdens

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

7.6   In addition to our regulatory principles, there are several themes that will remain important to our work throughout 2012/13. These are:

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

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

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

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

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

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

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

7.12 When assessing options for intervention, we consider a range of alternative solutions. These range from no regulation at all, to industry self-regulation (where industry administers a solution without formal oversight or regulatory back-stop

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

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

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

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

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

Ongoing simplification initiatives from 2011/12

7.16   Given our 2010 spending review settlement, we have undertaken a number of initiatives that simplify our activities. This section presents more detail on the significant initiatives that we have undertaken during 2011 and will continue through 2012/13.

Ofcom has revised the application form for community radio licences

7.17   We have revised our community radio licence application form, and alongside each question included guidance notes so that applicants can see what information they are being asked for, and why we need it.

7.18   We invite applicants to draft their own 'key commitments'. If they are successful in their application, these will form part of the community radio station's licence. This enables applicants to make clear statements about what they will do both on-air and off-air (for example with regard to training and the involvement of volunteers). Elsewhere in the application they can expand on these commitments as well as provide evidence of the resources and expertise that they can draw on to deliver them.

7.19   We have put word limits in some parts of the application form to help applicants provide succinct answers, and provide reassurance that all applicants are working within the same limits. Some applicants in previous licensing rounds also provided extra information that was not necessary (such as petitions, press cuttings, and correspondence from supporters). All applicants can now see a clear list of what we will accept, so that they do not provide more supplementary material than is required.

We will establish best practice initiatives to support the London 2012 Olympics

7.20   As part of the Government's commitment to the London 2012 Olympics, Ofcom is making detailed preparations to achieve a safe and successful Games. We are working to achieve this in a way that delivers significant value for money, compared to regulators in previous Olympic cities.

7.21   Ofcom's role is to create a special spectrum plan for the Games; to achieve this we will undertake the following tasks, over and above our normal business:

- provide spectrum licences for specific Games uses;

- test and commission the wireless equipment used at the Games; and

- ensure that any cases of harmful interference are resolved with particular speed and effectiveness.

7.22   We will install a network of sensors across the Games venues, to monitor the spectrum and pinpoint any interference. Previous Games have employed up to 300 people to do this job manually – using advanced technology will allow us to use half that number of people.

7.23   The net effect of this will be a significant simplification of our processes and a major cost saving for stakeholders.

We have revised the procedures for handling broadcasting complaints, investigations and sanctions

7.24   We have revised our procedures for broadcasting investigations and sanctions as we believed that they could be further improved for the benefit of all of our stakeholders. We proposed a number of changes that would:

- streamline our processes and procedures;

- improve the speed with which we carry out investigations;

- allow more responsive decision making;

- simplify stakeholders interactions with us on a day-to-day basis; and

- deliver greater value for our stakeholders.

7.25   We publicly consulted on these changes to gather stakeholders' views. The consultation closed in February 2011 and the new procedures were published in June 2011.The key changes to the new procedures include:

- **A move to an 'issues-based' model for ensuring compliance with relevant requirements**: Ofcom will continue to acknowledge all complaints, but will no longer reply to every individual complaint with a 'tailored' response. Instead, we will investigate where necessary and prioritise our investigations according to a number of factors.

- **The introduction of a 'preliminary view'**: This will be made early in the process and will enable broadcasters (and complainants in fairness and privacy cases) to

prepare their representations, having already been informed of the preliminary view.

- **The removal of the internal review mechanism**: Stakeholders no longer have the opportunity to request an internal review of all of our decisions on breaches of broadcast licence requirements. As a result, we have removed the Broadcasting Review Committee.

- **The removal of the Broadcasting Sanctions Committee**: The consideration and determination of statutory sanctions will now normally be carried out by two members of the Ofcom Executive with relevant expertise and seniority and one non-Executive member of Ofcom's Content Board.

- **Clarity of Ofcom's approach to the disclosure of information it gathers during investigations**.

7.26   The above changes have been designed to ensure continued fairness to those involved in our investigations and complaints procedures, while maintaining high quality decision-making.

We will continue to implement our new e-services initiative

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

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

7.29   We hope that the new consumer portal will reduce the volume of calls into our Consumer Contact Centre (CCT) by up to 50%, allowing our associates to deal with more complex calls that cannot be resolved via the web, and to provide assistance to vulnerable consumers and those not yet online. A prototype has been developed and is currently entering the system build phase.

Expenditure review project

7.30   The Planning and Performance Team was set up in early 2011, and has primary responsibility for Ofcom's performance management framework. The key focus for this framework has been to streamline our internal reporting processes, allowing more timely information to be made available to managers, particularly on the Expenditure Review Project. The long-term aim of the framework is to ensure that by more effective monitoring and reporting of progress, consumers will benefit from our more efficient use of resources, and this work will continue into 2012/13.

Revising the process for monitoring broadcast access services

7.31   Previously, Ofcom asked each television channel group, on a regular basis throughout the year, to provide samples of their broadcast content that carried access services (subtitles, audio description, and signed language). Following an internal review to reduce the information request burden on broadcasters, we have

changed our processes so we now review and record that content directly ourselves, thus reducing the burden on the channel groups.

New simplification and deregulatory initiatives 2012/13

7.32   This section presents examples of other simplification initiatives that we already plan to undertake in 2012/13. As we are taking forward a significant amount of work in this area from last year, we anticipate that once the previous initiatives have been completed, further initiatives will develop during the forthcoming year.

We propose to simplify some aspects of postal services regulation

7.33   In assuming responsibility for the regulation of postal services, Ofcom was required to transpose the existing licence conditions to a general authorisation regime. As part of this process we removed 13 conditions from both the Standard and Royal Mail licences. These had become unnecessary, either because the condition duplicated Ofcom's statutory powers (e.g. condition 11 on promotion of effective competition was unnecessary because Ofcom has concurrent powers under the Competition Act 1998) or because they were inappropriate in a general authorisation regime (e.g. condition 12 on mergers, takeovers and change of control).

7.34   Details of these changes can be found in the document *Postal Regulation: Transition to the new regulatory framework[10]*.

7.35   Specific examples of the simplification of postal regulation, as included in the consultation *Securing the Universal Postal Service* published on 20 October 2011, cover:

- **Deregulation of pricing change decisions**: Ofcom has proposed giving Royal Mail freedom to set its own prices for the vast majority of its products.

- **Removing the setting of access pricing by the regulator**: by proposing that Royal Mail has the freedom to set the 'wholesale price' for access to its network, subject to rules regarding the permitted margin between the wholesale and retail prices.

- **Proposing setting the regulatory framework for the next seven years**: thereby reducing regulatory change and providing some certainty to the industry.

7.36   We will publish a consultation which will further examine reducing regulation where it is no longer appropriate (e.g. for non-USO products and services) as well as further simplifying regulatory obligations for USO products, and providing Royal Mail with further commercial freedom following the 20 October consultation.

Simplifying the spectrum trading process

7.37   We are making it simpler for businesses to trade spectrum and release it for new services. It will be possible to access spectrum through the market by leasing it direct from an existing user without the need to notify Ofcom or for a new licence to be granted. This will ensure faster execution and lower transaction costs.

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[10] http://stakeholders.ofcom.org.uk/consultations/postal-regulation/

7.38   Lease terms will be for the parties to negotiate, but there will be regulatory safeguards to enable us, if necessary, to investigate and deal with any breaches of licence conditions or harmful interference which the parties cannot resolve.

7.39   Phase one, which covers selected licence categories, has commenced following positive response to an earlier consultation. We will consider extending it progressively in the light of experience and in response to market demand.

Annex 1

Responding to this consultation

How to respond

A1.1   Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 17 February 2012**.

A1.2   Ofcom strongly prefers to receive responses using the online web form at https://stakeholders.ofcom.org.uk/consultations/draftap1213/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (located at the end of this Annex), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.

A1.3   For larger consultation responses - particularly those with supporting charts, tables or other data - please email fergal.farragher@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.

A1.4   Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.

Fergal Farragher
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Fax: 020 7981 3706

A1.5   Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

A1.6   It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together at the end of section 5. It would also help if you can explain why you hold your views and how Ofcom's proposals would impact on you.

Further information

A1.7   If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Fergal Farragher on 020 7981 3553.

Confidentiality

A1.8   We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, www.ofcom.org.uk, ideally on receipt. If you think your response should be kept confidential, can you please specify what part or whether all of your response should be kept confidential, and specify why. Please also place such parts in a separate annex.

A1.9   If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A1.10   Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at http://www.ofcom.org.uk/about/accoun/disclaimer/

Next steps

A1.11   Following the end of the consultation period, Ofcom intends to publish a statement by the end of April 2012.

A1.12   Please note that you can register to receive free mail Updates alerting you to the publications of relevant Ofcom documents. For more details please see: http://www.ofcom.org.uk/static/subscribe/select_list.htm

Ofcom's consultation processes

A1.13   Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 2.

A1.14   If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or email us at consult@ofcom.org.uk . We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to give their opinions through a formal consultation.

A1.15   If you would like to discuss these issues or Ofcom's consultation processes more generally you can alternatively contact Graham Howell, Secretary to the Corporation, who is Ofcom's consultation champion:

Graham Howell
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Tel: 0207 981 3601

Email: Graham.Howell@ofcom.org.uk

Ofcom's consultation principles

A1.16   Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A1.17   Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right

direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

A1.18   We will be clear about who we are consulting, why, on what questions and for how long.

A1.19   We will make the consultation document as short and simple as possible with a summary of no more than two pages. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English Guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A1.20   We will consult for up to 10 weeks depending on the potential impact of our proposals.

A1.21   A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A1.22   If we are not able to follow one of these principles, we will explain why.

After the consultation

A1.23   We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Consultation response cover sheet

A1.24   In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, www.ofcom.org.uk.

A1.25   We have produced a coversheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of responses, and help to maintain confidentiality where appropriate.

A1.26   The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to complete their coversheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.

A1.27   We strongly prefer to receive responses via the online web form which incorporates the coversheet. If you are responding via email, post or fax you can download an electronic copy of this coversheet in Word or RTF format from the 'Consultations' section of our website at www.ofcom.org.uk/consult/.

A1.28 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your coversheet only, so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

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

Nothing ☐   Name/contact details/job title ☐

Whole response ☐   Organisation ☐

Part of the response ☐   If there is no separate annex, which parts?

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

DECLARATION

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

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

Name   Signed (if hard copy)