



Draft Annual Plan 2010/11

Consultation

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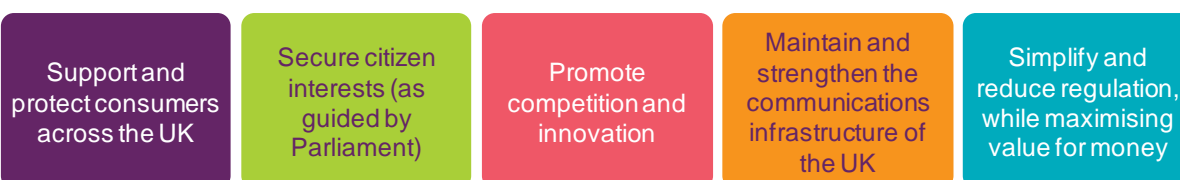
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Section 1

One-page overview

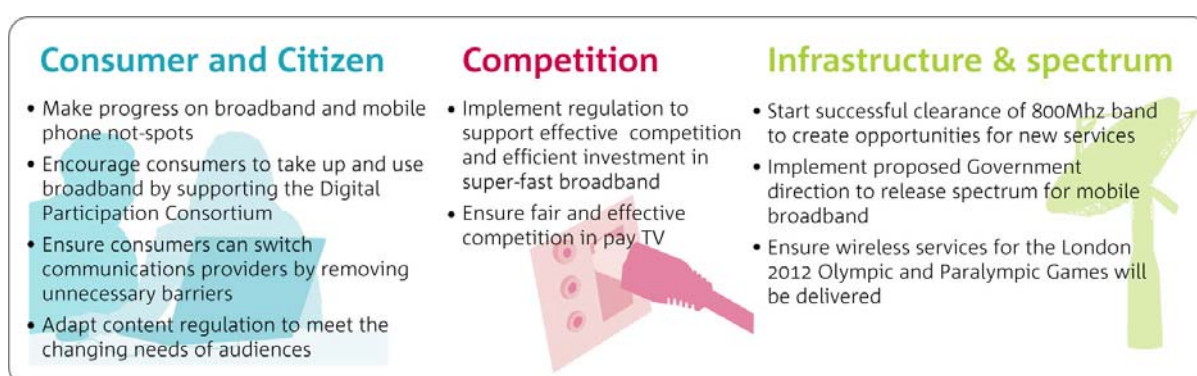
The annual plan sets out Ofcom's future work programme to further the interests of citizens and consumers

- 1.1 Ofcom's draft annual plan sets out our proposed work programme for the twelve months from 1 April 2010 to 31 March 2011.
- 1.2 The 2003 Communications Act gave Ofcom primary duties 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.
- 1.3 In order to fulfil these duties, we have five main objectives that inform all of our work and activities. These are to:



We have set clear priorities for the year ahead, to ensure that we continue to deliver against these objectives

- 1.4 The communications sector plays a vital economic and cultural role in the UK, whilst experiencing rapid change from the growth of digital media. Ofcom's work should seek to ensure that the sector continues to deliver positive outcomes for consumers and citizens throughout the country.
- 1.5 Based on our analysis of market developments and our progress against our current annual plan, we have identified nine priority areas of work for the year ahead.



- 1.6 In addition to these priorities we also have a number of ongoing work areas that will continue into next year.
- 1.7 We encourage anyone with an interest in Ofcom's work to respond to this consultation by 17 February 2010. Our final annual plan for 2010/11 will be published the start of our next financial year.

Section 2

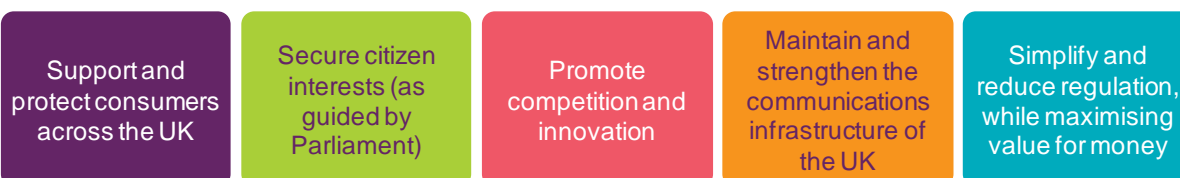
Executive summary

The annual plan sets out Ofcom's future work programme

- 2.1 Ofcom's draft annual plan sets out our proposed work programme for the twelve months from 1 April 2010 to 31 March 2011. We encourage anyone with an interest in Ofcom's work to contribute and respond to this consultation by 17 February 2010. This will help to inform our final annual plan for 2010/11, to be published at the start of our 2010/11 financial year.

Ofcom's work is focused on furthering the interests of citizens and consumers

- 2.2 The 2003 Communications Act gave Ofcom primary duties 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.
- 2.3 In order to fulfil these duties, we have five main objectives that inform all of our work and activities. These are to:



- 2.4 Our focus is on supporting a healthy communications sector in which: consumers are supported and protected, a range of high quality content and services is available, and consumers and citizens benefit from competition, innovation and strong infrastructure. We also continue to ensure we are operating efficiently and have been able to make real-term cost savings every year since our inception.
- 2.5 The communications sector generated revenues of £51.8 billion last year. Digital services have grown in importance for consumers and citizens, as a means of participating in the wider economy and in society. Many people expect the communications sector to play a role in boosting recovery from the economic downturn.
- 2.6 In setting our priorities for 2010/11, we have examined the evidence to enable us to assess where the communications sector is delivering positive outcomes for citizens and consumers, and also where *problems have arisen, or further progress needs to be made, for us to achieve our statutory duties and objectives*. Our reports, *The Consumer Experience*¹ and *The Business Consumer Experience*², are published alongside this plan and set out further details of this research.

We will continue to work to deliver specific outcomes that benefit citizens and consumers, including businesses, in the communications market

- 2.7 Supporting and protecting consumers, and securing citizens' interests, have been at the heart of Ofcom's work programme to date.

¹ <http://www.ofcom.org.uk/research/tce/ce09/>

² <http://www.ofcom.org.uk/research/tce/bce/>

Ensuring availability, take-up and effective use of digital services

- 2.8 In recent years, digital services have become widely available. However, the problem of not-spots, particularly in mobile and broadband, still exists for an important minority, most notably in rural areas across the UK.
- 2.9 We have seen increased take-up of digital services by consumers, with the biggest growth in broadband and digital television. 70% of households now use broadband services (up from 45% in 2006), and 90% of homes have digital television (up from 70% in 2006). However, take-up varies across different groups of consumers. Older consumers and households with low incomes are much less likely than the average to have broadband services in their home.
- 2.10 The Government set out its view on the importance of digital participation for the economy and for society in its *Digital Britain Final Report*³. It proposes to improve the availability of broadband through a universal service commitment, and plans to ensure that the next generation of super-fast broadband networks is available to most consumers. It also supported the formation of the Digital Participation Consortium, made up of a wide range of interested organisations, to promote the take-up and effective use of broadband.
- 2.11 **Encouraging consumers to take up and use broadband by supporting the Digital Participation Consortium** will be a priority for Ofcom in 2010/11. We will work with the consortium to encourage and develop digital participation across the UK. We will also continue with our ongoing work in this area, including help for disabled people.
- 2.12 Inadequate mobile and broadband coverage is potentially detrimental to citizens and consumers, including businesses. Rural parts of the UK, especially in the devolved Nations, are particularly affected by these issues. **Making progress on broadband and mobile phone not-spots** is also proposed as one of Ofcom's priorities for 2010/11. We want to identify the extent and causes of not-spots, and will support initiatives to address these problems. We will also provide appropriate support for the Government plans to improve the availability of broadband across the UK.

Supporting consumers

- 2.13 Increasing competition has delivered many benefits for consumers: wider choice, lower prices and innovation. But complex, rapidly changing products and pricing models, and complicated processes for switching suppliers can create difficulties for consumers.
- 2.14 Although the market provides a lot of information to consumers, there have been some areas where reliable information has not been easily available. To fill this gap, Ofcom has published authoritative data on comparative broadband speeds and has achieved widespread adoption of a code of practice by suppliers to ensure customers understand what speeds they can expect when they buy a broadband service. We have also accredited price comparison services, where these provide objective and reliable pricing information. Reviewing and promoting available consumer information will remain an ongoing work area in 2010/11.

³ <http://www.culture.gov.uk/images/publications/digitalbritain-finalreport-jun09.pdf>

- 2.15 We have also improved the process for consumers to switch between broadband service providers. As part of this work we have set new rules for internet service providers to support consumers through the broadband switching process, and we have worked with industry to resolve technical problems. We have subsequently seen significantly fewer complaints from consumers in this area.
- 2.16 However, the market continues to evolve. A significant proportion of consumers are buying their communications services in bundles, often getting lower prices as a result. But switching bundles is complex as consumers have to navigate numerous product-specific processes in order to change the supplier of their bundle. In the light of this increasing complexity, continuing to **ensure consumers can switch between communications providers by removing unnecessary barriers** will be a priority for us in 2010/11.

Protecting consumers and audiences from harm

- 2.17 Since Ofcom's inception, we have monitored in detail the complaints we receive, to enable us to target the most important issues affecting consumers. Developing and enforcing ways of protecting consumers from harm and from unfair practices has been a priority for us over past years.
- 2.18 We have seen good results in a number of areas:
- Complaints about abandoned and silent calls have fallen by two-thirds since their peak in late 2008. Our main tool in tackling silent calls has been to issue and widely publicise fines for the worst offenders.
 - Mis-selling of mobile plans, particularly through cash-back schemes, has been a significant problem. When a self-regulatory code failed to stop the problem, we introduced compulsory rules against the mis-selling of mobile plans and complaints have fallen by three quarters since their peak in April 2008.
 - Major harm arising from premium rate services, particularly reverse-billed SMS, have been tackled by our regulatory agency PhonePayPlus. Complaints to PhonePayPlus have fallen by two-thirds in the past 18 months.
- 2.19 But some problems have been more difficult to address:
- Complaints about mis-selling in fixed telecoms have fallen but still remain high, despite operators being required to comply with codes of practice and the presence of an active enforcement programme. In response, we will introduce tougher rules.
 - Unfair contracts, particularly in relation to unduly-high early termination charges, have remained the third most common subject of complaints from telecoms consumers. We have given guidance to operators about what charges are unfair.
 - We continue to receive complaints about the way providers handle complaints concerning poor customer service, and we have also commissioned market research on this.

During 2010/11 we will focus on making significant progress on each of these issues.

- 2.20 A major duty for Ofcom is to respond to concerns of audiences about standards on television and radio. These standards relate to a range of matters including harm and offence, unfair treatment, and due impartiality.

- 2.21 In the past two years Ofcom has dealt with a number of serious failures by broadcasters in their handling of votes and competitions. Our work, which resulted in fines in excess of £11 million, and changes to broadcasters' licence conditions, has significantly increased levels of protection in this area for citizens and consumers.
- 2.22 We will continue to ensure that viewers and listeners are protected from potentially harmful and offensive material. In 2010/11 we will focus on the areas of sexual material, commercial references and offensive language to ensure that rules and regulations continue to reflect generally accepted standards and market conditions.

Adapting content regulation to meet the changing needs of audiences

- 2.23 Consumers are increasingly able to access and consume content across a variety of digital platforms. Content regulation currently varies by platform, but the distinctions between platforms are beginning to blur. Inevitably, clear, simple and consistent regulation will become increasingly important. As well as implementing the *Audiovisual Media Services Directive*⁴, we will have to review content regulation more widely in order to meet this goal. **Adapting content regulation to meet the changing needs of audiences** is, therefore, a priority for 2010/11.

Ensuring the wide availability of high quality content

- 2.24 Sustaining and strengthening the availability of high quality content, both on television and radio, has been an important priority for Ofcom.
- 2.25 We have completed extensive analysis and research; this has shown that television and radio broadcast services continue to play an important role in providing content that informs citizens and consumers and strengthens communities. We have also considered the future delivery of news and content in the Regions and devolved Nations, which viewers particularly value.
- 2.26 Our priority has been the wide availability of high quality content for audiences, particularly in the areas most under threat. Where we have been able to make changes within the regulatory framework to achieve this goal, we have done so.
- 2.27 We have also made a number of broader recommendations about the future structure of public service television and the commercial radio sector, in line with our statutory duties. For television, we made recommendations to Government for actions to maintain and strengthen the quality of public service broadcasting. For radio, we proposed to reduce the regulatory burden on the commercial radio sector particularly at the local level and ensure radio regulation adapts to the digital age. Decisions on these issues now lie with the Government and Parliament. We will continue to monitor developments in this area, and will contribute and respond where appropriate.

Understanding business consumers

- 2.28 Business consumers are an important part of the communications markets particularly in telecoms. Our latest research⁵ (focused on businesses with five or more employees) has shown that telecoms services are becoming increasingly important to businesses. Users are generally satisfied with the services on offer, but some expressed concerns about customer service, mobile coverage and broadband

⁴ <http://www.ofcom.org.uk/tv/ifi/guidance/epg.pdf>

⁵ <http://www.ofcom.org.uk/research/tce/bce/>

speeds. Our work to address the issues that fall within our remit is set out above. We plan to conduct regular research into the experiences of business consumers. Next year we will conduct research on very small businesses, which are of particular importance in the English Regions and devolved Nations.

We will continue to promote competition and innovation in communications markets to ensure that consumers, including businesses, benefit from wider choice, lower prices and new services

- 2.29 Consumers and citizens benefit from well functioning competitive markets. Competition can deliver lower prices and a wider choice of goods and services. In markets where competition is weak, consumers are often disadvantaged as firms may lack incentives to innovate, thereby restricting choice, and keeping prices high.
- 2.30 Our work on promoting effective competition in communications markets over the past three years has been focused on fixed telecoms, mobile telecoms and pay TV.

Promoting competition in fixed telecoms

- 2.31 Following our *Telecoms Strategic Review*⁶ and the implementation of BT's Undertakings, we have seen the emergence of an increasingly competitive fixed telecoms market for consumers. Operators are now able to compete effectively with BT using the same range of wholesale products. Local loop unbundling has encouraged a significant number of operators to deploy their own infrastructure to deliver services to consumers – by July 2009 there were over six million unbundled lines. There has also been continued growth in the use of wholesale exchange lines to provide telephony services. Consumers have benefited from lower costs and a greater choice of providers and services.
- 2.32 Effective competition has also allowed us to remove regulation in certain markets. Large-scale take-up of local loop unbundling has removed BT's significant market power in the wholesale broadband access market in many parts of the country. Effective competition has also allowed us to end regulation of the retail market for telephony services, giving BT the ability to offer bundles of services.
- 2.33 The upgrade from current generation, copper-based networks to next generation networks, able to deliver super-fast broadband services, will be an increasingly important issue in the fixed telecoms market. Our goal has been to establish a regulatory approach to super-fast broadband services, and to promote competition and encourage investment through fair returns and regulatory clarity for potential investors and network operators.
- 2.34 This has helped to initiate investment in super-fast broadband networks, with deployments by Virgin Media, BT and other providers over the past year. New super-fast broadband networks are now available to half of all UK households. Our priority for 2010/11 will be **implementing regulation to support effective competition and efficient investment in super-fast broadband**, primarily through our market review process.

⁶ http://www.ofcom.org.uk/static/telecoms_review/index.htm

Promoting competition in mobile telecoms

- 2.35 In mobile telecoms, we have seen that competition is generally working well. Consumers currently benefit from five competing network operators, as well as a large number of virtual network operators, which deliver high levels of customer satisfaction and high levels of affordability. Our work in this area will therefore concentrate on ensuring that consumers continue to benefit from fair and effective competition as the market develops, particularly through reviewing termination rates and monitoring the effect of potential consolidation in the market.

Ensuring fair and effective competition in pay TV

- 2.36 Ofcom opened an investigation of the pay TV market in 2007, following a complaint by a number of BSkyB's competitors. Over the course of three consultations, we have analysed the market in detail and came to a provisional view that there was evidence that BSkyB's behaviour was limiting consumer choice and the development and innovation of television platforms.
- 2.37 We are in the process of analysing the responses to our third consultation, and will continue to **ensure fair and effective competition in pay TV** as a priority next year.

We continue to encourage the maintenance and strengthening of the communications infrastructure, to support innovation and new services

- 2.38 There has been an encouraging overall level of investment in the communications infrastructure over recent years. Consumers are starting to benefit from a wide range of new and improved services. We have seen major investment in both current and next generation broadband infrastructure. In mobile, there has been increased investment in the 3G networks supporting mobile broadband. In broadcasting, we have seen investment in high-definition television services over satellite, cable and digital terrestrial television.
- 2.39 We will continue to ensure the maintenance and strengthening of the communications infrastructure during 2010/11.

Releasing spectrum

- 2.40 If consumers are to have access to innovative wireless services, suitable spectrum must be available. Over the past three years we have prepared plans to release spectrum in two key bands: the digital dividend and the 2.6 GHz band.
- 2.41 We have also worked towards liberalisation of the spectrum bands currently used by mobile operators to deliver 2G services, to allow them to be used for 3G services.
- 2.42 However, we have had to delay some of our plans to liberalise and release spectrum. Litigation in relation to our decision to award the 2.6 GHz band as soon as possible has put on hold our plans for that award. For the digital dividend award, we delayed our plans in order to harmonise our spectrum release with other European countries, producing greater benefits for UK citizens and consumers.
- 2.43 In addition to this, as part of the Government's *Digital Britain Final Report*, the Government's Independent Spectrum Broker made recommendations affecting spectrum in the 800 MHz and 2.6 GHz bands, as well as regarding 2G liberalisation. We are now waiting for the Government to decide what steps, if any, to take in this regard, including a possible direction to release spectrum.

- 2.44 In order to progress our work on releasing spectrum, we will treat the **clearance of the 800MHz band in preparation for release** and the **implementation of proposed Government direction to release spectrum for mobile broadband**, following the *Digital Britain Final Report*, as priorities for 2010/11.

Supporting the London 2012 Games

- 2.45 Another vital spectrum-related task next year will be the London 2012 Olympic Games and Paralympic Games. We have already developed a spectrum plan for the event, and during 2010/11 we will prepare to license the spectrum identified and start to implement our operational plans. **Ensuring wireless services for the London 2012 Olympic and Paralympic Games will be delivered** will be a priority for us next year.

We will continue to work to support the needs of consumers and citizens across the English Regions, Northern Ireland, Scotland and Wales

- 2.46 We recognise the experiences, concerns and needs of citizens and consumers, including businesses, vary depending on where they are in the UK. A vital part of our work is to consider how issues affect consumers and citizens in different parts of the country.
- 2.47 Our work programme takes account of the needs of citizens and consumers across the UK. Two issues of particular importance to the English Regions, Northern Ireland, Scotland and Wales are broadband and mobile phone not-spots as well as digital participation. We outline our work in these areas above.
- 2.48 Understanding the experiences and needs of citizens and consumers throughout the UK will remain an ongoing focus underpinning our work. As part of all our activities we consider how our work and its outcomes relate to the English Regions, Northern Ireland, Scotland and Wales.

We have made progress in a number of areas to reduce the burdens we place on stakeholders

- 2.49 Wherever possible, our goal is to allow the market to deliver positive outcomes for consumers and citizens, without regulation. Ofcom remains committed to reducing and simplifying complex or unnecessary regulation, while improving the value for money that we deliver to stakeholders by continuing to improve our own efficiency.
- 2.50 During 2009 we have progressed various deregulatory and simplification initiatives, some of which will continue in 2010. Examples include:
- the removal of the remaining regulatory constraints in the fixed telecoms market at the retail level and the reduction of regulation at the wholesale level;
 - our recommendations to Government to remove two rules related to radio ownership and the relaxation of local cross-media ownership rules;
 - the relaxation of licence requirements for Channels 3 and 5, following our second public service broadcasting review;
 - the completion of project Unify, delivering the upgrade and integration of our IT systems, thanks to which we can offer services to our stakeholders in a more efficient way;

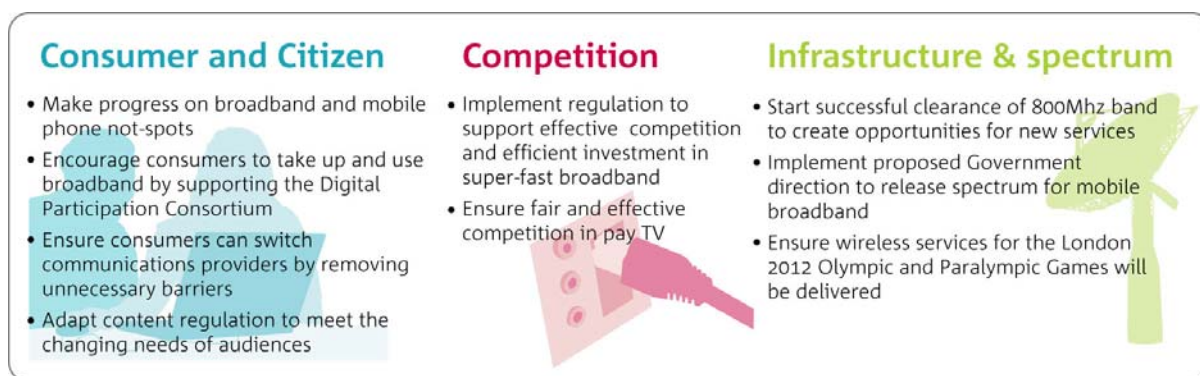
- our proposals to simplify spectrum trading, making it easier for businesses to access the radio frequencies they need to use; and
- a planned review of whether current restrictions related to advertising on public service channels remain justified.

2.51 Further details of deregulation and simplification initiatives are outlined in Annex 3.

2.52 In 2009/10 cost savings are being delivered by investment in information systems, the introduction of more effective customer service, a new procurement framework for research and consultancy services, more efficient financing of capital equipment and better management of working capital. For 2010/11 we plan to rationalise our IS server estates, re-tender some of our major contracts and have a managed service provider for temporary and agency staff.

Our work in 2010/11 will focus on areas where we want to make significant progress towards achieving positive outcomes for citizens and consumers

2.53 Based on our analysis, we have identified nine priority areas where we want to make significant progress, in the coming year, to ensure positive outcomes for consumers and citizens. In summary, these are:



2.54 In addition to these priorities, we have a number of other ongoing areas of work. Our full work programme is illustrated in Figure 1 and details of the specific projects in our work programme are provided in Annex 1.

We will also continue to deliver key services to our stakeholders

2.55 One of Ofcom's roles is to deliver specific services to our stakeholders. We will continue to deliver essential services, including keeping the airwaves free from interference, allocating telephone number ranges and providing information services, as required by the Communications Act. Annex 2 provides details of these activities.

Our plan allows us to respond to changes and new issues

2.56 There will always be developments and issues within the communications sector that we need to respond to, but cannot always plan for in detail. With an uncertain and volatile economic climate and the implementation of the Government's *Digital Britain Final Report* and proposed legislation, we expect 2010/11 to be no different. In addition to this, there has been an increase in the number of appeals to our decisions and disputes that we have to resolve, which require significant resource.

2.57 As in previous years, we intend to retain flexibility within the annual plan for 2010/11. We plan to revisit our work programme when the proposed legislative changes in the *Digital Economy Bill*, including the proposed amendments to Ofcom's duties, have progressed through the Parliamentary process.

Figure 1: Ofcom 2010/11 work programme: overview

	Consumer & citizen	Competition	Infrastructure & spectrum
<i>Priorities for 2010/11</i>	<ul style="list-style-type: none"> • Make progress on broadband and mobile phone not-spots • Encourage consumers to take up and use broadband by supporting the Digital Participation Consortium • Ensure consumers can switch between communications providers by removing unnecessary barriers • Adapt content regulation to meet the changing needs of audiences 	<ul style="list-style-type: none"> • Implement regulation to support effective competition and efficient investment in super-fast broadband • Ensure fair and effective competition in pay TV 	<ul style="list-style-type: none"> • Start successful clearance of 800Mhz band to create opportunities for new services • Implement proposed Government direction to release spectrum for mobile broadband • Ensure wireless services for the London 2012 Olympic and Paralympic Games will be delivered
<i>Ongoing major work areas</i>	<ul style="list-style-type: none"> • Ensure availability, take-up and effective use of communications services • Review and promote available consumer information • Protect consumers and audiences from harm and unfair practices • Understand experiences of business consumers 	<ul style="list-style-type: none"> • Promote effective competition in fixed and mobile telecoms • Review regulatory rules that affect funding of content • Enforce competition and resolve disputes 	<ul style="list-style-type: none"> • Support digital switchover • Promote efficient allocation of spectrum • Develop stable international framework to underpin spectrum awards programme • Understand network capabilities
	Identify opportunities for deregulation and simplification		

Section 3

Ofcom's approach to regulation

Ofcom's principal duties

- 3.1 The 2003 Communications Act gave Ofcom principal duties 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.
- 3.2 In order to successfully fulfil these duties, we have five main objectives that inform all of our work and activities. These are to:
- support and protect consumers across the UK;
 - secure citizen interests (as guided by Parliament);
 - promote competition and innovation;
 - maintain and strengthen the communications infrastructure of the UK; and
 - simplify and reduce regulation, while maximising value for money.
- 3.3 In fulfilling our duties and seeking to fulfil these objectives, we follow a set of regulatory principles that influence what we focus on in our work as well as how we work. These principles ensure that our work addresses issues effectively, and in a timely, robust and comprehensive manner. They also help us to clarify our regulatory approach to our stakeholders.

Ofcom's regulatory principles

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 objectives.

How we support regulation

- Ofcom will research markets constantly 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.

- 3.4 Our bias against intervention aims to ensure that we regulate only where necessary. Unnecessary intervention could distort or stifle the development of competitive and

rapidly changing markets. However, where intervention is required we will act quickly and decisively.

- 3.5 We must ensure that regulation helps, rather than hinders, the development of markets. To achieve this, our principle is to use the least intrusive regulatory mechanisms appropriate for the situation.
- 3.6 We are committed to evidence-based decision-making. This requires us to understand consumer attitudes, which we achieve through a comprehensive programme of market research, and to understand market developments, which we do through gathering and analysing market intelligence.
- 3.7 We also recognise the importance of consulting with the full range of our stakeholders, both informally as options in our work are being identified and refined, and formally through the publication of consultation documents.
- 3.8 Carrying out regulatory impact assessments helps to ensure that we follow good practice when making decisions. An impact assessment involves being clear about the issue which needs to be addressed, identifying a range of options and analysing the impacts each would have.
- 3.9 Our principal duty to further the interests of citizens and consumers makes it particularly important for us to understand how our decisions affect these groups. As consumers, we participate in the marketplace, acquiring or using goods and services. As citizens, we are concerned not only with our narrow individual interests, but with what is good for society.
- 3.10 Sometimes the interests of citizens may be at odds with the interests of (at least some) individual consumers.
- 3.11 Therefore, in making decisions, it is important that we identify both the interests of citizens and the interests of consumers. We can then understand the trade-offs which our decisions often involve. Ofcom's annual planning process seeks to set out our future work programme with this approach to regulation in mind.
- 3.12 In addition to our regulatory principles, there are several themes that are always important to our projects. These will remain important throughout our work in 2010/11:
 - Considering how our work and its outcomes relate to each nation of the UK. Ofcom's work is increasingly influenced by the implications of institutional changes and differences in the Nations.
 - Adhering to Ofcom's consumer interest toolkit as a way of ensuring that Ofcom identifies and addresses consumer interests across its work. This includes a series of questions that every internal project team should ask, to ensure that consumers are appropriately considered.
 - Open consultation with Ofcom's advisory committees and panels as we progress our work helps to ensure that our work considers a range of implications for each nation, for older and disabled people and for consumers, including the efficient use of spectrum, where appropriate.

Section 4

Ensuring positive outcomes for consumers and citizens

Market developments, outcomes and Ofcom's work programme

- 4.1 Ofcom has a wide range of specific duties, set out in legislation. However, all our activities and work should play a part in delivering positive outcomes for consumers and citizens in the communications sector.
- 4.2 In setting our priorities for 2010/11, we have considered how the communications sector has delivered positive outcomes for citizens and consumers. We have also considered the extent to which market and public policy developments have created new issues and areas of focus.
- 4.3 Our assessment of market developments and outcomes draws on the extensive research that Ofcom undertakes to understand fully the availability, take-up and use of services, and the concerns of consumers in the communications sector. This includes our *Consumer Experience* research and our *Business Consumer Experience* research (published in parallel to this draft plan) as well as our wider annual *Communications Market* research.

Delivering specific outcomes for citizens and consumers

- 4.4 Two key market developments have affected our work on delivering specific outcomes for citizens and consumers. Firstly, digital services have grown in importance in enabling participation in the economy and society as a whole. We have also seen the emergence of increasingly complex and converged communications markets. This has made navigating the markets increasingly challenging for consumers and has brought a new range of consumer issues

Ensuring availability, take-up and effective use of communications services

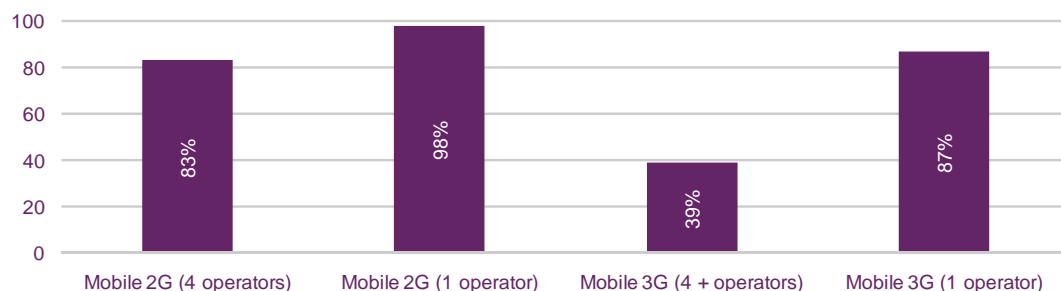
- 4.5 Ofcom has a specific duty to ensure that a wide range of electronic communications services, including high-speed data services and television and radio services, are available throughout the UK. In performing this duty we must consider, among other things, the needs of people with disabilities, older consumers, those on low incomes, people in the different parts of the United Kingdom, the different ethnic communities within the UK, and those living in rural and in urban areas.
- 4.6 We work to fulfil this duty by ensuring the availability, take-up and effective use of digital communications services. The primary focus of our work is to understand, and wherever possible increase, digital inclusion for citizens and consumers.

Availability

- 4.7 Overall availability of digital communications services has been consistently high across the UK, with at least nine in ten consumers having access to fixed, mobile, broadband and digital television services.

- 4.8 But at the same time there continues to be the risk of a digital divide, both in terms of geographic availability, and the availability of services to specific groups of users, particularly for mobile telephony and broadband services.
- 4.9 Despite the widespread availability of mobile services, coverage of 2G voice services is not universal and 3G coverage is more limited, as shown in figure 2. We refer to the places where mobile services are not available as mobile phone not-spots.

Figure 2: Availability of mobile services



Sources: Ofcom

Note: Data covers proportion of population living in postal districts where at least one operator and four plus operators report at least 90% 2G and 3G population coverage. Sourced from GSM Association / Europa Technologies (Q1 2008). Note we have raised this threshold from 75% in 2008; as a result we do not have time series data

- 4.10 Mobile services are considered important by consumers and are vital for a number of citizen benefits, such as emergency services. As mobile services are an important way of keeping in touch with others, and a way of contacting emergency services, the existence of mobile not-spots is a concern to us. The responses to our *Access and Inclusion* and *Mostly Mobile* consultation documents over the past year highlighted the fact that coverage issues persist in some areas, particularly in the devolved Nations. 3G coverage in rural areas remains significantly lower than in urban areas, and further large-scale build-out of 2G coverage to address not-spots on a commercial basis seems unlikely.
- 4.11 As a first step to address citizen concerns we have focused on implementing emergency mobile roaming, which allows consumers to roam onto another network to make an emergency call in areas where their own network does not have coverage. In October 2009, emergency mobile roaming became fully operational, meaning that consumers can access emergency services both within and outside areas of their own network coverage.
- 4.12 During 2010/11 we plan to continue our work on mobile not-spots. We will carry out research to understand in more detail the causes of such not-spots and consider what can be done to resolve them.

Figure 3: Basic broadband availability

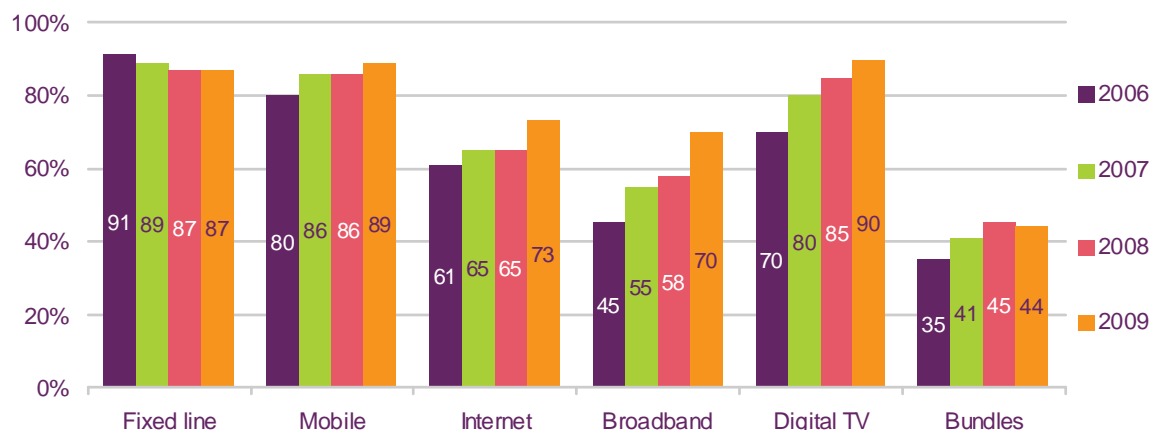
Source: Ofcom

Note: Data refers to availability in December of each year

- 4.13 Availability of basic broadband over cable and ADSL has remained constant over the past three years at 49% of premises (via cable) and 99.6% via ADSL. Over the same period, consumer choice in broadband has increased, with the availability of broadband delivered via local loop unbundling increasing from 67% to 84%.
- 4.14 Despite the widespread availability of fixed broadband services, not-spots remain - 0.4% premises are currently unable to receive even very basic ADSL services. There are also a large number of households, particularly in rural areas, that are able to receive only very slow broadband services. Around one in ten of UK households cannot currently receive 2Mbps services
- 4.15 As part of the *Digital Britain Final Report* the Government outlined its plans for a universal service commitment for broadband, to make services with speeds of at least 2 Mbps available to all households across the UK. It also set out plans to ensure that super-fast broadband networks are available to most consumers. Upon the Government's request, we have provided technical support and advice on this work and will continue to work with Government to improve broadband availability across the UK.
- 4.16 We propose that our work on making progress on mobile phone and broadband not-spots should be a priority for Ofcom in 2010/11. Our aim is to improve our understanding of where and why not-spots exist, and consider what actions can be taken to reduce their occurrence.

Take-up

Figure 4: Take-up of communications services



Source: Ofcom Communication Tracking Survey

Base: All adults 15+. Data for 2006-2008 based on Q2, all other data based on Q4

Note: Mobile figures refer to consumers who personally use mobile services. All other figures refer to take-up by household.

- 4.17 Take-up of digital communications services has generally increased over the past four years. While take-up of fixed-line services has fallen since 2006, due to an increasing number of households relying solely on mobile services, there have been significant increases in the take-up of broadband and digital television over the same time period. Seventy per cent of households now use broadband services (up from 45% in 2006), and 90% homes have digital television (up from 70% in 2006).
- 4.18 Despite increases in take-up of digital services across the population as a whole, take-up remains uneven across different groups of consumers. Older consumers and those in households with low incomes are much less likely than the average to have broadband service in their home.
- 4.19 As society becomes increasingly reliant on digital technology, various media and communications services are becoming an integral part of everyday life. Take-up of these services and knowledge of their use is increasingly a prerequisite to effective participation in society and in the economy.
- 4.20 Encouraging the take-up and understanding of digital services has been carried out through our media literacy programme. Our focus in this area has been on providing leadership and working with stakeholders to promote media literacy for everyone throughout the UK. We have worked with and supported a wide range of organisations and initiatives and continue to produce research and provide information.
- 4.21 In response to the Government's *Digital Britain Interim Report*, we worked with a range of stakeholders to form the Digital Britain Media Literacy Working Group. This produced recommendations to enable the development of a clear agenda for delivery of greater media literacy.
- 4.22 In the *Digital Britain Final Report*, the Government asked Ofcom to lead the Consortium for the Promotion of Digital Participation, supported by funding of up to £12 million over three years. Promoting digital participation includes work to increase the reach, breadth and depth of digital technology use across all sections of society, encompassing availability, take-up and understanding of digital services. The consortium will develop and deliver a social marketing programme, and targeted

outreach, which will form part of a National Plan for Digital Participation. We plan to treat our work in support of the Digital Participation Consortium as a priority for 2010/11.

- 4.23 Alongside our priorities of making progress on broadband and mobile phone not-spots and supporting the Digital Participation Consortium, we will also continue in 2010/11 with our ongoing work on ensuring availability, take-up and effective use of communications services. As part of this we plan to review the existing universal service obligation, focus on services for disabled people and on easily-usable apparatus, and continue with our media literacy work.

Supporting consumers

- 4.24 As well as benefiting from the availability of, and access to, digital services, it is important that consumers are able to engage effectively with such services. Rapidly-changing products and pricing models, and complex switching processes can create difficulties for consumers. We have worked to empower consumers by promoting the supply of information, and improving switching processes to enable consumers to benefit from the increasing range of available products and services.

Switching

- 4.25 Consumers should be able to switch between providers without undue effort, disruption and anxiety. Where this is not the case, consumers who switch may suffer harm. Further, it may result in a lack of consumer confidence in switching processes resulting in consumers choosing not to switch. This could dampen the competitive process, and consumers will not receive the benefits from competition they should be able to expect.
- 4.26 Our work around consumer switching encompasses three key areas, namely barriers to switching arising from information, contractual and/or process obstacles.
- 4.27 Given the importance of switching for consumers in the communications market, we will plan to treat our work on ensuring consumers can switch between communications providers by removing unnecessary barriers as a priority for 2010/11.

Tackling information barriers to switching

- 4.28 Information plays a key role in enabling consumers to make the most of competitive markets. If consumers are not fully informed about the services available to them, they may make incorrect decisions and be reluctant to switch. Ofcom has worked to support consumers by making available information the market does not provide effectively but helps them make choices. As part of this:
- We have launched an accreditation scheme for price comparison companies to encourage up to date and accurate price comparison services. To date we have accredited three firms: *Simplify Digital*, *BroadbandChoices* and *Billmonitor*;
 - To address concerns about lack of information for broadband customers we encouraged ISPs to sign up to a voluntary code to provide relevant information to consumers at the point of sale. We will monitor compliance with the code;

- In July 2009, we published the results of our research into fixed-line broadband speeds in the UK⁷. The research found that there were significant differences in the download speeds offered by internet service providers, with speeds depending on the technology used to deliver broadband and the capacity of the provider's network. We intend to commission a further round of research and we will also continue our programme of work on broadband speeds. Our overall objective is to ensure that consumers are provided the information they need to make fully informed decisions on their broadband service; and
 - We have published a range of consumer guides with practical advice on a range of issues in the communications sector including slamming, nuisance calls and how to make a complaint.
- 4.29 As part of our ongoing work we will continue review and promote available consumer information in order to ensure consumers are able to make informed choices in the communications market.

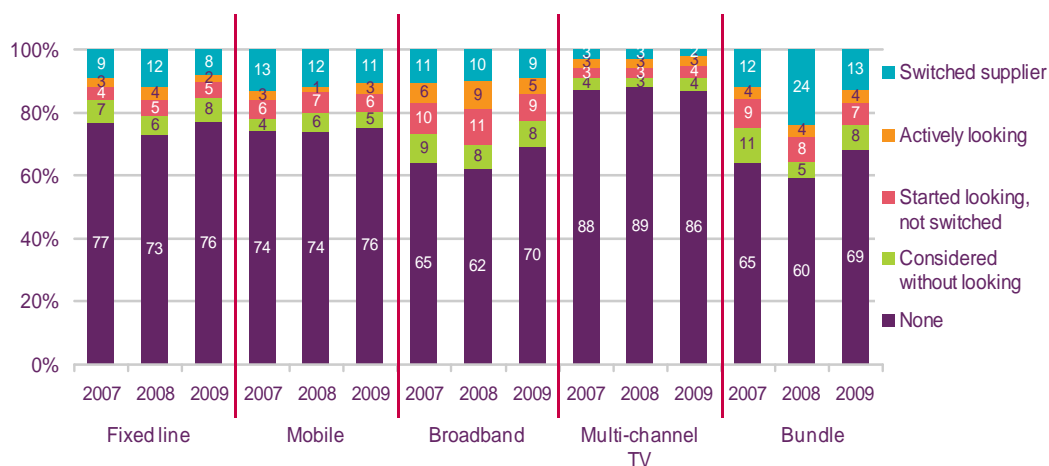
Tackling contractual barriers to switching

- 4.30 In addition to information obstacles, consumers may also face contractual barriers to switching; this is where contractual terms may affect consumers' ability to switch in the market. This may be the case where terms give rise to early termination charges. Another concern is in relation to automatically renewable contracts, i.e. contracts which are automatically renewed for a new minimum contract period after the expiry of the initial and any subsequent minimum contract periods.

Tackling process barriers to switching

- 4.31 Ofcom also has an ongoing programme of work related to switching processes in order to ensure that they do not act as an inhibitor of consumer switching.
- 4.32 Over recent years, Ofcom has tackled residual issues with today's switching processes, including our work on fixed-line mis-selling, broadband migrations, mobile mis-selling and Mobile Number Portability. We have seen a number of potential problems in the area of consumer switching, including (amongst others) problems relating to dishonest sales activity, difficulties and delays faced by consumers when wanting to switch broadband service, intense approaches by providers to retain customers and potential loss of service.
- 4.33 Our initiatives in this area have had success, most notably on broadband migrations through the introduction of General Condition 22 which resulted in a significant reduction on the volume of both complaints from consumers unable to either because of a tag on their line or being unable to obtain an authorisation code.
- 4.34 However, with an increasing move towards the sale of products in bundles, it is becoming increasingly important that Ofcom looks to the future, to ensure that processes do not inhibit consumers' ability to switch in a world of bundled product offerings as well as for single communications services.
- 4.35 Our research has shown that the proportion of consumers switching supplier in the bundled services market has decreased more than other services over the past 12 months (from 24% to 13%).

⁷ http://www.ofcom.org.uk/research/telecoms/reports/bbspeed_jan09/

Figure 5: Switching activity in the previous 12 months

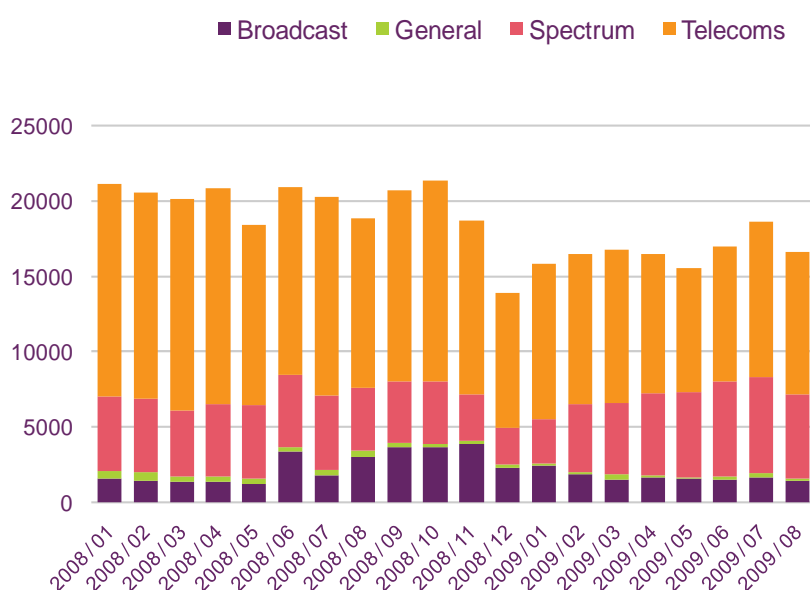
Source: Ofcom decision making survey July 2007, July 2008 and July 2009

Base: All who are the decision-maker for each service; fixed line (2007, 1018), (2008, 941), (2009, 781), mobile (2007, 1211), (2008, 1270), (2009, 1231), broadband (2007, 403) (2008, 460), (2009, 388), multichannel TV (2007, 800) (2008, 896), (2009, 837), bundled services (2007, 384) (2008, 534), (2009, 631)

- 4.36 The prevalence of bundles could inhibit consumer switching in the longer term, because consumers currently have to navigate numerous product-specific processes in if they wish to change their bundle supplier. There are currently different switching processes for landline, broadband, mobile and pay TV services. However, a number of providers have indicated to us their wish to move to better aligned processes.
- 4.37 In order to address this, we will develop a strategic approach to switching, aimed at eliminating any undue barriers for consumer switching, now or in the future.
- 4.38 Given the importance of switching for consumers in the communications market, we will plan to treat our work on ensuring consumers can switch between communications providers by removing unnecessary barriers as a priority for 2010/11.

Protecting consumers and audiences from harm and unfair practices

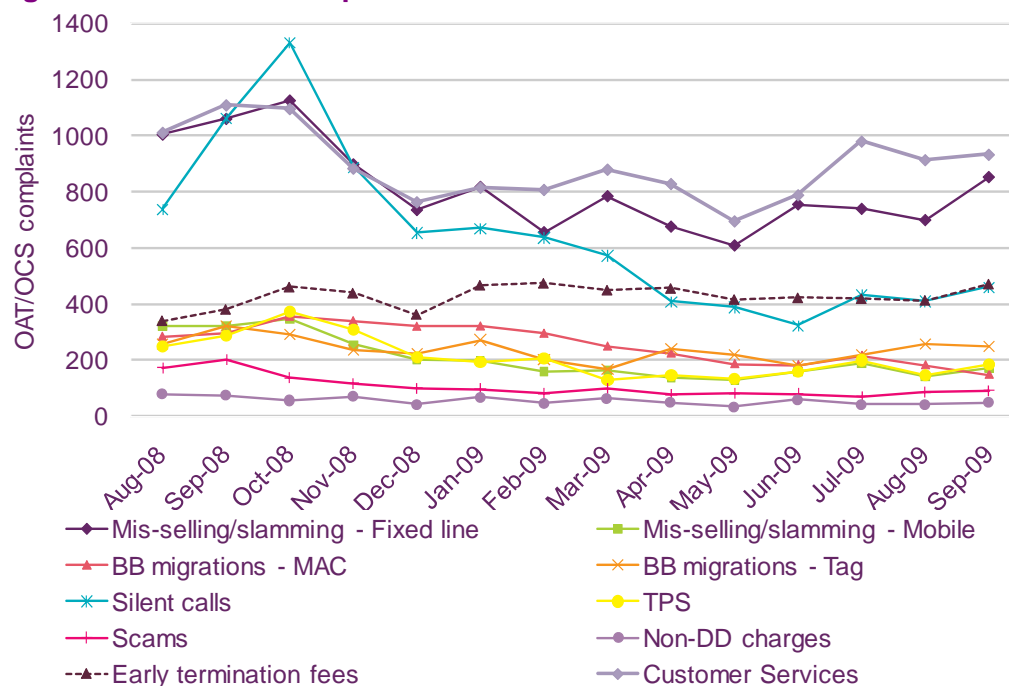
- 4.39 The Ofcom Advisory Team (OAT) is the main point of contact for consumers wishing to seek advice or make complaints to Ofcom about issues in the communications market. Consumers can contact the OAT by phone, internet or post.
- 4.40 The number of complaints received by Ofcom between 2008 and 2009 has decreased from about 20,000 per month to about 16,000 per month.

Figure 6: Number of monthly complaints received by Ofcom, 2008-2009

Source: Ofcom

Consumers

- 4.41 We have a wide range of work aimed at reducing the likelihood of harm experienced by consumers. This focuses on setting the right guidelines or regulations for service providers, and consistently monitoring and taking enforcement actions in the case of non-compliance with the guidelines and rules. The tools available to us are, generally, the introduction and enforcement of General Conditions (GCs) and general consumer protection legislation including the Enterprise Act 2002.

Figure 7: Consumer complaints in telecoms

Source: Ofcom

4.42 We have made progress in tackling issues affecting consumers over the past three years:

- Complaints about abandoned and silent calls have fallen significantly since their peak in late 2008. Our main tool to tackle silent calls has been issuing, and widely publicising, fines for the worst offenders.
- Mobile mis-selling, particularly those involving cash-back schemes, has been a significant problem. When a self-regulatory code failed to stop the problem, we introduced a compulsory code, and complaints are down from their peak of over 800 in September 2007 to below 200 in October 2009.
- Major harm, caused by premium rate services, particularly reverse-billed SMS, has been tackled by our regulatory agency PhonePayPlus. Complaints to PhonePayPlus have fallen from a high of 2,380 in April 2008 to about 800 in October 2009.

4.43 But some problems have been more difficult to resolve:

- Complaints about mis-selling in fixed telecoms are down from their peak of 1,200 in 2005 but remain high at 900 in October 2009, despite operators being required to comply with codes of practice and despite the presence of an active enforcement programme. In response we will impose a new general condition.
- Unfair contracts, particularly in relation to unduly high early termination charges, have remained the third most common source of complaints by consumers in the telecoms area. As a result we have given guidance to operators about what charges are unfair.
- Complaints and market research show that providers are often inadequate in their handling of complaints about poor customer service, and as a result we are improving mechanisms to resolve such disputes.

4.44 During 2010/11 we will focus on making significant progress on each of these issues.

Audiences

4.45 As the regulator of the broadcast industry, Ofcom has continued to respond to the public's concerns about standards on television and radio. These standards relate to a range of matters including: harm and offence, unfair treatment, and due impartiality.

4.46 In the past two years Ofcom has focused on a number of serious failures by broadcasters in their handling of votes and competitions. Our work, which resulted in fines in excess of £11 million, and changes to our licence conditions, significantly reduced instances of poor compliance in this area.

4.47 During 2010/11, Ofcom will continue to ensure that viewers and listeners are protected from potentially harmful and offensive material, particularly in the areas of:

- Sexual material: we will clarify the rules and guidance relating to the broadcast of material of a sexual nature, so as to provide adequate protection for the audience;
- Commercial references: this work involves supporting broadcasters in their quest to find ways to remain commercially viable, while protecting consumers and the

quality and integrity of programmes (which are key to the viewer and listener experience); and

- Offensive language: we will conduct research to ensure that Ofcom's regulation of offensive language continues to reflect generally accepted standards.

Adapting content regulation for the internet age

- 4.48 As consumers increasingly access and consume content across different platforms, we need to consider the implications for the regulation of content. Content regulation currently varies by platform, but with convergence, the distinctions between different platforms are blurring. It is therefore increasingly important to consumers that content regulation is clear, simple and consistent. As well as implementing the *Audiovisual Media Services Directive*, we will have to review content regulation more widely in order to meet this goal. In particular, we will analyse the future purpose and role of positive linear content regulation, particularly in relation to public service broadcasting. We will also look at the options for addressing harm and offence, impartiality and fairness and privacy in a converging landscape. Adapting content regulation to meet the changing needs of audiences is, therefore, a priority for 2010/11.

Ensuring wide availability of high quality content

- 4.49 Over the past three years, sustaining and strengthening the availability of content valued by audiences, specifically in the areas of public service broadcasting and commercial radio, has been a priority for us given our statutory duties. Our focus has been to encourage the wide availability of such high quality content for audiences, particularly in those areas most under threat.
- 4.50 We have completed extensive analysis and research; this has shown that broadcast services play an important role in providing content that informs citizens and consumers and strengthens communities. We have also considered the future delivery of news and content in the Regions and devolved Nations, which viewers particularly value.
- 4.51 Television content, particularly public service content, has value to citizens and consumers, in that it can promote a greater understanding and appreciation of culture and society and awareness of the wider world. Radio content is valued for both time-sensitive information (such as traffic reports and news updates) and also for local community-based content (such as discussions).

Public service broadcasting

- 4.52 In television, audience fragmentation (due to the increased availability of an increasing number of channels) and changes in advertising markets have challenged the business models of commercial public service broadcasters. This in turn has put commercially-funded public service broadcasting at risk, as programme budgets have come under increasing pressure and an increasing amount of audiovisual content is being consumed online.
- 4.53 Ofcom has a specific duty to review public service broadcasting (PSB) at least once every five years. In January 2009, we concluded our *Second Review of Public Service Broadcasting* in which we made recommendations to Government for actions to maintain and strengthen the quality of public service broadcasting. We recommended:

- maintaining the BBC's role and funding at the heart of the PSB system;
 - supporting UK-originated content and international news by positioning Channel 3 and Channel 5 services as commercial services with a limited PSB commitment;
 - planning to ensure the supply of a choice of high quality news, alongside the BBC, in the devolved Nations and English Regions. (The Government has taken this recommendation forward as part of its *Digital Britain Final Report*, in which it outlined plans to pilot Independently Funded News Consortia); and
 - ensuring that there is sustainable alternative provider of PSB alongside the BBC.
- 4.54 Wherever possible, we have implemented changes to ensure that consumers and citizens can continue to receive the services that they value. Specifically, we have made changes to the Channel 3 licences, which has helped to secure the continued availability of regional news on Channel 3, and we have amended regulation on Five, to encourage a focus on better-funded UK-originated content, which is valued by viewers. We also increased Channel 4's commitment to productions made outside London, in order to promote a wider choice of viewpoints in TV content.

Radio

- 4.55 Despite the value and popularity of radio, the commercial radio sector is facing significant challenges, due to structural and cyclical economic changes. A significant number of stations (in particular smaller stations) have become loss-making and some radio stations have closed. We know that listeners value commercial radio services, so we have worked to support the evolution of radio.
- 4.56 We have considered requests from radio licensees to allow co-location. Co-location allows multiple radio stations to share studio premises, and hence reduce costs, while also maintaining distinctive local content.
- 4.57 The Government identified the evolution of radio as a key area within its *Digital Britain Final Report*, and consequently much of our activity in this area has been at the request of Government. In July 2009 we consulted on measures that we propose to take in relation to the regulation of commercial local radio stations, in the event that the measures proposed by Government in its *Digital Britain Final Report* were to become law. Subject to legislative change, we proposed implementing a three-tier structure for radio, allowing some regional stations to share programming if they agreed to provide a service on a national DAB multiplex. This would provide consumers with a wider choice of DAB stations. Listeners would also benefit from our proposals, which would allow stations to reduce some local programming in return for increased local news throughout the day.
- 4.58 To give the commercial radio sector the flexibility to respond to market conditions, in November 2009 we also recommended to the Secretary of State that the local radio ownership rules and the national commercial multiplex ownership rules be removed. We also recommended that local cross-media ownership rules be liberalised, in order to allow greater flexibility for local media companies to invest in content for local audiences.
- 4.59 The decision to implement our recommendations to support public service television and radio now lies with Government. We will continue to monitor developments in this area and will contribute and respond where relevant.

Understanding the experience of business consumers

- 4.60 While the majority of our work over the past three years has focused on residential consumers, in 2009 we made it a priority to understand better the experiences of business users of telecoms services, and to assess whether Ofcom needs to do more to ensure that business consumers' needs are met. As part of this work, we undertook a research programme to find out more about the experiences of businesses with five or more employees in relation to fixed, mobile and internet/data services, and asked them about their concerns and frustrations. We also undertook a series of workshops with businesses across the UK to find out more about the particular issues which may affect small businesses and/or businesses in rural areas particularly in Scotland, Wales and Northern Ireland.
- 4.61 The *Business Consumer Experience* report, published alongside this draft plan, provides an analysis of the research findings and sets out how Ofcom is using its powers to address the concerns which have been raised. Our research showed that telecoms services are becoming increasingly important to businesses, and that while businesses with five or more employees are generally satisfied with the services on offer, there are concerns in a number of areas including customer service, mobile coverage and broadband speeds.
- 4.62 We plan to conduct regular research among business consumers; next year's research will survey very small businesses.

Promoting competition to ensure consumer and citizen benefit from wider choice, lower prices and innovation

- 4.63 Consumers and citizens benefit from effectively-functioning competitive markets. Competition can deliver lower prices and a wider choice of goods and services and promote innovation as firms compete to attract and retain customers. In markets where competition is weak, firms may lack incentives to innovate, thereby restricting choice, and prices are likely to be higher than they would be with competition. This can result in outcomes that are not in the interest of consumers.
- 4.64 Ofcom's work on promoting effective competition in communications markets over the past three years has focused on fixed telecoms, mobile telecoms and pay-TV. We are now starting to focus on the relationship between regulation and the funding of content.

Promoting effective competition in telecoms

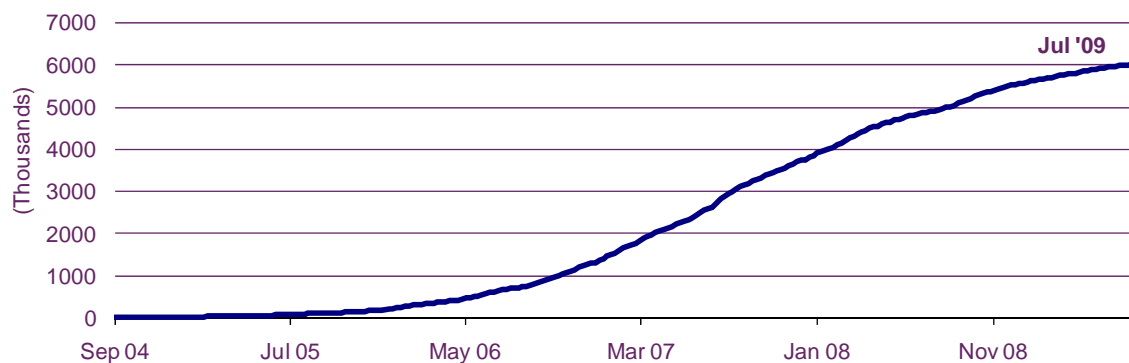
Fixed line

- 4.65 When Ofcom assumed responsibility for regulating the communications sector in late 2003, the market for fixed telecoms services was characterised by consumers having a choice of suppliers, but limited choice in terms of product and services. This was because service providers were using the common set of wholesale products provided by BT, rather than investing in their own infrastructure, which would encourage innovation and enable them to offer a wider range of products and services.
- 4.66 In response to these market conditions we published our *Telecoms Strategic Review* in 2005. Our objective was to develop a fixed telecoms market that would provide consumers with value for money and a choice of high quality and innovative services. As a result of the review, BT was required to make a number of regulated wholesale

products available to other providers on an equivalent basis. These requirements were put into practice through a number of Undertakings. As a result BT agreed that its access network business (Openreach) would treat its retail business in the same way as other service providers. This required BT to use predominantly the same wholesale product set that was available to third parties, thereby incentivising BT to develop high quality wholesale products. BT also agreed to modify its processes to make it easier for third party service providers to deploy their own services using BT's access network, by using their own equipment in BT's exchanges, in a process called local loop unbundling (LLU).

- 4.67 Since the implementation of the Undertakings, the number of LLU lines has increased significantly. Prior to the Undertakings, the proportion of unbundled lines was negligible; in 2003, unbundled lines accounted for 8,000 fixed lines, rising to 200,000 in 2005. By July 2009 there were over six million unbundled lines.

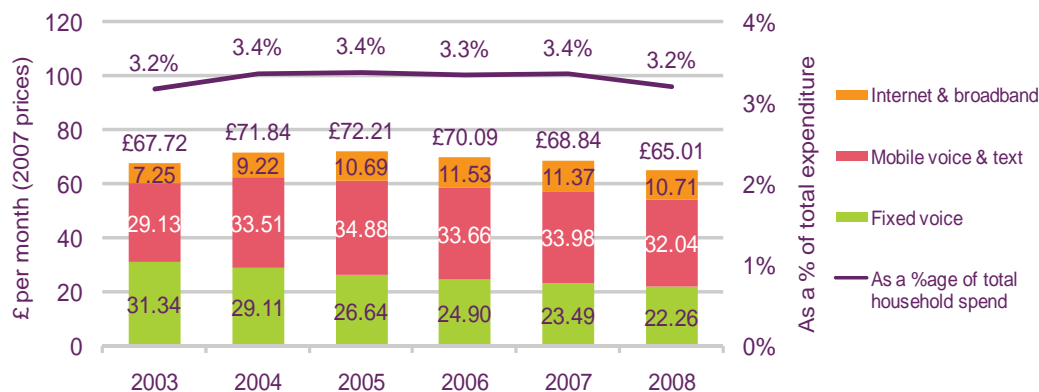
Figure 8: Number of LLU lines over time



Source: Office of the Telecoms Adjudicator

- 4.68 The wide-scale deployment and take-up of LLU has increased choice and value for consumers. ISPs that have deployed LLU have been able to offer IPTV services or deploy faster broadband services using ADSL2+ technology in advance of BT. Use of LLU has also given service providers greater flexibility in how they retail services, enabling some ISPs to offer 'free' broadband services to customers who take other services.

Figure 9: Average household spend on telecoms services



Source: Ofcom / operators / ONS

Notes: Includes estimates where Ofcom does not receive data from operators; adjusted to CPI; includes VAT

- 4.69 As figure 9 demonstrates, spend on broadband and internet access in a basket of communications goods has fallen since 2006 from £11.53 to £10.71. Consumers taking advantage of discounted or even 'free' broadband have contributed to this fall.
- 4.70 Since 2006 there have also been increases in headline broadband speeds. In 2006, two-thirds of broadband subscribers had connections with headline speed of up to 2 Mbps. By 2008, over 70% of broadband subscribers had headline speeds greater than 2 Mbps.
- 4.71 The impact of the Undertakings and the positive outcomes for consumers have enabled us to adapt, and in some cases remove, regulation in the fixed telecoms sector, reflecting the increased levels of competition in the sector:
- In 2008 we were able to remove ex-ante regulation on BT in relation to wholesale broadband access in the 69.2% of geographic areas where four or more service providers had invested in infrastructure.
 - Following the 2006 removal of retail price controls on calls and lines, we concluded in our *Retail Narrowband Market Review* in September 2009 that the market was sufficiently competitive to remove the regulations applying to BT, giving it the ability to offer bundles to consumers and tailored packages to business customers, leading to increased choice for businesses and consumers.
 - We have updated the charge controls for Openreach's LLU products to maintain incentives for Openreach to innovate and improve service quality and to ensure that the delivery of LLU services is sustainable in the light of changes to Openreach's cost base.
 - Our work in setting charge controls for leased line services throughout 2008 and 2009 has benefitted residential and business consumers through lowering prices for leased lines for ISPs (reducing the cost of providing broadband services).
- 4.72 Although there have been overall positive outcomes for citizens and consumers, we will continue to monitor the implementation of BT's Undertakings, and we will work to ensure that regulation remains fit for purpose as the market evolves and new issues emerge.
- 4.73 We recognise that the upgrade from current generation copper networks to next generation networks based on fibre, able to deliver super-fast broadband services, will raise important issues for the regulation of fixed telecoms markets.
- 4.74 We published a statement on super-fast broadband in March 2009, outlining our regulatory framework, which aims to ensure that consumers and citizens benefit from timely investment, competition and widespread availability.
- 4.75 Since then, we have since seen the start of investment in super-fast broadband networks, with deployments by Virgin Media, BT and other providers. Virgin Media launched 50 Mbps services on its network on a commercial basis in late 2008 and now has them available to almost half of UK households. In July 2008 BT announced that it intended to invest £1.5bn to deploy super-fast broadband to up to 10 million premises by 2012. In addition to BT and Virgin Media, new entrants are investing in super-fast broadband networks in specific geographies and new-build developments.

- 4.76 In the light of these announcements about deployment of super-fast broadband services, we have started our reviews of the wholesale local access and wholesale broadband access markets, and will treat this work as a priority for 2010/11.

Mobile

- 4.77 Since 2003 there have been five end-to-end mobile networks in the UK; more than in most other European countries. A significant number of mobile virtual network operators provide additional retail competition.
- 4.78 Throughout 2008 and 2009 we carried out an assessment of our regulatory approach to mobile. Our work was designed to assess whether our regulatory approach had delivered benefits for citizens and consumers, and what, if any, changes to this approach might be required due to market developments.
- 4.79 We concluded that competition in the mobile sector has delivered high levels of customer satisfaction and high levels of affordability, and that a full market review was not warranted at this point. We also pointed out that some groups of consumers have still not fully benefited from competition in the UK mobile sector, specifically consumers in not-spots outside network coverage areas, and consumers with particular usability needs.
- 4.80 As part of our ongoing work in 2010/11, we will ensure that consumers continue to benefit from fair and effective competition as the market develops. Our focus will be on reviewing termination rates and the effect of any potential consolidation in the market.

Pay TV

- 4.81 The pay TV market has grown substantially in recent years, and is now worth £4 billion per year. Subscription revenues are now more important than advertising revenues as a source of funding for broadcasting. The industry has seen a number of significant developments, which will shape the sector for years to come. These include the emergence of new platforms for delivering pay TV services (DTT, IPTV and mobile TV) and the consolidation, restructuring and re-branding of the existing cable platform.
- 4.82 We opened a market investigation into the pay TV industry following the receipt of a submission from BT, Setanta, Top-Up TV and Virgin Media, asking us to investigate the market, early in 2007.
- 4.83 Over the course of three consultations, we analysed the market and came to a provisional view that Sky's behaviour was limiting consumer choice and the development and innovation of television platforms. As a remedy to this we proposed requiring Sky to offer designated premium channels on a wholesale basis on regulated terms. We believe that the proposed remedies would result in consumers having access to a wider choice of sports and film content packages, across a greater number of platforms than is currently the case.
- 4.84 We are in the process of analysing responses to our third consultation, and will continue to treat our work in this area as a priority for 2010/11.

Regulatory rules and funding of content

- 4.85 As we have already seen, the markets that fund the creation of audiovisual content have seen significant changes as a result of the growth of digital media and the economic downturn. It is therefore important to ensure that regulation remains fit for purpose in this rapidly changing market.
- 4.86 In September 2009, the Government announced a public consultation to reconsider its prohibition on product placement. It is now minded to permit product placement in UK television programmes, subject to certain additional safeguards. In response to this we will review Ofcom's approach to regulating commercial references on television and radio.
- 4.87 We will consider whether the requirement that PSB broadcasters sell all their advertising minutage is still appropriate and on whether advertising minutage rules for PSBs and other channels should be harmonised.
- 4.88 We will closely monitor the TV advertising sector and market developments, particularly in the light of any changes resulting from the Contract Rights Renewal review by the Competition Commission and other future alterations in market structure or advertising regulations.
- 4.89 Reviewing the relationship between regulation and the funding of content will also be an ongoing work area for us during 2010/11.

Maintaining and strengthening the communications infrastructure

- 4.90 Investment in a modern communications infrastructure is a necessary pre-requisite for the delivery of services to business and residential consumers. As with competition, securing investment in infrastructure and efficient use of spectrum are therefore important goals for us, contributing to our duty of furthering the interests of citizens and consumers.
- 4.91 The overall level of investment in the communications infrastructure is encouraging. We have seen major investment in fixed telecoms infrastructure by network operators using local loop unbundling, as well as first investments in super-fast broadband services. There has been increased investment in the 3G networks supporting mobile broadband. In broadcasting we have seen investment in high-definition television services over satellite, cable and digital terrestrial television.
- 4.92 However, in order to maintain and strengthen the infrastructure, a number of key issues need to be addressed during 2010/11.
- 4.93 Given the potential value to citizens and consumers of services that are enabled by spectrum, and also its scarcity as a resource, managing spectrum has been a significant part of our work to ensure its optimal use. Releasing spectrum is a key part of this and continues to be a priority for us.

Clearing and releasing spectrum

- 4.94 The digital switchover (DSO) of television services presents the opportunity to release significant amounts of spectrum below 1 GHz (the digital dividend) in frequency bands that are particularly suitable for broadcasting and wireless broadband applications. Given the size of the benefits to citizens and consumers from the release of the digital dividend, our work plan has sought to ensure that the

spectrum released by digital switchover became available for use for new services as soon as possible. We consulted on, and outlined, our approach to the release of the digital dividend in 2006 and 2007.

- 4.95 In addition to the digital dividend, 190 MHz of high-quality spectrum in the 2.6 GHz band (2500-2690 MHz) is largely unused. The characteristics of this spectrum make it particularly suitable for the deployment of mobile networks, including networks using new technologies such as LTE and WiMAX.
- 4.96 Given the potential benefits to citizens and consumers, we decided in April 2008 that this spectrum should be released as soon as possible, and we outlined plans to hold an auction in summer 2008.
- 4.97 We also prepared plans for the liberalisation of the 900 and 1800 MHz spectrum bands, currently used by mobile operators to deliver 2G services, to allow for the provision of 3G services in these spectrum bands.
- 4.98 For a number of reasons, we have adapted our original plans for the 2.6 GHz band, the 800 MHz band and the liberalisation of the 900 and 1800 MHz spectrum.
- 4.99 We decided in June 2009 that the benefits to citizens and consumers in the UK would be maximised by harmonising the top end of the UK's digital dividend (the 800 MHz spectrum) with other European countries, many of which had started to consider their digital dividend significantly later than the UK. Harmonisation of this spectrum is likely to encourage the development of equipment such as mobile data devices in significantly greater scale, and potentially allow users of mobile services to roam between networks in different European countries. The European Commission is currently considering legislation to harmonise the technical conditions for the use of this band.
- 4.100 A consequence of the decision to harmonise the 800 MHz spectrum is that the original plans for digital terrestrial television will have to be modified. This will affect the amount of spectrum we will be able to clear and release in the 600 MHz band (the lower part of the digital dividend), and the location and amount of geographic interleaved spectrum throughout the UK. Negotiations with neighbouring countries are currently ongoing to affect these changes, and we will consult further when we know the outcome of these international negotiations.
- 4.101 Although we had planned to release the 2.6 GHz band in 2008, we were unable to proceed with the release as planned, due to litigation.
- 4.102 As part of its *Digital Britain* reports, the Government appointed an Independent Spectrum Broker to recommend an approach to the liberalisation of 900 MHz and 1800 MHz spectrum and the release of the 2.6 GHz band. The Government is currently consulting on the majority of the Independent Spectrum Broker's recommendations, which included co-ordinating the release of the 800 MHz spectrum with some of the 2.6 GHz band and a requirement for successful bidders to relinquish some 900 MHz spectrum if they successfully bid for 800 MHz spectrum. We await a possible Direction from the Government on this matter.
- 4.103 In order to ensure that the spectrum covered by the Independent Spectrum Broker's proposals becomes available as soon as possible, we will treat the clearance of the 800MHz band, in preparation for release and implementation of any Government direction on spectrum policy, as a priority for 2010/11. We will also address any preparatory issues in relation to the release of 2.6GHz.

4.104 We have continued to release spectrum in a range of other bands, suitable for a range of applications. For example:

- We released 40 MHz of spectrum in the 1452-1492 MHz range (the L-Band) in 2008. The auction was won by the wireless technology firm Qualcomm. This spectrum could potentially be used for a range of services for consumers such as mobile TV, mobile broadband or broadcast radio.
- We released spectrum across several bands within the 10, 28, 32 and 40 GHz ranges in 2008. This spectrum is suitable for point-to-point links, for example, to provide additional backhaul capacity to mobile networks for data-intensive services used by consumers such as mobile broadband.
- We have also taken forward work to prepare for the release of spectrum in other bands. We are currently considering responses to our consultation on the authorisation of use in the 872/917 MHz bands, which closed in November. We are also reviewing responses to our consultation on proposals to grant Crown Recognised Spectrum Access (RSA) in the 3400 MHz to 3600 MHz spectrum bands. The granting of RSA to the Crown would enable public bodies such as the Ministry of Defence to release spectrum to new users, generating opportunities for new services valued by citizens and consumers.
- In January and February 2009, we carried out the first two auctions of geographic interleaved spectrum that will be released as a result of digital switchover, in Manchester and Cardiff. At the time of writing, the Manchester spectrum is expected to be used by Guardian Media Group to carry its Channel M local TV service on DTT in the Greater Manchester area. Multimedia content company Cube Interactive acquired the Cardiff spectrum.

Liberalising and trading spectrum

4.105 Many spectrum licences have historically included restrictions on the services and technology that can be deployed over the specified spectrum bands. Liberalising spectrum reduces or removes these limitations and gives licence holders greater flexibility. In addition to this, the trading of spectrum licences allows the faster introduction of new services and technologies, and encourages innovation and competition.

4.106 Wherever possible, and where consistent with our duties to further citizen and consumer interests, we have liberalised spectrum use. For example, in October 2009, after consulting with stakeholders, we agreed to liberalise the 3.5 GHz licence held by Freedom4, a provider of wireless broadband services. This allowed the company to increase the power of transmissions (improving coverage and reception) and also allowed them to offer a mobile broadband service to their customers.

4.107 We have radically simplified the categories of business radio licences, to make them more flexible and tradeable. Investment in IT systems has enabled us to increase the number of tradeable spectrum licences, (there are now over 50,000), and make it easier to trade these licences. This enables a better quality of service to customers, enabling them to add additional capacity to their networks.

4.108 We have also carried out work to release, and make licence-exempt, certain uses of spectrum within certain frequency bands. In July 2009, we exempted equipment that allows consumers to stream high-definition video around their home or premises, and

in September 2009 we liberalised use of ultra-wideband equipment, extending licence-exempt use to vehicles and trains.

Other spectrum activities

- 4.109 In addition to our work on ensuring spectrum is being put to optimal use, we also undertake work related to spectrum that supports the public interest. Work in this area includes supporting digital switchover and preparing for the London 2012 Olympic Games and Paralympic Games.

Digital switchover

- 4.110 We have continued to work with Digital UK to support the digital switchover of television services. Digital switchover is now complete in the Borders, Westcountry, and Granada regions, covering over 4 million or 18% of UK households, and is currently under way in Wales.
- 4.111 We will continue with our work in this area to support switchover activity throughout 2010/11, including in the North and Central regions in Scotland, where switchover starts in 2010.

The London 2012 Games

- 4.112 The London 2012 Olympic Games and Paralympic Games will take place between 27 July and 9 September 2012, and will be staged at various locations across the UK. Wireless applications will play an important role both in the build-up to, and during the games. Organising spectrum to support these applications will be crucial to the success of the Games.
- 4.113 Ofcom is responsible for organising a full spectrum plan for the events, licensing users and managing any interference during the events themselves. This will be the largest spectrum management exercise undertaken since Ofcom's creation. Our main objective is to contribute to a successful event by ensuring that spectrum is used effectively, with the least disruption to existing users, and by protecting spectrum users from harmful interference during the Games themselves.
- 4.114 Ensuring wireless services for the London 2012 Games will be delivered by creating a framework for Olympic spectrum licensing, and starting to implement our operational plans will be a priority for us for 2010/11.

Supporting the needs of consumers and citizens across the English Regions, Northern Ireland, Scotland and Wales

- 4.115 We recognise the experiences, concerns and needs of citizens and consumers, including businesses, vary depending on where they are in the UK. A vital part of our work is to consider how issues affect consumers and citizens in different parts of the country.
- 4.116 We have had three main strands of ongoing activity our national offices, focused on availability and use of digital services, issues around national and local content on television and radio, as well as liaising with devolved administrations and local elected representatives.
- 4.117 Our work programme takes account of the needs of citizens and consumers across the UK. In putting together this annual plan we have engaged with our Advisory

Committees in England, Northern Ireland, Scotland and Wales to discuss their priorities. The priorities for the English Regions, Northern Ireland, Scotland and Wales for 2010/11 are:

- understanding the needs of very small business consumers;
- broadband and mobile coverage;
- the provision of local television and radio content;
- digital participation; and
- explore options for spectrum use.

4.118 These are covered by Ofcom's priority and ongoing work areas for 2010/11 and we outline our previous and planned work in each of these areas above.

4.119 Ensuring that the experiences and needs of citizens and consumers will remain an ongoing focus underpinning our work. As part of all our activities we consider how our work and its outcomes relate to each Nation of the UK.

Delivering value for money to stakeholders

4.120 Since its inception Ofcom has achieved consecutive real-term reductions in its budget, to ensure delivery of value for money to stakeholders. 2010/11 will be no exception, despite the increasingly challenging environment in which we operate.

4.121 We have demonstrated our ongoing commitment to deliver value for money through the savings achieved in 2009/10 and the programme of initiatives planned for 2010/11.

4.122 Savings in 2009/10 are being delivered by:

- completion of the information systems renewal programme that has delivered an enterprise-wide system covering spectrum licensing, finance, human resources and procurement. Savings have been made by retiring legacy applications and avoiding new system development costs;
- a number of customer service initiatives; including the implementation of an online payment solution and the provision of an e-licensing portal for Wireless Telegraphy Act licences, have led to administrative efficiencies as well as enhanced customer experiences;
- replacing end-of-life spectrum engineering and enforcement equipment through a leasing scheme. The change in the financing options of capital equipment has led to lower operational costs;
- implementing a procurement framework for the supply of research and consultancy services. This has also provided administrative efficiencies;
- proactive and effective management of working capital. This has mitigated the impact of low interest rates and maximised our interest income, that we return to stakeholders through reduced bills; and
- the installation of an energy optimiser to reduce electricity consumption and fixing lower prices with our energy providers. Both are part of our ongoing programme for energy efficiency and carbon reductions.

4.123 A programme of further initiatives is planned for the coming year, to improve the efficiency and effectiveness of the organisation, including:

- continue rationalisation of IS server estates and environmental improvements, both to reduce cost and to contribute towards achieving our carbon footprint reduction target;
- re-tendering some of our major contracts, particularly outsourced facilities management and IS service contracts. This will improve value for money and change the mix of services provided by the existing sourcing models;
- implementing further framework agreements to deliver value for money and process efficiencies, providing greater transparency and compliance in the procurement of goods and services; and
- having managed service provider for temporary and agency staff. This will provide cost reductions, process efficiencies, wider choice and an increase in the quality of candidates.

Delivering positive outcomes through effective regulation

- 4.124 Our regulatory principles include a clear commitment to a bias against intervention. This aims to ensure that we regulate only where necessary. Excessive intervention could distort or stifle the development of competitive and rapidly changing markets. Intervention that is not accurately targeted also risks causing unnecessary or unintended consequences. Where intervention is proved to be necessary, we act decisively and consistently, while following the Better Regulation principles: being evidence-based, transparent, accountable, proportionate, consistent and targeting only those cases where action is needed.
- 4.125 During 2009 we have progressed various deregulatory and simplification initiatives, some of which we plan to further advance in 2010. Examples include:
- the removal of the remaining regulatory constraints in the fixed telecoms market at the retail level and the reduction of regulation at the wholesale level;
 - our recommendations to Government to remove two rules related to radio ownership and the relaxation of local cross-media ownership rules;
 - the relaxation of licence requirements for Channels 3 and 5 following our second public service broadcasting review;
 - the completion of project Unify, delivering the upgrade and integration of our IT systems, thanks to which we can offer services to our stakeholders in a more efficient way;
 - our proposals to simplify spectrum trading, making it easier for businesses to access the radio frequencies they need to use; and
 - a planned review of whether current restrictions related to advertising on public service channels remain justified.
- 4.126 Details of our ongoing and new simplification and deregulation initiatives are provided in Annex 3.
- 4.127 Ofcom remains committed to reducing and simplifying complex or unnecessary regulation, while improving the value for money that we deliver to stakeholders through realising operational efficiencies. This will remain a significant focus across all our work for 2010/11.

Section 5

Ofcom's 2010/11 work programme and priorities

Ofcom's 2010/11 work programme

- 5.1 Although there have been positive outcomes for citizens and consumers across the communications sector, we will continue to work towards achieving our goals and responsibilities, and will tackle new issues as they emerge.
- 5.2 Based on our analysis of outcomes to date, we have identified nine priority areas, where we want to make significant progress over the coming year.

	Consumer & citizen	Competition	Infrastructure & spectrum
Priorities for 2010/11	<ul style="list-style-type: none"> Make progress on broadband and mobile phone not-spots Encourage consumers to take up and use broadband by supporting the Digital Participation Consortium Ensure consumers can switch between communications providers by removing unnecessary barriers Adapt content regulation to meet the changing needs of audiences 	<ul style="list-style-type: none"> Implement regulation to support effective competition and efficient investment in super-fast broadband Ensure fair and effective competition in pay TV 	<ul style="list-style-type: none"> Start successful clearance of 800Mhz band to create opportunities for new services Implement proposed Government direction to release spectrum for mobile broadband Ensure wireless services for the London 2012 Olympic and Paralympic Games will be delivered

- 5.3 In addition to these priorities, we have a number of other areas of work, which reflect our ongoing duties.
- 5.4 We will ensure that priority work areas are adequately resourced, to ensure delivery of our plans. Where additional resource requirements arise in the course of the year due to unexpected developments, these priority areas will take precedence over other areas of activity.
- 5.5 But designating priority areas does not imply that the other areas of work identified for 2010/11 are not important. All the work areas described here have been identified in our planning process as essential for us to fulfil our duties. We will continue to ensure that all areas of the work programme are fulfilled to the highest possible standard.
- 5.6 We have grouped our priorities and other work areas under three main categories, reflecting Ofcom's main duties and goals: consumer and citizen; competition; and infrastructure and spectrum. Some of our work also spans across Ofcom's activities.
- 5.7 Details of projects in each work area for 2010/11 are provided in Annex 1.
- 5.8 In 2010/11 we will also continue to deliver services to our stakeholders including keeping the airwaves free from interference, allocating telephone number ranges and providing information services as required by the Communications Act. Annex 2 outlines the specific services that we will continue to deliver to our stakeholders.

Effectively tackling new issues that arise during the year

- 5.9 Our experience over the past years has shown that the complexity and speed of change in the communications sector will give rise to unexpected issues. This is particularly true in an uncertain and volatile economic climate, and with the implementation of Government's *Digital Britain Final Report* and proposed legislation. We are also seeing an increase in the number of appeals to our decisions and disputes that we have to react to and resolve; these require significant resource.
- 5.10 We intend to retain flexibility within the 2010/11 annual plan. We plan to revisit our work programme if legislative changes stemming from the *Digital Economy Bill*, which include proposed amendments to Ofcom's duties, come into effect.
- 5.11 We have outlined the relevant clauses in the draft Digital Economy Bill in figure 10 below. These clauses are all subject to Parliamentary debate. We will reflect the final outcomes in our work.

Figure 10 – Ofcom's new powers and duties proposed by the Digital Economy Bill

Work area	Proposed new powers and duties
Infrastructure investment	<ul style="list-style-type: none"> A duty to promote appropriate levels of efficient investment in the communications infrastructure. A duty to provide an assessment of the UK's communications infrastructure every two years.
Public service content	<ul style="list-style-type: none"> A duty to promote investment in public service media content. A duty to report on the fulfilment of the public service objectives, taking into account media services including TV, radio, on-demand services, and other services provided by means of the internet. A duty to review C4C's annual statement on media content policy (including online services). A duty to report to the Government on whether the public teletext service licence remains commercially viable, and on the public value of continuing the service. Depending on conclusions, Ofcom would either continue with the relicensing process, or the Government would remove the obligation to re-license. A new function for Ofcom to appoint and fund Independently Funded News Consortia.
Peer-to-peer file-sharing	<ul style="list-style-type: none"> A two-phased approach to tackle peer-to-peer file-sharing: In phase 1, Ofcom would have a duty to report on the effectiveness of the initial obligations as requested by the Secretary of State (ISPs required to send notifications to those subscribers alleged by rights holders to be infringing copyright, and to record the number of notifications with which each subscriber is associated, and to make this data available to rights holders on an anonymised basis on request). <p>In phase 2, Ofcom would carry out an assessment on the efficacy of technical measures, develop the code that would apply to implementing such additional measures, and submit this to the Secretary of State.</p>
Domain names	<ul style="list-style-type: none"> A requirement to produce a report on the operation of domain name registries, at the request of the Secretary of State.

Radio	<ul style="list-style-type: none"> Once the Secretary of State has determined a date for radio digital switchover, Ofcom must terminate relevant analogue licences by giving two years notice to facilitate a common end date. Powers to restructure existing DAB multiplexes by defining larger areas in which programmes can be broadcast, thereby allowing easier co-location.
Spectrum management	<ul style="list-style-type: none"> Allows Ofcom, in certain cases, to make regulations that apply charges, payable during the term of the licence, to certain wireless telegraphy licences allocated by auction and to require some of the payment for a licence acquired at auction to be paid to the previous holder of the spectrum. Powers to impose financial penalties for contravention of certain licence provisions.

Consultation questions

5.12 We are seeking views from all of our stakeholders on the proposed work programme for 2010/11. In particular, it would be helpful if you could consider the following questions:

1) *What are your views on Ofcom's proposed work programme for 2010/11?*

2) *What are your views on Ofcom's proposed priorities for 2010/11?*

5.13 See Annexes 4 to 6 for details of how to respond to this consultation

Annex 1

Detailed work programme

A1.1 In the following section we provide details of the work that we plan to focus on in 2010/11, both for our priority and our ongoing major work areas.

Consumer and citizen

Priorities for 2010/11

Encourage consumers to take up and use broadband services by supporting the Digital Participation Consortium

- A1.2 Ofcom was asked by Government to lead the Digital Participation Consortium and to develop and deliver a social marketing programme, targeted outreach and a national plan for digital participation.
- A1.3 The programme of work and the priorities will be agreed with the Government, and we anticipate that the *National Plan for Digital Participation* will be published in early spring 2010. It will outline plans for a social marketing programme and targeted outreach, aimed at changing public attitudes and behaviours across the three strands of digital participation: digital inclusion, digital life skills, and digital media literacy.
- A1.4 In the early stages of the work, it is likely that a key priority will be to increase reach (the number of people online). As more people go online, the consortium will be able to increase its efforts to promote greater breadth and depth of use (for social and commercial transactions, participation and engagement in society).
- A1.5 The Scottish Government, the Northern Ireland Executive and the Welsh Assembly Government are represented on the consortium and are working to establish ways to enhance the work of the consortium in the Nations.
- A1.6 Ofcom's offices in Northern Ireland, Scotland and Wales have also established media literacy networks in each of the devolved Nations. The consortium member from each Nation is represented on these networks, and it is proposed that the networks will extend their remit to become local 'hubs' for the promotion of digital participation. The main purpose of these hubs will be actively to promote digital participation by extending the core consortium messages to local audiences, using local communication channels and local outreach programmes. The hubs will also engage with, inform and feed back to the consortium via the national representative and/or the Chair of the hub.
- A1.7 Ofcom colleagues in the Nations are also involved in developing local digital participation strategies, which will contribute to the overall National Plan for Digital Participation.

Ensure consumers can switch between communications providers by removing unnecessary barriers

- A1.8 Over the next year we want to make significant progress in ensuring the effectiveness of switching procedures. Our work will include:

Effectiveness of switching processes

- A1.9 We will progress our work on improving switching processes, to ensure that current switching processes do not inhibit consumers' ability to switch – both for single product switching and for bundled product offerings.
- A1.10 We have started a project to look at switching processes, and the extent to which they promote switching and competition. The aim of the project will be to develop a strategic approach to switching and to ensure that there are no undue barriers to switching.
- A1.11 The scope of our work will cover both residential consumers and SMEs (with ten employees or fewer).

Roll-over contracts

- A1.12 We will also continue our work to assess the impact of roll-over contracts on consumer behaviour and competition. If we find evidence that roll-overs are causing consumer harm or having a detrimental impact on competition, we may need to intervene.

Mobile number portability

- A1.13 Although the current mobile number porting process works well for many consumers, there is evidence to suggest that it could cause difficulties and delays for a significant minority of consumers. In addition, changes may need to be made to ensure that the UK process is aligned to European proposals for one-day porting across the EU. We aim to progress our proposals for improving mobile porting processes and consult on our final decision in 2010.
- A1.14 We also intend to reach a decision on whether there is a case for changing the way in which calls to ported mobile phone numbers are routed, and if so, whether there is a need for further regulatory intervention.

Make progress on broadband and mobile phone not-spots

- A1.15 We want to improve our understanding of the extent of not-spots, and their causes, and support initiatives aimed at tackling the problem.
- A1.16 For broadband, the Government set out its intention to deliver a universal service commitment (USC) of 2 Mbps by 2012 as part of the *Digital Britain Final Report*. We will continue to provide expertise and support to the implementation of the USC where relevant.
- A1.17 For mobile, we will focus on persistent not-spot areas and do what we can to facilitate better mobile coverage by investigating the causes of some persistent mobile not-spot areas with poor, or no, reception. Ofcom will also undertake research to explore the technical quality of services, such as the broadband speeds that consumers receive on mobile devices.

Adapt content regulation to meet the changing needs of audiences

- A1.18 We have been working with the Government on its approach to the implementation of the *Audiovisual Media Service Directive* into UK law. The UK legislation which implements the Directive creates a number of new duties for Ofcom. Most

importantly, Ofcom will be required to create a new regulatory framework for the providers of video-on-demand services, to ensure that they comply with basic standards regarding content and advertising, and to provide adequate protection for the public. During 2010/11 we will work with industry and consumers to secure, and raise awareness of, the new regulatory scheme which will follow from this consultation.

- A1.19 In addition, we will also consider more widely where, and how, content regulation needs to be adapted as the way consumers access and consume content changes particularly given increasing viewing and listening over the internet.

Ongoing work areas

Ensure availability, take-up and effective use of communications services

- A1.20 In addition to supporting the Digital Participation Consortium and making progress on broadband and mobile not-spots, mentioned earlier as Ofcom's priorities for next year, we will also continue our work in the following areas:

Review of the existing universal service obligation (USO)

- A1.21 In 2010, we expect to publish our consultation document: *Universal Service: A Framework for Review*. Our aims in the review will be to assess the way in which the USO currently works: its fitness for purpose and the extent of any financial burden it imposes. We will therefore consult on our framework for assessing the net cost to BT and Kingston of their provision of the universal service obligation, and also on a framework to assess the social value of the universal service obligation.

Services for disabled people

- A1.22 As part of our duties, we are required to have regard to the needs of disabled and older people, in carrying out our work.
- A1.23 In autumn 2009 we consulted on a review of TV access services. Our consultation considered the existing framework for the provision of subtitling, sign language and audio-description, in the light of economic and technical developments. This was to ensure that the Access Services Code continues to deliver access services to citizens and consumers in a proportionate and effective way. We expect to publish a statement on the outcome of our review in 2010.
- A1.24 We are also considering the future of the text relay services used by hearing-impaired people to make telephone calls. We will explore the case for requiring enhanced or additional text relay services to be provided as part of the universal service obligation. We will also review General Conditions of Entitlement as a result of changes to the EU Universal Service Directive which now sets out guarantees for functional equivalence access and choice for disabled end users.

Easily-usable apparatus

- A1.25 Ofcom has a duty to promote the development and availability of easy-to-use consumer equipment. While there are no powers attached to these duties, we will continue to use our influence and work with a range of organisations to promote usability and accessibility. We will also offer support to the Government in respect of the European Commission's review of the Radio and Telecommunications Terminal Equipment Directive.

Media literacy

A1.26 Our work on media literacy in 2010/11 will include:

- Continuing to carry out a programme of research which helps us identify the skills gaps and issues, directs our activity and measures our progress towards achieving our goals;
- Continuing to work with, and support, a range of partners, including education providers, UK online centres, libraries and other support networks, to ensure the promotion of media literacy among the UK population;
- Developing active media literacy networks in Scotland, Northern Ireland and Wales. These networks deliver a range of activities and events and we will continue to support their work;
- Supporting the work of the UK Council for Child Internet Safety (UKCCIS);
- Organising meetings and events for the Associate Parliamentary Media Literacy Group (APMLG). Publishing our monthly e-bulletin which enables a wide range of organisations to promote their media literacy work; and
- Sharing best practice in the promotion of media literacy across Europe and beyond.

Protect customers and audiences from harm and unfair practices

A1.27 As in previous years, we will continue to work towards ensuring that there are appropriate consumer protection regulations and mechanisms in place, and taking enforcement action where there is inadequate compliance.

A1.28 In 2010/11 we will progress work to ensure that consumers are protected better from the potential for mis-selling of fixed-line voice services, including slamming. We will complete our review of whether improvements to the current regulations are needed. We will also continue to work with the Office of the Telecommunications Adjudicator to address problems of consumers being switched in error or without their consent, and we will continue our work on silent calls, which can cause consumers considerable concern and anxiety.

A1.29 New issues may emerge during the year as a result of complaints and via alternative dispute resolution outcomes; we will reserve a proportion of our resources to enable us to respond effectively to these issues.

A1.30 We will also continue consider viewers' complaints to Ofcom relating to a number of areas such as the protection of under-18s, harm and offence, fairness and privacy, and impartiality and accuracy in news.

Review and promote available consumer information

A1.31 In the next financial year we will work to improve the information provided to consumers by continuing to support our accreditation scheme for price comparison websites.

A1.32 In addition, we will work to ensure that consumers have access to relevant quality of service information to allow them to make informed choices in the marketplace. We

will develop options based on our research into consumer satisfaction, their experience of communication providers' customer services, and their needs for information.

- A1.33 We will consider options for the long-term collection and publication of broadband speeds data and seek to understand better the other aspects of comparative broadband performance that are important to consumers, such as upload speeds and video streaming quality.

Understand experiences of business consumers

- A1.34 Following the work conducted this year in order to better understand the experience of business consumers with five or more employees. In 2010/11 we aim to conduct our next survey, focused on very small businesses.

Competition

Priorities for 2010/11

Ensure fair and effective competition in pay TV

- A1.35 Following three consultations on the pay TV market, we plan to publish a statement setting out our decision in the first quarter of 2010.
- A1.36 As indicated in the June 2009 consultation, we are looking further at two possible targeted interventions into the sale and purchase of particular key content rights:
- The subscription video-on-demand movie rights, which we observed being sold to Sky but not fully exploited.
 - We expressed an intention to discuss with the FA Premier League how future rights auctions might be ensured to comply with competition law, given the expiry of the European Commission's current measures by 2012.

Implement regulation to support effective competition and efficient investment in super-fast broadband

- A1.37 In 2010/11 we will conduct reviews of the wholesale local access (WLA) and wholesale broadband access (WBA) markets. Our market reviews will take into account the extent to which super-fast broadband service deployment is likely to take place in the next four years, and assess the appropriate regulatory approach required to support effective competition in this developing environment. Therefore, these reviews will form a key part of the implementation of the regulatory framework for next generation access and core networks. We will also review the effectiveness of the regulatory remedies imposed in the earlier WLA review in 2004 (including local loop unbundling) and the latest WBA review in 2008.

Ongoing work areas

Promote effective competition in telecoms

- A1.38 In 2010/11 we will work on charge controls for local access and wholesale analogue line access lines. We will also review the charge controls for local loop unbundling and wholesale line rental, which are set to expire in March 2011.

- A1.39 We will review how we treat pension costs in regulated charges. This is a particularly important issue for BT, which has one of the largest pension schemes in the UK, and which is making large deficit repair payments to its trustees on an annual basis. BT has argued that we should take account of these payments, as part of its cost base, in the prices that we regulate. They also argue that there are precedents for this in other regulated industries.
- A1.40 The current regulatory reporting framework has been in place for over 10 years and it is showing signs of strain. During 2010/11 we plan to begin our work on a significant review of this reporting framework and gather stakeholder views on changes that are needed to ensure its ongoing effectiveness.
- A1.41 We are also reviewing mobile call termination charges. The current rules, which set wholesale call termination charges, are due to expire on 31 March 2011. In preparation for this we have initiated a market review to consider what rules should apply when the current regime ends. We plan to consult on possible remedies, including charge controls when appropriate, in early 2010.

Review regulatory rules that affect funding of content

- A1.42 We will closely monitor market developments in the TV advertising sector, particularly in the light of any changes resulting from the contract rights renewal review by the Competition Commission and any other changes in the market structure or advertising regulations.
- A1.43 In 2010/11 we will review Ofcom's approach to regulating commercial references on television and radio. This will allow us to take into account the outcome of the Government's consultation on product placement and the wider implications of any changes to the rules governing commercial references in television and radio programming, including the rules relating to sponsorship. We will examine what regulation, if any, is now necessary, taking into account legislative requirements and our duty to reduce regulatory burdens wherever possible.
- A1.44 In 2010 we will also expect to consult on whether the requirement that PSB broadcasters sell all their advertising minutage is still appropriate and on whether advertising minutage rules for PSBs and other channels should be harmonised.

Enforce competition and resolve disputes

- A1.45 We will continue our work on ongoing competition investigations and disputes, and address any new issues emerging in 2010/11. Ofcom recognises the importance of its role in resolving regulatory disputes: we are under a statutory obligation to perform this function and will make adequate resources available to ensure that this function is fulfilled in a timely manner.

Other

- A1.46 In addition to the work areas outlined above, we are planning to work on a number of other projects:
- We will undertake further analysis, and work with relevant parties, to broker new ITV networking arrangements that recognise the extensive financial inter-relationships between businesses.

- We will conduct BBC Market Impact Assessments as required, and work closely with the BBC Trust, in order to understand the implications for competition of the Trust's decisions, and the consequent benefit to consumers in terms of choice and innovation.
- We will work with the Office of Fair Trading (OFT) and stakeholders to ensure that we understand the potential benefits associated with local newspaper mergers, inputting to the OFT's analysis of local newspaper mergers, through local media assessments, as appropriate.
- We will work to promote competition in the commercial radio sector by examining whether the relaxation of existing radio regulation is appropriate, and by working closely with the OFT and the Competition Commission, as appropriate, should there be any proposed mergers in 2010/11.
- We will review the operation of the regulatory regime for calls to 08 and 09 numbers, following the deregulation of the retail market for narrowband telephony services.

Infrastructure and spectrum

Priorities for 2010/11

Ensure wireless services for the London 2012 Olympic and Paralympic Games will be delivered

- A1.47 Ofcom is responsible for organising a full spectrum plan, licensing users and managing any harmful interference during the London 2012 Olympic Games and Paralympic Games.
- A1.48 We have consulted on, and published, a spectrum plan for the London 2012 Games, which identified the spectrum to be used for the various applications. We will manage a number of regulatory and operational issues, including:
- the detailed division of labour between Ofcom and other entities;
 - ensuring that members of the Olympic Family have access to the spectrum they need under the Government's guarantees, while taking account of the needs of other spectrum users;
 - ensuring that our operational plan is robust enough for the scale and complexity of the Games and for any unplanned events; and
 - minimising the costs involved in operational activities and spectrum use.
- A1.49 We will continue working closely with colleagues who have organised, or are organising, similar events in Sydney, Athens, Melbourne, Beijing and the 2010 Winter Games in Vancouver. We are also co-operating closely with all relevant stakeholders.
- A1.50 During 2010/11 our further planning activities will include incorporating lessons learned from Vancouver; preparation for the test events, scheduled to take place from 2010 onwards; and the opening of applications for licences in 2011.

Start clearance of 800 MHz band to create opportunities for new services

- A1.51 In order to clear the 800 MHz band, in addition to the completion of digital switchover, digital terrestrial television's (DTT) use of channels 61 and 62, and programme making and special events' (or PSME) use of Channel 69, need to be cleared.
- A1.52 Next year, the channel 61 and 62 clearance work will focus on engaging closely with the Government and key stakeholders to create a framework for funding, where appropriate, the parties affected by the clearance. We will look at the extent to which integration with digital switchover is possible, and will clear the channels retrospectively in areas where switchover has already been completed. Throughout the process we will engage with our international neighbours to negotiate new frequency co-ordination agreements, planning how best to communicate the changes to viewers, and choosing the most appropriate way to co-ordinate, manage and deliver the channel clearance.
- A1.53 There are two aspects to managing the clearance of PMSE users from channel 69:
1. Make available replacement spectrum, which closely mirrors the utility of channel 69. We have identified channel 38 for this purpose.
 2. Make available funding to PMSE users to facilitate the clearance of channel 69. We have consulted on some of the details around this funding and will work closely with the Government to enable funding to be available as early as possible in 2010.

Implement proposed Government direction to release spectrum for mobile broadband

- A1.54 Ofcom expects to undertake three tasks in 2010/11 in order to make spectrum available for mobile broadband. These are:
- liberalisation of the 900 MHz and 1800 MHz bands;
 - the award of the 2.6 GHz band; and
 - the award of the 800 MHz band.
- A1.55 Both how, and when, Ofcom undertakes these tasks depends on the conclusion of the Government's *Digital Britain* consultation regarding mobile spectrum issues and any subsequent proposal to direct Ofcom.
- A1.56 At present, the exact manner and timing of the work required to liberalise the 900 MHz and 1800 MHz bands, and to award the 800 MHz and 2.6 GHz band licences is unclear. If the Government does direct Ofcom in relation to those issues, as it has proposed, Ofcom expects to publish a consultation on how to implement such a direction in spring 2010. If, however, there is no such direction, Ofcom would still expect to undertake the work required to bring about the liberalisation and award of the spectrum, but this would require additional work, and some of it may take somewhat longer to deliver.

Ongoing work areas

Support digital switchover

- A1.57 We are working with Digital UK and the Government on digital switchover, focusing on ensuring a smooth transition to digital television.
- A1.58 In 2010, switchover finishes in Wales and moves to Scotland, where viewers in the STV North region will undergo switchover, and towards the end of the year the first parts of STV Central will begin to switch. We will support this process through our activities in licensing, spectrum management and international spectrum co-ordination work, as well as in research and regulatory activities.

Promote efficient allocation of spectrum

- A1.59 Our work related to the release and efficient allocation of spectrum bands for new uses can be divided into three main areas of focus:

Making spectrum used by the public sector available

- A1.60 There is a significant programme of work under way looking at how spectrum used by the public sector can be made available to other uses. Our work on the implementation of the recommendations of the *Cave Audit* and the *Forward Look*, published by Government in 2009, which sets out a strategy for the management of major public sector spectrum holdings, will take several years. As part of this process we expect to make new regulations granting Recognised Spectrum Access to public sector bodies, which is a precursor for them to trade the corresponding spectrum usage rights.
- A1.61 In addition we will also continue to work with relevant public sector bodies and stakeholders to consider whether, and how, additional spectrum that has not yet been considered may be made available for new uses.
- A1.62 We will also continue to work towards development of 'innovation licences' which will facilitate access for new uses in spectrum allocated to public sector users.

Awarding spectrum released from the digital dividend

- A1.63 We consulted in June 2008 on proposals for a programme of awards of digital dividend 600 MHz and geographic interleaved spectrum, in three phases. We completed the first phase in February 2009 with awards of licences for Cardiff and Manchester.
- A1.64 Our decision to align our approach to the digital dividend with the emerging European approach has affected the timing of the second and third phases. Implementing the decision requires us to renegotiate and co-ordinate international rights to use the spectrum. This will undoubtedly result in changes to the configuration of the interleaved spectrum that will be available after digital switchover. We will not know what changes will be needed until negotiations with neighbouring countries are completed. In the meantime, we propose to consult on the potential uses of the interleaved spectrum. We shall take the results into account in considering, during 2010/11, the best way of making the spectrum available.

Promoting more efficient use of spectrum

A1.65 We will continue our work to promote more efficient use of spectrum that is already licensed to current users:

- We will continue to encourage better use of spectrum in the aeronautical and maritime sectors.
- We will take action to provide better information about current spectrum use.
- We plan to carry through our proposals for simplifying trading, on which we have recently consulted.
- We will take stock of the current system of spectrum pricing, which has been developed over the last decade, to ensure that it is well-designed and effective. We plan to consult on our emerging conclusions and, following this, publish a statement setting out our overall future pricing framework.

Develop a stable international framework to support our spectrum agenda

A1.66 We will continue to develop a stable international framework to underpin our spectrum awards programme. We will actively participate in relevant international fora at the bilateral, European and international levels. Specific objectives include:

- implementation of the proposed new EU framework for electronic communications networks and services;
- contributing to the development of a proposed Multi-Annual Spectrum Policy Programme which is intended to provide a framework for European spectrum regulation over the next 4-5 years;
- supporting harmonising measures where justified, and promoting the application of technology- and service-neutral approaches in international fora and European spectrum decisions to facilitate spectrum availability on a common and flexible basis;
- continuing to develop international and bilateral agreements to provide regulatory certainty for our spectrum awards and for digital switchover;
- promoting effective management of public sector spectrum internationally, recognising the benefits of access to common spectrum across multiple countries; and
- preparing and negotiating European positions in order to help the UK achieve its goals at the ITU World Radio Conference in 2012.

Understand network capabilities

A1.67 We plan to ensure that on an ongoing basis we maintain as accurate as possible a picture of the UK's communications infrastructure. The *Digital Britain Final Report* proposed to give us a new infrastructure-reporting duty, which would require us to do this, but we believe that in any case our existing duties give us some responsibilities in this area. We are considering publishing as much of the data we collect as possible, consistent with the need for commercial confidentiality.

Other

- A1.68 In addition to the priorities and ongoing areas outlined above, we are planning to work on maintaining and finalising our regulatory framework as high definition services begin to become available on the digital terrestrial platform across the UK.

Identify opportunities for deregulation and simplification

- A1.69 We have a statutory duty to report on how we have avoided imposing unnecessary burdens, and removed burdens that have become obsolete. We are discharging this duty through our annual *Simplification Plan* (see Annex 2), which outlines where we have removed administrative burdens and deregulated in major areas.
- A1.70 We aim constantly to improve our approach on regulation. We believe that there is further scope to ensure even greater accountability and robustness in the way we regulate, and are currently looking at ways to improve our impact and regulatory impact assessments, and the way we measure outcomes. We expect to consult on our proposals in spring 2010.

Other ongoing work supporting Ofcom's duties and objectives

- A1.71 In addition to the work areas outlined above, a number of other work areas support us in fulfilling our duties and objectives:
- A1.72 Over the next year, we plan to:
- ensure that Ofcom activities take into account the needs and concerns of consumers and citizens living in each nation of the UK and their political representatives – whether at Westminster, within the devolved institutions or at a more local level - through our office presence in each nation, and through advisory committees and other representation;
 - continue to engage in the development of international regulatory frameworks within which the UK, Ofcom and our stakeholders operate, to ensure that they are practical, proportionate and best serve the interests of UK citizens and consumers;
 - focus on the implementation of the European Regulatory Framework;
 - support the Body of European Regulators in Electronic Communications;
 - participate in debates around the European Commission's i2010 strategy and plan for a European Digital Agenda to ensure that consumers and citizens remain at the heart of this agenda;
 - continue to work with communications regulators in other European countries to pursue, where appropriate, a coherent and coordinated approach to international communications services regulation; and
 - share relevant examples of best practice and strengthen our relationships with key regulatory counterparts around the world.
- A1.73 Supporting our overall work programme, we will also work to develop a clear view on:
- how the communications sectors are likely to evolve over time;
 - what implications these will have for consumers and citizens, both positive and negative; and
 - what implications these developments will have for regulation.

Annex 2

Providing services to stakeholders

- A2.1 Every year Ofcom receives around 270,000 requests from the public asking for advice on consumer issues in the communications market, complaining about the poor performance of a service provider, or raising a specific content issue. We take direct enforcement action on behalf of a variety of stakeholders; for example, in keeping the airwaves free from interference.
- A2.2 We issues over 250,000 spectrum licences annually, including renewals and new applications, covering satellite, fixed links, private business radio, amateur, maritime and other spectrum users. We are progressively introducing a new information services system to manage these transactions.

Keeping the radio spectrum free from interference

- A2.3 We monitor the radio spectrum and take appropriate action to prevent harmful spectrum interference. The increasing demand for spectrum is leading to more intensive use and therefore a greater risk of interference, and we continue to improve and modernise the resources that we devote to preventing this happening and mitigating it when it does. The London 2012 Olympic Games and Paralympic Games will place a particular spotlight on our responsibilities in this area.
- A2.4 Our Field Operations team handles around 6,000 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.
- A2.5 Our strategy is to focus our resources on keeping the radio spectrum free from harmful interference. This has involved a wide-ranging transformation of our Field Operations team, including the organisational structure, property, vehicle and equipment strategy, volume and mix of work, people-management and culture.
- A2.6 We have begun the process of modernising our unmanned monitoring system (UMS) and our remote monitoring and direction-finding (RMDF) capabilities, used for detecting illegal spectrum use and assisting in tracking down interference sources. We have also begun upgrading the portable test equipment used by our field engineers.
- A2.7 We constantly review our operational procedures in pursuit of excellence, and we will shortly apply for ISO 9001:2008 certification, which complements the UKAS ISO-17025:2005 certification which we already hold.

Licensing access to the radio spectrum

- A2.8 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.

- A2.9 In 2009 we have further improved the licensing service by:
- adding all licensing products, including space and satellite, and auctioned licences, to the new licensing system;
 - enabling stakeholders to apply for, and receive, private business radio licences online; and
 - implementing systems to enable optimal use of spectrum in the future.

Dealing with enquiries and complaints from the public

- A2.10 Ofcom's Central Operations team deals with enquiries and complaints from consumers about telecommunications services, TV and radio services, and use of the radio spectrum. Every month we answer around 17,000 phone calls, 3,000 messages via our website, 1,400 emails and 1,200 letters and faxes.
- A2.11 Consumers often complain to us about telecoms issues when they have had inadequate responses from service providers. We aim to help consumers resolve their complaints by pointing them to useful advice and information and by liaising with service providers.
- A2.12 People who are unhappy about TV and radio programmes often complain to us directly. 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, which is the responsibility of the BBC Trust. We also deal with complaints about programme sponsorship and alleged commercial influence.
- A2.13 We aim to optimise the role of the Ofcom Advisory Team in providing early warning about consumer concerns. This is against the backdrop of rapidly changing communications markets; new topics of concern arise all the time and create unexpected increases in the number of complaints we receive.
- A2.14 The Customer Contact Association (CCA) is a professional body for the contact centre industry and Ofcom's Advisory Team (OAT) has just achieved full CCA Accreditation, not only as a Contact Centre but also for our in-house training programme. Callers to the OAT can be assured that they are calling a team that is knowledgeable and follows procedures that represent industry best practice.

Allocating telephone number ranges to service providers

- A2.15 Ofcom plays an important role in allocating telephone number ranges to communications service providers, who in turn allocate individual numbers to their customers. The number of applications received from service providers grows steadily. We are now processing in excess of 2,000 applications every year.
- A2.16 As part of our strategic review of telephone numbers, we established the following principles governing numbering:
- the numbers consumers want should be available when they are needed;
 - the numbers consumers currently use should not be changed if this is avoidable;
 - the understanding that consumers have about certain types of numbers – such as 080 numbers being freephone – should be maintained;
 - our number allocation processes should support competition and innovation; and

- consumers should not be exposed to abuse.

A2.17 Ofcom has applied these principles to telephone number allocation to ensure that our process is efficient, consumer-driven and market-led. We have introduced number conservation measures in additional geographic areas so that service providers can use numbers more efficiently and continue to monitor the potential risk of constraints on supply. We will review of our approach to regulating number translation services (NTS) number ranges, to ensure that these provide the services that consumers value and that they are suitably protected. In making number allocations we will also continue to run a consumer protection test to ensure best use of numbers and to protect consumers from scams, fraud and other forms of abuse using telephone numbers.

Providing information services

A2.18 Ofcom provides information to the public about use of the radio spectrum. This is an important contribution to the efficient coordination of spectrum use; and also facilitates the trading of spectrum licences by stakeholders.

Publishing market research and communications market reports

A2.19 We will publish a wide range of reports on developments in the communications sector and on the attitudes of citizens and consumers. Our series of *Communications Market Reports* will cover developments in television, radio, telecoms and the internet across the UK and around the world. Our *PSB Annual Report* will assess the state of public service broadcasting in the UK and the extent to which the purposes and characteristics of PSB are being fulfilled. We will also publish our annual *Consumer Experience* report, which assesses consumer access, choices, empowerment and concerns across all of the sectors regulated by Ofcom.

A2.20 Finally, we will publish all research commissioned across the year in support of Ofcom's projects and publications. Our approach to research will ensure that we are able to gather an evidence base that allows us to deliver the statutory obligations we face to promote equality. We will also comply with the Statistics Act in making our research and market statistics available in a timely way.

Adopting sustainable practices

A2.21 Ofcom seeks to adopt sustainable practices throughout its policy and operational work. In light of growing prominence of environmental issues we performed an initial audit of Ofcom's carbon emissions in 2007 and subsequently committed to a reduction target of 25% by 2012/13. We have developed a programme of enhancements to meet this target and to ensure that our operations adhere to environmental best practice.

A2.22 Achievements to date include substantial energy savings at our London office, the promotion of sustainable commuting to colleagues and the attainment of Carbon Trust Standard accreditation. In 2010/11 we will turn our focus to business travel and printing and investigate further savings within Information Services.

Promoting equality and diversity

A2.23 Ofcom is determined to do all we can when it comes to promoting equality and diversity inside our organisation and in the wider sectors we regulate.

- A2.24 In October 2009, we introduced Ofcom's Single Equality Scheme⁸ to promote equality in our dual roles as a significant employer and as the regulator of the UK communications industries. We are actively working towards a communications sector that is fairer, equal and diverse.
- A2.25 The Single Equality Scheme sets out Ofcom's objectives in relation to equality and provides a framework, setting out a clear set of actions plans for us.

⁸ http://www.ofcom.org.uk/consult/condocs/promoting_equality_diversity/ses/ses.pdf

Annex 3

Simplification plan

This annex summarises our efforts to minimise regulatory burdens

- A3.1 This Simplification Plan summarises our continued efforts to minimise the burdens on our stakeholders and fulfil our statutory duty in this regard. It explains how our bias against intervention translates into regulation designed to carefully manage, evaluate and justify burdens. This annex also sets out what Ofcom has done in practice to reduce the burdens on our stakeholders during 2009 and outlines the further initiatives we will be taking over the coming year.
- A3.2 Section 6 of the Communications Act 2003 ('section 6') places a duty upon Ofcom not to impose burdens that are unnecessary or maintain burdens that have become unnecessary. The following paragraphs explain how our day-to-day activities are designed to fulfil this duty, both in relation to the development of new regulations and the review of existing ones.
- A3.3 Section 6 also requires Ofcom to publish a statement every 12 months, showing how it has fulfilled this duty. We fulfil this requirement through this Simplification Plan.
- A3.4 During 2009 we have progressed various deregulatory and simplification initiatives, some of which we plan to further advance in 2010. Examples include:
- the removal of the remaining regulatory constraints in the fixed telecoms market at the retail level and the reduction of regulation at the wholesale level;
 - our recommendations to Government to remove two rules related to radio ownership and the relaxation of local cross-media ownership rules;
 - the relaxation of licence requirements for Channels 3 and 5 following our second public service broadcasting review;
 - the completion of project Unify, delivering the upgrade and integration of our IT systems, thanks to which we can offer services to our stakeholders in a more efficient way;
 - our proposals to simplify spectrum trading, making it easier for businesses to access the radio frequencies they need to use; and
 - a planned review of whether current restrictions related to advertising on public service channels remain justified.
- A3.5 Details of all the initiatives in which we have made progress since we published our last Simplification Plan in December 2008 are provided in the tables at the end of this annex.

Our approach to regulation is designed to minimise burdens in meeting our duties

- A3.6 The Communications Act 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.
- A3.7 Our regulatory principles include a clear commitment to “a bias against intervention”. This aims to ensure that we regulate only where necessary. Excessive intervention could distort or stifle the development of competitive and rapidly changing markets. Intervention that is not accurately targeted also bears the risk of causing unintended consequences.
- A3.8 However, where intervention is necessary we aim to act decisively and consistently with Better Regulation principles. 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 these burdens are outweighed by the overall benefits that result from their implementation.
- A3.9 In those cases where regulation is required, we will be seeking the most effective and least intrusive regulatory method to achieve our objectives.
- A3.10 Impact Assessments (IAs) 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.
- A3.11 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 out Impact Assessments in relation to the vast majority of our decisions⁹.
- A3.12 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 in order to carry out the analysis must also be proportionate. Our position is further elaborated in Ofcom’s Impact Assessment guidelines¹⁰, which state that:

“we will normally quantify costs and benefits where possible, while recognising that we will rarely be able to do this precisely and that it will not always be proportionate to quantify all costs and benefits. Where precise quantification or valuation is not possible, we

⁹ As outlined in our latest Annual Report

(http://www.ofcom.org.uk/about/accoun/reports_plans/annrep0809/annrep0809full.pdf), in 2008/2009 around 75% of Ofcom’s published consultations contained an Impact Assessment.

¹⁰ http://www.ofcom.org.uk/consult/policy_making/guidelines.pdf

should aim to provide estimates or set out ranges of costs and benefits”.

- A3.13 When assessing options for intervention, we consider a range of alternative solutions, 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 the Government or the regulator does have a back-stop powers and a degree of oversight), through to full statutory intervention.
- A3.14 In December 2008, following a consultation gathering input from a wide range of stakeholders, we published a statement¹¹ outlining a new and systematic approach to making an initial assessment on which kind of intervention, if any, is appropriate. This approach helps us to understand whether no regulation, or self- or co-regulation are likely to succeed in specific cases, by analysing whether the incentives of industry are aligned with those of the public. The implementation of video-on-demand (VoD) regulation following the European AVMS directive is a recent case in which we have applied our revised approach to co- and self-regulation consulting on our preference for a co-regulatory solution over the alternatives.
- A3.15 In selecting and analysing options, the need to further the interests of citizens and consumers is of paramount importance. The Communications Consumer Panel has developed a methodology (The Consumer Interest Toolkit) for auditing the way in which Ofcom (or any other organisation) takes consumer interests into account in making its regulatory decisions. Ofcom has developed internal project management guidance to ensure that every project understands and considers the consumer interest, and tailors its approach to address areas of consumer concern.

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

- A3.16 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 for us to determine whether current regulations and their associated burdens are still necessary and justified.
- A3.17 Following a regulatory review, burdens can also be reduced by leaving the overall regulatory aim unchanged – for example by streamlining the processes through which companies comply with regulations. Our recent spectrum trading consultation¹², for example, leaves unchanged our commitment to healthy secondary spectrum markets, but seeks to promote their development by streamlining the processes that interested parties have to follow in order to trade licences.
- A3.18 Since its inception Ofcom has had 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,

¹¹ Identifying appropriate regulatory solutions: principles for analysing self- and co-regulation: <http://www.ofcom.org.uk/consult/condocs/coregulation/statement/statement.pdf>

¹² Simplifying spectrum trading <http://www.ofcom.org.uk/consult/condocs/simplify/simplify.pdf>

un-coordinated layers of regulation that place unnecessary burdens. During 2009 we have completed our second review of public service broadcasting (PSB) which led to a reduction of requirements on ITV and Five.

- A3.19 Under the European Framework for Electronic Communications, which was transposed into UK law with the Communications Act 2003, national regulatory authorities such as Ofcom have a duty to periodically carry out reviews of competition in relevant telecoms markets (market reviews) to ensure that regulation remains appropriate in the light of changing market conditions. During 2009 we have completed several market reviews, including those of the retail and wholesale telephony markets. Our analysis and our consultation determined that we were able to remove regulation imposed on BT because they had become unnecessary.
- A3.20 Over the last three years, the European Framework has undergone a process of review, which is now reached in its final stages. Ofcom played an active role in ensuring that the new Framework would continue to support our targeted, light-touch regime for telecoms regulation, leaving appropriate scope for deregulation. We also sought to ensure that the European Commission's proposals for reform did not add to the regulatory burden on business, while continuing to promote consumers' interests. In particular, we worked towards the definition of a market review process that is not overly prescriptive and bureaucratic, and we supported new provisions towards the continued liberalisation of spectrum management.
- A3.21 Our review of activities also includes considering how our systems and processes might be made more effective and efficient. This enables us to provide a better service to stakeholders, while reducing our operating costs. IT systems are at the heart of this. In 2009 we completed the rollout of project Unify and improvements to IT systems that are continuing to support reductions in administrative and regulatory burdens.

During 2009 we have completed various simplification initiatives and more are planned for 2010

- A3.22 We believe that in 2009, we have continued to take important steps to alleviate regulatory burdens on our stakeholders. Below we provide an overview of our main simplification activities since the publication of our last Simplification Plan and will carry forward into 2010. Further details are provided in the tables at the end of this annex.
- A3.23 Deregulation of fixed telephony (retail and wholesale narrowband market reviews): As part of our series of regular telecoms market reviews, in September 2009 we published a statement¹³ which removed the remaining regulatory constraints in the fixed telecoms market at the retail level. This allows BT to offer discounted bundles of services including traditional fixed-line calls for the first time. We expect deregulation to further stimulate retail competition, resulting in enhancements of services and greater value for money for consumers. This decision represents the last stage in a process of gradual deregulation of fixed telephony at the retail level, following the lift of retail price controls on BT in 2006. The deregulation of retail markets was enabled by a set of regulatory measures (including the functional separation of BT in 2006) which supported the emergence of sustained competition in fixed telecoms services. Alongside the retail market review mentioned above, this year we have also reviewed fixed wholesale narrowband markets. Recognising that significant developments had occurred since our last reviews in 2003 and 2005 we

¹³ http://www.ofcom.org.uk/consult/condocs/retail_markets/statement/statement.pdf

concluded that we could reduce or remove regulation of BT's provision of particular products.

- A3.24 Media ownership rules review: Ofcom has a statutory duty to review the operation of, and recommend any changes to, the media ownership rules at least every three years, reporting its findings to the Secretary of State (for Culture, Media and Sport). We concluded our latest review in November this year. Our analysis highlighted significant market pressures for the media industry in general and radio in particular, threatening the delivery of content and services valued by audiences. As a consequence, in our statement¹⁴ we recommended to Government the removal of two rules related to radio and the relaxation of local cross-media ownership rules. Our recommendations, if taken forward by the Government, will increase the likelihood that radio stations continue to be viable and will benefit the local media industry more broadly by increasing its flexibility to respond to market pressures.
- A3.25 PSB review and relaxation of Channel 3 and 5 license requirements: During 2009 we completed our second review of public service broadcasting (PSB), carried out under Section 264 of the Communications Act. In this review we identified that the changing market context had led to increased burdens for commercial PSBs and Channel 3 license holders in particular. As a result, we introduced relaxations of Channel 3 obligations in the following areas: national and regional news, other national and regional programmes, network current affairs, and network out-of-London production. We have also allowed cost savings to Five by reducing obligations to deliver originated programmes in peak-time, and across the schedule as a whole.
- A3.26 Project Unify: Ofcom has continued to bring its systems and business processes together in a more consolidated way through its Unify project, brought to completion in March 2009. As part of Unify, a new spectrum management licensing system has been implemented. The last steps in this project involved the transfer of various spectrum license classes to the new IT systems, bringing all the 250,000 licences that we administer under one robust and flexible platform. Unify enables the integration of licensing systems with our finance and customer management systems, leading to more efficient processes and better customer service. We can now make technical assignments, manage billing and accounting, and administer the ownership and trading of all these licences in a single, integrated system. Our spectrum stakeholders benefit from a simpler licensing process, easier access to information, improved tradability and in some cases lower fees. For example, Unify has enabled Ofcom to provide UK spectrum information to the European Frequency Information System. This has increased the accessibility and transparency of such information for stakeholders who previously had to spend up to three working days contacting various administrations across the EU. We estimate that this has reduced administrative costs by as much as £1.4m per year.
- A3.27 Simplifying spectrum trading: spectrum trading promotes innovation and growth by opening up opportunities for businesses to gain access to the radio frequencies that they need. In order for trading to deliver the fullest possible benefits, it is important to keep transaction costs, including those attributable to complying with regulation, to a minimum. The current trading process appears to be excessively cumbersome for spectrum transactions that are high-volume but (individually) low-value, such as those required by programme-making and special event (PMSE) users. In September we published proposals to streamline the trading process in order to

¹⁴ <http://www.ofcom.org.uk/consult/condocs/morr/statement/morrstatement.pdf>

make the spectrum market more dynamic and efficient. In particular, we proposed to omit the requirement for trading parties to obtain our consent, to allow time-limited trading and to introduce a variant of spectrum transfer that could proceed without the need for us to issue a new licence. We also explored the possibility of introducing spectrum leasing once the EU Framework Directive is implemented. These proposals could cut both operational costs for Ofcom and, more crucially, transaction costs for sellers, buyers and intermediaries. As a result, we expect consumers to benefit from earlier introduction of new services and enhanced competition. If stakeholders agree with our proposals we will work towards implementing these changes during the second half of 2010.

- A3.28 Regulation of advertising on public service channels: Public service channels are subject to stricter regulation of advertising than other channels. This includes restrictions on total advertising minutage, on peak-time advertising and an obligation to sell out their advertising slots inventory. These requirements limit the revenue opportunities for public service broadcasters (PSBs), adding to the costs of meeting content obligations that do not apply to other channels. We expect to consult in spring 2010 on whether these rules should be harmonised across public service and other channels.
- A3.29 Reducing restrictions on product placement: Commercial broadcasters could further benefit from the removal of the prohibition of product placement. In 2006 we estimated that the value of the product placement market could be between £25m and £35m after five years of deregulation. Legislation is required for product placement to be allowed and Government is currently consulting on its proposals. If legislation is passed in the spring, we expect to publish a consultation document discussing the wider implications of any change and examining what regulation, if any, will be necessary.
- A3.30 Further details of deregulatory and simplifying activities are provided in the following tables. Part A of the table below provides details of Ofcom's simplification initiatives in relation to consumers and citizens. Part B illustrates simplification initiatives in relation to competition, and part C features simplification activities in relation to infrastructure and spectrum.
- A3.31 The table also includes areas of ongoing work and proposals currently under consultation, in which simplification measures are part of Ofcom's preferred approach. However, the final outcome remains subject to the result of the consultation process. For further details, readers are advised to consult the relevant consultation or statement.
- A3.32 For all the initiatives listed below, we provide the name of the person to contact for more information. They can be emailed in the following way (firstname.secondname@ofcom.org.uk) or contacted via the Ofcom switchboard on 020 7981 3000.

Part A. Table of simplification initiatives (consumers and citizens)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Media Ownership Rules Review	<p>To review the operation of, and recommend any changes to, the media ownership rules which Parliament has put in place for TV, radio and newspapers.</p> <p>The media ownership rules are aimed at protecting plurality – allowing citizens access to a variety of sources of news, information and opinion.</p>	<p>We have a statutory duty to review the operation of the media ownership rules at least every three years and report our recommendations to the Secretary of State at the Department of Culture, Media and Sport.</p> <p>Our last review of the media ownership rules was in November 2006.</p>	<p>We published a consultation document on our proposed recommendations in July 2009.</p> <p>We examined responses received (which were generally supportive) and set out our recommendation to the Secretary of State in November 2009, taking all consultation responses into account.</p> <p>It is now for Government to consider what action to take and ultimately for Parliament to make any changes through secondary legislation.</p> <p>Our next review of the media ownership rules will be within the next three years.</p>	<p>After consultation, we recommended :</p> <ul style="list-style-type: none"> - Removing local radio service ownership rules and the local and national radio multiplex rules; and - Liberalising the local cross media ownership rules. <p>These recommendations will benefit citizens and consumers by helping to ensure that local content continues to be commercially provided.</p> <p>They will reduce regulation on the radio industry, which is facing difficult market conditions and increase the likelihood that stations continue to be viable.</p> <p>They will benefit the local media industry more broadly by increasing their flexibility to respond to market pressures.</p>	Nicole Shinnick	Completed

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Public Service Broadcasting (PSB) Review – Review of PSB provision under 2003 Communications Act	<p>Strengthening and maintaining the quality of public service television broadcasting in the UK.</p> <p>To develop and review potential new long term models of PSB delivery and funding.</p> <p>Audiences will benefit from the continued availability of those PSB programmes they value most.</p>	<p>There is a statutory obligation to review PSB provision under 2003 Communications Act.</p> <p>The changing economics of PSB provision prompted by increasing digital penetration and digital switchover, plus new media consumption have created pressure on existing PSB models.</p>	<p>The final statement was published in January 2009.</p> <p>Government is taking forward plans for Independently Funded News Consortia.</p>	<p>In order to make key public service areas more sustainable, the PSB Review introduced relaxations of Channel 3 obligations in the following areas: national and regional news; other national and regional programmes; network current affairs; and network out of London production.</p> <p>HM Government is taking forward an option identified in Ofcom's PSB Review, for Independently Funded News Consortia. These would supply regional and local news to Channel 3 and on a cross-platform basis, at no cost to Channel 3 licensees.</p> <p>We have also allowed cost savings to Five by reducing obligations to deliver originated programmes in peak-time, and across the schedule as a whole.</p>	Steve Perkins	Completed

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Review of advertising regulation Investigate scope for simplifying advertising regulation in the light of the new AVMS Directive.	Stage 1 (March to July 2008) simplified regulation by removing many of the detailed and prescriptive rules. These were summarised in last year's simplification report. Stage 2 (July 2008 to May 2009) liberalised liberalisation of the teleshopping regime, harmonised break patterns for both PSB and non-PSB channels in longer programmes, and removed the peak-time restrictions on advertising on GMTV between 7am and 9am.	The AVMS Directive, which sets minimum standards for broadcasting, removes a number of existing rules about ad break insertion and distribution, as well as liberalising the rules relating to the average number of permitted minutes of advertising. The UK can set more restrictive standards than the minimum specified in the Directive.	Following a consultation on Stage 2, a statement was published in May 2009. The rules came into force on 1 June 2009.	We expect the simplified rules to deliver benefits to viewers, broadcasters and advertisers.	Peter Bourton	Completed

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
New improved consumer website	Improving compliance and empowering citizens and consumers Communications consumers to benefit	Need to reduce pressure on Central Operations and enable more consumer self service	Regularly updated news articles launched on the home page in September 08. Interim consumer-facing site launched in August 09, including a very popular frequently asked questions facility receiving c 30,000 questions per month.	We believe this could result in fewer calls to Central Operations and better informed consumers who are able to contact relevant Alternative Dispute Resolution organisations and resolve issues themselves Demand for our FAQ system has certainly borne this out.	Julian Eccles	Completed
Consumer protection test for telephone number allocation To encourage industry to take a self-regulatory approach to introducing consumer protection considerations into their number assignment processes.	To secure the best use of telephone numbers and to help protect consumers from scams, fraud and other forms of abuse involving telephone numbers.	There are benefits in introducing a mechanism for refusing the allocation of further numbers to individuals and companies that have used numbers to cause consumer harm in the past.	The consumer protection test was introduced into Ofcom's allocation processes on 1 January 2009. The first lists of individuals and companies to be refused numbers were published on 28 January 2009 and have been updated periodically. From 1 January 2009, providers have been encouraged to refuse the assignment of numbers from certain ranges to individuals and companies on Ofcom's published lists of persons who have used numbers previously to cause serious or repeated consumer harm.	Ofcom has decided, at least initially, to allow providers to take a self-regulatory approach to introducing a consumer protection test into their number assignment processes. We recognised that the costs and burden of implementing the consumer protection test were likely to vary considerably between providers and that the impact could not be quantified without issuing a burdensome information request. Given the number and diversity of providers, we concluded that a self-regulatory approach would allow providers to apply the format best suited to their number assignment processes and offer the most appropriate way to protect citizen and consumer interests in this matter.	Elizabeth Greenberg	Completed

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<p>The regulation of localness and music formats on commercial radio</p> <p>Reducing the regulatory burden on the commercial radio sector and ensuring radio regulation is fit for the digital age.</p>	<p>Our proposals aim to secure the future delivery of local radio content, to increase choice and diversity of radio services, and to ensure that the commercial radio sector is viable and able to adapt to the digital world.</p> <p>Our proposals will benefit both the commercial radio sector and radio listeners, who have been shown to value local content highly.</p>	<p>Structural and cyclical changes in the advertising market have hit the local commercial radio sector hard. Additionally, the Government announced its intention to proceed with digital upgrade, and to make changes to the statutory framework for radio regulation.</p> <p>There is therefore a particular need to examine the burden of regulation on the sector and ensure that the regulatory framework is sustainable, and compatible with a digital future.</p>	<p>On 6 April 2009 and 11 May 2009 we made submissions to Government (entitled <i>Radio in Digital Britain</i> and <i>Digital Britain – Building on the Myers Review</i> respectively) as part of the <i>Digital Britain</i> review process. These submissions outlined a vision for a future three-tier structure for commercial radio in the UK, and a number of measures we believed could be taken to reduce the regulatory burden on the radio sector. Following the publication of <i>Digital Britain</i> we published a consultation (<i>The implications of Digital Britain for Localness Regulation</i>) on our proposals for regulatory simplification which would follow legislative changes proposed by Government. By consulting in advance of legislative change, we aim to minimise delay of regulatory simplification that our analysis suggests is necessary for the survival of many stations.</p>	<p>We have proposed that we deregulate in the following areas:</p> <ul style="list-style-type: none"> • give local commercial radio stations the freedom to co-locate and share programming within certain defined areas. • allow regional stations the freedom to merge to become national stations in instances where they consent to provide their merged service on a national DAB multiplex • give local multiplexes the freedom to merge within certain defined areas and expand coverage into unserved localities • give regional multiplexes the freedom to merge and expand their coverage areas to form a multiplex with national coverage • give local AM stations the freedom to cease providing local programming • We have also proposed looking at the area of music formats, with a view to possible relaxation <p>Our proposals for local radio stations will substantially reduce the regulatory burden on the sector, enabling stations to make significant cost savings and achieve greater scale, and thereby putting the industry in a better position to face structural and cyclical challenges.</p> <p>By granting multiplexes and regional stations greater freedom to merge we hope to support greater choice and competition in radio at a national level and facilitate the emergence of an industry structure which is fit for a digital world.</p>	Peter Davies	Part-completed / Ongoing

Part A. Table of simplification initiatives (consumers and citizens)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Co-regulation of training – Ensuring that the co-regulatory system for training and development in broadcasting continues to deliver clear benefits by clarifying roles of Ofcom, BTSR and Skillset.	To clarify the respective contributions of Ofcom, its co-regulator (the Broadcast Training and Skills Regulator) and Skillset to broadcast training, thus removing unnecessary overlaps, simplify data provision by broadcasters, and	The Communications Act places duties on Ofcom in relation to training in the broadcast sector. An MOU between Ofcom, industry and Skillset was drawn up in 2005, and now needs to be reviewed in the light of the rapidly changing industry structure, and experience with operating co-regulation. The aim is to simplify arrangements and reduce confusion among broadcasters.	BTSR continues to publish annual reports tracking the development of training arrangements by broadcasters, using a framework of self-evaluation drawn up with broadcasters. The most recent report was published on BTSR's website in July 2009. Discussions are underway between Ofcom, Skillset and BTSR aimed at clarifying their respective roles and simplifying data provision by broadcasters.	Ofcom's review in September 2008 reported that co-regulation is delivering significant benefits over the previous approach of direct regulation, including: <ul style="list-style-type: none"> • improved feedback and analysis for broadcasters of training needs and activity – at both an individual and industry-wide level, and a clearer sense that the information they provide is serving a useful purpose • greater clarity for broadcasters on how they can improve their performance • more open and constructive dialogue with broadcasters, and improved buy-in from all parts of the industry The current review of the respective roles of Ofcom, Skillset and BTSR should help to reduce overlaps between the three bodies, and to simplify data requirements of broadcasters.	Peter Bourton	Part-completed / ongoing

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Regulation of advertising on public service channels Public service channels are subject to stricter regulation of advertising than other channels, which imposes opportunity costs on them, on top of the costs of meeting content obligations that do not apply to other channels.	Investigate scope for removing / reducing stricter regulation of advertising on public service broadcasters, including restrictions on total advertising minutage, advertising in peak, and on selling less advertising Public service channels and their viewers could benefit from the reduction in regulation.	Ofcom considers that the rules preventing public service channels from deciding whether or not to sell all their advertising inventory may no longer be justified.	We expect to consult in in spring 2010 on whether advertising rules should be harmonised across public service and other channels.	Public service channels could benefit from the reduction in regulation, but other channels might lose some revenue. We will be analysing the impact of different scenarios.	Peter Bourton / Siobhan Walsh	Ongoing

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
<p>(Broadcasting Code Review) Re-examining Ofcom's approach to commercial references in TV and radio –</p> <p>Assessing the scope for reducing restrictions on sponsorship, product placement and other commercial references</p>	<p>We aim to re-examine our approach to the regulation of commercial references in TV and radio programming. We will be considering whether to remove some of the current restrictions/rules and reduce regulatory burdens that may be unnecessary. The review could offer the broadcasters potential additional income sources, while maintaining editorial independence and adequate consumer protection. This would also enable broadcasters to fund and offer programming of increased interest and relevance to listeners.</p>	<p>The economic circumstances for many of our licensees, especially in the radio industry, have worsened. As a result, we are examining the scope for deregulation.</p> <p>Also, the AVMS Directive allows EU member states to permit product placement in television programmes.</p> <p>The Government has since announced that it may permit product placement in UK television programmes. We feel that it would be appropriate to consider the wider implications of any change and to examine what regulation, if any, is now necessary, taking into account legislative requirements.</p>	<p>The Government is currently consulting on its proposals for product placement. If product placement is permitted, the appropriate legislation is expected in spring (Q4) 2009/10.</p> <p>Ofcom will consult on the subsequent framework and rules for product placement and other commercial matters in summer (Q1) 2010/11.</p>	<p>Ofcom consulted on this issue in 2006. Our impact assessment suggested that the value of the product placement market could be around £25m - 35m after around five years of deregulation. In terms of administrative burdens, permitting even a limited and controlled amount of product placement will still require rules to govern its use. However, the concepts likely to be included in any rules are already familiar to UK broadcasters.</p>	Alison Marsden	Ongoing

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Website upgrade	Total review of the design and information architecture of our sites, making them easier to use and information easier to find	Need to renovate and improve ease of use of website	Research stage to be completed before the end of 2009.	A clear aim of the project is to empower consumers and businesses to self-serve on the Ofcom website – be it for licensing, complaints, advice or research.	Julian Eccles	Ongoing

Part B. Table of simplification initiatives (competition)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
<p>Retail narrowband market review –</p> <p>To review the retail narrowband markets and consider the scope for reducing regulation.</p>	<p>To review the Retail narrowband markets to ensure that any regulations properly reflect the prevailing competitive conditions.</p> <p>Ensuring appropriate regulation is in place.</p>	<p>Obligatory review of retail narrowband markets under the EU Framework. These markets were last reviewed in 2003 and there had been significant developments in the sector since then.</p>	<p>We published our final statement on 15 September 2009. Our conclusions were that most of the UK retail markets, with the exception of Hull, are now effectively competitive and, specifically, BT no longer has significant market power (SMP) in the provision of retail fixed narrowband analogue access and retail calls markets in either the residential or business sectors.</p> <p>While we think that BT still has SMP in the retail ISDN2 market, we consider that it is appropriate to rely solely on wholesale remedies in this market as the existing retail remedies no longer offer additional benefits to the downstream competitive process.</p> <p>We have decided that we need to undertake a further review of the ISDN30 market before we conclude on whether this remains an appropriately defined market and, if so, whether it is effectively competitive.</p>	<p>These decisions represent the next stage in a process of deregulation at the retail level, which has been supported by changes to the regulation of BTs wholesale services. In 2006, we lifted retail price controls, given the improvement in competition in the market.</p> <p>We consider that this deregulation will lead to a further increase in competition in these retail markets. BT will be able to more freely compete in the supply of bundles of services which include fixed telephony together with other telecommunications service such as mobile communications, broadband and television. This should ensure that competition will continue to lead to enhancement in services and greater value for money for consumers.</p>	Markham Sivak	Completed

Part B. Table of simplification initiatives (competition)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
De-regulation of Local-Tandem Conveyance (LTC) market	<p>Objective is to identify whether effective competition is in place in the market. If so, remove existing regulation. If not, impose sufficient regulation to address the competition concerns.</p> <p>As this is a wholesale market, primary beneficiaries are CPs, but the effect of competition should ultimately be passed onto consumers.</p> <p>In relation to LTC we have found the market to be competitive and as such have removed all regulation from BT (albeit with a transitional period to avoid short term disruption in the market).</p>	Obligatory review of wholesale narrowband markets under the EU Framework	Final statement published on 15 September 2009.	<p>Previous regulation of BT has allowed CPs to enter and operate within this market. This regulation, coupled with obligations in related markets, has allowed these CPs to increase their market share and to increasingly use their own infrastructure to compete with BT. As such, removing regulation is a result of benefits already delivered and is recognition of the competitive landscape that has developed. Only around 25% of other CPs' traffic now uses LTC provided by BT, the other 75% being either self-provided or provided by competitors to BT.</p> <p>In deregulating the LTC market, we have removed a number of regulatory obligations from BT, including requirements to publish information about its products and price regulation (cost orientation and a charge control).</p> <p>BT's revenues from the LTC market are in the region of £87m per annum (including internal sales to BT's retail operations – external sales are £30m).</p> <p>Removal of regulation will allow BT to compete with other providers in this market, including allowing pricing flexibility (for example allowing discounts on a per customer basis.)</p>	Steve Perry	Completed

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Call termination – regulation of operators terminating fixed geographic traffic other than BT and KCOM (in Hull)	All CPs that have been allocated geographic numbers have market power in terminating traffic to these numbers. Regulation in this area aims to ensure that this market power cannot be used to set excessive prices which would ultimately be passed on to end users	Obligatory review of wholesale narrowband markets under the EU framework	<p>We have concluded that the current approach, to require all CPs to set fair and reasonable rates, remains appropriate. This regulatory approach has been effective in the UK for some time. We are however consulting on one further obligation to require CPs to publish their rates, to ensure transparency.</p> <p>We discounted the option of imposing more stringent regulation such as specific price controls, or no undue discrimination obligations on all CPs, as being disproportionate.</p> <p>Our statement, published on 15 September, imposed an obligation to set rates on fair and reasonable terms. We have further consulted on publication requirements and expect to issue a final statement in due course</p>	<p>Any regulation imposed in this market is felt by the very large number of CPs in the UK providing this service (some of these are small providers). The burden of meeting regulatory obligations such as charge controls or requirements to publish detailed reference offers could, for many of these players, be overly burdensome (to the extent that the cost of meeting the obligations may exceed the benefit of providing service).</p> <p>Our approach is based on providing a co-regulatory framework. Ofcom sets the overall obligations within which industry agrees specific commercial terms. As this approach has proved effective in the past, we have concluded that more prescriptive regulation is not required.</p>	Steve Perry	Part-completed / ongoing

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Proposed change in regulation of single transit	<p>Transit services are provided by transit providers to other CPs to send traffic to each other where they cannot efficiently interconnect their networks directly.</p> <p>As for LTC, the primary beneficiaries of regulation in this market are CPs, but the benefits of this are ultimately reflected in products sold to end consumers.</p> <p>In reviewing this market we have assessed whether BT has market power, in particular in relation to its single transit service, based on the level of interconnection it has in the UK and the extent to which it could impact other CPs by not offering services based on this level of interconnection.</p>	Obligatory review of wholesale narrowband markets under the EU Framework	<p>We have proposed that BT continues to have SMP in this market. We have therefore proposed a series of remedies to address this SMP, but propose to remove charge control. A charge control has been in place in this market as a result of previous market reviews.</p> <p>Following consultation we plan to publish a statement in due course</p>	<p>BT's revenue from single transit in 2008/9 was £5m. Removal of a charge control is intended to reflect the low revenue of this market compared to other wholesale markets.</p> <p>This will allow BT some pricing flexibility within the constraints of other remedies (cost orientation and no undue discrimination). We consider that these other remedies are required to ensure that all CPs continue to be treated fairly when purchasing this service from BT.</p>	Steve Perry	Part-completed / ongoing

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Financial reporting data extraction tool - Tool to enable Ofcom to interrogate raw regulatory accounting data provided by BT	Innovation in regulatory accounting to improve the speed and accuracy of regulatory reporting	This development enables Ofcom to directly interrogate and query BT regulatory accounting data, leading to a reduced number of more targeted ad-hoc information requests.	Work on implementation is ongoing – we expect to complete beta testing by the end of 2009.	The adoption of the tool is likely to lead to better targeted ad-hoc Section 135 requests to obtain information. We estimate that this may result in savings to Ofcom and a reduction in the administrative burden of approximately £0.1m/year to BT.	Gavin Greenfield	

Part B. Table of simplification initiatives (competition)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
<p>Telecoms framework review</p> <p>To press for the revised EU framework to reflect Ofcom's objectives, in particular:</p> <p>a) maintaining Ofcom's current focused and light touch regime for telecoms;</p> <p>b) providing scope for deregulation where appropriate, e.g. in the list of recommended markets; and</p> <p>c) supporting liberalisation of spectrum licensing rules.</p>	<p>To ensure that the current review should lead to a regime which is firmly based on existing competition-based principles and which is able to respond to the challenges posed by market and technological evolution.</p> <p>This will benefit all European consumers, including those in the UK, and facilitate easier market entry for providers of electronic communications services.</p>	<p>A significant proportion of the Communications Act, 2003 transposes the EU framework into UK law. There is a legal requirement to review the operation of the EU Framework not more than 3 years from introduction. The "relevant markets" recommendation must also be "regularly reviewed".</p>	<p>The Commission published its final legislative proposals in November 2007 which were subject to negotiations in the Council of Ministers and the European Parliament since December 2007. As of end of November 2009, the full package of reform is now formally approved by both the European Parliament and the Council. We expect this to be transposed into national law within 18 months.</p> <p>We will now be focusing on implementation of the updated Framework.</p>	<p>Ofcom sought to ensure that the Commission's proposals for reform did not create unnecessary layers of bureaucracy or add to the regulatory burden on business, while ensuring we are empowered to promote consumers' interests. We aimed to ensure that:</p> <p>a) NRAs retain the right to apply targeted and proportionate remedies without unwarranted Commission's oversight;</p> <p>b) the market review process is not overly prescribed and bureaucratic;</p> <p>c) there is targeted harmonisation of regulatory rules across the EU in the interests of UK businesses and consumers; and</p> <p>d) the review supports the continued liberalisation of spectrum management.</p>	Camilla Bustani	Part-completed / Ongoing

Part B. Table of simplification initiatives (competition)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
<p>European Regulators' Group (ERG) development – ensure that its work is focused (on priority markets and issues) and efficiently and transparently conducted.</p> <p>Ensure that its transition into BEREC (Body of European Regulators in Electronic Communications) occurs smoothly and with minimum disruption to its work, and that the new secretariat created under the BEREC Regulation is small, efficient and un-bureaucratic</p>	<p>To raise the overall quality and effectiveness of telecoms regulation across Europe.</p> <p>This will improve economic welfare for EU citizens and will benefit UK companies operating in other countries.</p> <p>An effective European Regulators' Group/BEREC will weaken the case for inappropriately centralised regulation at EU level.</p> <p>A streamlined secretariat will avoid unnecessary additional bureaucracy and associated cost</p>	<p>Ofcom chaired ERG in 2006 and was a Vice-Chair in 2007, providing an opportunity to promote reform. It has since continued to work closely with the ERG Chairs and to actively participate in the ERG's project teams.</p> <p>This has coincided with the Commission's review of the operation of the EU framework. Indeed, one of the results of the review is the replacement of the ERG by BEREC, and the creation of a small Community body to act as BEREC's secretariat.</p>	<p>The ERG committed to a series of regulatory disciplines at the end of 2006, which it began implementing during 2007. Ofcom has played a central role in this implementation.</p> <p>These initiatives are intended to promote greater harmonisation of regulatory approaches across Europe, and reflect the ERG's commitment to reform. The ERG's commitment to and record of reform were the heart of its arguments against inappropriate centralisation of regulatory power at the European level, and resulted in its replacement by BEREC, rather than by a new European "super-regulator".</p>	<p>Direct benefits will flow to UK companies which operate across Europe from greater harmonisation of different national regulators' approaches to key issues. This will reduce regulatory burdens, as well as promote more open, competitive markets.</p> <p>The ERG's reform programme also encourages reductions in administrative burdens which result from disparate approaches to remedies and other regulatory requirements.</p>	Camilla Bustani	Ongoing

Part B. Table of simplification initiatives (competition)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Partial Private Circuits Replicability A Review of BT's compliance with replicability of retail leased lines products	To review BT's compliance with Ofcom's Statement on Replicability of April 2006, which identified a list of failures on behalf of BT that required fixing. BT would benefit from a statement of compliance, since it would trigger some level of deregulation for BT; in particular, BT could be freed from having to comply with a published price list, and could price leased lines on a bespoke basis. Business consumers could benefit from the resulting increase in price competition.	BT has given Ofcom a Statement of compliance, and we need to decide whether BT has met all the compliance conditions	Project work is underway. Consultation closed in Aug 2009. A Statement is likely to be published by end Q1 2010-11.	Subject to the outcome of the review, we may allow BT to offer bespoke prices for some or all of its service bundles which include low-bandwidth leased lines. Proposals for deregulation include allowing BT to price more flexibly, potentially resulting in more effective competition and lower prices for consumers.	Serafino Abate	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Business radio – Simplifying current licensing arrangements	<p>To simplify current licensing arrangements, reduce regulatory burdens on stakeholders, increase technical flexibility, and extend the spectrum market in this sector.</p> <p>This will benefit a wide range of users in the sector from high street taxis to large businesses and emergency services. Ofcom currently issues about 52,000 radio licences in the business radio sector.</p>	<p>The proposals are part of a phased approach to introducing the recommendations of the Spectrum Framework Review (SFR).</p> <p>The proposals exploit the opportunities offered by our new IT systems. They have enabled simplification and the provision of better services to stakeholders.</p>	<p>A consultation was launched in July 2006 with an intention to proceed with measures confirmed by the statement in January 2007.</p> <p>The regulations for implementing the new licence categories, including fees and making them tradable, were consulted on and recommendations were made at the end of August 2008.</p> <p>Implementation of the new licences was enabled by the delivery of project Unify. All Business Radio licences (52,000) became spectrum tradeable apart from GSM-R and Public Safety Radio.</p> <p>All customers were issued with a revised licence and over 90% of them saw fees held level or being reduced.</p> <p>Industry welcomed move of light licences to 5 year term at fee of £75.</p>	<p>The previous 21 licence types have been reduced to three basic types.</p> <p>35,000 licences have been simplified. Licensees now benefit from the ability to trade spectrum and from increased flexibility, e.g. the ability to change the use of the spectrum without Ofcom approval.</p> <p>15,000 licences have been streamlined even further, through a 'light licensing' regime in which Ofcom does not make any assignment. Instead, users manage their own allocation. This process extends the renewal cycle from the existing one or three years to a standard five years, thereby reducing administrative burdens by around 50%. A 45-section (10-page) application form has been reduced to a two-section online form.</p> <p>The cost to users of these categories of business radio licences should reduce by £0.2m due to reduced requirements for licence fees.</p> <p>Licensees also benefit from simpler and less frequent licence application or renewal. Assuming that the time per application is reduced from two hours to one hour, and valuing this at £16 per hour, an additional saving of around £0.2m could be achieved.</p>	Paul Jarvis	Completed

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Spectrum information Improved access to more information about how spectrum is used	To further the development of a spectrum market through improved transparency and by optimising the use of resources. Will bring benefits to spectrum users and ultimately citizens and consumers. To also implement the requirements of the Environmental Information Regulations (EIR).	Easy access to comprehensive information is key to the successful functioning of markets. The spectrum market transfers the locus of spectrum management from the regulator to spectrum users (i.e. the information is part of a broader deregulatory effort). We need to ensure that we consistently take this approach to spectrum, while recognising legitimate confidentiality concerns.	Ofcom has developed new IT systems that have enabled us to provide information on UK spectrum use to the European Frequency Information System (EFIS), bringing the UK into full compliance with EU requirements on Spectrum Information well in advance of the deadline. We have also developed an enhanced version of the Wireless Telegraphy Register and UK Plan for Frequency Authorisation from 2009. More recently, we have consulted on improving access to existing information about spectrum use and making new information available to support the further development of the spectrum market.	Facilitation of self-coordination and interference management amongst stakeholders will improve access to information and reduce the number of FOI requests and other requests for information. For example, by providing information on UK spectrum use to the EFIS, we have increased the accessibility and transparency of such information for stakeholders who have previously had to spend up to three working days contacting various administrations across the EU. We estimate that stakeholders will potentially reduce their associated administrative costs by as much as £1.4m per year. (We assume that the new system allows an average of 3000 stakeholders to save 16 hours worth of work per year, valued at £30 per hour.)	Paul Chapman	Further advanced

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Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Spectrum awards (various projects) –Award of new spectrum	To award various bands of spectrum, that will benefit the users of spectrum and consumers.	To secure more efficient use of the radio spectrum, promote competition and innovation, and thereby bring benefits to consumers.	<p>10, 28, 32 & 40 GHz auction and L Band auction were held in 2008. DDR geographic interleaved awards – awards, covering Manchester and Cardiff were held in 2009</p> <p>Following BIS Digital Britain proposals Ofcom withdrew its plans to award 2.6 GHz. In October 2009, BIS published a consultation on a direction to Ofcom which would amongst other things require Ofcom to hold a combined award of 2.6 GHz and 800 MHz.</p> <p>Ofcom continues its consideration of how to award the remainder of the Digital Dividend Review (DDR) ie 600 MHz band and GI spectrum which expects to do towards the end of 2011.</p>	The approach to the awards, in particular the service and technology neutral approach, the indefinite licences, and the introduction of trading for the licences, should result in less regulatory involvement in the management of this spectrum in the future, and so result in reduced regulatory burdens.	Tim Cross	Further advanced

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Aeronautical radio To identify ways to reduce the regulatory burden of spectrum licensing in the aeronautical sector.	To review aeronautical radio licensing to determine whether it is consistent with the level of regulatory intervention required to ensure the efficient use of aeronautical radio spectrum. Ofcom will consider the impact of any proposed reforms both on industry and on the regulator.	Part of wider review of spectrum licensing aimed at reducing administrative burdens.	This work has been put on hold to allow for the implementation of the Independent Audit of Spectrum Holdings (Cave Audit). Early in 2010, aircraft radio licence fees are changing from annual to three-yearly payment, a <i>de facto</i> 66% annual reduction in fees with further administrative savings for licensees. We are also exploring the possibilities for passing responsibility for WT Act licensing to the CAA.	Where appropriate, we will recommend and implement aeronautical radio licensing reforms. The extent to which regulatory burdens will be reduced will be determined during the feasibility study stage.	Fraser Murrey	Part-completed / On hold - pending the implementation of AIP to aeronautical radio.

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Reducing regulation of digital terrestrial TV platform – Considering the scope for deregulation	To review the restrictions on digital terrestrial TV (DTT) multiplexes. Consumers, DTT multiplex operators and broadcasters will benefit.	The DTT platform is currently subject to a high level of regulation compared to other TV platforms.	We are considering widening the range of technical compression and transmission standards that can be used by DTT multiplex operators. Work has been completed to add DVB-T2 and MPEG-4 to the technical standards permitted on DTT (with Ofcom's consent). It is planned that high-definition TV services will commence broadcasting on DTT multiplex B in December 2009 and are expected to be available to 50% of households by the middle of 2010.	A wider range of permitted technical standards could increase the range of services that can be offered on the DTT platform. The work carried out to free up capacity on DTT has a direct impact on consumers, who will benefit from new services on DTT including HDTV, without reducing the availability of other services.	Peter Madry	Part Completed/ Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
<p>Reducing regulation for satellite user terminals</p> <p>Includes licence exemption at 28 GHz and simplification and relaxation at 14 GHz</p>	<p>To reduce regulatory burdens and encourage the take-up of new services.</p> <p>Bridging the digital divide by promoting the availability of broadband services in rural / sub-urban areas.</p> <p>Simplification and rationalisation of our licensing arrangements.</p> <p>Businesses and consumers will benefit</p>	<p>The existing regulations were unnecessarily burdensome.</p> <p>The ubiquitous nature of terminal deployment requires minimum regulation.</p> <p>Difficulties in complying with and enforcing the general conditions.</p>	<p>We completed variations of Network licences in April 2008 so as to limit the need to obtain clearance for individual satellite terminals operating at 14 GHz.</p> <p>Exemption Regulations (SI 2008, No. 2426) were brought into force on 1 October 2008. These regulations exempt the need to obtain a licence for high-density fixed satellite systems (HDFSS) operating in the 28 GHz band, providing the radiated power from a single terminal does not exceed 50 dBW.</p> <p>We continue to explore possibilities for further relaxations in satellite earth station Network licensing and licence exemption of HDFSS.</p>	<p>Removes the need to clear and register individual satellite user terminals (estimated total of 20,000 terminals, with 150 new terminals / removed terminals per month).</p> <p>Feedback from stakeholders is extremely positive based on the vastly deregulated environment that these changes have brought.</p> <p>Changes are likely to further promote the availability of broadband in rural areas.</p> <p>We are also now seeing an increasing demand for consumer broadband by satellite which underlines our timely intervention in this area.</p>	James Richardson	Part-completed / ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Extending licence exemption	To comply with 8(4) of the WT Act for licence-exempt devices that are not likely to involve undue interference. To implement EU Decisions on licence exemption. To reduce regulatory burdens and enable access to spectrum for new equipment e.g. wireless HD, UWB and short range radars. This will bring benefits to spectrum users and consumers.	<p>Requirement of WT Act and EU Decisions.</p> <p>Reduces the regulatory burdens and enables the use of innovative new technologies especially for mass consumer goods.</p> <p>This forms part of the implementation of Ofcom's Spectrum Framework.</p>	<p>Regulations were made in July 2009 for short-range devices (including wireless HD) and in October 2009 for UWB.</p> <p>Further work is expected in relation to licence exemption for additional devices in the coming months.</p>	<p>This work should lead to a reduction in administrative burdens.</p> <p>The result of our planned approach is that many users will have access to a range of radio equipment without any requirement for licensing. This will result in lower costs for Ofcom, consumers, and the industry, and will encourage innovation. Assuming that under a licensing regime it costs a licensee £50 in time and fees to apply for and obtain a licence, the administrative burden could exceed the purchase price of the equipment and thus act as a barrier to take-up. Making such equipment licence-exempt wherever possible may therefore avoid imposing a barrier to take-up.</p>	Paul Chapman	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Mobile spectrum trading and liberalisation Extending trading and liberalisation to mobile spectrum	To apply the policies of spectrum trading and liberalisation to licensed spectrum that is already used, or could be used, for the provision of mobile services. This will benefit users of spectrum and consumers.	To meet EU law requirements to liberalise 2G bands. To secure more efficient use of the radio spectrum, to promote competition and innovation, and thereby bring benefits to consumers.	A consultation on liberalisation of 2G bands and 2.1GHz was published in September 2007 and a further consultation published in February 2009. In October 2009, BIS published a consultation on a direction to Ofcom which would include liberalisation of the 2G mobile bands.	The liberalisation of the 2G spectrum should lead to significant benefit to consumers and citizens, most likely in the form of better coverage and/or faster mobile broadband services. The application of trading to this spectrum will make the process for changing ownership of the spectrum simpler and more market based in future.	Justin Moore	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Facilitating spectrum innovation	To facilitate access to spectrum for innovative uses that do not fit within an existing licence class. Also to provide a clear process for the evaluation of requests.	The need for a framework for addressing requests.	We published a consultation on "innovation licences" in October 2008. We published an interim statement early in 2009 and have continued discussions with the MOD and CAA to find ways of dealing with the specific requests we have received. When we have completed this work, we will look at developing a broader framework for dealing with such requests.	<p>We will identify regulatory obstacles (i.e. the lack of clarity on how a request for non-standard spectrum use will be addressed) as a lack of certainty may lead to a reduction in the incentives to innovate. This can be removed by creating a defined process that will give stakeholders greater clarity</p> <p>Our proposed 'Innovation Licences' should reduce administrative burdens for Ofcom and licensees by avoiding the need to create bespoke licences for certain categories of spectrum usage. Our proposed flat fee approach is also designed to impose a minimal administrative burden on licensees.</p>	Anirban Roy	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Implementation of the Independent Audit of Spectrum Holdings (Cave Audit) Encouraging more efficient use of public sector spectrum holdings	To achieve more efficient use of the radio spectrum. The main stakeholders are public sector bodies holding spectrum e.g. Defence, Transport, Emergency and Public Safety and Science services. Citizens and consumers will benefit from a supply-side boost and public bodies will benefit from an auditable intangible asset that can be exploited through the market.	This is a HM Treasury initiative supported by the Government's Operational Efficiency Programme to improve the management and exploitation of intangible assets. It includes public sector spectrum holdings and their exploitation through the Wider Market Initiative and the application of market mechanisms that incentivise secondary trading.	Ofcom is the primary external supplier to key departments such as Defence and Transport. We have delivered key elements of the regulatory framework to facilitate the exploitation of public sector spectrum holdings. This is in line with the recommendations made by the Independent Audit (2005) that Government has accepted and is implementing in full as set out by the Government's Forward Look updated in April 2009. In particular, we have: <ul style="list-style-type: none"> • Published the spectrum framework review for the public sector • Established a basis and granted the first Crown Recognised Access Rights (RSAs) to enable secondary trading of some spectrum. • Planned further grants of RSA and consulting on RSA for 3400-3600 MHz • Established a bi-lateral arrangement with the MOD for the management of the application of incentive pricing to its holdings • Facilitated an arrangement to enable the identification of the SoS to hold rights for shared spectrum and Departments to determine how spectrum fees will be apportioned. 	The Independent Audit (2005) set both the estimated impact and benefits. Additional impact assessments (and EIAs) have already been made with respect to new regulations of changes to regulations.	Steve Jones	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Simplifying spectrum trading - Regulatory reform of the spectrum trading process and introduction of spectrum leasing	<p>Trading allows spectrum to migrate to those parties that can generate greater benefits for citizens and consumers. In order for the fullest possible advantages to be realised, it is important to keep transaction costs to a minimum.</p> <p>Those involved in spectrum transfers – sellers, buyers and intermediaries – will benefit from lower transaction costs and from faster and cheaper access to spectrum for new services. Consumers will benefit from the resulting earlier availability of new services. Citizens will benefit as public sector bodies will also be able to release and acquire spectrum more quickly.</p>	<p>The current framework for spectrum trading appears to be excessively cumbersome, particularly for transactions that are high-volume and (individually) low-value, as are those involving spectrum used for programme-making and special events (PMSE).</p> <p>There are indications that the resulting delay and costs may be impeding the development and operation of band managers and the spectrum market more generally.</p>	<p>On 22 September we published a consultation document which proposed to introduce the following changes:</p> <ul style="list-style-type: none"> removing the need for the parties to obtain our consent to transfers of licence rights and obligations; allowing time-limited trading without the need for a separate closing transfer by the parties; introducing a variant of spectrum transfer that could proceed without the need for us to grant a new licence document to the transferee; and introducing, when the Framework Directive is amended, a faster and more efficient spectrum leasing process. <p>If we decide to proceed in the light of consultation responses, we will consult further on regulations to implement the proposed changes, so to have these in place in summer / autumn 2010.</p>	<p>We believe that our proposed measures could:</p> <ul style="list-style-type: none"> Lower transaction costs for sellers, buyers and intermediaries. This should enable beneficial trades that may have been deterred by current procedural requirements to take place. Lower administrative and operational per trade costs for Ofcom. Some procedural costs that we have to currently incur will be avoided. Even if these costs do not themselves prevent trades from taking place, their removal constitutes a saving for each trade and lowers our average processing cost. 	Laurence Green	Ongoing

Part C. Table of simplification initiatives (infrastructure and spectrum)						
Issue & planned simplification work	Objective & stakeholders who will benefit	Reasons for examining issue	Update on progress & key milestones	Estimated impact on burdens and/or benefits to be realised	Contact	Current status
Market Intelligence Database Automation	Supports Ofcom's regulatory principle of researching markets constantly. Benefits operators and licensees through a more streamlined data collection process.	Effective information returns are essential and enable Ofcom to ensure licensees and operators are complying with relevant regulations and conditions. They are also required to aid Ofcom's understanding of the sector.	<p>The second stage of the database upgrade is due for completion in Jan 2010.</p> <p>This involves further work on improving usability and ensuring that only relevant data are collected.</p>	A streamlined database has made it simpler for stakeholders to submitting data and reduced the administrative burden associated with collecting them. In addition it has helped achieve an increased proportion of timely returns from licensees and operators.	Justin Le Patourel	Ongoing

Annex 4

Responding to this consultation

How to respond

- A4.1 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 17 February 2010**.
- A4.2 Ofcom strongly prefers to receive responses using the online web form at <http://www.ofcom.org.uk/consult/condocs/draftannplan1011/howtorespond/form>, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.
- A4.3 For larger consultation responses - particularly those with supporting charts, tables or other data - please email jakub.dubaniewicz@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.
- A4.4 Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.
- Jakub Dubaniewicz
- Riverside House
2A Southwark Bridge Road
London SE1 9HA
- Fax: 020 7981 3745
- A4.5 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.
- A4.6 It would be helpful if your response could include direct answers to the questions asked in this document, which are listed 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

- A4.7 If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Jakub Dubaniewicz on 020 7981 3745.

Confidentiality

- A4.8 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.

- A4.9 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.
- A4.10 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

- A4.11 Following the end of the consultation period, Ofcom intends to publish a statement at the end of March or beginning of April 2010.
- A4.12 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

- A4.13 Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 2.
- A4.14 If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail 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.
- A4.15 If you would like to discuss these issues or Ofcom's consultation processes more generally you can alternatively contact Vicki Nash, Director Scotland, who is Ofcom's consultation champion:

Vicki Nash
Ofcom
Sutherland House
149 St. Vincent Street
Glasgow G2 5NW

Tel: 0141 229 7401
Fax: 0141 229 7433

Email vicki.nash@ofcom.org.uk

Annex 5

Ofcom's consultation principles

A5.1 Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A5.2 Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

A5.3 We will be clear about who we are consulting, why, on what questions and for how long.

A5.4 We will make the consultation document as short and simple as possible with a summary of no more than two pages. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English Guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A5.5 We will consult for up to 10 weeks depending on the potential impact of our proposals.

A5.6 A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A5.7 If we are not able to follow one of these principles, we will explain why.

After the consultation

A5.8 We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex 6

Consultation response cover sheet

- A6.1 In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, www.ofcom.org.uk.
- A6.2 We have produced a coversheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of responses, and help to maintain confidentiality where appropriate.
- A6.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to complete their coversheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.
- A6.4 We strongly prefer to receive responses via the online web form which incorporates the coversheet. If you are responding via email, post or fax you can download an electronic copy of this coversheet in Word or RTF format from the 'Consultations' section of our website at www.ofcom.org.uk/consult/.
- A6.5 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your cover sheet only, so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

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

Nothing

☐

Name/contact details/job title

☐

Whole response

☐

Organisation

☐

Part of the response

☐

If there is no separate annex, which parts?

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

DECLARATION

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

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

☐

Name

Signed (if hard copy)