Contents

Section One

Foreword

1.1 Ofcom has now been up and running for three years and during that time the communications sector has changed considerably. Convergence – the reason Ofcom was created – is becoming a reality.

1.2 For consumers, convergence is leading to greater choice. Communications services are now available on many different platforms. A good example of this is radio: listeners can hear programmes on traditional platforms, such as FM and AM, as well as on new platforms, such as DAB digital radio, digital terrestrial TV, and broadband, either streamed live or downloaded for later. Consumers can also choose bundles of services on the same platform, or obtain services on a range of platforms. For example, TV, radio, internet access and voice calls can all be supplied using a broadband connection, or can be supplied separately.

1.3 As convergence occurs, consumers are seeking increased control. They want to personalise the services they use, downloading programmes on demand, filtering content unsuitable for children, and using personal video recorders to create their own viewing schedules.

1.4 Consumers also value increased mobility and flexibility. Mobile phones and PDAs are central to many people's lives. Wireless home networks are increasingly popular. New services, such as mobile TV, offer the prospect of even more freedom.

1.5 Another feature of the new communications landscape is increasing participation. People are producing their own video clips and sharing them online. They are writing blogs and bypassing traditional media. They are forming communities, interacting and engaging online.

1.6 This era of convergence will also be characterised by disruption. Traditional business models are under threat – commercial broadcasters must compete for viewers and advertising in a world where there are dozens of channels, and fixed line phone services are being challenged by mobile and VoIP.

1.7 This disruption challenges the traditional ways of achieving public outcomes, by which we mean the provision of those services which are important to all of us as citizens of the UK. For example, in the future we may not be able to rely so much on BT to provide universal access to the telephone, and we will have to reformulate how we deliver public service broadcasting in a digital, internet age.

1.8 The changes which are under way can also cause anxiety. Lots of parents worry about how to protect their children in the online world, and many people are anxious about the switch to digital TV. Others may fear being excluded because of where they live, their level of income or their lack of technological know-how.

1.9 Convergence will bring significant benefits for consumers and citizens. They will be able to choose from an increased range of services that offer more flexibility and the chance to participate in society in new ways. Although these benefits will be provided by markets, Ofcom has a role in influencing the speed of convergence and how widely the benefits are enjoyed. We believe that the interests of citizens and consumers are served by regulating *for* convergence, which means promoting the competition and innovation that drives converging markets.

1.10 Regulating for convergence will also involve acting resolutely to protect people and ensuring that they have the knowledge and skills to use communications services effectively. As services become more complicated and markets become more competitive, Ofcom will have a crucial role in ensuring that people are confident and capable of benefiting from convergence.

1.11 In Ofcom's first three years, we completed strategic reviews of telecoms, public service broadcasting and the radio spectrum. In order to meet the challenges of convergence, it is now important for us to look forward and provide a clear sense of how we will respond to the changes which are happening in the communications sector. Our Draft Annual Plan for 2007/8 therefore sets out a three-year strategic policy framework, which describes our key areas of focus for the next three years. The Draft Annual Plan also describes our proposed policy priorities for 2007/8, which are a mixture of new and ongoing work.

1.12 Equally important is the range of services which we deliver to stakeholders. These services include responding to calls and emails from the public, licensing access to the radio spectrum, keeping the spectrum free from interference, and allocating phone numbers to service providers. Our Draft Annual Plan describes these services in more detail and explains what we will be doing to improve them.

1.13 We are keen to share and test our ideas and look forward to receiving your comments and opinions. We invite your written responses by 20 February 2007, which is the closing date of the consultation. There will also be a series of public events throughout the UK where you will be able to put forward your views. You can find details on our website: http://www.ofcom.org.uk/consult/condocs/annual_plan2007/annual_plan200708/invite.

David Currie
Chairman

Ed Richards
Chief Executive

Section Two

Executive summary

2.1 In order to meet the challenges of convergence, Ofcom's Draft Annual Plan 2007/8 sets out a three-year strategic policy framework and describes our proposed policy priorities for 2007/8. We also describe the important services which we deliver to stakeholders, and how we plan to improve them.

2.2 Our aim is to ensure that regulation encourages convergence, and that citizens and consumers enjoy the benefits. By convergence, we mean the ability of consumers to obtain more services on a single platform or device – or obtain any given service on multiple platforms and devices.

Changes in the communications sector

2.3 We believe that six significant changes are happening in the communications sector and contributing to convergence:

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

  Many of the new ways of communicating which have emerged in the last five years have been wireless-based, driven by the high value which consumers place on mobility. Another important factor is that technological advances have made mobile devices more user-friendly. Wireless platforms and services are likely to continue to be the main focus for innovation, with the development of wireless technologies benefiting from global economies of scale.

  Ofcom has an important role in regulating the radio spectrum which is used to provide wireless services. In our Spectrum Framework Review, we set out our plans to release more spectrum to the market, liberalise the use of spectrum and enable spectrum trading.

- **There is greater competition between platforms**

  The number of platforms for communications services is increasing, partly as a result of the emergence of new wireless platforms. Similar sets of services are now available on different platforms, leading to greater competition. The result of this convergence is increased choice for consumers. They can obtain more services on a single platform, or obtain any given service on multiple platforms. For example, broadband internet access can be obtained via cable, fixed wireless, or a fixed or mobile phone line.

- **Traditional suppliers are facing increased competitive pressure**

  Suppliers who have traditionally held a strong market position are being increasingly challenged. This is true of both telecoms and broadcasting.

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

However, this increased competition is also contributing to the fact that some of the ways in which public outcomes have been achieved in the past are being challenged. By public outcomes we mean outcomes which society wants, but which the market alone will not deliver, including, for example, universal access to the telephone and the provision of public service broadcasting.

- **Attitudes to communications services are changing**

  Communications services are increasingly central to people's lives. But consumers display different attitudes to services, and use them in different ways.

  What society expects of regulation is also likely to change. There may be a greater role for self-regulation, allowing us to remove formal regulation in some areas. In particular, as more people gain the tools and knowledge to control access to content, society may decide that less formal regulation is needed to protect audiences from harm and offence caused by different forms of content.

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

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

  This increased complexity means:

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

  Equally, technology is enabling people to exert greater control over the content they view, and is also making services more accessible. It will be important for people to develop an improved set of skills and understanding, including media literacy, so that they have the ability to benefit fully from the services available to them. We refer to this as communications capability.

- **Traditional business models are being challenged**

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

However, many new, innovative services depend for their development on platform operators making substantial investments in their networks. The challenge is to fund these platform upgrades when traditional business models are threatened by increased competition. Convergence is also creating the possibility that new sources of market power may emerge in areas such as navigation or digital rights management.

2.4 These changes are all shaping how communications markets evolve and converge. We consider them in more detail in Section Four and in Section Five we set out the three-year strategic policy framework which we have developed in response.

Policy priorities for 2007/8

2.5 We have also identified particular policy priorities for 2007/8. These priorities are set out in figure 2.1 and are organised under the headings of our three-year strategic framework. They are a mixture of new and ongoing areas and are explained in more detail below:

Figure 2.1: Policy priorities for 2007/8

	Driving forward a market-based approach to spectrum	Promoting competition and innovation in converging markets	Delivering public outcomes as platforms and services converge	Improving compliance and empowering consumers	Moving towards more consistent legal and economic frameworks
New priorities	Driving forward spectrum liberalisation and trading	Understanding wireless platforms as convergence progresses Assessing new sources of market power that emerge through convergence	Reviewing how we protect viewers and listeners through content regulation Promoting access and inclusion	Promoting improved communications capability, including media literacy Making enforcement more targeted and effective	We will focus on this area in the second and third years of our strategic framework, but will begin preparatory work in 2007/8 as resources allow
Ongoing priorities	Releasing more spectrum to allow new services to develop Co-ordinating international spectrum policy	Promoting competition in converging markets Securing competition & efficient investment in next generation networks	Maintaining diverse and high-quality content in public service broadcasting	Ensuring consumers can switch providers quickly and easily	
	Reducing regulation and minimising administrative burdens				
	Maximising our impact on International policy development				

Driving forward a market-based approach to spectrum

2.6 As part of our work to implement a more market-based approach to spectrum management, as set out in our Spectrum Framework Review, we will focus on the following areas during 2007/8:

- **Driving forward spectrum liberalisation and trading**

  A priority for 2007/8 will be to examine how we can accelerate the development of a secondary market in spectrum by driving forward the process of spectrum liberalisation and facilitating spectrum trading. By allowing the market to decide how spectrum should be used, this will foster increased competition and innovation, and will mean that the regulator has a diminished role in spectrum management. Another important benefit will be reduced administrative burdens on spectrum users.

- **Releasing more spectrum to allow new services to develop**

  Carrying out our programme of spectrum awards will be a continuing priority. Making more spectrum available to the market will be critical in enabling the development of platforms for the next generation of converged services.

- **Co-ordinating international spectrum policy**

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

Promoting competition and innovation in converging markets

2.7 Creating the conditions for competition and innovation in the light of the pressures faced by platform operators will involve work in the following areas during 2007/8:

- **Promoting competition in converging markets**

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

- **Securing competition and efficient investment in next generation networks**

  A continuing priority will be to ensure that as operators make the transition to next generation networks (NGNs), the conditions are in place to promote effective competition and efficient investment by both incumbent operators and new entrants. This will involve modifying the regulatory regime for fixed telecoms networks in the light of the development of NGNs. We will also develop our approach to next generation access to ensure that the upgrading of fixed access networks enables consumers to receive timely access to new innovative services.

- **Understanding wireless platforms as convergence progresses**

  A new priority will be to take a more strategic view of the development of certain wireless platforms. In the past we have adopted a strategic approach to regulating various fixed markets. In a world where platforms are becoming increasingly interchangeable, we plan to develop a more strategic view of new wireless platforms such as mobile TV and wireless broadband, assessing how they will contribute to further convergence.

- **Assessing new sources of market power that emerge through convergence**

  Another new priority will be to develop our approach to the new sources of market power which may emerge through convergence at different points in the value chain. In considering the case for regulating (or de-regulating) at any one point in the value chain, we will need to consider carefully what could happen elsewhere. This will help us to avoid the risk of regulation distorting the way that markets are developing.

Delivering public outcomes as platforms and services converge

2.8 The task of considering how public outcomes are currently achieved in the communications sector, and whether this will be sustainable in the future, will involve work in the following areas during 2007/8:

- **Reviewing how we protect viewers and listeners through content regulation**

  A new priority will be to review our approach to the rules which restrict what can be shown on TV and radio, including those which protect viewers and listeners against harm and offence. We will focus on how regulation should evolve, considering the extent to which we should maintain the differences between how content is regulated, depending on the platform over which it is delivered. As part of this debate, we will consider the extent to which there ought to be a shift towards self-regulation, and how quickly it would be feasible for this to happen. This area of work is closely linked to the need to promote increased communications capability, including media literacy. We describe our planned activity in this area below.

- **Promoting access and inclusion**

  This programme of work will continue to be a priority for Ofcom. We will carry out research to understand better the nature of concerns about access and inclusion. At the same time, we will consider what services we can expect the market to provide without regulation, and their availability, accessibility and take-up.

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

- **Maintaining diverse and high-quality content in public service broadcasting**

  Reviewing the ways of achieving a range of high-quality programmes on TV and radio will be a continuing priority in 2007/8. The existing approach to maintaining public service broadcasting may become unsustainable, particularly following digital TV switchover. Similarly, the market may be able to deliver, at least in part, public outcomes that previously could only be achieved through intervention.

Improving compliance and empowering consumers

2.9 The increased complexity of communications services, and the scope for consumers to be exploited, means that we will need to focus on improving compliance by the businesses we regulate, and on empowering consumers. This will involve work in these areas in 2007/8:

- **Making enforcement more targeted and effective**

  A new priority for 2007/8 will be to take a more targeted and effective approach to enforcing the rules designed to protect citizens and consumers. This will mean identifying the scams or practices which have the scope to cause most harm to people, and taking action to stop them before they have a widespread impact. We will also promote improved compliance with the rules that protect consumers, for example, from mis-selling, and the rules that prevent anti-competitive behaviour.

- **Ensuring consumers can switch providers quickly and easily**

  A continuing priority will be to ensure the effectiveness of the processes which are necessary to allow consumers to switch suppliers quickly and easily. This will enable consumers to benefit from the increased choice and lower prices produced by competition between suppliers.

- **Promoting communications capability, including media literacy**

  Another new priority will be to increase substantially our focus on improving people's communications capability, particularly among vulnerable groups and for parents who want to protect their children. An important part of this is media literacy, which is vital in enabling people to protect themselves from harmful content. To maximise our impact, we will be reviewing how we engage with other organisations that have a role in this area, including government.

Ensuring consistent legal and economic frameworks

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

Reducing regulation and minimising administrative burdens

2.11 In addressing all our policy priorities – both new and ongoing – we will examine the scope for removing regulation and lessening the administrative burdens on our stakeholders. In some areas, such as spectrum liberalisation, we are proposing to make further significant reductions in regulation and administrative burdens. In other areas new rules may be needed, although, in line with our regulatory principles, we will seek the least intrusive mechanisms available.

Maximising our impact on international policy development

2.12 Another cross-cutting area of activity will be to maximise our impact on international policy development. This will include participating in EU negotiations by completing negotiations on the Audio-Visual and Media Services Directive; and providing significant input to negotiations on the EU Framework Directive Review and the follow-on review of the Universal Service Directive.

2.13 We will also have a programme of pro-active engagement that will include:

- promoting the development of the European Regulators Group and greater co-operation among EU content regulators; and

- engaging with the European Conference of Postal and Telecommunications Administrations (CEPT) and the International Telecommunications Union (ITU) in the run-up to the World Radio Conference.

2.14 In Section Six we describe our policy priorities in more detail and highlight the key projects which relate to each. In the final version of the Annual Plan 2007/8, which will be published in early April 2007, we will provide comprehensive details of our work programme for next year, including expected outputs and contact details for the person accountable for each project.

Delivering services to stakeholders

2.15 Of equal importance to our policy work is the task of delivering a wide range of high-quality services to our stakeholders; on an average day, we provide a service to some 2,500 of them.

2.16 As part of our service delivery work, we:

- deal with enquiries and complaints from citizens and consumers about telecommunications services, broadcast TV and radio services, and the use of the radio spectrum;

- allocate telephone number ranges to communications service providers, who then allocate individual numbers to their customers;

- license access to the radio spectrum by issuing, renewing and revoking licences, where necessary making frequency assignments, performing site clearances and co-ordinating this work internationally;

- keep the radio spectrum free from interference by monitoring the radio spectrum and taking action against accidental or deliberate misuse (including illegal broadcasting), and act to prevent non-compliant radio equipment reaching the UK market;

- provide the information services which underpin the delivery of services to stakeholders, such as enabling the move towards increasing online access;

- publish detailed reports on the communications market and changing consumer attitudes;

- provide, via our website, information to consumers and enable them to submit complaints; and

- publish hundreds of consultation documents every year so that stakeholders can contribute to the policy development process.

2.17 The services we deliver, and the improvements we are planning to make, are described more fully in Section Seven.

Ensuring value for money

2.18 During 2007/8 we will maintain our commitment to providing stakeholders with value for money. In our first three years we have made significant efficiency savings which have enabled us progressively to reduce our budget.

2.19 We are currently discussing with HM Treasury what our spending caps should be for the next four years. Until these discussions have concluded, we will not be able to set our budget for 2007/8, and the extent to which we can carry out our planned programme of work may be affected by the outcome. However, we intend to maintain the same quality of output, both in terms of making policy decisions and delivering services to stakeholders. In order to do so, and still provide value for money, we will need to achieve further efficiency savings. Details of how we plan to make these savings are included in Section Eight.

2.20 By the end of 2007/8, we will have repaid the loan made by the Department of Trade and Industry (DTI) to set up Ofcom, and made substantial improvements to our efficiency. The end of 2007/8 will therefore be a watershed: Ofcom will be an established organisation and will be likely to have more stable funding requirements.

Section Three

Approach to regulation

3.1 Ofcom's approach to regulation has been to reflect the fast-moving nature of the communications sector. The take-up of new services since Ofcom began operating in 2004 provides just one example of how quickly communications markets are changing. The number of households with digital TV has increased by 40% to 70% of homes; the percentage of households with portable digital music players has doubled to 35%; and the number of broadband connections now stands at over 11m, an increase of 80%.

3.2 The speed at which the communications sector is changing makes it especially important for us to have clear guiding principles. We seek to ensure that our activities are transparent, proportionate, consistent, accountable and targeted. These principles of better regulation inspired the development of a more specific set of regulatory principles, which are set out in figure 3.1.

Figure 3.1: 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 public policy goal that markets alone cannot achieve.

How we regulate

- Ofcom will always seek the least intrusive regulatory methods of achieving our policy objectives.
- Ofcom will strive to ensure that our 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 policy 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.

3.3 Our bias against intervention is designed to minimise the risk of unintended consequences which could distort or stifle the development of competitive and rapidly changing markets.

3.4 Where intervention is required, however, we will intervene quickly and decisively. The emergence of new services and technologies creates an increased risk that consumers will fall victim to scams, such as internet rogue diallers. Taking firm action to prevent such activities is vital in ensuring that consumers have the confidence to benefit from the increased flexibility and choice which convergence brings.

3.5 To ensure that regulation helps rather than hinders the development of markets, we also aim to use the least intrusive regulatory mechanisms. An example of this is the creation of a Telecoms Adjudicator to deal with disputes about Local Loop Unbundling (LLU). This meant that problems with the implementation of LLU could be dealt with in a pragmatic and efficient way, without the development of the market being held back by lengthy formal investigations.

3.6 The rapid pace of change in the communications sector makes it vital that our decisions are underpinned by a clear understanding of people's attitudes and of how markets are developing. Our commitment to evidence-based decision-making is underpinned by a comprehensive programme of market research, and we publish regular reports on the communications market.

3.7 We also recognise the importance of consulting the full range of our stakeholders, both informally as policy options are being identified and refined, and formally through the publication of consultation documents.

3.8 Carrying out impact assessments helps ensure that we follow good practice when making policy decisions. An impact assessment involves being clear about the issue which needs to be addressed, identifying a range of policy options and analysing the impacts which they would have. Parliament gave us a principal duty to further the interests of citizens and consumers. This makes it particularly important for us to understand how our decisions will affect them.

3.9 We are all citizens *and* consumers. As consumers, we participate in the marketplace, acquiring or using goods and services. In short, we seek what is good for ourselves. As citizens, we are concerned not with our narrow individual interests, but with what is good for society. The interests of citizens can be determined by Parliament or through some other process of democratic authorisation. For example, to enable citizens to provide input to our decisions we have used deliberative research processes that allow groups of citizens to weigh up alternative options.

3.10 Sometimes, the interests of citizens may be at odds with the interests of at least some individual consumers. For example, promoting the availability throughout the UK of higher-speed broadband might involve going beyond what the market would deliver. Such public intervention could be viewed as being in the interests of all citizens in that it would promote a more inclusive, interconnected society. It would also benefit consumers who would not otherwise be able to receive higher-speed broadband, such as those living in remote parts of the UK. As consumers, some of us might have to pay more for services that would have been available to us anyway, but we would benefit from a society which enjoys more widespread access.

3.11 In making policy decisions, it is important that we identify both the interests of citizens and the interests of consumers. We can then understand and make clear the trade-offs which our decisions often involve. This will be especially important as we respond to converging, and increasingly competitive, markets. For example, not all new services will be made available to everyone, meaning that the impact of convergence could be uneven. We will therefore need to work with government to determine which services society believes should be accessible more widely, bearing in mind that this may mean some consumers have to pay more for those services than might otherwise have been the case.

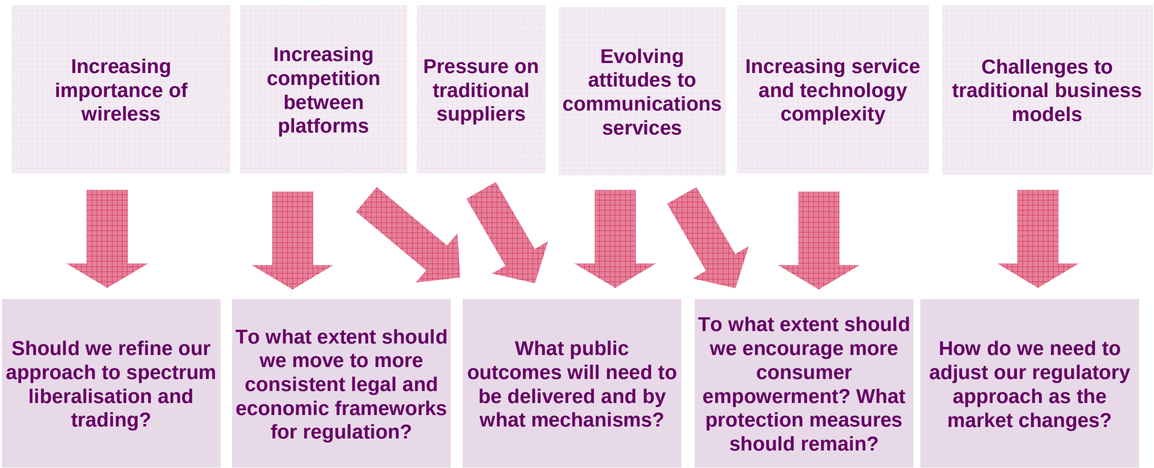
Section Four

The changing communications sector

4.1 This section sets out what we see as the most significant changes in the communications sector, and considers the implications for regulation. This analysis forms the basis for our three-year strategic policy framework, which is described in Section Five.

4.2 Figure 4.1 provides a way of thinking about the changes that are occurring in the communications sector and how we should respond. Regulation will not necessarily be the answer. Indeed, as markets converge and competition increases we expect to be able to remove some regulation.

Figure 4.1: Changes in the communications sector and implications for Ofcom



4.3 We consider each of the changes in turn and examine the questions which they raise for Ofcom. In thinking about how the communications sector is evolving, it is important to distinguish between platforms and services. A platform is a means of delivering services to consumers, and a wide range of platforms is used in the UK, including digital terrestrial TV, cable, satellite, fixed wireless, and fixed and mobile phone lines. The proliferation of services provided using these platforms is a central feature of the converging communications landscape.

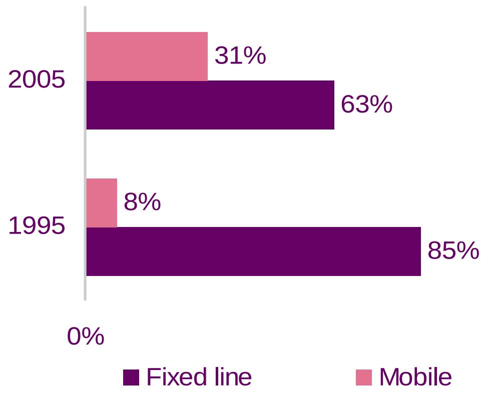
4.4 By convergence, we mean the ability of consumers to obtain more services on a single platform or device – or obtain any given service on multiple platforms or devices. This is driven by many different factors, including technological advances, more open technical standards, increased economies of scale as markets become global, and the adoption by consumers of always-on digital technologies such as mobile phones and broadband.

The increasing importance of wireless services

4.5 The importance of wireless services continues to grow. This has been fuelled by the high value which consumers place on services they can use on the move. Another important factor is that technical advances have made mobile devices more user-friendly. New ways of compressing data mean that pictures and video clips can be sent more quickly. Also, mobile devices have become smaller, can store more data and have increased processing power.

4.6 Our research shows that mobile phones, in particular, are an increasingly central part of people's lives. Figure 4.2 shows that for three out of ten adults in the UK, the main way of making and receiving calls is to use their mobile phones. Ten years ago, this was the case for less than one in ten adults.

Figure 4.2: The main method used by UK adults to make and receive calls



Source: Ofcom communications tracking study & Ofcom estimates

4.7 Wireless platforms and services are likely to be even more important in the future. Many of the new ways of communicating which have emerged in the last five years have been wireless. This trend is likely to continue, with wireless technologies increasingly benefiting from global economies of scale.

4.8 We have seen the rollout of 3G and Wi-Fi networks. New wireless services are emerging, such as mobile TV, mobile music downloads, Wi-Fi phones and services to enable parents to check where their children are. The demand for spectrum is therefore likely to increase.

4.9 We are currently carrying out an extensive programme of work to implement our Spectrum Framework Review, which we completed in June 2005. This involves releasing more spectrum to the market, facilitating spectrum trading and removing restrictions on the use of spectrum through a programme of liberalisation.

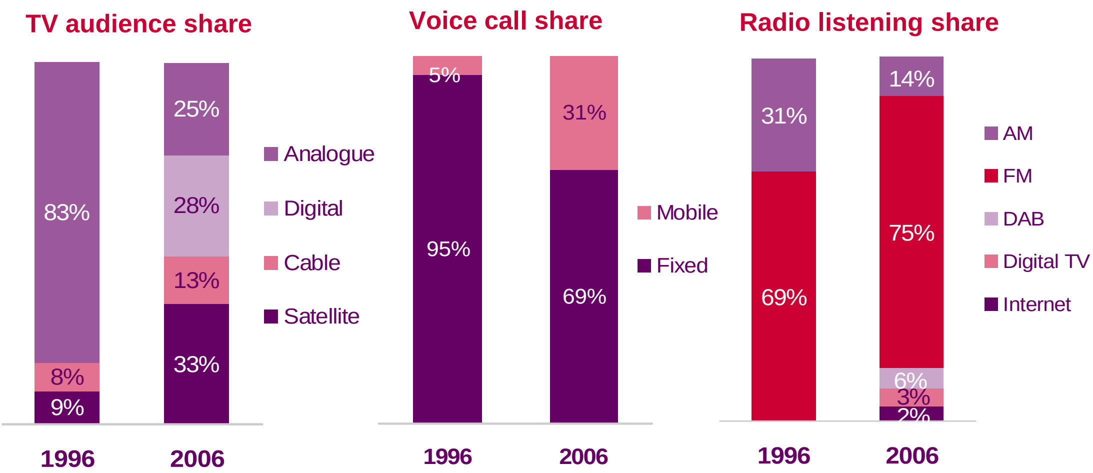
4.10 We believe, given the increasing importance of wireless platforms and services, that we should consider how to refine our approach:

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

Increasing competition between platforms

4.11 One result of the emergence of new wireless platforms is that it contributes to increasing competition between platforms. Figure 4.3 shows how this is growing and how newer platforms are gaining market share.

Figure 4.3: The rise of new platforms



Source: Ofcom. Figures are estimates only.

4.12 There are a number of reasons for these developments:

- Fixed phone, cable and wireless networks increasingly use Internet Protocol (IP) technology. This means they can increasingly support the same services as one another.

- The components of devices are increasingly modular, so the functionality of a device can be expanded at low cost. A good example is the fact that many mobile phones are no longer simply phones: they can be used to play games, take pictures and listen to music, as well as to make calls or send texts.

- The economies of scale which result from manufacturing equipment for a global market create an incentive to produce devices that are compatible with all platforms and services.

4.13 These changes mean that similar sets of services are available on different platforms. The result of this convergence is increased choice for consumers. For example, broadband internet access can be obtained via cable, fixed wireless, satellite, or a fixed or mobile phone line. Platforms are becoming increasingly interchangeable, so that, over time, when consumers receive a service, many may not know which platform is being used.

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

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

4.16 There may be legitimate reasons for these platforms to be regulated in different ways. For example, viewers have different expectations about the regulation which should apply, tending to believe that programmes which are broadcast should meet higher standards. We believe, therefore, that a platform-specific approach to content regulation may continue to have merit, at least for a significant transitional period.

4.17 Our ability to address inconsistencies in the way that platforms are regulated is constrained by the legislative framework, at both national and European level. For example, the regulation of VoIP services is determined to some extent by the rules set by the European Union.

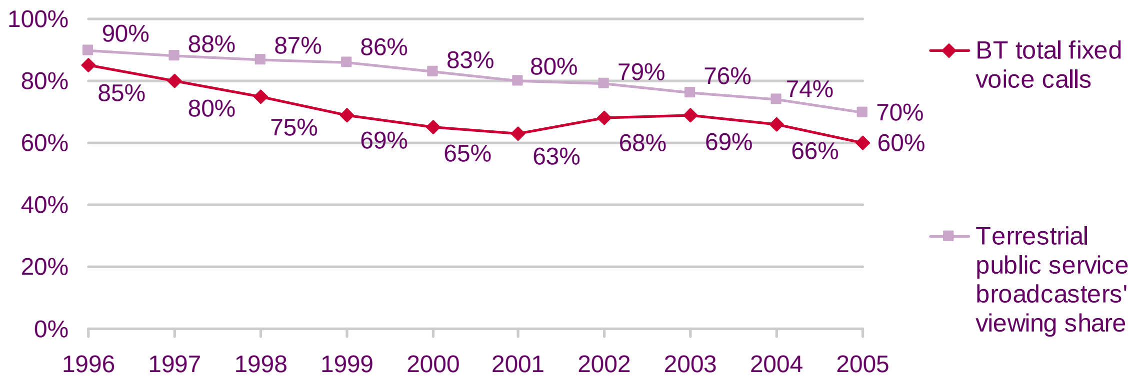
4.18 During the next three years, we will therefore need to consider:

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

Pressure on traditional suppliers

4.19 Linked to the increasing competition between platforms is the fact that suppliers who have traditionally held a strong market position are increasingly being challenged. Their market shares and profit margins are falling in some areas. This is true of both telecoms and TV, as shown by figure 4.4.

Figure 4.4: The decline in market share of traditional suppliers



Source: Ofcom / operators, CMR 2006

4.20 To a large extent, increased competition reflects the success of regulation. For example, the broadband market is becoming increasingly competitive as regulation helps enable new players to enter the market and offer innovative services, often bundling broadband with other services such as fixed and mobile voice calls.

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

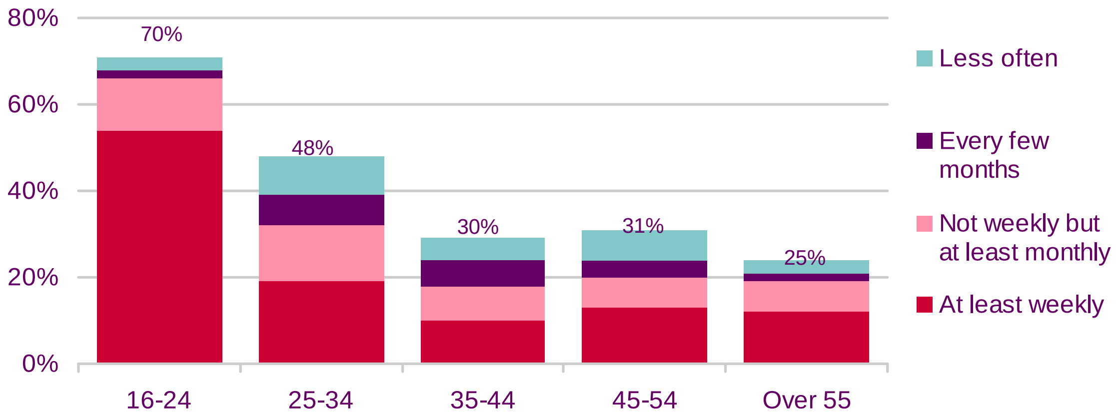
4.22 One of the consequences of increasing competition, however, is that it is harder for companies to fund these obligations. For example, companies only wish to rollout platforms where it will be profitable to do so. Historically, communications platforms, such as fixed phone lines or TV, were either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

Evolving attitudes to communications services

4.23 At the same time, consumers are displaying increasingly different attitudes to services, and are using them in different ways. Figure 4.5 provides one example, showing how the use of social networking websites varies widely among different age groups.

4.24 Alongside this trend, what society expects of regulation is likely to change. Access to communications services will become a pre-requisite for participating fully in society. For example, doctors' appointments are likely to be made increasingly online. This is likely to lead to a demand for more communications services to be made available to everyone. In other words, there may be calls for more services to be regarded as 'public services'.

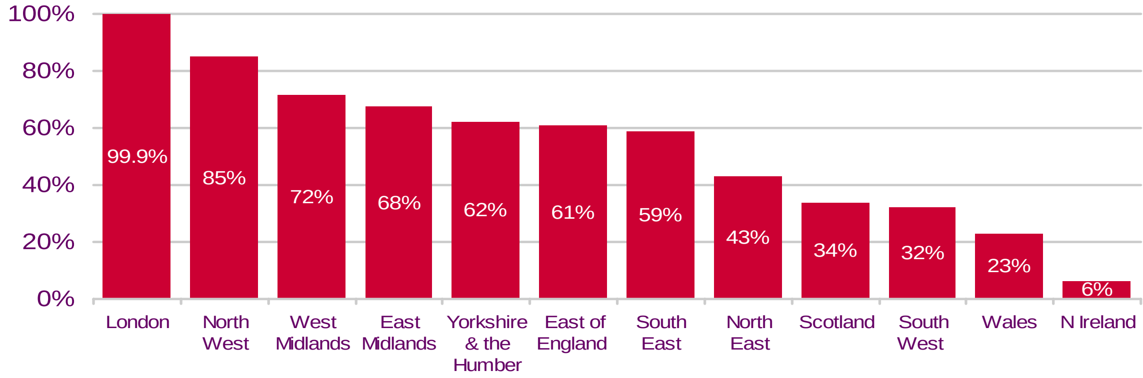
Figure 4.5: How often people use social networking websites to chat to, or regain contact with, people



Source: Ofcom research, Proportion of internet users 15+

4.25 Many new services, such as higher-speed broadband, are only available in certain parts of the UK, and the price of services can vary depending on location. For example, if broadband is only available via satellite, this is likely to be more expensive than receiving broadband from a supplier using Local Loop Unbundling (LLU). LLU involves suppliers putting their equipment into BT's local telephone exchange in order to provide broadband via fixed phone lines. For consumers, this means a greater choice of broadband services. Figure 4.6 shows that consumers' ability to take advantage of this increased choice varies considerably from region to region.

Figure 4.6: Percentage of premises connected to a LLU exchange



Source: Ofcom, operator data, 31 October 2006. Any non-BT LLU operator has at least 1 unbundled line in the exchange

4.26 This raises the question of the extent to which new platforms should be rolled out to areas where this would not be commercially viable and, if so, how this should be funded.

4.27 In relation to content, changing attitudes and behaviour mean that there may be a greater role for self-regulation, allowing the removal of formal regulation in some areas. In particular, as more people gain the tools and knowledge to control access to the content they view, society may decide that less formal regulation is needed to protect audiences from harm and offence. However, at least initially, self-regulation is likely to be regarded as more appropriate for some forms of content, such as content viewed on-demand, rather than others, such as programmes broadcast in the traditional way.

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

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

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

Increasing complexity

4.30 In the past, only a few services were available – telephone, TV and radio – and there was a limited choice of suppliers. Consumers now benefit from a wide range of suppliers and have numerous services to choose from. There are also more tools available to help them protect themselves, rather than relying on uniform, formal regulation.

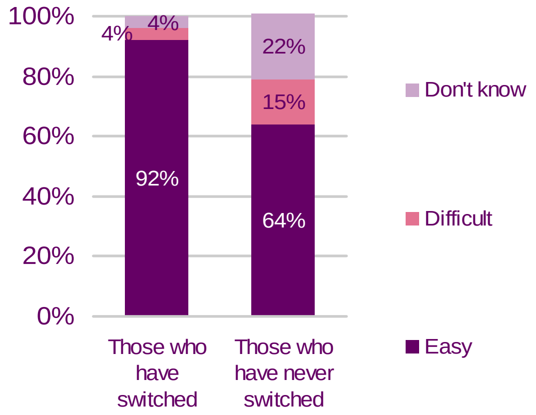
4.31 However, communications services are becoming more complex, and the rate at which services change is increasing. For example, when consumers choose a broadband service they need to take into account the download speed, upload speed, whether there is a cap on the amount of data which can be downloaded, and whether protection against viruses and spam is included.

4.32 Consumers are also grappling with new technology. Whereas making a phone call is easy for most people, the same cannot always be said of setting up a broadband connection or using a wireless router. Using today's communications services requires a higher level of communications capability, including media literacy. However, there are services to help consumers. For example, they can choose a broadband service with free technical support, or control access to TV content using PIN protection. But many consumers are not aware of the services on offer and need to acquire new knowledge and skills.

4.33 Increased complexity has four main potential consequences for consumers.

- It may become harder for them to make well-informed comparisons between services. As a result, markets may function less effectively.
- The process of switching from one service to another may become more complicated, particularly when services are sold as bundles. Figure 4.7 shows consumers' attitudes towards switching supplier and suggests that, of those who have switched, most feel fairly confident about taking advantage of competition. However, a significant proportion feels uncertain about the more complex environment they find themselves in.
- There may be an increasing number of scams which exploit consumers' unfamiliarity with new services.
- Consumers are concerned about protecting themselves against harmful or offensive content online (as opposed to TV), and will need to become more knowledgeable about how they can control access to content for themselves and their children.

Figure 4.7: Consumers' views on the ease of switching to another supplier



Source: Ofcom's Residential Tracker, Q2 2006

4.34 In response to these developments, Ofcom will need to examine:

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

Challenges to traditional business models

4.35 There are increasing challenges to traditional business models. Many platform operators have enjoyed two decades of growth as a result of rising average revenues per user (ARPU) and increasing customer numbers. However, markets are now more competitive and ARPUs are under pressure.

4.36 Many of the successful new business models of the last five years have not involved platform ownership. Instead, they have involved providing services or supplying content, and have not required significant capital expenditure. Google developed a highly effective search engine funded by online advertising. YouTube enabled people to share and download video clips. Apple popularised the legal downloading of music through the development of iPods and the iTunes online music store. Skype made use of the internet for cheap voice calls.

4.37 However, the development of many new, innovative services depends on platform operators making substantial investments in their networks. Traditional telecoms networks are being replaced with IP networks and broadcasters are investing in High Definition TV. The challenge is to fund these platform upgrades when traditional business models are faced with increased competition. For example, investment in the UK in next generation access networks is currently lagging behind our major competitors.

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

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

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

4.41 We therefore need to:

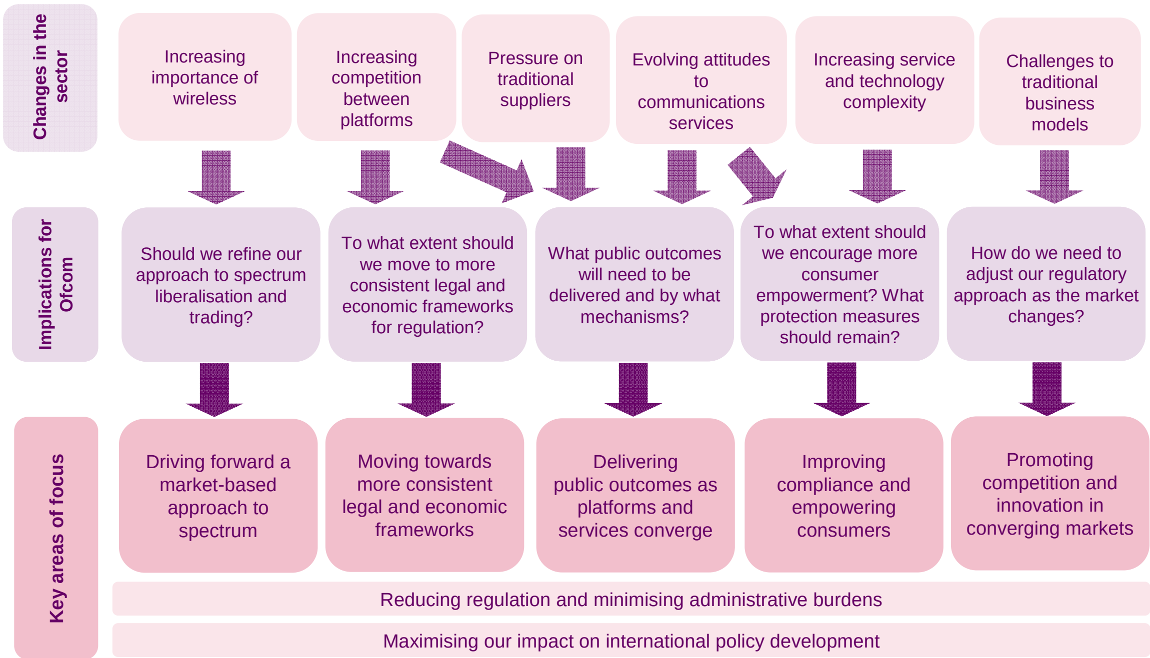
- examine what our approach to regulation should be as the economic power of platform operators diminishes in some markets, and the extent to which we can further reduce regulation;
- consider where sectoral regulation is sufficiently flexible to deal with markets that are changing rapidly, and where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

Section Five

Three-year strategic policy framework

5.1 In the previous section we outlined the changes which are occurring in the communications sector and set out the policy issues we will need to address as a result. Figure 5.1 shows how we will organise our work over the next three years in order to address these issues and ensure that citizens and consumers enjoy the benefits of convergence.

Figure 5.1: Three-year strategic policy framework



5.2 In summary, the five key areas of our strategic framework are:

- driving forward a market-based approach to spectrum;
- promoting competition and innovation in converging markets;
- delivering public outcomes as platforms and services converge;
- improving compliance and empowering consumers; and
- moving towards more consistent legal and economic frameworks.

5.3 In many respects, we are already addressing these issues. For example, we have already done much to promote competition in broadband markets, with consumers benefiting from a wide choice of innovative services and substantially lower prices.

5.4 However, over the next three years we will need to respond to the changes we have highlighted. For example, we believe there is a need to step up our work to encourage more widespread communications capability, including media literacy.

5.5 Each of the five key areas of the three-year strategic framework is described in more detail below:

- **Driving forward a market-based approach to spectrum**

  We will drive forward the implementation of our Spectrum Framework Review. Our programme of spectrum liberalisation will enable spectrum to be used in more flexible ways. We will promote the development of spectrum trading because we believe that the market, rather than the regulator, should determine the best use of spectrum. We will make more spectrum available, with further awards planned, and we will co-ordinate the use of spectrum internationally to ensure that the development of innovative services is encouraged.

- **Promoting competition and innovation in converging markets**

  We will continue to promote competition in telecoms and broadcasting by, for example, implementing our Strategic Review of Telecoms. At the same time, as the transition to next generation networks occurs, we will need to ensure that consumers continue to benefit from competition and that there are incentives for efficient investment in network upgrades. We will also explore the potential for new bottlenecks to develop as markets evolve, and consider how we should respond.

- **Delivering public outcomes as platforms and services converge**

  We will need to ensure that as platforms and services converge, key public outcomes continue to be delivered. This will involve reviewing our approach to content regulation in the light of increasing convergence. We will be looking at the rules which protect listeners and viewers (from, for example, harm and offence) and will consider what mechanisms will be needed to sustain the supply of high-quality content of public value. We will also promote access to the communications services needed to participate in society, recognising that Ofcom’s role will often be to engage with the Government rather than pursuing solutions directly. A key part of this will be to consider which services should be available more widely, how they can be made more accessible, and how they should be funded.

- **Improving compliance and empowering consumers**

  Over the next three years, we will also focus on improving compliance by the businesses we regulate, and on empowering consumers. We will promote greater understanding of the tools and knowledge that consumers need to benefit from communications services, with increased communications capability, including media literacy, being a key objective. Alongside this we will focus on protecting consumers from harmful activities, such as scams, mis-selling and illegal broadcasting. We will also concentrate on enabling consumers to switch easily and quickly to new providers, making sure the processes are in place to minimise disruption.

- **Moving towards more consistent legal and economic frameworks**

  Another important part of our work over the next three years will be to examine where it is desirable to move towards greater consistency between the legal and economic frameworks which govern different platforms. In doing this, we will take into account the constraints imposed by existing legislation, as well as starting a debate about how legislation might be updated. There is an important European dimension to this work because, to a large extent, Europe is where the regulatory framework for communications is determined.

5.6 Across all of our new and ongoing areas of policy work, there will be a continued emphasis on two areas:

- **Reducing regulation and minimising administrative burdens**

  Over the next three years, we will continue to focus on reducing regulation and easing administrative burdens. In some areas, such as spectrum liberalisation, we are proposing to make further significant reductions in regulation and administrative burdens. And increased competition and convergence are likely to create further opportunities to remove formal regulation and extend co- and self-regulation. In other areas, new rules may be needed, although in line with our regulatory principles we will seek the least intrusive mechanisms available.

  At the same time as publishing our Draft Annual Plan we have published an updated Simplification Plan, which provides details of all the work we will be doing to remove or reduce regulation, and lessen the administrative burdens which stakeholders face in complying with regulation. For example, we are taking a number of initiatives to simplify spectrum licensing, including:

  - removing the need altogether for 17,000 users of citizens' band radio to apply for a licence;
  - moving from annually renewable to lifetime licences for 63,000 users of amateur radio and 69,000 users of ships' radio; and
  - enabling licensees to trade spectrum and use it more flexibly, meaning that 35,000 private business radio users will have enhanced ability to change the use of the spectrum without Ofcom approval.

- **Maximising our impact on international policy development**

  It will also be important to influence the way that regulation develops, both in Europe and internationally. We will contribute to key decisions on spectrum, for example, representing the UK at the World Radio Conference 2007. We will continue to contribute to negotiations over crucial directives, on audio-visual services and the framework for electronic communications. We will work closely with the UK Government and other regulators to ensure that the resulting framework is in the interests of UK citizens and consumers.

Consultation question

- What are your views on Ofcom's proposed three-year strategic policy framework?

Section Six

Policy priorities for 2007/8

6.1 As well as developing a three-year strategic policy framework, we have identified key policy priorities for 2007/8. These priorities are set out in figure 6.1, which shows how they fit within the three-year framework. The priorities are a mixture of new and ongoing areas.

6.2 When we publish the final version of the Annual Plan 2007/8 in April we will include details of all planned projects, including the expected outputs and the names of the people responsible for delivering them.

Figure 6.1: Policy priorities for 2007/8

	Driving forward a market-based approach to spectrum	**Promoting competition and innovation in converging markets**	**Delivering public outcomes as platforms and services converge**	**Improving compliance and empowering consumers**	**Moving towards more consistent legal and economic frameworks**
New priorities	Driving forward spectrum liberalisation and trading	Understanding wireless platforms as convergence progresses Assessing new sources of market power that emerge through convergence	Reviewing how we protect viewers and listeners through content regulation Promoting access and inclusion	Promoting improved communications capability, including media literacy Making enforcement more targeted and effective	We will focus on this area in the second and third years of our strategic framework, but will begin preparatory work in 2007/8 as resources allow
Ongoing priorities	Releasing more spectrum to allow new services to develop Co-ordinating international spectrum policy	Promoting competition in converging markets Securing competition & efficient investment in next generation networks	Maintaining diverse and high-quality content in public service broadcasting	Ensuring consumers can switch providers quickly and easily	
	Reducing regulation and minimising administrative burdens				
	Maximising our impact on International policy development				

6.3 In 2007/8 we do not plan to focus on the fifth element of our strategic framework – namely, moving towards more consistent legal and economic frameworks. However, some projects will lay the foundations for the work which will follow in subsequent years. For example, in 2007/8 we plan to review our experience of applying the Communications Act, and this will inform discussions about future legislation.

6.4 Our priorities are focused on the policy issues we need to address. However, we also devote substantial resources to operational activities, providing valuable services to our stakeholders. Delivering these services, and further improving them, will continue to be important and we describe these activities in the next section.

Driving forward a market-based approach to spectrum

6.5 Under this part of the strategic framework, we will focus on the following areas in 2007/8:

- **Driving forward spectrum liberalisation and trading**

  A priority in 2007/8 will be to examine how we can accelerate the development of a secondary market in spectrum, by driving forward the process of spectrum liberalisation and facilitating spectrum trading. Allowing the market to decide how spectrum should be used will foster increased competition and innovation, and will mean that the regulator has a less intrusive role. Another important consequence will be that the administrative burdens on spectrum users are further reduced. Proposed work in this area will involve:

  - facilitating more efficient spectrum markets by providing better information about current spectrum usage;
  - further liberalising spectrum use in key areas, such as business radio and mobile;
  - implementing the recommendations of the Cave Audit, in particular defining spectrum-access rights of public bodies to facilitate trading;
  - looking at our future strategy towards the emerging spectrum market and considering: what obstacles, if any, there may be to its development; what our long-term role should be; and the potential for intermediaries to contribute to the development of a secondary market in spectrum;
  - continuing the development of Administered Incentive Pricing for aeronautical and maritime spectrum, as recommended by the Cave Audit;
  - implementing changes to fees for other services, including analogue radio broadcasting; and
  - conducting a major review of spectrum pricing three years on from the last major review.

- **Releasing more spectrum to allow new services to develop**

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

  - completing the award of a number of spectrum bands, as shown in figure 6.2.
  - preparing for possible awards in the following spectrum bands:
    - 1785-1805 MHz in Great Britain;
    - 2300-2310 MHz; and
    - 3.6 GHz.

- o realising the digital dividend, determining how the valuable spectrum freed-up by digital TV switchover should be released to the market.

Figure 6.2: Planned spectrum awards

BAND	POTENTIAL USES
1785-1805 MHz in Northern Ireland	Wireless broadband; and radio microphones
10, 28 and 32 GHz	Fixed links; fixed wireless access; and possibly backhaul in cellular networks
1452-1492 MHz	Mobile television; satellite radio; and possibly wireless broadband
2500-2690 and 2010-2025 MHz	Mobile multimedia; mobile television; technologies such as WiMax; wireless broadband; and wireless cameras
2290-2300 MHz	Wireless cameras; and possibly wireless broadband

- **Co-ordinating international spectrum policy**

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

- **Additional policy projects**

  We also plan to carry out the following projects in relation to spectrum management:

  - o planning for digital TV switchover;
  - o planning for the 2007 Tour de France, which will begin in London, and the London 2012 Olympic Games and Paralympic Games;
  - o facilitating spectrum access through licensing and licence exemption;
  - o reforming aeronautical licensing;
  - o migrating users of spectrum in Band III (currently used for business radio, and programme-making and special events) to make room for the expansion of

digital radio and to enable us to implement the outcome of the Regional Radio Conference;

- o co-ordinating national spectrum policy, particularly with the UK Government;
- o determining future policy toward GSM gateways, business radio, fixed links, and programme-making and special events;
- o measuring 3G mobile operators' compliance with their rollout obligations; and
- o assessing the potential spectrum implications of intelligent transport systems.

Promoting competition and innovation in converging markets

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

- **Promoting competition in converging markets**

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

  - o ensuring that BT Group plc implements its Undertakings effectively by:
    - ensuring that BT achieves separation of its operational support systems;
    - ensuring that, in respect of its 21st Century Network, BT delivers equivalence of input for operators using bitstream access to supply broadband services;
    - creating a long-term financial framework for Openreach to deliver efficiency, coverage and high quality services; and
    - producing quarterly reports evaluating BT's progress in implementing the Undertakings.
  - o promoting competition in broadband markets, which will include finishing our review of wholesale broadband access markets, and sustaining our commitment to Local Loop Unbundling;
  - o promoting competition in broadcasting markets, including:
    - completing our market review of wholesale digital TV platforms;
    - considering the application of conditional access obligations to new TV providers;

        - reviewing the rules which promote fair and effective competition in relation to digital terrestrial TV multiplexes;
        - reviewing minimum carriage requirements and the bundling/buy-through code;
        - understanding the market for premium content rights;
        - providing support to the Office of Fair Trading, if required, in any review of the Contract Rights Renewal Remedy in the TV advertising market;
    - promoting competition in radio markets by:
        - examining radio platform capacity issues;
        - considering the implications of syndicated radio content; and
        - updating our understanding of the flow of funds to radio.
    - carrying out Market Impact Assessments in relation to new TV and radio services being developed by the BBC, with our conclusions then to be considered by the BBC Trust.

- **Securing competition and efficient investment in next generation networks**

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

    - modifying the regulatory regime for fixed telecoms networks in the light of the development of next generation networks, including:
        - new market definitions, such as wholesale voice access;
        - new wholesale product specifications; and
        - appropriate pricing.
    - continuing to work with NGN UK, the industry co-ordination forum, to facilitate discussion of interconnection between next generation networks;
    - developing our approach to next generation access to ensure that the right incentives are in place for efficient investment in fixed access networks, enabling consumers to receive timely access to innovative services;
    - reviewing our approach to risky economic bottlenecks; and
    - developing our approach to the issue of net neutrality.

- **Understanding wireless platforms as convergence progresses**

  A new priority in 2007/8 will be to take a more strategic view of the development of certain wireless platforms. In the past we have adopted a strategic approach to regulating various fixed markets. Now, in a converging world with increasing platform substitutability, we plan to develop a more strategic view of wireless platforms such as mobile TV and wireless broadband, to understand how they will contribute to further convergence. We plan to:

- promote competition in mobile telecoms markets, including:
    - a review of the international roaming market;
    - implementation of the EU rules on international roaming;
    - monitoring and evaluation of inadvertent roaming in Northern Ireland;
    - a review of the market for short message services (SMS); and
    - a review of network termination markets.
- continue to monitor the impact of convergence in mobile markets; and
- focus on radio licensing, including the licensing of new DAB national and local radio multiplexes and the re-licensing of local analogue commercial radio.

- **Assessing new sources of market power that emerge through convergence**

  Another new priority during 2007/8 will be to develop our approach to the new sources of market power which may emerge through convergence at different points in the value chain. In considering the case for regulating (or de-regulating) at any one point in the value chain, we will need to consider carefully what could happen elsewhere. This will help us to avoid the risk of regulation distorting the way that markets are developing. Planned projects include:

    - reviewing developments in business models as a result of convergence to determine what new sources of market power may emerge – for example, in relation to search and navigation tools; and
    - examining the commercial and economic aspects of bundling.

- **Additional policy projects:**

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

    - promoting competition in converging narrowband markets through a market review of telephony markets, including the supply of Voice over Internet Protocol (VoIP) services;
    - opening-up business telecoms markets, which will include continuing our review of leased lines markets and converging backhaul markets;
    - ensuring the delivery of fit-for-purpose products for wholesale line rental and carrier pre-selection, thereby promoting greater competition in the supply of voice calls;
    - the efficient allocation of telephone numbers;
    - the gathering and analysis of financial information;

- o understanding the impact of technological developments and delivering technology research and development; and
- o carrying out economic analyses of:
  - ▪ geographic markets;
  - ▪ network termination;
  - ▪ developments in approaches to estimating the cost of capital – in particular, the extent to which Ofcom should continue to rely on the Capital Asset Pricing Model (CAPM) methodology; and the relevance and applicability of real options; and
  - ▪ the assessment of market power in differentiated product markets, where the analysis of pricing is on the basis of a product's characteristics rather than the product itself.

Delivering public outcomes as platforms and services converge

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

- **Reviewing how we protect viewers and listeners through content regulation**

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

  - o considering how our approach to content regulation should evolve in the light of convergence;
  - o considering the consumer dimension of content regulation, including the impact of quiz channels, sponsorship and teleshopping;
  - o concluding our work on the regulation of food advertising to children;
  - o making adjustments to the Broadcasting Code and producing additional guidance;
  - o assessing statements of programme policy; and
  - o improving our process of dealing with complaints.

- **Promoting access and inclusion**

  Work to promote access and inclusion will continue to be a priority for Ofcom. We will carry out research to understand better the nature of concerns about access and inclusion. At the same time, we will consider what services we can expect the market to provide without regulation, and the future availability, accessibility and take-up of those services. Ofcom has an important role in facilitating increased access and inclusion, working closely with stakeholders and other public bodies. More broadly, we will need to take account of the potential impact of our policy decisions on the full range of our stakeholders, including vulnerable groups and people living in remote and rural areas. We plan to carry out the following specific projects:

- reviewing the mechanisms for achieving key objectives in the light of converging platforms and services;
- considering the role of public intervention in extending availability of broadband services;
- ongoing implementation of the Universal Service Obligation (USO), including a review of the costs and benefits associated with fulfilling the USO;
- responding to proposals about how the concept of universal service should evolve as part of the review of the Universal Service Directive;
- considering how we should extend access to the communications services needed for an inclusive society; and
- assessing the needs of vulnerable consumers.

- **Maintaining diverse and high-quality content in public service broadcasting**

  The task of reviewing the ways to achieve high-quality TV and radio programmes will be a continuing priority in 2007/8. Our existing approach to maintaining public service broadcasting may become unsustainable, particularly following digital TV switchover. Similarly, the market may be able to deliver, at least in part, public outcomes that previously could only have happened through intervention. Planned projects in this area include:

  - concluding our financial review of Channel 4;
  - developing further the concept of a Public Service Publisher;
  - reviewing the future of children's programming on TV;
  - concluding our analysis of the future of news in the light of convergence;
  - early in 2008, starting work on our next statutory review of public service broadcasting.
  - examining the regulation of formats and localness in commercial radio;
  - carrying out a review of community radio, while continuing to license new services; and
  - exploring the feasibility of migration to digital platforms in radio.

- **Additional policy projects**

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

- continue to participate in the digital TV switchover programme led by Digital UK;
- assist in the preparations for switchover in Whitehaven;
- conduct research and publish regular market updates and other reports, particularly in relation to the interests of consumers;
- work with the Department of Trade and Industry and other organisations in promoting usable digital equipment; and
- continue, as mentioned previously, the spectrum planning work required by switchover.

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

- maintaining broadcasting standards by dealing effectively with complaints;
- reviewing the code on electronic programme guides (following publication of the guidelines on technical platform services and completion of our review of the conditional access market); and
- implementing the Audio-Visual and Media Services Directive once it has been finalised.

Improving compliance and empowering consumers

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

- **Making enforcement more targeted and effective**

  A priority for 2007/8 will be to take a more targeted and effective approach to enforcing the rules designed to protect citizens and consumers. This will mean identifying scams or practices which have the potential to cause most harm to people, and taking action to stop them before they have a widespread impact. We will also promote improved compliance with the rules which protect consumers, for example, from mis-selling, and the rules which prevent anti-competitive behaviour. There needs to be confidence, shared by companies and consumers, that rules will be enforced effectively. Planned projects include:

  - enhancing Ofcom’s capability in effective enforcement. In particular, this means stepping up our pro-active enforcement of regulation designed to protect consumers from, for example, mis-selling and silent calls; and
  - reviewing our approach to enforcement in the light of the Macrory Review of Regulatory Penalties, which is developing best practice enforcement principles.

- **Ensuring consumers can switch providers quickly and easily**

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

  - implement improvements to existing processes, such as the process for broadband migration; and
  - consider how migration processes will need to develop as communications providers increasingly supply complex bundles of services to consumers.

- **Promoting communications capability, including media literacy**

  A new priority in 2007/8 will be to place a much greater emphasis on facilitating improved communications capability, particularly among vulnerable groups and for parents who want to protect their children. An important aspect of this is media literacy, which refers to the skills, knowledge and understanding people need in order to use media effectively, and is vital in enabling people to get the most out of communications services and protect themselves and their children from harmful content. The value of media literacy is explained more fully in figure 6.3.

  Ofcom's main purpose in promoting media literacy is to help people become more informed and empowered, as both consumers and citizens. This will continue to be a crucial activity, with the aim of raising people's awareness of:

  - how to use web browsers, electronic programme guides and other tools, in order to navigate safely and effectively;
  - how to manage audio and visual content using:
    - information, such as content labelling and trust marks; and
    - tools, such as parental controls, internet filtering and firewalls; and
  - how to improve people's understanding of:
    - editorial and commercial agendas;
    - the difference between reportage and advocacy; and
    - the context in which content is supplied.

  During 2007/8 our work on media literacy will be divided into two areas.

  - To maximise our impact, we will be reviewing how we engage with other organisations that have a role in facilitating media literacy, including government. In doing so, we will build on our working relationships with key stakeholders, including the Broadband Stakeholder Group, the BBC, the Media Literacy Task Force and the Community Media Association.
  - Underpinning our activities will be a substantial programme of research designed to understand how people relate to content and services. We will return to some of the questions we asked in our Media Literacy Audit (MLA) in order to monitor developments. We will also undertake specific qualitative

research into the barriers to, and factors which enable, effective use and understanding of media, focusing on skills gaps identified by the MLA.

Figure 6.3: Media literacy

Media literacy refers to the skills, knowledge and understanding needed by people to use media effectively.

Media literate people will be able to exercise informed choices; understand the nature of content and services; be able to take advantage of the full range of opportunities offered by new communications technologies; and be better able to protect themselves and their families from harmful or offensive materials.

Moving towards more consistent legal and economic frameworks

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

Reducing regulation and minimising administrative burdens

6.10 In addressing our policy priorities (both new and ongoing) we will examine the scope for removing regulation and easing the administrative burdens on our stakeholders. Particular projects are likely to include:

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

Maximising our impact on international policy development

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

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

Consultation questions

- What are your views on the work Ofcom should do in 2007/8 to:
  - drive a market-based approach to spectrum?
  - develop new ways to deliver public outcomes as platforms and services converge?
  - improve business compliance and empower consumers?
  - promote competition and innovation in converging markets?
  - maximise our impact on international policy development?
  - reduce regulation and minimise administrative burdens? Please provide specific examples.

Section Seven

Delivery of services to stakeholders

7.1 On an average day, Ofcom provides a wide range of important services to around 2,500 stakeholders, involving about 250 of Ofcom's staff.

7.2 In this section we:

- provide an overview of the services we deliver to stakeholders;
- describe how we are improving those services; and
- explain the links between delivering services to stakeholders and achieving our policy priorities.

7.3 We have already made significant improvements to our operational services, together with efficiency savings which we detail in Section Eight.

Dealing with enquiries and complaints from the public

7.4 Ofcom's Contact Centre deals with enquiries and complaints from consumers about telecommunications services, TV and radio services, and use of the radio spectrum. Every month we receive around 15,000 phone calls, 5,600 messages via our website, 1,000 emails and 1,550 letters and faxes.

7.5 Consumers often complain to Ofcom about telecoms issues because they have received an inadequate response from their service provider, or because they have been unable to contact them. We aim to help consumers resolve their complaints by pointing them to useful advice and information.

7.6 People usually complain directly to Ofcom about TV and radio programmes. For programmes broadcast on commercial TV and radio, we consider issues relating to harm and offence, fairness and privacy, impartiality and accuracy. For programmes broadcast by the BBC or S4C, we only consider issues related to fairness and privacy, and harm and offence. We also deal with complaints about programme sponsorship and alleged product placement.

7.7 The Ofcom Contact Centre also receives enquiries about the use of the radio spectrum, although these are mainly referred to our dedicated Licensing Centre.

7.8 We are investing in information systems to improve our call-handling performance in addressing enquiries and complaints. We also aim to optimise the role of the Ofcom Contact Centre in providing early warning about consumer concerns, such as silent calls, slamming and mis-selling. This is against the backdrop of rapidly changing communications markets; new types of complaints therefore arise all the time and create unexpected increases in the number of complaints we receive.

Allocating telephone number ranges to service providers

7.9 Ofcom plays an important role in allocating telephone number ranges to communications service providers who, in turn, allocate individual numbers to their customers. The number of applications received from service providers has grown steadily in recent years, exceeding 2,000 for the first time in 2005. Indeed, in the first eight months of 2006, the number of applications had already reached 1850.

7.10 As part of our Strategic Review of Numbering, we have established the following principles governing numbering:

- the numbers consumers want should be available when they are needed;
- the numbers consumers currently use should not be changed if this is avoidable;
- the meaning that certain types of numbers have for consumers – such as 0800 numbers being associated with free calls – should be maintained;
- number allocation processes should support competition and innovation; and
- consumers should not be exposed to abuse.

7.11 A number of operational changes will be needed to apply these principles, with the objective of creating a number allocation process which is efficient, more consumer-driven and more market-led. Although changes will take place over a number of years, we have already started to allocate smaller blocks of numbers where there is a danger of shortages occurring.

Licensing access to the radio spectrum

7.12 Ofcom licenses access to the radio spectrum by issuing, renewing and revoking licences. Where necessary we make frequency assignments, perform site clearances and co-ordinate the use of spectrum internationally. In 2005/6 we issued 212,000 licences, the majority being annual renewals. Although our work to simplify spectrum licensing will result in us issuing fewer licences (see Section Five above), spectrum licensing will still be a significant activity.

7.13 Over the next 18-24 months, we are aiming to provide an improved licensing service to stakeholder and reduce the costs of licensing administration by:

- automating much of the licensing administration;
- enabling stakeholders to apply for, and receive, licences online; and
- administering licences for the majority of licence types via a centralised Ofcom Licensing Centre.

Keeping the radio spectrum free of interference

7.14 We monitor the radio spectrum and take action to prevent spectrum interference. The increasing demand for spectrum (described in Section Four above) is leading to more intensive usage and the risk of increased interference. In 2005/6 our Field Operations team handled 16,500 cases. They take action to:

- protect safety-of-life communications;
- prevent illegal use of the radio spectrum;
- enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and

- remove non-compliant equipment from the market.

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

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

Providing information services

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

7.18 Ofcom inherited 45 different information systems from the regulators we replaced. These legacy systems are mostly bespoke, and based on differing platforms and technologies. We therefore revised our information systems strategy to enable us to meet our business requirements.

Publishing market research and communications market reports

7.19 We publish market research on the attitudes of citizens and consumers, including vulnerable groups. We also publish reports on developments in the communications sector, including an annual report on the communications market and reports on the different Nations and Regions of the UK.

Providing information to consumers via our website

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

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

Links between operational and policy delivery

7.22 The effective delivery of our operational services is closely linked to the key policy areas set out in our strategic framework (and which is discussed in Section Five).

- Driving a market-based approach to spectrum will be underpinned by the reform of spectrum licensing and effective interference management.

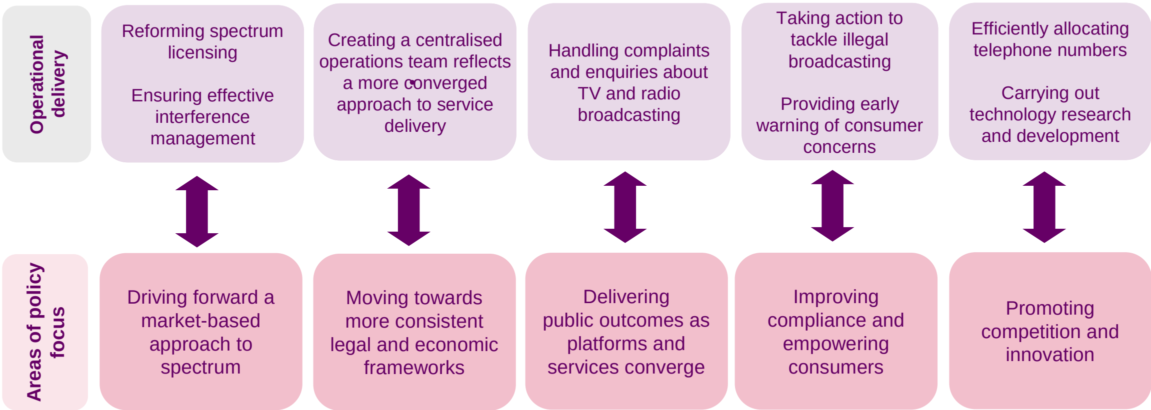
- Developing new mechanisms for delivering public outcomes will be supported by the Contact Centre handling complaints about programmes broadcast on TV and radio.

- Improving compliance and empowering consumers will benefit from the early warning system provided by the Contact Centre, and effective action to tackle illegal broadcasting.

- Promoting conditions for competition and innovation will be supported by the efficient allocation of telephone numbers and technology research and development.

7.23 Figure 7.1 provides some examples of the important links between the services we provide for stakeholders and the policy areas identified in our three-year strategic framework.

Figure 7.1: Links between operational and policy delivery



Section Eight

Finance

8.1 During 2007/8, we will maintain our commitment to providing stakeholders with value for money. In our first three years we have made significant efficiency savings which have enabled us to reduce our budget progressively. In 2004/5 our budget was 5 per cent less in real terms than the previous regulators' combined budgets (on a like-for-like basis). In 2005/6 our budget was reduced by a further 8 per cent in real terms. And for the current financial year, 2006/7, we set our budget a further 5 per cent lower in real terms.

8.2 We are currently discussing with HM Treasury what our spending caps should be for the next four years. Until these discussions have concluded, we will not be able to set our budget for 2007/8, and the extent to which we can carry out our planned programme of work may be affected by the outcome. However, we intend to maintain the same quality of output, both in terms of making policy decisions and delivering services to stakeholders. In order to do so, and still provide value for money, we will need to achieve further efficiency savings.

8.3 We will include details of our budget for 2007/8 in the final version of the Annual Plan, which will be published at the start of April 2007.

Repaying Ofcom's set-up costs

8.4 To cover the costs of establishing Ofcom, we received a loan from the Department of Trade and Industry (DTI) of £52.3m. These set-up costs were incurred during the period March 2003 to January 2004.

8.5 Since 2003/4 we have been paying down the loan, and by the end of 2007/8 we will have repaid it, together with the accumulated interest. Figure 8.1 shows the repayment schedule and how the repayments were spread across our different groups of stakeholders. The amount payable by each stakeholder group was calculated on the basis of the former regulators' expenditure in each area.

Figure 8.1: Repayment of the loan to cover the setting-up of Ofcom

	2003/4 £'000	2004/5 £'000	2005/6 £'000	2006/7 £'000	2007/8 £'000	Total £'000
Networks and services		2,723	2,592	2,672	2,560	10,547
Television		2,578	2,454	2,530	2,423	9,985
Radio		403	383	395	379	1,560
Other	7,328	13,948	13,425			34,701
Total	7,328	19,652	18,854	5,597	5,362	56,793

Efficiency savings

8.6 We have already made substantial efficiency savings:

- Compared with the combined headcount of the regulators that Ofcom replaced, we have reduced the number of employees from 1,152 to 776 (as at 31 March 2006).
- We inherited 45 properties from the previous regulators. We saved over £0.5m by terminating leases on 21 properties. We received £3m following the sale of freehold property and sublet six properties, generating over £2m in rental income.
- We have achieved efficiencies by restructuring our Field Operations team, creating two units: Spectrum Interference and Investigations. Also, as part of a more targeted approach to tackling interference, we have made savings by reducing our capital investment in monitoring equipment.
- We have reorganised our technology function and outsourced our testing functions.
- In order to address the needs of stakeholders better, we have reorganised our contact operations, creating Ofcom's Contact Centre and Licensing Centre.

8.7 We will focus on achieving further savings in the coming year:

- We adopted 45 of the 70 information systems operated by the previous regulators. In 2004/5 we began to integrate these systems, launching Project Unify. Our aim is that by the end of 2007/8 this project will be largely completed, with the result that we expect our spending on information systems to fall to around £12m per annum, a saving of around 45 per cent.
- We will terminate the leases of further properties which are no longer needed for operational purposes and will sublet more vacant space in our London office.

8.8 By the end of 2007/8 we will have repaid DTI's loan and made substantial improvements to our efficiency. The end of 2007/8 will therefore be a watershed: Ofcom will be an established organisation and will be likely to have more stable funding requirements.

Annex 1

Responding to this consultation

How to respond

A1.1 Ofcom invites written views and comments on the issues raised in this document, to be received **by 5pm on 20 February 2007**.

A1.2 We strongly prefer to receive responses using the online web form at http://www.ofcom.org.uk/consult/condocs/annual_plan2007/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you would complete a response (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.

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

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

Alistair Bridge
Sixth Floor
Strategy and Market Developments
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Fax: 020 7981 3706

A1.5 Please note that we do not need a hard copy in addition to an electronic version. Ofcom can only acknowledge receipt of responses if they are submitted using the online web form.

A1.6 It would be helpful if your response could include direct answers to the questions asked in this document (which are listed together at Annex 4), together with specific reasons for your views.

Further information

A1.7 If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Alistair Bridge on 020 7783 4195.

Confidentiality

A1.8 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. Therefore, we will usually publish all responses on our website, www.ofcom.org.uk, ideally as soon as we receive them (where respondents confirm on their response coversheet that this is acceptable).

A1.9 All comments will be treated as non-confidential unless you specify that part or all of the response is confidential and should not be disclosed. Please place any confidential parts of a response in a separate annex so that non-confidential parts may be published along with your identity.

A1.10 Ofcom reserves its power to disclose any information it receives where this is required to facilitate the carrying out of its statutory functions.

A1.11 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use, in order to meet its legal requirements. Ofcom's approach on intellectual property rights is explained further on our website at http://www.ofcom.org.uk/about/accoun/disclaimer/

Next steps

A1.12 Following the end of the consultation period, Ofcom intends to publish a statement in April 2007.

A1.13 Please note that you can register to receive free email updates alerting you to the publications of relevant Ofcom documents. For more details please see: http://www.ofcom.org.uk/static/subscribe/select_list.htm

Ofcom's consultation processes

A1.14 Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information, please see our consultation principles in Annex 2.

A1.15 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.

A1.16 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 2

Ofcom's consultation principles

A2.1 Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A2.2 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

A2.3 We will be clear about who we are consulting, why, on what questions and for how long.

A2.4 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 version for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A2.5 We will normally allow ten weeks for responses to consultations on issues of general interest.

A2.6 There will be a person within Ofcom who will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organizations interested in the outcome of our decisions. This individual (who we call the Consultation Champion) will also be the main person to contact with views on the way we run our consultations.

A2.7 If we are not able to follow one of these principles, we will explain why. This may be because a particular issue is urgent. If we need to reduce the amount of time we have set aside for a consultation, we will let those concerned know beforehand that this is a 'red flag consultation' which needs their urgent attention.

After the consultation

A2.8 We will look at each response carefully and with an open mind. We will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex 3

Consultation response cover sheet

A3.1 In the interests of transparency, we will publish all consultation responses in full on our website, www.ofcom.org.uk, unless a respondent specifies that all or part of their response is confidential. We will also refer to the contents of a response when explaining our decision, without disclosing the specific information that you wish to remain confidential.

A3.2 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 by allowing you to state very clearly what you don't want to be published. We will keep your completed coversheets confidential.

A3.3 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.

A3.4 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/.

A3.5 Please put any confidential parts of your response in a separate annex to your response, so that they are clearly identified. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your coversheet only so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

What do you want Ofcom to keep confidential?

Nothing	☐	Name/contact details/job title	☐
Whole response	☐	Organisation	☐
Part of the response	☐	If there is no separate annex, which parts?	

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response. It can be published in full on Ofcom's website, unless otherwise specified on this cover sheet, and I authorise Ofcom to make use of the information in this response to meet its legal requirements. If I have sent my response by email, Ofcom can disregard any standard email 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)

Annex 4

Consultation questions

A4.1 In submitting responses to the consultation, it would be helpful if you could address the following questions:

1. What are your views on Ofcom's proposed three-year strategic policy framework?

2. What are your views on Ofcom's proposed priorities for 2007/8? In particular:

    a. What are your views on the work which Ofcom should do in 2007/8 to drive a market-based approach to spectrum?

    b. What are your views on the work which Ofcom should do in 2007/8 to develop new ways to deliver public outcomes as platforms and services converge?

    c. What are your views on the work which Ofcom should do in 2007/8 to improve business compliance and empower consumers?

    d. What are your views on the work which Ofcom should do in 2007/8 to promote competition and innovation in converging markets?

3. Are there additional areas where Ofcom should reduce regulation and minimise administrative burdens? Please provide specific examples.