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Ofcom Draft Annual Plan 2007/08

Views of the Ofcom Northern Ireland Advisory Committee

Introduction

The Ofcom Northern Ireland Advisory Committee welcomes the consultation on Ofcom's Draft Annual Plan 2007/08 and is pleased to take the opportunity to comment on the text. For convenience, the Committee's views are set out in the format requested ie. in line with the specific questions set out on page 48 of the consultation Document.

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

The Northern Ireland Advisory Committee welcomes the extensive consultation by Ofcom in relation to its future work programmes. The consultation not only means that Ofcom will have gathered the views of its most important stakeholders, but also that it will have structured stakeholder thinking around a well thought-through draft annual plan which is strategic in nature and has a shelf life of three years. This is to be welcomed.

The three year policy framework marks the progression in Ofcom's work as a relatively new organization. It shows that after its first few years, where identifying changes in the communications sector and assessing their implications has tended to dominate, the emphasis now is on **action**. This is very much to be welcomed. The biggest danger facing a 'light touch' regulator is a tendency to over-analyse issues and under-act in terms of remedies and desired outcomes. To theorise rather than intervene.

As might be expected therefore, the five priorities identified in the draft workplan (also referred to as *key areas of focus*) tend to be big on 'markets' and 'frameworks' and 'mechanisms' but lighter in terms of the customer perspective. Indeed the word customer does not appear in the priorities as depicted in the strategic policy framework flowchart despite a specific reference to 'Suppliers'. The only overt reference to end-users/customers is the second half of priority four which mentions 'empowering consumers.'

Putting the Customer First

There are two points here: Firstly, the consumer and customer are not necessarily the same thing. Traditionally the consumer is the recipient of a service where there may be

little choice involved e.g. like water or electricity in N Ireland. The consumer has little say in what is being offered.

Customer is the more appropriate word for the communications end-user because the customer has choices and ends up paying for everything. Empowering the consumer suggests informing them of their consumer rights, building their media literacy etc whereas empowering the customer could mean providing clear information so that customers can exercise their own potential market power.

The second point is that the customer should simply be more central to all of Ofcom's strategic thinking. Not a bit player or an afterthought. And not least in Ofcom's Strategic Policy Framework. It may well be that Ofcom's strategists are assuming that the customer interest is already prioritized implicitly in the priority Ofcom attaches to liberalization and the development of markets. However this connection cannot be taken for granted. There are markets which involve multiple players with wide-ranging offerings which appear to be healthy markets, but which are not properly serving customers. Therefore the focus should be on benefits to customers rather than ticking boxes in relation to the perceived desirable characteristics of competitive markets.

Although it is crude and offends the purists, there are instances where, if the customer was being put first, the solution might be to impose a price cap on incumbents rather than try to flood the market with new entrants. Putting actual people ahead of the market theory.

Putting downward pressure on costs

For communications customers **cost** is now a strategic issue: This needs to be reflected in Ofcom's thinking and plans. As convergence now offers fantastic technological possibilities and ever-increasing choice, it has perhaps gone unnoticed that the costs of communications has risen sharply for ordinary households. The problem is that as new products and services become available and their ownership/use becomes the norm they tend to become a net additional household cost even though in more mature competitive sectors costs are coming down. For example take television for an average family. Up to a few years ago the average household used to pay for a family TV and a BBC TV licence and that was it.

Nowadays the licence costs more in real terms, the family TV costs more (because it is much higher spec) and the household may have several portable TVs which (although relatively inexpensive) are another additional cost. Then add the cost of desktop boxes or a satellite or SKY subscription, which although not considered an essential, is a must-have for any working-class sports fan who wants to see all the events previously free-to-air but now migrating gradually to subscriber TV. (Test Cricket/Ryder Cup – not just the live football) Anyone taking a drive through a relatively deprived area (and Northern Ireland has many) can see the prevalence of satellite TV in working class households. It is becoming the norm. There are also costs associated with hardware and installation.

Add to all of this the cost of HDTV in the new plasma or LCD format and add up all of the costs including hardware depreciation etc. and watching TV now costs about £1000 per year!

The same kind of analysis applies in relation to the cost to households of the converged IT/Telecoms products and services. Add to the traditional fixed line phone costs (which have reduced over the years but haven't gone away) the costs of mobile phones and phone bills and top-ups. Add the price of a PC (or several) and an all-essential broadband connection or perhaps a wireless network. And then there is the need for printers, inks/consumables. And the gadgets that now interface with the domestic IT set-up – digital cameras, blackberries etc

For the younger family members convergence now brings the costs of gaming into the modern household bill. The online 'X' Box with its expensive games software. Numerous other platforms also.

All of these costs taken together – including hardware – constitute a very large sum which can account for a major proportion of household disposable income particularly for low income households. And the product/services listed above are not all luxuries. Far from it. This is why cost is a strategic issue.

The Northern Ireland Dimension

In Northern Ireland the impact of high communications costs facing customers is exacerbated by the fact that in many sectors in Northern Ireland there is less competition and value available eg. broadband. In others there is a bewildering choice available but it is difficult for all but the most knowledgeable customers to locate value eg mobile telecoms.

In addition Northern Ireland households have among the lowest average disposable incomes in the UK. (no longer the absolute lowest but still close to the bottom of the regional league table)

In Northern Ireland therefore the issue is not necessarily about more innovation or choice or even competition it is simply about helping customers cope with costs.

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?

Whilst the market based approach may work well in the well populated areas of the UK there is concern that the same approach may not be so effective in other areas. We would ask Ofcom to keep a very close watch on developments to ensure that those areas of low

population density are not left behind or disadvantaged in the new spectrum trading development.

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

We need to start talking in terms of content regulation and work towards platform independence as far as regulation is concerned. IPTv looks to become a reality in the coming months and we need to ensure that the same protections are afforded to this content as exist on the current TV services. If regulation remains platform specific, the consumer needs to be educated to expect different levels of protection dependant on the platform used to access content.

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

As mentioned earlier the question of empowering the consumer(or customer) should be an absolute priority and central consideration in all of Ofcom's work. At its heart and at the heart of everything Ofcom does should be the strategic issue of communications costs.

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

This area was the subject of discussion at our last advisory committee meeting and it was the view of the committee that this links in with the digital dividend review. It was proposed that some of the profits obtained from the auctioning of spectrum could be used to facilitate an innovation fund researching future developments in this area. It was suggested that, in the light of the rapidly changing nature of developments in technology, a certain proportion of spectrum should be retained to facilitate and promote innovation.