

## Section 1

# Foreword

### Introduction from Ofcom's Chairman and Chief Executive

- 1.1 Just over two years ago, a small team began the process of preparing for Ofcom. A year ago we completed the task of bringing the existing five regulators together and began work on a substantial programme of ongoing and new activity. In large part this reflected the additional duties which Parliament had given Ofcom under the Communications Act 2003.
- 1.2 We have now created an organisation which has over 25% fewer people than the previous regulators and which has lower operating costs. Ofcom's budget for 2004/5 was, on a like-for-like basis, 5% less than the combined budgets of our predecessors and during the year we reduced our costs by 5%. During 2005/6, we aim to reduce our costs by a further 5%, demonstrating our commitment to delivering professional and effective regulation which represents good value for our stakeholders.
- 1.3 Our first full year of operation has seen a wide range of activities:
  - We continued the work started by the previous regulators, in particular, the implementation of the new EU framework for telecoms. The amount of work carried over was substantial, particularly as in 2003 our predecessors rightly deferred decisions which could have pre-empted the approach which Ofcom might wish to take.
  - We fulfilled our obligations under the Communications Act to review and revise significant parts of the regulatory framework, including the codes governing broadcasting standards and independent production.
  - Through our major reviews of spectrum, public service broadcasting and telecoms, we have begun to map out the strategic direction we will follow to overhaul and renew the approach to regulation across the communications sector.
  - Charting the course towards digital switchover has been a key priority, as has been the promotion of competition and innovation in the supply of broadband services. To help develop commercial radio we introduced a more flexible licensing process and published a comprehensive report on DAB digital radio. Spectrum trading was introduced, on target, at the end of 2004, and we have revised the spectrum administrative pricing system. We contracted-out broadcast advertising regulation to the Advertising Standards Authority, the first major co-regulatory initiative to be introduced by Ofcom. And we removed the rules prohibiting the joint selling of airtime by the large TV sales houses.
- 1.4 In carrying out all our work, we have engaged constructively with the full range of our stakeholders throughout the UK, through consultations, seminars, and the input of our advisory committees and panels. Figure 1.1 sets out some of our key activities during 2004/5.

**Figure 1.1 Key activities in 2004/5**

| Strategy/Research                                   | Policy   | Competition   | Operational   |
|---|--|---|---|
| Public Service Broadcasting review                  | Review of wholesale broadband prices                 | Contract Rights Renewal                             | Co-regulation of broadcast advertising                      |
| Telecoms strategic review                           | Setting up the Telecoms Adjudicator to make LLU work | Adjudicator   | New radio licensing process                                 |
| Spectrum Framework review                           | Spectrum trading and liberalisation                  | Timely Casework (targets achieved in 100% of cases) | Spectrum trading implementation                             |
| Radio review  | Revised Number Translation Services Framework        | BT Together investigation                           | Tetra development   |
| Digital TV switchover project                       | New broadcasting standards code                      | Carrier pre-selection                               | Enforcement to stop radio and TV interference               |
| Communications Market Report 2004                   | Independent production code                          | Mobile Call Termination                             | Pirate radio enforcement                                    |
| Extensive programme of market and audience research |  | Voice over broadband                                | Facilitating new technology (e.g. rural wireless broadband) |
|   |  | Leased lines competition                            | ... and services (e.g. Community Audio Distribution)        |
|   |  | Streamlined complaints and compliance process       |   |

- 1.5 2005/6 now marks the start of a three-year programme of delivery and this change of emphasis is reflected in our draft outline plan for the next year of Ofcom's work. We will implement the conclusions of our first year strategic reviews, with a detailed programme of work to develop a new regulatory framework for telecoms and new licence conditions for ITV1 and Five. We will continue to promote competition and open markets to new entrants, with significant releases of new spectrum being a key feature of this work. We will prepare for further change, for example, by examining how digital platforms and services are likely to evolve and the implications for regulation, including regulatory withdrawal. Where markets do not deliver the outcomes that society demands – and there is a clear public interest – we will take action to protect the interests of citizens and consumers. At the same time, we will not lose sight of the need to reduce or withdraw from regulation wherever this is appropriate.
- 1.6 Above all, we recognise we are working in a sector which is undergoing significant and rapid change. The communications sector has an enormous impact on our everyday lives, on our culture and society, and on the competitiveness and performance of the UK economy. Against this backdrop, the risk for a regulator is to be pulled in multiple directions by different pressures and events. It is vital, therefore, to have a clear sense of direction and a plan.
- 1.7 Our guiding principles over the next three years will continue to be those we set out 18 months ago in the early days of Ofcom, in particular, a bias against intervention, but a willingness to intervene firmly, promptly and effectively where required. When we do intervene, our aim will be to help all citizens and consumers, and the UK communications sector, benefit from the huge opportunities for innovation and competition presented by this changing world. Nonetheless, we understand the limits and potential costs of regulation in such

a fast moving environment, so will renew our efforts this year, and in subsequent years, to pull back from intervention.

- 1.8 The object of this consultation is to enable all our stakeholders to understand the direction we are planning to take, and seek their views both on our overall direction and the priorities we have identified. In tandem with this written consultation we will be holding a series of events around the UK to listen to your views. More details will be available on our website, but the events will take place on the following dates:

|             |           |
|-------------|-----------|
| 7 February  | Edinburgh |
| 8 February  | Cardiff   |
| 9 February  | London    |
| 23 February | Belfast   |
| 24 February | Leeds     |

- 1.9 Our outline plan is the product of an internal process which has involved all the groups in Ofcom. Input has also been obtained from Ofcom's Board, Content Board, Consumer Panel, Advisory Committees for the Nations and Regions, the Advisory Committee on Older and Disabled People and the Spectrum Advisory Board. We now look forward to receiving views from the full range of our stakeholders.

David Currie (Chairman) and Stephen Carter (CEO)