



# Draft Annual Plan 2006/7

Building on competition and innovation

## Consultation

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## Section 1

# Foreword

During the course of 2005 we completed our strategic reviews of spectrum, telecoms and public service broadcasting. We also introduced spectrum trading, worked to enable digital TV switchover, published a new, targeted broadcasting code, made proposals to provide more spectrum for digital radio and promoted greater competition in broadband, particularly by reducing wholesale prices.

This work reflects some of Ofcom's wide-ranging responsibilities. In our role as regulator for the communications sector we have many duties, from protecting viewers and listeners against offensive material to ensuring the optimal use of the radio spectrum. We also have an important role in enforcing consumer law, protecting consumers against mis-selling and other harmful conduct. And in our role as a competition authority we make markets work better by tackling and deterring anti-competitive behaviour.

Central to all our work is the need to meet the diverse needs of people throughout the UK. People demand choice and value for money. They also demand quality. So a key part of our work is ensuring high standards, for both citizens and consumers.

In many ways the communications sector is developing positively. We are seeing the wider availability and use of existing services and the development of new ones. The choice of TV channels and radio stations is growing. And there is increasing competition and lower prices. But the dynamic and increasingly convergent nature of the sector means we must anticipate what lies ahead.

The review of the BBC's Charter will intensify the debate about how public service broadcasting should be maintained and strengthened in the run-up to digital TV switchover. The settlement which is reached will have implications for all public service broadcasters. There is also the question of the future use of the spectrum freed-up by switchover as we seek to maximise the digital dividend.

New ways of distributing content are creating opportunities for innovation and in the process challenging the existing model of content regulation. In parallel, tools are emerging to enable people to regulate content for themselves. Another important development is the roll-out of new telecoms networks, with the prospect of higher-speed broadband services. But at the same time, consumers are faced with more elaborate forms of potential deception in communications markets (such as so-called internet rogue diallers) and there is frustration that some new services are not available everywhere in the UK.

For the stakeholders who fund Ofcom, value for money is also important. In 2003/4 we set up Ofcom, creating an organisation with significantly fewer people than the former regulators and lower operating costs. In 2004/5, our first year of operation, the budget was 5 per cent less in real terms than the combined budgets of our predecessors (on a like-for-like basis). In 2005/6 our budget was reduced by a further 8 per cent in real terms. In our first three years we have therefore made significant reductions in our costs.

We will continue to achieve cost savings in the next two years. In 2006/7 our budget will be reduced by a further 5 per cent in real terms and we expect a further reduction in 2007/8. By the end of this period we will have paid down the loan made to set up Ofcom and we will have improved our efficiency by investing in changes to our operating systems. We will then be well-established and, having achieved an acceptable level of operational efficiency, we are likely to have more stable funding requirements.

In developing our proposed plan for 2006/7, a process which has included discussion with Ofcom's advisory bodies and stakeholders, we have identified nine priorities:

1. **Spectrum release: auction and liberalisation** – releasing and liberalising spectrum, facilitating trading and raising awareness of the opportunities offered by a more market-led approach to spectrum management.
2. **TSR implementation** – promoting competition and innovation in both voice and broadband services by ensuring effective implementation of the Undertakings made by BT Group plc.
3. **Continued deregulation** – continuing to explore opportunities to reduce and better target regulation, taking account of the latest regulatory thinking, such as the recommendations of the *Hampton Review*.
4. **Next generation deployment** – understanding how the next generation of telecoms networks and services are evolving and considering the implications for regulation, both in the core network and in the access network, which can be used for higher-speed broadband.
5. **PSB: future developments** – continuing work to combine consumer choice in a digital world with benefits for viewers arising from more focused and enduring public service broadcasting. Work will include a financial review of Channel 4, the development of proposals for the Public Service Publisher and input into the BBC Charter Review in those areas which overlap with Ofcom's responsibilities. We will also conclude our work on local TV and will consider how news is likely to be produced and consumed in the future.
6. **Content delivery** – understanding how new methods of delivering internet and media content are creating opportunities for innovation and examining the potential benefits for citizens and consumers. We will also consider the implications for regulation and ensure appropriate protection for children.
7. **Consumer protection** – taking enforcement action to protect both consumers and citizens, handling complaints effectively and promoting media literacy.
8. **Availability and access** – identifying areas where market failures may make intervention necessary to offer people access to services such as broadband and digital television. This work will be informed by Ofcom's ongoing audit of the Nations and Regions.
9. **International engagement** – seeking to influence the way that regulatory policy evolves, in particular, the new EU directive on TV and other audio-visual content, the revised EU framework for electronic communications and international negotiations on spectrum, including the Regional Radio Conference 2006.

We look forward to receiving your views on the draft plan, particularly on the proposed priorities. The consultation closes on Friday 10 February 2006 and the final version of the plan will be published in early April 2006. In the meantime, we will hold a series of regional events to provide opportunities for dialogue and debate. Details of the dates and venues are available on our website:

[http://www.ofcom.org.uk/consult/condocs/annual\\_plan2006/annual\\_plan200607/invite](http://www.ofcom.org.uk/consult/condocs/annual_plan2006/annual_plan200607/invite)

David Currie, Chairman

Stephen A Carter, Chief Executive

## Section 2

# Adapting to a changing environment

## The statutory framework

- 2.1 Ofcom operates within a statutory framework created primarily by the Communications Act 2003. Our principal duty is to further the interests of citizens and consumers, where appropriate by encouraging competition.
- 2.2 The Communications Act specifies certain functions we must carry out in order to fulfil this duty:
- Achieve the optimal use of the electro-magnetic spectrum.
  - Ensure that a wide range of electronic communications services are available throughout the UK.
  - Ensure a wide range of TV and radio services of high quality and wide appeal are available throughout the UK.
  - Maintain plurality in the provision of broadcasting.
  - Provide audiences with adequate protection against offensive and harmful material.
  - Provide audiences with adequate protection against unfairness or unwarranted infringements of privacy.
- 2.3 Ofcom's statutory remit means that we must simultaneously fulfil an extensive set of responsibilities. In carrying out our functions we sometimes have to give more weight to one rather than another. For example, we may have to balance the objective of promoting competition against the objective of ensuring the wide availability of communications services. The need to make such difficult trade-offs makes it vital for Ofcom to have clear guiding principles.
- 2.4 The Communications Act was one of the first major pieces of legislation to incorporate the better regulation principles developed by the Better Regulation Task Force. These principles require that Ofcom acts in a transparent, accountable, proportionate, consistent and targeted way. Furthermore, we have a duty to ensure that regulation does not impose unnecessary burdens on our stakeholders. We are also required to carry out impact assessments, a process which helps to produce better policy decisions.
- 2.5 Impact Assessments involve considering different policy options and then selecting the best one. Carrying out an Impact Assessment is a way of considering the likely impact of our policies on our stakeholders, including different groups of people. In some cases, for example, we may need to consider the potential impact on people living in different parts of the country, people who are older, disabled, on low incomes or from a particular racial group.
- 2.6 The emphasis in the Communications Act on regulatory best practice has been beneficial for both Ofcom and for our stakeholders. In order to carry out our functions in accordance with these requirements and maintain a consistent focus on reducing regulation, we have developed a set of regulatory principles. These are set out in Figure 2.1.

## Figure 2.1: 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.

## Understanding the sector and our stakeholders

- 2.7 In order to carry out our functions we need a thorough understanding of the communications sector and our stakeholders, including people's behaviour, both as citizens and consumers. We need to make decisions based on clear and reliable evidence.
- 2.8 To help achieve this, Ofcom conducts extensive research and analysis, publishing an annual Communications Market Review<sup>1</sup> and regular updates of key data. In this section, we present some of the most important findings from our latest Review and reflect on the changes which have taken place in the sector over the last year.

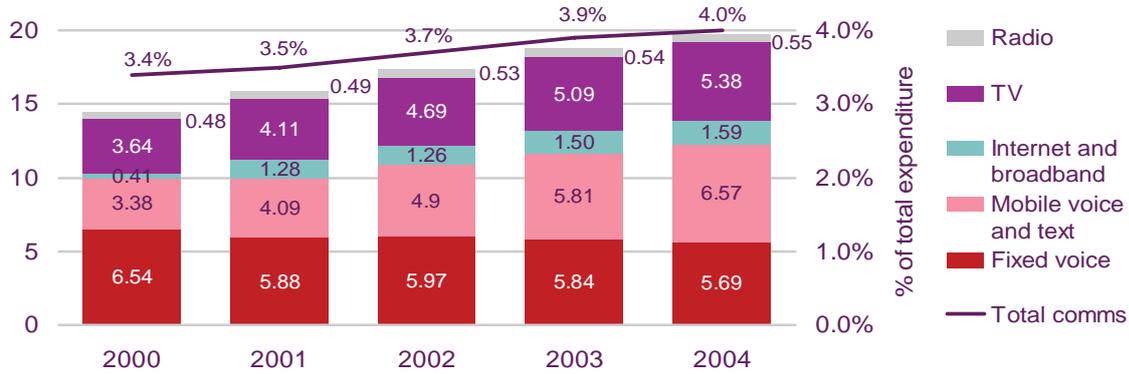
## Citizens and consumers

- 2.9 As citizens, many of us use an increasingly sophisticated array of communications devices and services. We record important moments using camera phones and share the images with friends and relatives via the internet. We pay taxes online. We receive news updates and view sports clips via mobile phones. Health professionals use wireless technology to check whether older people are taking their medication.
- 2.10 As consumers, the proportion of weekly household expenditure on communications services has increased steadily over the past five years, demonstrating the growing significance of the sector and its importance in our daily lives (Figure 2.2).

<sup>1</sup> <http://www.ofcom.org.uk/research/cm/cm05/#content>

**Figure 2.2: Average household communications spend**

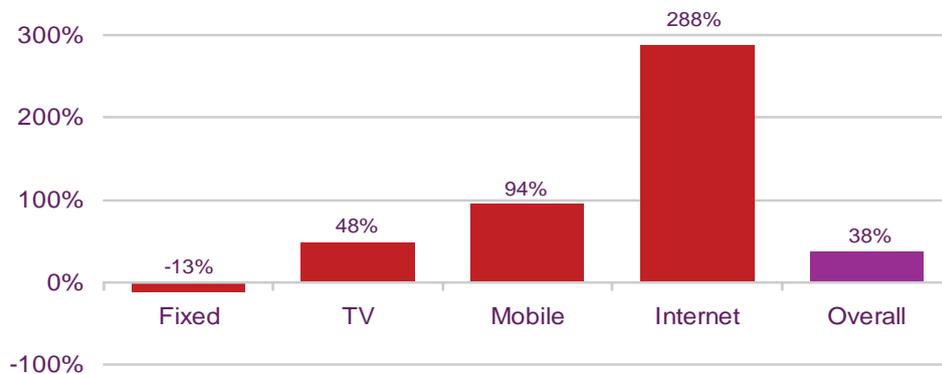
£ per week



Source: Ofcom / licensees / operators

2.11 This money is being spent across most parts of the communications sector, with particularly strong demand for internet and mobile services. Only expenditure on fixed line telephony has declined. This is the result of competition causing prices to fall and reductions in the cost of calling mobiles from fixed lines. It is also a function of the growing substitution of mobile telephony for fixed lines. The changes in spending are shown in Figure 2.3.

**Figure 2.3: Change in average household spend on communications 2000-2005**



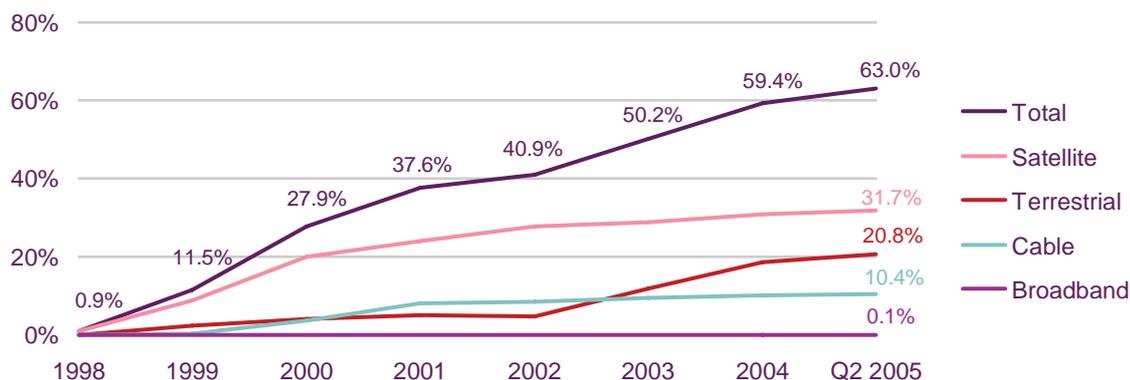
Source: Ofcom / operators

**The broadcasting sector**

2.12 Every month around 100,000 households switch to digital TV, with recent growth driven by the success of Freeview. In future, there are likely to be new ways of receiving television and video as faster broadband services become more widely available and mobile technologies develop. It is important that Ofcom helps to create a competitive market for new services and plays a part in informing and educating consumers about how to benefit from them. Figure 2.4 shows that the adoption of digital TV has risen steadily to almost two-thirds of households.

**Figure 2.4: Growth in Digital TV**

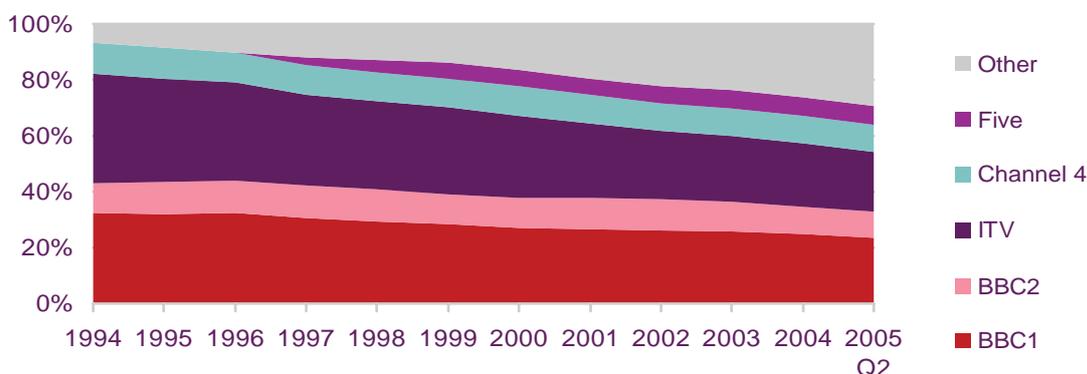
Households



Source: Ofcom / licensees / BBC

2.13 With a choice of over 350 services available via digital television, by June 2005 non-terrestrial channels' share of viewers exceeded 30 per cent. In addition, revenue from subscriptions now exceeds advertising revenue, creating further pressure on terrestrial programme budgets. This increasingly competitive market raises important questions about the future funding and delivery of public service broadcasting. Figure 2.5 shows how terrestrial channels' share of viewers has fallen.

**Figure 2.5: TV viewing shares**



Source: BARB

2.14 Since the advertising downturn in 2000 commercial radio has experienced difficult market conditions. Nevertheless, revenues have slowly grown despite a slight decline in listening share.

2.15 Through our review of the radio sector, Ofcom will seek to provide policies that reflect the challenges faced by the commercial sector. In 2006/7 we will also issue new analogue licences and we propose to allocate new blocks of spectrum for national and local radio.

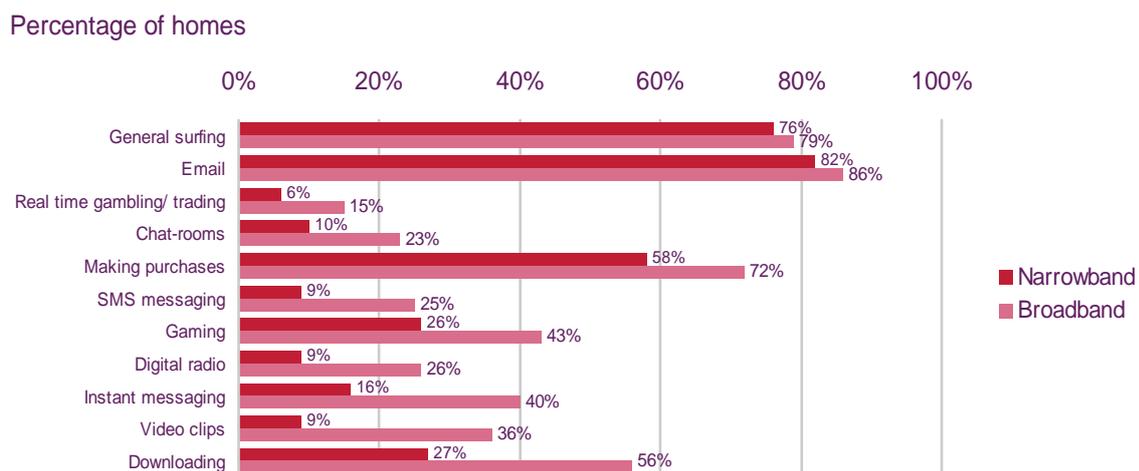
2.16 An important part of this changing market is that new technologies are offering different ways of reaching audiences. The number of digital audio broadcasting (DAB) radio sets more than doubled in 2004, with owners listening to more radio than their analogue counterparts. In addition, around 35 per cent of adults have at some point listened to radio via digital TV and almost 20 cent have listened via the internet.

One of Ofcom's priorities in 2006/7 will be to examine the opportunities created by new ways of delivering content and consider the implications for particular groups of citizens and consumers, and for regulation.

## The telecommunications sector

- 2.17 Regulatory intervention has created new opportunities for providers of voice services. BT's obligation to provide carrier pre-selection means that there is now a wide choice of suppliers offering voice calls, which has contributed to lower prices. Combined with increased mobile use, this has led to a slow decline in fixed line call volumes and revenues, leading many network operators to invest in other services, such as broadband. More recently, the provision of wholesale line rental products by BT has meant that consumers no longer need to receive separate bills for their calls and for the rental of their phone line; a single supplier can provide both.
- 2.18 Mobile phones are now owned by 82 per cent of adults and 90 per cent of children over the age of 10. In fact there are more active mobile subscriptions than people and the popularity of secondary devices, for example, to provide mobile email, means that growth looks set to continue.
- 2.19 Some 31 per cent of all voice calls are now made from mobile phones, with services provided by five network operators and a growing number of service resellers. Where necessary, however, there will be targeted action to further the interests of consumers, for example, to reduce international roaming call charges.
- 2.20 For many people, the internet is now a key feature of both home and work life. In June 2005 there were for the first time more broadband than dial-up connections in the UK. Compared with people who use dial-up internet, broadband customers use a wider variety of online services, particularly those which require a lot of data capacity (Figure 2.6). For example, 46 per cent of broadband customers download music, films or video clips, compared with only 22 per cent of dial-up users.

**Figure 2.6: Online applications used by internet subscribers**

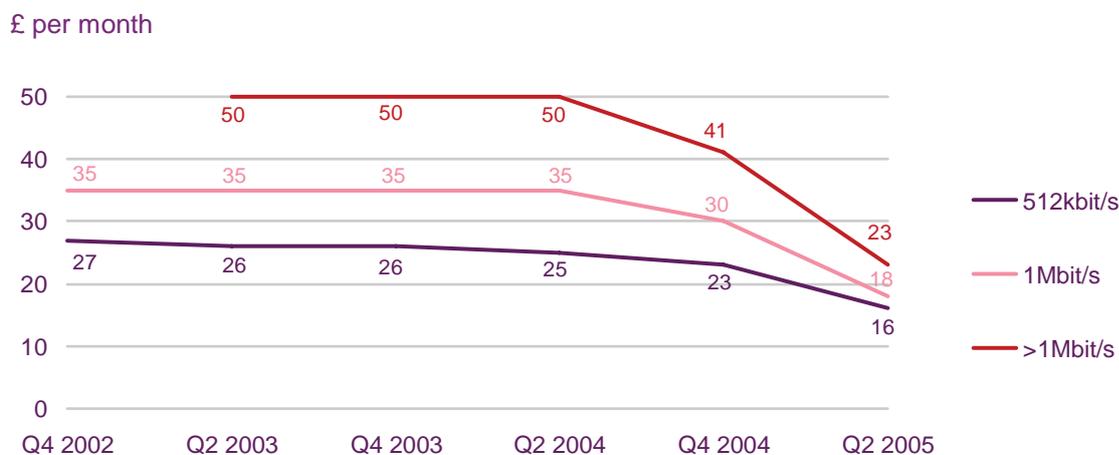


Source: Ofcom

- 2.21 Consumers are benefiting from a combination of falling broadband prices and higher speeds. Figure 2.7 shows how prices have fallen in recent years. Services providing 24Mbps per second are now available and 2Mbps per second is becoming standard for those living close to a telephone exchange. A priority for 2006/7 will be to promote

the availability of broadband services throughout the UK to enable access to new applications.

**Figure 2.7: Falling broadband prices**



Source: Ofcom / operators

## Convergence

2.22 Another significant market development is increasing convergence driven by the transition from analogue to digital technology. This is occurring throughout the communications sector, with consumers able to send and receive information on a choice of platforms using a variety of devices. For example:

- An increasing number of people use broadband to access audio and video content and for voice telephony.
- A single mobile device is used by consumers to access a number of different services – voice, text, radio – and new services including mobile internet and video are beginning to emerge.
- A growing number of suppliers now offer bundles of communications services, including television, internet and telephony, with services being supplied via one or more platforms.

2.23 In 2004 and 2005 there was an increase in the level of major merger and acquisition activity in the communications sector, with companies positioning themselves to compete in converging and increasingly overlapping markets. Ofcom has committed considerable resource to the analysis of these transactions as part of our statutory obligation to aid the Office of Fair Trading (OFT).

2.24 We are now seeing new services, the wider availability and use of existing services, increased competition and lower prices. However, these dynamic markets have increased the scope for consumers to be deceived through means (such as internet rogue diallers) which are becoming more elaborate and intrusive than before. Action to protect consumers is therefore needed, along with a focus on consumer empowerment. Related to this is the importance of promoting media literacy so that as citizens, people can access and benefit from the wide range of communications services which exist.

2.25 This is the market context which determines our draft work programme for 2006/7.

## Section 3

# Priorities for 2006/7

- 3.1 In the previous section we highlighted the dynamic and converging nature of the communications sector. New communications services are emerging; there is wider availability and use of existing services; and there is a rich choice of TV and radio programmes. At the same time there is a general increase in competition, with prices often falling as a result.
- 3.2 Taking account of this market context, we must respond to a range of important issues, including:
- the debate about how public service broadcasting should be maintained and strengthened as we move towards digital TV switchover;
  - the question of the future use of the spectrum freed-up by switchover and other spectrum available for commercial use;
  - the implications for regulation of new ways of distributing internet and media content;
  - the development of a new generation of telecoms networks; and
  - the continued need to protect citizens and consumers and promote access to a wide range of communications services.
- 3.3 In order to meet the diverse needs of people throughout the UK, we need to anticipate as well as respond to the changes which are taking place. By doing so, we can ensure that consumers continue to have a choice of good-value communications services. Of equal importance is Ofcom's role in supporting and sustaining high standards in broadcasting – quality programmes coupled with protection against offensive and harmful material.
- 3.4 The need to fulfil these wide-ranging responsibilities is reflected in our priorities for 2006/7:
1. **Spectrum release: auction and liberalisation** – releasing and liberalising spectrum, facilitating trading and raising awareness of the opportunities offered by a more market-led approach to spectrum management.
  2. **TSR implementation** – promoting competition and innovation in both voice and broadband services by ensuring effective implementation of the Undertakings made by BT Group plc.
  3. **Continued deregulation** – continuing to explore opportunities to reduce and better target regulation, taking account of the latest regulatory thinking, such as the recommendations of the *Hampton Review*.
  4. **Next generation deployment** – understanding how the next generation of telecoms networks and services are evolving and considering the implications for regulation, both in the core network and in the access network, which can be used for higher-speed broadband.
  5. **PSB: future developments** – continuing work to combine consumer choice in a digital world with benefits for viewers arising from more focused and enduring

public service broadcasting. Work will include a financial review of Channel 4, the development of proposals for the Public Service Publisher and input into the BBC Charter Review in those areas which overlap with Ofcom's responsibilities. We will also conclude our work on local TV and will consider how news is likely to be produced and consumed in the future.

6. **Content delivery** – understanding how new methods of delivering internet and media content are creating opportunities for innovation and examining the potential benefits for citizens and consumers. We will also consider the implications for regulation and ensure appropriate protection for children.
7. **Consumer protection** – taking enforcement action to protect both consumers and citizens, handling complaints effectively and promoting media literacy.
8. **Availability and access** – identifying areas where market failures make intervention necessary to offer people access to services such as broadband and digital television. This work will be informed by Ofcom's ongoing audit of the Nations and Regions.
9. **International engagement** – seeking to influence the way that regulatory policy evolves, in particular, the new EU directive on TV and other audio-visual content, the revised EU framework for electronic communications and international negotiations on spectrum, including the Regional Radio Conference 2006.

**Question 1** – *What are your views on Ofcom's proposed priorities for 2006/7?*

## Section 4

# Proposed work programme

4.1 We have organised our planned work for 2006/7, including the priorities, into eight areas. These areas of work are shown in Figure 4.1 and can be divided into aims and activities. The work we will be doing in each area is described in more detail below.

4.2 The four aims are:

- addressing citizen and consumer issues;
- encouraging innovation;
- promoting competition; and
- pursuing better regulation.

4.3 These are supported by four activities:

- engaging internationally;
- providing key services;
- understanding the sector and our stakeholders; and
- operating effectively.

**Figure 4.1: Ofcom's aims and activities**



### Addressing citizen and consumer issues

4.4 The converging nature of the communications sector, increased take-up of services and a more diverse society, mean that there are a range of concerns for people, both as citizens and consumers. These concerns include the availability and accessibility of services, communications scams and the quality of programmes on TV and radio.

4.5 An important way of furthering the interests of citizens and consumers is by promoting competition, but there are also specific citizen and consumer issues which we need to address. These include:

- Refining our approach to public service broadcasting, which will be a priority for 2006/7. People continue to value the wider social and public benefits of public service broadcasting and we must ensure that it is maintained and strengthened in a multi-channel digital world. As we move towards digital TV switchover it will be essential to secure not just a choice of programmes, but a choice of the kind of high-quality, innovative programmes for which the UK is renowned. Key aspects of our work in this area will be:
  - reviewing the output of commercial public service broadcasters to ensure that they meet their obligations;
  - a full financial review of Channel 4;
  - the development of our proposal for a public service publisher;
  - completion of our work on local TV;
  - considering how news is likely to be produced and consumed in a digital world;
  - an examination of the role of spectrum in funding and delivering public service broadcasting content;
  - continuing to contribute to the BBC Charter Review in those areas which overlap with Ofcom's responsibilities, as the decisions taken will affect the provision of public service broadcasting more widely;
  - completing and implementing our review of the TV production sector; and
  - publication of a revised Access Code defining broadcasters' responsibilities to provide access services and equipment.
- Promoting media literacy to enable citizens to make better use of communications technologies to access and create content. As part of our work on empowering and protecting people, this work will be a priority for 2006/7.
- Protecting consumers through enforcement action, handling complaints effectively and ensuring that consumers are aware of their rights. This work also falls into the category of empowering and protecting people, a priority for 2006/7.
- Promoting availability and access to communications services, such as broadband and digital television, by identifying areas where market failures may make intervention necessary. This work will be informed by further research to understand particular groups of stakeholders, such as people living in different parts of the country, younger and older people and people who are disabled, on low incomes or from a particular racial group. This is another priority for 2006/7.
- Maintaining broadcasting standards across all radio stations and television channels by enforcing Ofcom's Broadcasting Code. This work will be carried out in a world where the media sector is changing rapidly and citizens are facing new opportunities and challenges as a result of emerging technologies.
- Where there is emerging evidence of harm, considering ways that consumers can be better informed.

**Question 2** – *What are your views on the citizen and consumer issues which Ofcom should address in 2006/7?*

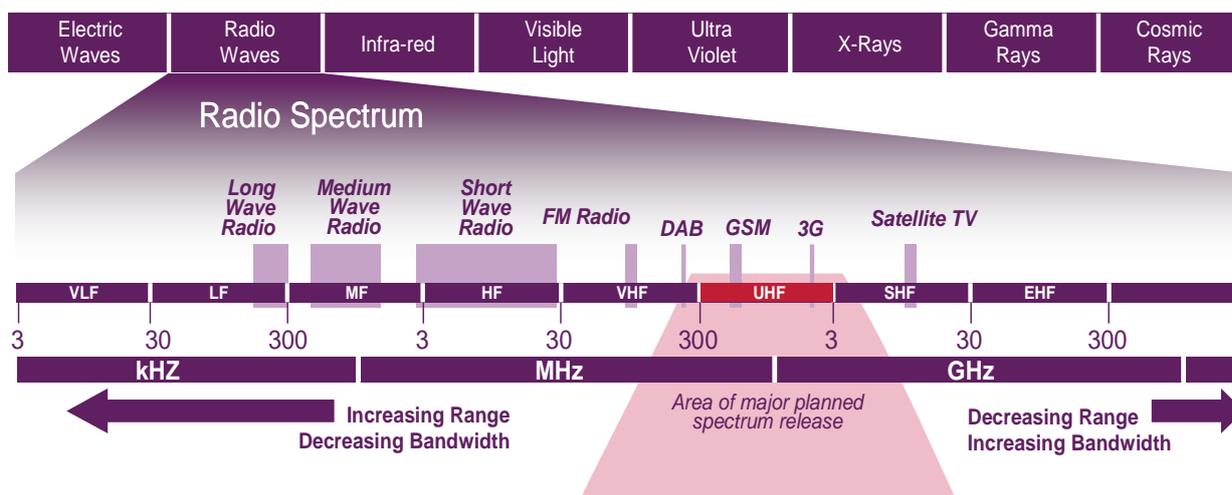
## Encouraging innovation

- 4.6 It is businesses that design and supply new products and services. Consumers then determine which succeed and which fail. But Ofcom also has an important role to play. We will provide our stakeholders with access to scarce resources such as spectrum, so that they can provide innovative services. As sectors converge, it will be important to avoid the emergence of new bottlenecks.
- 4.7 Our commitment to encouraging innovation in 2006/7 will focus on some critical areas of the communications sector:
- Releasing and liberalising spectrum – this will be one of our priorities for 2006/7. There will be a programme of spectrum awards, including the bands at 412-414 MHz, 422-424 MHz, 872-876 MHz, 917-921 MHz and part of the L-Band spectrum (1452-1492 MHz), as well as preparation for the award of the UHF spectrum released by digital switchover. Figure 4.2 provides an overview of the spectrum bands which we are proposing to release. We will also promote spectrum trading and create opportunities for using spectrum in more creative ways. In doing so, we will balance the rights and needs of existing users against the need to enable the development of innovative emerging technologies, such as Ultra Wideband and Cognitive Radio.
  - Engaging internationally on spectrum issues and raising awareness of the scope for innovation created by an increasingly market-led approach to spectrum allocation and management.
  - Continuing to support the move to digital TV switchover and assessing the digital dividend, i.e. examining how the spectrum released by switchover could be used.
  - Reviewing internet and other platform developments and considering how new ways of delivering content will affect the existing model of content regulation. There may be opportunities for people to exercise more control over content themselves, as well as potentially adverse implications for vulnerable groups. This will be one of our priorities for 2006/7.
  - Enabling the development of the next generation of telecoms networks, both access networks and new IP-based core networks, and understanding how new networks and services are developing and considering the implications for regulation. This will also be a priority for 2006/7.
  - Considering changes to the guidance on the Codes of Practice that public service broadcasters must use to negotiate terms of trade with independent producers. To assist the development of multimedia markets for TV-based content, it may be necessary to alter the approach to acquiring rights.
  - Enhancing choice and diversity for radio listeners at national, regional and local levels by issuing new licences for FM commercial, digital and community radio stations.
  - Considering the opportunities available to small commercial and community radio stations to migrate to digital radio.
  - Facilitating innovation in voice telephony services by articulating a clear policy for voice over broadband services, including guidelines for service providers.
  - Reviewing the rules governing the supply of premium rate services, taking into account technological developments and increasing convergence.

- Developing Ofcom’s approach to numbering, ensuring the efficient allocation of telephone numbers to communications providers and making any necessary changes to the UK’s numbering plan.

**Question 3** – *What are your views on the work which Ofcom should do in 2006/7 to encourage innovation?*

**Figure 4.2: Planned spectrum release**



### Promoting competition

4.8 As the regulator and competition authority for the communications sector, Ofcom has a crucial role to play in furthering the interests of consumers by opening up markets, reducing market dominance and tackling anti-competitive behaviour. In 2006/7 this will include work in the following areas:

- Implementing the Strategic Review of Telecommunications by ensuring effective implementation of the Undertakings made by BT Group plc. This will promote competition in the supply of voice and broadband services. We will also pursue the deregulation of voice markets as appropriate. This will be one of our priorities for 2006/7.
- Promoting sustainable, infrastructure-based competition in broadband markets, including the development of competition based on local loop unbundling (LLU).
- Analysing how new content services, digital rights management and secure payment systems could drive the take-up of faster broadband services.
- Examining competition and regulatory issues in broadcasting markets, including access to content rights, issuing new guidelines and codes for conditional access and cross-promotion.
- Promoting greater competition in business telecoms markets by ensuring that wholesale leased line products are fit for purpose and priced appropriately.
- Taking swift and effective action to enforce competition law and carrying out robust analysis in response to mergers in the communications sector.
- Ensuring a consistent approach to economic analysis across Ofcom and a converged approach to the analysis of telecoms and broadcasting issues.

**Question 4** – *What are your views on the work which Ofcom should do in 2006/7 to promote competition?*

## Pursuing better regulation

- 4.9 Across the full range of Ofcom's responsibilities we will aim to reduce and target regulation, one of our priorities for 2006/7. We have already taken substantial steps to streamline regulation (see Figure 4.3). This work will continue in 2006/7 and, more broadly, we will continue to seek ways of improving our approach to regulation.

**Figure 4.3: Opportunities taken to reduce regulation**

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### Spectrum

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#### Spectrum Framework Review

- The *Spectrum Framework Review*, together with related documents on spectrum trading, liberalisation and administrative incentive pricing, set out the way in which Ofcom will move from a command and control approach to spectrum management to a new, market-led approach. This is a major deregulatory initiative.
- In our approach to trading, we have decided to rely on competition law to ensure effective competition rather than introducing specific regulatory rules. This is an example of risk-based regulation, with the dynamic benefits of open markets outweighing the need for additional rules to deal with possible anti-competitive behaviour.

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#### Routine licensing activity

- Ofcom issued nearly 190,000 Wireless Telegraphy Act licences in 2004/5. Much of this activity related to simple, non-discretionary licences. This is an area with significant scope for reducing administrative burdens for large numbers of stakeholders.
- As a step towards reducing and simplifying the licensing regime, Ofcom has consulted on introducing a lifetime licence for amateur radio users and ships' radio. Further work in this area and in relation to other liberalising measures will continue in 2006/7.

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#### Spectrum interference

- Ofcom has reviewed its approach to spectrum interference investigations and has moved away from carrying out routine inspections in all cases, focusing instead on enforcement in cases where there is the greatest risk of serious interference.
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### Telecoms

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#### Strategic Review of Telecommunications

- In our wide-ranging *Strategic Review of Telecommunications* one of the fundamental questions we asked was whether there was scope for a significant reduction in regulation or whether BT's market power was too entrenched for this to be possible.
- A key outcome was that we decided to target regulation on the parts of BT's network that are economic bottlenecks, creating scope for deregulation elsewhere.
- The following are specific examples of deregulation on which we are currently consulting:
  - allowing BT greater flexibility in pricing of services for business customers, including the extent to which they can bundle services and offer bespoke, unpublished price plans; this follows an earlier decision to remove some regulation to allow BT to offer discounted bundles of services to business customers in limited circumstances; and relaxing the retail price control for fixed voice services to residential customers.
- In both these examples, the relaxation of regulation at the retail level is linked to BT offering effective wholesale services.

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#### EU market reviews

- Alongside the strategic reviews we have reviewed a range of communications markets in order to implement the EU regulatory framework.
  - The EU framework, which is reflected in the Communications Act 2003, provides for a more focused regulatory regime than the previous one, with controls applying only in defined economic markets, and only to operators with significant market power (SMP). As a consequence, markets with a combined turnover of around £3bn have been freed from regulatory obligations. For example, our review of BT's network charge control, which concerned the price of wholesale interconnection products, led to a reduction in regulation.
  - In some cases, market reviews have led to an increase in regulation in the short term, but in the expectation that it will be withdrawn in future. For example, Ofcom has imposed charge controls for LLU, reducing prices by up to 70 per cent for operators that want to connect to consumers via BT's access network. At the same time, we have maintained regulation of wholesale broadband access products, with the expectation that this regulation can be removed once take-up of LLU is sufficient to provide a competitive constraint on BT.
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### **Telecoms Adjudicator**

- Ofcom set up the Office of the Telecommunications Adjudicator in June 2004 to help resolve disputes about the implementation of LLU and to work with industry to develop fit-for-purpose products and processes. This has reduced the number of disputes Ofcom has had to investigate, with a resulting reduction in the burden of compliance.

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### **Numbering**

- Ofcom has introduced a number of measures intended to simplify and liberalise our approach to numbering, including:
  - revising the technical definitions of fixed and mobile numbers, so that they are technology-neutral and based on end-user perceptions;
  - allowing the use of geographic numbers for voice over broadband services; and
  - removing the distinction between content and non-content services for premium rate services.

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### **Universal Service Obligation**

- Ofcom has conducted a review of the Universal Service Obligation and is now preparing a final statement. Our proposals would reduce the regulatory burden on BT and Kingston Communications by:
  - allowing BT to introduce a special tariff scheme which is better targeted at low-income consumers than the current schemes;
  - simplifying the procedures that have to be followed when BT or Kingston wish to propose the removal of public call boxes (PCBs); and
  - giving BT and Kingston greater freedom to use cashless PCBs.

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## **Broadcasting**

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### **Strategic Review of Public Service Broadcasting**

- Ofcom's review of public service broadcasting set out recommendations for maintaining and strengthening PSB as we move towards digital TV switchover. This was the core objective of the review, but as a consequence there were some targeted reductions in regulation:
  - ending quotas for all programme genres on ITV, Channel 4 and Five apart from news, current affairs and regional programming; and
  - allowing broadcasters much greater freedom about reporting on how they have fulfilled their public service remit, thereby reducing administrative burdens.

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### **Radio Review**

- Ofcom's radio review will result in a move to a system of regulation focused more on outputs than on inputs, allowing radio stations greater flexibility in a range of areas, including studio location and the use of automation and news hubs.

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### **Broadcasting Code**

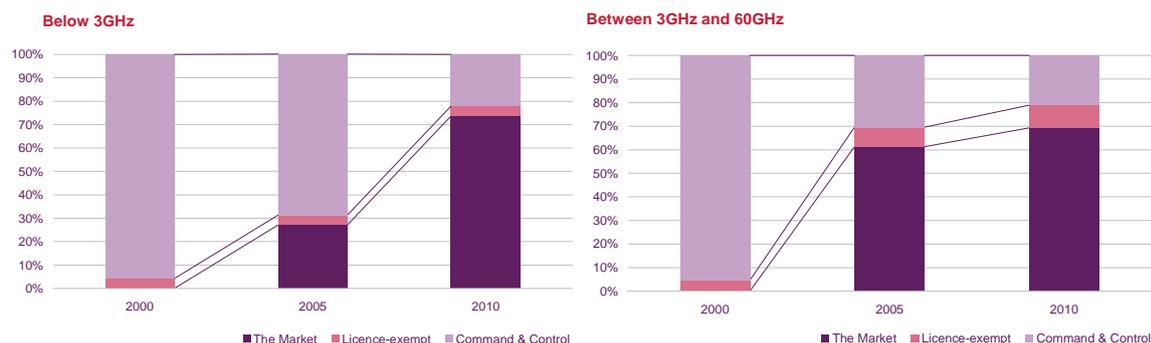
- Ofcom has published a new Broadcasting Code which is both targeted and deregulatory. We have reinforced the importance of protecting children, while recognising the changing broadcast environment and, generally, reducing regulation by:
    - making the Code shorter, simpler and clearer than previous ones;
    - introducing a unified approach to standards across TV and radio;
    - recognising the importance of freedom of expression by appropriately reducing restrictions on content provided it is properly labelled; making it clear that broadcasters and parents are also responsible for controlling what children watch; and
    - reducing sponsorship rules, while complying with EU legislation.
  - In our approach to broadcasting complaints, we now recognise that where broadcasters have taken sufficient remedial action there is no need for further Ofcom intervention.
  - As a post-transmission regulator, we normally carry out investigations only when we receive complaints.
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- 4.10 Of key importance will be embedding our approach to Impact Assessments and improving our policy decisions as a result. In July 2005, we published guidelines on our approach to Impact Assessment. These are based on current best practice, including Cabinet Office guidance. Ofcom intends to build on this to be at the forefront of developing both the theory and practice in this area. We will ensure that Impact Assessments begin at an early stage of project development, allowing a full range of options to be considered and encouraging early dialogue with stakeholders.
- 4.11 In addition, we intend to introduce a programme of evaluating our policy decisions. This will assess whether the expected benefits have materialised and whether we are applying our regulatory principles in practice.
- 4.12 We will explore how we can adapt the latest regulatory thinking, including the recommendations made in the reports by Philip Hampton and the Better Regulation Task Force. We are also examining regulatory approaches in other parts of the world.
- 4.13 A key theme of the *Hampton Review* was the need for targeted regulation focused on a clear assessment of regulatory risks. In line with this thinking, our draft work programme has a strong focus on targeting and reducing regulation, one of our priorities for 2006/7. This will include work across all the sectors we regulate, in many cases building on work we have started already and in other cases, consulting our stakeholders and considering whether it is appropriate for regulation to be reduced.

### **Spectrum**

- 4.14 We will continue our work to implement a policy framework which moves away from command and control towards market mechanisms for spectrum allocation and management. The expected timescales for this are shown in Figure 4.4.
- 4.15 There will be a focus on deregulation and reducing administrative burdens, including:
- consulting on greater use of licence exemption, for example, to deregulate Citizens' Band radio, enable Community Audio Distribution services, reduce the regulatory burden on low power equipment and enable higher power usage in rural areas; and
  - simplifying licensing processes, including moving to lifetime licences for Ships' Radio and Amateur Radio, introducing an online application process for spectrum users and simplifying licensing for the aeronautical sector through the administrative transfer of licensing to the Civil Aviation Authority.
- 4.16 Our approach to spectrum investigations and enforcement will follow a risk-based approach. In particular, we will continue to reduce the number of routine compliance inspections and we will work with industry groups to develop self-regulatory schemes. For example, our work with the Confederation of Aerial Industries and Federation of Communication Services is designed to ensure that we are only called out to investigate cases of genuine interference rather than problems caused by faulty aerial equipment.

**Figure 4.4: Changing the way spectrum bands are managed**



## Telecoms

4.17 We will follow a programme of reducing the overall burden of regulation, targeting regulation on key bottlenecks to increase competition. For example:

- we are currently consulting on relaxing the residential price controls on BT Group plc and increasing flexibility for business pricing. In 2006/7, we will consult further on retail price controls (and whether they are still needed) and on the further relaxation of regulation in retail business markets; and
- we will conduct a programme of reviews looking for further opportunities to deregulate.

4.18 As part of reducing regulation generally, we will seek to reduce administrative burdens. There will also be specific initiatives such as: implementing our review of the financial and operational data which BT Group plc is required to provide with a view to achieving a more streamlined process of data collection and analysis.

4.19 There will also be targeted action to simplify regulation in some areas, such as the metering and billing obligations on telecoms operators. And our strategic review of numbering will examine options for a more market-based approach to number allocation.

4.20 In relation to the review of the EU regulatory framework for electronic communications, where appropriate we will be seeking deregulation, for example, in reducing the list of markets which are subject to regulatory scrutiny.

## Broadcasting

4.21 We will continue our work with ITV, Channel 4 and Five to deliver effective self-assessment of compliance with Tier 3 requirements on quality of content.

4.22 Following consultation, we will be publishing a statement on the policy of “broadcaster first”, which is designed to place more responsibility on broadcasters to deal with complaints in the first instance.

- 4.23 We will monitor developments which in the future may allow us to reduce regulation, for example:
- the possibility of relaxing some of the analogue radio format requirements once there is mass-market take-up of digital radio;
  - maintaining a choice of quality programmes as we move towards digital TV switchover will involve reviewing the obligations of public service broadcasters, such as the non-news requirements placed on ITV; and
  - the opportunities for new approaches to content regulation created by changes in technology and the ability of viewers to control access to content themselves.
- 4.24 There will be targeted action to review and where possible simplify regulation imposed by former regulators, such as reviewing codes on conditional access.
- 4.25 We will also be working with industry stakeholders to lead the debate in the EU on the scope for effective self-regulatory and co-regulatory models.

**Question 5** – *Are there additional areas where Ofcom should reduce or better target regulation? Please provide specific examples.*

### Engaging internationally

- 4.26 We will continue to engage with international bodies and other regulators. A priority for 2006/7 will be to influence the way that international policy develops, in particular:
- the new EU directive on television and other audio-visual content;
  - the revised EU framework for electronic networks and services, with Ofcom's chairmanship of the European Regulators' Group during 2006 providing an important opportunity to provide leadership;
  - international negotiations on spectrum, including the Regional Radio Conference 2006; and
  - the development of policy on international roaming charges for mobile phone calls.
- 4.27 As the regulatory framework for communications is to a large extent determined in Europe and internationally, effective international engagement will help achieve policies that are targeted and do not create unnecessary burdens on stakeholders.

### Providing key services

- 4.28 During 2006/7 Ofcom will provide a range of important services, including:
- offering high-quality advice to consumers through our Contact Centre;
  - feeding into the policy-making process the issues raised by consumers when they engage with the Contact Centre;
  - taking targeted action to stop spectrum interference, for example, by dealing with illegal broadcasters;
  - improving the information available to stakeholders about the rules which govern spectrum management; and
  - the efficient licensing of access to spectrum, with an increased emphasis on electronic licensing.

## Operating effectively

4.29 There are a number of ways in which Ofcom will be seeking to operate more effectively, including:

- improving the delivery of information technology services within Ofcom;
- re-organising our business processes and systems to achieve the most efficient and integrated use of resources;
- managing the Spectrum Efficiency Scheme to help understand technological developments and enhance the efficiency with which spectrum is used;
- exploring ways of achieving a more diverse workforce and encouraging diversity in the communications sector more generally; and
- providing high-quality support to Ofcom's advisory panels and committees.

## Understanding the sector and our stakeholders

4.30 Ofcom needs a strong evidence base to inform our thinking and decision-making. Therefore, during 2006/7 we will be carrying out work to:

- complete our audit of the Nations and Regions, identifying the key communications issues for people, broken down by ethnicity, gender, age, nation and region;
- consider the likely impact of new technological developments, providing reports on specific developments and half-yearly updates on convergence;
- publish our annual communications market review, together with updates;
- produce the *Digital Television Quarterly Update* and report on progress towards switchover in the UK;
- maintain effective relationships with stakeholders, balancing the needs of different groups; and
- publish a second report on media literacy.

## Proposed work programme table

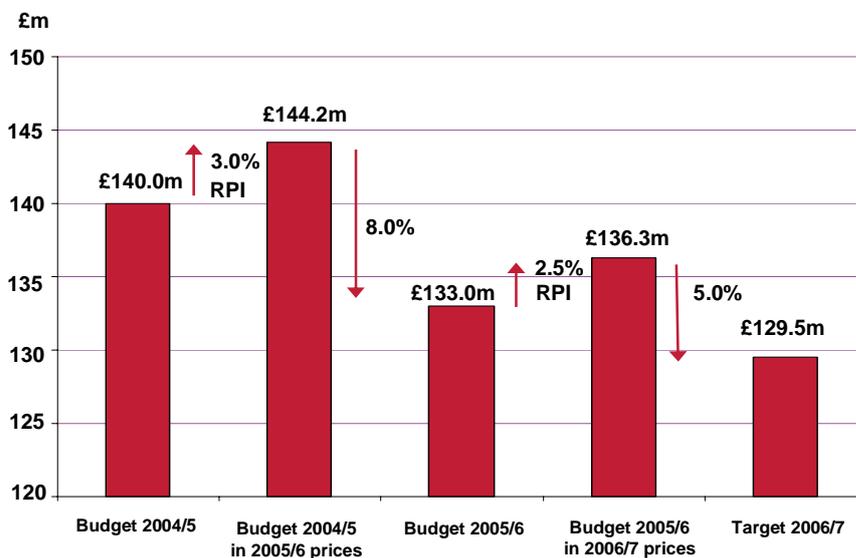
4.31 A more complete account of Ofcom's proposed work programme for 2006/7 is set out in Annex 1. Under each heading, there is a series of themes, objectives and outputs.

## Section 5

# Finance

- 5.1 Ofcom operates with a significantly lower headcount than the organisations which it replaced and with lower operating costs. In 2004/5, the 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. In our first three years we have therefore made significant reductions in our costs.
- 5.2 We will continue to achieve cost savings in the two years to come. In 2006/7, our budget will be reduced by a further 5 per cent in real terms and we expect a further reduction in 2007/8. Figure 5.1 shows how our costs have fallen since 2004/5 and will fall again in 2006/7.

**Figure 5.1: Comparison of Ofcom's costs since 2004/5**



- 5.3 Our budget for 2006/7 will be £129.5m (excluding spend on spectrum awards and the Spectrum Efficiency Scheme<sup>2</sup>). This is a 2.5 per cent saving in nominal terms (5 per cent in real terms) on the budgeted expenditure for 2005/6. The budget is based on an adjusted cash basis, which includes capital expenditure but excludes depreciation.
- 5.4 The way in which we raise our funds reflects our three main areas of regulatory responsibility – networks and services, spectrum management and broadcasting, which is further split between TV and radio. Details of how our costs are allocated to these different areas are set out in a separate *Statement of Charging Principles*<sup>3</sup>.

<sup>2</sup> This is funded by the Treasury and administered by Ofcom.

<sup>3</sup> The statement of charging principles can be found at:  
[http://www.ofcom.org.uk/about/accoun/scp/charging\\_principles/cp/#content](http://www.ofcom.org.uk/about/accoun/scp/charging_principles/cp/#content)

## Repayment of Ofcom's set-up costs

5.5 During next year we will continue to pay down the loan made by the Department of Trade and Industry to cover Ofcom's set-up costs. These costs were incurred during the period March 2003 to January 2004. We must repay the £52.3m loan plus interest and recover this money from stakeholders. During 2006/7 the cost of repaying the loan will be £5.6m, a significant reduction on the £19m payable during 2005/6. By the end of 2007/8 the loan and interest will have been repaid. Figure 5.2 shows the repayment schedule in detail. The set-up costs were allocated to the different areas of regulatory responsibility on the basis of the former regulators' expenditure in each area.

**Figure 5.2: Ofcom's loan repayments, including interest**

	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
<b>Total</b>	<b>7,328</b>	<b>19,652</b>	<b>18,854</b>	<b>5,597</b>	<b>5,362</b>	<b>56,793</b>

5.6 In addition to repaying the DTI's loan, by the end of 2007/8 we will have improved our efficiency by investing in major changes to our operating systems. The end of 2007/8 will therefore be a watershed. Ofcom will be well-established and, having achieved an acceptable level of operational efficiency, will be likely to have more stable funding requirements.

## Efficiency savings

5.7 Efficiency savings will continue to be made across the board. Many of our initiatives to improve efficiency started in 2004/5 and were fully implemented in 2005/6. In 2006/7 we will continue to make savings. In particular, we will be seeing further benefits from Project Unify, a three-year project to improve our information systems and processes that will run until 2007/8. We will invest £16m during this period to reduce spending on information systems to around £12m per annum, down from £22.5m in 2004/5.

5.8 The project has already borne tangible results, the in-sourcing of IT desktop support and infrastructure having led to an annual saving of about £3.2m. We are also making savings by streamlining our licensing processes.

5.9 There are other operational areas where we are seeking to improve our efficiency. Particular progress has been made in the following areas:

- in the Ofcom Contact Centre we are developing the principle of "service provider first", putting the onus on service providers to take responsibility for dealing with complaints;

- across Ofcom we are implementing an internal re-organisation to ensure that we have the right organisational structure to achieve our aims; and
  - in Field Operations we are ceasing routine spectrum compliance inspections, focusing instead on targeted enforcement.
- 5.10 Looking ahead, we expect there to be a continued shift away from managing spectrum as this becomes increasingly subject to market mechanisms. This will change Ofcom's resource requirements, although the scale and pace of change will depend on how quickly markets develop.

## Annex 1

# Proposed work programme table

## Addressing citizen and consumer issues

Theme	Objectives	Outputs
Serving citizens and consumers: Broadcasting Code – application and development	<ul style="list-style-type: none"> <li>▪ Carry out an end-to-end internal examination of the broadcasting complaints process (with Ofcom Contact Centre)</li> <li>▪ Consider a co-regulatory approach to broadcasting complaints</li> <li>▪ Identify implications of future trends and social issues in broadcasting, e.g. gambling deregulation</li> <li>▪ Consider the consumer protection issues arising from new broadcasting models</li> <li>▪ Ensure the conclusions of the debate on advertising food to children are implemented in TV and carried forward to radio and non-broadcast sectors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consultation and statement on 'Broadcaster First'</li> <li>▪ Consultation and statement on revised sanctions procedure</li> <li>▪ Consultations and statements on code changes</li> <li>▪ Handle 'business as usual' complaints with seamless transition to any new system</li> </ul>
Broadcasting content: The next five years	<ul style="list-style-type: none"> <li>▪ Manage the short- to medium-term broadcasting content issues ahead of digital TV switchover (DSO)</li> <li>▪ Seek effective solutions for reinforcing plurality in (and paying for) public service broadcasting (PSB)</li> <li>▪ Effective management of issues, keeping level of obligations under review in the light of approaching DSO</li> <li>▪ Implement outcomes of TV Production Sector Review, continuing work as necessary on Codes of Practice</li> <li>▪ Review position of Channel 4 and consider issues of in-house production</li> <li>▪ Secure Ofcom's duties with regard to access services and provision of accessible equipment</li> <li>▪ Input into the BBC Charter Review in those areas which overlap with Ofcom's responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Biannual stakeholder events on aspects of PSB delivery</li> <li>▪ Contribution to development of Codes of Practice for multimedia rights to TV content through facilitating broadcaster and producer dialogue</li> <li>▪ Publish review of Channel 4</li> <li>▪ List of channels subject to access services obligations, plus revised Access Code and new standards</li> <li>▪ Effective co-regulation of broadcaster training activities</li> </ul>
Broadcasting Content: Longer-term issues – post-digital TV switchover	<ul style="list-style-type: none"> <li>▪ Develop framework for regulation of public service broadcasting (PSB) channels post-digital TV switchover (DSO)</li> <li>▪ Consider the future production and consumption of news</li> <li>▪ Review implications of the new Television Without Frontiers Directive (TWF) for origination and independent quotas for delivery of PSB purposes</li> <li>▪ Consider implications of new framework for media literacy</li> <li>▪ Set a funding framework for production in the light of TWF, including RADA implications, product placement and other sources of funding</li> <li>▪ Understand the future of local TV in a digital age</li> <li>▪ Identify and develop strategic framework underpinning the role of the electronic programme guide (EPG)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Forward-looking assessment of the future plurality of PSB and its funding</li> <li>▪ Major review of ITV networking arrangements, aligning regulation of ITV more closely to other public service broadcasters</li> <li>▪ (Pre-)consultation on ITV regional non-news requirements post-DSO, and possibly news</li> <li>▪ Approve new and/or extended local TV licenses as appropriate</li> <li>▪ Publish EPG Code consultation document and implement new rules</li> </ul>

Theme	Objectives	Outputs
Delivering the citizen and consumer interest	<ul style="list-style-type: none"> <li>▪ Clarify the role of Ofcom in improving consumer outcomes by compensating for market imperfections</li> <li>▪ Clarify Ofcom's role in ensuring access to socially desirable services by users who would not receive services through market processes</li> <li>▪ Establish Ofcom's approach to ensuring that citizens and consumers are protected from unethical business activity</li> <li>▪ Ensure that the consumer and citizen interest is sufficiently central to Ofcom's work and is seen to be so by external parties</li> <li>▪ Improve the external communication of Ofcom's consumer and citizen-related activities</li> <li>▪ Put research and evidence at the heart of Ofcom's consumer policy thinking</li> <li>▪ Ensure appropriate and adequate protection of consumers</li> <li>▪ Ensure there are no barriers to entry for innovative services for consumers</li> <li>▪ Ensure there is universal service access to appropriate services</li> <li>▪ Create easy-to-use, online, comprehensive access to telecoms and consumer regulations</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Final number translation services (NTS) statement</li> <li>▪ Continued engagement in relation to mis-selling and migration</li> <li>▪ Delivery of policy view in relation to directory enquiries wholesale markets</li> <li>▪ Universal service review</li> <li>▪ A well-utilised online regulations database</li> <li>▪ Consumer Strategy Phase 2 statement</li> <li>▪ Accessibility Strategy review consultation document</li> <li>▪ Implementation of consumer strategy proposals</li> <li>▪ Review of mis-selling in fixed line telecoms</li> <li>▪ Preparing and carrying out of stakeholder communications plan</li> <li>▪ Considering Consumer Panel recommendations</li> </ul>
Enforcing ex-ante competition and consumer regulations	<ul style="list-style-type: none"> <li>▪ Establish Ofcom as a swift and credible agency when taking action to protect consumers from scams and rogue traders</li> <li>▪ Reduce measurably harm to consumers (e.g. mis-selling, silent calls and scams)</li> <li>▪ Contribute to the wider debate on consumer protection enforcement and work with other agencies to the benefit of consumers</li> <li>▪ Link consumer policy and consumer protection/enforcement</li> <li>▪ Resolve disputes under the Communications Act 2003 to address issues of significant market power (SMP)</li> <li>▪ Enforce ex-ante competition regulations swiftly and effectively</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% compliance with statutory and administrative deadlines for enquires and investigations</li> <li>▪ 100% compliance with statutory deadlines for the resolution of disputes</li> <li>▪ Well thought-out, well-written decisions issued consistently on time, robust enough to withstand high levels of challenge</li> <li>▪ Ofcom positioned as a strong, swift and effective agency capable of taking action to protect consumers where necessary</li> </ul>

## Encouraging innovation

Theme	Objectives	Outputs
Delivering future regulation and licensing of radio	<ul style="list-style-type: none"> <li>▪ Enhance choice, diversity and innovation for radio listeners at the UK, national, regional and local levels by licensing new services and encouraging the growth of digital radio</li> <li>▪ Secure the provision of radio designed to meet public purposes, for example by encouraging the growth of community radio</li> <li>▪ Ensure the provision of an appropriate amount of local material on local commercial radio stations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Issue new FM commercial, digital and community radio licences</li> <li>▪ Produce report on digital rights management (DRM) migration and small stations' options</li> <li>▪ Publish review of future FM licensing</li> </ul>
Facilitating technological innovation	<ul style="list-style-type: none"> <li>▪ Continue to support the move to digital TV switchover</li> <li>▪ Assess the digital dividend, i.e. examining how the spectrum released by switchover could be used</li> <li>▪ Develop the spectrum management environment to facilitate access to spectrum for innovative new technologies and applications</li> <li>▪ Promote optimum use of spectrum by facilitating the development of new radio-based technologies and applications</li> <li>▪ Facilitate the testing and development of new radio equipment through an authorisation regime that ensures existing users do not suffer harmful interference</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hold a series of seminars with stakeholders to discuss the digital dividend</li> <li>▪ Complete the digital dividend review and publish proposals</li> <li>▪ Continued delivery of Test and Development licences within key performance indicators</li> <li>▪ Development of a suitable regulatory approach for Cognitive Radio devices</li> </ul>
Spectrum awards	<ul style="list-style-type: none"> <li>▪ Provide the market with adequate spectrum to meet the needs of spectrum users</li> <li>▪ Promote optimum use of spectrum through an extensive programme of spectrum awards</li> <li>▪ Identify under-utilised spectrum that can be cleared and released for award</li> <li>▪ Where possible, spectrum to be awarded will be free from technology and usage restrictions and be tradeable</li> <li>▪ Complete spectrum awards, including ex-Inquam spectrum, L-Band and joint award of 1785-1805 MHz with ComReg in Northern Ireland</li> <li>▪ Prepare award of UHF spectrum, 2500-2690 MHz, and other bands</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market study reports</li> <li>▪ Consultation documents</li> <li>▪ Information memorandums</li> <li>▪ Auction design documentation</li> <li>▪ Licences for awarded spectrum</li> </ul>
Promoting technology evolution	<ul style="list-style-type: none"> <li>▪ Establish an ex-ante competition framework for markets following the development of next generation networks (NGN)</li> <li>▪ Exploit the opportunities provided by convergence as an enabler of deregulation</li> <li>▪ Address consumer protection concerns raised by move to NGN</li> <li>▪ Explore NGN as a stage on the road to next generation access (NGA)</li> <li>▪ Pursue the systems and technology developments required of BT by the undertakings made under the Enterprise Act 2002</li> <li>▪ Work towards Deliver delivery of real equality of access and equivalence of input (Eol)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proactive adaptation of the regulatory regime through new market structure, product roadmap and charging principles</li> <li>▪ Initial NGN market reviews: converged bitstream origination, converged access</li> <li>▪ Agree co-regulatory approach to consumer protection issues where possible, review general conditions where not</li> <li>▪ On-time delivery by BT of product, systems and technology developments</li> <li>▪ Consultation and statement on general conditions</li> <li>▪ Product roadmap for Eol products</li> <li>▪ Ongoing monitoring of systems implementation</li> </ul>

Theme	Objectives	Outputs
Enabling spectrum markets	<ul style="list-style-type: none"> <li>▪ Promote optimum use of spectrum through the establishment of a spectrum market and wider adoption of a market-led approach to spectrum management</li> <li>▪ Implement the recommendations of the Spectrum Framework Review</li> <li>▪ Introduce greater clarity regarding spectrum property rights associated with Wireless Telegraphy Act licences</li> <li>▪ Support achievement of a successfully functioning market in spectrum by a strategic approach to new spectrum release</li> <li>▪ Resolve key policy issues on application of administered incentive pricing to TV and radio broadcasting</li> <li>▪ Implement consistent pricing approach for Business Radio licences</li> <li>▪ Introduce recognised spectrum access for radio astronomy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Licence terms varied to allow greater flexibility of use/application (i.e. technology-neutral licences, where possible)</li> <li>▪ An easily accessible and comprehensive spectrum information resource</li> <li>▪ A tradeable spectrum property right for the radio astronomy sector</li> <li>▪ Comprehensive audit of major spectrum holdings. Identification of potential spectrum releases, with timescales and strategic action plan</li> <li>▪ Delivery of a framework that encourages development of Spectrum Management Organisations (SMOs)</li> </ul>
Analysing the evolution of digital multimedia platforms	<ul style="list-style-type: none"> <li>▪ Develop a framework to address the emerging regulatory and policy challenges resulting from developments in digital platforms and services</li> <li>▪ Analyse content delivery across different platforms, business models, consumer demand and options for regulation</li> <li>▪ Promote consumer awareness and understanding of rules surrounding different types of content through media literacy initiatives</li> <li>▪ Enable consumers to take responsibility for what they view and listen to on different platforms</li> <li>▪ Consider changes to the guidance on the Codes of Practice that public service broadcasters must use to negotiate terms of trade with independent producers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Publish consultation paper to facilitate a wide-ranging public debate about future developments and regulatory implications, which will address: <ul style="list-style-type: none"> <li>○ Whether the current model of regulating broadcast content is sustainable</li> <li>○ Whether a consistent or platform- neutral approach is desirable, or indeed practical</li> <li>○ How consumer protection can be balanced against the need to protect the rights of others</li> <li>○ The extent to which citizens and consumers will be able to control access to content themselves</li> <li>○ What regulatory model might be adopted for content navigation and search tools, including labelling standards</li> <li>○ The role of Ofcom vis-à-vis government and other regulatory bodies</li> </ul> </li> <li>▪ Ensure a media literacy element in all relevant content and technology publications</li> </ul>

## Promoting competition

Theme	Objectives	Outputs
Implementing BT's Undertakings	<ul style="list-style-type: none"> <li>▪ Help ensure the Undertakings are implemented to the letter and spirit of their intent</li> <li>▪ Proactively assess whether the undertakings are being implemented properly and whether they deliver the desired impact for industry and consumers</li> <li>▪ Swiftly take appropriate remedial action if Undertakings are not being implemented or are not delivering the desired impact</li> <li>▪ Liaise with BT and industry to ensure smooth implementation; build and maintain confidence</li> <li>▪ Embed the Undertakings in 'business as usual' processes for industry and Ofcom</li> </ul>	<ul style="list-style-type: none"> <li>▪ Guidance to stakeholders on enforcement procedures</li> <li>▪ Directions, variations, consents and consultations on the Undertakings where necessary</li> <li>▪ Implementation reports</li> </ul>
Opening voice telecoms markets to competition	<ul style="list-style-type: none"> <li>▪ Work towards Ddelivery ofn the five high-level objectives set out in Ofcom's strategic review of telecommunications (TSR) for the promotion of voice competition and associated deregulation</li> <li>▪ Stage 1: Delivery of fit-for-purpose Wholesale Line Rental (WLR) / Carrier Pre-Selection (CPS)</li> <li>▪ Stage 2: Deregulation of retail voice markets</li> <li>▪ Stage 3: Review of ex-ante regulation in wholesale voice markets which are not enduring bottlenecks</li> <li>▪ Stage 4: Promotion of Voice over Internet Protocol (VoIP) voice competition</li> <li>▪ Stage 5: Promotion of inter-platform competition as a result of fixed–mobile convergence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing Ddelivery of equivalence of input (EoI) for WLR; ongoing developments for CPS</li> <li>▪ Review of retail price control and retail market review</li> <li>▪ Wholesale International Direct Dial (IDD) market review</li> <li>▪ VoIP statement and review of related general conditions</li> <li>▪ Policy for VoIP as a publicly available telephone service (PATS) and code of practice</li> </ul>
Opening consumer broadband markets to competition	<ul style="list-style-type: none"> <li>▪ Ensure the appropriate level of effective and sustainable infrastructure-based competition to deliver better consumer outcomes in broadband</li> <li>▪ Ensure successful development of competition based on local loop unbundling (LLU) inputs</li> <li>▪ Deliver this through economic regulation of bottlenecks (especially local access) and refined (amended or removed) regulation of non-bottleneck markets</li> <li>▪ Ensure that relevant broadband obligations in undertakings are delivered effectively</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve more refined wholesale broadband remedies to support the next development in competitive supply to consumers</li> <li>▪ Achieve effective and sustainable competition based on LLU inputs, driving down costs and driving innovation for consumers</li> </ul>
Opening business telecoms markets to competition	<ul style="list-style-type: none"> <li>▪ Ensure that wholesale products in leased lines markets are fit-for-purpose as a basis for sustainable competition</li> <li>▪ Ensure that Partially Private Circuit (PPC) charges for both terminating and trunk segments bear an appropriate relationship to cost to encourage efficient purchasing decisions and promote market development</li> <li>▪ Ensure that BT is able to earn a reasonable rate of return on PPC terminating segments</li> <li>▪ Phase deregulation of retail business markets for exchange lines, calls and leased lines as competitive conditions permit</li> </ul>	<ul style="list-style-type: none"> <li>▪ New leased lines market definitions and wholesale products, better adapted to changes in markets and technologies</li> <li>▪ New charge control for PPCs, as a better reflection of the real costs of supplying bottleneck products</li> <li>▪ Consult on further relaxation of the significant market power remedies applied to BT to promote competition in retail business markets</li> </ul>
Reviewing competition in mobile telecoms markets	<ul style="list-style-type: none"> <li>▪ Understand likely future developments in mobile markets</li> <li>▪ Facilitate innovation in mobile services</li> <li>▪ Explore opportunities for deregulation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued protection for consumers where significant market power exists</li> <li>▪ Achieve solution to the issues surrounding international roaming call charges</li> </ul>
Reviewing competition in broadcasting markets	<ul style="list-style-type: none"> <li>▪ Ensure Ofcom has a profound understanding of competition issues in broadcasting markets so that it can respond quickly and effectively when issues arise</li> <li>▪ Identify key barriers to successful development of markets, where intervention may be necessary to open up markets to ensure effective competition</li> <li>▪ Lead thinking on broadcasting competition issues so that Ofcom is established as a world-class leader in this relatively undeveloped area</li> <li>▪ Link broadcasting competition issues to wider public policy aims in broadcasting and spectrum</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop a new approach to opening up broadcasting markets to competition</li> <li>▪ Publish new guidelines and codes for conditional access and, cross-promotion, minimum carriage requirements (if any)</li> <li>▪ Review impact of intangible bottlenecks – e.g. rights – on competition</li> <li>▪ Publish research and economic reports on competition issues to establish Ofcom as a leader in thinking about these issues</li> </ul>

Theme	Objectives	Outputs
Consistency in regulatory approach and policy-making	<ul style="list-style-type: none"> <li>▪ Ensure internal consistency in economic approach (across all Ofcom groups)</li> <li>▪ Identify implications of economic analysis for other areas</li> <li>▪ Identify necessary trade-offs between our different duties e.g. efficiency vs equity and regulatory vs competition powers</li> <li>▪ Explore and establish whether there is a converged, generalised approach for both telecoms and broadcasting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recommendations on the economic reasoning of the Competition Appeals Tribunal (CAT)</li> <li>▪ Recommendations arising from work on leveraging into nascent markets</li> <li>▪ Market definition (indirect constraints and geographic)</li> </ul>
Providing technology input to policy development	<ul style="list-style-type: none"> <li>▪ Provide technology expertise to Ofcom strategy and policy projects</li> <li>▪ Ensure that Ofcom decisions take into account the impact of convergence and technology change</li> </ul>	<ul style="list-style-type: none"> <li>▪ Analysis of how new content services, digital rights management and secure payment systems could drive the take-up of faster broadband services</li> <li>▪ Analysis of the strengths and weaknesses of new media content delivery platforms</li> <li>▪ Technical analysis of different potential uses of the L-band and spectrum released from digital switchover</li> <li>▪ Next generation services regulation</li> <li>▪ Analysis of strengths and weaknesses of Operating Support System's</li> <li>▪ Input to EC framework review</li> <li>▪ Input to Next Generation Access Review</li> </ul>
Efficient allocation of telephone numbers	<ul style="list-style-type: none"> <li>▪ Communicate strategic objectives of Ofcom's numbering policy</li> <li>▪ Ensure the availability of telephone numbers</li> <li>▪ Promote efficiency in the administration of a limited numbering resource</li> <li>▪ Develop the numbering plan in alignment with commercial and technical advances</li> <li>▪ Ensure service targets for the allocation of numbers are met</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement setting out Ofcom's numbering strategy</li> <li>▪ Consultation on proposals relating to charging for numbers</li> <li>▪ Allocate numbers to communications providers in accordance with statutory targets</li> <li>▪ Implement necessary changes to the UK numbering plan</li> </ul> <p>Implement a consumer protection test in relation to the allocation of numbers</p>
Enforcing other regulatory obligations	<ul style="list-style-type: none"> <li>▪ Ensure the quality and consistency of regulatory financial reports and their systems</li> <li>▪ Maximise the value of regulatory financial information and minimise the burden in meeting regulatory obligations</li> <li>▪ Ensure that operators facing price control and non-discrimination obligations demonstrate their compliance status in a robust and transparent manner</li> <li>▪ Ensure that Ofcom makes optimal use of the available financial data</li> <li>▪ Understand the impact of business rates on competitive conditions in the telecoms sector and take action where necessary to influence developments</li> <li>▪ Prevent non-price discrimination through transparency in relation to quality of service</li> <li>▪ Respond to applications for Electronic Communications Code powers</li> <li>▪ Ensure compliance with obligations regarding funds for liabilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Production of annual regulatory financial reports of BT and Kingston – prepared by the respective companies but monitored by Ofcom</li> <li>▪ Publish consultations on enhancing the regulatory financial reports</li> <li>▪ Improve the level of financial analysis used by Ofcom in its decision-making</li> <li>▪ Use data extract tool to provide information inputs to policy projects and investigations, resulting in faster, deeper, quicker analysis</li> <li>▪ Input into relevant government consultation processes and decisions where necessary in relation to pricing of affected services</li> </ul>

## Pursuing better regulation

Theme	Objectives	Outputs
Reducing regulation: spectrum	<ul style="list-style-type: none"> <li>▪ Reduce the regulatory burden on spectrum users and increase the amount of spectrum available for use by licence-exempt equipment</li> <li>▪ Introduce a lifetime licensing regime for ships' radio and amateur radio</li> <li>▪ Complete administrative transfer of aeronautical licensing to Civil Aviation Authority (CAA)</li> <li>▪ Deregulate CB radio (subject to consultation process)</li> <li>▪ Enable Community Audio Distribution (CAD) services via exemption</li> <li>▪ Reduce the regulatory burden on low power equipment through a programme of (Wireless Telegraphy Act) licence exemptions</li> <li>▪ Enable higher power use in rural areas through licence exemption</li> </ul>	<ul style="list-style-type: none"> <li>▪ Introduce a lifetime licensing regime for ships' radio and amateur radio users</li> <li>▪ Publish consultation on proposal to reform aeronautical radio</li> <li>▪ Achieve exemption of new equipment operating in the ex-ERMES spectrum</li> <li>▪ Achieve exemptions for earth stations on vessels and aircraft earth stations</li> </ul>
Delivering better regulation	<ul style="list-style-type: none"> <li>▪ Establish Ofcom at the forefront of regulatory thinking and action in relation to reducing and targeting regulation</li> <li>▪ Understand current thinking on better regulation, assess emerging ideas and refine Ofcom's approach to regulation where appropriate</li> <li>▪ Develop a strategic response to proposals for new structural arrangements for regulation which might affect Ofcom</li> <li>▪ Propose ways in which Ofcom can minimise regulatory burdens on stakeholders</li> <li>▪ Anticipate future market and consumer trends in our approach to regulation</li> <li>▪ Enhance and develop Ofcom's internal arrangements for evaluating impact and performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Produce Impact Assessments in accordance with Ofcom guidelines</li> <li>▪ Publish Ofcom evaluation report</li> <li>▪ Review media ownership rules</li> <li>▪ Review how the Communications Act is working in practice</li> </ul>

Other relevant themes	Aim or activity
Enabling spectrum markets	Encouraging innovation
Opening voice telecoms markets to competition	Promoting competition
Opening business telecoms markets to competition	Promoting competition
Reviewing competition in mobile telecoms markets	Promoting competition
Reviewing competition in broadcasting markets	Promoting competition
Developing international strategy: EU 2006 Regulatory Framework Review	Engaging internationally
Licensing access to the radio spectrum	Providing key services
Improving licensing	Operating effectively
Improving field operations	Operating effectively

## Engaging internationally

Theme	Objectives	Outputs
International engagement and strategy	<ul style="list-style-type: none"> <li>▪ Ensure the overall coherence of Ofcom's international policies</li> <li>▪ Enhance the quality of Ofcom's relationships with key international bodies and stakeholders</li> <li>▪ Improve transparency of Ofcom's international activity and international developments</li> <li>▪ Ensure Ofcom's and UK's compliance with international legislation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Produce revised international strategy</li> <li>▪ Higher profile for Ofcom internationally</li> <li>▪ Conduct targeted press and event activity in Brussels and Europe</li> <li>▪ Establish International Stakeholder Forum</li> <li>▪ Prepare a political engagement plan for Brussels and key European capitals</li> </ul>
Providing leadership to the European Regulators' Group	<ul style="list-style-type: none"> <li>▪ Lead European Regulators' Group (ERG) thinking on the development of the EU regulatory framework</li> <li>▪ Promote the application of a harmonised approach among European national regulatory authorities (NRAs) of the implementation of the European framework</li> <li>▪ Enhance Ofcom's profile internationally and build close relationships with heads of other NRAs and senior Commission officials</li> <li>▪ Enhance Independent Regulators' Group (IRG) and ERG effectiveness over a period beyond the UK chairmanship</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve a more effective and active IRG and ERG with worthwhile outcomes</li> <li>▪ Greater transparency of IRG and ERG work – including an ERG manual</li> <li>▪ Resolve IRG and ERG organisational problems</li> </ul>
Developing international strategy: EU 2006 Regulatory Framework Review	<ul style="list-style-type: none"> <li>▪ Influence the Commission's thinking in the review of the regulatory framework for electronic communications networks and services</li> <li>▪ Press for the revised framework to reflect Ofcom's objectives, in particular: <ul style="list-style-type: none"> <li>○ maintaining Ofcom's current degree of regulatory discretion in applying the framework in the UK</li> <li>○ providing scope for deregulation where appropriate (e.g. in the list of mandatory relevant markets)</li> <li>○ avoiding an inappropriate framework for regulation of NGNs such as 'regulatory holidays'</li> <li>○ addressing problems with the current framework such as PATS definition and its applicability to VoIP</li> <li>○ ensuring Ofcom meets its international telecoms obligations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ A clear and well-argued case for changes to the framework desired by Ofcom</li> <li>▪ Effective lobbying of Commission, European Parliament and other key Brussels influencers (e.g. trade associations) on key issues in the 2006 Framework Review</li> <li>▪ Effective liaison with Ofcom's stakeholders including the UK Government</li> <li>▪ Achieve accurate representation of Ofcom's and UK's position in reports from influential international bodies, in particular the European Commission's Annual Implementation Report</li> </ul>
Developing international strategy: broadcast and content issues	<ul style="list-style-type: none"> <li>▪ Ensure coordinated Ofcom response to the Television Without Frontiers proposals</li> <li>▪ Ensure a consistent UK Government / Ofcom approach</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proactively engage with the Commission and the UK Government before detailed legislative proposals emerge</li> <li>▪ Analyse and assess draft legislation when it emerges</li> <li>▪ Set up an internal 'bill team' to handle co-ordination</li> <li>▪ Work with industry stakeholders to lead the debate on regulatory impact and on scope for effective self-regulatory and co-regulatory models</li> </ul>
Developing international strategy: spectrum	<ul style="list-style-type: none"> <li>▪ Ensure international spectrum policies are internally consistent and consistent with Ofcom's other international policies</li> <li>▪ Maintain an overview of the principal international spectrum issues, in particular spectrum trading, spectrum management and digital dividend</li> <li>▪ Ensure international developments facilitate and do not frustrate implementation of UK policies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve more effective and coherent international spectrum strategy and engagement</li> <li>▪ Achieve greater transparency for Ofcom stakeholders on international spectrum issues</li> </ul>

Theme	Objectives	Outputs
<p>Developing international strategy: international spectrum engagement</p>	<ul style="list-style-type: none"> <li>▪ Engage effectively in the international arena to ensure Ofcom's regulatory principles and plans are adopted internationally where possible</li> <li>▪ Ensure that a coordinated UK position is agreed prior to international meetings/conferences (CEPT, ITU etc)</li> <li>▪ Achieve a successful outcome at the Regional Radio Conference 2006 (May/June) that enables implementation of UK digital TV switchover plan, and initiation of the award process for released spectrum</li> <li>▪ ITU: Achieve successful outcomes from major conferences (Telecoms Development – March 2006, Council – April 2006, Plenipotentiary – November 2006)</li> <li>▪ Lead improved management, protection of stakeholder interests, and re-election of UK to Council</li> <li>▪ World Radio Conference 2007: Ensure UK interests are adequately covered in European Common Proposals – March 2007</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve international agreements that result in increased access to spectrum for UK users</li> </ul>

## Providing key services

Theme	Objectives	Outputs
Delivering contact services to citizens and consumers	<ul style="list-style-type: none"> <li>▪ Provide a high quality of service and meet key performance indicators (KPIs) in response to complaints from a broad range of viewers, listeners, customers of telecoms companies and users of wireless services</li> <li>▪ Provide high-quality reporting on consumer expressions of dissatisfaction to Ofcom, stakeholders, panels and advisory committees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure integrity and accuracy of citizen and consumer case-logging in support of consumer policy and Ofcom investigations</li> <li>▪ Deliver appropriate processes and systems to support a multi-channel citizen, consumer and customer Contact Centre with Information Services</li> </ul>
Licensing access to the radio spectrum	<ul style="list-style-type: none"> <li>▪ Provide spectrum through the licensing function and deliver liberalised licences</li> <li>▪ Meet customer-focused KPIs and legal requirements</li> <li>▪ Provide accurate billing and pricing information to customers and provide bills 'right first time'</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure the licensing delivery function is not disrupted during Ofcom's business process re-engineering and that the business benefits are realised</li> <li>▪ Develop and train staff in their use of new systems and processes in support of customers</li> <li>▪ Up-skill and cross-skill staff in order to meet changing customer and business demands – increase flexibility within team.</li> </ul>
Keeping the radio spectrum free from interference	<ul style="list-style-type: none"> <li>▪ Enforce against illegal use of the radio spectrum</li> <li>▪ Remove non-compliant equipment from the market</li> <li>▪ Protect safety-of-life communications</li> <li>▪ Support other Ofcom colleagues</li> <li>▪ Enable legitimate use of the spectrum through stakeholder and consumer support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Undertake enforcement operations against illegal broadcasting</li> <li>▪ Investigate R&amp;TTE infringements</li> <li>▪ Prosecute individuals in relation to illegal activities</li> <li>▪ Resolve safety-of-life cases within 24 hours of reporting</li> <li>▪ Close interference cases within 30 days of reporting</li> <li>▪ Make first contact with interference complainants within five days of reporting</li> </ul>
Supporting spectrum authorisation	<ul style="list-style-type: none"> <li>▪ Authorise spectrum access in line with Ofcom's statutory duties</li> <li>▪ Provide continued access to spectrum through the ongoing licensing function required for non-discretionary Category B &amp; C Wireless Telegraphy (WT) Act licences</li> <li>▪ Support the ongoing development of the UK economy through the provision of access to suitable spectrum</li> <li>▪ Ensure that spectrum users within the UK do not suffer harmful interference</li> <li>▪ Ensure that UK spectrum use does not cause harmful interference internationally</li> <li>▪ Manage the ongoing spectrum authorisation regime in the most cost-effective manner</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue to issue Category B and C licences within relevant KPI timescales</li> <li>▪ Develop a revised set of KPIs to provide a more meaningful measure of performance</li> </ul>
Maintaining the spectrum regulatory framework	<ul style="list-style-type: none"> <li>▪ Fulfil Ofcom's statutory responsibilities relating to maintaining the regulatory framework in respect of spectrum use</li> <li>▪ Ensure clarity regarding the legal framework through the production, and maintenance, of relevant regulations and guidance</li> <li>▪ Ensure that the UK is adequately represented at international regulatory fora</li> <li>▪ Produce a single, consolidated version of the various 'editions' of the WT Act</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop an improved spectrum information resource containing relevant (and up-to-date) procedures and regulations</li> <li>▪ Consult on new pricing proposals</li> <li>▪ Produce new regulations (fees, limitations, exemptions, inspections etc)</li> </ul>

## Understanding the sector and our stakeholders

Theme	Objectives	Outputs
Understanding consumer and marketplace evolution	<ul style="list-style-type: none"> <li>▪ Identify demographic and technological change and how it impacts on the way people use new and existing services</li> <li>▪ Develop scenarios about how the impact of market trends will inform the need for regulation</li> <li>▪ Identify key communications issues for different demographic and social groups – by ethnicity, gender, age, national, regional, urban and rural</li> <li>▪ Identify key structural changes in the marketplace</li> <li>▪ Scope the impact of capital markets' recovery</li> <li>▪ Identify the impact of internationalism and globalisation on the communications sector</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complete audit of Nations and Regions</li> <li>▪ A completed Digital Multimedia Platforms project</li> <li>▪ Produce report addressing the strategies of key international 'pacesetting' companies</li> <li>▪ Make preparations for longer-term, scenario-based strategic plan</li> </ul>
Understanding the impact of technology developments	<ul style="list-style-type: none"> <li>▪ Provide insights into the impact of new technology developments and ensure that these are taken into account when developing Ofcom decisions and strategy</li> <li>▪ Promote a broad understanding of communications technology issues across Ofcom</li> </ul>	<ul style="list-style-type: none"> <li>▪ Produce half-yearly update on the 'state of convergence' across the communications sector</li> <li>▪ Produce detailed reports on specific technology developments</li> <li>▪ Provide update on next generation services – description of new telecoms services</li> <li>▪ Produce regular update on 'Market Moves'</li> </ul>
Providing evidence base and market research	<ul style="list-style-type: none"> <li>▪ Provide Ofcom with world-class, appropriate and timely insights across the media and telecommunications markets</li> <li>▪ Provide an evidence base to inform and drive strategic thinking and decision-making</li> <li>▪ Ensure readily available relevant citizen- and consumer-focused research is available to Ofcom</li> <li>▪ Ensure Ofcom is always able to draw on and interpret up-to-date market developments and industry trends</li> <li>▪ Ensure the whole of Ofcom is able to draw on and benefit from a proactive and responsive knowledge centre</li> </ul>	<ul style="list-style-type: none"> <li>▪ Publish research report on food advertising to children</li> <li>▪ Publish annual Communications Market Review</li> <li>▪ Publish stakeholder research report</li> <li>▪ Produce a second audit of Nations and Regions</li> <li>▪ Produce a second media literacy report</li> </ul>
Managing stakeholder relationships	<ul style="list-style-type: none"> <li>▪ Take initiatives to fully understand the requirements of our stakeholders</li> <li>▪ Balance the requirements of different stakeholder groups – e.g. business, government, individuals</li> <li>▪ Ensure consistency of approach to stakeholders</li> <li>▪ Manage the expectations of our stakeholders</li> <li>▪ Deal effectively with queries and other requests for information</li> <li>▪ Ensure use of the most appropriate means of communication – meetings, user panels, written, electronic, etc</li> <li>▪ Manage sharing constraints in shared civil/military bands</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide an accessible information resource aimed at meeting stakeholder requirements</li> <li>▪ Develop appropriate Memoranda of Understanding (MoUs)</li> </ul>

## Operating effectively

Theme	Objectives	Outputs
Business efficiency improvements	<ul style="list-style-type: none"> <li>▪ Improve customer service through process re-engineering</li> <li>▪ Empower users through automation and e-enablement</li> <li>▪ Reduce operating costs through the use of robust, industry-standard systems</li> <li>▪ Provide better business integration and consistency</li> <li>▪ Provide accurate and consistent information to system users</li> </ul>	<ul style="list-style-type: none"> <li>▪ User empowerment through information provision and online services – e.g. self-assignment through automated planning tools</li> <li>▪ Simplified processes</li> </ul>
Delivering technology R&D and technical services	<ul style="list-style-type: none"> <li>▪ Develop new tools to allow Ofcom to perform its work better</li> <li>▪ Enhance the efficiency with which spectrum is used</li> <li>▪ Support other projects within Ofcom</li> <li>▪ Commission and co-ordinate technology R&amp;D projects for other teams in Ofcom</li> </ul>	<ul style="list-style-type: none"> <li>▪ Produce reports and contribute to work being led by others</li> </ul>
Managing the Spectrum Efficiency Scheme	<ul style="list-style-type: none"> <li>▪ Understand new technology</li> <li>▪ Develop new tools to allow Ofcom to perform its work better</li> <li>▪ Enhance the efficiency with which spectrum is used</li> <li>▪ Support key initiatives such as the Cave Audit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual R&amp;D report</li> <li>▪ Annual R&amp;D symposium</li> <li>▪ Multiple final reports from projects</li> </ul>
Delivering Information Services (IS)	<ul style="list-style-type: none"> <li>▪ New partner contract and focus</li> <li>▪ Improved desktop and infrastructure services</li> <li>▪ Fully implement (and test) DR/BCP solution for Ofcom</li> <li>▪ Cost-effective IS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure improved desktop and infrastructure services, measurable by KPI</li> <li>▪ TCO model for each of the major systems, e.g. email</li> <li>▪ DR/BCP process with a fully engaged Ofcom</li> </ul>
Improving Information Services (IS)	<ul style="list-style-type: none"> <li>▪ Implement Project Unify</li> <li>▪ New partner contract and focus (core and non-core package and systems)</li> <li>▪ New business systems and process</li> </ul>	<ul style="list-style-type: none"> <li>▪ New system implementation roadmap agreed with the business</li> <li>▪ New systems</li> <li>▪ New system change and support agreements</li> </ul>
Improving licensing	<ul style="list-style-type: none"> <li>▪ Support and implement de-regulation, liberalisation and business efficiency improvements</li> <li>▪ Improve the customer experience of licensing services including electronic assignment</li> <li>▪ Reduce customer entry points into Ofcom and increase the volume of electronic activity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure the licensing delivery function and customer support is not disrupted during the transition period</li> <li>▪ Improve and encourage customer take-up of Ofcom e-licensing services</li> </ul>
Improving field operations	<ul style="list-style-type: none"> <li>▪ Improve the quality and timeliness of service delivery to consumers and industry</li> <li>▪ Reduce operational costs and improve productivity</li> <li>▪ Adapt to the changing environment of spectrum use, licensing and technology</li> <li>▪ Focus on spectrum priorities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve modernised, effective and efficient business process with meaningful and measurable KPIs</li> <li>▪ Develop methodology for alternative service delivery that has completed consultation</li> <li>▪ Establish and implement new processes for enforcement action</li> </ul>

## Annex 2

# Responding to this consultation

## How to respond

Ofcom invites written views and comments on the issues raised in this document, to be made by **5pm on Friday 10 February 2006**.

Ofcom strongly prefers to receive responses as email attachments, in Microsoft Word format, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 4), among other things to indicate whether or not there are confidentiality issues. The cover sheet can be downloaded from the 'Consultations' section of our website.

Please can you send your response to: [alistair.bridge@ofcom.org.uk](mailto:alistair.bridge@ofcom.org.uk).

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

Alistair Bridge

Ofcom  
6<sup>th</sup> Floor  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

Fax: 020 7981 3706

Note that we do not need a hard copy in addition to an electronic version. Also note that Ofcom will not routinely acknowledge receipt of responses.

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

## Further information

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

Ofcom thinks it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, [www.ofcom.org.uk](http://www.ofcom.org.uk), ideally on receipt (when respondents confirm on their response cover sheet that this is acceptable).

All comments will be treated as non-confidential unless respondents 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 the respondent's identity.

Ofcom reserves its power to disclose any information it receives where this is required to carry out its legal requirements. Ofcom will exercise due regard to the confidentiality of information supplied.

Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use, to meet its legal requirements. Ofcom's approach on intellectual property rights is explained further on its website, at [www.ofcom.org.uk/about\\_ofcom/gov\\_accountability/disclaimer](http://www.ofcom.org.uk/about_ofcom/gov_accountability/disclaimer)

## Next steps

Following the end of the consultation period, Ofcom intends to publish a final version of the Annual Plan at the beginning of April 2006.

Please note that you can register to get automatic notifications of when Ofcom documents are published, at [http://www.ofcom.org.uk/static/subscribe/select\\_list.htm](http://www.ofcom.org.uk/static/subscribe/select_list.htm)

## Ofcom's consultation processes

Ofcom is keen to make responding to consultations easy, and has published some consultation principles (Annex 3) which it seeks to follow, including on the length of consultations.

In deciding on the length of the consultation period we have had to balance the need to allow our stakeholders as much time as possible to respond against the practical difficulty of planning our work significantly in advance of the next financial year and the need to publish the finalised Annual Plan at the start of the financial year, i.e. in April 2006. This eight-week consultation is therefore shorter than Ofcom's standard ten weeks. We will be complementing this written consultation document with a series of meetings during the consultation period. These will be held in a number of locations around the UK. For further details, please see our website:

[http://www.ofcom.org.uk/consult/condocs/annual\\_plan2006/annual\\_plan200607/invite](http://www.ofcom.org.uk/consult/condocs/annual_plan2006/annual_plan200607/invite)

Given the importance of the Annual Plan in describing our proposed programme of work, we will ensure that this draft plan is brought to the attention of our stakeholders.

If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or email us at [consult@ofcom.org.uk](mailto: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 consumer, whose views are less likely to be obtained in a formal consultation.

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 (Scotland)  
Sutherland House  
149 St. Vincent Street  
Glasgow G2 5NW

Tel: 0141 229 7401  
Fax: 0141 229 7433  
Email: [vicki.nash@ofcom.org.uk](mailto:vicki.nash@ofcom.org.uk)

## **Annex 3**

# **Ofcom's consultation principles**

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

### **Before the consultation**

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**

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

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.

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

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 organisations 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.

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**

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 4

# Consultation response cover sheet

In the interests of transparency, we will publish all consultation responses in full on our website, [www.ofcom.org.uk](http://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.

We have produced a cover sheet for responses (see below) and would be very grateful if you could send one with your response. 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 cover sheets confidential.

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 cover sheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.

We strongly prefer to receive responses in the form of a Microsoft Word attachment to an email. Our website therefore includes an electronic copy of this cover sheet, which you can download from the 'Consultations' section.

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 cover sheet only so that we don't have to edit your response.

## Cover sheet for response to an Ofcom consultation

### BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

### CONFIDENTIALITY

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?

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

### DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response. 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 5

# Consultation questions

In the draft plan we have highlighted five questions for stakeholders to consider:

**Question 1** – *What are your views on Ofcom's proposed priorities for 2006/7?*

**Question 2** – *What are your views on the citizen and consumer issues which Ofcom should address in 2006/7?*

**Question 3** – *What are your views on the work which Ofcom should do in 2006/7 to encourage innovation?*

**Question 4** – *What are your views on the work which Ofcom should do in 2006/7 to promote competition?*

**Question 5** – *Are there additional areas where Ofcom should reduce or better target regulation? Please provide specific examples.*