



Simplification Plan

Reducing regulation and minimising administrative burdens

Statement

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Executive summary

This Simplification Plan demonstrates Ofcom's commitment to minimising the burdens on our stakeholders. It reports on the work that we have done over the last year to remove unnecessary burdens and on the work that is ongoing or planned for the year ahead. We distinguish between the regulatory burdens that arise from our policy decisions, such as the need to comply with price control regulation, and the administrative burdens that arise from the need to show compliance with regulation, such as the requirement to apply for a licence for certain activities.

Our principal duty is to advance the interests of citizens and consumers. We believe that simplification is consistent with the promotion of the citizens' and consumers' interests. For example, through appropriate deregulation we believe we can support competition between firms and enable customers to benefit from new services and products. As well as imposing a direct cost on stakeholders, unnecessary burdens may act as a barrier to innovation and the deployment and take-up of products and services, resulting in a loss to consumers and citizens. We aim to minimise this by not imposing unnecessary burdens on our stakeholders and removing any burdens that have become unnecessary.

In our policy work we impose regulation only when we absolutely need to – we have a bias against intervention. This mindset is supported by the principles of Better Regulation – that regulation should be transparent, accountable, proportionate, consistent and targeted only at cases where action is needed. Our policy development processes are designed to ensure that this happens in practice. We have a duty to carry out impact assessments to support our decisions. Under the 2003 Communications Act we have to report on how we have both avoided imposing unnecessary burdens and removed burdens that have become unnecessary. We believe that we meet this obligation by publishing our annual Simplification Plan.

Our internal processes and systems are a key enabler of simplification. In 2008, we have continued the roll-out of a new innovative IT system under Project Unify, which we believe will deliver substantial benefits to users of spectrum. Unify is already simplifying licence administration processes and promoting efficient use of spectrum by enabling the trading of certain licence classes. By replacing some legacy systems, Project Unify is also helping to reduce the overall organisational cost base of Ofcom.

As mentioned above, in thinking about simplification, we distinguish between regulatory burdens and administrative burdens. The quantification of benefits from the removal of, or avoidance of unnecessary regulatory burdens is difficult and subject to many factors beyond Ofcom's control. However, we believe these benefits to be substantial, and where possible, have attempted to quantify them.

We outline below completed and ongoing work that we believe may significantly reduce regulatory burdens on stakeholders:

- In broadcasting policy, as part of our review of public service broadcasting, we are reviewing the obligations associated with Channel 3 licences. As a result, we are consulting on potential changes to licences to allow ITV Plc to make an estimated regulatory cost saving of £54m per year, to reflect the decreasing value of Channel 3 licences. We have attempted to identify and preserve what audiences see as socially valuable, while reducing the regulatory burden on ITV Plc.

- In May 2008 we completed our review of the wholesale broadband access market. This review (required under the European Framework) found that increased competition in certain areas, driven by Local Loop Unbundling, merited the removal of regulation in approximately 70 per cent of the wholesale broadband access market. These measures will allow for more flexible pricing in wholesale markets and the potential for greater innovation and competition in retail markets, benefiting consumers in the form of new services and pricing approaches.
- In our Future of Radio statement we issued new standardised guidelines for local programming and simplified format requirements to increase flexibility for commercial radio. This decision has come into effect over the last year and we estimate that this may reduce regulatory burdens on radio stations by up to £11.7m per year
- In spectrum, we have carried out further work to liberalise the use of spectrum and, in some cases, make it licence-exempt. Making the use of certain equipment licence exempt, reduces the regulatory burdens on users of this spectrum to near zero, allowing for innovation in technology and encouraging lower usage costs for consumers. For example, licence exemption has encouraged the development of short-range anti-collision wireless devices for vehicles, with a benefit to society through improved road safety. In our consultation on spectrum usage rights, we estimated that the work to enable spectrum to be used for innovative applications more widely than would otherwise have been possible, has a potential value of £0.9bn a year.

We are also consulting on a number of other simplification initiatives. For example:

- We are consulting on whether to introduce 'Innovation Licences', a new class of licence to encourage the development of innovative commercial uses of spectrum.
- We launched a simplified code in relation to the scheduling of advertising breaks, and in October we published a consultation on the scope for further simplification in this area.

In relation to administrative burdens, we have made decisions that will reduce administrative burdens on stakeholders by £1.5m a year. These savings result from:

- Spectrum information – improved IT systems, supported by Unify, have enabled Ofcom to provide UK spectrum information to the European Frequency Information System. This will reduce the cost to stakeholders, such as equipment manufacturers, in obtaining information required for them to fulfil regulatory obligations. We estimate this will save stakeholders £1.4m a year.
- Regulatory reporting – the Financial reporting Data Extraction Tool will enable Ofcom to directly interrogate BT regulatory accounting data, which we believe will lead to better targeted ad hoc Section 135 information requests to BT. We estimate this may save BT £0.1m a year

These reductions in administrative burdens follow reductions in 2006 and 2007 that totalled £1m a year. Taken together, over the past three years, we have reduced administrative burdens on our stakeholders by a total of £2.5m a year. It is important

to note that stakeholders will benefit from these savings on an ongoing basis. We also expect that the benefits to stakeholders will be greater than £2.5m a year, as in some cases, where administrative burdens are reduced, it is not proportionate to quantify the amount of the reductions.

For some of the projects detailed in this plan the preferred approach may be simplification, but after further review and consultation we may decide that specific proposals involving simplification would not be of benefit to citizens and consumers. In line with good practice, all the ongoing projects described are subject to consultation with stakeholders.

We will report on the progress of the initiatives we have described in our next *Simplification Plan*. Our *Draft Annual Plan 2009/10* sets out how we are going to build upon the work carried out this year and details proposed policy priorities for the coming financial year: <http://www.ofcom.org.uk/consult/condocs/draftap0910/>

Section 1

Simplification Plan

Introduction

- 1.1 At the heart of regulation is the intention to achieve specific policy aims – to control, change, or constrain in some way the behaviour of those being regulated. Consequently, regulation can be seen to result in burdens. Recognising, managing and justifying burdens are therefore at the heart of the business of regulation.
- 1.2 The purpose of this document is to explain to our stakeholders how we consider the burdens we impose when we carry out our duties. It also provides an update on the work we have done to reduce the burdens on our stakeholders since we published our last Simplification Plan in December 2007, and sets out what we are planning to do to reduce burdens further in the future. We believe this document also fulfils the requirement imposed on us by Section 6 of the Communications Act 2003: to report on how we have avoided imposing unnecessary burdens when regulating and how we have removed burdens that have become unnecessary.
- 1.3 We distinguish between the regulatory burdens that arise from our policy decisions, such as the need to comply with price control regulation, and the administrative burdens that arise from the need to show compliance with regulation, such as the requirement to apply for a licence for certain activities.
- 1.4 2008 has been a major year for Ofcom, with significant policy activity being carried out across the communications sector in line with our Annual Plan 2008/9. As we outline below, progress has been made in reducing stakeholder burdens in several areas. This is especially true in regard to our moves towards a market based approach to spectrum, which has seen several spectrum auctions and an increasing amount of spectrum usage made licence exempt. We have also reduced, or are consulting on whether it would be appropriate to reduce, regulatory burdens in other major areas. For example, we are consulting on changes to Channel 3 licences that may reduce specific regulatory burdens on Channel 3 licensees by at least £54m a year, and we expect that our completed *Future of Radio* work will lead to savings for radio stations of up to £11.7m per year.
- 1.5 During the last year we have also reduced administrative burdens on stakeholders by at least £1.5m a year and these savings will be ongoing. This builds on reductions in the previous two years that added up to approximately £1m per year. The total reduction in administrative burdens over the last three years is at least £2.5m a year, with stakeholders benefiting from these savings on an ongoing basis. We expect that the benefits to stakeholders will be greater than £2.5m a year because in some cases, where administrative burdens are reduced, it is not proportionate to quantify the amount of the reductions.
- 1.6 In our Draft Annual Plan 2009/10, published for consultation last week, we are proposing to build upon this work. As in previous years, minimising regulatory and administrative burdens remains a theme cutting across all of our work

areas. For more details on our proposed work in 2009/10 please see the *Draft Annual Plan*: <http://www.ofcom.org.uk/consult/condocs/draftap0910/>

Ofcom's approach to regulation

1.7 Ofcom is the UK's independent regulator for the communications sector. Our principal duty is set out in section 3(1) of the Communications Act 2003:

"It shall be the principal duty of Ofcom, in carrying out their functions –

- a) To further the interests of citizens in relation to communications matters; and
- b) To further the interests of consumers in relevant markets, where appropriate by promoting competition."

1.8 Our principal duty therefore requires us to regulate in a way which is consistent with the promotion of citizens' and consumers' interests. When there is evidence that the most appropriate means of furthering these interests is to impose regulation, it may be necessary to impose a burden on stakeholders.

1.9 It is useful to consider our approach to regulation as based on a series of steps that involve thinking about *policy*, *mechanism* and *administration*. Below we use our work in spectrum to illustrate this approach:

- Policy – A policy is developed taking into account the underlying issue or concern to be addressed and in light of our statutory duties and other relevant factors. One means of achieving a policy outcome may be intervention. For example, in the case of spectrum, one of our statutory objectives is the efficient use of spectrum in the United Kingdom. This statutory objective will form one of the policy objectives against which any proposed intervention is assessed.
- Mechanism – The mechanism is how we achieve the policy outcome. A key consideration in choosing a policy option is its effectiveness in achieving the desired outcome. An example of this is spectrum liberalisation. In liberalising spectrum use we have used a variety of approaches, including enabling spectrum trading, increasing licence exemption, and making spectrum licences more flexible.
- Administration – The way in which we will operate the chosen mechanism and measure compliance. For example, this would include the applications and renewals processes associated with spectrum licences.

Categorising and quantifying burdens

1.10 Having identified the issues we consider when approaching regulation, it is useful to consider how these may result in burdens on our stakeholders. As mentioned above, we categorise burdens into regulatory and administrative burdens. Simplification is the reduction of either of these types.

1.11 Regulatory burdens are burdens that arise from Ofcom's decisions surrounding when and how to intervene (policy and mechanism). Examples of regulatory burdens may include content quotas for broadcasters or regulated

pricing. Actions we take to reduce these burdens are defined in this document as deregulation.

- 1.12 Administrative burdens are burdens that arise from stakeholders having to demonstrate compliance with regulation. Common forms of administrative burdens we impose on stakeholders include the supply of information to us in compliance with specific statutory provisions, and the processes that stakeholders must follow to obtain or renew licences. In 2006 the Cabinet Office estimated that Ofcom imposed on its stakeholders a total administrative burden in the region of £6m. This included the cost of providing Ofcom with information, and administrative burdens arising from specific legislative clauses but did not include either the costs incurred by stakeholders in responding to consultations or the administrative burdens arising from sectoral regulation. Given the nature of some of our regulatory interventions, we believe that administrative burdens are small relative to potential regulatory burdens. Nevertheless, we will continue to quantify administrative burdens where proportionate and seek ways to reduce them.
- 1.13 Administrative burdens can be reduced while at the same time maintaining regulation. For example, we have recently reduced the administrative burden associated with maintaining licences for, and trading of fixed point-to-point links. We have done this by moving to each link being licensed separately. This avoids the need for the administration associated with partial transfers of licensed spectrum. This reduction in administrative burden supports and is consistent with, but does not in itself change, Ofcom's policy objective of securing efficient use of spectrum. Nor does it fundamentally change the mechanism by which we achieve our policy objectives, as use of the fixed point to point links still requires a licence.

Developing policy

- 1.14 We ensure that our policy development processes are consistent with our duty under section 6 of the Communications Act not to impose unnecessary burdens. This applies to both decisions about whether to impose new regulation and decisions about whether to maintain existing regulation.
- 1.15 Impact assessments form a particularly important part of our policy development process. In an impact assessment we will typically compare several regulatory options, including the option of not imposing regulation. Impact assessments are key in enabling us to formally identify and take into account burdens we intend to impose. We publish impact assessments alongside the majority of our consultations and, in line with our published guidelines:
- “We will normally quantify costs and benefits where possible, while recognising that we will rarely be able to do this precisely and that it will not always be proportionate to quantify all costs and benefits. Where precise quantification or valuation is not possible, we should aim to provide estimates or set out ranges of costs and benefits.”
- 1.16 For more details on how impact assessments form part of our policy development process see:
http://www.ofcom.org.uk/consult/condocs/ia_guidelines/condoc.pdf

- 1.17 In the following sections we look in more in detail at how we decide whether to introduce new regulation or maintain existing regulation.

Deciding whether it is necessary to impose new regulation

Internal Project Governance Processes

- 1.18 Our internal project governance processes require proposed interventions to pass through various 'check-gates'. This also means that proposed interventions that may result in significant changes to stakeholder burdens are likely to be reviewed several times within the organisation. For a major policy project these gates are likely to involve review at a steering group (chaired by a senior manager), at Policy Executive (chaired by the CEO and with cross-Ofcom representation) and, ultimately, at the Board. At each gate, hypotheses are challenged, and evidence is tested for robustness. After this, proposed interventions are put out for external consultation.

Consultation and discussion with Ofcom's advisory groups

- 1.19 Ofcom engages on an on-going basis with the Communications Consumer Panel and with its other advisory committees. It consults with them on specific major interventions prior to formal external consultation. This ensures that we take fully into account the likely impact of potential options on consumers, including small businesses, and citizens.

External Consultation

- 1.20 We consult widely with our stakeholders, including consumer and industry groups, on our policy objectives and on the proposed means of achieving them, with a view to determining whether or not any proposed burdens are the most appropriate means of meeting those objectives. We do this both formally via our consultation documents, and informally through meetings with stakeholders, which can occur either ahead of or after publication of the consultation.
- 1.21 In circumstances which may result in large burdens being imposed, the consultation process allows us to first consult on which are the key issues, and then on whether, in principle, the imposition of specific regulatory rules is required. If the consultation process broadly confirms that regulation should be imposed, the mechanism and administration of the regulation are examined. This enables stakeholders to highlight concerns about the burdens that we are proposing to impose.
- 1.22 As noted above, we are aware that the consultation process imposes administrative burdens on stakeholders. During the past 12 months we have launched blogs and interactive executive summaries for some of our major consultations, including the *PSB Review* and our work on super-fast broadband. We believe that these alternative methods of engaging with us help to reduce the administrative burden of the consultation process for our smallest industry stakeholders and consumers. The *PSB Review* blog can be found at: <http://comment.ofcom.org.uk/>

Case Study: Licence-exempting use of spectrum

We have recently completed several initiatives on the policy of licence-exempting use of spectrum. These have resulted in removing unnecessary regulatory burdens in spectrum licensing. In addition, the policy will benefit consumers and citizens, as well as other stakeholders, by encouraging innovative use of the spectrum.

In December 2007, we published the Licence Exempt Framework Review (LEFR) Statement. This and other work we have carried out in the area recognises the recent proliferation in licence-exempt use of spectrum. Uses include many new communication devices, including low powered FM Band transmitters used with MP3 players, and vehicle radars on modern cars. Our policy on licence-exemption has been designed to keep pace with these rapid developments. For example, we have proposed to exempt from licensing, the use of spectrum in the 275-3000 GHz band. This will encourage innovation and will benefit citizens and consumers through new applications using spectrum previously of value only to the scientific community. This does not change our policy of ensuring uses of spectrum do not interfere with each other.

By removing regulatory barriers we believe we will create an environment where spectrum is used more efficiently, encouraging more innovation and increasing its value to the UK. This policy will also make it easier for manufacturers to invest in licence-exempt uses of spectrum as they will be more aware of the direction of relevant policy development.

Reviewing whether regulation is still necessary

- 1.23 Once regulation is in place, we subject it to periodic review to take account of changing market conditions, stakeholder needs and statutory requirements to conduct formal reviews at given intervals.
- 1.24 Since its formation, Ofcom has reviewed regulation in a strategic way, via wide-ranging sectoral reviews. Whilst these can result in administrative burdens on stakeholders through information requests and the consultation process, these are necessary for us to assemble an evidence base for analysis. Strategic sectoral reviews enable issues to be explored in depth, linkages to be identified and proposed interventions to be targeted and co-ordinated. This strategic approach to regulation reduces the likelihood of the imposition over a period of time, of multiple, un-coordinated layers of regulation which risk unnecessary burdens being placed on stakeholders.
- 1.25 Strategic reviews: one of our major work areas in 2008, which will continue into 2009, is the Review of Public Service Broadcasting (PSB), carried out under Section 264 of the Communications Act. As we outline in the case study below, we identified that the changing market context had led to increased burdens for Channel 3 licensees. In September this year, we proposed modifying some Channel 3 content quotas and regional news arrangements to achieve a more appropriate burden, whilst maintaining services valued by consumers and citizens.
- 1.26 Market reviews in telecoms: under the Framework Directive, we are required to review relevant telecoms markets. In 2008 we completed reviews of several markets, including the wholesale broadband market. Our analysis and

our consultation determined that we were able to remove certain obligations imposed on BT because they had become unnecessary. This is discussed in more detail below.

- 1.27 Ofcom's role in the European Framework review: In 2008 we continued to play an active role in the review of the European regulatory framework for telecoms. In particular, Ofcom supports the Commission's proposals to liberalise spectrum licensing rules. We argued for a simplification of rules surrounding market reviews and against the creation of new European bodies to oversee regulation. Ofcom has continued to support the work of the European Regulators Group (ERG) throughout 2008 in seeking to balance harmonisation of regulatory approaches with the promotion of regulation at an appropriate level. The Commission's proposals have been debated in the Council of Ministers and the European Parliament throughout 2008, and it is thought that there will be agreement on the proposals by spring 2009.
- 1.28 In addition to the formal reviews of regulation outlined above, we review regulatory burdens on an informal basis. The annual planning process and the creation of this report help to consolidate and co-ordinate deregulation and simplification across the organisation. This work also raises awareness of Better Regulation principles across the organisation, both in operational and policy areas.
- 1.29 Our review of activities also includes review of, and improvement to our systems and processes to make them more effective and efficient, and enable us to provide a better service to stakeholders whilst reducing our operating costs. IT systems are at the heart of this. In 2008 we continued the rollout of Project Unify, improvements to IT systems that have, and are continuing to support reductions in administrative and regulatory burdens, for example, by simplifying spectrum licensing and the provision of spectrum information (via the European Frequency Information System - EFIS) for many stakeholders. Several of the projects that involve simplification of spectrum licensing are enabled by Unify. In summary, key benefits of Unify include:
- The integration of licensing systems with the finance and customer management systems, leading to more efficient processes and better customer service
 - More efficient technical tools for assigning spectrum, meaning that spectrum can be used in a more efficient way
 - Reducing the number of licence classes available for business radio from 21 to three and enabling these to be tradable for the first time. We estimate simplifications to business radio licensing, supported by Unify, will reduce administrative and regulatory burdens to business radio licensees in the region of £0.4m.
- 1.30 Project Unify is also enabling legacy finance systems to be phased out, resulting in efficiencies for Ofcom as a whole. Our on-going programme of internal and operational efficiencies also includes work being done in the following areas:
- Ongoing review and rationalisation of our property portfolio

- Improvements to procurement processes, including benchmarking of contracts
- Reductions in printing and server costs

1.31 These Ofcom-wide internal efficiency programmes have a direct impact on stakeholder burdens, given that fees from industry provide most of our funding requirements. As we outlined in our Annual Report earlier this year, these reviews enabled us to reduce our 2008/9 budget by 1.5 per cent in real terms. This resulted in reduced fees for many stakeholders. By sector this equates to:

- Radio licensees – an average decrease of 6.3%
- Television Licensees – an average decrease of 2.4%
- Network and service operators – an average increase of 4.1% (reflecting increased work activity in this area)

Case Study: PSB Review

In our current review of Public Service Broadcasting (PSB) we are consulting on proposals to reduce the regulatory burden on ITV plc by amending its 11 regional PSB licences.

In the new multi-channel world the value of ITV plc's public service licences is continually decreasing. Without some adjustment to its current model, relinquishing the PSB licences might become a rational alternative for ITV plc. If this happened ITV would no longer be a public service broadcaster, which would diminish overall delivery of public purposes compared with the current system. Therefore, Ofcom has proposed changes, drawing on new audience research, evidence from key stakeholders and our further economic analysis. These proposals look to reduce the regulatory burden on ITV whilst considering our commitment to citizens in maintaining valuable regional broadcasting.

The suggested package (which is subject to consultation) would, we believe, allow for a saving of £54 million for ITV plc. The most significant savings are estimated to come from changing the pattern of regional news. For example, by allowing Border and Tyne-Tees news to be merged, whilst maintaining separate slots in peak-time programmes and separate late-evening bulletins. Significant savings could also be made through the proposals to reduce ITV's obligation to produce content out-of-London from 50 per cent to 35 per cent from 2009. This is in consideration of the BBC's pledge to further its commitment to production outside London.

Under these proposals, changes to the network requirements would also affect the ITV/Channel 3 licences held by STV, UTV and Channel TV. We have also proposed parallel changes to the nations and regions output from these licensees.

None of these proposals will be finalised until all of the consultation responses have been reviewed and analysed.

Main simplification initiatives completed since the last Simplification Plan

- 1.32 Having completed major work to promote spectrum liberalisation in 2007, we have now completed further work in this area:
- i) **Spectrum Usage Rights:** Allowing neighbouring spectrum usage rights (SUR) holders to negotiate between themselves changes of their use of spectrum, with reduced involvement from the regulator. The main benefits of the changed policy come from the ability to use spectrum for new innovative applications more widely than would otherwise be possible. In our consultation document we estimated these as being potentially £0.9bn a year.
 - ii) **Regulation of Mobile Communications on Aircraft (MCA):** In September 2008, after consulting with stakeholders, we removed a regulatory restriction on the use of mobile communications on aircraft. In the earlier phase of the Future of Radio work, we have made the use of mobile terminals on aircraft licence exempt, and by authorising MCA through the existing aircraft licensing regime we have avoided imposing additional administrative burdens on aircraft operators. Allowing passengers to use mobile communications services on flights is a commercial decision for individual airlines.
 - iii) **Further work on licence exemption:** Building on our Licence Exempt Framework Review which we published in December last year, we published our Statement on spectrum commons classes in November 2008. This provides further detail on the management of spectrum used by licence exempt devices. Where appropriate, we will seek to make usage of certain spectrum licence exempt. This has the impact of reducing regulatory burdens to users of exempted spectrum to near zero.
- 1.33 In February 2008 we published the Future of Radio review final statement. We have issued new standardised guidelines for local programming, and simplified format requirements to increase flexibility for commercial radio. We believe that commercial radio may benefit from presentation cost reductions of up to £8.1m, and administrative and premises savings of up to £3.6m, bringing the total value of the reduction in regulatory burden to up to £11.7m through co-location, which, as a result of the review, we will now consider. We also made several recommendations to Government to simplify ownership rules for commercial and community radio, and simplify the licensing regime for community radio stations.
- 1.34 We have also completed a number of other simplification initiatives in other areas:
- i) **Wholesale Broadband Market Review:** As discussed above, we completed our review of the wholesale broadband access market in May 2008. The outcome of this review (required under the European Framework) found that increased competition in certain areas driven by Local Loop Unbundling (LLU) merited the removal of regulation in approximately 70 per cent of a market worth an estimated £1bn/year. Our analysis also enabled us to simplify some remaining regulation and remove several outdated directions.

- ii) Connectivity Market Review (Leased Lines): In December 2008 we completed this market review, which found that increased competition in certain markets justified the removal of regulation from BT for high speed (above 8 Mbits/s) traditional interface leased lines in a new Central and East London market area, and in wholesale markets for wholesale high speed Ethernet leased lines (above 1 Gbits/s). This deregulation will enable BT to offer bespoke prices to its customers for these products.

New and on-going simplification initiatives

- 1.35 In addition to the above projects that have been completed since December 2007, work has continued, and has started, on a range of other projects, that we believe are likely to result in either reduced administrative or policy burdens on our stakeholders. Many projects that are deregulatory are complex and long-term in nature, but where possible we will try to realise these benefits as early as possible. In 2007, we highlighted a range of measures being taken to reduce administrative burdens in relation to spectrum usage and licensing.
- 1.36 To act as a responsive and effective regulator, Ofcom prioritises, consults upon and publishes its work programme in the Annual Plan. Progress has been made on simplification initiatives across many of Ofcom's priority areas that we outlined in the 2008/9 Plan, including our work on PSB, spectrum release, next generation networks and consumer protection which we expect to remain priorities into 2009/10.
- 1.37 Operating in a dynamic and fast moving sector, means that on certain occasions Ofcom is required to reallocate its resources to address unplanned issues and adapt to changing circumstances. Sometimes this means that we are required to de-prioritise or refocus certain projects. Key examples of new and ongoing work, which we believe could lead to simplification, are outlined below:
- As part of the PSB review, we reviewed the obligations associated with Channel 3 licences, and, as a result, we are consulting on proposals to make changes to licences to allow ITV Plc to make an estimated saving of £54m per year, to reflect the decreasing value of Channel 3 licences (see the case study for more details).
 - In October 2008 we proposed creating a new class of spectrum licence called 'Innovation Licences' to encourage the development of innovative commercial use of spectrum. Our proposed approach reduces the administrative burden on both Ofcom and the licensee by removing the previous requirement to create bespoke licences for such uses. In line with our spectrum strategy, we propose to make these licences fully tradable. Given that these licences are intended for use on a temporary basis by organisations, we intend to charge a flat fee for each licence, to reduce administration costs and encourage take-up.
 - In September 2008, we published a further consultation on our proposed approach to regulating next generation access networks (NGA or super-fast broadband). The approach to regulating the planned NGA deployments in the UK on which we are consulting aims to provide investors with flexibility to encourage development and trialling of new products and services. At the same time, the approaches proposed seek

to promote competition and protect consumers following the deployment of super-fast broadband. In September 2008 we also published our Statement on the regulation of next generation access deployments in new build developments. Recognising that it may be inappropriate to impose an undue burden on investors in new build networks, we have adopted a pragmatic approach to how existing regulatory obligations can be met for new build next generation access networks rather than insist upon simply replicating all existing regulatory products over these new networks.

- Ofcom published the first phase consultation on changes to the Rules on the Amount and Distribution of Advertising in March 2008. In July, we launched a simplified code in relation to the scheduling of advertising breaks (Code on Scheduling Television Advertising), and proposed further simplification in our second phase consultation, published in October.
- Ofcom has commissioned further software development in relation to its Market Intelligence Database (MID), which is used for the collection of financial and operational data from telecoms operators and broadcasting licensees. The first stage of MID was completed in spring 2007 and has already made the process of submitting and processing data more efficient and helped Ofcom to secure data from a higher proportion of operators and licensees. The new developments will help address feedback from stakeholders by improving the user interface and making it easier to navigate the system.
- We published our statement on a consumer protection test in the assignment of numbers in September. As an alternative to the imposition of an obligation not to provide numbers to certain parties designated by Ofcom, self-regulation of consumer protection measures in number allocation will be adopted from 2009. This reduces administrative burdens by enabling communications providers to tailor an approach to their business.

Further details of deregulatory and simplifying projects in annex

Part A of the annexed table below provides details of Ofcom's simplification initiatives in relation to spectrum. Part B of the table focuses on simplification initiatives in relation to networks, and part C features simplification activities in relation to content. Finally, Part D discusses some cross sector initiatives.

For all the initiatives listed below, the name of the person to contact for more information is shown. They can be emailed in the following way (firstname.secondname@ofcom.org.uk) or contacted via the Ofcom switchboard on 020 7981 3000.

Ongoing work and proposals currently under consultation where simplification measures are part of Ofcom's preferred approach are included in the following table. However the final outcome remains subject to the result of the consultation process. For further details, readers are advised to consult the relevant consultation or statement.

| Part A. Table of Simplification initiatives (Spectrum) | | | | | | |
|--|---|--|---|--|---------------------------|---------------------------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| <p>Reducing regulation of digital terrestrial TV platform – Considering the scope for de-regulation</p> | <p>To review the restrictions on digital terrestrial TV (DTT) multiplexes.</p> <p>Consumers, DTT multiplex operators and broadcasters will benefit.</p> | <p>The DTT platform is currently subject to a high level of regulation compared to other TV platforms.</p> | <p>Considering widening the range of technical compression and transmission standards that can be used by DTT multiplex operators</p> <p>Work is in progress to add DVB-T2 and MPEG-4 to the technical standards permitted on DTT (with Ofcom's consent).</p> <p>After consulting on proposals to free up capacity on DTT, we published a statement outlining our approach to freeing up capacity on multiplex B to enable it to carry MPEG-4/ DVB-T2 services</p> <p>PSBs were invited to apply for capacity on the multiplex in July 2008. Successful applicants (ITV</p> | <p>A wider range of permitted technical standards could increase the range of services that could be offered on the DTT platform.</p> <p>The work carried out to free up capacity on DTT has a direct impact on consumers to benefit from new services on DTT including HDTV, without reducing the availability of other services.</p> | <p>Peter Madry</p> | <p>Part Completed/ Ongoing</p> |

| Part A. Table of Simplification initiatives (Spectrum) | | | | | | |
|--|--|--|--|--|---|----------------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | | | Plc/UTV/STV/Channel and Channel 4) were announced in October 2008 | | | |
| Review of policy on licence-exemption – We are considering whether more spectrum could be made licence-exempt | To allow more applications and users to share the licence exempt spectrum without excessive interference. This will benefit all users of the spectrum, i.e. most people in the UK. | To gather evidence to inform future decisions about the designation of spectrum as licence-exempt. | We published a general consultation in April 2007, which proposed licence exempted bands on a “commons” model with mandates for politeness protocols. A detailed consultation on the commons model was published in summer 2008 and a Statement followed in November 2008. In August we published our consultation on increasing power limits for low power licence exempt equipment operating at frequencies above 10 GHz. | The regulatory burden will be almost completely removed for those spectrum users who are allowed to use licence-exempt spectrum rather than applying for a licence. This will have a significant impact if the new applications using the spectrum are widespread. | William Webb Reza Karimi | Completed / Ongoing |
| Regulation of mobile communications on aircraft (MCA) –Considering the | To promote efficient use of the radio spectrum and encourage | Among the airline and telecoms industries, there is considerable commercial | Ofcom launched a consultation on the use of mobile communications on board aircraft on 18 October 2007 and followed this with a | Licensing the deployment of MCA systems and exempting the use of mobile terminals on aircraft has removed a regulatory restriction on when and where people can use | Graham Louth / Richard Young | Completed |

| Part A. Table of Simplification initiatives (Spectrum) | | | | | | |
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| scope for de-regulation | <p>innovation by enabling new services to be provided.</p> <p>Mobile network operators, the airline industry and consumers are likely to benefit.</p> | <p>interest in introducing public mobile communications on aircraft.</p> <p>Opening of new markets based on the existing GSM subscriber base is likely to generate consumer benefits and wider economic activity.</p> | <p>regulatory statement on 26 March 2008. The conclusion was that MCA services should be licensed via the existing aircraft licence regime.</p> <p>On 28 July 2008, Ofcom launched a consultation on the exemption of mobile terminal use on aircraft and published its subsequent statement on 15 September 2008. The decision was to exempt the use of mobile terminals on aircraft.</p> <p>On 7 April 2008 the EU had issued a Directive and Recommendation to Member States to authorise MCA services on a mutual basis.</p> | <p>their mobile phones.</p> <p>By authorising the deployment of MCA through the existing aircraft licensing regime does not impose further regulatory or financial burdens on the aircraft industry.</p> <p>By exempting the use of mobile terminals on aircraft removes a regulatory barrier and enables consumers to access the new MCA systems without the need for individual authorisation.</p> <p>Deployment of MCA, and the ability of passengers to use mobile communications on board airliners is a commercial decision for individual airlines.</p> | | |
| Spectrum usage rights – Reducing restrictions on the use of spectrum | By liberalising the radio spectrum Ofcom aims to maximise the value created by its, while at the | Specifying licence restrictions in terms of spectrum usage rights (SUR) could bring additional gains. | <p>In 2006 we published a consultation setting out options and proposed a way forward.</p> <p>SURs used for L-Band award</p> | Currently users are able to ask Ofcom to change their licence, for example to remove a restriction on the technologies which can be used, and Ofcom considers each request on its merits. Under these | Joe Butler William Webb | Completed |

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| | <p>same time protecting existing users. Value will be maximised by encouraging innovation, by removing barriers to entry for new companies or technologies, and by minimising the time that spectrum sits unused.</p> <p>Stakeholders with spectrum holdings or who seek to acquire spectrum holdings could potentially benefit from the measures.</p> | <p>These would come through extra flexibility of use and by making a technology or usage change easier while continuing to ensure that significant interference does not occur.</p> | <p>in 2008.</p> <p>In 2008 we produced a statement on SURs along with a Guidebook.</p> | <p>proposals, changes of use may be negotiated between neighbouring SUR holders with reduced involvement from the regulator.</p> <p>Under the existing regime, licence holders have rarely requested a change in licence terms. The main benefits of the changed policy come from the ability to use spectrum for new innovative applications more widely than would otherwise be possible. In our consultation document we estimated these as being potentially £0.9bn a year.</p> | | |

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| Liberalisation of spectrum licences - to remove unnecessary constraints | To encourage the efficient use of the spectrum by allowing spectrum licensees to change technologies and applications in response to customer demand. | Ofcom's Spectrum Framework sets liberalisation as a key policy goal. | <p>Application from UK Broadband to remove "fixed" designation from its licence to allow mobile services – received March 2007.</p> <p>An Ofcom consultation recommending liberalisation closed August 2007. A decision was published in December 2007, removing the restriction on UK Broadband and so allowing the company to offer mobile web connections as well as access from fixed locations.</p> <p>Other operators are free to apply to have their licence conditions similarly varied to allow more flexible use.</p> | <p>The 'burden' on UK Broadband was the obligation to restrict to the provision of fixed services its use of the spectrum covered by its licence.</p> <p>The removal of such constraints from spectrum licences will remove unnecessary limitations on licensees launching new service offerings directly benefiting consumers who will be able to take advantage of new services.</p> <p>In the consultation, Ofcom estimated that the net incremental consumer surplus was in the region of 10% of the £2bn estimated as the consumer surplus for personal wireless broadband in the 8 years to 2016 as identified by Europe Economics in submissions to Ofcom</p> | Joe Sonke | Completed |
| Point to Point Fixed Links Licence- Harmonisation of Licence Terms | To bring all licensees onto the same terms and conditions and provide all | The introduction of new IT systems (Project Unify) provided an opportunity to | In April 2007 a letter of intention to vary terms and conditions was sent to stakeholders for consultation. | One link per licence simplifies trading. A link can be traded as a single licence entity rather than being a partial trade if the link is an associated part of a larger network | Alex Dixon | Completed |

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| and Conditions and introduction of a "one link per licence" structure | existing stakeholders, with legacy licences, the same benefits as currently being issued. This includes five years notice of revocation (except in specific circumstances). The initiative will make trading of individual links or groups of links easier for stakeholders. | review the existing licence structure. It enabled us to identify and introduce changes to simplify trading and improve the administration process. | In June 07 a Notice of Variation was sent to existing stakeholders with new licences and terms and conditions One Link Per Licence structure implemented when the new IT systems went live in April 2008. | licences, reducing the administrative burden for link operators, who in total operate approximately 45,000 links. | | |

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| <p>Reducing regulation for satellite user terminals – Includes licence exemption at 28 GHz and simplification and relaxation at 14 GHz</p> | <p>To reduce regulatory burdens and encourage the take-up of new services.</p> <p>Bridging the digital divide by promoting the availability of broadband services in rural / sub-urban areas.</p> <p>Simplification and rationalisation of our licensing arrangements.</p> <p>Businesses and consumers will benefit</p> | <p>Existing regulations were unnecessarily burdensome.</p> <p>Ubiquitous nature of terminal deployment requires minimum regulation.</p> <p>Difficulties in complying with and enforcing the general conditions.</p> | <p>We completed variations of Network licences in April 2008 so as to limit the need to obtain clearance for individual satellite terminals operating at 14 GHz.</p> <p>Exemption Regulations (SI 2008, No. 2426) brought into force on 1 October 2008. These regulations exempt the need to obtain a licence for high density fixed satellite systems (HDFSS) operating in the 28 GHz band, providing the radiated power from a single terminal does not exceed 50 dBW.</p> <p>We will continue to explore possibilities for further relaxations in satellite earth station Network licensing and licence exemption of HDFSS.</p> | <p>Removes the need to clear and register individual satellite user terminals (estimated total of 20,000 terminals, with 150 new terminals / removed terminals per month).</p> <p>Licence exemption at 28 GHz will promote the development and introduction of broadband by satellite services planned for this band.</p> <p>This is likely to promote the availability of broadband in rural areas, thus promoting digital inclusion.</p> | <p>James Richardson</p> | <p>Completed but further relaxation ongoing</p> |

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| Extending licence exemption | To reduce regulatory burden and enable access to spectrum for new equipment. Work in this area has previously resulted in products such as “micro” FM transmitters for portable music players becoming legal to use in the UK. Other equipment made licence exempt includes Short Range Radar and Radar level gauge. This will bring benefits to spectrum users and consumers. | Reducing regulatory burdens and enabling the use of innovative new technologies. This forms part of the implementation of Ofcom’s Spectrum Framework. | Regulations were made in September 2008 in a number of areas including mobile communications on aircraft, and short range devices. In September 2008 we also proposed to make spectrum above 275GHz licence exempt. Further work is expected in relation to licence exemption for additional devices in the coming months. | This work should lead to a reduction in administrative burdens. The result of our planned approach is that many users will have access to a range of radio equipment without any requirement for licensing. This will result in lower costs for Ofcom, consumers, and the industry, and will encourage innovation. Assuming that under a licensing regime it costs a licensee £50 in time and fees to apply for and obtain a licence, the administrative burden could exceed the purchase price of the equipment and thus act as a barrier to take-up. Making such equipment licence exempt where possible, may therefore avoid imposing a barrier to take-up. This is discussed further within the consultation documents, in the relevant impact assessments. | Anirban Roy | Ongoing |

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| Business radio – simplifying current licensing arrangements | To simplify current licensing arrangements, reduce regulatory burdens on stakeholders, increase technical flexibility, and extend the spectrum market in this sector. Specifically to: a) introduce significant additional liberalisation to the sector by adopting more flexible licences and spectrum management techniques; b) extend the ability to trade spectrum to a | The proposals are part of a phased approach to introducing the recommendations of the Spectrum Framework Review (SFR). The proposals exploit the opportunities offered by new IS systems. They will enable simplification and the provision of better services to stakeholders. | A consultation was launched in July 2006 with an intention to proceed with measures confirmed by the statement in January 2007. The regulations for implementing the new licence categories, including fees and making them tradable, were consulted on and recommendations were made at the end of August 2008. Implementation of the new licences is dependent on the delivery of Unify. The Business Radio elements are being tested and the information systems should be ready for go live at around the end of 2008. | The current 21 licence types will be reduced to three basic types. 35,000 licences will be simplified. Licensees will benefit from the ability to trade spectrum and from increased flexibility, e.g. the ability to change the use of the spectrum without Ofcom approval. 15,000 licences will be streamlined even further, through a 'light licensing' regime in which Ofcom will not make any assignment. Instead the user will manage their own allocation. This process extends the renewal cycle from the existing one or three years to a standard five years, therefore reducing administrative burdens by around 50%. A 45-section (10-page) application form will be reduced to a two section online form. The cost to users of these categories of business radio licences should reduce by £0.2m due to reduced requirements for | Russell Kent-Smith Paul Jarvis | Part-completed/Ongoing |

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| | <p>considerably increased range of licence classes and licensees;</p> <p>c) simplify and rationalise our licensing arrangements to make them simpler and more flexible, adopting more deregulatory approaches to authorisation where appropriate.</p> <p>This will benefit a wide range of users in the sector from high street taxis to large businesses and emergency services. Ofcom currently issues</p> | | | <p>licence fees.</p> <p>Licensees will also benefit from simpler and less frequent licence application or renewal. Assuming that the time per application is reduced from two hours to one hour, and valuing this at £16 per hour, an additional saving of around £0.2m could be achieved.</p> | | |

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| | over 50,000 radio licences in the business radio. | | | | | |
| Mobile spectrum trading and liberalisation – extending trading and liberalisation to mobile spectrum | To apply the policies of spectrum trading and liberalisation to licensed spectrum that is already used, or could be used, for the provision of mobile services. This will benefit users of spectrum and consumers. | To meet anticipated EU law requirements to liberalise 2G bands. To secure more efficient use of the radio spectrum, to promote competition and innovation, and thereby bring benefits to consumers. | A consultation on liberalisation of 2G bands and 2.1GHz was published in September 2007. A further consultation is due in 2009. | The liberalisation of the 2G spectrum should lead to significant benefit to consumers and citizens, most likely in the form of better coverage and/or faster mobile broadband services. The application of trading to this spectrum will make the process for changing ownership of the spectrum simpler and more market based in future. | Justin Moore | Ongoing |
| Other reviews of spectrum policy: facilitating innovation | To facilitate access to spectrum for innovative uses that do not fit within an existing licence class. Also to provide a | The need for a framework for addressing requests. | We published a consultation on "innovation Licences" in October 2008. | We will identify regulatory obstacles (i.e. the lack of clarity on how a request for non-standard spectrum use will be addressed) as a lack of certainty may lead to a reduction in the incentives to innovate. This can be removed by creating a defined process that will | Anirban Roy | Ongoing |

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| | clear process for the evaluation of requests. | | | <p>give stakeholders greater clarity</p> <p>Our proposed 'Innovation Licences' should reduce administrative burdens for Ofcom and licensees by avoiding the need to create bespoke licences for certain categories of spectrum usage. Our proposed flat fee approach is also designed to impose a minimal administrative burden on licensees.</p> | | |
| Spectrum awards (various projects) –Award of new spectrum | To award various bands of spectrum, that will benefit the users of spectrum and consumers. | To secure more efficient use of the radio spectrum, promote competition and innovation, and thereby bring benefits to consumers. | <p>10, 28, 32 & 40 GHz auction and L Band auction were held in 2008.</p> <p>The 2.6 GHz auction was delayed due to ongoing litigation</p> <p>Digital Dividend Review (DDR) cleared award – planned for late 2009/early 2010, subject to European developments.</p> <p>DDR geographic interleaved awards – first two awards, covering Manchester and</p> | The approach to the awards, in particular the service and technology neutral approach, the indefinite licences, and the introduction of trading for the licences, should result in less regulatory involvement in the management of this spectrum in the future, and so result in reduced regulatory burdens. | Tim Cross | Further advanced |

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| | | | Cardiff, are planned for Q1 2009; further geographic interleaved awards are planned to run alongside digital switchover. DDR band manager award – planned for 2010. | | | |
| Spectrum information – improved access to more information about spectrum is use | To further the development of a spectrum market through improved transparency and optimising the use of resources. Will bring benefits to spectrum users and ultimately citizens and consumers. | Easy access to comprehensive information is key to the successful functioning of markets. The spectrum market transfers the locus of spectrum management from the regulator to spectrum users (i.e. the information is part of a broader deregulatory effort). We need to ensure we consistently take | Ofcom has developed new IS systems that have enabled us to provide information on UK spectrum use to the European Frequency Information System (EFIS), bringing the UK into full compliance with EU requirements on Spectrum Information well in advance of the relevant decision deadline. Ofcom is also in the process of developing new IS infrastructure to support our requirements going forward, with an enhanced version of Wireless Telegraphy Register and UK Plan for Frequency | Facilitation of self-coordination and interference management amongst stakeholders will improve access to information and reduce the number of FOI requests and other requests for information. For example, by providing information on UK spectrum use to the European Frequency Information System (EFIS), we have increased the accessibility and transparency of such information for stakeholders who have previously had to spend up to 3 working days contacting various administrations across the EU. We estimate that stakeholders will potentially reduce their | Anirban Roy | Further advanced |

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| | | this approach to spectrum, while recognising legitimate confidentiality concerns. | Authorisation available around the end of 2007. Ofcom plans to consult on improving access to existing information about spectrum use and making new information available to support the further development of the spectrum market. | associated administrative costs by as much as £1.4m per year. (We assume that the new system allows an average of 3000 stakeholders to save 16 hours worth of work per year, valued at £30 per hour.) | | |
| Implementation of the Independent Audit of Spectrum Holdings (Cave Audit) – Encouraging more efficient use of public sector spectrum holdings | To achieve more efficient use of the radio spectrum. The main stakeholders are public sector spectrum users, aeronautical and maritime users, and other private sector users. The main beneficiaries will be UK spectrum users, public | This is a HM Treasury initiative to improve spectrum efficiency across public sector holdings through the wider use of market mechanisms including Administered Incentive Pricing (AIP), trading and liberalisation. | Ofcom has progressed work to facilitate the Government's reforms of public sector spectrum management as recommended by the Cave Audit. Government stakeholders are engaged and committed to achieving the goals set out in the response. The Government Forward Look 2007 was published in March 2007, setting out plans for future management and use of public sector spectrum | Ofcom will conduct an impact assessment and consult before introducing regulations to allow public bodies to trade spectrum. | Michael Richardson | Ongoing |

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| | sector bodies and UK taxpayers. | | holdings. Ofcom has consulted on proposals for a framework to allow trading of public sector holdings and regulations on the first application of this framework in the 406.1-430 MHz band and also published a report and initial consultation on the application of AIP to aeronautical and maritime spectrum. | | | |
| Aeronautical radio – To identify ways to reduce the regulatory burden of spectrum licensing in the aeronautical sector. | To review aeronautical radio licensing policy to determine whether it is consistent with the level of regulatory intervention required to ensure the efficient use of aeronautical | Part of wider review of spectrum licensing aimed at reducing administrative burdens. | This work has been put on hold to allow for the implementation of the Independent Audit of Spectrum Holdings (Cave Audit). | Where appropriate, we will recommend and implement aeronautical radio licensing reforms. The extent to which regulatory burdens will be reduced will be determined during the feasibility study stage. | Fraser Murrey | On hold - pending the Cave Audit. |

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| | radio spectrum. Ofcom will consider the impact of any proposed reforms on both industry and on the regulator. | | | | | |

Ongoing work and proposals currently under consultation where simplification measures are part of Ofcom's preferred approach are included in the following table. However the final outcome remains subject to the result of the consultation process. For further details, readers are advised to consult the relevant consultation or statement.

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
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| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| <p>Business Connectivity Market Review – A review of retail and wholesale leased lines markets in the UK</p> | <p>To set a regulatory framework for leased lines that will promote competition, investments and bring benefits to end users in the form of lower prices and better leased lines services.</p> | <p>The current charge controls expired in September 2008, and a new review of the markets was necessary to decide the future of the price controls. In addition, stakeholders and Ofcom shared the view that the market has developed significantly since the last review was completed in 2004. Finally, in the Telecom Strategic Review, Ofcom committed</p> | <p>The Statement setting out the conclusions of this market review was published in December 2008</p> | <p>The review has resulted in the deregulation of (i) the wholesale markets for traditional interface leased lines at speeds above 8 Mb/s in a newly defined Central and East London Area (CELA) and (ii) the wholesale market for high speed (over 1Gbit/s) Ethernet leased lines. These measures will reduce the regulatory burden on BT.</p> <p>In addition, the review has led to deregulation of the retail market for low bandwidth retail leased lines and in the wholesale market for high speed (over 1Gb/s) Ethernet leased lines in Hull, where KCOM previously had significant market power (SMP). The regulatory reporting requirements on KCOM have also been eased in those markets in</p> | <p>Serafino Abate</p> | <p>Completed</p> |

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| | | to review geographic markets for wholesale leased lines with a view to lift regulatory obligations in those parts of the UK were BT no longer had significant market power (SMP). | | which it retains SMP. | | |
| Wholesale broadband access market review - To review the wholesale broadband access market and consider the scope for reducing regulation. | To review the Wholesale Broadband Access market to ensure any regulatory requirements properly reflect the prevailing competitive conditions. Markets function best when appropriate | Under the European framework Ofcom is required to periodically review this market. In addition, there have been significant developments in this market since the last review. Further, this | This review is now complete. Key dates were as follows: <ul style="list-style-type: none">• 21 November 2006 - first consultation• 15 November 2007 – second consultation• 21 May 2008 - statement | The wholesale broadband access market is worth over £1 billion per year and this review has lead to approximately 70% of this being de-regulated. Where it is needed, regulation has been streamlined. For instance, we have removed a number of outdated directions, e.g. ATM direction, DataStream to IPStream margin direction, DataStream migrations direction This deregulation, in-line with the policy outlined in the Telecoms | David Clarkson | Completed |

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| | regulation is in place and the existence of properly functioning markets will ultimately benefit consumers. | market is a key part of Ofcom's broader regulatory approach to telecoms, as set out in the Strategic Review of Telecoms. | | Strategic Review is designed to promote the dynamic benefits of competition, for example, allowing all operators to offer bundles to consumers and reduce prices, in addition to promoting innovative new services and increased quality of products (e.g. in the form of higher speeds or lower contention ratios). Service providers may make these non-price improvements available in the remaining 30% of the market which remains regulated. | | |
| Telecoms framework review – press for the revised EU framework to reflect Ofcom's objectives, in particular: a) Maintaining Ofcom's current focused and light touch regime for | To ensure that the current review should lead to a regime which is firmly based on existing competition-based principles and which is able to respond to the challenges posed by market and technological | A significant proportion of the Communications Act, 2003 transposes the EU framework into UK law. There is a legal requirement to review the operation of the EU Framework not more than 3 | Joint UK response to the Commission was produced in February 2006. We also contributed to the response of the European Regulators' Group (ERG) to the Commission in February 2006. Joint UK responses to the Commission's Communication and to the revised recommendation on | Ofcom is seeking to ensure that the Commission's proposals for reform do not create unnecessary layers of bureaucracy or add to the regulatory burden on business, while ensuring it is empowered to promote consumers' interests. We aim to ensure that: a) NRAs retain the right to apply targeted and proportionate remedies without unwarranted Commission's oversight; | Camilla Bustani | Ongoing |

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| telecoms; b) Providing scope for deregulation where appropriate, e.g. in the list of recommended markets. c) Supporting liberalisation of spectrum licensing rules. | evolution. This will benefit all European consumers, including those in the UK, and facilitate easier market entry for providers of electronic communications services. | years from introduction. The “relevant markets” recommendation must also be “regularly reviewed”. | “relevant markets” sent in Oct 2006 and contributed to the ERG’s response filed at the same time. Ofcom called for a simplification of the regulatory rules and procedures and argued against the introduction of new bureaucracies and layers of regulation. Ofcom strongly supported the Commission’s proposals to liberalise the rules which apply to spectrum licensing at the national level. | b) the market review process is not overly prescribed and bureaucratic; c) there is targeted harmonisation of regulatory rules across the EU in the interests of UK businesses and consumers; and d) the review supports the continued liberalisation of spectrum management. The Commission published its final legislative proposals in November 2007 which have been subject to negotiations in the Council of Ministers and the European Parliament since Dec 2007. It is hoped that the package of reforms will be agreed by spring 2009. | | |
| European Regulators’ Group (ERG) Development – ensure that its work is focused (on priority | To raise the overall quality and effectiveness of telecoms regulation across Europe. This will improve | Ofcom chaired ERG in 2006 and was a Vice-Chair in 2007, providing an opportunity to promote reform. It has since | The ERG committed to a series of regulatory disciplines at the end of 2006, which it began implementing during 2007. Ofcom has played a central role in this implementation. | Direct benefits will flow to UK companies which operate across Europe from greater harmonisation of different national regulators’ approaches to key policy issues. This will reduce regulatory burdens, as well as | Camilla Bustani | Ongoing |

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| markets and issues) and efficiently and transparently conducted. | <p>economic welfare for EU citizens and will benefit UK companies operating in other countries.</p> <p>An effective European Regulators' Group will weaken the case for inappropriately centralised regulation at EU level.</p> | <p>continued to work closely with the ERG Chair and to actively participate in the ERG's project teams.</p> <p>This has coincided with the Commission's review of the operation of the EU communications framework, which is examining the quality of current regulatory outputs.</p> | <p>These initiatives are intended to promote greater harmonisation of regulatory approaches across Europe, and reflect the ERG's commitment to reform. The ERG's commitment to and record of reform are the heart of its arguments against inappropriate centralisation of regulatory power at the European level.</p> | <p>promote more open, competitive markets.</p> <p>The ERG's reform programme also encourages reductions in administrative burdens which result from disparate approaches to remedies and other regulatory requirements.</p> | | |

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| <p>Super-fast Broadband (Next Generation Access) – Work on the regulation of next generation access networks</p> | <p>Reducing regulatory barriers to investment for network and service providers, whilst enabling citizens and consumers to benefit from super-fast broadband</p> | <p>Early engagement with the issue required us to provide regulatory clarity to investors, reducing barriers to investment in high speed broadband, whilst promoting competition in super-fast broadband</p> | <p>The Phase Two consultation was published in September 2008. We also published a statement in relation to new build fibre deployments in September.</p> | <p>The proposed approach to regulation enables experimentation with pricing structures and price-points in a market where customer demand is uncertain. For example, we are consulting on whether to refrain from setting regulated prices on wholesale active access products as it we believe it would be disproportionate and unnecessary to regulate wholesale active access pricing in addition to adopting cost-based pricing for passive access products.</p> <p>The proposed approach would also give greater flexibility for operators to trial new products and services. This would be likely to enable a greater amount of innovation than if a more prescriptive regulatory approach were proposed, decreasing the time to market for new innovative services that could have significant value to citizens and consumers. The new build</p> | <p>Clive Carter / Gareth Davies (New build)</p> | <p>Ongoing</p> |

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
|--|--|--|--|---|-----------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | | | | statement acknowledged that simplistically rolling over existing regulatory remedies to new access networks could result in an undue burden from regulation. Instead, it outlined Ofcom's preference for a pragmatic approach that provides communications providers with flexibility around the wholesale products they use to meet current regulatory obligations in order to ensure that they are better suited to the new access networks being put in place. | | |
| PPC Replicability – review of BT's compliance with replicability of retail leased lines products | To review BT's compliance with Ofcom's Statement on Replicability of April 2006, which identified a list of failures on behalf of BT that required fixing BT would benefit from a statement of compliance, | BT has given Ofcom a Statement of compliance, and we need to decide whether BT has met all the compliance conditions | Project work is underway. Intention to publish consultation and statement by end Q4 2008-09. | Subject to the outcome of the review, BT might be able to offer bespoke prices for bundles of low bandwidth leased lines and voice calls to businesses; this would allow it to price more flexibly, potentially resulting in more effective competition and lower prices for consumers. | Serafino Abate | New |

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
|--|--|--|---|---|----------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | since it would trigger some level of deregulation for BT; in particular, BT could be freed from having to comply with a published price list, and price leased lines on a bespoke basis; | | | | | |
| Retail narrowband market review – to review the retail narrowband markets and consider the scope for reducing regulation. | To review the Retail narrowband markets to ensure that any remedies properly reflect the prevailing competitive conditions. Ensuring appropriate regulation is in place. | These markets were last reviewed in 2003 and there have been significant developments in the sector since then. This makes it appropriate to carry out a further review. | A market review is in progress. We plan to publish the first consultation in Q1 2009 and the final statement later in 2009. | The review will define the market(s) (in terms of both product and geographic extent) and within each market identified we will consider whether any operator(s) has significant market power (SMP). Where SMP is found Ofcom will consider what remedies are necessary to counter it. In line with Ofcom's strategic principles the review will consider whether there is scope for reducing regulation. | Markham Sivak | Ongoing |

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
|--|---|---|---|--|-------------------------|------------------------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| Wholesale narrowband market review – to review the wholesale narrowband markets and consider the scope for reducing regulation. | To review the wholesale narrowband markets to ensure that any remedies properly reflect the prevailing competitive conditions. Ensuring appropriate regulation is in place. | These markets were last reviewed in 2003 and because of significant developments in the sector it is now appropriate to carry out a further review. | A market review is in progress. We plan to publish the first consultation in Q1 2009 and the final statement later in 2009. | The review will define the market(s) (in terms of both product and geographic extent) and within each market identified we will consider whether any operator(s) has significant market power (SMP). Where SMP is found Ofcom will consider what remedies are necessary to counter it. In line with Ofcom's strategic principles, the review will consider whether there is scope for reducing regulation. | Steve Perry | Ongoing |
| Financial Reporting Data Extraction Tool - Tool to enable Ofcom to interrogate raw regulatory accounting data provided by BT | Innovation in regulatory accounting to improve the speed and accuracy of regulatory reporting | This development enables Ofcom to directly interrogate and query BT regulatory accounting data, leading to a reduced number of more targeted ad-hoc information | Work with PWC on implementation is ongoing – the intention is to have the system up running by early 2009. The tool is currently undergoing beta testing. | The adoption of the tool is likely to lead to better targeted ad-hoc Section 135 requests to obtain information. We estimate this may result in savings to both Ofcom and a reduction in administrative burden of approximately £0.1m/year to BT. | Gavin Greenfield | Part-completed/ Ongoing |

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
|--|---|--|--|---|----------------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | | requests. | | | | |
| Consumer protection test for telephone number allocation - to encourage industry to take a self-regulatory approach to introducing consumer protection considerations into their number assignment processes. | To secure the best use of telephone numbers and to help protect consumers from scams, fraud and other forms of abuse involving telephone numbers. | There are benefits in introducing a mechanism for refusing the allocation of further numbers to individuals and companies that have used numbers to cause consumer harm in the past. | Statement on the consumer protection test was published 30 September 2008. A consumer protection test is to be introduced into Ofcom's allocation processes on 1 January 2009. From 1 January 2009, providers will be encouraged to refuse the assignment of numbers from certain ranges to individuals and companies on Ofcom's published lists of persons who have used numbers previously to cause serious or repeated consumer harm. | Ofcom consulted on introducing an obligation on communications providers not to assign numbers to persons on our published lists. However, we have decided, at least initially, to permit providers to take a self-regulatory approach to introducing a consumer protection test into their number assignment processes. We recognised that the costs of implementing the consumer protection test are likely to vary considerably between providers and that a self-regulatory approach would allow each provider to apply the format that best suits their number assignment processes. Given the large number and diversity of providers, and our belief that self-regulation is the most appropriate way to protect citizen and consumer interests in this matter, quantification of the industry's costs would require us to make formal information requests to | Elizabeth Greenberg | Ongoing |

| Part B. Table of Simplification initiatives (Networks) | | | | | | |
|---|---|------------------------------------|--|---|----------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | | | | many providers, itself imposing an administrative burden on stakeholders. | | |

Ongoing work and proposals currently under consultation where simplification measures are part of Ofcom's preferred approach are included in the following table. However the final outcome remains subject to the result of the consultation process. For further details, readers are advised to consult the relevant consultation or statement.

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|---|--|--|---|---|---------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| Future of Radio proposals - implementation of plans to simplify and relax the regulation of commercial and community radio | We considered how we can relax analogue regulation as digital radio listening increases. These changes are designed to benefit broadcasters and consumers by ensuring localness on radio at times when listeners value it most. This is at the same time as improving the viability of local stations. | Digital radio listening is growing but analogue radio is regulated more heavily than other platforms. Many local radio stations are suffering financially. We aim to fit radio regulation for a digital age. | The final statement was published in February 2008. | Simplified licensing process and less content regulation in the following areas: <ul style="list-style-type: none"> • New standardised guidelines for local material and locally made programmes on commercial radio • Simplified format requirements to provide commercial radio industry with greater flexibility • Suggestions to Government on simplified ownership rules to allow greater consolidation while protecting plurality • Suggestions to Government on simplification of statutory licensing criteria for | Peter Davies | Completed |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|--|--|--|---|---|-----------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | | | | <p>community radio, ownership rules, licence length and funding restrictions</p> <p>Ofcom now considers requests for co-location (i.e. where two or more radio stations serving different local areas with different programming are based in a single location). Ofcom may take into account the financial viability of the stations, their size, the distance and the affinity between the areas concerned. In addition to presentation cost-savings, radio stations seeking to co-locate, can benefit from further savings in administrative, premises and office costs, bringing total possible savings up to £11.7m/year.</p> | | |
| Public Service Broadcasting (PSB) Review – Review of PSB provision under 2003 | Strengthening and maintaining the quality of public service television broadcasting in | There is a statutory obligation to review PSB provision under 2003 | The phase two consultation was published in September 2008. The consultation period closed in early December. A statement is due to be | We are consulting on proposed reductions in Channel 3 quotas and regional news arrangements to reflect changes in regulatory burden and declining value of regulatory assets. We estimate | Louise Banyard | Ongoing |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|--|--|---|--|--|--------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| Communications Act | the UK. To develop and review potential new long term models of PSB delivery and funding. | Communications Act. The changing economics of PSB provision prompted by increasing digital penetration and digital switchover, plus new media consumption has created pressure on existing PSB models. | published in early 2009. | that the proposals outlined in the consultation document would, if implemented, reduce the regulatory burden on ITV Plc of being a PSB by £54m/year . The PSB Review is making recommendations to HM Government concerning the future evolution of PSB provision. This is likely to give rise to significant simplification opportunities in the future. The value of this simplification will depend on the outcome of the PSB work being conducted by HM Government. | | |
| Co-regulation of training - Ensuring that the co-regulatory system for training and development in broadcasting continues to deliver clear benefits. | Further to Ofcom's September 2008 review of the co-regulatory system, the policy objective is to discuss with our co-regulatory partners scope for improvement | The Communications Act places duties on Ofcom in relation to training in the broadcasting sector. In 2005, Ofcom, Skillset and broadcasters agreed a | The Broadcasting Training and Skills Regulator (BTSR) launched a new monitoring and reporting system in 2006, whereby: broadcasters evaluate their own performance against an agreed framework; an independent third party visits broadcasters to validate the self-evaluation; and BTSR | The co-regulatory approach recognises that broadcasters should take the lead in setting their training objectives. The industry is also represented on the BTSR Board. Ofcom's review in September 2008 reported that co-regulation is delivering significant benefits over the previous approach of direct | Ritu Manhas | Ongoing |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|---|--|---|--|--|------------------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | <p>(e.g. increased guidance on best practice, and better use of available information by broadcasters).</p> <p>We also aim to encourage cross-industry collaboration and the sharing of best practice.</p> | <p>memorandum of understanding (MOU) for a new co-regulatory system, and the Broadcast Training and Skills Regulator (BTSR) was set up to monitor and assess the performance of the industry.</p> <p>Under the MOU, Ofcom is required to review the system every three years.</p> | <p>publishes an annual summary of its findings, tracking progress by broadcasters.</p> | <p>regulation, including:</p> <ul style="list-style-type: none"> • improved feedback and analysis for broadcasters of training needs and activity – at both an individual and industry-wide level, and a clearer sense that the information they provide is serving a useful purpose • greater clarity for broadcasters on how they can improve their performance • more open and constructive dialogue with broadcasters, and improved buy-in from all parts of the industry | | |
| <p>Product placement -The possible deregulation of prohibition on product placement in commercial television</p> | <p>To consider whether it is possible to allow TV broadcasters to use product placement to generate extra revenue while</p> | <p>In line with Ofcom's duty to look for ways of removing unnecessary burdens on broadcasters. Also in line with</p> | <p>Ofcom consulted on this issue in 2006. We are still awaiting Government's direction on whether the limited liberalisation the AVMS Directive allows should be followed.</p> | <p>Impact assessment suggested the value of the product placement market could be around £25m - 35m after around five years of deregulation. In terms of administrative burdens, permitting even a limited and controlled amount of product placement will</p> | <p>Suzanne Wright</p> | <p>Pending</p> |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|--|--|--|---|--|------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| programmes. | protecting editorial integrity. The main beneficiaries are likely to be broadcasters, advertisers and independent producers. | forthcoming change in EU legislation which is likely to permit product placement in certain circumstances. | | still require rules to govern its use. However, the concepts likely to be included in any rules are already familiar to UK broadcasters. A statement published in September 2006 showed that views for and against product placement are finely balanced and Ofcom did not make a policy recommendation but put the evidence in front of the government so that it could take this into account in light of the developments from the AVMS directive. | | |
| Broadcasting standards - Review of the procedures for handling broadcasting standards, fairness & privacy and sanctions cases. | To review Ofcom's process for handling standards and fairness and privacy (F&P) complaints and the process for imposing sanctions in relation to | Standards procedures have not been revised since start of Ofcom and F&P procedures were revised in 2006. They now require an update. Most importantly the increasing | A pre-consultation meeting with stakeholders was held at the end of September 2008. We intend to publish a consultation by Q1 2009. | The new procedures should offer a streamlined but transparent, consistent and proportionate approach to the handling of complaints and the imposition of sanctions. Particular benefits should arise from the proposal to make the "fast-track" process, limiting the number of rounds of representations by broadcasters and complainants, the default | Ian Blair | Ongoing |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
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| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | broadcasting cases and to consider the scope for streamlining. Broadcasters in particular will benefit from any reduction in bureaucratic burdens. Viewers and listeners will also benefit as complaints will be handled more efficiently. | complexity of cases and the very large number of sanctions cases are exposing some weaknesses of the current procedures. | | position. The roles of the Ofcom Executive and of the non-Executives (Content Board and Main Board) are also being examined. | | |
| Review of RADA (Rules on Amount & Distribution of Advertising) - Investigate scope for changes to RADA in the light of the new AVMS Directive. | The aim of Stage 1 was to simplify the advertising control regime by removing as many of the detailed and prescriptive rules as is consistent with the new | The AVMS Directive, which sets minimum standards for broadcasting, removes a number of existing rules about ad break insertion and distribution, as | The first consultation on advertising distribution rules was published in March 2008. A statement including the launch of a simplified code on the scheduling of advertising breaks was published July 2008. A second consultation on advertising minutage and | There should be modest benefits to viewers, broadcasters and advertisers from simplified distribution rules. The benefits to broadcasters/advertisers from the potential changes to minutage rules and the distribution of breaks are presented in the consultation. Allowing public service channels to | Peter Bourton | Ongoing |

| Part C. Table of Simplification initiatives (Content) | | | | | | |
|--|--|--|--|---|----------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| | <p>directive.</p> <p>Stage 2 seeks views on possible changes to the amount of permitted advertising and teleshopping and on the number and length of advertising breaks increased. The economic effects are still uncertain. It is unclear whether viewers will benefit from possible changes.</p> | <p>well as liberalising the rules relating to the average number of permitted minutes of advertising. The UK can set more restrictive standards than the minimum specified in the directive.</p> | <p>break frequency was published in October 2008 with a statement likely to be published in spring 2009.</p> | <p>show the same amount of advertising as other channels would transfer revenues to those channels creating more funding for those channels to invest in programming but reducing that available to other channels. The same effect is anticipated for full liberalisation of the minutage allowance.</p> | | |

Ongoing work and proposals currently under consultation where simplification measures are part of Ofcom's preferred approach are included in the following table. However the final outcome remains subject to the result of the consultation process. For further details, readers are advised to consult the relevant consultation or statement.

| Part D. Table of Simplification initiatives (Cross-sector / Corporate) | | | | | | |
|---|---|---|--|---|---------------------------|-----------------------|
| Issue & planned simplification work | Policy objective & stakeholders who will benefit | Reasons for examining issue | Update on progress & key milestones | Estimated impact on burdens and/or benefits to be realised | Contact | Current status |
| New improved consumer website portal | Improving compliance and empowering citizens and consumers Communications consumers to benefit | Need to reduce pressure on Central Operations and enable more consumer self service | Regularly updated news articles launched on the home page in September 2008 Further developments, including frequently asked questions facility, expected to be available later in 2008/9 | We believe this will result in fewer calls to Central Operations and better informed consumers who are able to contact relevant Alternative Dispute Resolution organisations. | Julian Eccles | Ongoing |
| Market Intelligence Database Automation | Supports Ofcom's regulatory principle of researching markets constantly and benefits operators and licensees from a more streamlined data collection process. | Effective information returns are essential and enable Ofcom to ensure licensees and operators are complying with relevant regulations and conditions. They are also required to aid Ofcom's understanding of the sector. | The first stage of database completed in spring 2007. Work is ongoing to improve the user interface and make the database easier to navigate. | Online submission of data to Ofcom has improved efficiency and resulted in an increased proportion of licensees and operators making returns. | Justin Le Patourel | Ongoing |