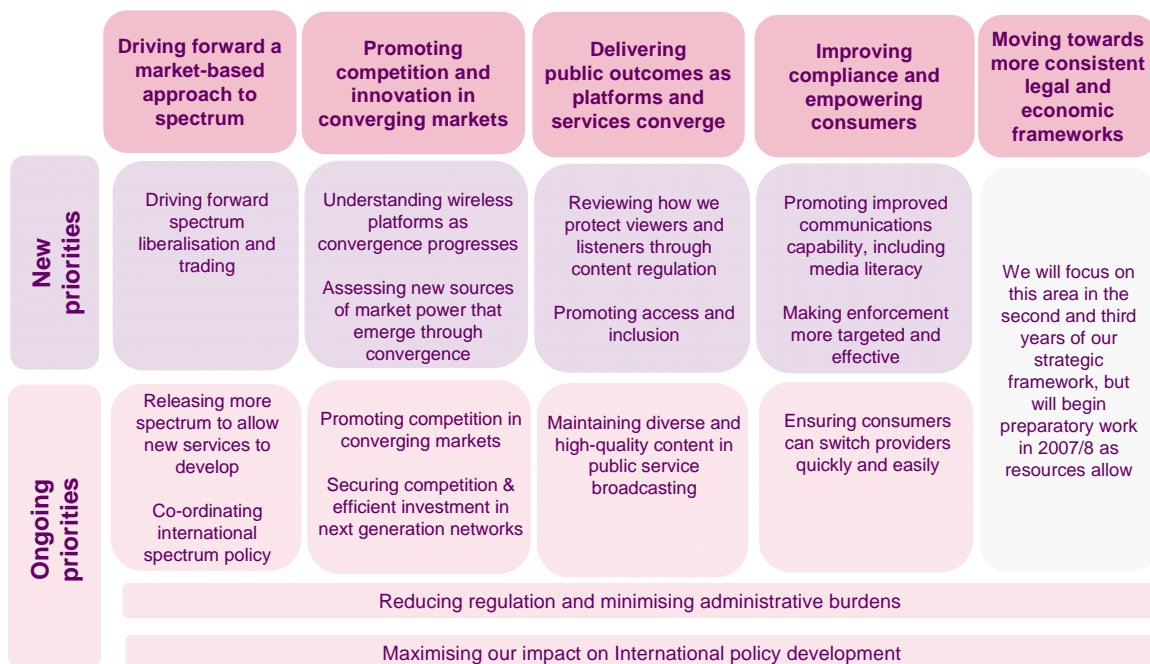


## Section Six

# Policy priorities for 2007/8

- 6.1 As well as developing a three-year strategic policy framework, we have identified key policy priorities for 2007/8. These priorities are set out in figure 6.1, which shows how they fit within the three-year framework. The priorities are a mixture of new and ongoing areas.
- 6.2 When we publish the final version of the Annual Plan 2007/8 in April we will include details of all planned projects, including the expected outputs and the names of the people responsible for delivering them.

**Figure 6.1: Policy priorities for 2007/8**



- 6.3 In 2007/8 we do not plan to focus on the fifth element of our strategic framework – namely, moving towards more consistent legal and economic frameworks. However, some projects will lay the foundations for the work which will follow in subsequent years. For example, in 2007/8 we plan to review our experience of applying the Communications Act, and this will inform discussions about future legislation.
- 6.4 Our priorities are focused on the policy issues we need to address. However, we also devote substantial resources to operational activities, providing valuable services to our stakeholders. Delivering these services, and further improving them, will continue to be important and we describe these activities in the next section.

## Driving forward a market-based approach to spectrum

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

- **Driving forward spectrum liberalisation and trading**

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

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

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

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

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

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

**Figure 6.2: Planned spectrum awards**

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

- **Co-ordinating international spectrum policy**

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

- **Additional policy projects**

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

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

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

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

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

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

- **Promoting competition in converging markets**

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

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

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

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

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

A new priority in 2007/8 will be to take a more strategic view of the development of certain wireless platforms. In the past we have adopted a strategic approach to regulating various fixed markets. Now, in a converging world with increasing

platform substitutability, we plan to develop a more strategic view of wireless platforms such as mobile TV and wireless broadband, to understand how they will contribute to further convergence. We plan to:

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

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

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

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

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

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

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

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

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

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

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

- **Promoting access and inclusion**

Work to promote access and inclusion will continue to be a priority for Ofcom. We will carry out research to understand better the nature of concerns about access and inclusion. At the same time, we will consider what services we can expect the market to provide without regulation, and the future availability, accessibility and

take-up of those services. Ofcom has an important role in facilitating increased access and inclusion, working closely with stakeholders and other public bodies. More broadly, we will need to take account of the potential impact of our policy decisions on the full range of our stakeholders, including vulnerable groups and people living in remote and rural areas. We plan to carry out the following specific projects:

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

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

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

Another significant area of focus will be our continuing work with the government and Digital UK as one of the organisations responsible for the switchover to



digital TV. The process will begin in 2007 with switchover in Whitehaven, Cumbria, and continue across the UK over the subsequent five years, ending in 2012. During 2007/8 we will:

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

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

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

### **Improving compliance and empowering consumers**

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

- **Making enforcement more targeted and effective**

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

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

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

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

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

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

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

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

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

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

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

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

### Figure 6.3: Media literacy

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

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

## Moving towards more consistent legal and economic frameworks

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

## Reducing regulation and minimising administrative burdens

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

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

## Maximising our impact on international policy development

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

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

## Consultation questions

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