


Ofcom’s 2006/07 Annual Plan

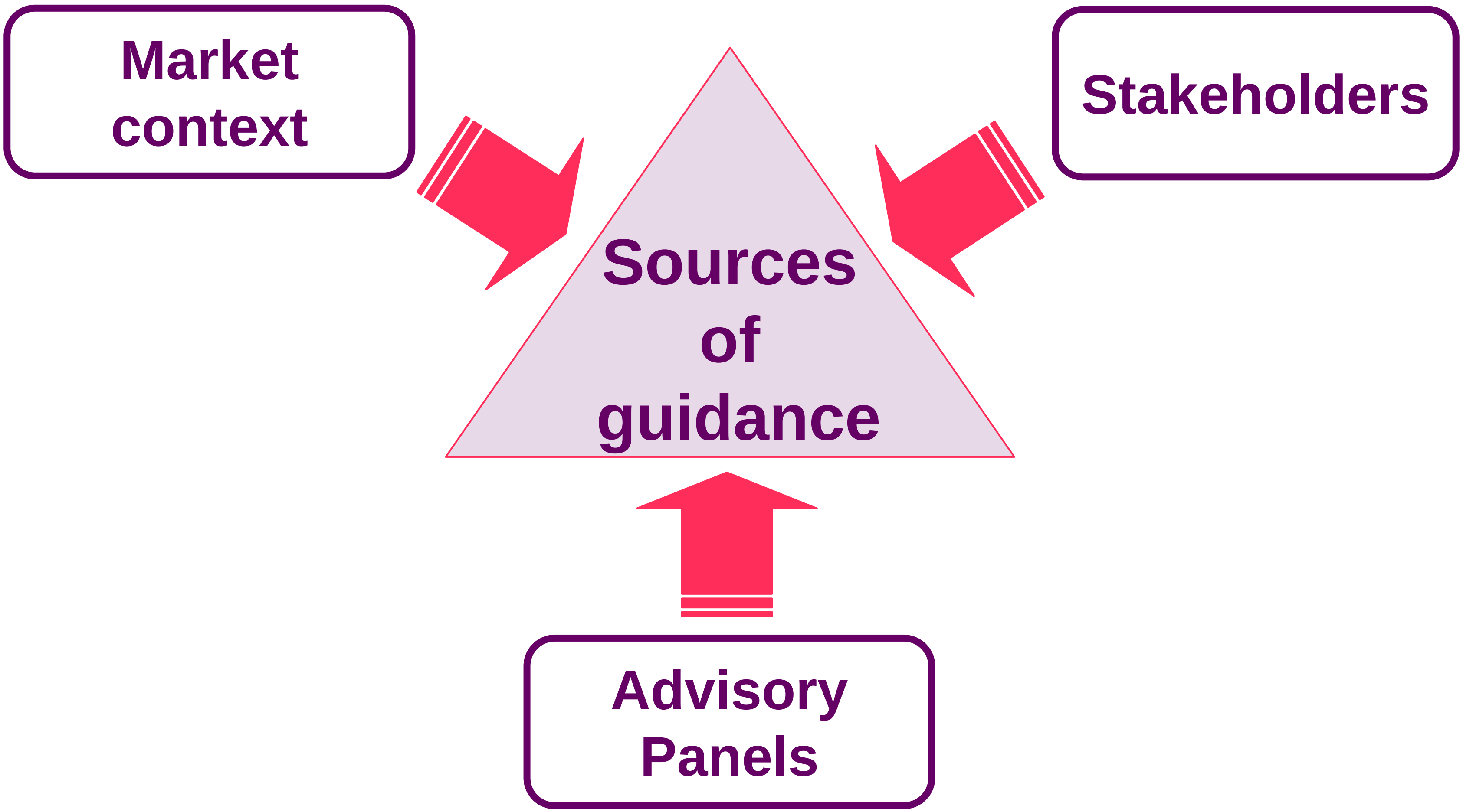
Stakeholder briefing

12 January 2006

Agenda for today

Ofcom
OFFICE OF COMMUNICATIONS

Sources of Guidance



- **Context**
- **Priorities for Ofcom for 2006/07**
- **Discussion**

As society evolves, so do our communications requirements

An ageing society

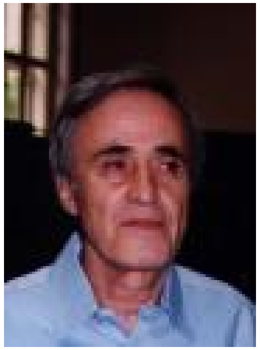
- Hard of hearing issues
- More free time / grey pound
- Media literacy / digital divide?

More ethnically diverse

- More international comms?
- Early VoIP adopters?

Changing living patterns

- Fewer face-to-face meetings



Changing patterns of work and education also drive our communication needs

Children exposed to comms

- Younger media literacy
- Internet growth driver

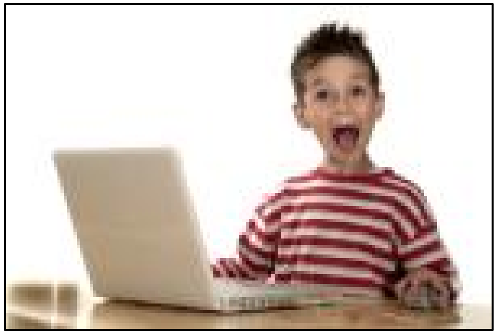
New work types emerging

- Qualifications desirable…
- …ICT vital

Changing working patterns

- Home comms growing




Developing services

Some of the developing services

- VOIP
- Mobile TV
- IPTV
- Video-on-demand
- Wi-Fi networks
- HDTV
- Home hubs

Some of the developing activities

- Blogging
- Podcasting
- Videocasting
- Online gaming
- Interactivity
- Personal control

A theme: content when you want it, how you want it

Emerging industry trends:

-Device and platform convergence

-Video mobility

-Changing corporate landscape

-Content and IPR

-Standards/technology battles

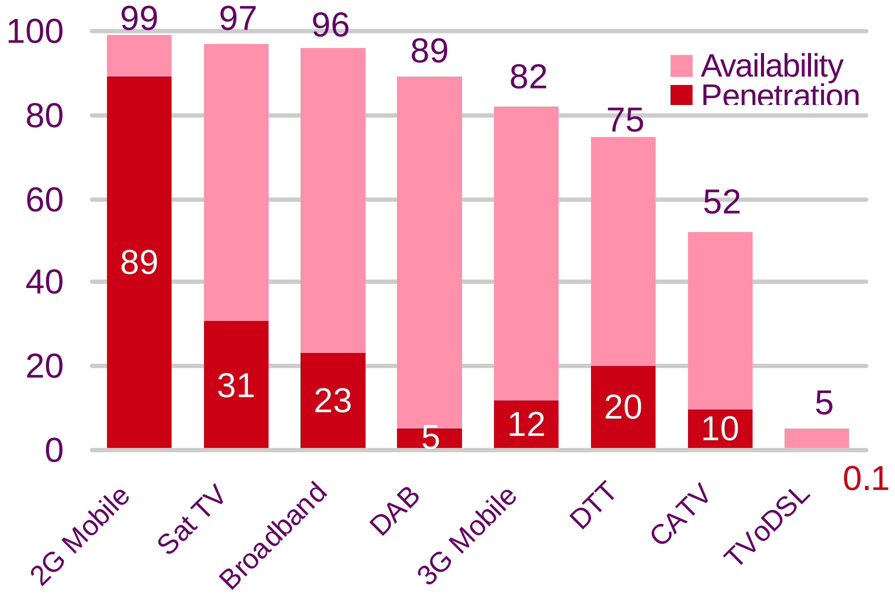
-Diversity of wireless needs

-Hub gateways

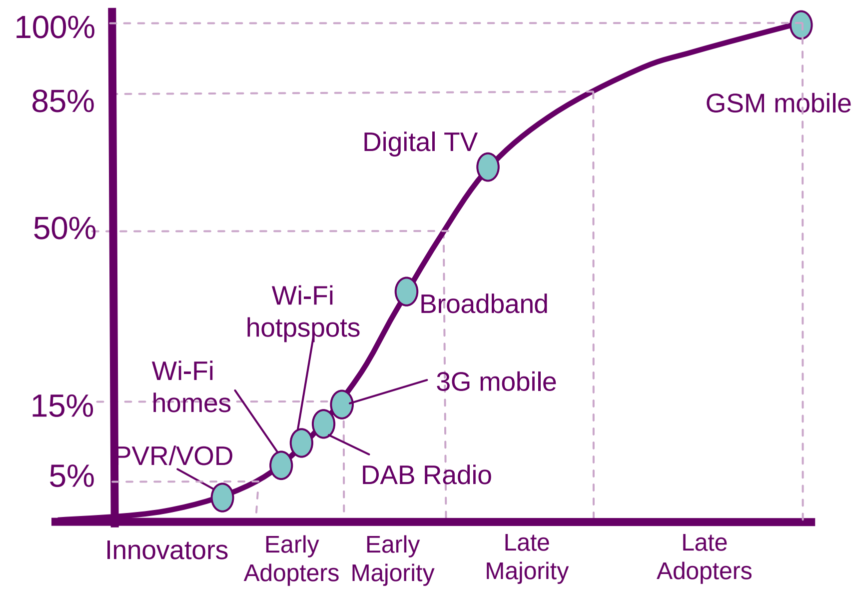
The UK communications market has digital services almost everywhere

- New services move up the “technology adoption curve” increasingly quickly
- Digital switchover (DSO) due 2012
- Near ubiquitous coverage of many digital communications technologies

Availability and penetration of digital services



Technology take-up curve



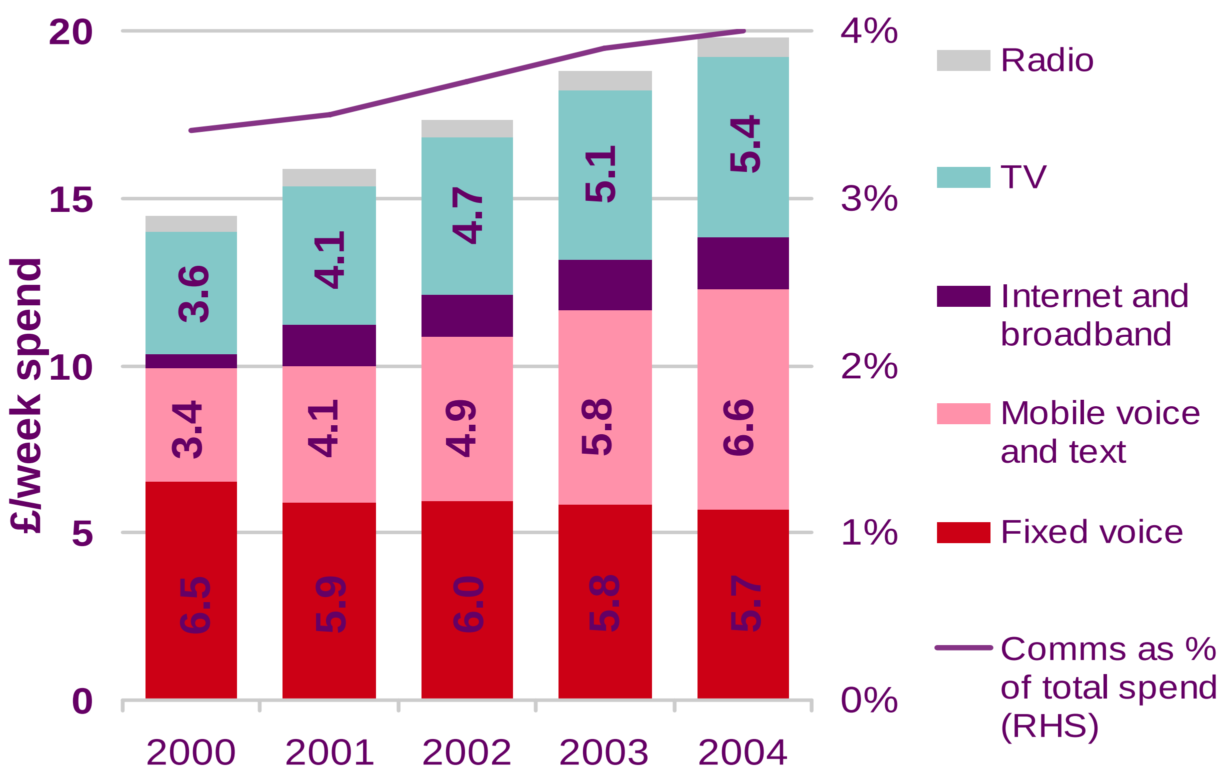
Source: Ofcom / operators / licensees

The communications market is growing

Average household spending on comms nearly £20 a week

Increasing as a % of total spend

Household spending on Communcations



Source: Ofcom

Fixed telephony only sector falling

Largest increase in mobile

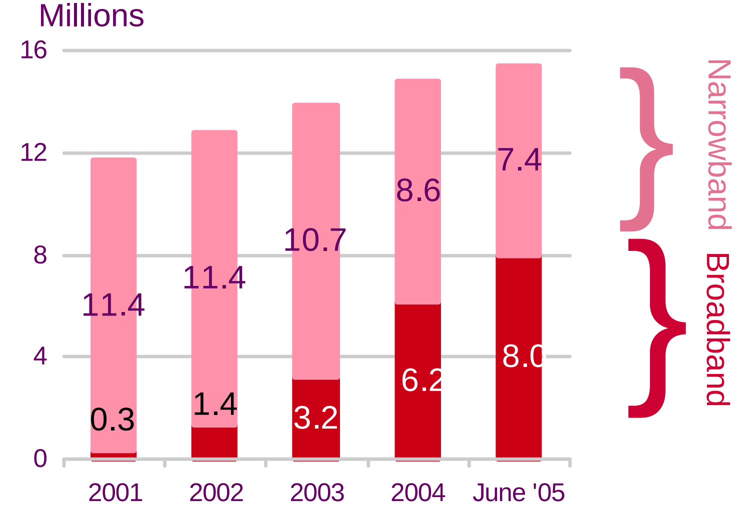
Entering the digital age

Internet and broadband
- Broadband > dial-up
- Broadband users use more services
- Speeds > 20 Mbps available

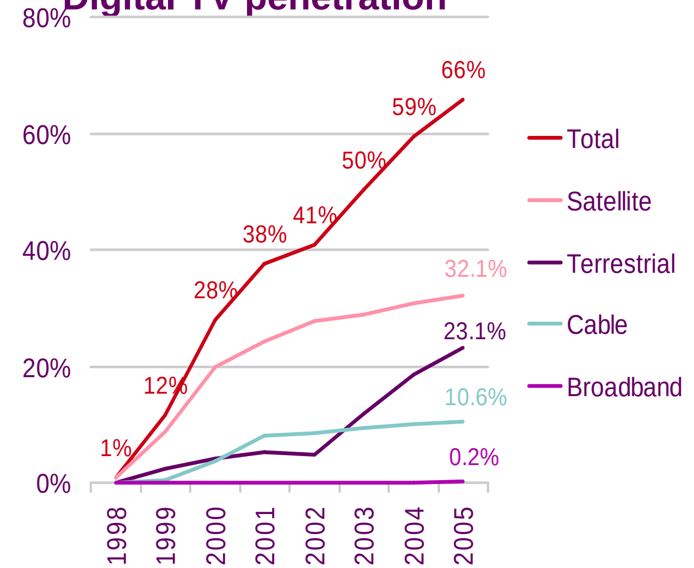
Television
- Over 200,000 HH / month go digital
- 38,000 TV over DSL customers
- Terrestrial channels 70% share
- Hours spent viewing TV continues to grow

Radio
- Little growth in radio revenue
- Consolidation taking place

Internet connections by type



Digital TV penetration



Examples of the digital age

Music downloads

- Download sales topped 23 million in 2005, a 400% increase on 2004
- Downloads now account for 70% of weekly singles sales, compared to 25% last year

Radio

- DAB set sales up from 300,000 in 2003 to circa 2 million in 2005
- 35% of people have ever listened to radio via digital TV and 20% via the internet

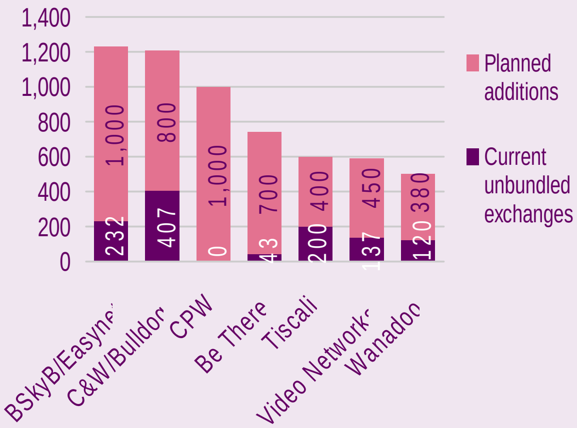
VOIP

- Market leader Skype has over 54 million members in 225 countries and territories, adding 150,000 users a day

Internet

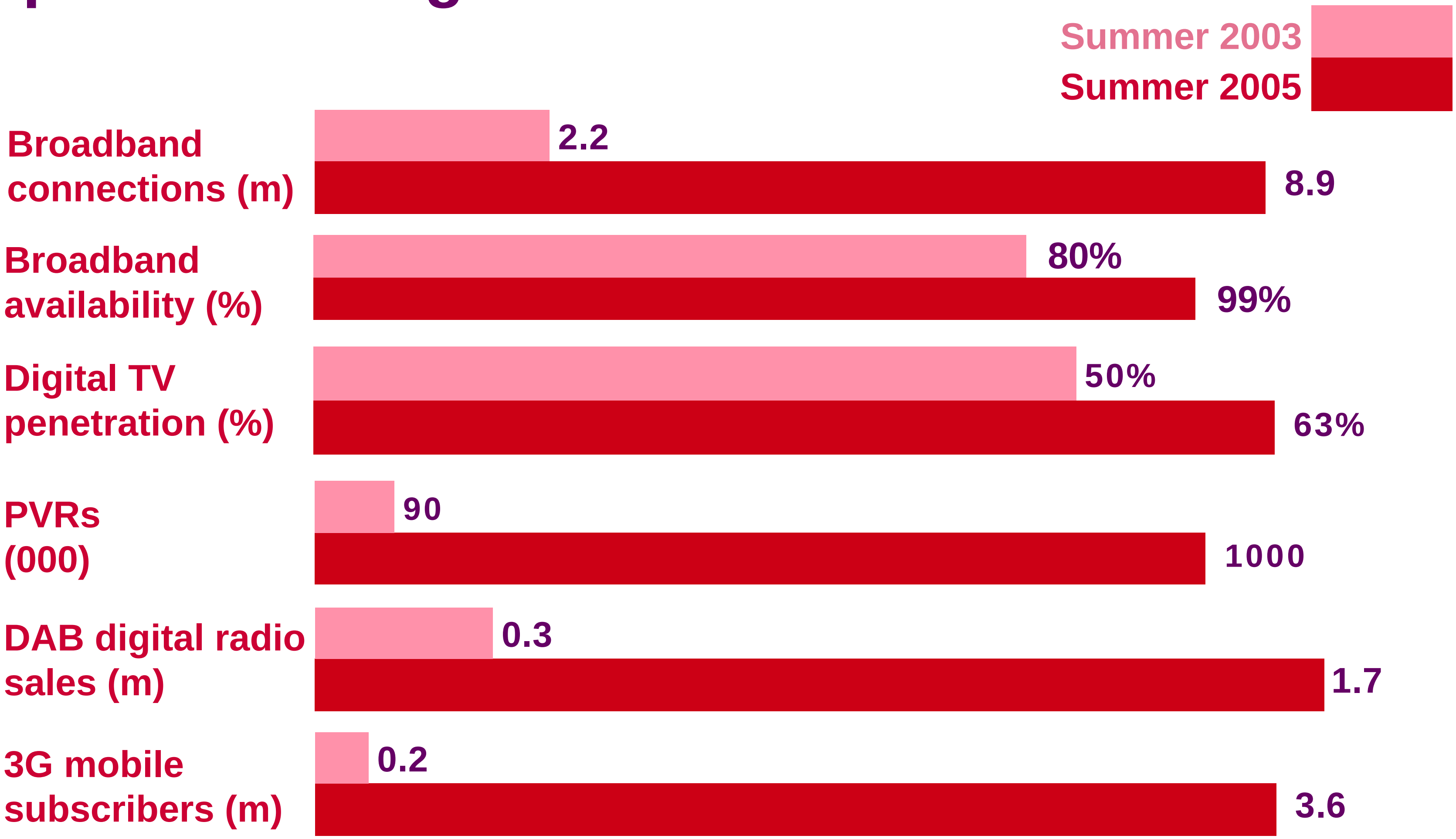
- over 2 million WLR, almost three times more than last year
- LLU took off in 2005 and a number of operators have subsequently announced plans for further unbundling

Unbundling LLU operators' plans



Source: Cazenove, Dresdner Kleinwort Wasserstein, operators. Timescale for additions varies but in most cases is next 2-3 years

Speed of change since Ofcom formed

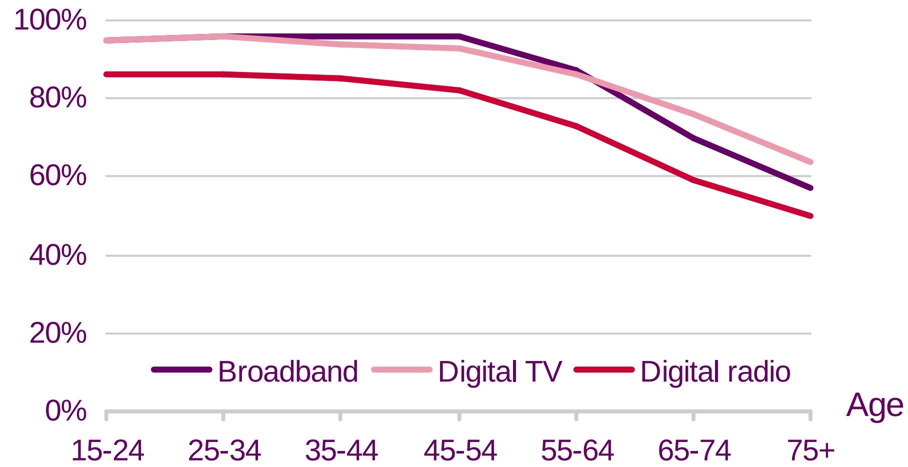


Source: Ofcom

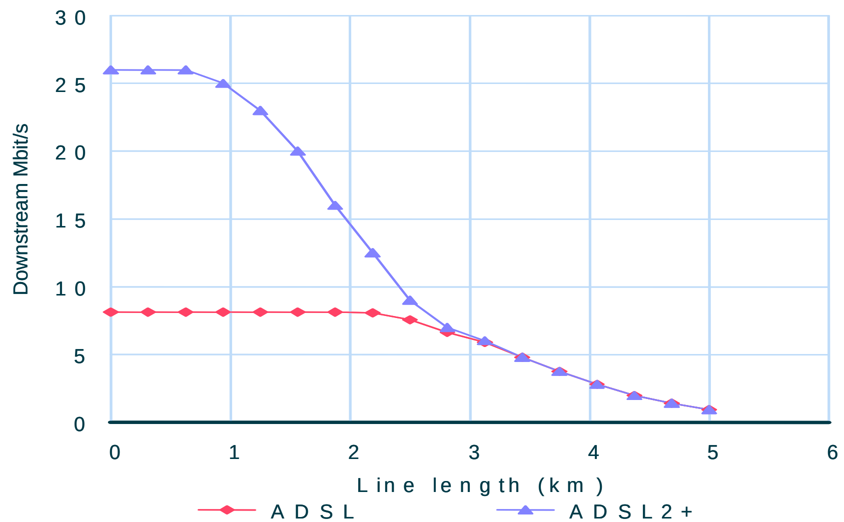
Not everyone will be able to receive the new services

IPTV-capable speeds approaching
But exchange distance limitations
60% not capable of receiving 20MB

Awareness (have heard of the service)



DSL speed variation by length



Source: Analysys Research

Older / disabled / low income households less likely to have digital services and many do not know where to find info

A greater need to protect consumers?

Telephone frauds big in the press:

- Slamming
- Premium rate diallers
- Silent calls

Email also increasingly used to commit fraud:

- Advance fee or ‘419’ frauds
- Phishing

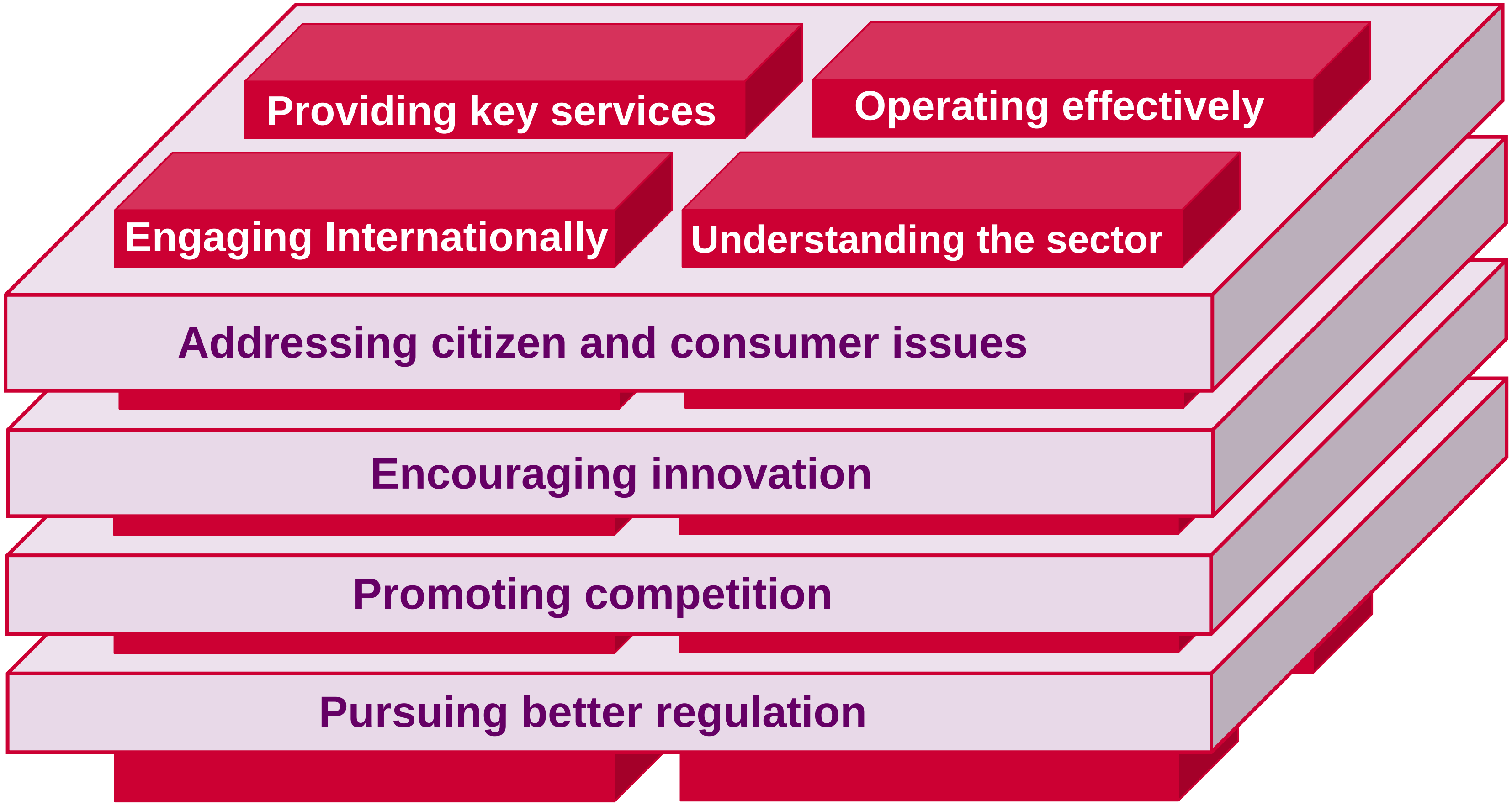
Top complaints to OCC Jan - Jun 2005:

Telecoms bill disputes

1. **CPS Slamming**
2. Customer services

- A market contect
- Priorities for Ofcom for 2006/07
- Discussion

Strategic aims and core activities



Priorities for Ofcom

PSB: future developments

- Implement PSB review through further work on review of Channel 4, local TV, Public Service Publisher and future of news
- Contribute to BBC Charter Review
- Ongoing work to ensure compliance with PSB obligations

Consumer protection

- Promote media literacy
- Protect citizens against harm
- Handle complaints effectively

International engagement

- EU Directive on audio-visual content
- Review of EU framework for electronic communications
- International negotiations on spectrum

Priorities for Ofcom (continued)

Content delivery

- Consider the implications of new ways of delivering internet and media content for particular groups of consumers, and for regulation
- Seek to develop potential benefits for citizens, while ensuring appropriate protection for children

Telecoms strategic review implementation

- Ensure BT undertakings are implemented
- Assess whether they produce desired outcomes
- Deliver fit-for-purpose products for Wholesale Line Rental and Carrier Pre-Selection

Continued de-regulation

- Explore opportunities to reduce and target regulation
- Take account of the latest regulatory thinking, such as the recommendations of the Hampton Review

Priorities for Ofcom (continued)

Spectrum release: auction and liberalisation

- Move to more market-led approach to spectrum allocation and management
- Facilitate spectrum trading
- Release spectrum

Deployment of next generation telecoms networks

- Understand how new networks and services are evolving
- Consider the implications for regulation, both in the core network and the access network (for higher speed networks)

Availability and access

- Identify areas where market failures make intervention necessary to offer people access to services, such as broadband and digital TV
- Work will be informed by audit of the Nations and Regions

ANY QUESTIONS?