

Section 1

Foreword

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

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

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

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

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

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

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

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

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

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

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

http://www.ofcom.org.uk/consult/condocs/annual_plan2006/annual_plan200607/invite

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