

Section 4

Proposed work programme

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

4.2 The four aims are:

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

4.3 These are supported by four activities:

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

Figure 4.1: Ofcom's aims and activities



Addressing citizen and consumer issues

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

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

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

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

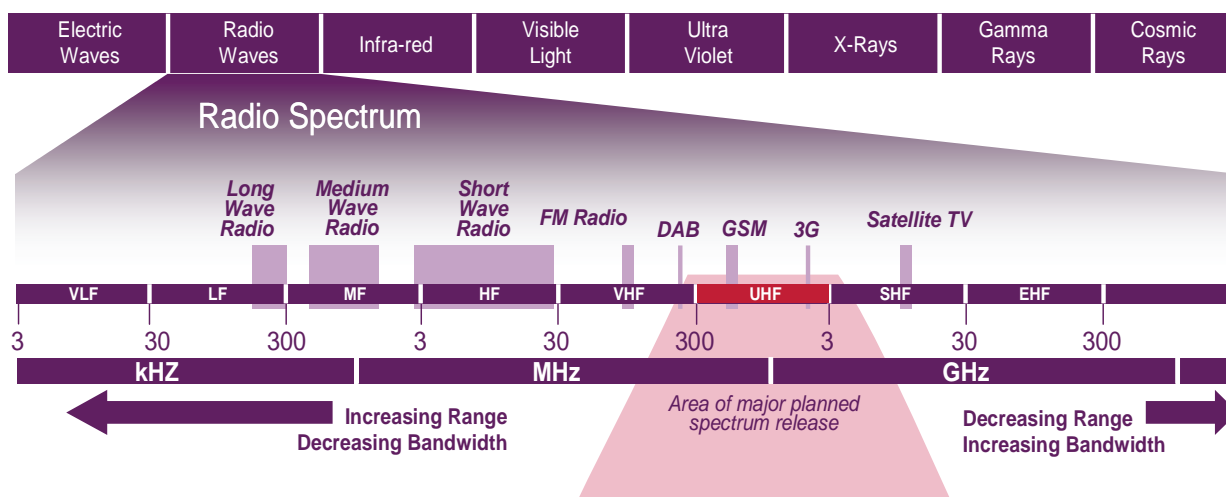
Encouraging innovation

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

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

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

Figure 4.2: Planned spectrum release



Promoting competition

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

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

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

Pursuing better regulation

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

Figure 4.3: Opportunities taken to reduce regulation

Spectrum

Spectrum Framework Review

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

Routine licensing activity

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

Spectrum interference

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

Telecoms

Strategic Review of Telecommunications

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

EU market reviews

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

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

Numbering

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

Universal Service Obligation

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

Broadcasting

Strategic Review of Public Service Broadcasting

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

Radio Review

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

Broadcasting Code

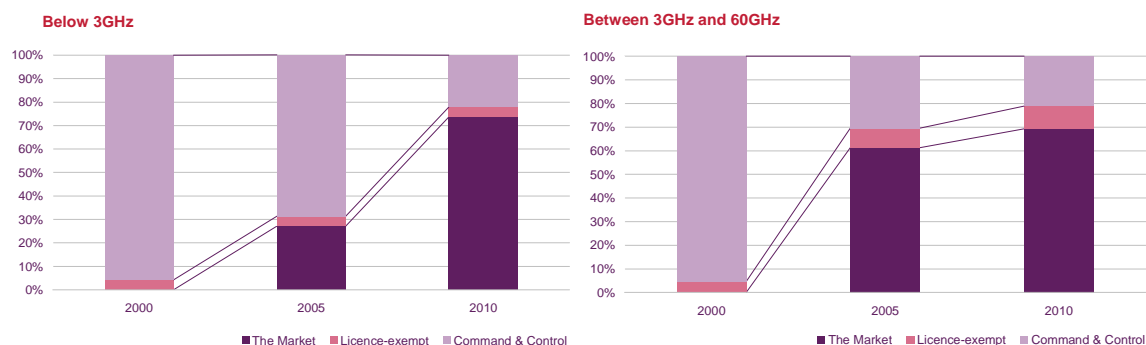
- Ofcom has published a new Broadcasting Code which is both targeted and deregulatory. We have reinforced the importance of protecting children, while recognising the changing broadcast environment and, generally, reducing regulation by:
 - making the Code shorter, simpler and clearer than previous ones;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

Spectrum

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

Figure 4.4: Changing the way spectrum bands are managed



Telecoms

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

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

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

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

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

Broadcasting

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

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

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

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

Engaging internationally

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

Providing key services

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

Operating effectively

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

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

Understanding the sector and our stakeholders

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

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

Proposed work programme table

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