

Ofcom's Annual Plan: April 2004 – March 2005



Ofcom's Annual Plan: April 2004 – March 2005

Consultation document
Closing date for responses: 11 March 2004

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Ofcom exists to further the interests of citizen-consumers through a regulatory regime which, where appropriate, encourages competition.

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This document seeks your comments on Ofcom's proposed Annual Plan for the first full year of its existence from April 2004 to March 2005. The closing date for responses is 11 March 2004.

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Section 1

Foreword

Introduction from Ofcom's Chairman and Chief Executive

1.1 This is Ofcom's first Annual Plan. It sets out our overall approach to regulation, our priorities for 2004/5, and how we will be audited, measured and evaluated.

1.2 Our overall theme is that of a regulator preparing for a period of significant change. Convergence and all its effects have been long predicted, though slower to emerge than many hoped. But all the signs are that we are now approaching a new phase in the development of the communications sector – with a majority of households receiving digital TV and rapid growth in a range of broadband communications services. These changes pose significant challenges for the industry and for the regulator, which for our part we are determined to tackle with attention to detail, clarity about our objectives, and an appreciation of the commercial challenges and public policy objectives.

1.3 Firstly, we are determined that Ofcom's overall approach will be that of a light touch regulator. We will mark 2004/5 with three major strategic reviews: of public service broadcasting, of telecommunications regulation and (towards the end of the year) with a new look at the overall framework for spectrum management. Our aim is to set out our longer-term objectives for regulation in each area and a roadmap for getting there over the next five years. Included on our list will be options for rolling back regulation wherever practicable. These reviews will be open and wide-ranging and all those interested in the outcome will have an opportunity to contribute to the process.

Alongside the reviews, we will work hard to make sure some important principles of regulation are embedded throughout the organisation. Ofcom will:

- be evidence-based;
- be open to industry and citizen-consumer views;
- work with a bias against intervention; and
- act swiftly and effectively where we see a major competition or public interest concern.

1.4 Secondly, our core projects and programmes for this coming year will focus on three of the main market challenges that have been identified:

- **Helping to drive forward digital switchover and broadband roll-out and competition.** We believe that a modern communications infrastructure is an essential condition for the provision of innovative, high quality services to all and will also have a major positive impact on prospects for competition in the sector. Ofcom will place a high priority in 2004/5 on helping the industry to make rapid progress in these areas;
- **Promoting competition.** In parallel with the strategic reviews we will continue to focus on improving the effectiveness of competition in some key parts of the sector, from wholesale broadband access to the television programme supply market; and
- **Safeguarding the interests of citizen-consumers.** Competition and technology change can bring disruption and confusion, as well as positive gains. Our third priority area will be to introduce a new approach to content and standards regulation, fit for the digital age: with

citizen-consumer information and responsibility at its heart, but with action to promote plurality, diversity and protection for the vulnerable where needed.

1.5 Thirdly, in addition to Ofcom's substantial regulatory responsibilities, we also have significant operational functions:

- managing more than 200,000 spectrum licences a year;
- monitoring and investigating spectrum interference and taking direct enforcement action against spectrum interference; and
- handling more than 300,000 complaints and enquiries a year about TV and radio programmes, spectrum and telecoms services.

These business-as-usual activities form a substantial part of what Ofcom does on a day-to-day basis and are further highlighted in this plan (see Section 5).

1.6 Finally, we understand both the extent of, and limits to, our influence. Ofcom cannot make investment happen, it cannot guarantee industry growth or consumer satisfaction. But, by working effectively with our stakeholders, we can help create a climate which both supports a dynamic and world-class communications sector and which increases the benefits to all citizen-consumers. Innovation and creativity should be at the heart of that process, and will be fundamental to the way we approach the issues of the day. We look for constructive engagement with all those interested in the sector. The publication of our first Annual Plan is an important part of that process of engagement.

David Currie (Chairman) and Stephen A. Carter (CEO)

Part 1 Section 2

Background

2.1 Introduction

2.1.1 Ofcom (the Office of Communications) is the new regulator for the communications sector. This document, which we are issuing for public consultation, sets out Ofcom's plans for the year from 1 April 2004.

2.1.2 The purpose of the Annual Plan is to:

- set out, for the first time, Ofcom's strategic priorities and plans for the first full year of its operation;
- ensure transparency, predictability and accountability of Ofcom's work to all its stakeholders;
- provide Ofcom colleagues with a guide to the organisation's work and priorities; and
- provide an overall basis for the Ofcom Board, Content Board and management team to manage Ofcom's business and resources and to monitor the progress of projects and programmes.

2.1.3 The aims of this consultation are to ensure that our stakeholders are given the opportunity to comment on the identification and prioritisation of Ofcom's work. The quality and effectiveness of our decisions will depend, in part, on successful engagement with our stakeholders. We would therefore like our stakeholders to be as clear as possible about our operating priorities. This consultation is part of the process of improving regulatory certainty and ensuring that our resources are allocated to issues and activities which address key regulatory and policy concerns.

2.2 Foundations of the Annual Plan

2.2.1 The Ofcom Annual Plan is founded upon both Ofcom's statutory duties and the overall mission for Ofcom, as set out in Ofcom's publication *From Commencement to 1st Quarter 2004 – Foundation and Framework*, published September 2003.

2.2.2 Ofcom's duties are in the main set out in the Communications Act 2003, although there are nine other statutes for Ofcom to follow. They are the unconsolidated parts of:

- Broadcasting Act 1996
- Broadcasting Act 1990
- Competition Act 1998
- Enterprise Act 2002
- Wireless Telegraphy Act 1998
- Wireless Telegraphy Act 1967
- Wireless Telegraphy Act 1949
- Marine etc Broadcasting (Offences) Act 1967
- Telecommunications Act 1984.

Ofcom's specific duties fall into six areas:

1. ensuring the optimal use of the electro-magnetic spectrum;
2. ensuring that a wide range of electronic communications services – including high speed data services – is available throughout the UK;
3. ensuring a wide range of TV and radio services of high quality and wide appeal;
4. maintaining plurality in the provision of broadcasting;
5. applying adequate protection for audiences against offensive or harmful material; and
6. applying adequate protection for audiences against unfairness or the infringement of privacy.

2.2.3 Ofcom's mission is as follows:

Ofcom exists to further the interests of citizen-consumers through a regulatory regime which, where appropriate, encourages competition.

2.2.4 To do this Ofcom shall:

- balance the promotion of choice and competition with the duty to foster plurality, informed citizenship, protect viewers, listeners and customers and promote cultural diversity;
- serve the interests of the citizen-consumer as the communications industry enters the digital age;
- support the need for innovators, creators and investors to flourish within markets driven by full and fair competition between all providers; and
- encourage the evolution of electronic media and communications networks to the greater benefit of all who live in the United Kingdom.

2.2.5 We have used the main elements of our mission, set against the backdrop of key market developments and policy challenges, to help identify our priorities for 2004/5. These are set out in more detail in Part 1, Sections 4 and 5 and Part 2, Section 8.

2.3 What this document includes

2.3.1 Part 1 of this document covers the following areas:

- **A market overview** identifying some of the important overall features of the communications sector within which Ofcom operates, and highlighting some of the key challenges which lie ahead for the sector and for its regulation.

- **Our outline priorities for 2004/5** which sets out our main planned areas of activity, relates those to our overall mission and includes the steps we will take to improve our efficiency and effectiveness.
- **Ofcom's approach to regulation** highlights how we intend to approach our work in 2004/5 by adopting some core operational principles which will underpin our general approach, as well as maintaining business-as-usual for the services we provide to stakeholders.
- **Finance and resources** provides an overview of the resources Ofcom is proposing to deploy to carry out the activities scheduled for 2004/5 and the breakdown of these resources by key priority and function.
- **Accountability and performance** details the key steps Ofcom will undertake in 2004/5 to ensure that the objectives of this plan can be fulfilled and that Ofcom operates as an efficient and effective regulator. We also set out some long-range plans for measuring and evaluating the resources at our disposal.

2.3.2 Part 2: **Ofcom's operating priorities for 2004/5** sets out in more detail the specific areas we are proposing to address, including the strategic reviews and other priorities, together with key contacts and indicative timescales for planned major outputs.

2.3.3 Part 3: **Responding to Ofcom's Annual Plan**, includes:

- **how to respond**; which describes how stakeholders should respond to this consultation document; and
- **consultation questions**; a summary of questions for stakeholders to respond to in terms of Ofcom's proposed priorities and resource allocation.

Part 1 Section 3

A market overview

3.1 Introduction

3.1.1 Ofcom is preparing for its first full year of operations against an uncertain economic background and with the communications sector facing prolonged and potentially fundamental change.

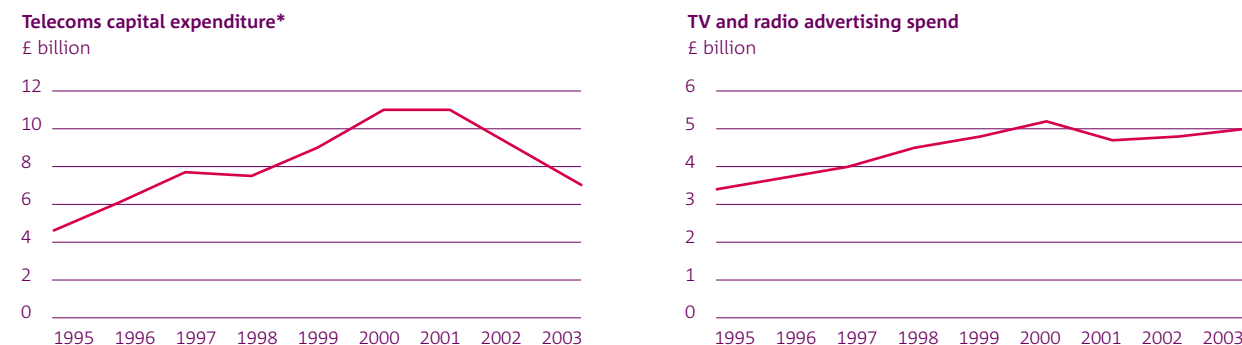
3.1.2 The sector as a whole is emerging from a period of significant financial challenge. For example, television advertising revenues declined by 12 per cent in real terms between 2000 and 2002, and are only now beginning to demonstrate a return to real growth. Amongst UK telecoms companies the focus has been on cashflow and capital management rather than top line revenues – and investors have taken a more cautious view of future prospects in the light of losses made during the preceding years. These trends are illustrated in Figure 3.1.

3.1.3 Nevertheless, there have been some positive stories too, including the continued success of digital satellite TV, the falling prices of many telecoms services, and the strong performance of some of the UK mobile telecommunications operators. Comparing how much UK customers pay relative to their counterparts in other leading economies can be achieved by pricing a range of customer profiles in terms of volume and type of key telecoms services. Figure 3.2 illustrates, on this basis, that price indices for the UK customer compare reasonably favourably with those elsewhere.

3.1.4 Looking ahead, we have identified three key forces which will have an effect on the sector and on the challenges for the regulator in 2004/5 and beyond:

- continued rapid technology change, as we enter the final stages of the move from an analogue to a fully digital world;
- changing attitudes and needs of individuals as citizen-consumers; and
- structural (and ownership) change, as companies adapt to the new challenges and react to changes in the competitive environment.

Figure 3.1 Investment in telecoms and television & radio advertising revenue



*Note: Telecoms capital expenditure excludes spend on 3G mobile licences. Sources: Telecoms capital expenditure – Office of National Statistics and Ofcom estimates for 2002 and 2003; TV and radio advertising revenue –Advertising Association (four quarters to Sept). Figures are nominal spend i.e. not adjusted for inflation.

Figure 3.2 International price comparisons for residential telecoms services

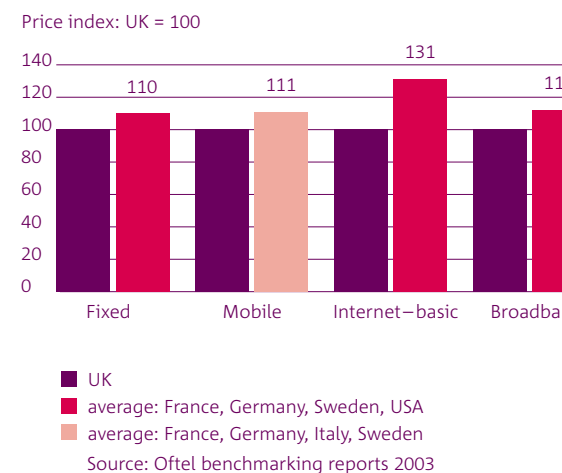
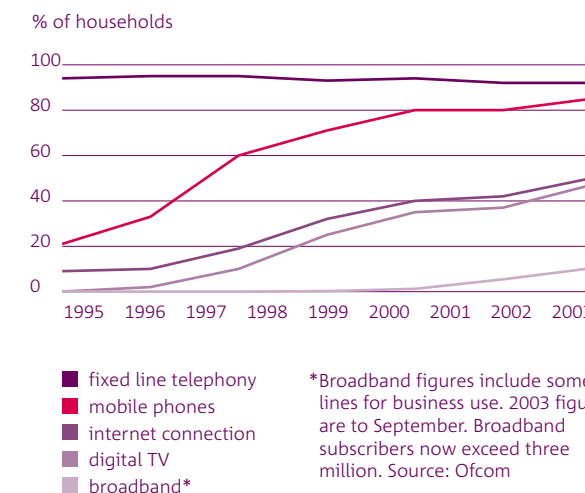


Figure 3.3 Household penetration of communications technologies



3.2 Technology

- 3.2.1 Firstly, technology developments continue apace. The most important of these are the continuing move from analogue to digital in television and the growth of fixed and wireless broadband services in telecoms. Key developments include:
- the proportion of UK households with digital TV is approaching 50 per cent with the addition of around 30,000 households a week. Growth seems likely to continue;
 - broadband over Digital Subscriber Line (DSL) and/or cable modem now has the potential to reach 80 per cent of UK homes and businesses. Three million households and small businesses already have taken up a broadband service – with around 40,000 households and businesses a week installing a new broadband connection;
 - new opportunities for rural customers to obtain broadband are being opened up with the release of spectrum for new wireless broadband services;
 - Wi-Fi hotspots are being built throughout the UK. Currently there are more than 100 operational Wi-Fi sites in the UK and a number of operators offering services; and
 - customers' use of photo messaging is increasing, whilst the step change in technology represented by 3G is beginning to emerge as new services reach the market.
- 3.2.2 The take-up of communications services over time is shown in Figure 3.3.

- 3.2.3 A fully digital and broadband world offers the possibility of greater competition and choice in both the provision of networks and in services delivered over those networks. As technology develops, we can look forward to the emergence of new network business models and easier entry for a wide range of service providers, to the greater benefit of citizen-consumers. The opening up of access to radio spectrum via spectrum trading will help reinforce these prospects for competition.
- 3.2.4 However, in parallel, the high investment needs of the sector as a whole continue to be a major issue.
- In television, there are the costs of achieving a high degree of digital terrestrial transmission roll-out in advance of switchover, whilst supporting dual transmission of analogue and digital services; likewise in the radio sector with Digital Audio Broadcasting (DAB).
 - In telecommunications, there are the costs of rolling out broadband services in rural areas and providing enhanced broadband services in areas already served (through fibre to the kerb, for example), alongside the costs of 3G roll-out.
- 3.2.5 The challenge for Ofcom is to create a regulatory environment which will encourage continued investment in digital TV and broadband networks and services through the right balance of economic and competition incentives.

3.3 Citizen-consumer and supplier behaviour

- 3.3.1 Secondly, market developments will be shaped by the changing demands and attitudes of citizen-consumers and the responses of suppliers.
- In television and radio, citizen-consumers increasingly demand more choice and control over what they watch and listen to. Suppliers are responding by tailoring their products and services to meet many different tastes. Whilst this may lead to the emergence of many new services, it could also lead to a fragmentation of revenues for content providers – with the benefits of increased choice potentially offset by an adverse effect on service range and quality.
 - In telecommunications, similarly, customers appear increasingly willing to try new service providers and to switch to new technologies. Changes are being led by the younger age groups, with benefits filtering down to other groups less willing initially to experiment. To do this effectively, customers need access to information on quality, price and functionality so they can take full advantage of the greater choices available.
- 3.3.2 In particular, Ofcom will face three major challenges throughout 2004/5 and beyond:
- ensuring that quality, diversity and plurality of content and services are safeguarded, whilst allowing citizen-consumers to benefit fully from increased competition and choice;

- responding to changing public attitudes toward content regulation, with perhaps conflicting demands from some quarters for a more relaxed approach to regulation coupled with increased concern about standards on the internet; and
- ensuring that all citizen-consumers are able to benefit from the increased market and technology choices available.

Developments in broadband may call for a reassessment of the scope of any Universal Service Obligation, whilst universal access to digital TV and radio services is likely to be an important ultimate policy goal.

3.4 Structural change: opportunities and risks to competition

- 3.4.1 Thirdly, the communications sector in 2004/5 seems likely to be characterised by continuing structural change, with trends towards concentration which could diminish the effectiveness of competition. Conversely, the impact of convergence could allow new players to erode the market strength of existing large players.
- 3.4.2 There is the continuing possibility that television, radio and telecommunications markets will be characterised by the presence of just a few large and powerful players, often with the added strength which comes from vertical integration. For example, there is the possibility of ownership change and further consolidation in the UK commercial TV and radio sectors.

3.4.3 However, there are also areas where competition is increasing. For example, there is the possibility that convergence and technological change could lower the barriers to entry and reduce the number of separate markets which are insulated from competition. Across the communications sector, the scope for new entrants to take advantage of a potentially liberalised spectrum environment could be a key development in affecting the overall level of competition.

3.4.4 In each part of the communications sector, there are developments which promise more competition, choice and innovation. But there are also risks that high investment requirements and resilient barriers to competition and market entry might work in the opposite direction. Ofcom's challenge for 2004/5 is to set the direction for a regulatory framework which will help realise the potential benefits of change, whilst rolling back regulation wherever practicable.

3.5 Ofcom's mission and priorities for 2004/5

3.5.1 The three forces identified in this section have clear implications for Ofcom's strategic priorities for its first year of operation and beyond.

3.5.2 Firstly, in order to enable citizen-consumers to benefit fully from the digital/broadband world, there is a clear need for Ofcom to

focus on helping drive digital switchover and advancing broadband development. This will require a mix of incentives for continued investment in upgrading existing networks, alongside measures to encourage increased competition in both network and service provision – for example, measures to help competition in the provision of broadband services and the development of spectrum trading to facilitate longer-term market entry.

3.5.3 Secondly, to counter the threat of entrenched market power in some parts of the sector, Ofcom will pursue a tough approach to promoting competition. This will include selective action to lower entry barriers where practicable and to create a climate which supports innovation. Ofcom will set a higher threshold for pursuing disputes and competition complaints than has applied in the past, allowing resources to be focused on the critical issues that will shape competition in the sector.

3.5.4 Thirdly, to address changing citizen-consumer concerns about quality, plurality, range and diversity, Ofcom will need to develop a range of measures which safeguard the public interest, whilst helping citizen-consumers take on increasing responsibility for making informed choices.

3.5.5 These priority areas are developed further in the next two sections of this plan.

Part 1 Section 4

Outline priorities for 2004/5

4.1 Core Annual Plan activity

4.1.1 This section explains the key operating priorities which will be the main building blocks of the Annual Plan.

4.1.2 They are divided into three categories:

- the three major strategic reviews;
- a series of core projects and programmes which address the market challenges identified in Section 3, and which are grouped according to the core themes of Ofcom's mission; and
- important initiatives which will improve Ofcom's overall effectiveness, and hence underpin the achievement of both the reviews and Ofcom's other operating priorities.

4.1.3 These activities are summarised in Table 4.2 at the end of this section, and specified in more detail in Part 2 of this document.

4.2 The three strategic reviews

4.2.1 Central to our Annual Plan will be three strategic reviews on:

- public service broadcasting;
- telecoms; and
- spectrum.

4.2.2 The time is right, at the start of Ofcom's existence, to stand back and assess the most appropriate medium-term direction for regulation in key areas. We can set a framework for our approach to regulation over the next few years that is consistent in the coherence of its approach, although there may be some legitimate variation in the detail of its application to the different areas we regulate.

4.2.3 To take advantage of this opportunity, Ofcom is undertaking three major direction-setting reviews in 2004/5 concerning:

- **public service broadcasting;** to assess the extent to which the purpose of PSB is currently met and assess how it can be strengthened and maintained in an increasingly competitive and rapidly changing television market;
- **a strategic review of telecoms regulation;** to consider the options to improve quality, choice and value for UK consumers by promoting competition in the telecoms market where needed whilst taking appropriate steps to protect consumers where competition is not immediately achievable; and
- **a strategic review of spectrum framework;** to take stock, toward the end of the year, of the range of new approaches to spectrum management. This will explore any further changes needed to continue to ensure spectrum is made available as effectively as possible, with the key aim of facilitating competition within, and entry into, communications markets.

4.2.4 These reviews, the main features of which are described in more detail in Part 2, will interact with each other. For example, the evolution of spectrum trading will impact on the scope for competition in the telecoms sector and will provide a basis for Ofcom to develop an overarching strategy for regulation of the communications sector in the medium term. The outcome of the reviews will feed into the key decisions we will take from the end of 2004 and will be implemented over the following two to three years.

4.2.5 We recognise however that the strategic review processes will be conducted against a background of continuing market changes, demands by a range of stakeholders for specific and immediate regulatory action from Ofcom, and the provision by Ofcom itself of a substantive set of services to stakeholders, especially spectrum licensing and enforcement. One of Ofcom's challenges in 2004/5 will therefore be to achieve an appropriate balance between the processes of major reviews, policy development, casework and operational activities. Our priority projects and programmes for 2004/5 have been designed to reflect this aim.

4.2.6 The results of these reviews will help shape the overall direction of our regulation in each sector over the next three to five years. Figure 4.1 shows these relationships.

4.3 Core projects and programmes

4.3.1 Alongside the strategic reviews, we have grouped our core projects and programmes for 2004/5 in terms of the main themes set out in Ofcom's mission (see Table 4.1).

4.3.2 Digital switchover and broadband development are major policy agenda items consistent with Ofcom's mission of encouraging evolution of electronic media and networks. Further digital take-up and increasing broadband roll-out will enhance the range of services available to citizen-consumers, and help promote competition in their provision. Competition between the providers of digital platforms or networks, and the use of new technologies to support new broadband delivery systems, should also be key goals. Ofcom has a major role to play in helping to bring about these changes.

4.3.3 Ofcom's mission to promote competition contains a particular emphasis on investment and innovation. Our focus in 2004/5 will be on the implementation and policing of competition in key areas already identified by the Oftel market reviews, especially as regards broadband. Similarly, in the broadcasting sector we will continue to monitor progress in the programme supply market. In parallel, we will continue to push ahead with the introduction of spectrum trading, which in the longer term may enable competing networks to be developed.

Figure 4.1 The three strategic reviews will underpin our medium-term strategy for regulation

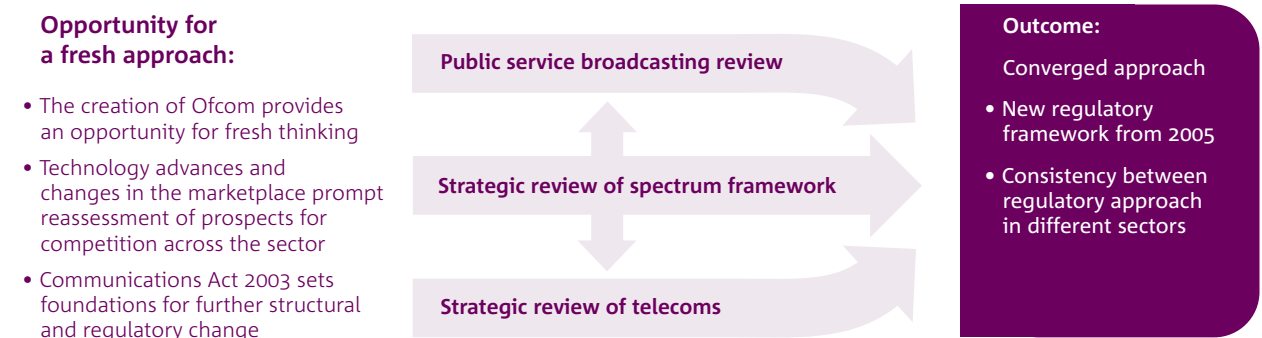


Table 4.1 Ofcom's core projects and programmes in relation to its mission themes

| Ofcom's mission | Key action in 2004/5 |
|---|--|
| Encourage evolution of electronic media and communications networks | Focus on driving digital switchover and advancing broadband development |
| Support the need for innovators, creators and investors to flourish via promoting competition | Focus on promoting key competition initiatives and introduction of spectrum trading |
| Foster plurality, inform and protect citizen-consumers, and promote cultural diversity | Focus on new approach to content regulation and broadcast licensing including co-regulation of broadcast advertising |
| Serve interests of citizen-consumers | Focus on encouraging the informed consumer and Ofcom's interface with citizen-consumers |

- 4.3.4 In the area of plurality and diversity of content, Ofcom will develop and implement a new regime for digital broadcasting licences in both TV and radio, as well as introduce the new approach to content regulation signalled in the Communications Act. A key element of this will be developing and implementing co-regulatory initiatives such as that for broadcast advertising. We will also be ready to apply the new public interest test, if required, in the event of media mergers.
- 4.3.5 Finally, in terms of the fourth element of Ofcom's mission, we will serve the interests of citizen-consumers through a range of initiatives; developing the concept of the informed citizen-consumer, exploring new approaches to the handling of citizen-consumer complaints and enquiries and a review of universal access issues, including the Universal Service Obligation in telecoms.

4.4 Supporting Ofcom's effectiveness

- 4.4.1 Ofcom will also carry out a range of projects and programmes that will help make us a more effective operation. These include:
- providing a best-in-class evidence base across technology, markets and consumer research;
 - establishing an effective network for external relations, with initiatives and a presence in each of the Nations; and
 - delivering ongoing strategic planning and independent review processes, with full consultation and stakeholder involvement.

- 4.4.2 In addition we will continue to improve the efficiency of the services we provide to our stakeholders in areas such as spectrum licensing, for example, where we are planning a range of improvements in interference monitoring and enforcement.
- 4.4.3 Finally, Ofcom is establishing key operating priorities which will ensure:
- effective and efficient internal support services; and
 - a high-performance communications capability, effective both internally and externally.

4.5 Summary of work to be carried out

- 4.5.1 The different types of work Ofcom will be carrying out, identified in this section (and Section 5), are summarised in Table 4.2. These link our main operating priorities to our overall mission, our regulatory principles and our steps to improve efficiency.

Table 4.2 Summary of Ofcom's Annual Plan for 2004/5

| Overall Mission: to further the interests of the citizen-consumer where appropriate by encouraging competition | | | |
|--|---|--|---|
| Key Reviews | | | |
| <ul style="list-style-type: none"> • A1 Public service broadcasting review • A2 Telecoms strategic review • A3 Strategic review of spectrum framework | | | |
| Encourage evolution of electronic media and communication networks | Support the need for innovators, creators and investors to flourish via promoting competition | Foster plurality, inform and protect citizen-consumers, and promote cultural diversity | Serve interests of citizen-consumers |
| <p>B1 Drive digital switchover</p> <ul style="list-style-type: none"> • Television • Radio • Related spectrum release <p>B2 Advance broadband development</p> <ul style="list-style-type: none"> • Broadband spectrum access • Competition in fixed telecoms; broadband market reviews • Next-generation networks • Digital rights management • Citizenship concerns | <p>C1 Promote competition</p> <ul style="list-style-type: none"> • Individual market reviews • Wholesale line rental • Network charge control <p>C2 Conduct investigations</p> <ul style="list-style-type: none"> • Competition case investigations <p>C3 Enable value-added use of spectrum</p> <ul style="list-style-type: none"> • Implementing spectrum trading • Spectrum clearance • Spectrum pricing <p>C4 Spectrum licensing, monitoring and enforcement</p> | <p>D1 Develop new broadcasting licensing regime to foster self-regulation and broaden choice</p> <p>D2 Implement changes to broadcasting content regulation to deliver additional citizen-consumer benefits</p> <ul style="list-style-type: none"> • Improving quality • Increasing access <p>D3 Develop, implement and extend co-regulation of:</p> <ul style="list-style-type: none"> • broadcast advertising • premium rate services | <p>E1 Protect interests of citizen-consumers</p> <ul style="list-style-type: none"> • Ease of use initiatives • Consumer Panel • Telephone numbering <p>E2 Promote informed citizen-consumers</p> <p>E3 Deal effectively with citizen-consumer complaints</p> <ul style="list-style-type: none"> • Ofcom Contact Centre • Investigation and enforcement of key citizen-consumer issues <p>E4 Review the Universal Service Obligation in telecoms</p> |
| Overall framework and processes of regulation | | | |
| <p>F1 Provide best-in-class research and market intelligence (evidence base)</p> <p>F2 Establish effective network for external relations: regional, national and international</p> <p>F3 Deliver strategic planning and independent reviews</p> <p>F4 Improve efficiency of Ofcom's services to stakeholders</p> <p>F5 Provide effective internal support processes: Human Resources, Commercial</p> <p>F6 Communicate effectively both internally and externally</p> | | | |

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Part 1 Section 5

Ofcom's approach to regulation

5.1 Background to our overall approach

5.1.1 Ofcom aims to take a strategic and evidence-based approach to regulation. The Annual Plan begins the process of setting out in more detail how we will achieve these aims. But 2004/5 is also a transition year for Ofcom. Therefore, some of the more detailed elements of our longer-term strategy will only emerge after Ofcom has addressed the short-term implementation challenges of the Communications Act, and has completed several major planned strategic reviews of the sector discussed in Section 4.

5.1.2 Ofcom's approach for 2004/5 is therefore framed by a number of different considerations:

- the longer-term trends apparent in the market context set out in Section 3, which underline the need for Ofcom, as a new regulator, to stand back and assess the strategic direction for regulation going forward;
- an opportunity for Ofcom to implement its regulatory principles, setting in place a coherent overall framework of regulation;
- the scope presented by the formation of a single regulatory body to improve the delivery of services provided to stakeholders and to build more effective internal processes;
- the opportunity for Ofcom to make integrated, converged decisions across the whole communications sector;

- a range of more immediate actions flowing from a combination of current market developments, the Communications Act requirements and initiatives carried forward from existing regulators; and
- the need to provide continuing business-as-usual services to stakeholders.

5.2 Implementation of regulatory principles

5.2.1 In 2004/5 we will complete the process of implementing our principles of regulation, as first published in our *Foundation and Framework* document and set out below.

Ofcom's regulatory principles

- Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated policy objectives.
- Ofcom will intervene where there is a specific statutory duty to work towards a public policy goal which markets alone cannot achieve.
- Ofcom will operate with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required.
- Ofcom will strive to ensure its interventions will be evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.
- Ofcom will always seek the least intrusive regulatory mechanisms to achieve its policy objectives.
- Ofcom will research markets constantly and will aim to remain at the forefront of technological understanding.
- Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation upon a market.

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- 5.2.2 Our overall aim is to operate with a **bias against intervention**. But where we do intervene we will do so on a firm, prompt, and effective basis. In practice, this means:
- the use of strategic reviews which will always consider the scope for reducing or removing regulation over time;
 - key policy and regulatory decisions will include clear Regulatory Impact Assessments and consideration of a 'no regulation' option;
 - examination of regulatory approaches which work with the market – for example by ensuring citizen-consumers can make effective choices – rather than against it; and
 - a clear commitment to explore scope for co- and self-regulation where it makes sense.

5.2.3 Where we do intervene, we will ensure we act in a clear and consistent manner which is:

- evidence-based;
- timely but consistent with due process; and
- transparent and accountable.

5.2.4 Examples of how Ofcom's regulatory principles are being applied in practice are summarised in Table 5.1 overleaf.

5.2.5 In Part 2 of this document we set out our operating priorities for 2004/5. The regulatory principles above will apply to all areas of work. Several key processes will support the way we apply these, for example: research, strategy, policy development and external relations.

5.3 Improving efficiency and effectiveness

5.3.1 By bringing together the activities of five separate regulators, Ofcom has already been able to improve the efficiency of its processes both for service delivery to stakeholders and for its own internal support services. This has already involved:

- back office integration of legacy regulators which has reduced cost, for example, in the areas of human resources, finance, communications, information systems, and buildings rationalisation;
- reduction in the number of staff in comparison to the five legacy regulators, from 1,100 to 880 staff;
- outsourcing non-core activities – for example Information Systems and pensions administration; and
- putting some areas of planned work on a 'reserve' list for 2004/5 to ensure Ofcom does not over-commit itself in its first year.

5.3.2 For 2004/5 Ofcom will continue this process by, for example:

- developing new licensing products for spectrum;
- developing remote monitoring and direction-finding equipment and unattended monitoring systems for spectrum monitoring and interference work;
- re-engineering licensing functions by integrating Wireless Telegraphy Act and Broadcasting Act functions; and
- developing a single, converged stakeholder contacts system and database.

Table 5.1 Applying Ofcom's regulatory principles

| Summary of principles | Examples of the principles being applied |
|--|---|
| To have a clearly articulated and publicly reviewed Annual Plan | This draft Annual Plan, published for consultation, sets out how Ofcom will achieve a converged, integrated and strategic approach to regulation. Alongside this, Ofcom will seek to engage effectively with other public bodies and regulators at home and abroad, in order to deliver effective regulation across the sector. |
| To intervene when required to do so on public policy grounds | Citizen-consumer interests will directly underpin some significant areas of Ofcom's activity in 2004/5, such as of the review of public service broadcasting (PSB), and implementation of new content codes and digital broadcasting licences. More generally, the work of the Content Board and special advisory bodies will underpin Ofcom's approach. |
| To operate with a bias against intervention – but to intervene where required | Ofcom will introduce a higher threshold for accepting complaints than applied in the past to ensure our resources are focused as far as practicable on the key disputes and competition issues which will make a difference to the market. |
| To seek the least intrusive regulatory mechanisms | Ofcom is currently consulting on the criteria for transferring functions to co-regulatory bodies, and has already proposed that complaints about TV and radio advertisements be dealt with by a self-regulatory body, working with Ofcom. This is currently under consultation. |
| Interventions to be evidence-based, proportionate, consistent, accountable and transparent | Ofcom's work includes major programmes to undertake and publish best-in-class research across markets, citizen-consumer behaviour and technology developments to form a robust evidence base. Ofcom will have an extensive process of peer review and for major initiatives will have independent review panels. |
| To research markets constantly and be at the forefront of technological understanding | Ofcom will deliver clear, timely and targeted communication of its proposals and decisions as a key element of its accountability and transparency to its stakeholders. A range of consultations are planned for 2004/5, including those on market reviews of individual telecoms markets, on introducing new digital commercial TV licences, and on reviewing the Universal Service Obligation in telecoms. |
| To consult widely and assess the impact of regulatory action | Ofcom has published guidelines on how it will consult and has applied these in its current consultations. These include our commitment that Regulatory Impact Assessments (RIA) will be carried out wherever relevant. Ofcom will focus its external relations activity both to understand stakeholder views and concerns and to ensure Ofcom's approach is clearly communicated throughout the UK. Ofcom will build a clear understanding of how regulatory decisions will affect the financial markets and will work with the Consumer Panel to help understand the effect of those decisions on consumers. |

This table is available as a pdf download on Ofcom's website



5.4 Integrated and converged decisions

- 5.4.1 Ofcom has been designed to enable regulatory decisions to be taken on a converged and integrated basis. Our structure and working methods will ensure that this happens in a number of ways, by:
- setting up the Strategy and Market Developments group to take a strategic overview across the sector and to facilitate integrated decision-making;
 - holding regular policy meetings involving all the main policy-making Partners in the organisation;
 - establishing a Programme and Project Office to track and prioritise all work and capture opportunities to work more efficiently through better co-ordination;
 - cross-team project working using expertise from across the different sectors and involving the right combination of economic, strategic, technology, legal, commercial and research skills;
 - establishing a peer review process to ensure consistency of approach; and
 - establishing a common research and evidence base.

5.5 Ongoing business activities

- 5.5.1 As well as Ofcom's significant regulatory responsibilities, we also have a substantial set of activities which are, in effect, services to stakeholders. These day-to-day operations involve high-volume processes and, for a significant number of stakeholders, may represent their main contact with Ofcom.

- 5.5.2 The activities involved include:

- handling complaints and enquiries;
- issuing a high volume of routine licences;
- monitoring spectrum interference; and
- enforcing radiocommunications licences.

- 5.5.3 These activities involve significant Ofcom resources. Whilst Ofcom is looking actively to manage these workloads, they are likely to be substantial in 2004/5.

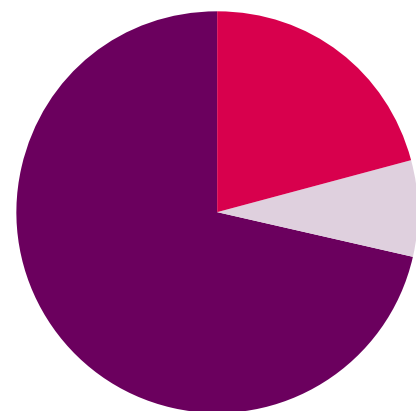
5.5.4 Managing complaints and enquiries

Ofcom's Contact Centre (OCC) is the common reception point for all enquiries and complaints regarding telecoms, broadcasting or spectrum via telephone, fax, email, textphone and post. These are either dealt with directly or referred to other parts of the organisation. The volume of complaints and enquiries is likely to exceed 300,000 a year (see Figures 5.1 and 5.2 for more details).

5.5.5 Complaints: broadcasting content

Within these totals, Ofcom will deal with complaints about broadcast programmes and advertising to see if the codes which set the standards for broadcasters (including the BBC) in these areas have been complied with. Ofcom will also deal with complaints regarding fairness to individuals, privacy, sponsorship, accuracy and impartiality. Around 25,000 broadcasting-related complaints are likely to be received in 2004/5 based on volumes in previous years.

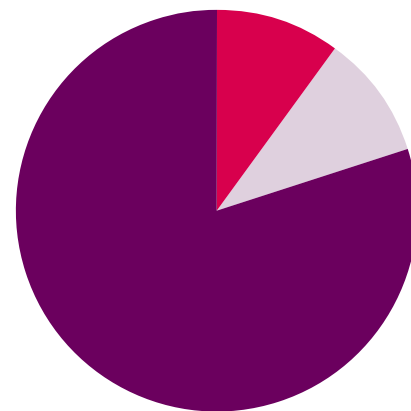
Figure 5.1 Complaints and enquiries received in 2003 by legacy regulators



Approximate number of citizen-consumer complaints and general enquiries 2003 (000's telephone calls, letters and emails)

| | |
|--------------|------------|
| ■ Telecoms | 240 |
| ■ Spectrum | 70 |
| ■ Broadcast | 26 |
| Total | 336 |

Figure 5.2 Initial complaints and enquiries received since opening of Ofcom Contact Centre on 8 December 2003



The new Ofcom Contact Centre has been established to integrate the citizen-consumer facing operations of the five legacy regulators. Complaints and general enquiries are taken by telephone, post and the internet and logged on a common system. Early indications from the first month's data are that contact volumes continue to rise and the distribution is as follows:

| | |
|--|-----|
| ■ Telecoms related contacts | 80% |
| ■ Spectrum related complaints and enquiries | 10% |
| ■ Broadcast related complaints and enquiries | 10% |

Note: The contact volumes quoted represent a snapshot of the early stages of Ofcom's operation based on data collected in December 2003 and early January 2004. Whether these volumes prove to be representative of actual future volumes remains to be seen and will be determined by many factors such as industry developments and the opinions of citizen-consumers.

5.5.6 Licensing use of spectrum

Licensing: the Licensing teams will enact the provisions of Section 152 of the Communications Act relating to the regulation and use of radiocommunications spectrum. The licensing teams deal with those licences or authorisations which are available on a first-come, first-served basis. Where there is competition for spectrum, i.e. broadcasting, mobile and some broadband services, those licensing matters are dealt with in Core projects C3 (see Section 8).

The role of the individual teams is to deliver all aspects of spectrum access, from negotiating in international forums over the use of the spectrum or access to it using varying types of technology, through to involvement in the decision as to the use of the allocation in the UK. The teams are then responsible for making individual assignments or authorisations. The issuing or renewal of the licence itself is the end product which enables individual users to use the spectrum legally.

Currently, there are approximately 220,000 licensees with annually renewable licences. Five licensing teams will provide services to these customers, as follows:

Business Radio Systems: responsible for managing licences, (presently circa 56,000 licences each year) and managing spectrum for private systems users, such as oil companies, commercial outlets, transport companies, delivery service and tracking systems.

Fixed Wireless Systems: responsible for assigning fixed links, both point-to-point and point-to-multipoint links. There are 32,000 links assigned at any one time, allocated under some 500 licences.

Satellite: responsible for managing spectrum access in International Telecommunications Union (ITU) and Conference European des Administrations des Postes et Telecommunications (CEPT) forums and managing the relationship with the satellite community. The team manages Secom, the licensing system for satellite use, Satclear, which authorises individual satellite terminals electronically and eFlatco, which authorises uplinks for transportable Earth Stations (presently circa 80,000 assignments each year, allocated under some 500 licences).

Deregulation and contracting out: responsible for managing a suite of contracts with the Civil Aviation Authority (CAA), The Radio Licensing Centre and JFMG Ltd, to deliver licences for citizens' band, amateur radio, maritime and aeronautical users (presently circa 161,000 licences each year) and short term licences for programme making and outside broadcasting.

E-licensing: responsible for managing the licensing system and assignment of test and development licences, and further implementation of e-licensing and coordinating other projects which have an impact on the systems.

5.5.7 Monitoring spectrum use and enforcing spectrum licences

Field Operations: responsible for the Baldock 24-hour monitoring point and the Field Engineering team deployed across the UK to manage local assignments, investigate and resolve interference issues and undertake enforcement actions. Based on previous years this team may carry out around 800-1,000 raids on pirate radio stations and investigate around 2,000 domestic interference cases in each year.

The numbers of spectrum licences managed are shown in Table 5.2.

Table 5.2 Spectrum licences managed by Ofcom's licensing teams

| Type of licence | Number managed per year (approx) |
|--|----------------------------------|
| Business Radio Systems e.g. for oil companies, transport companies and delivery services | 56,000 |
| Contracted out licences e.g. CB, Amateur, Aero, Maritime and Programme Makers | 161,000 |
| Fixed Wireless Services e.g. for fixed and mobile telecoms companies providing networks and access | 500 |
| Satellites e.g. as used by TV broadcasters and tracking systems for construction plant and machinery | 500 |
| Test and development e.g. to trial new equipment that will use spectrum | 800 |

Note: both Satellites and Fixed Wireless services have relatively few licences but they require a large number of individual assignments to be made, for fixed links there are 32,000 existing links and 5,000 new ones p.a. and for satellites 80,000, mainly short term assignments p.a.

5.6 Summary

5.6.1 Ofcom's approach to regulation in 2004/5 will involve undertaking three strategic reviews – PSB, telecoms and spectrum – which will enable the development of a converged strategy framework for subsequent years and the carrying out of a series of core projects and programmes.

5.6.2 In pursuing this approach, we will seek to apply our regulatory principles, improve our efficiency and effectiveness, take integrated and converged decisions as well as providing business as usual services to our stakeholders.

Part 1 Section 6

Finance and resources

6.1 Section overview

- 6.1.1 This section provides an overview of the Ofcom budget for 2004/5 including:
- comparison of overall spend levels with the costs of the five previous regulators and an explanation of the changes; and
 - broad allocation of the budget and resources by major work areas, type of expenditure and by Ofcom group.

6.2 Comparison of overall costs with those of the five previous regulators

- 6.2.1 On a like-for-like basis, Ofcom will cost £129 million in 2004/5. This is approximately £7 million per annum less than the previous regulators combined.

Ofcom's new duties and non-reclaimable VAT add some £16 million a year to its costs. Further, Ofcom's start up costs including parallel running, restructuring and redundancy costs have been funded by a £52.3 million loan from the DTI. Loan repayments in 2004/5 amount to £19 million. (See Figures 6.1a and 6.1b).

Figure 6.1a Comparison of like-for-like costs with legacy regulators: 2004/05 prices (£m)

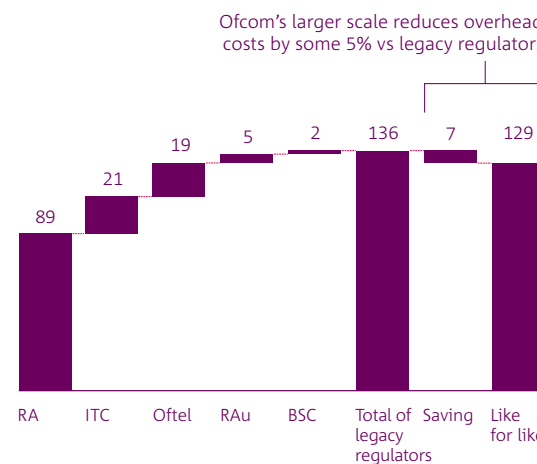
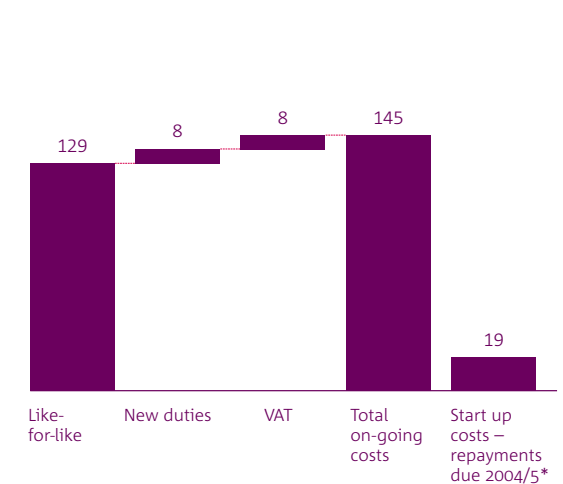


Figure 6.1b Impact of new duties, VAT and start up costs: 2004/05 prices (£m)



*This represents the amount repayable in 2004/5. A similar amount will be charged in 2005/6, and a final, lower, payment will be made in 2006/7.

6.3 Budget allocation

6.3.1 There are a number of ways in which the budget can be split, some of the most important of which are:

- by operating priorities grouped under the main mission themes (labelled A-F in Table 4.2 in Section 4) – these groupings are the main focus of this plan;
- by group – the groups describe how Ofcom is organised, and support the operating priorities; and
- by Ofcom's three main areas of regulatory responsibility – networks and services, spectrum and broadcasting activity – to which the operating priorities relate. This split is important in terms of how Ofcom is financed. Details are not given here, as the basis of the cost allocation will be the subject of a separate consultation.

6.3.2 Figure 6.2 illustrates how the 2004/5 cash spend (of £145 million, comprised of £135 million of revenue and £10 million capital expenditure) is split by group, and Figure 6.3 shows the split in relation to Ofcom's mission. The overall split by expenditure type is shown in Figure 6.4.

6.4 Summary

6.4.1 This section has provided an overview of Ofcom's proposed budget for 2004/5. Proposals on the charging principles to be adopted by Ofcom in relation to stakeholders are being issued shortly after the publication of this document.

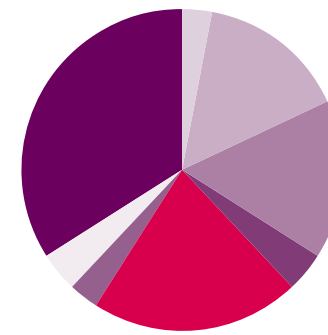
6.4.2 Ofcom recognises that its costs are in the main funded by the communications industry. The creation of Ofcom has afforded the twin opportunities of:

- lowering head count and streamlining administration; and
- reducing the running rate cost of regulation.

Ongoing operating improvements will be an annual objective for Ofcom.

Figure 6.2 Projected spend for 2004/5 split by group (excluding start-up costs)

By group 100% = £145m*

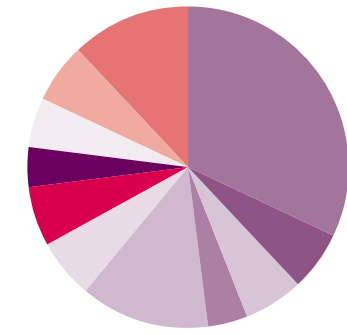


| | |
|--------------------------------|-----|
| Communications | 3% |
| Strategy & Market Developments | 15% |
| Competition & Markets | 16% |
| Content & Standards | 4% |
| Operations | 21% |
| HR | 3% |
| External Relations | 4% |
| Commercial | 34% |

Note: The Commercial group's total of 34% of Ofcom's spend includes travel, premises and IS support costs for Ofcom as a whole. In addition, the Commercial group exercises a control function across Ofcom in areas such as legal spend and discretionary IS costs.

*Includes £10m capital investment, excludes depreciation of £8m.

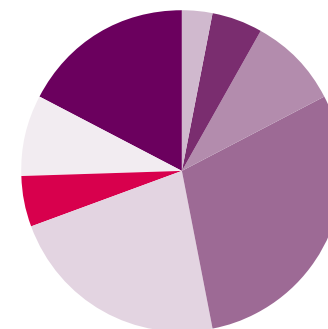
6.4 Ofcom's 2004/5 split of total budgeted spend by type



| | |
|---------------------------------|-----|
| Staff costs | 32% |
| Research | 6% |
| Consultancy & legal | 6% |
| Outsourced activities | 4% |
| IS | 13% |
| Premises | 6% |
| Administrative and office costs | 6% |
| Travel and communications | 4% |
| Other costs | 5% |
| Capital | 6% |
| DTI Loan & interest | 12% |

Figure 6.3 Split of spend in relation to Ofcom's mission

Ofcom activities



| | |
|--|-----|
| A. Overall mission | 3% |
| B. Encourage evolution of electronic media | 5% |
| C1&2. Promoting competition/investigations | 9% |
| C3. Value-added use of spectrum | 29% |
| C4. Spectrum licensing | 22% |
| D. Foster plurality, protect citizen-consumers | 5% |
| E. Serve interests of citizen-consumers | 8% |
| F1-4. Research, strategy etc | 17% |

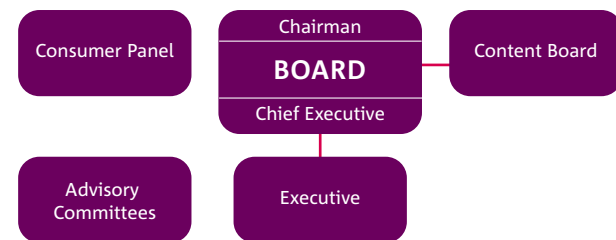
Part 1 Section 7

Accountability and performance

7.1 Ofcom's governance arrangements

7.1.1 Ofcom has been established as a statutory corporation, independent of Government and created to serve citizen-consumer interests. It differs from the regulatory regimes that have historically been used for broadcasting, telecommunications and spectrum management, where oversight has been provided by appointed part-time Commissioners, a Director General or by Government Agencies.

Figure 7.1 Ofcom's governance arrangements



7.1.2 Ofcom's governance structure has a Board with a non-executive Chairman, a Chief Executive and both executive and part-time Members. The Executive runs the organisation and answers to the Board, whilst the work of both Board and Executive is informed by the contribution of the Content Board (which is a sub-committee of the main Board) and a number of advisory bodies (see Figure 7.1).

7.1.3 The advisory bodies comprise:

- the Consumer Panel;
- Advisory Committees for the Nations;
- Advisory Committee on Elderly and Disabled Persons; and
- the Regulatory Impact Assessment Committee.

Details of the role of these bodies are set out in Ofcom's publication, *From Commencement to 1st Quarter 2004 – Foundation and Framework*, and on our website, www.ofcom.org.uk. The Consumer Panel in particular has a role in holding Ofcom to account (see Figure 7.2). Ofcom has allocated significant funds to resource the Panel, consistent with Ofcom's duty to further citizen-consumer interests.

Figure 7.2

The Consumer Panel

- The Consumer Panel will advise Ofcom on the consumer interest in the markets regulated by Ofcom. It will be separate from the Ofcom Board and will operate at full arm's length from it.
- Given its independence it will be able to hold Ofcom to account and will issue its own annual report.
- The Consumer Panel will be charged with understanding consumer issues and concerns related to the communications sector.
- It will help inform Ofcom's decision-making by raising specific issues of consumer interest, including those affecting rural consumers, the elderly, people with disabilities and those on low incomes or otherwise disadvantaged.

7.2 Accountability and scrutiny

7.2.1 Ofcom will be externally audited and monitored by the National Audit Office (NAO) and the Public Accounts Committee (PAC). We will also be internally audited by KPMG. Ofcom will be further accountable to Parliament via the Select Committees which scrutinise the Department for Culture, Media and Sport (DCMS) and the Department of Trade and Industry (DTI). Ofcom will also expect to be held to account by the industry we regulate and by the citizen-consumers on whose behalf we regulate. Additionally, we will constantly monitor our own performance and effectiveness.

On operational issues, Ofcom will work with the DCMS and DTI through the Ofcom Liaison Unit.

7.3 Performance measurement

7.3.1 We need to evaluate our performance and consider whether we are achieving our high-level strategic mission, are keeping to our regulatory principles and are operating in an effective and efficient manner.

7.3.2 For our first year, the focus of performance measurement will be on establishing good practice across the organisation. The Annual Plan outlines the mix of internal measures and market indicators of performance which we will use to track our achievements. The internal indicators can be split into measures relating to:

- overall performance and plan;
- projects and discrete initiatives; and
- continuing work.

7.3.3 A set of measures for the financial year 2004/5 will be developed in the first quarter of 2004 to enable data to be collected over the course of 2004/5. The following section identifies the range of areas which Ofcom will consider in developing its performance indicators.

7.4 Key performance measures

7.4.1 There are a range of key performance measures which Ofcom will look to apply in managing our work. These can be categorised as follows:

- **Overall performance and plan**
 - Report annually on performance and progress against each of the objectives set out in the Annual Plan.
 - Stakeholder attitudes e.g. availability and relevance of information, transparency.
 - Surveys of citizen-consumer awareness of Ofcom and its areas of responsibility, in particular in relation to complaint handling.
- **Projects and discrete initiatives**
 - Best practice followed in terms of regulatory approach adopted e.g. in use of Regulatory Impact Assessments, consultation process, consistency with strategy.
 - On-time delivery of projects and programmes.
 - Peer review and independent review panel.
- **Continuing work**
 - Meeting targets for dispute and complaint resolution incorporating statutory requirements.
 - Consumer complaints handled within target timescales.
 - Media evaluation reports.
 - Service level agreements for Information Systems.
 - Accuracy of budgets.

7.5 Market indicators

7.5.1 The above key performance indicators are internally focused and assess how we manage and perform our activities. However, our long-term success will be measured in a number of ways. Other criteria will include the growth of a flourishing sector, with strong investment, innovation and diversity of supply, delivering compelling broadcast content to media literate citizen-consumers who enjoy greater value and choice.

Ofcom will track a range of other indicators to assess our impact on the development of the communications sector and on the benefits perceived by citizen-consumers. These might include the following:

- Encouraging electronic media and communications networks:
 - Digital TV and broadband uptake.
 - Investment in the sector.
 - Investor sentiment.
- Fostering citizenship objectives:
 - Audience satisfaction with quality, range and diversity of broadcasting outputs.
 - Attitudes towards standards of harm, offence etc.
 - Levels of complaints registered with the Ofcom Contact Centre (OCC).
- Supporting competition and innovation:
 - Availability/uptake of new services.
 - Degree of competition/number of competitors in each market.

- Serving citizen-consumer interests:
 - Price trends for communications services.
 - Satisfaction with information provided and quality of service.
 - Benchmark how UK consumers fare against consumers in other comparable countries and on other bases of comparison.

7.5.2 Ofcom will produce an annual statistical review of the broadcasting and telecoms sectors to help provide a wider understanding of trends and developments.

7.6 Going forward

7.6.1 A full set of internal and output measures for the year 2004/5 will be developed by end March 2004 to enable data to be collected over the course of 2004/5. Performance will be reported on in Ofcom's Annual Report in mid-2005. This data will form a basis for an initial assessment of Ofcom's performance, and will also provide a baseline against which performance in subsequent years can be judged. In particular, Ofcom's influence on the market will take time to take effect and market indicators need to be viewed in this context.

7.6.2 During 2004/5 Ofcom will review and refine its performance measures. In particular, the outcome of the strategic reviews may provide a clearer focus for the key outcomes to be tracked.

7.6.3 Ofcom's baseline measurement will be growth in the health and vibrancy of the communications sector, not growth in regulation.

Part 2 Section 8

Ofcom's operating priorities for 2004/5

8.1 Summary of Ofcom's work

8.1.1 This section sets out Ofcom's work for 2004/5. Table 8.1 sets out the main categories of work to be carried out. The table is followed by a more detailed description of the work proposed in terms of:

- background;
- objectives;
- key operating priorities;
- lead group in Ofcom and contacts; and
- timing of key outputs.

8.1.2 For the first three items – the overarching strategic reviews – there is a more detailed description to reflect the direction-setting nature of the work involved.

8.2 Timing

8.2.1 The Annual Plan covers Ofcom's work over the year commencing April 2004. Timing of major outputs is indicated as being spring, summer, autumn or winter of this 12-month period.

Table 8.1 Summary of Ofcom's Annual Plan 2004/5

| Overall Mission: to further the interests of the citizen-consumer where appropriate by encouraging competition | | | |
|--|---|--|---|
| Key Reviews | | | |
| <ul style="list-style-type: none"> • A1 Public service broadcasting review • A2 Telecoms strategic review • A3 Strategic review of spectrum framework | | | |
| Encourage evolution of electronic media and communication networks | Support the need for innovators, creators and investors to flourish via promoting competition | Foster plurality, inform and protect citizen-consumers, and promote cultural diversity | Serve interests of citizen-consumers |
| <p>B1 Drive digital switchover</p> <ul style="list-style-type: none"> • Television • Radio • Related spectrum release <p>B2 Advance broadband development</p> <ul style="list-style-type: none"> • Broadband spectrum access • Competition in fixed telecoms; broadband market reviews • Next-generation networks • Digital rights management • Citizenship concerns | <p>C1 Promote competition</p> <ul style="list-style-type: none"> • Individual market reviews • Wholesale line rental • Network charge control <p>C2 Conduct investigations</p> <ul style="list-style-type: none"> • Competition case investigations <p>C3 Enable value-added use of spectrum</p> <ul style="list-style-type: none"> • Implementing spectrum trading • Spectrum clearance • Spectrum pricing <p>C4 Spectrum licensing, monitoring and enforcement</p> | <p>D1 Develop new broadcasting licensing regime to foster self-regulation and broaden choice</p> <p>D2 Implement changes to broadcasting content regulation to deliver additional citizen-consumer benefits</p> <ul style="list-style-type: none"> • Improving quality • Increasing access <p>D3 Develop, implement and extend co-regulation of:</p> <ul style="list-style-type: none"> • broadcast advertising • premium rate services | <p>E1 Protect interests of citizen-consumers</p> <ul style="list-style-type: none"> • Ease of use initiatives • Consumer Panel • Telephone numbering <p>E2 Promote informed citizen-consumers</p> <p>E3 Deal effectively with citizen-consumer complaints</p> <ul style="list-style-type: none"> • Ofcom Contact Centre • Investigation and enforcement of key citizen-consumer issues <p>E4 Review the Universal Service Obligation in telecoms</p> |
| Overall framework and processes of regulation | | | |
| <p>F1 Provide best-in-class research and market intelligence (evidence base)</p> <p>F2 Establish effective network for external relations: regional, national and international</p> <p>F3 Deliver strategic planning and independent reviews</p> <p>F4 Improve efficiency of Ofcom's services to stakeholders</p> <p>F5 Provide effective internal support processes: Human Resources, Commercial</p> <p>F6 Communicate effectively both internally and externally</p> | | | |

This table is available as a pdf download on Ofcom's website 

8.3 Major strategic reviews

A1 Public Service Broadcasting (PSB) review

| | |
|---------------------------------|---|
| Background | <ul style="list-style-type: none"> The first of the major reviews is in relation to public service broadcasting. Ofcom is required by the Communications Act 2003 to conduct a review of public service broadcasting television every five years. The time is right for this review to be conducted in 2004/5 given changing consumer needs in relation to broadcast TV, the increasingly important role of digital TV and the competitive pressures affecting commercial public service broadcasters. |
| Objectives | <ul style="list-style-type: none"> The aim of the review is as follows: <ul style="list-style-type: none"> review extent to which public service broadcasters provide services which, when taken together, fulfil the purposes of public service television broadcasting; and provide recommendations aimed at maintaining and strengthening the quality of public service television. |
| Key operating priorities | <ul style="list-style-type: none"> The approach to be taken involves: <ul style="list-style-type: none"> a radical but evidence-based approach to reviewing PSB requirements as set out by the Communications Act; recognising technology change, consumer sentiments, changes in funding, ownership and the increasingly competitive broadcasting market; and use of innovative application of analytical techniques to address the issue of how best to intervene in the broadcasting market in a world which will be largely digital in future. |
| Outcomes | <ul style="list-style-type: none"> Potential outcomes from the review are: <ul style="list-style-type: none"> a definition of PSB fit for the future; a new set of proposals for funding, regulation and monitoring commercial PSB in the UK, clearly setting out the identity, rights and obligations of these broadcasters; and input to BBC Charter review. |
| Lead groups/contacts | Lead: Robin Foster, Strategy Development Partner (robin.foster@ofcom.org.uk) Tim Suter, Content and Standards, Partner (tim.suter@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – PSB roadshows <i>summer</i> – consultation document for phase three of the research <i>autumn</i> – phase three report |

A2 Telecoms strategic review

| | |
|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Some 20 years since telecoms was liberalised, BT still holds a substantial proportion of the fixed line market and, whilst competitors have emerged, many have experienced severe difficulties in remaining in this market on a profitable basis. Ofcom faces increasingly complex regulatory challenges as new services are introduced. |
| Objectives | <ul style="list-style-type: none"> The aims of this review are: <ul style="list-style-type: none"> to consider the options to improve the value on offer to UK customers by promoting competition and innovation in the telecoms market; to identify the most appropriate regulatory strategy to further the interests of both residential and business consumers; and to identify options to roll-back regulation where appropriate. |
| Key operating priorities | <ul style="list-style-type: none"> The planned approach is to: <ul style="list-style-type: none"> carry out a stock take of the current market position in terms of consumer choice, extent of competition and methods of regulation; use new consumer research, cost modelling, and international comparisons to assess likely future developments; assess prospects for increased competition and regulatory options to achieve this; and consider the impact of spectrum trading and other actions in relation to spectrum which could increase the level of choice of networks and services for telecoms consumers. |
| Outcomes | <ul style="list-style-type: none"> The potential outcome of the review is a clear strategic framework for the promotion of competition in telecoms which: <ul style="list-style-type: none"> recognises the underlying cost structures, the scope for increased competition and new technologies in the telecoms market; and creates an environment in which companies in the sector will have appropriate incentives to invest. |
| Lead groups/contacts | Lead: Alex Blowers, Head of Policy Development (alex.blowers@ofcom.org.uk) Other contact: Tim Cross (tim.cross@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – first consultation document/research <i>summer</i> – second consultation document (policy options) <i>autumn</i> – final report |

A3 Strategic review of spectrum framework

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Spectrum is a critical input to both the telecoms and broadcasting markets – especially as advances in digital technology allow innovative new services to be developed and launched. The introduction of spectrum trading – a key policy step currently under consultation – and the move toward switch-off of the analogue TV signal, provide the context for this review. Since the Cave report, substantial progress has been made to improve and modernise spectrum management in the UK. But continuing technology changes, market developments and possible early feedback from spectrum trading suggest the need for a new review of the overall framework, which will begin later in 2004. |
| Objectives | <ul style="list-style-type: none"> The aims of the review are to: <ul style="list-style-type: none"> ensure radio spectrum is made available as effectively as possible to facilitate competition in communications markets; provide the underlying strategic basis for the UK position in international negotiations; and expand the work undertaken for the Cave review – to reflect more recent technological advances and market changes in an iterative, evolving process. |
| Key operating priorities | <ul style="list-style-type: none"> The approach to be taken involves: <ul style="list-style-type: none"> taking stock of spectrum management approaches currently used, the effectiveness of changes being introduced and the prospects for new approaches; and identifying implications of regulatory and market developments in telecoms and broadcasting markets on the spectrum management landscape, including new and emerging technologies. |
| Outcomes | <ul style="list-style-type: none"> The potential outcome from the review is: <ul style="list-style-type: none"> a long-term framework for the development of spectrum management which maximises the benefits which can be obtained from a range of different approaches. |
| Lead groups/contacts | Strategy and Market Developments Lead: Peter Ingram, Chief Technology Officer (peter.ingram@ofcom.org.uk) Other contact: William Webb (william.webb@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>summer 2004</i> – start of review <i>early 2005</i> – initial consultation document |

8.4 Encourage evolution of electronic media and communication networks

B1 Drive digital switchover

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> As more efficient digital technologies have emerged and been assimilated in radio and television, the Government has identified a need to drive towards switchover from analogue to digital broadcasting as a means of capitalising on this efficiency and releasing spectrum for other uses. |
| Objectives | <ul style="list-style-type: none"> To support switchover from analogue to digital as a key element of Government policy and inform the overall approach to switchover by drawing on Ofcom expertise in key areas, such as frequency planning. To co-ordinate switchover of analogue to digital technologies in television broadcasting and the accompanying release of spectrum. To facilitate the release of spectrum at switchover to increase choice and quality available to citizen-consumers. |
| Key operating priorities | <ul style="list-style-type: none"> Support the overall planning for switchover from analogue to digital TV broadcasting through a mix of research, analysis, economic incentives and frequency planning initiatives. Take forward other related operating priorities, including: <ul style="list-style-type: none"> regional radio conference; review of digital radio; and ensure linkages to other Ofcom work including Channel 3 licence terms, PSB review, digital licensing, spectrum pricing and spectrum trading. |
| Lead groups/contacts | Strategy and Market Developments Lead: Jim Egan, Head of Strategy Development (jim.egan@ofcom.org.uk) Other contact: Andrew Stirling (andrew.stirling@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – issue switchover progress report <i>spring</i> – finalise spectrum frequency plan for input into Government consultation <i>summer</i> – switchover: input to Government consultation <i>autumn and beyond</i> – continuing support work |

B2 Advance broadband development

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> Broadband is rolling out across the UK, but rollout and broadband usage levels would need to increase significantly to match the highest levels in other countries and meet stated Government targets. |
| Objectives | <ul style="list-style-type: none"> To promote effective and sustainable competition in the broadband market at both the retail and wholesale level, encouraging (the often substantial) investment that will be necessary for continued roll-out and upgrading infrastructure; To create an environment where making these significant and risky investments can be appropriately rewarded; and To ensure Ofcom has an integrated approach across our different areas of work which could impact on broadband development. |
| Key operating priorities | <ul style="list-style-type: none"> Co-ordinate Ofcom's strategy for broadband and support related activities; and To study the impact of broadband roll-out and take appropriate actions, in areas such as: <ul style="list-style-type: none"> responding to market demands for broadband spectrum access in areas such as the recent release of spectrum at 5.8GHz Band C; competition in fixed telecoms (broadband and leased lines); next-generation telecommunications networks; develop understanding of moves towards more effective digital rights management; and keep watching brief on citizenship concerns. |
| Lead groups/contacts | <p>Competition and Markets (with support from Strategy and Market Developments) Lead: Sean Williams, Partner, Competition and Investigations (sean.williams@ofcom.org.uk) Other contact: Alistair Bridge, Competition Policy Manager (alistair.bridge@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>summer 2004</i> – publish broadband consumer guide Local loop unbundling market review: <ul style="list-style-type: none"> <i>summer/autumn</i> – consultation document <i>winter</i> – statement <i>autumn</i> – status report on digital rights management |

8.5 Support the need for innovators, creators and investors to flourish via promoting competition

C1 Promote competition

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Effective and sustainable competition is needed across the communications sector if innovation and investment are to flourish. This requires the continued involvement of Ofcom in key areas, to reduce entry barriers and ensure appropriate access to essential facilities. |
| Objectives | <ul style="list-style-type: none"> To encourage innovation and investment through ensuring effective, sustainable competition in all communications markets where possible and regulating to protect consumers where competition is yet to emerge. To represent effectively the UK communications sector in an international setting, ensuring sufficient flexibility of approach to allow competition to flourish in the UK market. |
| Key operating priorities | <ul style="list-style-type: none"> Promotion of competition in all communications markets, via: <ul style="list-style-type: none"> wholesale line rental (already underway); and network charge control (current controls due to expire in September 2005). Specific initiatives in broadcasting, including a review of the airtime sales market and independent production sector. Compare approaches in other countries to promoting competition in communications industries. Further monitoring and review of performance of 118 directory enquiry services. |
| Lead groups/contacts | <p>Competition and Markets Lead: Sean Williams, Partner, Competition and Investigations (sean.williams@ofcom.org.uk) Philip Rutnam, Partner, Strategic Resources (philip.rutnam@ofcom.org.uk) Other contacts: Caroline Wallace, Competition Policy Director (caroline.wallace@ofcom.org.uk) Jim Niblett, Competition Policy Director (jim.niblett@ofcom.org.uk) Heather Clayton, Director of Investigations (heather.clayton@ofcom.org.uk) Steve Unger, Head of Telecoms Technology, Competition and Markets (steve.unger@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – launch of wholesale line rental product <i>autumn/winter</i> – network charge control: consultation document |

C2 Conduct investigations

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> Ofcom is required to police anti-competitive behaviour. This entails comprehensive investigations, where required, to allow action to be taken on non-compliance with regulation. |
| Objectives | <ul style="list-style-type: none"> To enable Ofcom to pinpoint and deal with non-compliance effectively, thus preventing anti-competitive behaviour. To facilitate appropriate and prompt resolution of complaints and disputes. To target Ofcom's resources at the most significant areas of complaint and abuse through the application of publicly-based guidance on the hurdle rates for acceptable complaints. |
| Key operating priorities | <ul style="list-style-type: none"> Comprehensive investigations programme to facilitate high quality and timely resolution of non-compliance. Publication of guidance notes on new Ofcom complaints and compliance procedure. |
| Lead groups/contacts | <p>Competition and Markets Lead: Heather Clayton, Director of Investigations (heather.clayton@ofcom.org.uk) Other contact: Richard Thompson, Competition Policy Manager (richard.thompson@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>as they arise</i> – publish case decisions <i>spring 2004</i> – publish guidance on Competition Act strategy <i>summer/winter</i> – publish update reports on competition cases and disputes <i>summer</i> – publish guidance on non-discrimination |

C3 Enable value-added use of spectrum

| | |
|---------------------------------|--|
| Background | <ul style="list-style-type: none"> Ofcom is charged with taking forward market-based approaches to spectrum management, including the new spectrum trading initiative, whilst continuing to plan for more effective release and allocation of spectrum as it becomes available. |
| Objectives | <ul style="list-style-type: none"> To ensure the most efficient and effective use of spectrum, via: <ul style="list-style-type: none"> designing and putting into effect a spectrum trading system; and policing spectrum use in a practical manner. Formulating an appropriate approach to future 2G and 3G expansion. |
| Key operating priorities | <ul style="list-style-type: none"> Complete design of spectrum trading system. Introduce revised approach to administrative pricing of spectrum. Participation in international discussions on future 2G refarming and 3G expansion. Ensure linkages to workstream A3 – strategic review of spectrum framework. |
| Lead groups/contacts | <p>Competition and Markets Lead: Philip Rutnam, Partner, Strategic Resources: (philip.rutnam@ofcom.org.uk) Other contact: Graham Louth, Director of Spectrum Markets (graham.louth@ofcom.org.uk) Mike Goddard, Head of Spectrum Policy (mike.goddard@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>outputs produced over the year</i> – Spectrum Efficiency Scheme research projects Spectrum pricing: <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>autumn</i> – statement <i>winter</i> – publish spectrum pricing draft Statutory Regulations (SIs) <i>summer</i> – publish Spectrum Register publication, draft regulations <i>spring/summer</i> – spectrum trading licence amendments Spectrum trading competition procedure: <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>summer</i> – statement <i>summer</i> – publish guidance on spectrum trading procedures <i>summer</i> – publish statutory regulations on spectrum trading (SIs) |

C4 Spectrum licensing, monitoring and enforcement

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> In order to enable value-added use of spectrum, effective spectrum management is required via licensing, monitoring of spectrum and taking appropriate action against spectrum abuse. |
| Objectives | <ul style="list-style-type: none"> To control spectrum use via issuing licences. To monitor spectrum use across the UK closely, and quickly identify misuse. To take appropriate action against spectrum misuse e.g. penalty fine regime. |
| Key operating priorities | <ul style="list-style-type: none"> Spectrum access programme to secure legal spectrum access via issuing 100,000 licences a year. Field Operations and Baldock radio monitoring station providing constant spectrum monitoring and enforcement. Policing of spectrum use, through: <ul style="list-style-type: none"> monitoring systems (remote and unattended); and enforcement via raids, audits and penalty fine regime. Technology computer modelling and research support. |
| Lead groups/contacts | <p>Operations Lead: Hazel Canter, Partner, Licensing (hazel.canter@ofcom.org.uk) Other contact: Mike Hailstone, Head of Infrastructure Unit (mike.hailstone@ofcom.org.uk)</p> <p>Lead: Barry Maxwell, Head of Field Operations (barry.maxwell@ofcom.org.uk) Other contact: Colin Richards (colin.richards@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> Revised approach to licensing (spectrum access): <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>summer</i> – statement <i>winter</i> – review scope to improve speed and flexibility of licence issue and responses to demands for licence change – introduce improved system (if recommended by review) Changed arrangements for field operations: <ul style="list-style-type: none"> <i>spring</i> – consultation document <i>summer</i> – statement |

8.6 Foster plurality, inform and protect citizen-consumers and promote cultural diversity

D1 Develop new broadcasting licensing regime to foster self-regulation and broaden citizen-consumer choice

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> The Communications Act requires Ofcom to update the licensing regimes for commercial TV and radio broadcasting to incorporate new legislation. This will implement self-regulation for public service broadcasters and facilitate the development of digital broadcasting. |
| Objectives | <ul style="list-style-type: none"> To foster self-regulation by public service broadcasters and progress toward digital switchover through changes to the PSB licensing regime. To promote citizen-consumer choice in commercial radio through the award of new licences, development of community radio and new rules on radio formats. |
| Key operating priorities | <p>Television</p> <ul style="list-style-type: none"> Introduce new digital licences for all public service broadcasting. Agree and implement approach for reviewing licence terms for Channel 3 (ITV). <p>Radio</p> <ul style="list-style-type: none"> Publish Ofcom's licensing process for the allocation of the remaining analogue licences. Facilitate development of community radio in the UK. |
| Lead groups/contacts | <p>Competition and Markets Lead: Philip Rutnam, Partner, Strategic Resources (philip.rutnam@ofcom.org.uk) Other contact: Graham Louth, Director of Spectrum Markets (graham.louth@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> Training and equality schemes: guidance on licensing schemes: <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>summer</i> – statement PSB digital licences: <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>autumn</i> – issue licences <i>spring</i> – statement on radio licensing formats Radio 'localness': <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>autumn</i> – statement <i>spring</i> – statement on community radio <i>spring</i> – statement on radio licensing Review Channel 3 licensing methodology: <ul style="list-style-type: none"> <i>spring</i> – consultation document <i>summer</i> – statement |

D2 Implement changes to broadcasting content regulation to deliver additional citizen-consumer benefits

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Ofcom has a core responsibility under the Communications Act to implement a fresh approach to content regulation which underpins high quality production and broadcasting in the UK and which broadens access for people with sensory disabilities. |
| Objectives | <ul style="list-style-type: none"> Quality production, broadcasting and television access services. Broadcasting access for people with sensory disabilities to Electronic Programme Guides (EPGs) and television services. Reviewing broadcast standards to ensure they appropriately reflect community standards. Ensure content complaints are dealt with effectively and efficiently. |
| Key operating priorities | <ul style="list-style-type: none"> To work with public service broadcasters to implement new programming quotas and to devise a flexible self-regulatory regime which underpins quality public service broadcasting. To work with UK broadcasters to ensure that both existing and new requirements are fulfilled as regards standards, access for people with sensory disabilities and EU quotas. |
| Lead groups/contacts | <p>Content and Standards Lead: Chris Banatvala, Head of Standards (chris.banatvala@ofcom.org.uk) Other contact: Ian Blair, Head of Advertising Standards (ian.blair@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> New broadcasting codes for television and radio on standards, fairness and privacy, and sponsorship (Tier 1): <ul style="list-style-type: none"> <i>summer 2004</i> – consultation document <i>autumn</i> – statement Review of original and regional programming quotas (Tier 2): <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>winter</i> – statement Draft guidance on statements of programme policy (Tier 3): <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>autumn</i> – statement Self-regulation conditions for replacement PSB digital licences (Tier 3): <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – issue licences Broadcasting complaints – review procedures for handling broadcasting complaints: <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>autumn</i> – statement |

D3 Develop, implement and extend co-regulation of:

- broadcast advertising
- premium rate services

| | |
|---------------------------------|---|
| Background | <ul style="list-style-type: none"> The Communications Act provides for Ofcom to establish co-regulatory schemes with suitable bodies. Ofcom is consulting on proposals for the co-regulation of broadcast advertising. |
| Objectives | <ul style="list-style-type: none"> Subject to consultation, to design a new co-regulatory approach to broadcast advertising that is easy for audiences to access, is effective in preventing or addressing problems and is a cost-effective means of regulating. To ensure premium rate content regulation continues to be in line with current needs, with the industry-funded self-regulatory body, ICSTIS, to meet similar objectives. |
| Key operating priorities | <ul style="list-style-type: none"> Take forward results of Ofcom's consultation on moving to a system of broadcast advertising co-regulation. Further develop Ofcom's relationship with ICSTIS on premium rate services. |
| Lead groups/contacts | <p>Content and Standards Lead: Kip Meek, Senior Partner (kip.meek@ofcom.org.uk) Other contact: Neil Buckley, Head of Consumer Policy (neil.buckley@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> Memorandum of Understanding (MOU) with Advertising Standards Authority for implementation of broadcast advertising co-regulation, and basis for DCMS deregulation/contracting-out order: <ul style="list-style-type: none"> <i>spring 2004</i> – publish MOU Notification of approval of ICSTIS Code for premium rate services: <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>summer</i> – statement |

8.7 Serve interests of citizen-consumers

All of Ofcom's work must be to the ultimate benefit of citizen-consumers. However, we believe there are specific initiatives we can take, in addition to the workstreams set out in A1 to D3 above, which can provide direct additional citizen-consumer support and protection.

E1 Protect the interests of citizen-consumers

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| Background | <ul style="list-style-type: none"> Ofcom will place a special emphasis on a range of citizen-consumer initiatives to support effective competition and to offer protection where competition has not yet developed, or may not deliver wider policy aims. |
| Objectives | <ul style="list-style-type: none"> To ensure that suitable support and protection measures are in place for relevant groups of citizen-consumers. To encourage the communications sector to focus on the interests of the citizen-consumer. |
| Key operating priorities | <ul style="list-style-type: none"> Furthering interests of citizen-consumer via: <ul style="list-style-type: none"> – Consumer Panel to provide Ofcom Board with informed advice; – promotion of easy-to-use equipment; – telephone numbering programme; and – consumer protection initiatives. |
| Lead groups/contacts | Competition and Markets/Content and Standards/Strategy and Market Developments Lead: Julie Myers, Advisor, Consumer Panel (julie.myers@ofcom.org.uk) Neil Paterson, Consumer Protection (neil.paterson@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – issue contract for the provision of managed fax and telephone registers under EC Directive <i>winter</i> – publication of Consumer Panel annual report <i>summer/autumn</i> – statement on London numbering <i>spring</i> – statement on use of geographic numbering for Voice over Broadband services <i>spring</i> – statement on corporate numbering <i>spring</i> – consultation on single non-emergency number <i>summer/autumn</i> – statement on single non-emergency number |

E2 Promote informed citizen-consumers

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> Informed citizen-consumers can take advantage of their right to choose in increasingly competitive markets and can more effectively seek redress when things go wrong. |
| Objectives | <ul style="list-style-type: none"> To encourage the provision of timely, relevant, accessible and accurate information to citizen-consumers and enable them to make informed decisions. |
| Key operating priorities | <ul style="list-style-type: none"> Review current citizen-consumer information initiatives to assess their effectiveness, working with suppliers and others best placed to provide relevant information to citizen-consumers. Development of a strategy for fulfilling Ofcom's specific media literacy duties. |
| Lead groups/contacts | Content and Standards Lead: Neil Buckley, Head of Consumer Policy (neil.buckley@ofcom.org.uk) |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – publish telecoms consumer information strategy including leaflets for consumers <i>spring</i> – quality of service information. Statement on co-regulatory schemes for mobile and fixed telecoms providers |

E3 Deal effectively with citizen-consumer complaints

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|---------------------------------|--|
| Background | <ul style="list-style-type: none"> • Citizen-consumers should be able to direct complaints straight to their communications provider. Ofcom has a back-stop role in receiving complaints should the route back to the supplier have been explored fully but without satisfactory redress. The Ofcom Contact Centre has been set up to deal with enquiries from citizen-consumers. • Where suppliers break licence conditions or conditions of entitlement which affect citizen-consumers directly, Ofcom has powers to take appropriate action against this behaviour. |
| Objectives | <ul style="list-style-type: none"> • To set up, run effectively and continually improve the Ofcom Contact Centre, whilst putting pressure on suppliers to resolve complaints directly and first time with their customers. • To investigate and take enforcement action where necessary. |
| Key operating priorities | <ul style="list-style-type: none"> • Operation and continuous improvement of Ofcom Contact Centre. • Exerting influence to ensure communications companies recognise it is in their interest to address citizen-consumer complaints. • Investigate citizen-consumer complaints where necessary. |
| Lead groups/contacts | <p>Operations Lead: Jackie Caspary, Head of Ofcom Contact Centre (jackie.caspary@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> ▪ <i>spring 2004</i> – review of complaints publication data ▪ <i>fortnightly publication</i> – broadcasting complaints ▪ <i>quarterly publication</i> – telecoms complaints data |

E4 Reviewing the Universal Service Obligation in telecoms

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> • The emergence of the digital age raises new questions about the concept of the Universal Service Obligation. These questions range from, for example, the application of the USO to public payphones, to a broader determination of the significance and need for the USO in the digital age. |
| Objectives | <ul style="list-style-type: none"> • To evaluate the position and need for the USO in the digital age and to provide critical input to the strategic telecoms review. • To ascertain if and how the USO should be modified and to address related questions e.g. whether costs should be shared by non-USO providers, maintenance of geographic averaging etc. |
| Key operating priorities | <ul style="list-style-type: none"> • Review of the Universal Service Obligation. • Tackling specific more immediate questions e.g: <ul style="list-style-type: none"> ▪ review procedures for removal and installation of public payphones; ▪ access for the disabled; and ▪ keep a watching brief on questions potentially arising from online issues. |
| Lead groups/contacts | <p>Content and Standards (Strategy and Market Developments, Competition and Markets) Lead: Alan Pridmore, Consumer Manager (alan.pridmore@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> • Review of the Universal Service Obligation: <ul style="list-style-type: none"> ▪ <i>summer 2004</i> – consultation document ▪ <i>winter</i> – statement • Review of public payphones provision as part of the Universal Service Obligation: <ul style="list-style-type: none"> ▪ <i>summer</i> – consultation document ▪ <i>winter</i> – statement |

8.8 Overall framework and processes of regulation

F1 Provide best-in-class research and market intelligence

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Ofcom's decisions need to be evidence-based so that they are well-formed and robust. The evidence base for decision-making encompasses consumer and audience research, market data, market intelligence and technical research. |
| Objectives | <ul style="list-style-type: none"> To provide timely, accurate and relevant evidence to support analysis of policy options, proposals and case decisions, particularly in terms of changes to citizen-consumer perspectives, markets, technologies and other developments. To provide a forward look to feed into Ofcom's strategy-setting process. |
| Key operating priorities | <ul style="list-style-type: none"> Rolling and ad hoc programmes of consumer, audience and technical research that are primarily driven by policy and operational demands but also reflect the strategic, forward-looking needs of Ofcom. Intelligence on market and technological developments (including international benchmarking) that is accurate, up-to-date, relevant to policy and strategy, analytical and influential. |
| Lead groups/contacts | <p>Strategy and Market Developments Lead: Helen Normoyle, Director of Market Research (helen.normoyle@ofcom.org.uk) William Webb, Head of Technical Research and Development (william.webb@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> Market research <ul style="list-style-type: none"> <i>spring/summer and autumn 2004</i> – publish research supporting major reviews and initiatives on PSB, telecoms strategic review and digital switchover <i>throughout the year</i> – publish ad hoc research commissioned by projects and programmes across Ofcom <i>quarterly</i> – publish residential, business and corporate tracker surveys <i>quarterly</i> – publish key market indicators and trends Technology research <ul style="list-style-type: none"> <i>spring 2004</i> – publication of first year spectrum efficiency scheme findings <i>throughout 2004/5</i> – ongoing publications across a range of issues |

F2 Establish effective network for external relations

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| Background | <ul style="list-style-type: none"> We must engage effectively with our external stakeholders if we are to develop soundly based and predictable regulation which benefits citizen-consumers. |
| Objectives | <ul style="list-style-type: none"> To create a climate amongst stakeholders and in the Nations and Regions within which Ofcom's innovative approach to regulation can best flourish; To communicate Ofcom to its stakeholders and the views and concerns of stakeholders to Ofcom; and To manage the wide range of Ofcom's external interfaces. |
| Key operating priorities | <ul style="list-style-type: none"> Establish Ofcom presence in the Nations and Regions and via the advisory committee structure. Hold Ofcom roadshows and an Ofcom symposium. Interact with industry, consumer groups and political contacts and assess stakeholder satisfaction. Implement programme of relationship management across the fields of National and Regional relations, public and political relations and international relations. |
| Lead groups/contacts | <p>External Relations Lead: Tony Stoller, External Relations Director (tony.stoller@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>ongoing</i> – Ofcom roadshows <i>autumn 2004</i> – Ofcom symposium <i>summer</i> – statement on Elderly and Disabled Advisory Committee <i>summer</i> – statement on diversity <i>summer and winter</i> – publication of stakeholder research |

F3 Deliver ongoing strategy planning and independent reviews

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|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Ofcom's approach to regulation influences stakeholders' actions. We therefore need to set our plans out clearly to show how we will combine our different duties in a coherent way to deliver benefits to citizen-consumers. Ofcom works within policy frameworks set by Government, the EU and others. We need to ensure we participate and contribute to those frameworks. |
| Objectives | <ul style="list-style-type: none"> To articulate Ofcom's longer-term strategy and Annual Plan to our stakeholders. To help implement this strategy and to measure and evaluate our progress in achieving our mission. To be influential in relevant policy-setting frameworks in the UK and EU; to develop (and apply if necessary) the public interest test for media mergers. |
| Key operating priorities | <ul style="list-style-type: none"> Establish and set out Ofcom strategic priorities and plans for the first full year of operation. Develop and encourage use of regulatory best practice across Ofcom. Set out how we will assess policy options and introduce a system of peer and independent review for our policy decision-making. Develop and undertake measurement and evaluation of Ofcom's performance and effectiveness. Ensure Ofcom's views are taken into account in UK and the EU regarding Television Without Frontiers, broadband developments and DTI guidance on the public interest test for media mergers. |
| Lead groups/contacts | <p>Strategy and Market Developments Group Lead: Geoff Delamere, Head of Strategy Planning (geoff.delamere@ofcom.org.uk) Alex Blowers, Head of Policy Development (alex.blowers@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> <i>spring 2004</i> – publish statement on Ofcom Annual Plan 2004/5 Ofcom Annual Plan 2005/6 <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – statement |

F4 Improve efficiency of Ofcom's services to stakeholders

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| Background | <ul style="list-style-type: none"> Ofcom is responsible for delivering a substantial set of services to its stakeholders, especially in relation to its spectrum management responsibilities. These services are resource-intensive and need to be assessed to identify opportunities for more efficient delivery. |
| Objectives | <ul style="list-style-type: none"> To identify and implement more efficient methods of delivery of services to stakeholders whilst maintaining Ofcom's commitment to ensuring service delivery. |
| Key operating priorities | <ul style="list-style-type: none"> Introducing more efficient means of monitoring spectrum interference via improved remote monitoring and direction finding and unattended monitoring systems. Developing new types of spectrum licences to meet consumer demand. Re-engineer licensing functions integrating Wireless Telegraphy Act and Broadcasting Act functions. |
| Lead groups/contacts | <p>Operations and Competition and Markets Lead: Hazel Canter, Partner, Licensing (hazel.canter@ofcom.org.uk) Other contact: Vic Brashko, Operations Director (vic.brashko@ofcom.org.uk)</p> |
| Timing of key outputs | <ul style="list-style-type: none"> Wireless Telegraphy Act changes: licence exemption regulations <ul style="list-style-type: none"> <i>spring 2004</i> – consultation document <i>summer</i> – statement/statutory instrument Wireless Telegraphy Act changes: licence limitation regulations update <ul style="list-style-type: none"> <i>summer</i> – consultation document <i>autumn</i> – statement Wireless Telegraphy Act changes: implementing recognised spectrum access <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – statement <i>summer</i> – statement on international interests in Wireless Telegraphy Act: implementation report on EU directives spectrum aspects Re-engineering licensing functions. Establish a one-to-one link between a Broadcasting Act or BBC service and a Wireless Telegraphy Act licence as part of spectrum pricing: <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – statement <i>spring</i> – completion of Deregulation of Citizens' Band (CB) Radio. End of CB licensing Deregulation of Licensing of Maritime and Aeronautical Radio <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – statement Implementation of Minor Recognised Spectrum Access (RSA) for Satellite <ul style="list-style-type: none"> <i>autumn</i> – consultation document <i>winter</i> – statement |

F5 Provide effective internal support processes

| | |
|---------------------------------|--|
| Background | <ul style="list-style-type: none"> Ofcom's policy-making and operational services need high quality support if their outcomes are to be delivered effectively. |
| Objectives | <ul style="list-style-type: none"> To provide value-added support services underpinning Ofcom's stakeholder-facing activities. To exercise necessary controls over Ofcom's use of resources to ensure value for money. |
| Key operating priorities | <ul style="list-style-type: none"> Provide building environments and Information Services which enhance productivity. Provide Human Resources services to enable recruitment, retention, reward and training of colleagues to deliver Ofcom's mission. Manage flow of information on Ofcom's activities and budget. |
| Lead groups/contacts | <p>Commercial, Human Resources Lead: Mike Clayton, Financial Controller (mike.clayton@ofcom.org.uk) Other contact: Sue Roffey-Jones, Head of Professional Development (sue.roffey-jones@ofcom.org.uk)</p> |

F6 Communicate effectively

| | |
|---------------------------------|---|
| Background | <ul style="list-style-type: none"> Ofcom needs to communicate clearly, effectively and consistently, both within the organisation and externally. |
| Objectives | <ul style="list-style-type: none"> To provide an efficient and effective service to facilitate all Ofcom communications. |
| Key operating priorities | <ul style="list-style-type: none"> Delivering high quality communications services including media relations, publications, events and internal communications. Ensure communications outputs are targeted at the most appropriate channels for relevant audiences. |
| Lead groups/contacts | <p>Communications Matt Peacock, Director of Communications (matt.peacock@ofcom.org.uk)</p> |

Part 3 Section 9

Responding to Ofcom's Annual Plan

9.1 How to respond

9.1.1 The Ofcom Annual Plan 2004/5 has been published for consultation. The responses to this consultation will be used to inform the final statement of our Annual Plan which we will publish in April 2004.

9.1.2 The document is addressed to all organisations and individuals who have an interest in how the communications sector is regulated. This includes, amongst others:

- citizen-consumers, businesses and their representative groups;
- industry players in telecoms, broadcasting (both TV and radio), spectrum licence-holders and those with an interest in using spectrum;
- arms of Government with an interest in communications policy and operations; and
- other regulators – both UK and European – and the EU and other international bodies such as the WTO (World Trade Organisation), ITU (International Telecommunications Union), INTUG (International Telecommunications Users' Group) and the ECTA (European Competitive Telecommunications Association).

9.1.3 Hard copies of this document may be requested from Ofcom's website at www.ofcom.org.uk

9.1.4 Please send written responses by **11 March 2004** to:
Robin Foster
Partner, Strategy Development
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
email: robin.foster@ofcom.org.uk
Fax: +44 (0)20 7981 3706

9.1.5 If you are a representative body, please summarise the persons or organisations represented. Electronic versions of responses would be appreciated. Any confidential parts of a response should be placed in a separate annex, so that non-confidential parts may be published along with the respondent's identity. If the whole of a response is confidential, including the identity of the respondent, this should be clearly stated. Copyright in responses will be assumed to be relinquished unless specifically retained.

9.1.6 This consultation is the responsibility of **Geoff Delamere**, Head of Strategy Planning at Ofcom.

9.1.7 Any comments or complaints about the conduct of this consultation should be addressed to Ofcom's consultation champion: **Philip Rutnam**
Partner, Competition and Strategic Resources
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
email: philip.rutnam@ofcom.org.uk
Fax: +44 (0)20 7981 3333
Telephone: +44 (0)20 7981 3000

9.1.8 Responses will be published on Ofcom's website, www.ofcom.org.uk, together with a summary, except where respondents have specifically requested confidentiality.

9.1.9 Specific questions to which responses are sought are listed at the end of this section. Ofcom would also be interested in receiving comments on any other aspects of Ofcom's proposed operating priorities for 2004/5.

9.2 Ofcom's consultation standards

9.2.1 All Ofcom's consultations will adhere to our seven consultation principles. These will be published in every written consultation document that Ofcom issues.

When it conducts a written consultation, Ofcom will:

- hold discussions with stakeholders before issuing a major consultation document – to find out whether we are thinking in the right direction. If this is not possible, an open meeting to explain the proposals will be held soon after publication;
- be clear about who is being consulted, why, on what questions and for how long;
- make the document as simple and concise as possible – with a summary of no more than two pages – and make it easy to respond to. This may involve issuing a shorter version aimed at hard-to-reach groups, like SMEs;
- allow ten weeks for responses, other than on dispute resolution;

- monitor and evaluate consultations, and designate a consultation champion – an evangelist within Ofcom for better consultation and outreach, and a contact point for comments on our process.
- explain why Ofcom is departing from any of these principles if we have to – for example, because of urgency or confidentiality. If a shorter period is required, Ofcom will draw this to the attention of stakeholders, as a red flag item; and
- analyse responses with care and an open mind. We will give reasons for subsequent decisions, and an account of how the views expressed during consultation helped to shape those decisions.

9.2.2 Ofcom has allowed seven weeks for responses for this consultation. This is due to the curtailed preparation period for the Annual Plan and the limited amount of time between Ofcom's Vesting day (29 December 2003) and the start of the next financial year (1 April 2004).

9.2.3 The Foreword to this document provides a high-level overview, and is within two pages. Ofcom will also publish a two-page summary briefing statement highlighting the core elements of our Annual Plan 2004/5.

9.2.4 Additionally, during the period of the consultation, Ofcom will be holding meetings with stakeholders in Glasgow, Cardiff, Belfast, Manchester and London to explain our proposals and listen to stakeholders' views. These will be in addition to the usual channels of communication with stakeholders.

9.2.5 When the final version of our Annual Plan is published in April 2004, a launch event will be held in London.

9.3 Issues for consultation

- Have we correctly identified the main challenges for Ofcom in 2004/5, as summarised in Section 3?
- Are we focusing on the most relevant areas for strategic review given the above (Section 4)?
- Have we identified the right priorities for our detailed work in 2004/5 (Sections 4, 5 and 8)?
- Do you think Ofcom's resources have been appropriately allocated given its planned work (Section 6)?
- Do you agree with the general approach we are taking to measure our effectiveness (Section 7)?
- Are any particular needs not being addressed?