Draft Annual Plan 2014/15

Consultation

Publication date: 20 December 2013

Closing date for responses: 14 February 2014

Contents

Section 1

Executive summary

Ofcom's Draft Annual Plan sets out our 2014/15 work programme

1.1 This Draft Annual Plan sets out Ofcom's strategic purposes, its proposed priorities and work programme for the 12 months from 1 April 2014 to 31 March 2015.

1.2 We encourage those with an interest in Ofcom's work to respond to this consultation by 14 February 2014. Your views will help us inform our Final Annual Plan statement for 2014/15, which we will publish in March 2014.

Our strategic purposes have not changed since 2013/14, although we have re-balanced the focus of our work, as reflected in our 2014/15 priorities

1.3 Ofcom's principal duties are to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.

1.4 In post, our primary duty is to secure the provision of a universal postal service. Where we are carrying out our functions in relation to postal services, we are required to give priority to this primary duty, if it appears to us that it conflicts with our principal duties.

1.5 In 2013, we defined an over-arching strategy, set out below, which we believe best delivers consumer and citizen benefits in the light of these duties.

Ofcom's strategy

We will work for consumers and citizens by promoting effective competition, informed choice and the opportunity to participate in a wide range of communications services, including post. We will secure the optimal use of spectrum, through market mechanisms where possible and regulatory action where necessary. We will provide proportionate protection for consumers and help maintain audiences' confidence in broadcast content. We will contribute to public policy defined by Parliament, including high quality public service broadcasting and plurality of media ownership.

To achieve these aims, we will be consultative, transparent and proportionate. We will be informed through high quality research and information, which we will share widely. We will be mindful of the diversity of the UK and its nations. We will aim to be innovative, responsive and effective in everything we do.

1.6 This strategy continues to be relevant. Further details, including the strategic purposes and strategic approaches that support it are found in Ofcom's 2013/14 Annual Plan[1].

1.7 In addition to this strategy statement, Ofcom's regulatory principles[2] continue to remain relevant in describing our approach to regulation. They include:

- operating with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required;
- striving to ensure that its interventions will be evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome; and
- seeking the least intrusive regulatory mechanisms to achieve its policy objectives.

1.8 We first developed our strategic purposes in 2011/12 and reviewed them in 2013, to reflect our strategy and frame our programme of work over the coming years. These purposes remain unchanged for 2014/15.

Figure 1: Strategic purposes

1.9 Ofcom's work programme for 2014/15 is underpinned by these strategic purposes and informed by:

- last year's priorities and our progress in delivering them;
- wider market developments, including the changing consumer use of communications services;
- legislative changes to our duties; and
- areas where Ofcom provides technical and industry expertise and advice to government.

We have delivered a number of our 2013/14 priorities, and have made significant progress with many others

1.10 There are a number of priorities that featured in the Annual Plan 2013/14 which we have already delivered, or will deliver by the end of the 2013/14 financial year:

- **Timely spectrum clearance in the 800MHz and 2.6GHz bands, to enable new awards while mitigating coexistence issues:** clearance of the 800MHz and 2.6GHz bands was completed successfully in July, and in October 2013 respectively. This allowed the launch of 4G mobile services by Vodafone and O2 in August 2013 while ensuring no significant detriment to DTT services.

[1] http://www.ofcom.org.uk/files/2013/03/annplan1314.pdf
[2] http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/

- **Work in collaboration with government and industry to promote the widespread availability of superfast broadband:** availability of 'up to' 30Mbit/s fixed superfast broadband is on track to reach 95% of premises, as a result of both commercial investment and public funding. In mobile, there are positive prospects for 98% indoor coverage as a result of O2's 4G coverage obligation.

- **Develop approaches to future content regulation:** we have contributed to the government's work in relation to the reform of content regulation through the Communications Review process. This includes areas such as EPG regulation reform, R18 content and approaches to keeping audiences safe online, particularly children. We have also worked with other regulators to establish ParentPort, and have reviewed, and where appropriate amended, the rules relating to audience protection.

- **Re-licensing of Channels 3, 4 & 5:** revised content obligations for the Channel 3 and Channel 5 licences were set out in July 2013. We are working to conclude the re-licensing of these channels, and Channel 4, by the end of 2013/14.

1.11 There are several areas where we have made significant progress, but where the final outcome will be delivered beyond 2013/14:

- **Effective competition and investment in broadband:** our review of the markets for fixed voice and broadband connections and local access will be key to ensuring competition and investment. We published our consultation proposals in July 2013 and our final conclusions are due to be published in early to mid-2014.

- **Develop and implement policies that will improve the ease of switching between communications providers:** we have published our policy on a move to gaining-provider-led (GPL) switching in the Openreach copper network, moving towards implementation in 2014/15.

- **Potential change of use of the 700MHz band:** we are preparing our consultation on a cost-benefit-analysis of a potential change of use of the 700MHz band and associated implementation issues. We will continue to work with government on this issue.

- **Release of 2.3GHz and 3.4GHz bands to meet spectrum demand:** following the Ministry of Defence's announcement that Ofcom would manage this award, we have progressed with our preparations to consult on the award of this spectrum.

- **Secure the provision of the universal postal service:** we continue to monitor market developments and Royal Mail's performance, following privatisation, to ensure that our regulatory objectives are met. We have extended regulatory protection to all UK delivery points and we have begun to review the two industry codes of practice.

- **Implement reform of non-geographic numbering to ensure price transparency:** we have recently published our final statement on non-geographic numbering[3] and will now move ahead to implement the recommendations.

[3] http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-no/final-statement

- **Protect consumers in a range of priority areas, including silent calls and mid-contract price increases:** we continue to identify areas of consumer harm through our monitoring and enforcement programmes, and by using data from our contact centre.

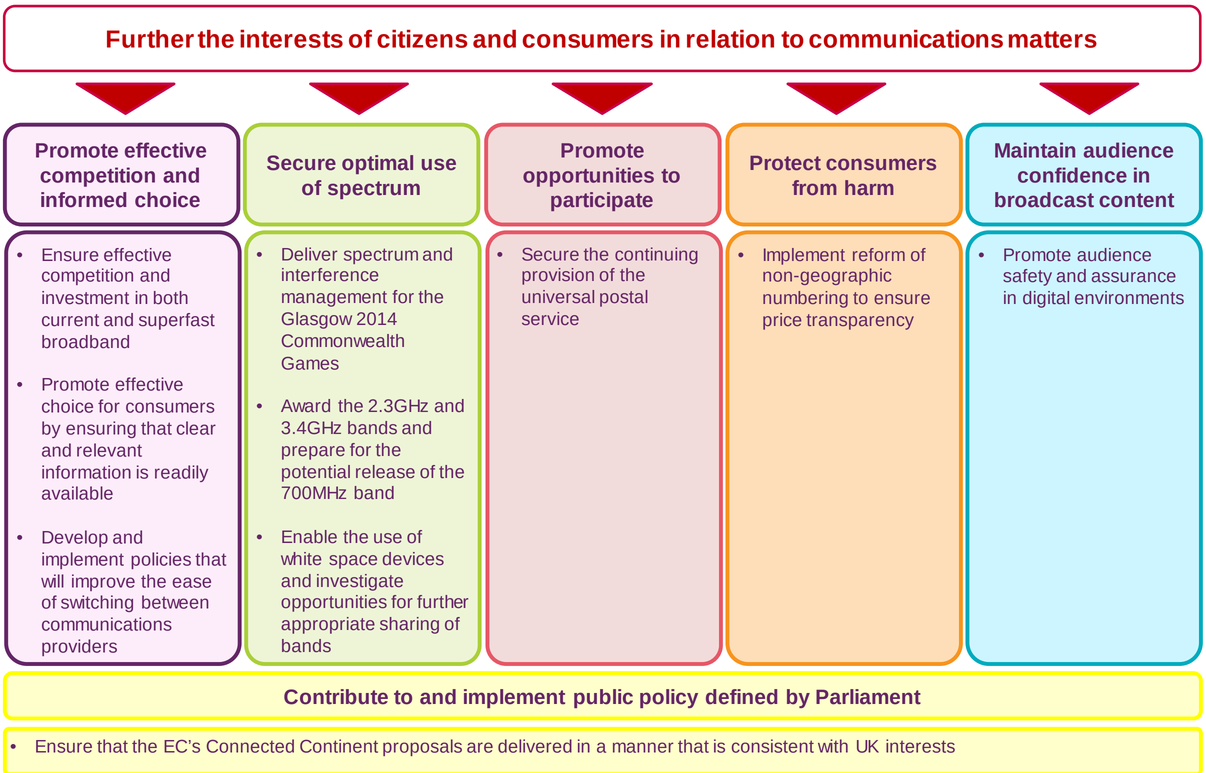
Our proposed priorities for 2014/15

1.12 The work we undertake each year falls into three categories: priorities, major work areas and programmatic activity. Each is discussed in turn in the main sections of this document (Sections 3, 4, and 5).

1.13 Our priorities for 2014/15 are set out in Figure 2 under their respective strategic purpose.

1.14 We will assess the successful delivery of these proposed priorities against the outcomes we are seeking to secure for citizens and consumers. To do this, we have identified interim and final outcomes for each priority (see page 29) and we will measure our progress towards delivering these in our 2014/15 Annual Report.

Figure 2: Draft Annual Plan 2014/15 priorities



1.15 The major work areas are set out in Section 4 - Major work areas for 2014/15.

Our priorities and major work areas for 2014/15 can be summarised into seven themes

1.16 These themes either draw directly on one of the strategic purposes (set out in Figure 2) or are cross-cutting across our strategic purposes:

- **Promote effective competition and informed choice –** this is an important element of Ofcom's strategy to deliver competitive markets, and we will deliver by, for example, providing provide information to people in those service areas that lack transparency;

- **Secure optimal use of spectrum –** as in 2013/14, spectrum issues make up a significant part of our 2014/15 work programme, covering, for example, a programme of potential future spectrum release including 2.3GHz, 3.4GHz and 700MHz bands; and

- **Maintain audience confidence in broadcast content –** Ofcom will continue to make an important contribution to the government's priority of improving outcomes for audiences and online consumers. This includes work on child protection online, and contributing to a common media standards framework.

- **Availability –** ensuring the availability of communications services, and in particular fixed and mobile broadband and superfast broadband, continues to be an important part of Ofcom's work programme. A combination of commercial investment, spectrum release, regulatory policy and government intervention is helping to deliver widespread availability of these services. These remain significant areas of activity for Ofcom, mainly in supporting further commercial investment and public sector intervention.

- **Quality of service** – quality of communications services matters as much as availability, and is increasingly important for consumers. In mobile we will conduct work on the provision of consumer information regarding the quality of experience and broadband speeds. We will also continue our work in the area of traffic management and will also continue to monitor the quality of postal services.

- **Cost and value –** we have seen broadly positive outcomes for communications services in this area. Our work will continue to target issues including the affordability of core services and the adoption and use of services by disabled consumers. We will publish our most recent work on affordability, and more generally on the cost and value of communications services, in the *Consumer Experience* report in January 2014.

- **Adoption –** in this area, commercial provision, supported by policy, continues to deliver positive outcomes. Take-up of services continues to rise, with services such as broadband and mobile broadband now enjoying widespread adoption and use by consumers.

1.17 Alongside our priorities and major work areas, we will also continue to deliver important programmatic services to stakeholders, such as licensing access to radio spectrum (detailed in Section 5 - Programmatic work and services to stakeholders).

1.18 We will also remain responsive to new issues, emerging concerns that affect consumers across the UK, and new government requests. We will focus on those areas where we can make the most difference.

1.19 In addition to responding to requests from the government, and helping it to implement its policies in respect of communications matters, we will aid governments in the UK nations, to ensure that consumer and citizen benefits are available across and within all the nations of the UK.

1.20 We also include a list of areas of potential future relevance to Ofcom. These include possible future priorities for the organisation, and emerging issues on which Ofcom may be required to have a view in the foreseeable future. Both are areas over which

Ofcom will continue to maintain a watching brief, but where it is too early to undertake work in the financial year 2014/15.

Consultation questions

1.21 We are seeking views from all our stakeholders on our proposed priorities and major work areas for 2014/15. In particular, it would be helpful if you could consider the following questions:

- What are your views on Ofcom's proposed priorities for 2014/15?

- What are your views on Ofcom's proposed major work areas for 2014/15?

1.22 See Annex 2 for details of how to respond to this consultation.

Section 2

Understanding consumers and citizens in the communications market

Ofcom's approach to setting annual priorities is informed by a detailed understanding of the communications sectors

2.1 Ofcom regularly carries out research into the markets it regulates. The research informs the approach we take to delivering our duties; in turn it also supports the work programme set out in this Annual Plan.

2.2 We publish our research in a number of market reports, including:

- the *Communications Market Report*[4], published in August 2013;
- the *International Communications Market Report*[5], published in December 2013;
- the *Consumer Experience Report*[6], to be published in January 2014;
- the *Infrastructure Report 2013 Update*[7], published in October 2013; and
- the *Public Service Broadcasting (PSB) Annual Report 2013*[8], published in August 2013.

2.3 We also make our raw data from our consumer research available on our website[9].

2.4 Taken together, these reports and data contribute to the picture we build of the communications market as a whole and how it is developing. They also help us to consider future developments in the light of current trends.

The communications sector's evolution in 2013 continued to be driven by technology and new products and services

2.5 Market developments in the past 12 months have once again been driven by a combination of technological advances, new business models and changing consumer preferences and behaviours. A selection of these developments is set out below.

[4] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr13/
[5] http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr13/international/
[6] http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/
[7] http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/infrastructure-report-2013/
[8] http://stakeholders.ofcom.org.uk/broadcasting/reviews-investigations/public-service-broadcasting/annrep/psb13/
[9] http://stakeholders.ofcom.org.uk/market-data-research/

Broadcast and on-demand TV

2.6 UK consumers can now access a number of on-demand services delivered over the internet:

- the proportion of households that own smart TVs has risen 40% in a year, to 7% in Q1 2013 (up by 2 percentage points). Of those households, 77% have used the internet functionality on their smart TV, compared to 65% in 2012;

- YouView, offering IP-based access to catch-up services from the UK's main PSBs alongside NOW TV and Dave, launched in July 2012. TalkTalk announced that it had over half a million subscribers to its YouView service, which launched in October 2012. BT announced over 900,000 TV customers; this includes YouView and BT Vision subscribers;

- in July, Sky launched the NOW TV Box for £9.99. This enables consumers without a smart TV to access online services through their TV set. Services include video on demand (VoD), including NOW TV, for those who choose to purchase a day pass or monthly subscription, and social networking sites; and

- in November, Netflix launched an app on Virgin Media's TiVo service, giving TiVo customers access to Netflix via their set-top box if they choose to subscribe.

2.7 Against this backdrop, pay TV subscription revenues rose by around 1% in 2012 to £5.3bn (running below the five-year annualised average rate of growth of 5.5%), accounting for an estimated 43% of total television industry revenues.

2.8 BT moved into sports broadcasting during 2013, committing around £2 billion to acquiring rights. Its portfolio includes FA Premier League and UEFA Champions League. By the end of September 2013 it had signed up over 2 million subscribers, which (together with Virgin Media homes with BT Sport) suggests that up to 4 million homes can now access the channel[10].

2.9 Despite the growing range of alternative ways in which UK consumers can watch audio-visual content, traditional linear TV consumption remains robust. It still commands the majority of viewing share, with no sign of significant decline. In 2013 11% of consumers' viewing was time-shifted (compared to 10% in 2012).

Broadband

2.10 Industry data tell us that there were 21.7 million fixed broadband connections in 2012, up by 1.1 million on the previous year. In this context there has been some consolidation of fixed-line service providers.

2.11 Expanding further still into the provision of fixed-line services, Sky purchased Telefonica's consumer broadband and fixed-line telephony business (under the O2 and Be brands) in March 2013. This helped secure Sky's place as the UK's second largest fixed broadband provider (with over 5 million subscribers), overtaking Virgin Media (4.3 million) but behind BT (around 7 million).

2.12 There were two cable company acquisitions during 2013, relevant to the UK communications sectors:

[10] http://www.btplc.com/News/ResultsPDF/q213_release.pdf

i) In February, US firm Liberty Global bought Virgin Media to form the world's largest broadband company (by number of subscribers – over 14 million worldwide).

ii) In October, Vodafone moved into the fixed-line business through the acquisition of Germany's largest cable company, Kabel Deutschland.

Mobile

2.13 Smartphone and tablet take-up has continued to increase rapidly over the past 12 months. Just over half of all adults now claim to own a smartphone (51%, up from 39% in 2012). Tablet ownership has more than doubled, to 24% of households in Q1 2013.

2.14 In this same period, access to mobile broadband through a dongle or built-in connection fell by eight percentage points, to just 5% of households in the UK. This is likely to be driven by an increase in consumers using their mobile phones to access the internet, and the increasing availability of public and private WiFi. The number of public WiFi hotspots has more than doubled over the last year, reaching 34,000[11].

2.15 At 53% of all subscribers, post-paid mobile subscribers exceeded the number of pre-paid subscribers for the first time since 1999. The shift is likely to be driven by mobile operators making post-paid tariffs more attractive than pre-paid. Most of the mobile operators have publicly stated that their strategy is to encourage this shift, because post-paid subscribers generally spend more than pre-paid subscribers. Post-paid tariffs may have become more attractive for a number of reasons, including:

- they now often include a large quantity of voice and SMS messages, plus a data allowance;
- the widespread availability of 30-day SIM-only rolling contracts; and
- they often include handset subsidies that reduce the upfront cost of purchasing a new handset, including smartphones.

2.16 The first signs of a player drawing a clear distinction between the cost of mobile handsets and the associated tariff came from O2. Its refresh tariff launched in April, offering consumers separate contracts for handsets and service plans.

2.17 In August, Three was the first to announce a tariff that eliminates roaming charges in 11 countries. This tariff enables customers to use their UK call, text and data allowances in: the US, Indonesia, Macau, Sri Lanka, Republic of Ireland, Australia, Italy, Austria, Hong Kong, Sweden and Denmark.

Post

2.18 In October 2013, the government privatised Royal Mail. As the designated provider of the universal postal service (USO) it must, among other things, undertake collection and delivery services six days per week and meet minimum quality of service targets.

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[11]This excludes BT Fon hotspots which provide public WiFi access through residential and business customer's WiFi routers and hence are in predominantly residential areas.

2.19 This obligation comes in the context of falling mail volumes but increasing revenue. Addressed mail volumes fell by 7% in 2012/13, to 15.2 billion items (compared to a reduction of 5% the year before). At the same time, total revenue for Royal Mail's reported business (the business responsible for the USO) continued to rise in 2012/13, by nearly 6% to over £7 billion. Both may be partly explained by last year's price increases across most postal products[12].

Availability of communications services continues to rise

2.20 We have seen improvements in the availability of communications services across much of the UK during 2013. In relation to broadband services:

- **superfast broadband services** are now available to 73% of UK premises, up from 65% last year. This has been mirrored by growth in take-up which, as of June 2013, stood at over a fifth (22%) of broadband connections, more than double the figure (10%) a year ago;

- almost all UK homes (over 99.9%) were **connected to an ADSL-enabled BT exchange** at the end of 2012. Some people in these areas may not be able to receive an ADSL broadband service as a result of long line length or a poor-quality line; and

- consumer research figures put the total number of households with **internet access** at 80% in Q1 2013, of which 94% were broadband connections.

2.21 **Digital broadcasting based** services are also widely available in the UK:

- the percentage of households able to receive the PSB channels via digital terrestrial television stood at 98.5% (stable year-on-year, following the completion of digital switchover in 2012); and

- the BBC's DAB national multiplex provides coverage to 94.3% of UK households, while the commercial DAB multiplex, operated by Digital One, reaches 85% of UK households.

2.22 **Mobile phone coverage** across the UK remains high:

- outdoor 2G mobile coverage from at least one operator stood at 99.6% as of June 2013 while 3G coverage was slightly lower at 99.1%; and

- EE launched its **4G** service in October 2012, attracting more than 500,000 subscribers by the end of May 2013 (0.5% of all UK mobile subscribers).

- Since then:

  - Ofcom auctioned 250MHz of spectrum in the 800MHz and 2.6GHz bands in Q1 2013. There were five successful bidders: EE, Niche Spectrum Ventures (a wholly-owned subsidiary of BT), Telefonica O2, Three and Vodafone;

  - O2, Vodafone and Three have also launched 4G services; and

[12] http://stakeholders.ofcom.org.uk/binaries/post/post/Annual_monitoring_update_2012-13.pdf

- o the spectrum won by O2 obliges it to provide indoor 4G coverage to at least 98% of the UK population by the end of 2017. This is likely to equate to at least 99% outdoor coverage.

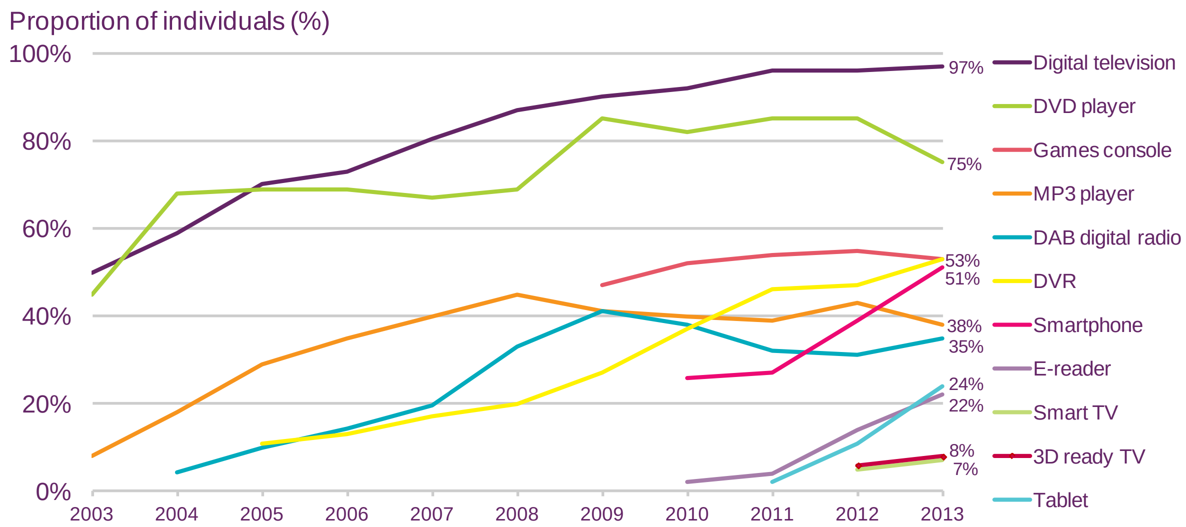
Digital devices continue to grow in popularity

2.23 Individuals' access to a range of digital devices is now substantial – 97% have access to digital television; three-quarters have a DVD player; over half have a games console and a similar proportion use a DVR.

2.24 A number of devices are growing rapidly in popularity – over a fifth of the population now have an e-reader; nearly one in ten has a smart TV and just shy of a quarter have a tablet.

2.25 Among tablet-owning households, this device is now on a par with the laptop as the most important device for connecting to the internet. Half of tablet owners say they now "couldn't live without it".

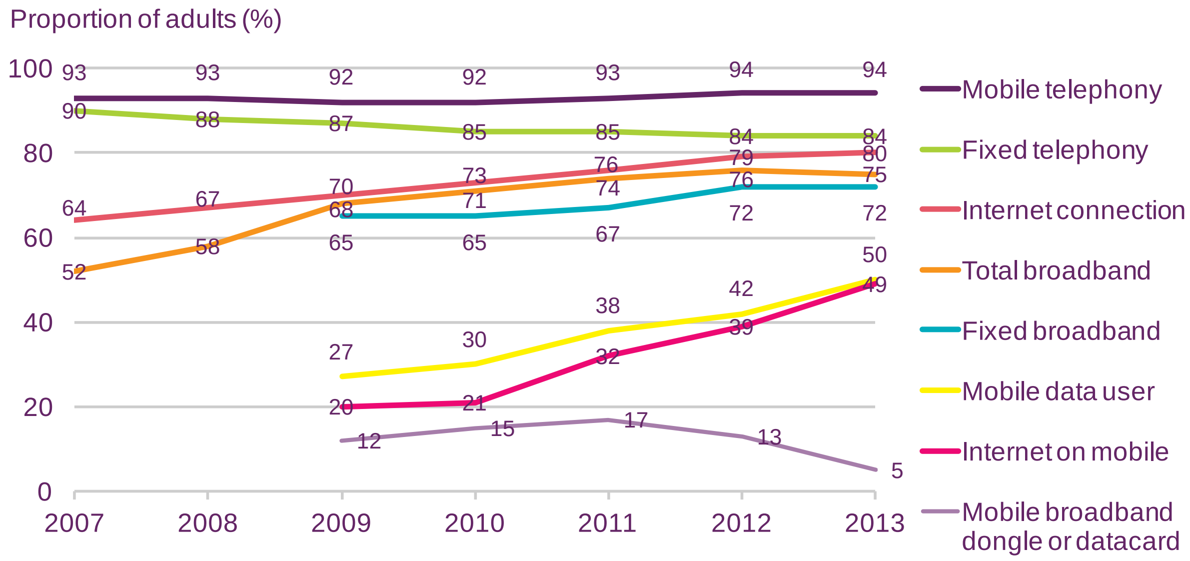
Figure 3: Household take-up of digital communications and AV devices: 2003-2013



Source: Communications Market Report, August 2013
Base: All adults aged 16+ (2013 n=3750). Data from Q1 of each year
Note: The question wording for DVD player and DVR was changed in Q1 2009 so data are not directly comparable with previous years

2.26 A range of telecommunications services are now used by a significant proportion of the total population. Consumer research shows that 94% of people have a mobile telephone – ten percentage points higher than those with a fixed-line phone. 80% have access to an internet connection, with 75% having broadband. Mobile internet services are now used by nearly half of the adult population.

Figure 4: Household take-up of communications services



QE1: Does your household have a PC or laptop computer? / QE2: Do you or does anyone in your household have access to the internet/worldwide web at home (via any device, e.g. PC, mobile phone etc)? / QE6: Which of these methods does your household use to connect to the internet at home? NB mobile data user is defined as consumers using either mobile broadband or internet on their mobile phone
Source: Communications Market Report, August 2013 - data as at Q1 of each year
Base: All adults aged 16+

2.27 To further improve our understanding of how groups of consumers make use of communications services, we recently commissioned research[13] into consumer attitudes towards, use of, and understanding of communications services and devices. The research identified six consumer segments: ‘pioneers’, ‘deal seekers’, ‘slipstreamers’, ‘socialisers’, ‘functionalists’ and ‘disconnected’.

2.28 This analysis helps to inform our overall understanding of consumers’ patterns of consumption of communications services, as set out in Figure 5.

[13] To be published in January 2014 alongside the *Consumer Experience Report*

Figure 5: Six consumer segments

Segment	% of UK adults	Insights
Pioneers	16	The most technically advanced and confident segment, they: • own/personally use a lot of technology devices: 20% use smart TVs; half use a games console; all use smartphones; four in ten personally use a tablet; • are extremely online savvy and recommend technology to friends and family; • are fairly likely to bundle services; • despite being the earliest adopters and most sophisticated users of communications technology, this group are not the most likely to have switched providers or to consider it easy to do so; 37% of this group say it is too much hassle to change providers; and • are more likely to be younger working males with a higher household income.
Deal seekers	14	The segment are the most keen to find the best deal for their suppliers of services: ownership and use of devices is second only to Pioneers, they enjoy technology and are digitally confident; • they are very likely to switch and bundle services and feel it is easy to switch; • the majority are working, over a third are aged 15 to 34; and • average household income is £37k.
Slipstreamers	17	Digitally confident and capable, but more concerned about online privacy than the segments above: • they have good ownership and usage levels for most devices, including more advanced tasks, with one in three using a tablet and six in ten a smartphone; • they are fairly likely to switch and bundle services; • the majority are working, they are more likely to be male, almost half are aged 15 to 34; and • average household income is £40k.
Socialisers	13	Socially active but technically unengaged, Socialisers like simple devices and have few online concerns: • they have good ownership and usage levels for most devices, but less confidence on the internet than the segments above; • they are fairly likely to switch and bundle services; • they do not actively seek deals, but do wait for devices to become cheaper before purchasing; • the majority are working, they are more likely to be female, almost half are aged 15 to 34; and • their average household income is £31k.
Functionalists	26	Functionalists have a low interest in technology, they tend to use the internet for traditional activities like email and social networking: among this group, three in ten use a smartphone, one in ten a smart TV and one in seven use a tablet; • they are not very likely to switch or bundle services; and • they are more likely to be older working females, with an average household income of £30k.
Disconnected	15	This segment do not access the internet at all or see the point in doing so, they: connect to the world via TV, radio, landline or standard mobile, 3% use a PC or laptop; • are not very likely to switch or bundle services; • are typically older retired females, with an average household income of £14k; and • the majority are happy to let someone else take charge of their purchase decisions when new technology is required.

2.29 Despite increasing adoption of communications services, 15% of consumers do not access the internet at all. Many of these disconnected consumers are older people and people in lower-income households. However it is worth noting that whilst each segment has a 'typical' demographic, there are people of all demographics in each of the segments.

2.30 Our media literacy survey[14] revealed that in 2011/12 two in ten non-users of the internet asked someone else to send an email, get information from the internet or make a purchase from the internet on their behalf. Non-users in socio-economic groups ABC1 are more likely than C2DEs to have made a proxy use of the internet in this way (25% vs. 15%).

2.31 The main reason that offline adults gave for not getting internet access at home were ‘lack of interest’ (73% gave this answer), with most others giving a main reason relating to cost (12%).

The average household now spends £80 per month on communications services

2.32 Section 3(5) of the Communications Act (2003) states that Ofcom, in carrying out its general functions, must have *“regard to the interests of consumers in respect of choice, price, quality of service and value for money”*.

2.33 Average monthly household spend on telecoms services was £80.25 in 2012, up by £1.31 in real terms (1.7%) since 2011. This represents 3.8% of average total household spend in 2012, a 0.1 percentage point increase on 2011.

2.34 Average household spend on fixed internet and mobile services has increased, although this has been driven by the growing take-up of new, more advanced products and services, such as smartphones and superfast broadband services. In contrast, total average spend on fixed voice services fell by 3.8%, as a result of declining average call volumes per line.

2.35 From an international perspective (see our *International Communications Market* report), UK prices for telecoms services compared favourably with other countries for the variety of service bundles that we use for the purposes of price benchmarking.

Figure 6: Average household spend on telecoms services

Source: Communications Market Report, August 2013
Notes: Includes estimates where Ofcom does not receive data from operators; adjusted to RPI; includes VAT

[14] http://stakeholders.ofcom.org.uk/market-data-research/media-literacy/media-lit-research/adults-2013/

2.36 In March 2012, we published our decision on the new regulatory framework for the postal sector[15] which granted Royal Mail significantly more pricing flexibility. As part of our on-going commitment to track Royal Mail's performance in respect of the affordability of universal postal services, among other things, we published a monitoring report earlier this year[16].

2.37 Our findings suggest that universal postal services are affordable for almost all residential consumers, including low income and other vulnerable consumers. Our consumer research indicates that there are very limited circumstances, among people experiencing severe financial hardship, where individuals would have concerns about the prices of universal postal services, even at much lower prices.

As the popularity of data services rises, attention may turn to quality of service

2.38 Among communications service consumers, satisfaction levels remain high. Between 79% and 87% of adults were satisfied with services in 2012; with mobile services scoring highest. The lowest rates of satisfaction were found among fixed-line products, particularly among the remaining stand-alone fixed line purchasers.

2.39 The amount of data consumed over fixed, mobile and WiFi networks continues to grow. The range of devices that consumers are using to connect to the internet is rising, and people are increasingly accessing media-rich services such as high-definition video. In June 2013, the average household was using 30GB of data on fixed networks, a 7GB increase year-on-year. Mobile data consumption also continues to grow rapidly, up by 48% on last year.

2.40 Broadband networks are also being called upon to deliver data-rich broadcast-quality content. YouView is one example of this, integrating broadcast channels delivered over DTT with broadband-delivered content, both live and on-demand. As people switch seamlessly between DTT broadcast and IP multicast channels, they will have high expectations for equivalent quality of service between them.

2.41 The rising demand for data prompted by these market developments may have implications for ISPs' future ability to sustain their quality of service, and on their investment in network capacity, interconnection to the wider internet and traffic management practices. That is before taking into account the impact of increasing take-up of superfast broadband, which may further intensify the focus on quality of service and the resulting consumer experience.

2.42 A review of information on current traffic management practices, provided by the major ISPs and mobile operators, shows that there have been no significant developments over the past year. Some mobile operators do block VoIP services on certain tariffs, but the level of blocking has not changed significantly. Consumers continue to have a choice of mobile packages, some of which support VoIP services. Where mobile operators do block services, this is set out in the 'Key Facts Indicators' required by the industry code of practice.

[15] http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/
[16] http://stakeholders.ofcom.org.uk/post/affordability/

Section 3

Draft priorities for 2014/15

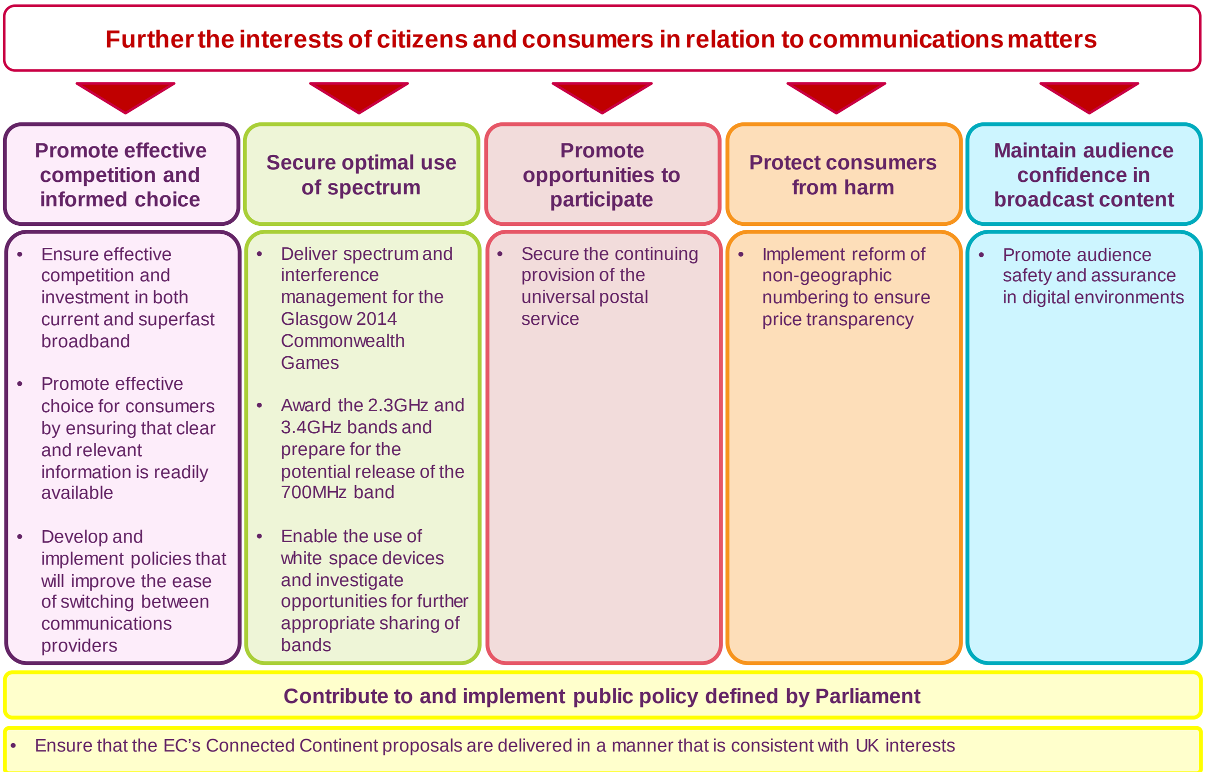
Our strategic purposes and approaches guide our priorities

3.1 The Annual Plan for 2014/15 splits our work programme into three categories:

- **Priorities:** the most important, specific areas of work for Ofcom to deliver in the forthcoming year to ensure we further the interests of citizens and consumers. To help measure their delivery, we have identified the interim and final outcomes associated with each priority.
- **Major work areas:** other important areas where we plan to undertake further work during 2014/15 (Section 4).
- **Programmatic work:** that which we carry out on an ongoing basis, providing important services to stakeholders, citizens and consumers. This represents much of the 'business as usual' work that helps deliver our strategic purposes (Section 5).

3.2 In response to market developments and relating to our current duties, our priorities balance new work with ongoing commitments. They are guided by our six strategic purposes.

Figure 7: Strategic purposes and proposed priorities



Strategic purpose 1: promote effective competition and informed choice

3.3 Effective competition and informed choice are elements of well-functioning communications markets and are likely to result in efficient prices for consumers, support innovation and drive incentives for efficient investment in new and existing networks and services.

3.4 The characteristics of communications markets include strong network effects, scale benefits and complexity. We anticipate an ongoing role for *ex ante* regulation, including regulation to promote competition between suppliers and to support the exercise of choice by consumers.

3.5 We have identified three priorities for 2014/15 which respond to market developments and are intended to deliver significant benefits to citizens and consumers.

Promote effective competition and informed choice	• Ensure effective competition and investment in both current and superfast broadband • Promote effective choice for consumers by ensuring that clear and relevant information is readily available • Develop and implement policies that will improve the ease of switching between communications providers

Ensure effective competition and investment in both current and superfast broadband

3.6 The deployment and adoption of superfast broadband services continues. Such services are available to 73% of premises, with nearly a quarter of broadband customers taking a superfast service. The government's target is to ensure that superfast broadband services will be available to 95% of premises by 2017, and it is providing public funding to supplement private investment to help achieve this target.

3.7 In 2010 Ofcom established a clear regulatory framework for investment in next-generation access (NGA) and competition in superfast broadband. This framework requires BT to offer virtual unbundled local access (VULA) to its next-generation fibre infrastructure, so that other providers can compete with BT in the supply of superfast broadband services to consumers; this is considered important in supporting competition for superfast broadband services in the wholesale local access market. The framework also provides BT with general pricing flexibility over what it charges for VULA, thereby supporting its incentive to invest in NGA infrastructure.

Fixed access market review

3.8 In late 2012, in line with the European framework for electronic communications, we began a review of the markets for fixed voice and broadband connections and local access. We published our consultation proposals in July 2013[17] and our final conclusions are due to be published in early to mid-2014. The outcome of these market reviews will play a critical role in ensuring that competition and investment in the provision of broadband services, in particular, continues to be effective as consumers migrate to higher-speed services.

[17] http://stakeholders.ofcom.org.uk/consultations/fixed-access-market-reviews/

3.9 During 2014/15 we will continue to ensure that BT meets all reasonable demands for both the NGA access remedies and other regulated services (such as wholesale line rental and local loop unbundling), allowing other providers to use them effectively.

Openreach quality of service

3.10 An important consideration in our review of the fixed voice and broadband markets is ensuring that Openreach is incentivised (either through regulation or market-based mechanisms) to deliver services to the quality expected by its wholesale customers and their respective end-users.

3.11 We continue to focus on incentivising Openreach to deliver a standard of service that meets the requirements of its wholesale customers and the residential and business consumers served by them. This is closely related to our work on introducing a new framework for regulating Openreach's wholesale local access services.

3.12 By the end of 2013/14 we will have proposed new regulations designed to increase the incentives on Openreach to improve its quality of service delivery. These include new key performance indicators and new standards for service delivery, as well as a series of operational improvement initiatives facilitated by the Office of the Telecommunications Adjudicator. A final statement will be issued in spring 2014.

3.13 In 2014/15 we will complete our work on introducing new regulatory obligations on Openreach in the fixed access markets, and monitor compliance as set out above. We will continue to monitor Openreach's performance in the delivery of Ethernet services and consider whether we might need to take further action.

Promote effective choice for consumers by ensuring that clear and relevant information is readily available

3.14 We believe that for communications markets to work well, consumers must be able to make informed choices. It is important that relevant, clear, accurate and understandable information is available to them. This enables them to make decisions and act on them; for example, by switching provider to get a better deal.

3.15 During 2014/15, Ofcom's priority work on consumer information will focus on gathering information in a number of new areas of increasing importance:

Mobile quality of experience

3.16 In 2014 Ofcom will carry out new research into the quality of mobile reception and coverage, which may include information such as the percentage of 'dropped' calls, as well as the sound quality of calls.

Mobile broadband speeds

3.17 We will publish the average mobile broadband speeds received by 3G and 4G customers. We believe this information will help consumers make the right choices and encourage providers to improve their performance.

3.18 Mobile consumer information is one part of Ofcom's five-point plan to improve mobile coverage,[18] which we discuss further in section 4.60.

Traffic management practices

3.19 We continue to consider the transparency of information on traffic management, to ensure that people can access the information they need to make informed choices.

3.20 In the 2011 Statement, we provided our views on the level of consumer information that we want to see the market deliver, and the circumstances that might warrant the development of a minimum standard of quality of service. During 2013, we undertook research to determine the effectiveness of the voluntary code of practice adopted by the industry in 2012, which made commitments to ensuring transparency to consumers about network policies that might affect the consumer experience, including the publication of 'key facts indicators' (KFIs).

3.21 The research demonstrated that most consumers have very little knowledge about how the internet works. This awareness gap means that consumers are also unfamiliar with issues such as traffic management, with only around one in ten aware of the term. Furthermore, of the few consumers that were aware of the term and its meaning, less than a third of these were aware that traffic management processes were currently being applied by internet providers. Overall, this suggests that most UK internet users do not understand the potential relevance of traffic management to their product choices.

3.22 However, the research also found that the traffic management information provided by ISPs (KFIs and surrounding material) is broadly transparent. For example, 73% of consumers that were aware of their ISP's traffic management policy believed that the KFI information was easy to understand.

3.23 While we would expect that competition between operators would resolve some key concerns related to traffic management practices, we recognise that competition cannot be effective if consumers are not well informed. We are working with industry, via the Broadband Stakeholders Group, to explore ways in which this situation can be improved.

3.24 Our work in the above areas will be complemented by our ongoing programme of measurement and consumer information publication in the following areas:

- consumer complaints;
- consumer satisfaction with quality of service; and
- fixed broadband speeds.

Develop and implement policies that will improve the ease of switching between communications providers

3.25 It remains a priority for Ofcom to make further progress in ensuring the effectiveness of switching procedures, to deliver on the goals of effective competition and informed choice. To achieve this we are continuing our review of switching processes for

[18] http://consumers.ofcom.org.uk/2013/11/five-point-plan-to-improving-mobile-coverage/

electronic communications services. We are focusing on delivering two key outcomes:

- an easy and convenient consumer experience of switching, both now and in the future. We want to ensure that there are no undue process barriers to switching, for single services or for bundles; and
- ensuring that switching processes deliver efficient competitive outcomes.

Review of switching processes

3.26 The first stage of our review has addressed the switching processes for services using the Openreach copper-based network. This network supports the largest number of switches for fixed voice and broadband services, and we identified it as the area of greatest potential consumer harm.

3.27 In August 2013 Ofcom published its decision that CPs must harmonise to a single gaining-provider-led (GPL) notification of transfer (NoT) process for switching fixed voice and broadband services delivered over the Openreach copper network.

3.28 We considered that harmonisation to a GPL process would (i) be less disruptive than to a losing-provider-led process (which is currently used for around 10% of switches) (ii) would support a more positive consumer switching experience, and (iii) would be more likely to support competitive outcomes.

3.29 We plan to work with industry and the Office of the Telecoms Adjudicator (OTA) in 2014/15 on implementation of harmonisation.

3.30 We also consulted on four key improvements to the NoT process for implementation:

- requiring a record of customer consent to switch, to protect against slamming;
- mandating the use of systems and processes to minimise loss of service when switching bundles;
- the provision of better information on the implications of switching; and
- mandating that providers place ‘working line takeover’ orders only where they have an exact match for the line, and also that they must notify end-users that their line is due to be taken over.

3.31 We are currently considering the evidence submitted to us by respondents to the consultation, and plan to publish a statement on the NoT process in December 2013.

3.32 We will then progress to a further stage of work in 2014 to consider whether it would be appropriate to make further changes. Key issues will be:

- **Erroneous transfers** (ETs) - improving the quality of Openreach address data (a major cause of ETs); evaluation of industry initiatives to enable accurate identification of the correct line to switch; and assessing the risks to consumers of ETs as new technologies (e.g. fibre-to-the-premises (‘FTTP’)) emerge.
- **The ability to extend switching processes to include other technologies and networks** to ensure that consumers have a similar end-to-end experience of switching, regardless of the underlying networks or wholesale service.

Government is seeking to give Ofcom a duty in relation to switching of bundles

3.33 Finally, in its July 2013 publication *Connectivity, Content and Consumers*, DCMS announced that it planned to legislate to give Ofcom a duty to ensure a consistent and effective experience for consumers switching between bundles. We will work with government as appropriate to assist in creating GPL switching processes across the board.

Early termination charges in contracts for communications services

3.34 During 2013/14, we continued enforcing the Unfair Terms in Consumer Contracts Regulations in the fixed voice and broadband sector, under the Additional Charges Enforcement Programme. We focused particularly on ensuring that consumer contract terms relating to early termination charges (ETCs) are fair.

3.35 We intend to continue monitoring complaints about unfair contract terms, including ETCs, in 2014/15. We will take action as appropriate on a case by case basis. We will also be monitoring compliance with GC9, and our GC9.6 guidance, taking action as appropriate. Although complaints about ETCs have fallen significantly since we started this programme, the fairness of consumer contract terms remains an important consumer protection concern for Ofcom.

3.36 This will help us identify what our priorities should be under this programme. This may include enforcement action against specific providers, and any such decisions will be announced via the Competition and Consumer Enforcement Bulletin (CCEB).

Strategic purpose 2: secure optimal use of spectrum

3.37 Ofcom is responsible for securing the optimal use of the electro-magnetic spectrum. While not itself a consumer outcome, optimal use of spectrum is a key input into delivering good consumer and citizen outcomes in terms of delivery of services, competition, choice and widespread availability.

Secure optimal use of spectrum	• Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games • Award the 2.3GHz and 3.4GHz bands and prepare for the potential release of the 700MHz band • Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands

Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games

3.38 Ofcom is responsible for organising a full spectrum plan for the Glasgow Commonwealth Games 2014. This includes licensing wireless users and managing any cases of interference. Our contribution to the success of the event will be ensuring that spectrum is used effectively, with the least disruption to existing users.

3.39 We are working closely with JFMG, which manages programme making and special events (PMSE) spectrum services on our behalf. This work is to establish and operate licensing processes and effective coordination arrangements between Games Family and other PMSE users in the Glasgow area. We have sought to meet the UK government's spectrum guarantees, with minimum disruption to other, day-to-day users.

3.40 During 2014/15 we will:

- continue to work with JFMG to undertake technical assignments of spectrum for Games users and co-ordinate these with assignments for non-Games users;
- deploy a network of sensors, both within key Games venues and outside the venues, to help us to locate the position of interfering radio signal sources;
- in advance of the Games, monitor spectrum use in key locations to ensure that frequencies are free of harmful interference;
- in advance of the Games, run a process for commissioning fixed radio installations, and a testing and tagging validation service for all wireless equipment, to ensure that it complies with the licensed conditions for use in Games venues; and
- at Games time, deploy dedicated skilled resources to ensure that harmful interference to wireless services is managed appropriately.

Award the 2.3GHz and 3.4GHz bands and prepare for the potential release of the 700MHz band

Award of the 2.3GHz and 3.4GHz bands

3.41 The Ministry of Defence (MoD) has decided to release 40 MHz of spectrum within the 2.3GHz band (2350 to 2390MHz) along with 150 MHz within the 3.4GHz band (between 3410 and 3600MHz) for civil use. On 13 September 2013, the MoD announced that Ofcom would make the award. Ofcom expects to award this spectrum to potential new users by means of an auction. Prior to doing so, we have a number of preliminary activities to undertake.

3.42 On 16 October 2013 we published a document consulting on a 3.4GHz band plan and called for inputs on other aspects of the 2.3 and 3.4GHz band award. We invited stakeholders with an interest in acquiring access to the available frequencies to notify us of their potential interest and to give views on some aspects of the award, particularly about how they would use the spectrum.

3.43 Early in 2014 we will consult on the potential impact of likely new uses of the bands on current users of spectrum operating in adjacent frequencies. We have set out our assessment of the issues involved, with our initial conclusions on how we should proceed. In June 2013 we consulted specifically on the impact on amateur radio.

3.44 We expect a final decision in March 2014 from the EU Radio Spectrum Committee on a legally binding European harmonisation measure for the 3.4GHz band. Thereafter, and based on our consultations, we will lay out the process for the award of licences in the 2.3 and 3.4GHz bands. This will include considering competition issues, further technical coexistence work and considering potential licence conditions. In the meantime we will monitor ongoing initiatives within Europe in relation to the 2.3 GHz band.

3.45 We will consult on our proposals for the award itself in summer 2014. The earliest we are likely to be able to make the award is in the financial year 2015/16.

Prepare for a potential change of use of the 700MHz band

3.46 Spectrum policy plays an important role in meeting the growing demands of mobile capacity. Concurrently, technology and network improvements such as the move to

LTE, increasing the number of cells and offloading wireless data to fixed networks will also help address this growing demand.

3.47 At the same time, UHF spectrum will continue to be important for digital terrestrial television (DTT) which delivers near-universal, low-cost access to PSB content and choice for consumers, both in services and receiver equipment. This spectrum is also important for PMSE services.

3.48 We set out in our UHF spectrum strategy statement our plans to support the international process and to seek to enable a potential change to the release of 700MHz for harmonised mobile use. At the same time the strategy aims to ensure that the DTT platform can continue to use the 470-694MHz band in the event of a change of use of the 700MHz band. This approach will help to secure the on-going delivery of other licensed services in the band, such as wireless microphone links, and allow the deployment of services based on white space technology.

3.49 We are currently undertaking a range of studies to help us understand how change of use of the 700MHz band might practically be implemented, and what the associated costs and benefits would be. This analysis will inform a consultation on the potential change of use of the band, which we aim to publish in spring 2014. We may publish a statement in autumn 2014. We will work closely with government to consider with them the implications of our analysis.

3.50 In parallel to this, we will, over the coming year, continue to engage in the international discussions on harmonisation of the 700MHz band – including discussions on the development of a mobile band plan. We will also represent the UK's interests on behalf of government in international discussions on the potential co-ordination of a revised DTT frequency plan.

3.51 We believe it is important that our decision-making on the potential change of use of the 700MHz spectrum band is informed, as far as possible, by a clear perspective on the wider context in which any such decision will be implemented. For this reason, we are initiating a project on the future of free-to-view TV.

3.52 This work will consider the main drivers of change associated with free-to-view TV, including consumer, market and technology dynamics. It will consider long-term scenarios for the delivery of free-to-view TV, and potential future upgrade paths for free-to-view TV against the relevant policy objectives.

Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands

3.53 Progressing our initiative on white spaces to extend the scope of spectrum sharing will be a key part of our work over the coming year. In addition, we will support the MoD's work on new spectrum sharing in the context of the government's public sector spectrum release programme and, separately, progress our own work on dynamic spectrum access.

3.54 The term 'white space spectrum' refers to frequencies that are not being used by existing licensees at all times or at all locations. TV white spaces are the frequencies in the spectrum band 470MHz to 790MHz (also known as the UHF band) that are not being used at particular times or particular locations by the existing licensed users of digital terrestrial television (DTT) and programme making and special events (PMSE) for wireless microphones.

3.55 Location-aware wireless devices, assisted by databases that provide information on white space availability, taking into account existing licensed use, offer the promise of opportunistic access to under-utilised frequency bands around the UK for innovative and useful services. We believe that this database-based approach could be used to support dynamic sharing of spectrum in other spectrum bands in the future.

3.56 We have been working to deliver a pilot of the framework for accessing TV white spaces, which commenced in December 2013. Earlier in the year we published a consultation on coexistence between white space devices (WSDs) and other services in and adjacent to the UHF band.

3.57 Our work in the area of TV white spaces will continue in the following areas:

- **Pilot trials** – we expect the pilot to run during the first half of 2014, although we will facilitate trials continuing beyond this point if there is stakeholder demand. We expect a number of industry trials, supported by databases, to be conducted in different parts of the country, exploring different uses of TV white space spectrum. We will test the framework during these trials.

- **Coexistence testing** – we expect to run a programme of coexistence testing with stakeholders also during the first half of 2014. This will consist of a mixture of tests at the pilot trials and bespoke tests. This testing programme is designed to enable us, to the extent practicable, to check that our approach to allowing access to TV white spaces will ensure a low probability of harmful interference to the existing users of the spectrum, i.e., DTT and wireless microphones. Alongside our testing we will be considering the responses to our consultation on coexistence. We expect that the pilot trials will prove the concept of database-supported spectrum sharing and that testing will provide useful evidence on how to define coexistence parameters appropriately.

3.58 Approaches to sharing spectrum could also be relevant to other bands, beyond TV white spaces. For example, we will continue to work with the MoD on its plans to share a range of frequencies between 4800MHz and 4900MHz and between 1427MHz and 1472MHz. Ofcom will continue a programme of work through 2014/15 to identify coexistence challenges and take the necessary steps towards enabling this spectrum to be made available for new civil use, in line with our regulatory duties.

3.59 On 9 August 2013 we published the consultation: *The future role of spectrum sharing for mobile and wireless data services - Licensed sharing, WiFi, and dynamic spectrum access*, to which we invited responses by 9 November. We will consider these responses in progressing our spectrum work. We will publish our final statement in the first quarter of 2014.

3.60 The aim of this consultation was to develop a better understanding of the role that shared spectrum could play in the mobile broadband and machine to machine (M2M) sectors, alongside other cleared spectrum bands. We want to understand the role that spectrum shared on a licensed, licence-exempt and dynamic basis could play in opening up access to more spectrum. We are interested to understand how this might support innovation, and what disadvantages it might bring, such as making it harder to manage interference between spectrum users.

3.61 In 2014/15 we will start to consider more broadly the scope for more spectrum sharing. We will need to consider whether new regulatory authorisation mechanisms are required, to enable and support spectrum sharing. This work will include (i) continuing to support the European Commission Radio Spectrum Policy Group, to develop a conceptual approach to a new Licence Shared Access regulatory framework, and (ii) supporting work being undertaken by the European Conference of Postal and Telecommunications Administrations (CEPT).

Strategic purpose 3: promote opportunities to participate

3.62 Communications services continue to grow, both in prevalence and in their importance to consumers and citizens, enabling consumers effectively to participate society. In support of this, we focus on promoting opportunities to participate – seeking to ensure the wide availability of services and seeking to reduce barriers to their adoption and effective use by consumers.

Promote opportunities to participate	• Secure the continuing provision of the universal postal service

Secure the continuing provision of the universal postal service

3.63 The universal service obligation requires Royal Mail to, amongst other things, collect and deliver letters six days a week[19] at an affordable and geographically uniform price to every address in the UK[20]. These minimum requirements of the universal postal service can be changed by the government only following approval from Parliament[21].

3.64 Our primary duty in relation to post is secure the provision of a universal postal service. Ensuring the financial sustainability and efficient provision of the universal service is therefore a priority for Ofcom.

3.65 Since taking over responsibility for the regulation of the postal sector in October 2011, we have undertaken a number of important actions in support of this duty. This has included putting in place a new regulatory framework, giving Royal Mail greater pricing freedom to enable it to return the universal service to financial sustainability, subject to key safeguards.

3.66 The prospect of privatisation was recognised in the development of this regulatory framework and we did not consider that there would be any need for substantial change to the framework, regardless of the outcome of the privatisation process. We mentioned this in the annual monitoring update, published in November 2013[22]. We noted that we will continue to monitor market developments and Royal Mail's performance to ensure that our regulatory objectives are met.

3.67 After a review and consultation regarding the regulation of the provision of post boxes, Ofcom extended the regulatory protection to all UK delivery points. We now require Royal Mail to have a post box within 0.5 miles[23] of 98% of delivery points, and to provide sufficient access points for the remaining 2% of delivery points to meet the reasonable needs of users.

[19] Five days for parcels
[20] Or as otherwise approved by Ofcom
[21] This requirement can only be amended by the Secretary of State by Order subject to approval from Parliament by affirmative resolution (subject to any changes proposed retaining uniformity of provision in relation to the minimum requirements)
[22] http://stakeholders.ofcom.org.uk/binaries/post/post/Annual_monitoring_update_2012-13.pdf, page 6
[23] Based on the straight line distance – see http://stakeholders.ofcom.org.uk/consultations/provision-post-boxes/statement/

3.68 We have begun reviews of the two industry codes of practice relating to the security and integrity of mail and common operational procedures. We are also reviewing the exceptions that are allowed to the six-day-per-week requirement for collecting mail from access points and delivering it to recipients. We expect to complete this exercise during 2014/15.

3.69 During 2014/15 we will progress our approach to the economic regulation of post, by undertaking a range of work to secure the continued provision of a universal postal service. This will include:

- our ongoing monitoring regime, which includes regular internal reporting and an annual update to the market on the financial sustainability of the universal service, quality of service, the evolution of competition and Royal Mail's progress towards improving its efficiency;
- further development of the appropriate metrics to measure efficiency, and methodologies to assess what might be a reasonable rate of efficiency improvement for Royal Mail;
- reviewing our approach to protecting competitors from margin squeeze with respect to access services, including the appropriate cost base for any future measures;
- considering approaches to understanding the cost orientation of universal service prices;
- completing a review of the postal common operational procedures code of practice. This protects consumers from the risk of mis-posted, mis-directed and mis-collected mail not being returned to the correct regulated postal operator; and
- reviewing the minimum standards that regulated postal operators must meet so that the potential for mail to be subject to loss, theft, damage or interference can be minimised.

Strategic purpose 4: protect consumers from harm

3.70 As the communications landscape continues to evolve, new forms of potential consumer harm emerge. Our overall approach to consumer protection is to focus on those issues that generate a significant scale of consumer harm, and where we have the ability to address the issue. Much of this work is ongoing and falls into Ofcom's major work areas outlined in the next section. However, we have identified one priority for 2014/15.

Protect consumers from harm	• Implement reform of non-geographic numbering to ensure price transparency

Implement reform of non-geographic numbering to ensure price transparency

3.71 We define non-geographic calls as those made to 03, 05, 070/076, 080, 0845, 0870, 083/4, 0871, 09, 116 and 118 numbers. Consumers use these numbers to call businesses and government agencies, to get information, make payments for services and to vote on radio and television shows. In 2010/11, we proposed a simpler approach to the provision and regulation of non-geographic calls, including exploring the option for simpler number ranges and more standardised charges.

3.72 We have recently published our final statement on non-geographic numbering and will now move ahead with the implementation of our recommendations, including changes to pricing structures and transparency requirements.

3.73 This year we have reformed the regulations applying to the Freephone ranges 080/116 and to the revenue sharing ranges 084/087/09/118. The changes will be implemented in 2015. We have issued a consultation on the withdrawal of the 0500 range.

3.74 In 2014/15 we will finalise the review of the 0500 range and consider the need for regulatory changes to the 055/56, 070/76 and other non-geographic ranges. We want to ensure that these ranges continue to offer benefits to consumers and that there are adequate safeguards to protect consumers from harm caused by confusion or fraud. We also need to ensure that we adhere to our duty to ensure that the numbering system is used efficiently.

Strategic purpose 5: maintain audience confidence in broadcast content

3.75 Given consumer expectations of assurance on broadcast content standards, we will continue to develop and deliver efficient, effective and future-proofed ways to ensure audience confidence in broadcast content.

Maintain audience confidence in broadcast content	• Promote audience safety and assurance in digital environments

Promote audience safety and assurance in digital environments

3.76 This priority brings together a range of work which, in combination, seeks to maintain and update the audience protection and assurance framework for audio-visual content. This is necessary to meet the challenges posed by convergence and by audiences' expectations.

<u>Targeted licensing and enforcement to ensure effective protection for audiences</u>

3.77 We will continue to ensure that we focus on assuring audience confidence, by conducting a wide-ranging review of the process for licensing broadcast services. In 2014 we will develop and implement a 'smarter' approach to licensing and enforcement that will better enable us to identify and respond to potential compliance failures. This work will allow us to construct a more effective licensing regime with the potential to remove some regulatory burdens on stakeholders and reduce the administrative load on Ofcom.

<u>Address the challenges of regulating IP-delivered linear services on EPGs</u>

3.78 Today, linear IP-delivered television channels not regulated within the European Economic Area (EEA) are potentially available via EPGs and red-button services. Providers of IPTV services may be based anywhere in the world. Where services originate from outside the EEA, they may not be subject to regulation by any Member State, and so not subject to the minimum standards set by the AVMS Directive. We will seek to address this in a way that balances our various duties, to find a solution which protects consumers from harm, but still allows for technological innovation and the development of new television services.

Work to develop a common framework for media standards

3.79 In its communications strategy paper: *Connectivity, Content and Consumers: Britain's digital platform for growth*, the government asked Ofcom to work with industry and other regulators to deliver a framework that sets out a consistent approach to media standards regulation, building on existing standards that already apply in many places. We have already started to engage with the government and media regulators to discuss how we can deliver this work. We aim to ensure that consumers have a clear understanding of the protections that apply to different types of content accessed online, and know which regulatory body to turn to if they have a concern.

Report on approaches to protecting the safety of children online

3.80 The government stated in its communications strategy paper that it expects companies across the internet value chain to ensure that all internet-enabled devices are supplied with child safety tools as a standard feature.

3.81 As part of this, we have been asked by the Secretary of State to assess the implementation of filters in the UK, and report on parental awareness of, confidence in, and take-up of parental controls. We will deliver three reports by the end of 2014.

3.82 In December 2013 we will deliver the first report, measuring take-up, and parents' awareness of and confidence in parental controls. This report will cover the broader strategies that parents adopt to improve children's online safety; the levels of parental awareness of, and confidence in, the safety measures which may be in place on sites regularly visited by children, including, but not restricted to, content providers, search engines and social networking sites; and, as far as possible, why parents choose not to apply parental control tools. We will deliver a follow-up report in December 2014 to track developments on the range of measures outlined above.

3.83 Ofcom will publish a report in spring 2014 on the measures put in place by BT, Sky, TalkTalk and Virgin Media to meet their commitments to implement network-level filtering for new customers by the end of 2013.

Continue to support UKCCIS

3.84 We will also continue to play an active role in supporting the government's UK Council for Child Internet Safety (UKCISS). We are able to inform the work of UKCISS through our market research into awareness and use of online media, particularly through our media literacy reports. In addition, we will continue to contribute to European debates on the protection of minors, as appropriate.

Strategic purpose 6: contribute to and implement public policy defined by Parliament

Contribute to and implement public policy defined by Parliament	• **Ensure that the EC's Connected Continent proposals are delivered in a manner that is consistent with UK interests**

Ensure that the EC's Connected Continent proposals are delivered in a manner that is consistent with UK interests

3.85 On 11 September 2013 the European Commission tabled a draft Regulation on the 'Connected Continent'; part of a larger package of measures aimed at "completing" the digital single market. The draft Regulation covers a wide range of issues within our regulatory remit, including (i) a reform of the rules on international roaming, (ii) proposals to change the way operators are authorised to operate in national markets, (iii) greater harmonisation around the timing and form of spectrum auctions and assignments, and (iv) the introduction of new, harmonised EU-wide rules on net neutrality and open internet access, and changes to the consumer rules which we enforce through the General Conditions.

3.86 We have been working closely with government to understand the implications of the proposals and to help develop the UK's negotiating position. We have also been working closely with BEREC, which has a statutory role in advising the European legislators (the European Parliament and Council), and expect to continue to do so throughout the legislative process. Finally, we have been providing our technical expertise directly to members of the European Parliament, to help inform their own consideration of the proposals. Although the European Commission had originally indicated an ambition to see the legislation adopted before the European Parliament elections in May 2014, current expectations are that the legislative negotiations will continue at least until autumn 2014. We therefore expect to continue this work and engagement well into 2014.

3.87 Our goal is to support the European Commission's high level objective to promote the development of the European single market and improve conditions for investment in our sector, ultimately for the benefit of European (including UK) consumers. However, we are keen to ensure that any new rules are proportionate and workable in practice.

3.88 Our engagement over the course of the next 12-18 months will be focused on these goals, and on ensuring that Ofcom is well-equipped to fulfil its statutory obligations to promote the interests of UK consumers and citizens.

To help with measurement against these priorities, we have set interim and final outcomes

3.89 We will judge the success of our work to deliver our priorities for 2014/15 against the positive outcomes we are seeking to secure for citizens and consumers.

3.90 We have identified outcomes for each of our priorities, as shown in Figure 8 below. We will assess our progress towards delivering these at the end of the financial year, within Ofcom's Annual Report.

3.91 We have divided our outcomes into interim and final outcomes:

- **Interim outcomes** are events in the market that result from a decision taken by Ofcom; for example, enabling third parties access to a particular network or service. These play a part in delivering final outcomes.

- **Final outcomes** describe wider benefits for citizens and consumers; for example, a consumer being able to choose from a range of competitive and innovative retail offerings. We intend to do what can reasonably be done to judge our success in securing final outcomes, while acknowledging that these outcomes will also be influenced by wider market developments.

Figure 8: Draft Annual Plan 2014/15 proposed priorities and outcomes

Promote effective competition and informed choice	Ensure effective competition and investment in both current and superfast broadband	Complete a set of market reviews which cover fixed voice and broadband and local access and, where necessary, introduce remedies, including new charge controls, into these markets	Maintain innovation and competition in the supply of current generation voice and broadband to consumers and create the conditions that will allow the market to retain these favourable supply conditions as it transitions to superfast broadband
	Promote effective choice for consumers by ensuring that clear and relevant information is readily available	Understand areas in which information provided commercially in markets falls short of what consumers need in order to engage in the market and, particularly, make effective choices	Consumers are able to make choices and decisions in the market based on clear and complete information. This information is accessible, understandable, verifiable, and comparable
	Develop and implement policies that will improve the ease of switching between communications providers	Ensure switching processes for communications services across a range of technologies and products do not lead to barriers to switching for consumers	Consumers can switch easily between communications providers without hassle, and barriers to switching do not result in harm to the competitive process
Secure optimal use of spectrum	Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games	All requirements for Ofcom's responsibilities for the Games in place and tested on schedule	Successful delivery of Commonwealth Games spectrum plan with minimal disturbance to users or viewers
	Award the 2.3GHz and 3.4GHz bands and prepare for the potential release of the 700MHz band	*Award of 2.3GHz/3.4GHz bands:* Coexistence issues with existing civil users understood and where possible resolved. Technical conditions developed for the spectrum to be released conducive to its use for mobile data services	*Award of 2.3GHz/3.4GHz bands:* Increase in the total amount of spectrum available and used to match growing demand for wireless services delivering wider consumer and citizen benefits
		Potential change of use of 700MHz band: Complete analysis of costs, benefits and ways in which the change of spectrum use could be implemented. Completion of international discussions on harmonisation of the 700MHz band	*Potential change of use of 700MHz band:* Subject to consultation, outcomes may include a change of use of the 700MHz band for mobile broadband consistent with future international harmonisation and continued widespread availability of DTT services
	Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands	As part of the pilot framework, complete trials and coexistence testing for the use of white space devices. Complete our work to understand the costs and benefits of spectrum sharing and future candidate bands	New services and/or increased service quality from authorising devices which are able to share spectrum with other uses without adversely impacting on the spectrum existing use and so increase the intensity of the use of spectrum

Promote opportunities to participate	Secure the continuing provision of the universal postal service	On the basis of robust evidence define the universal postal service so that it meets the reasonable needs of users now and in the future	Financially sustainable universal postal service which meets the needs of business and residential customers
Protect consumers from harm	Implement reform of non-geographic numbering to ensure price transparency	Subject to consultation responses, apply the recommendations on improving price transparency contained in our final statement	Measurable improvements in consumer understanding of non-geographic calls pricing and a reduction in associated bill shock
Maintain audience confidence in broadcast content	Promote audience safety and assurance in digital environments	The licensing and enforcement of services is appropriately targeted. Emerging IP-delivered linear services are addressed by standards regulation. Industry and regulators deliver a consistent approach to media standards regulation	Consumers have a clear understanding of the protections that apply to different types of content accessed online, and know which regulatory body to turn to if they have a concern
Contribute to and implement public policy defined by Parliament	Ensure that the EC's Connected Continent proposals are delivered in a manner that is consistent with UK interests	Contribute to the development of the national negotiating position by working with the UK government. Contribute our technical expertise to discussions at European level by engaging with the European institutions and with/through BEREC	Any adopted legislation is proportionate and practical, supporting investment in the sector and delivering benefits to consumers including through competition

Section 4

Major work areas for 2014/15

4.1 In addition to the Priorities set out in Section 3, we plan to undertake work in a number of other major areas during 2014/15.

Figure 9: Draft Annual Plan 2014/15 major work areas

Further the interests of citizens and consumers in relation to communications matters

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
• Monitor underlying approaches to traffic management to ensure compliance with Ofcom's approach to net neutrality • Review the framework for regulatory financial reporting in telecommunications • Work to ensure effective competition in pay TV services • Conduct the mobile termination rates charge control review • Conduct the business connectivity market review	• Continue to review the spectrum requirements of the programme making and special events (PMSE) sector • Plan for mobile data spectrum requirements • Understand the impact and role of receivers on efficient spectrum use • Improve the planned use of UHF spectrum • Support the spectrum requirements of the government's Emergency Services Mobile Communications Project • Explore the potential use and requirements of machine to machine technology	• Understand and promote the interests of vulnerable consumers and citizens • Continue to promote the provision of better mobile coverage and service information in order to inform both consumers and policy decisions • Work in collaboration with government and industry to promote the widespread availability of fixed and mobile superfast broadband • Complete an evaluation of, and report on, the affordability of core electronic communications services	• Support industry and government initiatives to improve levels of user trust in internet services • Protect consumers from harm in a range of priority areas including nuisance calls and unexpectedly high bills	• Develop and support future radio regulation • Complete the licensing of new local TV services • Work to secure the availability and discoverability of PSB content

Contribute to and implement public policy defined by Parliament

- Contribute to the implementation of the government's Communications Review
- Prepare for the World Radiocommunication Conference (WRC) in November 2015

Strategic purpose 1: promote effective competition and informed choice

Promote effective competition and informed choice

- **Monitor underlying approaches to traffic management to ensure compliance with Ofcom's approach to net neutrality**
- **Review the framework for regulatory financial reporting in telecommunications**
- **Work to ensure effective competition in pay TV services**
- **Conduct the mobile termination rates charge control review**
- **Conduct the business connectivity market review**

Monitor underlying approaches to traffic management to ensure compliance with Ofcom's approach to net neutrality

4.2 In the publication *Ofcom's Approach to Net Neutrality* in November 2011, we set out our position on net neutrality and traffic management.

4.3 Essentially, our position has not changed since that publication, as competition seems to be delivering effective choice to consumers and we currently see no convincing case for regulatory intervention. We would, however, note that net neutrality is one of the policy areas covered by the proposed EU Connected Continent initiative, and this may result in changes to our regulatory powers and obligations during 2014.

4.4 We will continue to monitor actual traffic management approaches as part of our infrastructure reporting duty. We updated our position in the *Infrastructure Report: Update 2013*, published in October 2013. In that report we considered whether the use of traffic management practices appears to be consistent with the principles we set out in our net neutrality statement. Our view of the current position is that:

- There are currently no substantive concerns in relation to the traffic management practices used by fixed ISPs and indeed, there is some evidence of lower levels of active traffic management compared with previous years.

- Although some mobile operators block services, such as Skype's VoIP service on certain packages, all operators now offer packages with no blocking. This is an improvement on the previous year's position, indicating that competitive pressures may be having an effect on mobile operators' traffic management practices. We have not identified any traffic management practices that are in use by mobile operators and which are not publicly reported.

4.5 Our next traffic management update will be published in the *Infrastructure Report,* due to be published at the end of 2014.

4.6 Finally, we will work closely with DCMS in its engagement with the EU over the proposed Single Market Regulation, which, as currently drafted, will include new net neutrality obligations on network operators and new monitoring duties on regulators. As the likely direction, and text, of the Regulation becomes clearer, we will consider implementation issues, as appropriate.

Review the framework for regulatory financial reporting in telecommunications

4.7 BT and KCOM provide Ofcom with information on the financial performance of regulated services. Additionally, both companies must publish some of this information in their annual regulatory financial statements.

4.8 We are currently reviewing the regulatory financial reporting obligations.

4.9 We first consulted on this in 2012/13 and then undertook a review in 2013/14 on the way we might use cost-orientation obligations in the future.

4.10 We are currently consulting on a range of proposals to ensure that the regulatory reporting obligations provide relevant and reliable regulatory financial information, in a way that is understood by the users of the information, and are proportionate to the benefits it provides[24].

4.11 In 2014/15 we expect to publish our decision to implement any changes to the obligations, alongside our decisions on the market reviews for wholesale broadband access and fixed access markets.

Work to ensure effective competition in pay TV services

4.12 In recent years, one area of focus for our competition work has been competition in pay TV, and its implications. This work aims to ensure that consumers benefit from improved access to key content, increased choice, and in the longer term, investment, leading to a range of innovative new services.

4.13 The two significant investigations in this area in recent years have been Ofcom's 2010 pay TV review and the Competition Commission's 2012 investigation into movies on pay TV.

- In 2010 we published our *Pay TV Statement*, setting out our decision that Sky should be required to offer to wholesale Sky Sports 1 and 2 to other pay TV retailers. This decision was appealed by various parties; some arguing that intervention was unjustified and others arguing that the remedy did not go far enough. The litigation is on-going and is now before the Court of Appeal.

- In 2012, the Competition Commission concluded that there was no basis to take action in relation to pay TV movies, but nevertheless found that there remains a lack of effective competition in the pay TV retail market as a whole.

4.14 We have a duty to ensure fair and effective competition in this sector. During 2014/15, we will continue to monitor developments in the market, such as commercial negotiations for content and the emergence of new platforms and services, to establish whether further action may be required to promote competition. We will support the government in the development of any legislation in this area.

4.15 During 2013/14 we have been considering Sky's request to remove the regulation that applies to its satellite platform and which requires Sky to provide regulations regarding access for interactive services such as red-button services and two-way interactive services such as gaming, on its satellite platform. We expect to conclude this work in the early part of 2014/15.

Conduct the mobile termination rates charge control review

4.16 The charge controls for the mobile call termination market are due to expire at the end of March 2015. We have begun the market review process to establish the regime that will replace the current system. This is one of the regular market reviews that are carried out under the EU Framework, under which Ofcom is required by statute to review certain markets every three years.

4.17 During Q1 2014/15 we will publish a consultation setting out our analysis of the mobile call termination market and proposed remedies. After considering the responses to the consultation, we expect to notify the European Commission, and publish a final statement, in time to implement the new regime by 1 April 2015.

[24] http://stakeholders.ofcom.org.uk/consultations/bt-kcom-financial-reporting-1314/

Conduct the business connectivity market review

4.18 The *Business Connectivity Market Review* (BCMR) is a regular review of the state of competition in the provision of leased-line services in the UK. This is also one of the regular market reviews that are carried out under the EU Framework, under which Ofcom is required to review specific markets every three years.

4.19 In March 2013 we published the BCMR statement setting out our decisions about the extent of competition in the provision of leased lines in the UK. We intend to start the next BCMR early in calendar year 2014. We are currently reviewing how we will gather accurate data from stakeholders to inform our review.

4.20 In 2014/15 we will review the evidence about competition in leased-line markets in the UK, in order to develop proposals for remedies, and we will consult on those findings and proposals for the next BCMR decision, which we intend to conclude before April 2016.

Strategic purpose 2: secure optimal use of spectrum

Secure optimal use of spectrum	**• Continue to review the spectrum requirements of the programme making and special events (PMSE) sector • Plan for mobile data spectrum requirements • Understand the impact and role of receivers on efficient spectrum use • Improve the planned use of UHF spectrum • Support the spectrum requirements of the government's Emergency Services Mobile Communications Programme • Explore the potential use and requirements of machine to machine technology**

4.21 The five items below are likely areas of work, subject to the conclusions of the consultation on our spectrum management strategy[25].

Continue to review the spectrum requirements of the programme making and special events (PMSE) sector

4.22 We will continue our work on reviewing PMSE spectrum access, in order to understand the nature of any future challenges and to investigate the range of measures that might be required to address these challenges. The work distinguishes between wireless camera applications (which use spectrum predominantly in the 2-4GHz range) and wireless microphones and other audio devices (which use UHF spectrum below 1GHz).

4.23 We have completed a detailed analysis of the spectrum access options for wireless camera use, and proposed a spectrum plan to meet short to medium-term demand. We will continue to engage with stakeholders to validate our analysis and to identify how new technology (among other things) might impact future spectrum demand.

4.24 We have also conducted supply and demand analysis for PMSE use of UHF spectrum, as part of Ofcom's preparations for the possible release of the 700MHz band. We are engaged with the audio PMSE community to discuss the options to respond appropriately to these challenges.

[25] http://stakeholders.ofcom.org.uk/consultations/spectrum-management-strategy/

4.25 Our future work will include:

- continuing to work closely with stakeholders to identify the impact on spectrum access, and appropriate actions to mitigate that impact where possible; and

- participation in international forums where spectrum proposals will impact the PMSE sector.

4.26 We aim to complete our review of PMSE spectrum issues during 2014/15.

Plan for mobile data spectrum requirements

4.27 Our activities in 2014/15 in this area will include contributing to relevant international decisions and developing our mobile data strategy. This is in addition to related work on supporting the government's Public Sector Spectrum Release Programme, progressing our work on spectrum sharing (see 3.53) and on mobile coverage (see 4.60).

4.28 Only bands that are internationally harmonised are likely to be economically viable for the delivery of mobile data services, as this enables the economies of scale required for the development and production of network and consumer equipment.

4.29 A key milestone for international harmonisation will be the next World Radiocommunication Conference in 2015 (WRC-15) which will include consideration of additional spectrum for wireless broadband applications. Over the next year we will develop our position and work closely with other European administrations in CEPT on preparation for the WRC-15 discussions.

4.30 We will continue to develop our longer-term mobile data strategy. The objective of our consultation, published in November 2013, is to identify actions that Ofcom can undertake to facilitate continued long-term growth in consumer and citizen benefits from mobile data services.

4.31 We proposed a number of spectrum bands where we think further work should be done to consider their potential future availability for mobile data use, while recognising the many other competing demands for spectrum. Details of the bands under consideration for mobile data use can be found in our recent *Mobile Data Strategy* consultation[26].

4.32 In future, the 450-470MHz range may be attractive from a coverage perspective for mobile data services. Although a large number of users are already operating in this range, their requirements are likely to increase, as existing users migrate to digital, new applications emerge and as new users access the band.

4.33 We will publish a statement in Q1 2014/15 to confirm the specific bands where we will prioritise further work. This will also inform our preparations for WRC-15, as discussed above.

[26] http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-data-strategy/summary/MDS_Condoc.pdf

Understand the impact and role of receivers on efficient spectrum use

4.34 Growing demand for wireless and mobile data emphasises the need to use spectrum more efficiently. This could be achieved either by changing the use of a band, such as introducing 4G services at 800MHz, or by making more intensive use of spectrum through increased sharing. While these approaches increase the supply of spectrum, they also make it more challenging to manage coexistence between different users in the same or neighbouring spectrum bands.

4.35 In principle, many coexistence issues could be mitigated or avoided entirely if the performance of transmitters and receivers in devices operating in the same or adjacent bands could be better co-ordinated. Historically, however, the performance of transmitters and receivers are often dealt with separately.

4.36 In considering whether regulatory engagement in this area is appropriate, we will need to weigh the potential benefits that would arise from improving equipment performance and achieving more efficient use of spectrum, against the potential costs associated with regulatory burdens, and the risks of unintended consequences.

4.37 In future, there may be a role for us to become more involved in coordinating standardisation activities, given the importance of the international dimension, particularly in relation to highly contended bands; for example, where we foresee coexistence challenges that may become problematic. An alternative approach may be for us to engage with other national administrations within CEPT in developing mandates to the standards bodies.

4.38 We recently sought the views of stakeholders on our potential role in supporting improvements in the performance of transmitters and receivers as part of our spectrum management strategy. Our work in this area will include:

- a study to assess options to improve the potential impact of 4G transmissions on DTT receivers in order to protect them from future radio services, including 4G and white space devices;
- participation in a joint ETSI-CENELEC working group to identify the impact on standards arising from the introduction of 4G services in the 800MHz band;
- participation in a standardisation body to develop a new standard for receivers for high-reliability short-range devices, such as social alarms; and
- promoting the inclusion of receivers generally, in the revised Radio Equipment Directive.

4.39 The overall goal of this work is that consumer equipment will become more resilient to interference, which is increasingly important as spectrum becomes more densely used.

Improve the planned use of UHF spectrum

4.40 The UHF spectrum used by digital terrestrial television (DTT) services is under increasing demand by a range of other services, including mobile broadband, PMSE and white space devices. In addition, changes of spectrum use in adjacent bands, such as the use of the 800MHz by LTE services, need to be carefully managed so that they do not cause harmful interference.

4.41 This places increasing importance on being able effectively to plan the use of the UHF spectrum to deliver the required level of DTT coverage, and to maximise its use by other services without causing harmful interference.

4.42 The UK planning model (UKPM) that is currently used to plan DTT coverage was developed specifically to meet the policy objectives for digital switchover (DSO). It included a requirement that digital coverage after switchover should substantially match analogue terrestrial coverage, without the need for aerial upgrades. The UKPM has been successful in achieving this objective, but some of the planning assumptions it used may not be suited to other policy objectives – such as maximising the use of UHF spectrum by other services without harmful interference occurring.

4.43 We are currently exploring the potential to procure new planning models and tools for the UHF and VHF bands[27]. In parallel, we will work closely with industry stakeholders to review the planning assumptions used in our present and future models, with the objectives of:

- improving the accuracy of DTT coverage predictions;
- being able to use these improved accuracy coverage predictions to input into other computer simulation tools which are better able to predict, for example, coexistence with other services including mobile, white space devices and PMSE; and
- providing sufficient transparency in the documentation of any revised planning approach to allow third parties to understand and peer-review its conclusions.

Support the spectrum requirements of the government's Emergency Services Mobile Communications Programme

4.44 The government is engaged in a major programme to design, develop and procure the capabilities needed to meet the future mobile communications needs of the emergency services (the Emergency Services Mobile Communications Programme). Ofcom is supporting the government to ensure that the emergency services can access the spectrum they need to fulfil their functions in the future.

4.45 As the spectrum requirements for the emergency services become clearer, we are likely get more closely involved in advising the government on spectrum options and their implications for the wider spectrum landscape.

4.46 Ofcom will support the government programme by:

- identifying and advising on spectrum requirements for emergency services (ES);
- understanding the implications of using regulatory and market mechanisms to facilitate ES access to meet their capacity requirements; and
- representing UK interests in international forums.

[27] http://stakeholders.ofcom.org.uk/consultations/uhf-vhf-spectrum-planning/

We have also identified the following work as an area that was highlighted in responses to our spectrum management strategy[28] and spectrum sharing consultations[29].

Work to understand the use of machine to machine technology

4.47 ‘Machine to machine (M2M) communications’ refers to a large body of current and potential future wireless applications involving devices not normally associated with consumer-led wireless data consumption. Rather than involving smartphones or tablets, ‘M2M’ refers to wireless devices such as health monitors, transport sensors and electricity meters.

4.48 M2M could become an important future source of spectrum demand, driven by the widespread diffusion of M2M applications and devices, all of which connect to the internet. This was highlighted by a number of respondents to our recent consultation on spectrum sharing for mobile and wireless data[30]. In particular, some respondents took the view that that access to spectrum with good propagation characteristics might be important for future M2M applications that will need to transmit data over long distances.

4.49 We will conduct preliminary studies aimed at assessing the prospects for emerging M2M applications over the coming years, and understanding how the technical characteristics of different types of M2M applications could have different implications for their communications requirements. This will help us understand whether there might be regulatory barriers that we should be seeking to remove, to enable the development and diffusion of M2M applications.

Strategic purpose 3: promote opportunities to participate

Promote opportunities to participate	• **Understand and promote the interests of vulnerable consumers and citizens** • **Continue to promote the provision of better mobile coverage and service information in order to inform both consumers and policy decisions** • **Work in collaboration with government and industry to promote the widespread availability of fixed and mobile superfast broadband** • **Complete an evaluation of, and report on, the affordability of core electronic communications services**

Understand and promote the interests of vulnerable consumers and citizens

4.50 Ofcom has a duty under section 3(4) of the Communications Act to have regard for the needs of disabled people, elderly people, those living in rural areas and those on low incomes, when making and implementing regulatory decisions. Ofcom takes account of these needs as it considers and implements each of its policies.

4.51 Ofcom also has specific programmatic work that considers the needs and experiences of such consumers, and seeks to understand other aspects of consumer vulnerability. This includes regular research, notably through our media literacy and *Consumer Experience* publications, our work to promote the development and availability of easy-to-use consumer equipment and our monitoring of the universal postal service.

[28] http://stakeholders.ofcom.org.uk/consultations/spectrum-management-strategy/
[29] http://stakeholders.ofcom.org.uk/consultations/spectrum-sharing/
[30] http://stakeholders.ofcom.org.uk/consultations/spectrum-sharing/

4.52 We work closely with the Consumer Communications Panel,[31] which helps Ofcom in its understanding of consumer issues and concerns. These include issues affecting rural consumers, older people, people with disabilities and those who are on low incomes or otherwise disadvantaged.

Ensure the adequate provision of services for consumers with hearing impairments

4.53 The European Universal Service Directive enables national regulators to set requirements for communications providers to ensure that disabled end-users have access to electronic communications services equivalent to those enjoyed by the majority of end-users.

4.54 In addition to Ofcom's duty under the Act to have regard to the needs of older and disabled people, the Universal Service Order (set by the government) requires us to secure the provision of one or more text relay services. General Condition 15.3 requires communications providers to provide their customers with access to a relay service approved by Ofcom.

4.55 Relay services enable people with hearing and/or speech impairments to communicate with others through telephone or textphone equipment. Under the current system, a relay assistant acts as an intermediary to convert speech to text and vice versa for the two parties.

4.56 We have carried out a review of relay services to consider the regulatory case for introducing new or improved relay services. We have taken account of changes in user requirements and technological developments since the service was first introduced over 30 years ago. In October 2012 we published our statement to improve communications services for people with hearing and/or speech impairments.

4.57 Our decision means that all UK landline and mobile providers must provide their customers with access to a 'next-generation text relay' service, approved by Ofcom, by 18 April 2014. The new service will offer significant improvements to users, including:

- parallel two-way speech, which makes use of an internet connection to allow users to interject, instead of having to wait until the end of a message. Conversation flows much more quickly and naturally as a result; and

- a wider range of equipment for accessing the service, including easier use of text relay on the move, via mobile phones.

4.58 During 2014/15 we will monitor the implementation of the new relay service by communications providers. This will include research among users of the service, to ensure it is bringing the desired improvements.

4.59 In addition, we recognise the potential significance of a video relay service for users of British Sign Language, particularly those who struggle with written English. Ofcom will continue to assist government, communications providers and groups representing disabled users, which are working to encourage the provision of video relay services on a voluntary basis by communications providers, organisations and businesses.

[31] http://www.communicationsconsumerpanel.org.uk/

Continue to promote the provision of better mobile coverage and service information in order to inform both consumers and policy decisions

4.60 In November 2013, we published our five-point plan for improving mobile coverage, in which we committed to:

- pave the way for near-universal 4G coverage;
- improve existing 3G coverage;
- extend coverage into hard-to-reach areas;
- drive up the quality of service through better consumer information; and
- improve road and rail coverage.

4.61 We will gather data and undertake research on the coverage and quality of mobile networks and services. This will include the performance of 3G and 4G data services and the reliability of voice calls. This information will help consumers when choosing a mobile service and encourage operators to invest in improving their networks.

4.62 We will also carry out a study into mobile coverage on road and rail routes. Once completed, we will offer technical advice to the Department for Transport and Network Rail on how coverage might be improved and we will consider whether any regulatory or government intervention is required to achieve wider coverage.

Work in collaboration with government and industry to promote widespread availability of fixed and mobile superfast broadband

4.63 This is an area where significant progress is being made through a combination of progress delivered by the market and work to encourage roll-out, both by Ofcom and government.

4.64 Availability of 'up to' 30Mbit/s fixed superfast broadband services is on track to reach 95% of premises, as a result of commercial investment and public funding. Take-up of these services has been strong in the past year.

4.65 In mobile, the prospects for very widespread premises coverage look good. O2 are committed to provide indoor coverage to 98% of consumers at speeds of 2Mbit/s by 2015, with at least 95% coverage in each as a result of the nations. This is in line with the obligations associated with the 800MHz spectrum they have licensed to run their 4G service. We will, however, continue to monitor this situation.

4.66 The government has had, for some time, the stated aim of ensuring that the UK has the best broadband networks in Europe. Government has an objective of ensuring that at least 95% of households have access to superfast broadband services by 2017 and is exploring whether this target can be increased to 99%. The UK is currently in a phase of significant investment in new networks and technologies. Over the past year notable infrastructure developments have included:

- strong growth in availability and take-up of superfast broadband;
- the initial deployment of new 4G mobile broadband networks;
- significant increase in the availability and use of public WiFi hotspots; and

- preparation for the launch of new HD and local TV services on terrestrial TV.

4.67 Most of these developments have been driven by private sector investment. However, the business case for building communications networks in some of the more rural parts of the UK can be challenging. In recognition of this, the government has intervened to substantially extend the reach of superfast broadband, and Ofcom has included a demanding coverage obligation in one of the 4G spectrum licences.

4.68 Broadband Delivery UK (BDUK) is responsible, within the Department for Culture, Media and Sport, for allocating the £530 million of public funds that the government has ear-marked to support its superfast broadband coverage goals, to be supplemented with additional funding from local authorities and devolved administrations. BDUK has also been responsible for putting in place a procurement framework that will allow local authorities to efficiently run superfast broadband procurements to address specific local needs. By the end of September 2013, 42 of the local authority-led procurement contracts covered by the main scheme had been signed, with only two outstanding. Additional funding of £250 million has now been allocated by government, to be matched by local authorities, in order to extend coverage from 90% to 95% by 2017. Government is currently exploring how coverage could be extended to 99%.

4.69 As a result, we expect there to be near-universal availability to UK households of next-generation fixed and mobile services. The precise date is difficult to predict at this stage, but we expect it to be significantly before the target date of 2020 that has been set by the European Commission, with many of the most rural households seeing improved availability between 2015 and 2017.

4.70 We will continue to provide technical support to DCMS in relation to its Mobile Infrastructure Project, which aims to bring mobile services to some of the premises and sections of main roads which have not previously been served.

4.71 Ofcom has already played an active role in advising government in these areas, and we will continue to provide expertise and advice to help the government and the devolved administrations meet their extended objectives. One particular area of focus will be on mobile coverage, where there are concerns about the availability of services for a small number of households, and on parts of the UK's road and rail networks.

4.72 Some targeted interventions are already in place to address these concerns, and we will carry out further analysis to consider whether these are likely to be sufficient. We will also continue to gather and publish data to help the government benchmark the UK's broadband infrastructure against the rest of Europe, through a 'Best in Europe Scorecard'. The first version of this scorecard was published in March 2013.

Complete an evaluation of, and report on, the affordability of core electronic communications services

4.73 The Universal Service Directive requires Member States to ensure that specific universal services, including fixed-line telephony with basic functional internet access, are universally available at affordable prices. Article 9 of the Directive requires the monitoring of retail tariffs for universal services, "in particular in relation to national consumer prices and income".

4.74 Since universal services, such as fixed telephony, were first included in the Directive, the ways in which consumers and citizens communicate with each other have changed, with increased use of mobile communications and the internet. Ofcom has a number of duties relating to affordability in relation to this potentially broader category of core services. In particular, Ofcom has a general duty under section 3(1) of the Communications Act to further the interests of citizens and consumers. In carrying out this duty we must have regard, under section 3(4)(i), to "the needs of persons with disabilities, of the elderly and of those on low incomes" while under section 3(5) we must have regard to the interests of "consumers, in respect of choice, price, quality of service and value for money".

4.75 In light of these duties, Ofcom is running a project, which we aim to complete in 2014/15, to understand if there are situations where the affordability of core services is a barrier to participation in the use of these services.

4.76 We will use a variety of analytical techniques to better understand how to define core services, and whether there may be situations where those are not affordable. This will include:

- commissioning qualitative and quantitative research;
- gathering information on consumer spending on telecoms;
- reviewing existing information; and
- research into the costs of communications services, consumers' telecoms use, and stakeholders' views.

4.77 Ofcom's work on the affordability, and more generally on the cost and value of core communications services, will feature in the *Consumer Experience Report for 2013,* which will be published in January 2014.

Strategic purpose 4: protect consumers from harm

Protect consumers from harm	• **Support industry and government initiatives to improve levels of user trust in internet services** • **Protect consumers from harm in a range of priority areas, including nuisance calls and unexpectedly high bills**

Support industry and government initiatives to improve levels of user trust in internet services

4.78 The internet is a platform that can both disrupt traditional business models, and at the same time present new business development opportunities, stimulating innovation and creativity and driving cost efficiencies.

4.79 Ofcom will continue to support industry measures to improve people's trust in using the internet. We will intervene directly where it is apparent that there are significant barriers to industry-led solutions, as in our work on broadband speeds.

4.80 We will continue to research market developments that may influence how consumers and citizens engage with audio-visual and communications services delivered over the internet. For example, we will seek to build on our understanding of the role played by connected devices in promoting participation and engagement, and in providing additional sources of revenue for investment in content and infrastructure.

4.81 In May we published a study into the implications of smartphone operating system security. This identified a number of issues of possible concern in relation to the vulnerabilities of consumers with regard to smartphones. To address those concerns we are talking to other regulators; the Information Commissioner's Office, the Competition and Markets Authority (previously the Office of Fair Trading) and PhonepayPlus, to identify what can be done across agencies, in order to most effectively protect the interests of citizens and consumers.

4.82 We will also work closely with stakeholders to better understand the potential opportunities presented by DNS Security Extensions for improving levels of security for users engaged in e-commerce. We will look to work closely with Nominet, and support initiatives to roll out the service more widely.

4.83 In November we published the *Internet Citizens 2013* report on online participation in citizen-orientated content and services, which we intend to update every year. We will continue our engagement with stakeholders to ensure that we remain informed on issues pertaining to furthering the interests of citizens in relation to internet use.

Protect consumers from harm in a range of priority areas including nuisance calls and unexpectedly high bills

4.84 We will continue to focus on key areas of consumer harm that we have identified through our monitoring and enforcement programmes. We will also respond to data coming into our contact centre, taking action that is effective and proportionate, including investigations where necessary. Areas of work for 2014/15 are as follows, although we will also undertake unplanned work as we respond to unexpected new issues:

- **Nuisance calls** – this programme of work includes enforcement against silent and abandoned calls, where appropriate, and other measures to help tackle nuisance calls and messages as a whole. The principal pieces of work we are undertaking include (i) enforcement (ii) joint regulator action (for example with the ICO and the Ministry of Justice) including research on the impact of registering with the Telephone Preference Service (iii) working with industry to identify ways to trace companies originating nuisance calls where they try to hide their identity, and to prevent such calls, and (iv) improving advice for consumers.

- **Unexpectedly high bills** (UHBs) – we will continue to monitor UHBs and engage with providers as necessary, which includes engagement on compliance with the Roaming Regulations.

Strategic purpose 5: maintain audience confidence in broadcast content

Maintain audience confidence in broadcast content	• **Develop and support future radio regulation** • **Complete the licensing of new local TV services** • **Work to secure the availability and discoverability of PSB content**

Develop and support future radio regulation

Potential changes to the regulation of music formats on analogue radio services

4.85 Over the past few years, the range of sources and the availability of different types of music have increased dramatically. Many radio services are now delivered through the internet and digital radio; the current radio regulation regime was designed in the analogue era.

4.86 Some elements of that regime remain important to listeners, such as the provision of local material made in the area. But there is a case for looking again at the regulation of music formats to see if this should be relaxed to give industry greater freedom to adapt to changing consumer tastes, and to encourage competition. We plan to review music formats in the New Year, with the aim of consulting on a revised framework that could be in place by summer 2014.

Conduct examination of analogue licence lengths

4.87 Ofcom may license analogue radio services for up to 12 years, although licence duration is currently set at seven years. This length was set so as to maintain flexibility in licensing, in the light of government plans regarding digital radio.

4.88 We have previously stated that we would review the duration of new and re-advertised licences following the publication of the government's Green Paper and a Statement by government regarding digital radio switchover.

4.89 The DCMS published its strategy document in the summer, and Minister Ed Vaizey outlined the next stages of the development of digital radio on 16 December.

4.90 We will therefore consult in spring 2014 on whether to change the duration of new and re-advertised licences. Ofcom has no power to change the duration of licences already in existence.

Support the government's digital radio programme

4.91 Following the government's announcement regarding the next steps in the development of digital radio, we will:

- **advertise, in spring 2014, a licence for the second national commercial digital radio multiplex licence** to increase the range of choice of radio services for consumers across many parts of the UK, and to provide new opportunities for broadcasters to offer new national services; and

- **undertake technical work to test the opportunities for getting small-scale commercial and community radio stations onto the DAB** in a flexible and cost-effective manner. We will also consider the possible licensing regime for such stations, to support government thinking about possible new legislation in due course.

Complete the licensing of new local TV services

4.92 We will complete the advertisement and award of L-DTPS (local TV service) licences for all locations in the second phase of our local television licensing programme during the course of the year.

4.93 This will conclude the licence awards for all locations that the local multiplex licensee has undertaken to cover. We will continue to support this emerging sector through assistance with its regulatory and compliance obligations, and we will begin to collect data on the newly launched services, so that we can advise government on its policy's success.

Work to secure the availability and discoverability of PSB content

4.94 The Communications Act gives Ofcom a duty to draw up, and from time to time review, a code giving guidance on the provision of electronic programme guides. The code includes guidance regarding the prominence of public service broadcasting (PSB) channels on electronic programming guides (EPGs).

4.95 Following the publication of the government's consultation and subsequent statement on EPG prominence, we will support the government in developing new legislation and will consider how the existing EPG code should be revised.

Strategic purpose 6: contribute to and implement public policy defined by Parliament

Contribute to and implement public policy defined by Parliament	• Contribute to the implementation of the government's Communications Review • Prepare for the World Radiocommunication Conference (WRC) in November 2015

Contribute to the implementation of the government's Communications Review

4.96 In July 2013, the government published *Connectivity, content and consumers: Britain's digital platform for growth*, its strategy for the telecommunications and media sectors. In this document, the government set out a number of actions that would reform the regulatory landscape. Some of these actions, such as the proposed review of online parental controls, invited direct Ofcom involvement.

4.97 In other areas, the government is implementing its proposals, or conducting additional consultations on specific issues. We will continue to contribute to the government's work in progressing any relevant actions identified, focusing in particular on the activities where our support will further the interests of consumers and citizens.

4.98 We will also continue to use our experience of regulating the communications sector to advise the government on the case for updating legislation governing our regulatory regime in response to market and technological developments, and in line with the consumer and citizen interest.

Prepare for the World Radiocommunication Conference (WRC) in November 2015

4.99 Ofcom is required under Ministerial Direction to represent UK interests in the spectrum committees of the ITU, CEPT and the EU.

4.100 A key aspect of this is to lead the UK delegation to World Radiocommunication Conferences (WRCs) which take place every 3-4 years to review the Radio Regulations that govern the international use of spectrum and satellite orbits. As well as heading the UK delegation, Ofcom is responsible for leading the extensive UK preparatory work for these conferences.

4.101 WRC-15 will be held in Geneva in November 2015 and work is already well underway to prepare the UK and European positions for this conference. The highest profile, and potentially most contentious, issue to be addressed at the conference is likely to be agenda item 1.1, which addresses the future availability of spectrum for mobile broadband. This requires careful balancing of the needs of the mobile community with the needs of other spectrum users, and will have implications for the use of critical spectrum in the UK for many years. Other important agenda items deal with the 700MHz band, a range of satellite services, public protection and disaster relief, amateur radio, scientific use of spectrum and a potentially controversial issue covering the use of leap seconds.

4.102 Throughout 2014/15 Ofcom will continue to work closely with government and with UK stakeholders to develop UK positions in relation to each of the agenda items.

4.103 We will actively engage in relevant international forums. These include the committees of the CEPT, which are responsible for developing European positions for the conference and in the ITU Joint Task Group (JTG), which is leading the international work on the mobile broadband agenda items. Ofcom is seeking to maintain a high profile and to maximise UK influence in these discussions, taking on chairmanships and other key positions where appropriate.

Section 5

Programmatic work and services to stakeholders

Ofcom delivers a number of essential services for consumers and other stakeholders

5.1 We have a range of responsibilities which we fulfil by undertaking and completing particular projects in specific areas (as set out in Sections 3 and 4).

5.2 Our ongoing programmatic work is equally important in delivering our strategic purposes, as set out below.

Figure 10: Ofcom's ongoing programmatic work

Further the interests of citizens and consumers in relation to communications matters

Promote effective competition and informed choice	Secure optimal use of spectrum	Promote opportunities to participate	Protect consumers from harm	Maintain audience confidence in broadcast content
• Enforce competition e.g. through resolving disputes and investigating complaints under the Competition Act and imposing penalties where appropriate • Implement measures to ensure availability of geographic numbers for allocation to communications providers • Undertake Market Impact Assessment in support of Public Value Tests by the BBC Trust	• Actively represent UK interests in international spectrum committees • Plan spectrum assignments and grant licences • Engage in the development of the international regulatory environment for spectrum and ensure compliance with our related international obligations • Spectrum enforcement: advise and assist in cases of interference, confiscate unauthorised equipment and prosecute where appropriate	• Carry out and publish market and consumer research, including Media Literacy • Advise consumers on how to get the best from communications services through an increased online presence • Continued engagement with nations and regions	• Ongoing monitoring of existing licence holders to ensure they are fit and proper to hold those licences	• Ensure efficient and effective programme standards enforcement • Enhance cooperation with audiovisual regulatory authorities in Europe to address jurisdictional challenges

Contribute to and implement public policy defined by Parliament

- Provide support and advice to government on policy implementation where appropriate
- Engage with stakeholders internationally and actively participate in European regulatory networks (including BEREC, RSPG, ERGP and EPRA) to ensure the consistency of regulation
- Undertake ongoing work to support network resilience, cyber security and access to emergency services

Engaging with the nations

5.3 Our duties require us to discharge our responsibilities towards citizens and consumers across the whole of the UK. In particular, we must have regard to the interests of persons in the different parts of the UK, to the different ethnic communities within the UK and towards people living in rural and urban areas.

5.4 We will actively promote the interests of the four nations of the UK:

- through our work in the priority areas set out in Section 3, specifically:
  - securing the provision of the universal postal service;
  - completing evaluation of, and reporting on, affordability of core electronic communications services; and
  - working in collaboration with government and industry to promote the widespread availability of fixed and mobile superfast broadband.
- through our work in the major areas in Section 4, specifically:
  - completing the licensing of new local TV services, following advertising of licences in Aberdeen, Ayr, Dundee, Falkirk and Inverness;
  - continuing to promote the provision of better mobile coverage and service information in order to inform both consumers and policy decisions; and
  - supporting industry and government initiatives to improve levels of user trust in internet services.
- through our ongoing research, sharing:
  - the findings of our research into the availability of communications services in Belfast, Birmingham, Cardiff, Glasgow, London and Manchester;
  - the findings of our research into the use of, and attitudes towards, communications services by SMEs; and
  - the findings of our research into broadband speed differences between rural and urban areas.
- through our work in relation to plurality, specifically through public interest tests or through any additional responsibilities we receive; and
- through our engagement with devolved institutions and other stakeholders.

5.5 In **Northern Ireland** we will:

- provide appropriate regulatory advice to the Northern Ireland Executive, the Assembly, local government and industry, to help measure and improve the quality of mobile coverage and broadband availability across Northern Ireland;
- improve people’s understanding of mobile roaming, so they can protect themselves from the cost of inadvertent roaming; and
- run industry forums in broadcasting, postal services and telecoms, to allow local service providers to raise relevant consumer and competition issues.

5.6 In **Scotland** we will:

- liaise with the Scottish government and other stakeholders over preparations and support for the Glasgow 2014 Commonwealth Games;

- continue to track broadband take-up in Glasgow and the surrounding area;
- continue to track differences in broadband speeds between rural and urban areas;
- ensure that the amended licence for the ITV Border region provides for enhanced coverage of current affairs for Scottish viewers;
- aim to inform ongoing discussions about broadcasting and connectivity issues including the Scottish government's Scotland's Digital Future Plan; and
- contribute as appropriate to broader discussions about the communications sector and its regulation.

5.7 In **Wales** we will:

- provide appropriate regulatory and technical advice to the Welsh government in support of its Digital Wales policy commitments, in particular the Access Broadband Cymru scheme and the Next Generation Broadband Wales project; and
- ensure that the needs of people in Wales are considered in any work we undertake on DAB radio technology and migration.

5.8 In addition to the programmatic work shown above, we provide a number of essential services to stakeholders and consumers, to fulfil our duties as the regulator for the communications sector.

Addressing the needs of business consumers

5.9 As with our engagement with the nations, the needs of business consumers are a constant thread in our work. We appreciate that these needs can differ from those of residential consumers and are likely to require a different regulatory approach.

5.10 In a rapidly-changing communications market, we want to ensure that services are available to support the needs of businesses, both small and large. We also want to ensure that communications providers have what they need in order to provide services to businesses.

5.11 We have commissioned research into understanding SMEs' use of, and attitudes towards, communications services. The objectives of the research are to update our understanding of:

- the communications devices and services that SMEs are using;
- reasons why SMEs might not adopt devices and services;
- SMEs' satisfaction with the services they receive;
- engagement with the market (access to, awareness of choice, supplier switching); and
- the prevalence of any problems with services required by SMEs.

5.12 The research will be completed in spring 2014; it may highlight areas for work that we would then undertake during 2014/15.

5.13 During 2014/15 we will remain responsive to the broader needs of business consumers and ensure that providers are able to compete to offer effective services to business end-users.

Responding to consumer enquiries and complaints from the public

5.14 Our central operations team deals with enquiries and complaints from consumers about telecommunications services, TV and radio services and use of the radio spectrum. We aim to help consumers resolve their enquiries and complaints by directing them to useful sources of advice and by liaising with service providers.

5.15 Additionally, people often complain to us directly about TV and radio programmes. We consider complaints relating to a number of areas such as the protection of people under 18, harm and offence, fairness and privacy, and impartiality and accuracy in news. However, we do not consider issues relating to impartiality and accuracy in BBC programmes, as these are the responsibility of the BBC Trust. We also manage complaints about programme sponsorship and alleged commercial influence.

5.16 Ofcom’s Consumer Contact Team can provide an early warning of consumer concerns, evidenced by the growing volumes of complaints that we receive about specific issues.

Keeping the radio spectrum free from interference

5.17 We monitor the radio spectrum and take appropriate action to prevent harmful spectrum interference. The increasing demand for and use of spectrum leads to a corresponding increase in the risk of interference. Ofcom will continue to take action to prevent interference and to mitigate it when it occurs.

5.18 Our Spectrum Engineering and Enforcement Team handles around 5,000 cases per year, taking action to:

- protect safety-of-life communications, including emergency services and air traffic control;
- prevent illegal use of the radio spectrum;
- enable legitimate use of spectrum by, for example, providing advice and assistance to spectrum users; and
- ensure that non-compliant equipment is not put into the market.

Licensing access to the radio spectrum

5.19 Ofcom controls access to the radio spectrum by issuing, renewing and revoking licences. Where necessary, we make frequency assignments, perform site clearances and coordinate the use of spectrum internationally. In the past year we have issued around 5000 spectrum licences (excluding renewals) covering satellite, fixed links, private business radio, amateur, maritime and other uses.

5.20 We will deliver these services in the most efficient and effective way possible, improving our processes and customer service to minimise revocations and prevent unlicensed use of spectrum.

Providing information services

5.21 We provide information to the public about use of the radio spectrum. This is an important element in the efficient co-ordination of spectrum use. We also facilitate the trading of spectrum licences by stakeholders.

Corporate responsibility

5.22 Ofcom is committed not only to being a responsible employer but also to managing its impact on the wider community.

5.23 Our corporate responsibility objectives are:

- to treat all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all;
- to reduce our carbon footprint, provide value for money and ensure that Ofcom's practices are environmentally sustainable; and
- to engage, inspire and develop colleagues while proactively seeking to support our local community.

5.24 In 2011 we published our Single Equality Scheme (SES) which brings together and strengthens Ofcom's commitment towards diversity and equality. The SES sets out clearly the work we have done so far and what we hope to achieve in the future. As part of this we have set ourselves equality objectives that we hope to achieve by October 2014. We report annually on the progress we make against our equality objectives.

5.25 In 2013/14 we made good progress towards achieving all our equality objectives, set out in our SES. Key developments included:

- introducing apprenticeships to Ofcom;
- improvement to text relay services for disabled consumers;
- completion of accessibility audits of our nations' offices; and
- extension of our colleague volunteering programmes to include digital inclusion work with older people in the local community.

5.26 The 2011 SES met the new requirements of the Equality Act 2010 and covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, marriage and civil partnership, and sexual orientation.

5.27 Since 2012, we have published an annual report on the diversity profile of colleagues to fulfil part of our public sector duty under the Equality Act 2010. We use the findings of this report to inform our diversity and equality work and will continue to provide updated reports annually. We also carry out benchmarking to ensure that we operate in line with diversity and equality best practice.

5.28 We were recently named again in the list of top ten public sector employers by Business in the Community with regard to race and gender, and were featured in the Times Top 50 places to work for women.

5.29 We have signed the ‘Time to Change’ pledge to tackle mental health stigma and discrimination in the workplace, and have been undertaking a series of awareness-raising activities including lunch-time talks and mindfulness workshops.

Section 6

Ofcom's competition powers

6.1 In addition to its regulatory responsibilities, Ofcom has powers in relation to communications matters:

- to enforce the prohibitions in the Competition Act 1998 and the corresponding provisions under the EU Treaty; and
- to make market investigation references under the Enterprise Act 2002 to the Competition and Markets Authority (CMA).

6.2 'Communications matters' cover various aspects of electronic communications, as well as broadcasting and the provision of postal services. Ofcom exercises these powers concurrently with the CMA.

6.3 Ofcom considers whether it is appropriate to exercise Competition Act or sectoral powers in any given case, subject to the specific requirements of the legislation. In some cases, Ofcom does not have discretion as to the powers it uses, and is required to use its sectoral powers.

6.4 The cases Ofcom is currently considering under our competition law powers are:

- A complaint from British Telecommunications plc ("BT") against British Sky Broadcasting Group plc ("Sky") alleging abuse of a dominant position regarding the wholesale supply of Sky Sports 1 and 2 ("SS1&2"); and,
- A complaint from TalkTalk Telecom Group plc against BT Group plc about alleged margin squeeze in superfast broadband pricing.

Details of these cases can be found at the link below[32].

[32] http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/open-competition-act-cases/

Section 7

Potential priorities/work areas beyond the scope of this Plan

7.1 This document sets out Ofcom's plans for 2014/15 that will deliver consumer and citizen benefits. However, we expect the communications sector to continue to develop and change over time, which may give rise to a range of future policy issues. This section identifies these developments and the potential longer-term issues they may prompt.

7.2 The inclusion of these issues does not automatically suggest that Ofcom will undertake work in these areas as a priority in future Annual Plans. Their nature is such that it is unclear whether the market will develop in such a way that we may be required to have a view on any of these issues in the future.

7.3 Some might become active priorities in 2014/15, as a result of unanticipated external events, or spare capacity becoming available internally. But until then, Ofcom will continue to monitor the market and/or undertake small-scale internal work to prepare for the future.

7.4 It is important to note that this is not a closed list – new priorities and issues will emerge, but these are ones that we have identified at the time of writing.

Emerging issues that might inform future Annual Plans

The increasing use of consumer data and information

7.5 As a result of the opportunities offered by the internet and IP-based services, companies within the communications sector value chain might increasingly collect and use information about their customers.

7.6 This poses a number of potential issues, including prospective competition, consumer protection and privacy concerns. While not an issue exclusively for Ofcom, this is a sensitive and emerging area where we will need to work with other regulators as appropriate, to safeguard the interests of consumers and citizens.

New competition bottlenecks and gateways

7.7 As the communications sectors evolve, the range and number of players, networks and services that could emerge as gateways or bottlenecks may change. With our focus on supporting effective competition and informed choice, we will continue to monitor risks of potential new competition concerns that may emerge as the communications value chain evolves. We may also have to understand the scope of potential risks, and identify market and regulatory remedies to the competition and public policy concerns that could arise.

A wider review of business telecommunications

7.8 Building on the recent *Business Connectivity Market Review*, a future priority may be to undertake a more in-depth review of the impact of converging networks, products and services, the changing needs of businesses that require data connectivity, and how well suppliers are responding to these changes.

Supporting further public sector spectrum release

7.9 As new sources of spectrum for commercial uses become increasingly important, a future priority might entail supporting further public sector spectrum release beyond 2.3 and 3.4GHz.

An expanding role for NRAs in securing resilient critical national infrastructure

7.10 Article 13a of the Framework Directive was transcribed into the Communications Act in 2011. This gives Ofcom new powers in relation to ensuring that public networks and services are resilient and secure.

7.11 To date, our activity has focused on ensuring that the largest communications providers can demonstrably follow industry best practice.

7.12 However, as communications services become increasingly important to consumers, citizens and the economy, there may be increasing calls for Ofcom to adopt a more proactive role, beyond our regular infrastructure reports, in securing a resilient critical national infrastructure.

Understanding the role of intermediary liability in future policy making

7.13 In future, internet intermediaries such as ISPs may play more or less formal roles in securing policy goals as diverse as copyright protection and the protection of minors. If necessary, we will ensure that we have a good understanding of the relevant UK and European legislation, the potential for regulatory obligations and the development of relevant voluntary initiatives by such intermediaries, as debates on this issue continue.

The risks to consumers posed by malware

7.14 In collecting private data without a user’s knowledge, and attacking computer systems, malware could pose a real risk to online users. It may become important for us to be aware of developments in this area, and to understand possible future consumer protection issues related to online services, in order to ensure a trusted online environment for UK citizens and consumers.

Section 8

Delivering our duties and value for money

Ofcom is now in the fourth year of its Treasury Spending Review

8.1 2014/15 represents the final year of Ofcom's current four-year Treasury Spending Review. Within this timeframe Ofcom has responded to the wider challenges facing public expenditure by reviewing how it delivers effective, targeted regulation in the interests of citizens and consumers, while maintaining value for money for its stakeholders.

8.2 The 2014/15 Annual Plan builds on our achievements within the context of the efficiencies set out within the 2011/12, 2012/13 and 2013/14 Annual Plans, following our internal Expenditure Review Project.

Delivering our internal Expenditure Review Project

8.3 Our Expenditure Review Project enabled the organisation to deliver on its duties and obligations despite funding reductions. It gave the organisation greater strategic focus and improved its effectiveness.

8.4 This comprehensive review of all of our financial requirements produced a clear set of measures to enable delivery of all of our commitments within a 28.2% real term reduction target (over 4 years).

8.5 Ofcom is proposing to set a budget for 2014/15 at £117 million, with no increase on the 2013/14 budget and representing a 3% real term reduction. In setting the budget at this level, we will have delivered a 28.9% real term budgetary reduction compared to 2010/11, exceeding our original commitment to deliver total savings of 28.2% by 2014/15.

8.6 2014/15 costs, by stakeholder sector, will be finalised once the Annual Plan consultation process has concluded, and after a detailed budget has been set to reflect our finalised priorities. Specific sector fees and charges for stakeholders will be published on 31 March 2014 in our Tariff Tables alongside the final version of this Annual Plan.

Managing our resources effectively

8.7 Ofcom's employees and their development are fundamental to the success of the organisation. During 2013/14 we launched a management development programme which, alongside our existing leadership programme and graduate intake scheme, enables us to develop skills at all levels of the organisation.

8.8 Ofcom continues actively to review its property requirements, disposing of, or sub-letting space that is identified as surplus to our on-going needs. During 2013/14 a further floor of our London office was vacated and has been sub-let. Sub-letting surplus space makes a material contribution to reducing our costs and the achievement of our savings commitment.

8.9 In addition to property savings, we have achieved savings through other initiatives, including:

- reducing headcount, implementing pay freezes and using fewer temporary and contract employees;
- cutting our expenses and regularly reviewing our expenses policies;
- more effective procurement and supplier management;
- streamlining back-office and overhead costs; and
- reforming regulatory and enforcement processes, deregulating or simplifying where appropriate (section 9).

8.10 To enable Ofcom to make the best use of its available financial resources, we engage with other regulatory bodies to share best practice, with a view to keeping total costs as low as possible.

Facilitating and reporting on outcomes for citizens and consumers

8.11 The 2014/15 Annual Plan clearly articulates our strategic priorities and the outcomes from our work that we wish to secure on behalf of citizens and consumers.

8.12 Outcomes are the effect of behavioural and/or structural changes brought about by Ofcom's actions. We define two levels of outcome. Interim outcomes are events in the market that result from a decision taken by Ofcom; for example, enabling third parties access to a particular network or service through which they offer a downstream service, increasing competition and choice in a market. Final outcomes describe wider benefits for citizens and consumers, including, for example, a consumer not only being able to choose from a range of competitive and innovative retail offerings, but enjoying widespread availability, lower prices and better quality of service.

8.13 Our performance measurement framework captures and reports on outcomes. It includes, for each activity we undertake, a clear articulation of the desired outcome and the associated internal actions required. These outcomes set out the positive benefits we seek to deliver to citizens and consumers as a result of our work. Progress against delivery of outcomes of our work is set out in our Annual Report.

8.14 We have identified interim and final outcomes to assess the successful delivery of our priorities in this year's Annual Plan. We will report on how effective we have been in delivering against these outcomes and on how successful our work has been, in our 2014/15 Annual Report.

Section 9

Reducing the burdens and complexity of regulation

9.1 The Communications Act 2003 requires Ofcom to place a minimal burden on those it regulates. Further to this, the Act requires us to keep regulation under review to ensure it does not involve (a) the imposition of burdens that are unnecessary; or (b) the maintenance of burdens that have become unnecessary. Where unnecessary burdens are found, Ofcom is required to remove or reduce them.

9.2 We have reviewed Ofcom's activities with the aim of identifying areas in which we may be able to remove or reduce burdens, and are proposing more detailed reviews of those areas.

9.3 This chapter sets out the areas for review, as well as reporting on deregulatory initiatives that have been taking place over the past year.

Simplification initiatives that promote effective competition and informed choice

We have removed obligations and *ex ante* regulation in some areas of the fixed narrowband market

9.4 In September 2013 we published a final statement on the *Fixed Narrowband Market Review*, which covers the retail and wholesale markets for voice calls in the UK. We imposed remedies on BT and KCOM where we determined they had significant market power in specific markets. We also removed regulation where it was no longer warranted to ensure competition in particular markets. This included:

- The removal of the respective obligations of BT and KCOM to offer carrier pre-selection (CPS) and indirect access (IA) where each operator's retail arm provides the retail access line.
- The removal of *ex ante* regulation in the relevant markets at retail level in the Hull area.
- For single transit, we consider that *ex ante* regulation is no longer appropriate on the basis that *ex post* competition law is sufficient to address any competition concerns that might arise. We therefore removed all remaining *ex ante* SMP regulation in this market.

We have imposed lighter regulation in areas of greater competition in the business connectivity market

9.5 In March 2013 we published a final statement on our *Business Connectivity Market Review*. Our decisions were designed to promote competition and to help ensure that the UK has a backbone of high-speed networks capable of supporting the future data demands of businesses and consumers.

9.6 While maintaining and extending some existing regulation on BT, we decided to impose lighter regulation in the London area, where BT faces greater competition from other providers. This involves safeguard caps on products up to and including 1Gbit/s, and no regulation on very high bandwidth products, where there is effective competition.

9.7 We also decided to deregulate the market for longer-distance trunk segments of legacy leased lines.

Simplification initiatives that secure the optimal use of spectrum

We continue to explore new, more efficient approaches to spectrum management

9.8 Dynamic spectrum access (DSA) is a term used to describe a number of approaches for managing spectrum on a more responsive, efficient basis. Under this approach, spectrum is made available to devices based on the type of service they need to access and the spectrum available in their location. This approach allows devices to more easily identify and use frequencies that would otherwise be unused, effectively sharing the band with other users at certain times or locations.

9.9 One of the key benefits of DSA is that it has the potential to increase the supply of spectrum. This is likely to be particularly relevant to providing the additional spectrum needed to meet the future growth in demand for mobile data services, alongside existing approaches such as the full clearance of frequency bands for mobile data use.

9.10 Making white space spectrum available in the TV UHF band represents an important first step in enabling dynamic access to spectrum through a geolocation database. We have consulted on access to white spaces in the frequencies from 470MHz to 790MHz (the UHF TV band), currently used for digital terrestrial television and by programme making and special events users. This is the first set of frequencies in which we have decided to allow dynamic spectrum access. However, we see significant scope to enable it more widely, and we are currently consulting on the future role of spectrum sharing for mobile and wireless data services.

9.11 In 2013 Ofcom announced which organisations would take part in Europe’s first major pilot of white spaces in the TV UHF band. About 20 public and private organisations will be participating in the Ofcom pilot, running trials to test a variety of innovative applications – ranging from sensors that monitor the behaviour of cities, to dynamic information for road users and rural broadband in hard-to-reach places.

We have allowed mobile phone operators to use their existing 2G and 3G radio spectrum for superfast 4G services

9.12 We have decided to proceed with the variations that permit the use of 4G technology in each of the 900MHz, 1800MHz and 2100MHz licences, and to increase the maximum permitted power in the 900MHz licences by 3dB. At the same time we have updated a number of terms and conditions in these licences in order to align them more closely with the equivalent terms and conditions in the recently awarded 800MHz and 2.6GHz licences.

9.13 This decision delivers a long-standing objective to liberalise all mobile licences so as to remove the regulatory barriers to deployment of the latest available mobile technology. Even though operators may not seek to deploy 4G services in all of the newly liberalised bands in the immediate future, the interests of consumers will be served by the fact that these bands have been liberalised now, ahead of a market-led transition to their use for 4G technology in future. As a result, operators can plan and implement a transition to 4G technology in these bands without having to engage in a further regulatory process.

We will explore the potential to reduce the detailed technical regulations which affect broadcasters

9.14 Technical regulation is still a significant area of regulation that is potentially unnecessarily prescriptive. Since digital switchover finished in 2012 we have tried to remove some of the more detailed technical regulation imposed on digital terrestrial television (DTT). We will now examine whether we can go further, and will also turn our attention to radio.

9.15 In order to reduce the burden on the broadcast industry we plan to: identify which aspects of the applicable technical codes are still relevant; identify where measures yield benefits and if these could be delivered in other non-regulatory ways; determine where approaches differ for radio and television and whether there are still good reasons for that difference. Specifically, we intend to review detailed provisions in the technical codes such as bit-rate requirements on radio, and picture quality requirements on television. We will also look at technical performance reporting requirements to ensure they reflect the realities of the current broadcast infrastructure.

9.16 We intend to begin examining existing arrangements in early 2014 and, should we identify areas that merit significant change, we intend to consult upon our proposals during the first half of 2014.

Simplification initiatives associated with protecting consumers from harm

We will review mail integrity rules

9.17 Regulated postal operators such as Royal Mail are required to minimise the exposure of mail to the risk of loss, theft, damage and/or interference, and to maintain and improve their performance in respect of mail integrity. The steps that operators must take to minimise the risks to mail integrity are detailed in a Code of Practice, which was introduced by Postcomm in 2006 to create a level playing field in the mail market as it was opened up to full competition.

9.18 We are looking at the options for improving the effectiveness of the current regulatory arrangements, and are considering the removal of much of the detailed guidance in the current code. We intend to issue a consultation in 2014.

We have proposed the simplification of regulation around the metering and billing Direction

9.19 In 2013 we reviewed a Direction put in place in 2008, which ensures that communications providers' billing systems meet certain technical standards for accuracy. The Direction applies to those providers with a turnover in the provision of fixed and mobile voice services of over £40 million a year. Such providers must have their 'Total Metering and Billing Systems' approved by an Ofcom-appointed third party against the requirements set out in the Direction. The Direction imposes maximum error rates for providers' billing systems and also includes monitoring and reporting obligations.

9.20 Our review considered whether its scope and requirements remain appropriate, given market changes in recent years. We proposed certain changes to the Direction that would reduce the burden of regulation on communications providers while ensuring that its scope and requirements remain appropriate and fit for purpose, and that consumer charges are accurately calculated. In particular, we sought views on:

- whether the requirements in respect of fixed and mobile voice services for households and small and medium-sized businesses should remain unchanged;
- whether fixed and mobile should remain voluntary provisions;
- whether the accuracy and tolerance limits should be removed for services to large businesses; and
- whether wholesale services should be removed from the Direction.

9.21 We have considered stakeholders' views and will consult further on the proposals in the New Year.

We plan to simplify telephone charges for consumers

9.22 In December 2013, we confirmed that we would implement major changes to how telephone numbers are to be charged from mid-2015. This will make the cost of calling businesses and services clearer for consumers.

9.23 Over the past three years we have undertaken a detailed review of non-geographic call services, which consumers use to interact with businesses and organisations. We have proposed a number of options for addressing concerns about the complexity of the consumer experience; particularly how the regulatory framework might be reformed to simplify call charges.

9.24 While some organisations may benefit from the confusion, as it potentially generates revenue, for the most part consumers, and those being called, would benefit from a clearer, more transparent and predictable system. Specifically, we propose:

- to introduce maximum retail prices for some number ranges, including making 080 and 116 numbers free for consumers to call from all telephones; and
- a new tariff structure for other non-geographic calls, to ensure greater transparency for consumers and enhanced competition among communication providers and businesses that offer services using those numbers.

9.25 Taken together, these changes will simplify the UK's numbering system and allow consumers to gain a better understanding of what different numbers mean, as well as their cost. The changes will be implemented in 2015.

Simplification measures that will help maintain audience confidence in broadcast content

We have reviewed the obligations for the Channel 3 and Channel 5 licences ahead of a new licensing period

9.26 In July 2013 we published a statement regarding the amendments to obligations for the Channel 3 and Channel 5 licensees, ahead of a new licensing period. The licensees told us that, in broad terms and with some amendments, their existing PSB obligations would continue to be sustainable during the next licence period. We approved proposals for a more localised Channel 3 news service across England which will see ITV provide regional news in 14 separate news regions, compared to the eight news regions it currently operates.

9.27 In all but two of ITV's licences, the requirement for a weekday regional news bulletin in the early evening will be reduced from 30 minutes to 20 minutes. The overall effect of this set of changes is deregulatory, with most English regions moving from a quota requirement of four hours per week of regional programming, to two and a half hours per week. At the same time these changes will benefit viewers, because they will result in a more localised news service.

We will continue with our targeted review of broadcast licensing and enforcement

9.28 In 2013 we scoped, and have begun to carry out, a wide-ranging review of the process for licensing broadcast services. We have identified that a 'smarter' approach to licensing and enforcement will enable us better to identify and respond to potential compliance failures. In the long term it will allow us to construct a more streamlined licensing regime, which has the potential to remove some regulatory burdens on stakeholders.

We will review detailed regulation of radio music formats

9.29 Over the past few years, listeners have seen both the sources and availability of different types of music increase dramatically, such as through the internet and digital radio. Analogue radio format regulation was designed for a different era.

9.30 While some elements of that regime remain very important to listeners, such as the provision of local material made in the area, there is a case for looking again at the regulation of music formats to see if this should be relaxed to give industry greater freedom to adapt to changing consumer tastes and to encourage competition.

9.31 We plan to undertake a review of music formats in the New Year, with the aim of consulting on a revised framework which could be in place next summer.

We will consult on clarifying and simplifying some aspects of advertising regulation

9.32 In the New Year, Ofcom will consult on aspects of its Code on the Scheduling of Television Advertising ('COSTA'). This is a targeted review which focuses on clarifying and simplifying our approach to measuring the length of programming (known as 'scheduled duration'). As part of this review we will seek to codify policy decisions that we have already taken (including the removal of limitations on advertising minutage on local television services, and the relaxation of restrictions on internal breaks in particular genres on PSB services) in order to provide broadcasters with a single, clear set of rules to follow.

Simplification and deregulation that relates to public policy defined by Parliament

We will deregulate in line with government legislation

9.33 In July, the government laid a draft Order in Parliament under the Public Bodies Act. It is proposing a number of changes to Ofcom's functions, many of which have elements of simplification and deregulation. The specific proposals are to:

- Amend the duty to carry out a PSB Review at least every five years, giving the Secretary of State the power to require Ofcom to carry out a review, and report, at his or her discretion. The Secretary of State may also set the scope of that review and state what must be included in the report.

- Amend the duty to assess Channel 3 networking arrangements, from an annual requirement to a reserve power; for Ofcom to assess as required.

- Allow Ofcom flexibility to implement any further changes to its internal governance, requiring the approval of the Secretary of State to any revised structure.

- Amend the duty to review a change of control of a Channel 3 or Channel 5 licence, so that one is not automatically required. The amendment allows the Secretary of State to require Ofcom to carry out a review where there is a change of control.

- The government has also announced its intention to lay a draft Order which proposes to remove the requirement that public service broadcasters provide annual statements of programme policy to Ofcom.

Once the Order is made, Ofcom will reflect the new arrangements in its work, as appropriate.

Annex 1

Summary of invitation to comment responses

Introduction

A1.1 This is the first time we have run an invitation to comment (ITC) process in advance of the consultation on a Draft Annual Plan. Respondents have been supportive of this new approach.

A1.2 We received 32 written responses from a range of stakeholders, including private individuals, consumer interest organisations, companies and trade bodies.

A1.3 Stakeholders made a number of requests for commitments to specific areas in Ofcom's 2014/15 work programme. We have summarised the main points raised below. We will provide responses to these points in our final Annual Plan 2014/15, following the consultation on our draft work programme, as set out in this document. All non-confidential consultation responses are available in full on our website[33].

A1.4 Where appropriate, we have reflected these requests in our work programme, taking into account our statutory duties and resourcing constraints. This summary groups the consultation responses under our six strategic purposes, or deregulation and simplification, as appropriate.

General comments from stakeholders

A1.5 Overall, respondents broadly agreed that the strategic purposes we set out in the 2013/14 Annual Plan remain relevant for our 2014/15 work programme.

A1.6 BT requested that we consider as part of our strategic framework the need to incentivise investment and to provide investors with reasonable regulatory certainty.

A1.7 Ofcom's Advisory Committee for Wales (ACW) recommended that Ofcom revisit its strategic purposes to report specifically on each separate market; the level of imperfection in that market; and the interventions that are available to address the market imperfection.

A1.8 EE asked us to take account of the wider context when considering individual pieces of regulation, and consider the cumulative impact of regulation on competition, investment and the communications sector as a whole. EE further requested greater clarity on the criteria we use to prioritise more discretionary work areas.

A1.9 The UK Competitive Telecommunications Association (UKCTA), EE and Virgin Media separately raised concerns in relation to the timing of notification of our administrative fees.

[33] http://stakeholders.ofcom.org.uk/consultations/annual-plan-14-15-itc/?showResponses=true

A1.10 Virgin Media would like us to set the tone on how we, as a concurrent regulator, deal with competition investigations.

Promote effective competition and informed choice

Ensure effective competition and investment in both current and superfast broadband

A1.11 We received a number of comments relating to superfast broadband:

- as demand for superfast broadband grows, Sky would like Ofcom to support the efforts of communications providers (CPs) to develop alternatives to current BT wholesale fibre products deeper in the network;
- Virgin Media also believe that it remains vitally important that we encourage competition and investment at the deepest level of superfast broadband infrastructure; and
- the Federation of Communication Services (FCS) would like us to regulate BT's fibre connectivity services in a similar manner to WLR3 for the copper network.

A1.12 The Communications Workers Union (CWU) would like Ofcom to address the superfast broadband public funding gap through appropriate regulatory mechanisms to incentivise and encourage further private investment.

A1.13 The CWU would also like us to look at market dominance and opening up access to wholesale services, not only in the case of BT, but in the case of other companies where significant market power exists within a given geographical area (particularly Virgin Media).

A1.14 Three would like Ofcom to assess the extent of competition in the provision of mobile backhaul products, and the consequent regulation, specifically in regard to BT’s backhaul pricing, service quality and technological evolution offered.

A1.15 EE believes there is a need for Ofcom to focus on regulation of backhaul to support 4G networks; this would include addressing wireless backhaul issues such as how the wireless backhaul regime can support and enable the developing use of small cells.

A1.16 A number of respondents commented on Openreach’s quality of service:

- the CWU expressed a need for transparency of Openreach maintenance and quality of service standards;
- similarly, the FCS called for Ofcom to continue to ensure that Openreach delivers high quality service on an equivalent basis to all CPs, measured against specific KPIs and service level agreements (SLAs);
- the UKCTA called for a comprehensive review of the SLA regime across all regulated products; and
- Sky requested that Ofcom set more stringent service level targets.

A1.17 BT and the FCS expressed a concern that the lack of regulated access to wholesale mobile services puts fixed operators and mobile network operators on an uneven playing field.

Develop and implement policies that will improve the ease of switching between communications providers

A1.18 BT would like Ofcom to ensure that the industry as a whole is fully engaged in the implementation process of the enhanced gaining-provider-led notification of transfer (GPL NoT+) switching process for voice and broadband switches in the Openreach copper footprint. BT would also like Ofcom to consider how and when the process could be extended to cable and pay TV.

A1.19 Three would like Ofcom to look at switching in the mobile market, taking account of the provisions in the draft European Commission regulation for a consolidated single market in telecommunications.

A1.20 Three would like Ofcom to take action in relation to the reduction of donor conveyance charges.

Monitor underlying approaches to traffic management to ensure compliance with Ofcom's approach to net neutrality

A1.21 BT expressed a concern that consumers are not receiving the full benefits of self-regulatory mechanisms such as the industry's Open Internet and Traffic Management Transparency Codes of Practice. BT called for an investigation into whether the UK internet market is delivering the optimal competitive outcome for end-users.

A1.22 The CWU called for Ofcom to introduce new minimum standards to act against restrictive traffic practices and traffic overload, as a result of the proliferation of broadband infrastructure works over a short space of time.

Review the framework for regulatory financial reporting in telecommunications

A1.23 BT requested that Ofcom complete the review of regulatory reporting, to simplify and improve the quality and relevance of the information.

Other competition responses

A1.24 The UKCTA called for an investigation into BT's pricing of text relay services, payphone access services and emergency call handling services. EE also separately called for intervention in relation to BT's pricing of text relay services.

A1.25 BT would like us to work with industry to understand how the current regulatory framework would apply to new voice services that will eventually replace those currently provided over the public switched telephone network (PSTN).

A1.26 Three would like us to consider regulation of aspects of over-the-top service provision.

A1.27 SSE Energy Supply (SSE) requested that we consider conducting a holistic review of the role of Openreach and the form of regulation appropriate for it.

A1.28 UKCTA proposed that we should undertake a review of the current regulatory approach to the UK communications sector to see if the framework is delivering for citizens, consumers and businesses. It specifically suggests that this should include a review of BT's Undertakings.

A1.29 Tom Caldwell, an individual, requested that Ofcom force the unbundling of TV, broadband, mobile and fixed line telephone services, so that services can be obtained without line rental.

Secure optimal use of spectrum

Award the 2.3GHz and 3.4GHz bands and prepare for the potential release of the 700MHz band

A1.30 BT called for progress towards the award of MoD spectrum in the 2.3GHz and 3.4GHz ranges.

A1.31 Samsung requested that Ofcom prioritise the promotion of a Europe-wide schedule of spectrum awards in the 2.3 and 3.4GHz bands.

A1.32 Qualcomm considered the global harmonisation of the 700MHz based on 3GPP Band 28 to be a priority for 2014/15.

A1.33 BT called for Ofcom to progress implementation of the UHF long-term band plan, including European harmonisation and 700MHz band arrangements and award options.

Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands

A1.34 Qualcomm requested that Ofcom include licensed shared access (LSA) as a priority, both to maximise spectrum release at 2.3GHz and to shape LSA definition and endorsement at European and global levels.

Provide sufficient bandwidth to support the requirements of the programme making and special events (PMSE) sector

A1.35 The British Entertainment Industry Radio Group called for Ofcom to recognise and support the PMSE sector in any future spectrum planning.

Other spectrum responses

A1.36 The FCS requested a review of the emergency services' and critical national infrastructure providers' spectrum.

A1.37 O3b called for better coordination between Ofcom and the UK Space Agency with respect to the regulation and oversight of satellite communications.

A1.38 Virgin Media would like Ofcom to take account of input from the broader communications industry, including fixed-line providers, for areas such as spectrum management and the use of spectrum for mobile communications.

Promote opportunities to participate

Secure the continuing provision of the universal postal service

A1.39 The CWU has strong concerns about the future of the universal postal service and calls for Ofcom to protect it. In addition, the CWU would like an independent review of Royal Mail's efficiency to be undertaken in consultation with relevant stakeholders.

A1.40 The ACW expressed concern that the universal service obligation (USO) could be re-specified in ways that reduce service in rural and other deprived areas. The ACW suggested that research be conducted to establish the external value of social benefits provided by the existing USO; and that the results should inform any future policy.

A1.41 In addition, the CWU called for Ofcom to impose service conditions on end-to-end competitors to Royal Mail.

A1.42 Consumer Futures, in relation to postal services, called for Ofcom to:

- build on the efficiency studies already undertaken to ensure a correct assessment of whether the financial impact of providing the universal service is a net cost or a benefit to Royal Mail;
- strengthen its monitoring regime of universal service provision, and provide greater transparency of Royal Mail's revenues and profits;
- remain vigilant to choice and competition issues in the parcel market;
- continue to consider the appropriate regulatory framework for end-to-end competition; and
- remain vigilant in monitoring the impact of any changes in the relationship between Royal Mail and Post Office Ltd.

Understand and promote the interests of vulnerable consumers and citizens

A1.43 EE called for Ofcom intervention to secure better progress in relation to next-generation text relay services.

A1.44 The British Film Institute (BFI) would like Ofcom to broaden its concept of media literacy to include education and lifelong learning; for example, helping citizens and consumers make informed choices about what they do and do not want to watch.

A1.45 The CWU asked Ofcom to place greater emphasis on improving take-up of superfast broadband, with a major e-literacy campaign aimed at older and vulnerable groups.

A1.46 Peter Young, an individual, expressed the need for a review of how public bodies prioritise the relative use of phone lines, the internet and face-to-face communication. This would show the extent to which there is exclusion among disadvantaged groups from access to services or the imposition of additional costs on them.

Work in collaboration with government and industry to promote the widespread availability of fixed and mobile superfast broadband

A1.47 The CWU supports Ofcom's continued commitment to work with government and industry to promote the widespread availability of superfast broadband. It argues that only a fibre-to-the-premises (FTTP) network will realise the full potential of the internet.

A1.48 Tara Morrison, an individual, calls for an investigation into rural broadband provision, citing evidence which suggests that the process of securing funding and tenders has not been sufficiently transparent.

Complete evaluation of, and report on, the affordability of essential electronic communications services

A1.49 The CWU requested that Ofcom take a lead in supporting a statutory universal service obligation for broadband.

Protect consumers from harm

Implement reform of non-geographic numbering to ensure price transparency

A1.50 BT suggested that Ofcom should focus on the effective implementation of its proposals to reform non-geographic numbering, to ensure pricing transparency and remove confusion for consumers.

A1.51 Peter Young, an individual, called for Ofcom to speed up reform of non-geographic numbering.

Support industry and government initiatives to improve levels of user trust in internet services

A1.52 The CWU requested that Ofcom take more action at all levels (national, corporate, CP and consumer) on protection from the danger of cybercrime.

Protect consumers from harm in a range of priority areas including nuisance calls and unexpectedly high bills

A1.53 BT would like Ofcom to consult on whether extra measures are needed in relation to price rises in fixed term contracts for bundles including pay TV. In particular, whether measures are needed, given that consumers are likely to perceive they are purchasing a bundle, even if all elements of the bundle are not supplied under a single contract.

A1.54 The CWU believes Ofcom should promote awareness among consumers of alternative dispute resolution schemes, as well as standardising complaints-handling procedures across the industry.

A1.55 BT believes that some aspects of the dispute resolution process do not always work well. It would like Ofcom to review the process and the relevant guidelines, and how they work in practice, as calls for inputs have often been complex, requiring detailed and evidenced responses, and raising a number of issues in relation to the material amount of resource and time that is taken up in responding to them.

Other consumer protection responses

A1.56 SSE suggested that Ofcom should put in place a governance vehicle to independently and transparently capture the co-operation and co-ordination between CPs that is necessary to achieve ongoing consumer benefit.

A1.57 uSwitch called for Ofcom to put in place a number of consumer protection and empowerment measures, including:

- introducing a cap on the amount people can be charged when their phones are stolen;
- ensuring that switching bundles is as seamless as possible; and
- imposing time limits on broadband providers in relation to switching.

Maintain audience confidence in broadcast content

Develop and support future radio regulation

A1.58 The ACW would like Ofcom to develop a suite of policies to assist in mandating a Welsh national DAB coverage requirement before switchover, at the same level as that for the UK as a whole.

Other broadcast content responses

A1.59 United Christian Broadcasters called for more detailed guidelines on duly prominent references to proprietary communication platforms in TV programming.

A1.60 The BFI would like to see Ofcom engaging more vigorously with issues relating to legacy collections in the National Television Archive. Funding is one such issue.

A1.61 Saon Group urged us to ensure that no broadcasting licence holder engages in anti-competitive practices.

A1.62 Ian Nockolds, an individual, urged Ofcom to consider community radio as a strategic partner and amend the complaint-handling process in relation to complaints made about community radio stations.

Contribute to and implement public policy defined by Parliament

Ensure that the EC's Connected Continent proposals are delivered in a manner that is consistent with UK interests

A1.63 As set out above, Three would like Ofcom to look at switching in the mobile market, taking account of the provisions in the draft European Commission regulation for a consolidated single market in telecommunications.

A1.64 Nathan Massey, an individual, and Three, would like us to support EU draft regulations for a consolidated single market in relation to mobile roaming.

Prepare for the World Radiocommunication Conference (WRC) in November 2015

A1.65 Intellect believes the 2015 WRC and the work in preparation for it requires a strong, well-resourced and focused team within Ofcom.

Other public policy responses

A1.66 The BFI would like Ofcom to prioritise work with government to resolve issues with the implementation of the Digital Economy Act, in order to enable the implementation of the online copyright infringement clauses.

A1.67 BT has called for Ofcom and the government to work to carry out a consultation on *ex ante* broadcasting regulation as set out in the DCMS' *Connectivity, Content and Consumers*[34] paper, with a view to implementing the decision as a matter of priority.

A1.68 The ACW questions whether a plurality framework should take audiences other than UK audiences into account; for example, local communities. The ACW would like Ofcom to consider a formal review of the situation in Wales.

Deregulation and simplification

A1.69 BT would like Ofcom to consider how current regulatory processes affect the incentives for stakeholders to raise disputes and appeals.

A1.70 The UKCTA, EE and Three called for a review of the General Conditions of Entitlement (the GCs).

A1.71 The FCS called for Ofcom to publish legally reliable guidance on the GCs.

A1.72 BT requested that Ofcom review the call for inputs (CFIs) process, with a view to making it as efficient and effective as possible. This is because CFIs have often been complex, requiring detailed and evidenced responses and raising a number of issues in relation to the material amount of resource and time that is taken up in responding to them.

A1.73 Both KCOM and BT called for a review of universal service obligations.

A1.74 BT believes that the Metering and Billing Direction should be removed, as GC11.1 (on metering and billing), together with strong commercial drivers, already ensures accurate bills and customer protection.

A1.75 EE would like Ofcom to consider whether the power levels in the various mobile spectrum licences should remain different across the different licensed bands. In particular, whether power limits should be consistent across 1800 and 900MHz spectrum licences.

A1.76 EE requested that Ofcom consider the benefits, compared to the costs, of publishing the *Infrastructure Report* on an annual basis, rather than every three years as required by our statutory duties.

[34] https://www.gov.uk/government/publications/connectivity-content-and-consumers-britains-digital-platform-for-growth

A1.77 EchoStar would like Ofcom, working with the UK Space Agency (UKSA), to further streamline and co-ordinate the processes for obtaining orbital slot reservations from Ofcom and space activity licences from the UKSA.

A1.78 The Local TV Network requests that Ofcom exempt local TV (L-DTPS) licensees from current regulations regarding the scheduling of advertisements.

Annex 2

Responding to this consultation

Consultation responses

A2.1 We are seeking views from all our stakeholders on our proposed priorities and work programme for 2014/15. In particular, it would be helpful if you could consider the following two questions:

What are your views on Ofcom's proposed priorities for 2014/15?

What are your views on Ofcom's proposed work areas for 2014/15?

How to respond

A2.2 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 14 February 2014**.

A2.3 Ofcom strongly prefers to receive responses using the online web form at http://stakeholders.ofcom.org.uk/consultations/draft-annual-plan-2014-15/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 4), to indicate whether or not there are confidentiality issues. This response cover sheet is incorporated into the online web form questionnaire.

A2.4 For larger consultation responses - particularly those with supporting charts, tables or other data - please email annualplan@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.

A2.5 Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.

Puja Kalaria
Strategy Team
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Fax: 020 7981 3706

A2.6 Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

A2.7 It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together at the top of this page. It would also help if you can explain why you hold your views and how Ofcom's proposals would impact on you.

Confidentiality

A2.8 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, www.ofcom.org.uk, ideally on receipt. If you think your response should be kept confidential, can you please specify which part or whether all of your response should be kept confidential, and specify why. Please also place the confidential parts of your response in a separate annex.

A2.9 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A2.10 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Our approach on intellectual property rights is explained further at: http://www.ofcom.org.uk/about/accoun/disclaimer/

Next steps

A2.11 Following the end of the consultation period, Ofcom intends to publish a final statement in March 2014.

A2.12 Please note that you can register to receive free mail updates alerting you to the publications of relevant Ofcom documents. For more details please see: http://www.ofcom.org.uk/static/subscribe/select_list.htm

Ofcom's consultation processes

A2.13 Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 3.

A2.14 If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail us at consult@ofcom.org.uk. We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to give their opinions through a formal consultation.

A2.15 If you would like to discuss these issues or Ofcom's consultation processes more generally you can alternatively contact Graham Howell, Secretary to the Corporation, who is Ofcom’s Consultation Champion:

Graham Howell
Ofcom
2a Southwark Bridge Road
London SE1 9HA

Tel: 020 7981 3601

Email: Graham.Howell@ofcom.org.uk

Annex 3

Ofcom's consultation principles

A3.1 Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A3.2 Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether our thinking is in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

A3.3 We will be clear about who we are consulting, why, on what questions and for how long.

A3.4 We will make the consultation document as short and simple as possible. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A3.5 We will consult for up to ten weeks, depending on the potential impact of our proposals.

A3.6 A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A3.7 If we are not able to follow one of these principles, we will explain why.

After the consultation

A3.8 We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex 4

Consultation response cover sheet

A4.1 In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, www.ofcom.org.uk.

A4.2 We have produced a cover sheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of your response, and help to maintain confidentiality where appropriate.

A4.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Ofcom therefore encourages respondents to complete their cover sheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.

A4.4 We strongly prefer to receive responses via the online web form which incorporates the cover sheet. If you are responding via email, post or fax you can download an electronic copy of this cover sheet in Word or RTF format from the 'Consultations' section of our website at www.ofcom.org.uk/consult/.

A4.5 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your cover sheet only, so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below which part of your response you consider is confidential, giving your reasons why

Nothing ☐ Name/contact details/job title ☐

Whole response ☐ Organisation ☐

Part of the response ☐ If there is no separate annex, which parts?

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard email text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here. ☐

Name Signed (if hard copy)