

CONSUMER
PANEL

Ofcom
OFFICE OF COMMUNICATIONS

Annual report 2004-05

Publication date: April 2005

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This report can be found on the Consumer Panel website at:

<http://www.ofcomconsumerpanel.org.uk/englishannualreport2004-05.pdf> in English and at:

<http://www.ofcomconsumerpanel.org.uk/welshannualreport2004-05.pdf> in Welsh.

It can be provided in alternative formats on request (see Contact us).

Foreword

The Ofcom Consumer Panel began its work in February 2004, and this is our first annual report.

We have covered a wide range of issues this year - reflecting the width of the idea of “communications” and the width of the remit of Ofcom itself. This report sets out what we have covered; why we have chosen to focus on it; and what we have concluded. Where there has been a regulatory outcome from our work we report this.

Two points have emerged very strongly from our work this year and I expect them to continue to be important in the year coming up.

The first is that being in the communications market place is, for many people, quite a daunting and confusing experience. There are of course many people who embrace each new service or product with enthusiasm and who are skilled in finding themselves the best deal in a complicated market. But there are many others who find it difficult to grapple with the rate of change in the market - both for telecoms and broadcasting - and who are anxious about the cost of communications. This is not a small matter: in 2003 (the most recent year for which we have data) UK households spent more than £20 billion on communications.

We are convinced that a freer market in communications should be able to deliver better prices and more innovation. But this process needs to be driven by clear, up-to-date information that is readily, cheaply and easily available. So we watch very carefully Ofcom’s stated intention to adopt a “light touch” in regulation. A light touch in correcting market failure may be the wrong touch. We expect Ofcom to be ready and able to intervene in markets where they are not performing in the interests of consumers.

We are encouraged by what we have seen as a development of Ofcom’s position on this question of consumers’ information needs. In its recent publication of research on consumers’ experience of directory enquiries (DQ)¹, Ofcom produced a league table of performance, in terms of cost and accuracy, of the various

¹ <http://www.ofcom.org.uk/research/telecoms/reports/dq/eval.pdf>

providers of DQ information. This is a helpful development for consumers and we would like to see Ofcom being prepared to take more direct action like this, where it has information that is useful for consumers.

The second important issue is this. During the year, we have considered a number of issues that affect people in the communications market place - both telecoms and broadcasting - and we have come to the conclusion, pretty quickly, that not all of these issues are about people as “consumers”. Of course, consumer issues are important - they are about price, quality, service, transparency - but they are not the whole story.

During the year, important questions have been raised with us by stakeholders, by the Government and by Ofcom, which are about access - or the lack of it - to communications that arise because of where people live, or because of who they are. We call these “issues about people as citizens”. Our statutory remit clearly contemplates that we should be ready to handle such issues - as we have done, for example in the work we describe below on who would be vulnerable in the switchover to digital television and what should be done to address this. So, despite our name, we have cast our net somewhat wider than “consumer” issues and have addressed a number of issues that are important to people as citizens. We will continue to interpret our brief in this way in the year ahead.

We have had a constructive and open relationship with the Ofcom Board and colleagues from Ofcom during this year. We have not always agreed, but the Ofcom Board has been quick to respond to concerns we have raised with them.

We have made the point, strongly, to the Ofcom Board, that the existence of the Consumer Panel does not, of itself, mean that Ofcom’s responsibilities to consumers and citizens are satisfied. We have pressed Ofcom to devote more internal effort to understanding and responding to the needs of consumers and citizens in the framing of its policies. Ofcom’s 2005-06 Annual Plan sets out plans for Ofcom to do just this. The regulatory audit that we are planning to undertake, and which is described later in this report, will be an important tool for assessing whether Ofcom has indeed delivered on this.

During the year, we have invited all the consumer groups who are active in the communications area to meet formally with us (in addition to the many informal meetings we have had), in the newly-constituted Consumer Forum on Communications. We are grateful to all those who have given time to work with us in the Forum.

The Panel has found it very helpful to work with the Ofcom advisory committees this year, and is very grateful to the Ofcom colleagues that provide direct support to the Panel - Julie Myers, David Edwards, Flora Demetriou and Dominic Ridley - for their hard work and commitment.

And I am very grateful to my colleagues on the Panel who have worked very hard in our first year to shape the Panel into what we hope is an effective force.

A handwritten signature in black ink that reads "Colette Bowe". The signature is written in a cursive, slightly slanted style. There is a small horizontal stroke under the end of the name.

Colette Bowe

April 2005

Principles and outputs - summary of our first year

We have agreed a set of principles to guide and prioritise our work - see Section 1. In Section 2 we review what we did during the year. Here are some of our outputs mapped against those principles.

Principle	Output
<p>Relevance: is this an issue which consumers have identified as a relevant concern in our annual consumer research, or which for other reasons we believe is important for consumers?</p>	<p>Ofcom's strategic review of telecommunications: we made this an ongoing priority and met regularly during the year with Ofcom's review team and senior executives. We responded fully to the Phase 1 and 2 consultations.</p>
<p>Detriment: is there evidence of a real and significant risk of consumer detriment?</p>	<p>Mis-selling: in our response to Ofcom's consultation on protecting consumers from mis-selling of fixed line telecoms services we argued for timely and stronger measures and a mandatory code of practice (CoP). Ofcom concluded that service providers would be required to draw up CoPs and to comply with them.</p>
<p>Practicality: is this a matter to which the Panel could add value and for which some practical solution can be found?</p>	<p>Digital switchover: we reported to the Culture Secretary on supporting the most vulnerable consumers through digital switchover.</p>
<p>Disadvantaged groups: would tackling an issue address the requirements and needs of consumers in those groups?</p>	<p>Consumers on low incomes: we hosted a research seminar on regulatory implications with academics, consumer and disability groups and Ofcom policy advisers.</p>

Section 1

The Panel's strategy

1. Ofcom established the Consumer Panel at the beginning of 2004 to advise on the consumer interest in the markets it regulates - a requirement of Section 16(2) of the Communications Act 2003. We are independent of Ofcom and operate at full arm's length from it, setting our own agenda and making our views known publicly. We would like to see a communications marketplace in which consumers have sufficient knowledge, understanding and confidence to choose and use communications products and services appropriate to their needs and lifestyle.
2. We have a responsibility to understand consumer issues and concerns related to the communications sector other than those related to content of broadcast advertising and programming - the Communications Act requires Ofcom to establish and maintain a Content Board to carry out its functions in that area. We provide advice to help inform Ofcom's decision-making by raising specific issues of consumer interest. These include issues affecting people living in rural and urban areas, small businesses, people with low incomes or who are otherwise disadvantaged, people with disabilities and older people. To ensure that our recommendations to Ofcom are based on sound evidence, we have a budget to commission our own research. Another function of the Panel is to advise other persons as we think fit, eg the Culture Secretary.
3. Our strategy has been to focus on a small number of issues, initially chosen from what we judged to be important to people, issues we knew that Ofcom would be pursuing; and to create a research base so that in the future we are neither operating on the basis of anecdotes or indeed on Ofcom's own priorities.
4. In March 2004 we published a Statement of Intent² (available on the Panel website). This included a set of proposed principles to direct how we set our priorities, now and in the

² <http://www.ofcomconsumerpanel.org.uk/intent.htm>

future, amongst the many issues that we could tackle. The principles we have agreed are:

- **Relevance:** is this an issue which consumers have identified as a relevant concern in our annual consumer research, or which for other reasons we believe is important for consumers?
- **Detriment:** is there evidence of a real and significant risk of consumer detriment?
- **Practicality:** is this a matter to which the Panel could add value (i.e. others are not already engaged on the consumer issue) and for which some practical solution can be found?
- **Disadvantaged groups:** would tackling an issue address the requirements and needs of consumers in one of the groups identified by the Panel?

5. Depending on the context, disadvantaged groups will include older people, people with a disability, young people, ethnic and linguistic minorities, people with reduced literacy and people who may be socially isolated.
6. In our Statement of Intent we also said that we would focus on a small number of substantive issues, whilst recognising that this approach would mean that there would be issues that we would not cover.
7. The substantive issues we said we would pursue, ahead of results from our consumer research, were:

- the proposed switchover of the TV signal in the UK to an exclusively digital basis and an end to analogue TV;
- the development of the telecoms market , including new ways of carrying voice messages via the internet and other developments related to the more widespread availability of broadband;
- spectrum availability and pricing; and

- access issues arising from consideration of public service broadcasting.

8. In practice, the substantive issues (see Review of the year) we pursued were:

- digital switchover (DSO);
- Ofcom's Strategic Review of Telecommunications;
- universal service in telecommunications;
- mis-selling in fixed line telecommunications; and
- Number Translation Services (NTS).

NTS calls are made to phone numbers that mostly begin with 08 and 09 (09 numbers are more commonly known as 'Premium Rate Services'), and usually offer access to information and entertainment services, and pay-as-you-go internet access.

9. We recognise that there are numerous other issues in the communications market place but we have had to focus on what is important. The common thread to a lot of our work has been information, or the lack of it; and we will be pursuing this as a key concept throughout the year to come. People need to have reliable and clear information available to them if they are to be able to choose and use communications equipment and services.

Section 2

Review of the year

10. During 2004-05 the Panel engaged in three major areas of work. These were our consumer research project, DSO and Ofcom's Strategic Review of Telecommunications. We also pursued other less substantial but nevertheless important issues.
11. We were guided by the principles that underpin our work, outlined in Section 1 of this report. To recap, these are relevance to consumers, risk of consumer detriment, issues where a practical solution can be found and the requirements of disadvantaged groups. There were a range of outcomes for the Panel, some material, like our report on DSO and supporting vulnerable consumers³, and some less tangible but significant, Ofcom's policy on publication of responses to its consultations. As we have noted, provision of consumer information was a recurring theme.

The major issues 1 - gathering evidence

12. The Panel strives to base its advice on evidence and needs to understand consumer issues and concerns related to the communications sector. To develop that understanding we initiated a major and ongoing programme of research to generate evidence about consumer concerns and about the state of consumer information in the communications marketplace. The research has been managed by Ofcom's market research team but we have maintained a 'hands on' approach to ensure that it meets the Panel's requirements. In August 2004 we announced our research project and the research specification was published on our website⁴. Research reports are expected to be published in late Spring 2005.
13. We also began to look at practice in other European countries to widen our evidence base. We were joined at our meeting in January 2005 by Paul Champsaur, President of the French telecoms regulator - Autorité de Régulation des

³ <http://www.ofcomconsumerpanel.org.uk/dso/dsoreport.pdf>

⁴ <http://www.ofcomconsumerpanel.org.uk/nr/200804.htm>

Télécommunications (ART). We will be looking at other jurisdictions.

The major issues 2 - digital switchover

14. In July 2004 the Culture Secretary asked the Panel to report on measures to protect the interests of the most vulnerable consumers in the transition to switchover⁵. We made a series of recommendations, including the need for SwitchCo, the body charged with implementing the switchover, to develop a process - with the voluntary sector and local government - to identify people who will need help through switchover and to provide a scheme offering practical support.
15. Our report - Supporting the most vulnerable consumers through digital switchover - was published in November 2004. We concluded that people at risk of social isolation - those who did not have an adequate network of friends, family, neighbours or carers to turn to for support - were likely to face the biggest difficulties in finding out about switchover, in understanding what it meant and in taking effective steps to adopt digital television. The issues raised in our report continue to be relevant in the run up to switchover and appropriate action will become more urgent when the Government announces a date for analogue switch-off. The report was welcomed by Lord McIntosh, the Broadcasting Minister⁶, and is available on the Panel's website.

The major issues 3 - Phases 1 and 2 of Ofcom's Strategic Review of Telecommunications

16. Through most of 2004 and early 2005 the Panel held various pre-consultation discussions with Ofcom's telecoms review team and responded to the Phase 1⁷ and Phase 2⁸ consultation documents (see Responses to Ofcom on the Panel's website), in June 2004 and February 2005 respectively.

⁵ http://www.digitaltelevision.gov.uk/press/2004/dig_switchover_progress.html

⁶ http://www.culture.gov.uk/global/press_notices/archive_2004/dcms154_04.htm

⁷ http://www.ofcomconsumerpanel.org.uk/consultations/telecoms_review.pdf

⁸ http://www.ofcomconsumerpanel.org.uk/consultations/tsr2_response.pdf

17. In our response to Phase 1 we argued that consumers benefit from well functioning, competitive markets, with many players offering a range of choice, but the information available to consumers in the complex and fast changing telecoms market is often confusing or patchy. This situation is deeply unsatisfactory for consumers and one that is damaging for the industry's relationship with its customers.
18. One output that we wish to see from the review is a strong set of proposals, ideally from the industry, to make life simpler for consumers through provision of better, clearer, information. In addition, we argued that Ofcom should make every effort to understand the needs of all consumers, particularly those whom the market may not serve well, to promote choice.
19. Ofcom took up some of these themes in its Phase 2 consultation and held a workshop on consumer information and switching. Industry proposals made up the bulk of the Phase 2 consultation document, whilst consumer proposals were 'greener' to stimulate debate. Ofcom concentrated on industry issues because, to some extent, delay in their resolution could impact on the viability of some industry players. We understood that argument but our view was that consumers' wants ought to have driven the review, and solutions applied to those wants.
20. We responded to the substance and format of the Phase 2 consultation. We urged Ofcom to embrace the concept of 'real equality of access' for citizens and consumers as well as the industry. We agree that the UK telecoms market is performing adequately; but there is much room for improvement. Some people with disabilities and some who live in remote communities or on low incomes are prevented from enjoying the full benefits of a competitive market. We urged Ofcom to move swiftly and effectively to remedy this.
21. We reiterated concerns about access to information in the market-place. It will be central to create a climate where consumers feel empowered to make informed decisions. Substantive and coherent proposals are required in this area. Finally, we believe that Ofcom must pay greater attention to the way in which it presents consultations of such major significance to citizens and consumers.

22. Regardless of the regulatory approach adopted there will be a continuing need for effective dialogue with the full range of stakeholders throughout the implementation process. Future debates need to be made as accessible as possible to consumers - including a greater emphasis on the consumer implications of seemingly industry focussed issues. We also expressed concerns about the accessibility of the actual documentation of the consultation.
23. In March 2005 the Panel and Ofcom colleagues held a workshop to discuss issues arising from the Panel's response to Phase 2. Discussion focused on universal service and consumer information and touched on Ofcom's 'bottom line' for consumers. Ofcom confirmed that it would be conducting consumer detriment research but it would not be completed in time for Phase 3 of the review - expected to be published in Summer 2005.

Other issues for the Panel

24. The Panel responded to a number of other Ofcom consultations but engaged with Ofcom and stakeholders in other ways, eg in pre-consultation discussions, in advising Ofcom in its review of Premium Rate Services (PRS) or by hosting seminars. Telecommunications issues tended to predominate, including issues around numbering, eg calls to PRS numbers and Number Translation Services, but the Panel also pursued issues of a more generic nature, eg matters affecting consumers with low incomes. Some issues were about Ofcom and how it goes about its work.

Ofcom's annual plans

25. In early 2004 Ofcom consulted on its first Annual Plan. We studied the plan and believed that the work Ofcom was proposing to carry out would reflect at many points the issues that we had identified as being issues of consumer concern (see the Statement of Intent on our website). We agreed to share with the Ofcom Board and Ofcom colleagues our developing views on the consumer interest in each of these important areas - and any new ones that arose either from our

consumer research, or from our other work with consumer stakeholders.

26. In March 2005 we responded to Ofcom's draft plan for 2005-06⁹. We encouraged Ofcom to consider its level of engagement and understanding of the communications needs of small businesses and recommended a strategic and coordinated approach to identification of the consumer interest across the full range of Ofcom activity. We were encouraged by Ofcom's aim to create, by 2007-08, an environment in which citizens and consumers are better informed and able to make effective choices about the services that they use.
27. Ofcom is engaged in extensive consumer research. We are eager to draw upon that and ensure that our own research complements rather than overlaps with it. Ofcom has a team of policy advisers engaged with consumer protection and related issues. We wish to work closely with these colleagues and have recommended to Ofcom that consideration be given to a more strategic and co-ordinated approach to identification of the consumer interest. Without this there is a risk that the consumer policy function becomes one which merely addresses one-off, 'stand-alone' issues - rather than acting as a theme that runs throughout Ofcom's activities. The Panel itself cannot act as a substitute for that.

Ofcom's consultation process

28. In June 2004 we reviewed Ofcom's own methods of engagement and made substantive proposals on how Ofcom handles responses to consultations. Its policy was to wait and publish all responses that were not 'in confidence' on its website at the close of a consultation period. We argued that responses should be published upon receipt. Ofcom has agreed that this will enhance the quality of consultation, helping individuals and organisations with limited resources to respond in a more informed way. Ofcom now publishes responses as they are received.

⁹ <http://www.ofcomconsumerpanel.org.uk/consultations/annualplan0506.pdf>

Ofcom's approach to consumer information and numbering

29. We argued forcefully to Ofcom that clear consumer information about regulatory changes that impact very directly on people's use of communications - eg changes to phone numbers - needs a lot more attention than it has historically received. We believe that part of the consumer frustration over changes to the directory enquiries regime under Oftel was due to inadequate information (as well as what many people find to be opaque pricing and rather poor service). After strong representations from the Panel, we believe that Ofcom now has this point more firmly on board - in May 2004 it set up a Strategic Numbering Team to produce a clear strategy for communicating with the general public about future numbering changes.

Number Translation Services

30. In its consultation in October 2004 Ofcom re-examined the regulatory framework for Number Translation Services (NTS). The current arrangements enable calls to 08 and 09 non-geographic telephone numbers to be used by businesses and other organisations to provide an increasingly wide range of telephone services e.g. dial-up pay-as-you-go internet access, telephone banking, tele-voting and business contact services. Ofcom considered five pricing and interconnect policy options. These options were designed primarily to address the interconnect issues which had given rise to a succession of disputes between communications providers, and consumer issues which are related to the pricing of calls and competition between NTS service providers
31. We strongly advised Ofcom to reconsider its proposed regulatory approach¹⁰. We argued that the evidence base relating to issues of consumer concern was not focussed hard enough on what appeared to be issues of consumer concern and that it needed to be re-thought. Propositions about consumer disruption were advanced in the consultation paper, but without supporting evidence about how far, in practice, they would have an impact on consumers sufficient to

¹⁰ <http://www.ofcom.org.uk/consult/condocs/ntsoptions/Responses/ocp.pdf>

outweigh benefits. Ofcom's analysis of the five regulatory options gave insufficient weight to issues of consumer concern and the proposed remedies to enable consumers to exercise informed choice in this marketplace were inadequate. In summary, the Panel's advice to Ofcom was that it should reconsider its proposed approach to the NTS regime.

32. In light of the Panel's response and lack of consensus amongst respondents, Ofcom decided that further work should be done to investigate and to build the evidence base and other policy options. It expects to have a new NTS framework in place by Autumn 2005.

Review of regulation of Premium Rate Services

33. In August 2004 Ofcom announced its review of regulation of Premium Rate Services (PRS) to improve measures to protect consumers from unscrupulous activity. It included an examination of options to strengthen ICSTIS - the regulator for PRS. ICSTIS had received thousands of complaints about unexpected charges for premium rate numbers on phone bills. Ofcom actively sought input from the Panel.
34. We argued for all appropriate measures to be pursued to improve complaint handling, resolution and redress - and as soon as possible, irrespective of the outcome and timescales of any future public consultation. A particular concern was complaints resulting from internet dial-up connections, with dialler settings switched to premium rate numbers by malign software programs hidden in spam email or web pop-ups. Responsibilities for providing redress have been unclear and difficult to enforce. In many cases when ordered by ICSTIS refunds were slow or not forthcoming. We suggested measures that included: a requirement on originating operators to implement safeguards to cut off calls; information for consumers about who to contact with a complaint and who may be expected to compensate them; and a mechanism to ensure that refunds are made, either directly by the PRS provider or by the terminating operator.
35. Ofcom took our concerns seriously and these were reflected in the Ofcom report that appeared in December 2004, with

various recommendations on ICSTIS governance, refunds and consumer information.

Mis-selling of fixed-line telecoms services

36. Our concern was that mis-selling was a serious problem for consumers and that appropriate action by Ofcom was required to prevent this becoming worse with the availability of wholesale line rental (a regulatory instrument requiring the operator of local access lines to make this service available to competing providers at a wholesale price). Mis-selling is upsetting for consumers and tarnishes the telecoms industry, undermining competition and genuine consumer choice.
37. In June 2004 in our response to Ofcom's consultation we argued that timely and stronger methods of consumer protection were required¹¹. We supported making the current voluntary Code of Practice mandatory, including revision to make it more comprehensive and effective. Among the elements which needed to be addressed were provision of clear and accessible pre-contractual information, clear terms and conditions in the actual contract and clear information on cancellation rights.
38. In November 2004 Ofcom concluded that existing voluntary guidelines should become mandatory and announced that all fixed-line service providers would be required to draw up Codes of Practice consistent with those guidelines and to comply with them.

New voice services

39. In September 2004 Ofcom published a consultation on new voice services. These include Voice over Broadband (VoB) phone services (also known as Voice over Internet Protocol or VoIP services) which deliver calls over the internet rather than via traditional telephone networks. Such services offer significantly reduced call charges where calls connect from one VoB service to another. The only cost to the consumer is typically a standard monthly fee, regardless of whether the call is to the next town or to the other side of the world.

¹¹ <http://www.ofcomconsumerpanel.org.uk/consultations/mis-selling.pdf>

40. The consultation raised questions about the appropriate level of consumer protection measures which should apply to new voice services. Traditional fixed-line telephone services comply with regulatory conditions stipulating near-guaranteed access to essential services such as 999.
41. Instead of responding formally to the consultation the Panel hosted a seminar to debate the issues with Ofcom colleagues leading the consultation and with representatives from a number of consumer organisations. Panel members delivered presentations on service developments, consumer opportunities and consumer protection issues. The Panel felt that it was important to highlight both the exciting opportunities for service innovation and to recognise that VoB would not provide all the services associated with traditional voice telephony, the latter an important reason for information on service limitations at the point of sale. A full report of the seminar is available on the Panel's website¹².

Review of Public Service Broadcasting - Phase 1

42. Our interest in public service broadcasting is in relation to access, to television services and public service content. In June 2004 in our response to Ofcom's Phase 1 consultation we argued that television consumers are best served by a well-functioning competitive market which delivers a wide range of output, including high-quality and informative programming, from which all viewers can choose what they want to watch at prices they are prepared to pay¹³. The Panel anticipated continued financial or regulatory encouragement to ensure provision of a base line of high quality public service output.

Universal service review

43. Ofcom's Review of the Universal Service Obligation was published at the beginning of 2005, its scope limited to consideration of universal service in its present form. The Strategic Review of Telecommunications considers some of

¹² <http://www.ofcomconsumerpanel.org.uk/events/voip20040921.pdf>

¹³ http://www.ofcom.org.uk/consult/condocs/psb/responses/j_p/ofcom_cons_panel.pdf

the longer term issues, eg a future broadband universal service obligation. Changes to universal service are not determined by Ofcom; it is specified by the Department of Trade and Industry and based on obligations defined by the Universal Services Directive. A European review is expected in late 2005.

44. At the time of writing, Spring 2005, the consultation period for Ofcom's review has just closed and outcomes are yet to be decided. In our response we provided detailed answers to a series of questions posed by Ofcom on issues including special tariff schemes, public call boxes, services for customers with disabilities and provision of service upon reasonable request¹⁴. We prefaced our response by putting down markers about wider issues that arise when considering the nature and delivery of universal service. We propose to devote further consideration to how universal service might best be delivered in the future and aim to move discussion on from 'who pays for what' to a more people-centred approach, ie what do people need by way of access to affordable communication. Universal service is likely to loom larger in the Panel's work programme in the coming year.

¹⁴ <http://www.ofcomconsumerpanel.org.uk/consultations/uso.pdf>

Section 3

Stakeholder issues

Engagement with consumer groups

45. The Consumer Panel is clear that it needs the input of a wide variety of groups, organisations and commercial enterprises if it is to provide Ofcom with the high-quality advice on consumer interests that it requires.
46. For these reasons we were eager to establish a regular dialogue with consumer and disability groups and other stakeholders. To increase all Panel members understanding of disability issues we held a disability equality training event. We held a number of bi-lateral meetings with organisations based in London and in other parts of the UK. We also meet consumer stakeholders at Ofcom events or at external meetings and use electronic communications to maintain contact and to share information. In January 2005 we issued our first e-newsletter and further issues will appear on a regular basis¹⁵.
47. We organised two seminars, one on Voice over Internet Protocol (VoIP) services in September 2004 and another on communications regulation and low income consumers¹⁶ in November 2004, the latter also involved a number of academics and consumer organisations participated in both events (reports of the seminars are available on our website).
48. In our first year we have prioritised building links with consumer and disability organisations. Those links were particularly important during the work the Panel did to produce its report on digital switchover and vulnerable consumers when an extensive list of stakeholders were consulted. It has proved to be difficult to establish contact with small business organisations and we wish to remedy that. The Panel recognises that it has not engaged extensively with the communications industry and expects increased contacts in the coming year. The Panel has, however, taken advantage of Ofcom's in-house expertise. Members have had briefings on

¹⁵ <http://www.ofcomconsumerpanel.org.uk/nr/eNews20040110.pdf>

¹⁶ <http://www.ofcomconsumerpanel.org.uk/events/Seminar11.pdf>

and demonstrations of VoIP services, Electronic Programme Guides (EPGs), next generation networks and High Definition Television.

Consumer Forum on Communications

49. Until recently the National Consumer Council (NCC) organised and supported meetings of the Consumer Forum on Communications. The Forum has been a gathering of consumer groups, membership organisations and others to debate, discuss and share information. It took a keen interest in developments in communications before and during the passage of the Communications Bill. The NCC was no longer able to continue to facilitate meetings and the Panel agreed to host Forum meetings going forward. These will take place approximately three times a year and will provide an opportunity for briefings from relevant organisations, including Ofcom. The Panel is keen to utilise the expertise of Forum members and they met at Ofcom in November 2004 to discuss digital switchover and Ofcom's telecoms and universal service reviews. A note of the meeting is available on the Panel's website¹⁷.

Panel activity in the Nations of the United Kingdom

50. The Panel meets monthly (notes of Panel meetings¹⁸ are available on our website), usually at Ofcom's headquarters and from time to time outside London. Through our research programme and the activities of Panel members with particular responsibilities, we try to ensure that we reflect the widest range of view from UK consumers. In October 2004 we held our meeting in Cardiff and met Andrew Davies, Welsh Assembly Minister for Economic Development and Transport, to discuss communications issues in Wales, including mobile coverage, roll out of broadband and provision of public payphones. In March 2005 we met in Edinburgh and met Scottish communications stakeholders. The borders are expected to be the first to experience digital switchover and the Panel heard Scottish communications concerns at first hand.

¹⁷ http://www.ofcomconsumerpanel.org.uk/events/CFC_8_November_2004_note.pdf

¹⁸ <http://www.ofcomconsumerpanel.org.uk/notes.htm>

Ofcom advisory committees

51. Ofcom has five statutory advisory committees, one for older and disabled people, and one for each of the Nations of England, Scotland, Wales and Northern Ireland. The committees provide advice to the Ofcom Board. The Panel members for the Nations attend meetings of their respective advisory committees and the Panel member that leads on disability issues attends meetings of the committee on older and disabled people - all as observers. The advisory committees are a valuable resource and the Panel is keen to maintain and develop close working relationships. For example, the Panel's consumer research will result in reports by Nation and on issues affecting older and disabled people and we intend to share findings with the relevant committee. Digital switchover will also raise Nation and vulnerability dimensions and we will wish to discuss these with the committees.

Section 4

Looking ahead

52. There is a large number of potential issues on which the Panel could offer advice and we have to be selective. Last year, in March 2004, we held a special session to determine our priorities and work programme for 2004. Part of the exercise was already determined by our ongoing responsibilities deriving from our statutory role as laid out in Sections 16 and 17 of the Communications Act 2003. Our own agenda also has to take account of Ofcom's agenda. From our discussion we concluded that there were a number of issues that would have a significant impact on consumers and which we proposed to give priority (see Section 1 on The Panel's strategy).
53. We also took an early decision to undertake research to inform ourselves of the current state of concern, and of knowledge, on the part of consumers in the communications marketplace. The research will be repeated as an annual tracker survey. We anticipated that our future priorities would be heavily shaped by our research programme, in addition to the work of Ofcom. Another factor in our priority setting is the application of the set of principles we agreed, related to relevance, detriment, practicality and disadvantaged groups of consumers.
54. In the coming period we will take forward and consolidate some work that has already begun. We will also address new issues. Our priorities are likely to include:

- sharing and learning from the results of our consumer research, particularly issues affecting older people and people on low incomes;
- more work on the Strategic Review of Telecommunications, with particular emphasis on Phase 3 and on consumer information issues;
- work to follow up issues in our report on digital switchover;

- Ofcom's spectrum framework review and the consumer and citizen issues;
- small business issues and how can they be addressed;
- the EU review of the scope of universal service;
- closer links with the Nations and regions;
- close working with stakeholder groups, especially consumer groups;
- media literacy, i.e. consumers' communications 'know how';
- building citizen considerations into our work;
- auditing Ofcom's own work on consumer issues; and
- assessing how Ofcom puts consumers and citizens at the heart of its work.

55. Some of these issues will be explored in the Panel's research and we have secured from Ofcom an increased research budget for 2005-06. Media literacy as defined by Ofcom is the ability to access, understand and create communications in a variety of contexts. For the Panel the focus is on consumers' ability to use communications technologies with ease and confidence. The audit of Ofcom's work on consumer issues will be carried out with the help of external consultants and advice from the National Audit Office. Its purpose is to evaluate how well Ofcom takes the consumer interest into account in its regulatory decision making.

Ofcom Consumer Panel

April 2005

Annex 1

Statutory basis, purpose and accountability

1. The Ofcom Consumer Panel was established by the Office of Communications (Ofcom) under Section 16 of the Communications Act 2003 with the function to advise both Ofcom and such other persons as the Panel thinks fit. The Panel is independent of Ofcom and can speak out publicly on issues where it considers this appropriate.

2. Under Section 17 of the Communications Act 2003 members of the Consumer Panel were appointed by Ofcom in accordance with Nolan principles, to represent the interests and opinions of people living in different parts of the United Kingdom and to give informed advice about matters referring to the interests of the following:

- people living in rural areas;
- people living in urban areas;
- small businesses;
- disadvantaged people, people on low incomes and people with disabilities; and
- older people.

3. The Panel represents the interests of consumers by advising, commenting and making recommendations on existing and developing Ofcom policy and practices as appropriate.

4. The Ofcom Board approves the Panel's annual budget, including remuneration of members and to allow the Panel to carry out research. A dedicated team of Ofcom colleagues provides support to the Panel.

5. The Consumer Panel has agreed a Memorandum of Understanding (MoU) with Ofcom¹⁹. The MoU establishes the principles that both the Panel and Ofcom have agreed to adopt in their relations and dealings with each other. The MoU is available on the Panel's website.

6. The main purpose of the Panel is to provide advice to Ofcom. As such it does not carry out responsibilities on behalf of Ofcom. For example, the Panel does not undertake consumer education, nor does the Panel take up individual consumer complaints.

7. The Panel's work is focussed on activities that are regulated by Ofcom, although it may look at any matter appearing to the Panel to be necessary to secure effective protection for consumers.

8. The Panel will publish annual reports on how it carries out its functions. It maintains a website to inform consumers of its activities on a continuous basis.

¹⁹ <http://www.ofcomconsumerpanel.org.uk/mou.htm>

Annex 2

Members of the Panel

Colette Bowe (Chairman) is Deputy Chairman of Thames Water, a board member of the Yorkshire Building Society and the Framlington Group and a member of the Statistics Commission.

Ruth Evans (Deputy Chairman) is Chairman of the Standards Committee of the General Medical Council, a board member of the Nationwide Building Society and holds a number of other public appointments.

Azeem Azhar is a writer and analyst focussing on economic and social effects of new technologies.

Fiona Ballantyne is Managing Director of a marketing development consultancy and represents the interests of people in Scotland.

Nainish Bapna is the Managing Director of Pharmacy Channel and the founder of the Asian Professionals Network.

Roger Darlington is part-time Chairman of the Internet Watch Foundation and represents the interests of those living in England.

Simon Gibson OBE is Chief Executive of Wesley Clover Corporation, a private equity fund. He represents the interests of people in Wales.

Graham Mather is President of the European Policy Forum and a member of the Competition Appeal Tribunal.

Kevin McLaughlin is a development worker for the Magherafelt Disability Forum. He represents the interests of people in Northern Ireland.

Kate O'Rourke is a solicitor and Deputy Chair of the London Regional Council of Arts Council England.

Bob Twitchin is an Associate of the Employers' Form on Disability and has a wealth of experience in telecommunications.

Members were appointed by Ofcom with the approval of the Secretary of State. In appointing members to represent Scotland, Wales and Northern Ireland the relevant Secretaries of State for those parts of the United Kingdom were consulted.

We conducted a 'stock-take' of how well we are performing as a Panel and will do so on an annual basis. More detailed member biographies can be found on the Panel website²⁰.

²⁰ <http://www.ofcomconsumerpanel.org.uk/members.htm>

Annex 3

Panel resources: budget and spend for 2004-05

Under Section 16(1) of the Communications Act 2003, Ofcom has a duty to maintain effective arrangements for consultation about the carrying on of their functions with consumers. The arrangements must include the maintenance of a panel of persons - referred to in the Act as "the Consumer Panel". Ofcom agrees a budget for members' remuneration, expenses and any work we commission. Neither Ofcom nor Ofcom's Accountable Officer approves the expenditure met within that overall provision - authority and control is exercised by the Panel. Our budget for the 12 months ending 31 March 2005 was £655,000 - see the table below. Non-audited expenditure for this period was £692,500. In the table we have included the cost of the team of Ofcom colleagues that support the Panel.

	Budget April 04-March 05 (12 months) (£000)	Actual April 04-March 05 (12 months) (£000)
Panel members fees, expenses and support		
- Fees	191.8	195.6(1)
- Expenses	38.3	31.9
- Ofcom colleagues	114.0(2)	151.0
Professional fees		
- Research	200.0	220.5(3)
- Consultants	60.0	65.3(4)
Sundries	50.9	28.4
Total	655.0	692.5

Notes:

1 Panel members were paid flat fees as follows:

the Chairman whose commitment is up to 3 days a week - £50,000 per annum

the Deputy Chairman whose commitment is up to 2 days a week - £30,000 per annum

members whose commitment is up to 1 day a week - £12,000 per annum

2 During the period of the report the number of Ofcom colleagues in the Panel support team increased from two to four.

3 Includes qualitative and quantitative consumer research.

4 Includes consultants who worked on the Panel's report on digital switchover.

Annex 4

Contact us

The Panel can be contacted via the support team:

Flora Demetriou, Executive Support
David Edwards, Secretary
Julie Myers, Consumer Panel Advisor
Dominic Ridley, Consumer Panel Policy Executive

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The Panel has a website at www.ofcomconsumerpanel.org.uk .
The content of the website is up-dated regularly and we hope that readers of this report will be frequent visitors to the site. We publish an e-newsletter and you will be able to register to receive it and notification of updates to the site.

Annex 5

Abbreviations and acronyms

We have tried to avoid technical jargon in this report and to be clear about what we mean. Some use of initials and acronyms has been inevitable. The ones most used in this report are:

DQ

Directory enquiry service

DSO

Digital switchover

EPG

Electronic Programme Guide - a facility that allows programme information to be called up on-screen and channel selections made.

ICSTIS

The Independent Committee for the Supervision of Standards of Telephone Information Services

NTS

Number Translation Services

PRS

Premium Rate Services

SwitchCo

The term used to describe the body that will lead digital switchover and be responsible for its implementation

VoB

Voice over Broadband services allow consumers to make and receive calls over a broadband access connection

VoIP

Voice over Internet Protocol - the generic name for the transport of voice traffic using Internet Protocol (IP) technology