



Annual report 2006-07

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Ofcom
OFFICE OF COMMUNICATIONS

The Consumer Panel was established under the Communications Act 2003 as the independent research and policy advisory body on consumer interests in telecommunications, broadcasting and spectrum markets (with the exception of content issues).

Working from a firm evidence base, we advise Ofcom, the communications regulator, and others on how to achieve a communications marketplace in which all consumers can confidently choose and use products and services that suit their needs.

The Consumer Panel sets its own agenda but works constructively with the Ofcom Board. This enables us to give strategic advice on policies early on in their development – before they are consulted on – so as to build consumer interests into Ofcom's decision-making from the outset.

The Consumer Panel is made up of part-time members with a balance of expertise in consumer issues in the electronic communications sector. There are members representing the interests of consumers in Scotland, Wales, Northern Ireland and England.

Consumer Panel Members are appointed by Ofcom, subject to approval by the Secretaries of State for Trade and Industry and for Culture, Media and Sport. They are appointed in accordance with Nolan principles for two or three year terms and are eligible for re-appointment. The Consumer Panel is assisted by a small support team.

Contents

Section		Page
	Foreword	3
1	Review of the year	5
2	Stakeholder issues	17
3	Looking ahead	19
	Annex A: About the Ofcom Consumer Panel	21
	Annex B: Members of the Panel	24
	Annex C: Panel resources: budget and spend for 2006-07	26
	Annex D: Contact us	28

This report can be found on the Consumer Panel website in English and Welsh at: <http://www.ofcomconsumerpanel.org.uk> – see Information Centre, Annual reports.

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



Foreword

This is our third annual report. During 2006-07 we have worked on a number of big strategic themes and engaged with the Ofcom Board on a number of important regulatory issues and continued to build a research evidence base to support our advice. Details of our activities during the year are set out in the body of this report.

This year, as in previous years, we have carried out a number of research studies, and these are described in the sections that follow. Our work, as before, is largely structured around issues arising from this research.

We do aim, however, also to stand back from time to time and take a careful look at strategic issues for consumers in this market place. The arrival of a new chief executive at Ofcom, Ed Richards, in October 2006, provided a useful opportunity for just such a strategic stock-take and we wrote an open letter to him in November 2006. The key points we highlighted are in the opening of our Review of the year, Section 1 of this report.

We noted that Ofcom had made significant progress since its launch on organising itself to get a better focus on consumer issues, and we are very pleased that the Consumer Interest Toolkit, which we launched in 2006, has played a significant role in helping Ofcom to shape its ways of understanding and responding to consumer issues. We say more in the main text about how this toolkit work has developed this year – but we are pleased that the work we have done on, in effect, a consumer-based “audit” has borne early fruit.

The other main point to highlight in this foreword is that as we have noted before, rapidly-changing technology in this market place, can sometimes make problems for people – as well as solving them. We have continued to explore through research and a workshop ways in which particular groups of people might have difficulties in embracing communications technology and using it to advantage. We need to be careful not to make glib generalisations about who might experience difficulties – but we have done and are continuing to do work on issues both around older people and children which we hope will be helpful in illuminating actual or potential problems and helping people to think through solutions.

In the very near term, everyone in the UK will have to manage the transition to an all-digital television world – the digital switchover. This hugely important project, which is about to begin in Cumbria, is one to which we have devoted a lot of time and thought and where we intend to remain watchful to try to ensure that those responsible for delivering the switchover do it in a way that doesn't leave anyone behind.



Finally, some words of thanks. The Panel is very grateful to its full-time staff: Georgia Klein, Dominic Ridley, David Edwards, Julia Guasch and Benjamin Wallis - for their hard work and commitment. We are also immensely grateful to the members of the Consumer Forum on Communications, who meet regularly with us to exchange views on consumer issues. And lastly, I am very grateful to my colleagues on the Panel for their hard and effective work.

Colette Bowe
Chairman, Ofcom Consumer Panel

June 2007



Review of the year

Consumer priorities

1. In a letter to Ed Richards on his appointment as Ofcom's new Chief Executive in November 2006, the Panel set out what we thought Ofcom's priorities should be over the next few years¹. These were for Ofcom to:
 - identify how the spectrum released due to digital switchover could be best used for society as a whole, and to promote a public debate on how this resource should be developed in the interest of all;
 - be vocal, where it needed to be, to ensure that digital switchover was handled in a way that did not leave anyone isolated or without support;
 - consider the consumer anxiety around services such as broadband that, according to our research, had risen; further, with increased service bundling, complexity of service offerings, scams and the plurality of service providers, we felt that concerns about costs, contracts, service quality and security would increase;
 - deliver effective enforcement by reacting swiftly when action demanded it and by setting fines at a level that reflected a company's profits in order to have a real deterrent effect;
 - extend its work on citizen issues by supporting the Government in addressing the emerging problem that low broadband take-up – rather than availability – was a problem for our society, particularly for some of our oldest citizens and for some children in low-income households;
 - ensure that light touch regulation was the right touch regulation, and that Ofcom should be prepared to act quickly and firmly in the consumer interest where consumer detriment occurred.
2. Ed Richards responded positively to these points and set out what Ofcom planned to deliver in the coming year². His view, and one shared by the Panel, was that Ofcom had made a step change in its approach to consumer policy and in addressing the consumer interest across Ofcom over the last year. He acknowledged the role the Consumer Panel has played in helping Ofcom to define how as a regulator it can best analyse, consider and implement policy that delivers positive outcomes for citizens and consumers in the communications sector. He said that

¹ <http://www.ofcomconsumerpanel.org.uk/files/advice/N4.pdf>

² <http://www.ofcomconsumerpanel.org.uk/files/advice/N5.pdf>



Ofcom would build on that approach, with consumer issues at the heart of its work on developing its strategic framework for the next three years.

Panel priorities

3. In addition to working with Ofcom to help shape its consumer priorities, during 2006-07 the Panel engaged in six major areas of work. We continued to press government, Digital UK and Ofcom itself for the needs of vulnerable people to be recognised and effectively addressed in digital switchover; secured interest in the adoption of the Consumer Interest Toolkit from a range of UK consumer bodies and regulators; we worked to understand older people's attitudes to digital technologies; we pursued our wider consumer research programme; engaged with Ofcom's Digital Dividend Review (DDR); and worked to secure support for the model of consumer representation embodied by the Panel through debates on the legislative basis of Consumer Voice.
4. We also pursued a range of other important consumer issues: Ofcom's Nations and regions policy; its Annual Plan; next generation access and networks; co- and self-regulation; consumer protection and enforcement; and telephone numbering. And, in conjunction with the National Consumer Council, we urged a resolution to the dispute between BSkyB and Virgin, which is still unresolved at the time of writing and has left very many Virgin customers without access to Sky TV channels.

Digital switchover

5. The switchover from analogue to digital television by 2012 has continued to be an important area of the Panel's work. Early in the year we advised Ofcom on the consumer priorities in switchover and raised three particular concerns. We argued that the importance of social isolation as a key factor influencing people's ability or inability to handle digital switchover was being seriously underplayed; that it was by no means clear that the delivery mechanisms for digital switchover were properly funded; and that the complicated multi-organisation arrangement for oversight, management and delivery of switchover did not make it clear who was ultimately responsible for making the whole process work.
6. Ofcom accepted our concerns about social isolation and agreed to reflect this in the report it published (in July 2006) but argued that issues of funding, oversight, management and delivery of switchover were the responsibility of Digital UK, the Government and other stakeholders. To pursue those issues during the course of the year the Panel had numerous meetings to discuss switchover with Ofcom, Digital UK, with ministers and officials from both the Department of Trade and Industry (DTI) and the Department of Culture, Media and Sport (DCMS) and with consumer and industry stakeholders.



7. In July 2006 the Consumer Panel gave voice publicly to its concerns³. We said that the needs of socially isolated households were in danger of not being met, a view that we believe was shared by the Culture and Media Select Committee. We called on the Government to rethink its programme of support for vulnerable households, which we felt was poorly targeted and inadequate in scope. We said that we did not believe that Digital UK was adequately funded to handle the scale of the work required successfully to carry out switchover. We also highlighted our concerns about the complex and multi-organisation approach to management and delivery of switchover. In our view there was a lack of clarity in accountability on the provision of assistance to consumers who will need extra help to manage switchover; the provision of usable equipment and the quality of advice and work from retailers and installers.
8. Switchover was due to begin in the Border TV region in 2008 but the switchover date for Whitehaven has been brought forward to 17 October 2007. To gain a clearer understanding of switchover issues, in both Whitehaven and the Border region more generally, the Panel held its October 2006 meeting in Carlisle. On that occasion we were briefed on the Whitehaven pilot by Digital UK and had a discussion with representatives from Carlisle City Council, Dumfries and Galloway Council, Cumbria County Council, Age Concern and ITV Borders – all organisations with a direct interest in switchover on the ground.
9. In our report *Supporting the most vulnerable consumers through digital switchover*⁴, published in November 2004, one of our recommendations was targeted financial assistance to meet the costs of one-off purchases of equipment and any necessary aerial upgrade work needed to make the transition to digital. We do not have a role in implementation of a help scheme, or switchover more generally, but targeted assistance has been of ongoing interest to the Panel. During the year we have engaged with DCMS and other stakeholders as the detail of a help scheme has been debated and developed. It will deliver help to assist older and disabled people and provide support to install and use equipment to convert one television set to digital. It is intended to be free to older and disabled people who receive income-related benefits.

Consumer Interest Toolkit

10. In last year's annual report we reported in some detail on our Consumer Interest Toolkit for regulators and government, launched in February

³ <http://www.ofcomconsumerpanel.org.uk/news/120706.htm>

⁴ http://www.ofcomconsumerpanel.org.uk/files/information/digitalswitchover/supporting_the_most_vulnerable_consumers_etc.pdf



2006.⁵ We said that the real test of whether a regulator like Ofcom was delivering, and can go on delivering, outcomes that serve the consumer was whether it had a fully developed internal capability to understand and give due weight to consumer interests along with industry interests. The Toolkit consists of 31 questions which can be applied to a particular area of work or to an organisation as a whole and was devised to help Ofcom and other regulators assess whether they are meeting that test, ie that they have identified and addressed the consumer interests when developing and implementing policy.

11. Before we published the Toolkit, Ofcom had already committed to internalise it into its policy process. Twelve months following the launch of the Toolkit Ofcom published an evaluation and progress report on the way in which it had used the Toolkit to develop its work on consumer issues.⁶ That work has been in three areas: setting priorities and planning its consumer policy programme; development of a framework to ensure citizen and consumer interests are taken into account appropriately throughout Ofcom's policy and decision making; and in ensuring that it communicates its decisions in a way that allows consumers to understand Ofcom decisions and explains their outcomes. The Panel was greatly encouraged by Ofcom's report and the progress that it has made.
12. The Panel has also been engaged in activity to encourage other consumer-oriented bodies to use and develop the approach contained in the Toolkit. This has included discussion with regulators and consumer bodies in the UK and with officials in the European Commission.
13. Ofcom, acting on behalf of the Consumer Panel, owns the intellectual property (IP) rights in the Toolkit. Discussions have taken place with commercial organisations seeking to use the Toolkit and we expect to issue IP licences.

Connecting older people

14. With an increasingly ageing population, the UK could find that many older people are cut off from all sorts of services because they are not using the internet. This concern has led the Consumer Panel to seek to understand what makes some older people use communications technologies, and what the barriers are for those who do not.

⁵ http://www.ofcomconsumerpanel.org.uk/files/information/consumerinterest/capturing_the_consumer_interest_a_toolkit_for_regulators_etc.pdf

⁶ <http://www.ofcom.org.uk/about/account/interests.pdf>



15. In July 2007 we published *Older people and communications technology*⁷, a qualitative research report on older people's attitudes towards the internet and digital technologies. Many older people do not use the internet and are unable to access many critical online services. But the research found that certain groups of older consumers would get connected if given the right kind of support to help overcome their fears. The research showed that older people's attitude and character are the key determinants of whether or not they are online and suggests that the many older people who have initially rejected using the internet may get connected if they have the right support, assistance and learning environment. Courses designed for and run by older people, together with mentoring schemes, would encourage them to go online.
16. The Panel hosted a *Connecting older people*⁸ workshop to launch and discuss the research findings with key policy-makers, Government and industry, and published a workshop report on how to take forward lessons from both the research and the workshop discussion. That discussion had revealed that there were a number of voluntary and community organisations involved in delivery of training programmes for older consumers but they were all working in isolation and with little knowledge of other initiatives.
17. At its meeting in February 2007 the Panel discussed a proposal to allow groups to build on each others' experiences, an inexpensive and cost effective means to improve the effectiveness of training and harness the expertise of the voluntary sector. A web portal holding up-to-date information on training and funding was agreed as the way forward. The next steps will be to take forward the portal proposal and the Panel will be pursuing this with Government during 2007.

Understanding consumer concerns

18. The Panel's work is evidence-based and we have commissioned a number of research studies to allow us to understand consumer concerns in the communications marketplace.
19. In our first two years we conducted major annual exercises to "track" the experience of consumers in accessing and using electronic communications, right across the UK and across all age groups. It was findings from our 2006 tracker report *Consumers and the communications market: 2006*⁹ that led us to research older people and the internet. Ofcom now tracks many of the issues covered in our 2005

⁷ http://www.ofcomconsumerpanel.org.uk/files/information/olderpeople/Older_people_and_communications_technology.pdf

⁸ http://www.ofcomconsumerpanel.org.uk/files/information/olderpeople/Connecting_Older_People-A_Workshop_report.pdf

⁹ http://www.ofcomconsumerpanel.org.uk/files/information/commsmarket/2006/consumer_panel_report06.pdf



and 2006 tracker surveys. Avoiding duplication of cost and effort, the Panel has been able to make use of Ofcom's data, supplemented by a small number of Panel survey questions, to produce a 2007 tracker report on consumers and the communications market for publication in May 2007.

20. This approach to the tracker research has contributed to Panel research funds available for further individual research exercises. Later this year we expect to publish a literature review on communications and social exclusion, supplemented by some quantitative research, and research on consumers' experience of digital switchover, on children and the internet, and communications and small enterprises.

Digital Dividend Review

21. We believe that the Digital Dividend Review (DDR) is one of the most important policy debates that Ofcom has engaged with. The development of a regulatory framework for the utilisation of the digital dividend is one of the most important and difficult tasks Ofcom has faced.
22. We have engaged with the DDR over the past year, as Ofcom has developed its policy, and in March 2007 we responded to Ofcom's DDR consultation. We expressed our concern that the spectrum released by digital switchover should be used to deliver products and services that bring real quality and innovation to UK consumers; that try to meet the needs of UK citizens wherever and whoever they may be; and that can give us all enough breathing space to ensure that innovation can flourish. We also asked Ofcom to review certain areas of its policy to help achieve those aims. These were:
 - universality, a concept highly valued by people in the UK; we asked Ofcom to consider what may happen if a service was deemed to be central to social inclusion but geographical access to it was not possible because providers see no economic benefit in providing services in certain areas; and how Ofcom, or others, could help create conditions for such a service to be delivered;
 - a spectrum bank; we asked Ofcom to think about holding spectrum back as a reserve for socially beneficial services and which part of the spectrum would be best used for such a reserve; one concern is that, after the auction of spectrum, rural areas may not have access to services due to sparsely populated areas not being financially viable for service delivery; if services failed to be delivered and the public value of these services was deemed high, market failure could occur;
 - the auction process; while recognising that Ofcom is an economic regulator, there are broader citizen issues for Ofcom to help deliver,



and we asked Ofcom to look at the possibility of a financial framework to enable small organisations to have the financial capacity to compete at auction, to then deliver services of a high, but dispersed, public value;

- market failure; we asked Ofcom to set out clearly the regulatory tools it has to correct market failure, should it occur; the social value of a service needs to be continually re-evaluated in the light of market developments and technological advances, we asked Ofcom to set out clearly in its next DDR consultation whether and how it would rectify outcomes where the social value of a service was not being maximised in the marketplace;
 - spectrum hoarding and anti-competitive behaviour; we looked forward to Ofcom's work to review its powers to stop spectrum hoarding and anti-competitive behaviour – these powers will be essential to ensure that markets produce the highest value to the UK as a whole; we were concerned that reliance on the Competition Act 1998 would prevent Ofcom from reacting quickly enough to anti-competitive behaviour, and thus prevent it from ensuring that any consumer detriment is minimised and that market efficiency is maximised.
23. The DDR is “work in progress” and the Panel's response was essentially a list of questions which suggests areas of focus for Ofcom in the next phase of its work on DDR. The DDR will continue to be an important part of the Panel's work programme.

Consumer Voice

24. In January 2006 DTI¹⁰ sought views in a consultation exercise on proposals to strengthen and streamline consumer advocacy, covering issues of representation and redress. The proposals included the consolidation of existing consumer bodies into a single, coherent, consumer advocacy body (called 'Consumer Voice'), and the introduction of new ombudsman schemes to resolve complaints where service providers have not been able to do so.
25. DTI had proposed that Consumer Voice should incorporate the National Consumer Council (NCC) and parts of some or all of a number of existing consumer organisations, including the Ofcom Consumer Panel.
26. We agreed that there was a case for a strengthened cross-sectoral consumer advocacy body for the UK, with sufficient (both in quality and quantity) human and financial resources available to it to make it a powerful body that has an automatic seat at the public policy table. The Ofcom Consumer Panel's remit is to focus on the work of a single large

¹⁰ <http://www.dti.gov.uk/files/file29876.pdf>



regulator, regulating a fast developing highly competitive communications industry. This single focus gives us a depth of knowledge which is important to enable us to influence the work of a well resourced industry regulator.

27. In October 2006 DTI published the Government's response to submissions to the consultation and Option 3 was confirmed as the basis for the structure of Consumer Voice. The NCC, energywatch and Postwatch would be consolidated to form the core of the new body. Recognising the significantly different role that they play in their respective regulatory frameworks, the Ofcom Consumer Panel and the Financial Services Consumer Panel would be left unchanged apart from introduction of cross-membership. Other regulators who wish to appoint similar consumer advisory panels would be free to do so.
28. We believe that this is a very positive outcome for consumers, it recognises that the consumer panel model has been highly effective and we look forward to working with both Consumer Voice and other sectoral panels. At the time of writing legislation is going through Parliament to create the new consumer advocacy body.

Other important issues for consumers

Dispute between Virgin Media and BSkyB

29. The Panel was concerned about the loss of BSkyB channels on Virgin Media's pay TV platform and the disadvantage experienced by consumers. In March 2007 we wrote to Ofcom's Chief Executive to ask Ofcom to help to resolve the commercial dispute between the two companies.¹¹ We recognised that consumers were finding it difficult to get what they wanted and what they were paying for. In such cases, customers would normally expect to have the option of switching their supplier so as to be able to continue to receive programmes. In this case the option of switching to a different distribution channel is, at the very least, complex and time consuming. At the time of writing the two companies remain in dispute.

Nations and regions policy

30. In July 2006 we provided advice to Ofcom as it was developing its policy on the Nations and regions and based on research it had undertaken. We argued for a refocus in favour of a more meaningful segmentation based on rural and urban areas as the key policy driver. This was because evidence suggested that physical access to the communications market was not about where a person lived in the Nations and regions but whether a person lived in a rural or urban area –

¹¹ http://www.ofcomconsumerpanel.org.uk/files/news/letter_13_03_07_Colette_Bowe.pdf



and those people who lived in rural areas were likely to suffer multiple forms of consumer detriment.

31. We recognised that there were political dimensions to consider and advised Ofcom to retain its national and regional focus for the purposes of delivering solutions and to strengthen and nurture its relationships within: government; the national parliaments; the regional development agencies; and local governments. It is these organisations that will be tasked to deliver a number of the policies on the ground.
32. We said that Ofcom needed to be clear about the problems arising from its research and suggested that it prioritise low take-up amongst 45+ age groups and C2DE social groups and affordability. We advised Ofcom to continue its analysis of the possible outcomes of geographic de-averaging within the communications market; to push for an acceptable and speedy outcome on inadvertent roaming and national 999 access; and to identify policy options to close the gaps in mobile network coverage. We said that Ofcom should identify, as best it could, where digital television signal coverage gaps were likely to occur in the UK and what can be done to close them. In our view Ofcom had to focus its regulatory activities in areas where consumers faced multiple access problems and to find the communication black holes in the UK and Northern Ireland.
33. In October 2006 Ofcom published a statement and recognised that the main policy findings from its research applied on a UK-wide basis - they had varying levels of impact by Nation and region due to different socio-economic and geographic characteristics. Ofcom identified significant policy issues around no or limited 2G mobile coverage in some rural areas; the roll-out of competitive broadband services in rural areas and the lower take-up of internet and broadband services among older and lower-income consumers; and the availability and awareness of digital broadcasting services.

Ofcom's Annual Plan

34. In our response to Ofcom's draft Annual Plan 2007/8 we reaffirmed the priorities that we had highlighted in our letter to Ofcom's new Chief Executive (see above). We were encouraged to see that each of these issues had been addressed in the draft Plan. However, in respect of all the priorities we had identified and all the other work set out in the Plan, we believed that it would be helpful if Ofcom was more specific in its objectives and clearer in specifying the measures that would be adopted to assess whether those objectives are met. We were also concerned to know more about the work that would be done by Ofcom to promote access and inclusion, about the services that Ofcom expected the market to deliver, how available and accessible these services should be, and what level of take-up of these services would be regarded as success.



Next generation access and networks

35. In November 2006 Ofcom published a discussion paper on the regulatory challenges posed by next generation access (NGA). The Panel discussed issues in this paper at its meeting in December and then provided written advice to Ofcom. We proposed that Ofcom should address a number of key points in the development of its regulatory approach. We asked how NGA could be used to ameliorate current, as well as prevent future urban/rural digital divides. This would necessarily involve Ofcom in considering its current work on geographic de-averaging in broadband markets and the scope for it; the desirability of Government and Regional Development Agency interventions; and the citizen issues arising from the provision of NGA. We advised Ofcom to ensure that BT cannot migrate services to its 21st Century Network until it is satisfied that it has resolved any problems about migrating any existing services to the new network. We said that particular attention had to be paid to social alarms and digital TV equipment. We believe that Ofcom could learn from how other countries are tackling these issues.

Co- and self-regulation

36. Ofcom has a project to consider the extent to which self-and co-regulation can offer an alternative to formal regulation. At the time of writing Ofcom is at an early stage in its work and has so far discussed with the Panel its evaluation of existing schemes, including alternative dispute resolution schemes in telecoms and initiatives to provide quality of service information.
37. We welcomed Ofcom's review of co- and self-regulatory models, looking at their strengths and weaknesses. The success and effectiveness of schemes are important to protect consumers from detriment. Examination of other sectors may also be useful because of the increasing shifts towards co- and self-regulation. It will be important to evaluate which enforcement processes or sanctions are effective - these are critical to the success of such bodies - and how regulatory powers in the communications sector are spread between those bodies and Ofcom, what 'back stop' powers Ofcom has and whether they are adequate, together with the level of fines that can be imposed on companies that transgress the rules. Alternative dispute resolution (ADR) schemes needed to be examined in the context of the wider complaint handling process.



Consumer protection issues

38. Early in the year we responded to Ofcom's consultation on migrations, switching and mis-selling. We welcomed inclusion of consumer protection as a key objective in Ofcom's 2006/7 Annual Plan.
39. We supported steps to ensure that consumers are in control of the switching process, are well informed, that the switch is seamless and the timeframe is minimised as much as possible. This would enhance a strong and competitive communications market in the interest of consumers. It would also provide the best in innovation and deals.
40. We argued that it was essential for consumers to be given the correct information to make the correct purchasing decisions. Companies need to explain to consumers exactly what products they are purchasing, so the consumer can decide whether they require the product. Consumers need to be aware of the time it takes to switch, migrate or receive new services and have information on their rights at the point of purchase, and on how and who to complain to if something goes wrong.
41. We welcomed Ofcom's new stance in formally opening investigations into companies engaged in mis-selling. A strong enforcement approach will resolve many of the issues by sending a signal to service providers that certain sales tactics are unacceptable. With increasing numbers of migrations occurring and the rise in Local Loop Unbundling (LLU) to permit companies to offer the 'whole' package to consumers, we felt that Ofcom should introduce a mandatory code of practice on sales and marketing for all the communication services included in its consultation.
42. We argued for a Single Code Process to ensure that consumers are in full control of the switching process. It would ensure that the consumer harm caused by slamming is greatly reduced. We strongly recommended to Ofcom that a Single Code Process should be introduced not only for the fixed line service but for broadband and LLU services.
43. During the year we have held regular discussions with Ofcom colleagues to discuss and monitor activity on matters related to consumer protection and consumer policy more generally - we recognise and welcome Ofcom's sharper focus on monitoring and enforcement and strongly welcome the action it took against some of the companies responsible for the menace of silent calls. We believe that there remains scope for swifter enforcement action and also for more swingeing penalties for wrong doing. If fines on companies are to have a real deterrent effect, they must be significant in terms of the companies' profits.



Telephone numbering

44. In May 2006 we responded to Ofcom's consultation on the safeguarding of future numbers and recognised the short-term need for number conservation in certain areas. We agreed with Ofcom's proposals on number allocations, in order to increase number utilisation. A system of free number allocation does not provide any incentive to a communication provider to use its numbers efficiently and a market-based allocation approach will hopefully remedy this. Looking ahead to an IP world, numbers will not need conserving and we would expect Ofcom to remove any market-based regulation from industry - fitting in with its intention not to intervene in markets where intervention is not required and to reduce regulatory burdens where this is possible.
45. We welcomed introduction of a non-geographic non-revenue sharing number on the 03 range. We hope, as does Ofcom, that it will provide a number range for organisations that desire a national presence but do not want to generate revenue - for example, public bodies. We welcomed the restoration of the geographic link to the 0870 number range set out in the consultation.
46. Our response also contained comments on a number of more detailed numbering issues, including a new number range on 06 to effectively re-launch personal numbers and service definitions for the differing number ranges. The latter would not only help consumer understanding of Ofcom's numbering plan but also help Ofcom combat scams and abuses, eg fax back scams on the personal number range. We felt that it was sensible for service definitions to accurately and precisely describe the service being offered and exclude those services which are not to be offered and do so in language which is comprehensible to consumers.



Stakeholder issues

Engagement with stakeholders

47. The consumer Panel works with a broad range of consumer groups, politicians, organisations and industry representatives to discuss and advance consumer (and citizen) interests in the communications market. Numerous meetings and discussions have taken place, involving the Chairman, the Deputy Chairman or members.
48. The Chairman and members have spoken at a range of fora. In February 2007 the Chairman spoke at the Westminster eforum event on the eConsumer on 'What is Consumer Literacy and why does it matter?'. In November 2006 Panel member Roger Darlington spoke at the autumn conference of the Voice of the Listener & Viewer (VLV) on preparing for digital switchover. In October 2006 the Chairman addressed the Associate Parliamentary Media Literacy Group on the topic of digital inclusion and older people. In July 2006 Panel members Bob Twitchin and Fiona Ballantyne presented to the Telecommunications Industry Forum on Disability and Ageing, on specialist equipment and on findings from the Panel's research on older people and communications technology.
49. In July 2006, to coincide with publication of *Older people and communications technology*, our qualitative research report on older people's attitudes towards the internet and digital technologies, we hosted a *Connecting older people* workshop to launch and discuss the research findings with key policy-makers (discussed in more detail in Section 2) and stakeholders.

Consumer Forum on Communications

50. The Panel hosts meetings of the Consumer Forum on Communications. The Forum meets quarterly and is made up of consumer groups, disability organisations and others. Forum members meet to debate, discuss and share information. Through this group, we identify the key concerns of different consumer groups and facilitate dialogue between them and Ofcom. This year, key issues raised and discussed during the Forum meetings have been the Panel's research on older people and outcomes from the *Connecting older people* event; stakeholder relationships and communicating with Ofcom; quality of service information websites; the European communications framework review; recent Which? reports on broadband and fixed and mobile telephone services; next generation access; broadband migrations; the digital dividend review; and internet security issues.



Panel activity in the Nations of the United Kingdom

51. The Panel meets monthly (minutes of meetings are available, all on our website), usually at Ofcom's headquarters but also outside London. This year we met in Cardiff in May and in Carlisle in October 2006. Panel members for the Nations and the member for the English Regions attend meetings of their respective Ofcom Advisory Committee for Scotland, Wales, England or Northern Ireland (the Panel members that lead on disability issues attend meetings of the Ofcom Advisory Committee on Older and Disabled People). Panel members have met with a number of groups, stakeholders and individuals. For example, the Cross-party Futures Forum at the Scottish Parliament; the Scottish Consumer Council, the RNID in Northern Ireland; the Consumer Council for Northern Ireland; and stakeholders at a reception in Leeds hosted by Ofcom's Advisory Committee for England. In Wales our Panel member has taken a close interest in BT's 21st Century Network, where roll-out has already begun.

International work

52. This year the Panel's international focus has been on promotion of the Consumer Interest Toolkit. In November 2006 the Chairman spoke to a number of officials at the invitation of the Directorate General for Health and Consumer Affairs, at the European Commission. This was followed up with a meeting with the newly appointed European Commissioner for Consumer Protection, May 2007.
53. From time to time overseas visitors to Ofcom have asked to meet the Consumer Panel. This year, for example, the Chairman met a delegation from the Post and Electronic Communications Agency of the Republic of Slovenia. Visitors from Slovenia were interested to discuss the role and function of the Panel.
54. Graham Mather takes the lead on communications issues in Europe and at Panel meetings has provided regular feedback on debates in Europe, eg on the issue of international mobile roaming. In December 2006 Panel members attended Ofcom's international conference Communications and Convergence: Challenges for 21st Century Digital Economies. Ofcom published a collection of essays under the title *Communications: the next decade* to coincide with its conference, one of which was contributed by Graham Mather.



Looking ahead

Researching consumer issues

55. During our first two years we commissioned research on consumers concerns and the state of consumer information in the communications marketplace and published detailed 'tracker' reports. Analysis in our 2007 tracker report is based on Ofcom research data.
56. During 2007-08 we will continue to refine our approach to research and any future tracker work. We will continue to publish reports on smaller specific projects. As reported in Section 2, in 2007-08 we expect to publish a literature review on communications and social exclusion, research on consumers' experience of digital switchover, on children and the internet, and on communications and small enterprises. Another topic is likely to be use of mainstream and specialist equipment, particularly in the light of our findings that there has been low awareness of specialist equipment amongst consumers with a disability.

Consumers in the digital world

57. We are keenly aware of the opportunities that will be afforded by the digital dividend, arising from the switchover to digital television, and will continue to engage with Ofcom as it grapples with a highly complex review. To date digital switchover has occupied the Panel intensely. The switchover programme is entering its implementation phase and we have decided to step back and concentrate our energies on other Panel priorities. We will continue to monitor DSO developments and intervene in debates when we feel that consumer concerns need to be addressed.
58. Of increasing interest to the Panel is the issue of digital participation - by older people, people with a disability, people on low incomes, people in rural areas and young people. We will continue to push for development of the information portal to encourage older people to get on-line (referred to in Section 2). Last year we held a *Connecting older people* workshop, this year we will be hosting a similar event on children and the internet, part of which will be to discuss Panel research finding.
59. The Panel has begun to engage with issues around next generation access. The future deployment - or absence - of broadband services capable of offering much higher upstream and downstream speeds could be critical to UK competitiveness and the pace of innovation in services for businesses, consumers and citizens. The issues are complex but the Panel intends to make a contribution to debates.



60. Of related interest to the Panel will be consumer anxiety in choosing and using communications technologies; consumer complaints handling and redress; enforcement activities by Ofcom and bodies like ICSTIS (the regulator for premium rate calls); and issues around poor or misleading consumer information.

What consumers want

61. We believe that there is one large issue which the Panel – or any one else in this field – has not been able to address effectively. This is the issue of building a capability for having direct contact with people who speak on behalf of consumers – or, perhaps, are themselves consumers. One avenue we have pursued to make this work is through the Consumer Forum on Communications, and we will continue with that endeavour. In addition, our and other research is part of the answer to “how do we know what consumers want or are troubled by?”. There is more that can be done to achieve this. During 2007-08 we will be looking at creative ways that might address this issue.

Deployment and development of our Consumer Interest Toolkit

62. We will continue with our work to promote the Toolkit widely, in the UK and elsewhere in Europe, and support other bodies with an interest in using the Toolkit in their sector. We will publish our Toolkit study of Ofcom’s mobile number portability project and later in the year we will again use the Toolkit to evaluate Ofcom’s success in capturing the consumer interest in another carefully selected policy area. Each exercise will allow us to further fine-tune and develop the Toolkit.



About the Ofcom Consumer Panel

Our statutory basis and purpose

1. The Ofcom Consumer Panel was established in early 2004 by the Office of Communications (Ofcom) under Section 16 of the Communications Act 2003. The Panel's primary function is to advise the board of Ofcom on the consumer interest in the telecommunications, broadcasting and spectrum markets (with the exception of content issues) and in addition other persons as the Panel thinks fit.
2. The Panel is concerned with access to communications regardless of whether this affects people as citizens or consumers. We represent the interests of people living in different parts of the United Kingdom and give informed advice about matters relating to the interests of older people, people with disabilities, low-income households, people living in rural and urban areas and small businesses in addition to other consumer groups.
3. We are independent of Ofcom, setting our own agenda and speaking out publicly on issues where we consider this to be appropriate but work constructively with the Ofcom board and other relevant bodies. The Panel has a memorandum of understanding (MoU) with Ofcom that defines the relationship between the two bodies.¹² The MoU was first drawn up when the Panel was established in 2004. It was reviewed in 2006 and changes were agreed by both parties to reflect our current working relationship and based on the experience of our first two years of activity.
4. The Panel consists of 11 part-time members with substantial knowledge of and expertise in consumer issues in the electronic communications sector.¹³ Amongst the Panel are members representing the interests of consumers in Scotland, Wales, Northern Ireland and England. Ofcom appoints members in accordance with Nolan principles.
5. The Ofcom Board approves the Panel's annual budget, including remuneration of members and to allow the Panel to carry out research.

Our strategic vision

6. The Ofcom Consumer Panel wants to see a marketplace where all consumers have sufficient knowledge, understanding and confidence to choose and use communications products and services that are

¹² www.ofcomconsumerpanel.org.uk/files/about/Mou.pdf

¹³ See Annex B



appropriate to their needs and lifestyle. Where the market fails to meet the needs of consumers the Panel wants to see that adequate measures are taken to ensure the satisfaction of those needs.

How we go about our work

Evidence-based policy-making

7. The Panel bases its advice on evidence drawn primarily from research but also from representations made to it from: its strong network of links with smaller, specialised consumer advocacy bodies in the sector; complaints data; and its contacts with the industry and others.
8. We conduct a substantial programme of research, including research exercises into single topics of major significance, such as our research focusing on children and the internet to be published later this year. More details of our research in 2006-07 are provided in Section 2 of this report. All of the Panel's research is published.
9. The Panel runs a network of specialised consumer groups, the Consumer Forum on Communications, which meets regularly and feeds into the Panel's work.
10. The Panel tries to ensure that it reflects the widest range of views from UK consumers. It therefore supplements the work of our Nations representatives by meeting from time to time outside London with key local stakeholders.

Work plan principles

11. There are a huge number of potential issues on which the Panel could carry out research and offer advice. As a consequence, the Panel could spend all its time on wide-ranging but superficial opinion-giving. In order to be effective therefore, the Panel is selective. To enable it to do this, we have developed and apply a set of principles that we use to direct how we set our priorities. The principles are:
 - **Relevance:** is this an issue which consumers have identified as a relevant concern in our annual consumer survey, 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 (ie others are not already engaged on the consumer issue) and for which some practical solution can be found?



- **Vulnerable groups:** would tackling an issue address the requirements and needs of those vulnerable consumer groups listed in the Act?
- **Communications Act themes:** the Act requires that the Panel is able to give advice on the interests of domestic and small business consumers in relation to the following matters:
 - the provision of electronic communications networks, services and facilities and relevant apparatus;
 - directories to enable their use;
 - the financial and other terms on which such services or facilities are provided;
 - service standards;
 - complaints-handling;
 - dispute resolution;
 - redress;
 - information about service standards and the rights of consumers; and
 - any other matters the Panel considers to be necessary for securing effective protection of communications consumers.

Early intervention

12. In order to give advice to Ofcom, the Panel is kept closely informed about Ofcom's work and has constant access to Ofcom at all levels. The Panel gains early sight of Ofcom policies and in this way assists Ofcom to factor in consumer concerns into its policies before they are publicly consulted on. A team of Ofcom colleagues provides support to the Panel and facilitates this.

Transparency and accountability

13. The Panel is fully transparent in its operation. We publish annual reports on how we carry out our functions, research findings, policy analysis and advice, agendas and minutes of our meetings. The Panel maintains a website to inform consumers of our activities on a continuous basis and issues a newsletter to a wide variety of interested parties.



Members of the Panel

Colette Bowe (Chairman) is a board member of Electra Private Equity plc, AXA Framlington and Morgan Stanley Bank International, a member of the board of management of the National Institute for Economic and Social research and a member of the Statistics Commission. She is also the Chairman of the Council of Queen Mary, University of London.

Ruth Evans (Deputy Chairman) is Chairman of the Bar Standards Board, the Regulator for Barristers. She is also a lay member of the General Medical Council and former Chairman of its Standards and Ethics Committee. She is a member of the Queen's Counsel Appointments Panel, a member of the Association of British Insurer's Customer Impact Panel and a member of the Advisory Board of ING Direct UK.

Azeem Azhar is a writer and analyst focusing on economic and social effects of new technologies. He is Head of Innovation at Reuters (he resigned from the Panel in May 2006).

Fiona Ballantyne is an experienced Director in the field of Marketing and Business Development. She is managing director of Ballantyne Mackay Consultants and a director of 4-consulting Ltd. She is also Chairman of the Edinburgh Branch of the Institute of Directors and a member of the IOD Scotland Committee, a director of Edinburgh Printmakers Workshop Ltd and a member of the Board of the Scottish Museums Council. On the Panel she represents the interests of people in Scotland.

Roger Darlington is a member of the Council of Postwatch, the consumer watchdog for postal services, a part time consultant to the communications union Connect and a part time trainer with the consultancy Lamont Associates. He represents the interests of people in England.

Simon Gibson OBE has broad management experience in high-technology industries in both North America and Europe. He is Chief Executive of Wesley Clover and his private company directorships include Celtic Manor Resort, Newport Networks and Enfis. He is a member of the Mitel Networks Advisory Board and a Director of IQE plc. He represents the interests of people in Wales.

Graham Mather is a solicitor and President of the European Policy Forum, an independent international research institute. He is a member of the Competition Appeal Tribunal, set up under the Competition Act 1998.

Kevin McLaughlin is a freelance trainer and consultant on disability issues. He is a member of the Northern Ireland Human Rights Commission and the Civic Forum. He represents the interests of people in Northern Ireland.



Jeremy Mitchell was formerly research director of Which?, Director of Consumer Affairs at the Office of Fair Trading and Director of the National Consumer Council. He has also been Chairman of the Scottish Advisory Committee on Telecommunications and a Council Member of the Telecommunications Ombudsman Service (Otelco).

Kate O'Rourke is a solicitor with an international law firm and Vice Chair of City & Islington Further Education College, as well as an advisor to a number of theatre companies.

Bob Twitchin is an Associate of the Employers' Form on Disability. He has a wealth of experience in telecommunications, some of which he contributes as a member of PhoneAbility.

Allan Williams is currently working on a PhD. He was Senior Policy Advisor at Which? – formerly Consumers' Association – until 2005, where he was responsible for telecoms, broadcasting and e-commerce issues.

Alan Horne was appointed to the Panel to fill the vacancy left by Azeem Azhar's resignation but resigned almost immediately to take up an overseas post.

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 were consulted. More detailed member biographies can be found on the Panel website.



Panel resources: budget and spend for 2006-07

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. Our budget for the 12 months ending 31 March 2007 was £935,673 - see the table below. Non-audited expenditure for this period was £751,920. In the table we have included the cost of the team of Ofcom colleagues that support the Panel.

	Budget April 06-March 07 (12 months) £000	Actual April 06-March 07 (12 months) £000
Panel members’ fees, expenses and support		
- Fees	238.9 (1)	217.5
- Expenses	56.1	37.6 (2)
- Ofcom colleagues	197.2	201.1
Professional fees		
- Research	230.0	177.8 (3)
- Consultants	82.0	67.4 (4)
Sundries	131.5	50.6 (5)
Total	935.7	752.0



Notes:

1. Panel members were paid flat fees as follows:
 - the Chairman whose commitment is up to 3 days a week - £52,428 per annum
 - the Deputy Chairman whose commitment is up to 2 days a week - £31,457 per annum
 - members whose commitment is up to 1 day a week - £12,583 per annum

The figure for fees includes employer's National Insurance.

2. There was an underspend on travel and subsistence.
3. The Panel was able to use Ofcom data to produce its 2007 tracker report, at a considerable saving. Other research spending was on a literature review on communications and social exclusion, supplemented by some quantitative research, and research on consumers' experience of digital switchover, on children and the internet, and communications and small enterprises. Research spend includes the cost of a contracted research manager.
4. Includes consultants who worked on a Consumer Interest Toolkit study of Ofcom's mobile number portability (MNP) project, legal advice on licensing the Toolkit and the Panel's media consultant.
5. There was an underspend on publications – publication costs for the tracker and other research conducted in 2006-07 will be incurred in 2007-08.



Contact us

The Panel can be contacted via the support team:

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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.