Ofcom Duties and the Use of Impact Assessments

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Outline of my presentation

- Purpose of Impact Assessments
- The elements of an Impact Assessment
- Examples of Ofcom's approach to Impact Assessments
- How IAs fit into our policy making process
- Timing and Planning of Resources for IAs
- Summary

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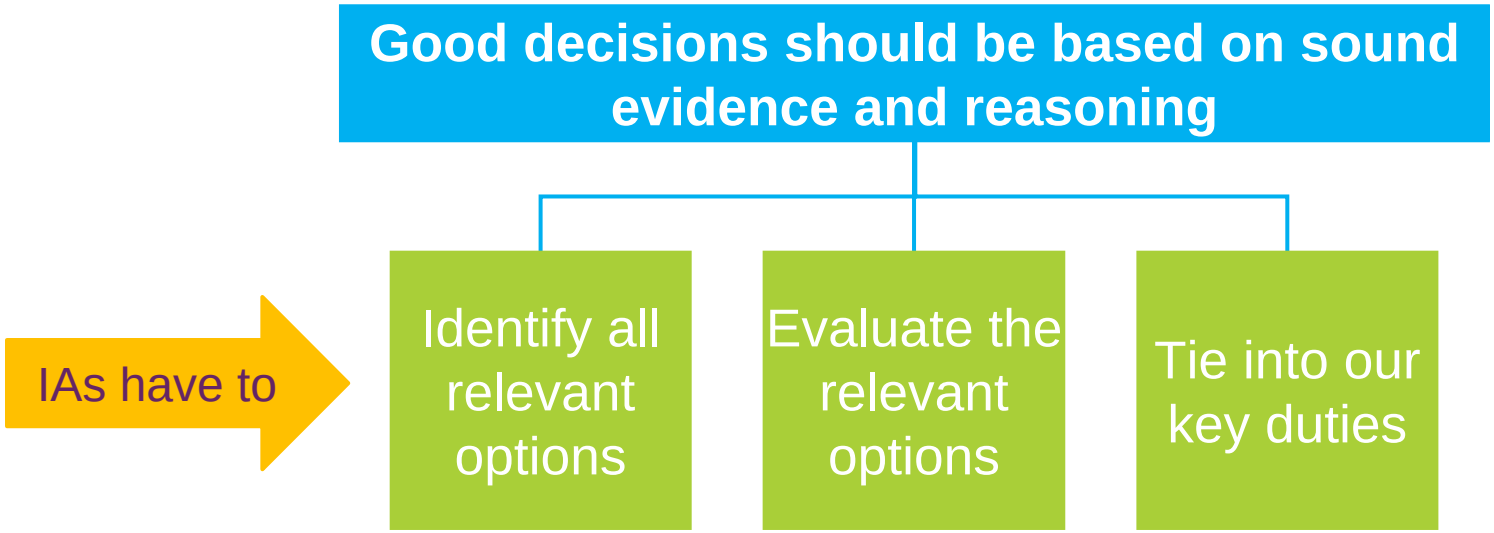
Purpose of impact assessments



- Our key duties in spectrum management (paraphrased)
  - Promote the welfare of consumers and citizens
  - Promote competition where appropriate
  - Secure efficient spectrum use (which tends to promote the welfare of consumers and citizens)
  - Make spectrum available for use where there is demand

Elements of an Impact Assessment

	Realigning Private Mobile Radio	Awarding the Digital Dividend
Question	**Should Ofcom force realignment of the UHF II band in the UK because of the risk of interference from neighbouring countries?**	**How should we award the digital dividend from switching over the UHF TV spectrum?**
Options	**Force re-alignment, or carry on the status quo**	**Auction spectrum, reserve spectrum for specific uses, directly assign spectrum**
Costs and Benefits	**<u>Direct benefits</u>: consumers; spectrum users (efficient spectrum use)** **<u>Indirect benefits</u>: social benefits (for citizens), changes in competition** **<u>Direct costs</u>: to spectrum users; to consumers foregoing potential services** **<u>Indirect costs</u>: Regulatory failure e.g. unintended consequences of intervention**	
Evaluation	**Quantitative assessment (& sensitivity analysis) – since we have a good idea of what costs may be incurred and what new services could be provided**	**Qualitative assessment: future uses, demand & technology are uncertain, or difficult to measure e.g. social value**

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Re-aligning private mobile radio in the UHF II band

Do nothing - Carry on the status quo

- Benefits: If interference becomes a problem, users and consumers will suffer, but the risk appears low
- Costs: If action needs to be taken in the future, it may be costly. However, the risk appears low
- Mitigating factors: individual operators may be able to re-align themselves by trading spectrum and we retain the option to intervene in the future

Intervene – force realignment

- Benefits: Additional value of the dividend.
  Quantification - compare prices of similar spectrum to estimate value
- Costs: Engineering and related costs from users realigning their equipment.
  Quantification – estimate the costs for a sample of companies and scaled up to all those affected

Note: we did not discuss who would pay if Ofcom had forced realignment at this stage

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Awarding the Digital Dividend– Mobile Broadband

Market - auction	Reserve for mobile & directly assign
• Benefits: efficient (if auction design is good) maximises benefits for consumers and users • Costs: May not secure social benefits of universal mobile broadband coverage	• Benefits: Players have certainty over spectrum • Costs: Regulatory failure, we may not know who the best mobile broadband providers are

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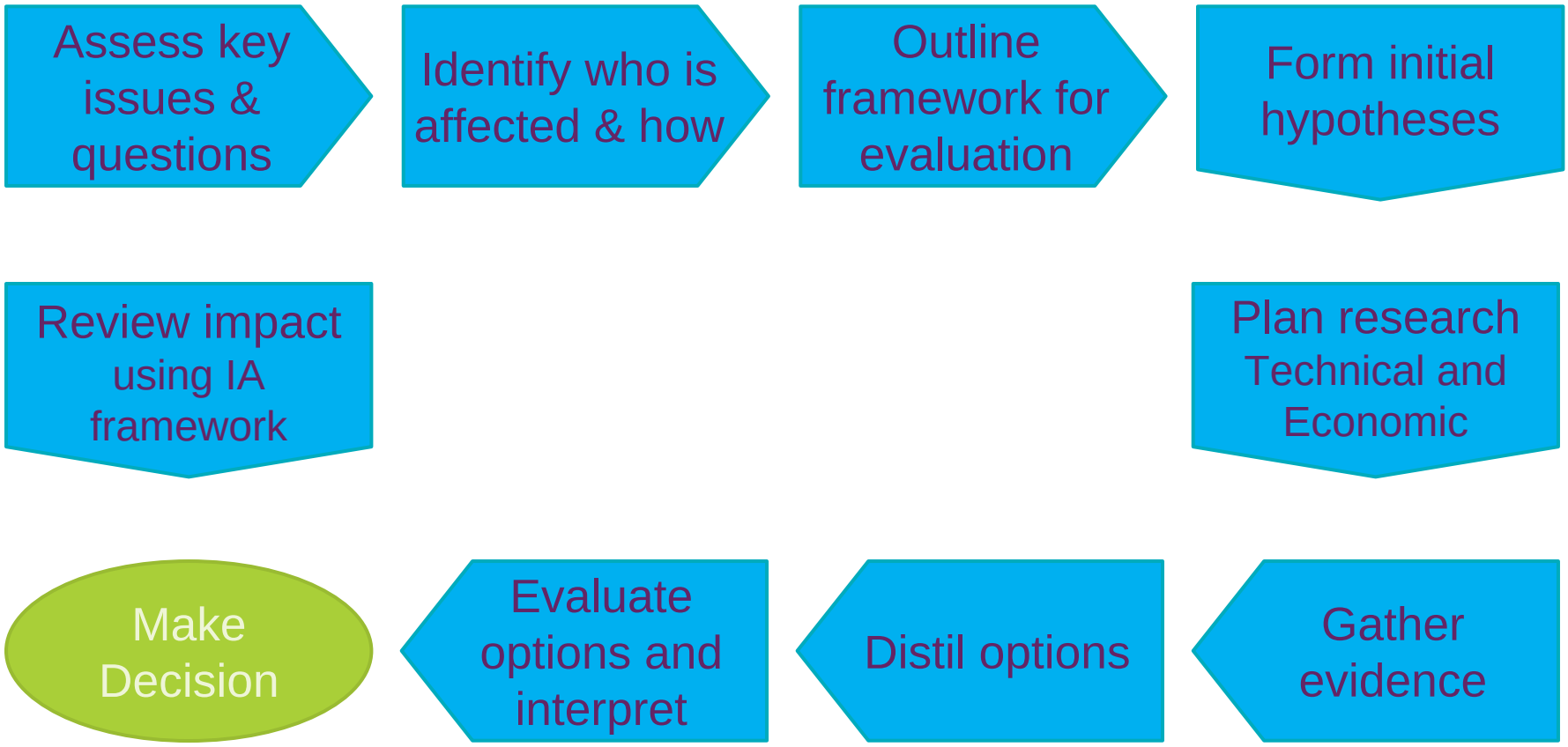
Awarding the Digital Dividend – Programme Making & Special Events (Ancillary Broadcasting Services)

Market - auction	Temporary reservation for PMSE	Reserve for PMSE and directly allocate
• Benefits: likely to be low as an auction is costly for these bidders and they may not enter • Costs: PMSE bidders need to coordinate to compete with other uses in auction. This is costly as there are many potential bidders. Social value associated with end use is not accounted for in auction	• Benefits: Social benefits from PMSE. If more valuable uses come along in the future, they can get access to the spectrum • Costs: Bidders may still need to coordinate transition to new spectrum. Since they have a transition period time, costs may be acceptable	• Benefits: Social benefits from PMSE. But, in long term, total benefits may be lower than in other options • Costs: High risk of regulatory failure e.g. assessing how much spectrum is needed for PMSE Also risk that other uses could bring more value overall (including social value)

How IAs fit into our policy making process



Impact Assessments and Ofcom's Consultation Process

- We carry out Impact Assessments at each of these stages
- Stakeholders can comment at each stage, and we have to consider their views
- If new information comes to light, we have to reassess, if not we may refer back to the previous IA
- Regulations are the only documents where the IA **has** to be a separate annex

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Summary

- IAs help produce better regulation
  - Our decisions are soundly evidence-based
  - We can show how our decisions relate to our duties

- IAs have helped Ofcom decide
  - Whether or not to go ahead with a policy – as in realigning the UHF II band
  - Where we do decide to do something, which option is best

- In our experience, IAs work best when they are part of the whole policy making process
  - from identifying the issues to evaluating the potential options

- Many different approaches – no one size fits all

- See “Better Policy Making: Ofcom's approach to Impact Assessments” - http://www.ofcom.org.uk/consult/condocs/ia_guidelines/

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