

The Rt Hon Sir Keir Starmer MP
The Rt Hon Rachel Reeves MP
The Rt Hon Jonathan Reynolds MP
By email

Dame Melanie Dawes
Chief Executive

Lord Grade of Yarmouth
Chair

15 January 2025

Dear Prime Minister, Chancellor, Secretary of State,

Thank you for your letter of 24 December, asking how Ofcom is contributing to economic growth across the UK, and where we could go further including in partnership with the Government.

At Ofcom we believe that good regulation and economic growth go hand in hand. This is particularly true in times of such rapid technological innovation and our Board has dedicated considerable time to considering Ofcom's role in supporting economic growth, including as the focus of the most recent Annual Board Strategy Day. The Government's ambitious response to the AI Opportunities Plan this week highlighted that technology will be central to the UK's future growth plans and there is a really important contribution for all regulators to make to this, including Ofcom.

Ofcom's central duty – set out in the Communications Act 2003 – is to further the interests of citizens and consumers, where appropriate by promoting competition, and having regard, amongst other things, to encouraging investment and innovation. We believe that this means serving tomorrow's citizens and consumers as well as today's, right across the UK. It means we must think about the investment the country needs for the future alongside concerns of fairness and affordability in the present.

Before turning to our plans for the next few years, and how these will support economic growth, it is worth highlighting that Ofcom's work over the past few decades has been materially shaped by huge waves of technological change and innovation. This change has affected all sectors, but it has revolutionised our communications industries. In 1984 – when BT was first privatised – the only way for most people to communicate was via a copper-based landline phone call or by sending a letter. Today we communicate over multiple different technologies – cable, satellite, fibre and mobile. We use text and messaging, photos and video as well as audio. We get news and entertainment over phones, laptops, tablets and connected TVs, and from social media and streamers as well as traditional TV and radio broadcasters.

This means that businesses across the communications sector – including telecoms and media as well as tech firms running social media and search services – have long been at the cutting edge of technology and they are well-placed to embrace the new opportunities of AI. For example, telecoms companies are already using AI to enhance network planning, optimise the building of networks, and detect and prevent fraudulent behaviour, and the TV industry is using AI to create more compelling visual effects in production.

This very high degree of change has also provided multiple opportunities for Ofcom, as the regulator, to work creatively to harness innovation to deliver good outcomes for consumers

alongside economic growth. For example, in the early 2000s one of Ofcom's first acts was to open up the new and emerging home broadband market to competition, so that we did not lock in the traditional monopoly power of BT. As a direct result of our regulation, companies like Sky and TalkTalk were able to offer new services and grow. The new competition we created kept pricing competitive and has since allowed us to withdraw elements of our regulation.

This is also a good example of Ofcom's long-standing published Regulatory Principles, which are available on our website. The first of these is that Ofcom will operate with a bias against intervention, albeit with a willingness to intervene promptly and effectively where required.

Our plans for 2025 and beyond

Ofcom's work programme is always developed with a high degree of transparency. Each year we consult on our forward-looking plan of work with all our stakeholders including the industries we regulate, consumer, citizen and third sector groups, the UK Government, the devolved Governments, and other public bodies. In January we will be holding a series of consultation events in every Nation on our draft plan for 2025-26, which we published in December.

Below we have captured five important pieces of work for 2025 which will directly support growth and innovation in our sectors. Because good digital connectivity increasingly underpins the economy, they will also benefit growth more widely. All are in tune with the Government's wider industrial strategy which rightly identifies both digital and technologies, and the creative industries as two of the eight growth-driving sectors for the UK.

First, underpinning continued investment in fibre networks. In 2025 we will finalise the second half of our ten-year framework for the economic regulation of fixed telecoms. Our strategy since 2016 has been to create a thriving new wholesale market for fixed telecoms by driving competition in fixed networks and creating incentives for investment from new players, while ensuring that there are sufficient safeguards in place to manage Openreach's Significant Market Power. This has so far been highly successful. The detailed framework which we set out in 2021 is underpinning investment in full fibre of £3-6bn a year. Full fibre now reaches 69% of households compared to only 6% in 2018, and at prices that are the same or even lower than older technologies. As well as the direct value of this investment, these new services are clearly central to growth across the entire economy. We will update our regulatory framework by early 2026 for the five years to 2031, aiming to maintain the stability and incentives that we have created. This work is highly complementary to the Government's ongoing work under Project Gigabit, which provides public funding for fibre in parts of the UK where the commercial case is not sufficient to drive private sector investment. As fibre rollout increasingly reaches the hardest areas, we also support the Government's work to remove barriers to fibre deployment including looking again at planning and permits.

Second, releasing highly valuable spectrum for innovation and growth across the economy. Ofcom has run several awards of spectrum to support mobile broadband growth and has long worked with industries such as maritime, aviation, aerospace, emergency services and defence. In recent years we have supported innovation in these areas, for example collaborating with the Civil Aviation Authority to support new commercial uses for drones, and also by enabling additional resilience for positioning, navigation and timing solutions for secure tracking, an alternative to GPS. We have opened up opportunities, ahead of Europe, for new private mobile networks to support the digital transformation of sectors as varied as mining, logistic, and ports. Over the next few years, in response to market changes, we are rapidly expanding spectrum allocations for space and satellite technology; we are making spectrum available to significantly increase the capacity to offer satellite broadband services to people and businesses; and we are developing spectrum licences to support

UK Space Launch capabilities. We are opening up new opportunities for high-capacity solutions for private networks by making available high-frequency mm-wave spectrum. And we will continue to support the mobile industry in the deployment of advanced 5G, and 6G. Supporting innovation is central to spectrum management – we consciously look to allocate spectrum to new use cases even when the commercial case is not yet clear.

Third, implementing the provisions of the Media Act 2024 to underpin the health and commercial future of UK TV and radio, which is central to the wider success of the UK’s creative industries. The Media Act updates the regulatory framework to create a more level playing field between our traditional public service broadcasters and the global streamers and tech companies which now play such a central part in bringing news and entertainment to the public. This work is strongly supported by our domestic industry and in 2025 our priority is to drive implementation as rapidly and effectively as we can, to secure the benefits as quickly as possible. However, ongoing tech disruption and fierce competition for audiences from global streamers is intensifying the mounting pressure on the future sustainability of Public Service Media. It is in this context that we are, in parallel, conducting a new review of the future of public service broadcasting. Public Service Broadcasters remain the largest commissioners of content from across the UK and are particularly important to investment in production in the UK nations and regions and to continued investment in skills and talent creation. Our new review will report this summer and will identify any further policy reforms that are needed to support this economically important sector so it can continue to grow and deliver for UK audiences.

Fourth, we always pursue opportunities to tailor our regulatory approach for small businesses, particularly as we implement the landmark 2023 Online Safety Act. The Act has more than 100,000 companies in scope, in a hugely innovative and dynamic sector. Clearly, significant improvement by the industry is required to deliver a safer life online for the public, especially children. But the services we regulate vary considerably in size, resources and business models and include many small or medium-sized enterprises (SMEs), including start-ups, community/voluntary services and services that have not been regulated before. To manage the costs on these businesses we have developed a dedicated **Digital Support Service** which provides interactive guidance to help organisations understand and implement the rules. We have co-designed and tested these tools with more than 45 firms, mostly SMEs, to understand what they need and how Ofcom can help. A simple Regulation Checker is already live (six questions to decide if you're in scope) and has been used more than 3,000 times since February 2024. The first phase of this wider service will launch in beta later this month.

Finally, we recognise the need for regulators to innovate in how they operate so they can respond effectively to technological and market developments and support innovation. In 2020 we established the Digital Regulation Cooperation Forum with ICO, CMA and FCA because we saw the need to collaborate across our regulatory boundaries to join up on multiple levels. Most recently we have together piloted the DRCF AI and Digital Hub, supported with Government funding. This is a free informal advice service for tech innovators, enabling product developers to bring their products to market safely and quickly. And at Ofcom we are also trialling a new regime for spectrum licensing, granting organisations temporary access so they can test technical solutions before they launch commercially.

This provides a snapshot of five of the main areas where Ofcom’s plan for 2025-26 and beyond will directly support economic growth across the economy. There are, of course many other active projects, including our plan to put Royal Mail’s universal service obligation for postal services onto a

more sustainable footing for the future, so that it continues to support both households and businesses across the UK. We would be very happy to share further details of these if this would be of interest.

When it comes to measuring our impact, the very nature of our work – which is to support private sector decision-making – can make it very difficult to isolate the specific changes we have driven. However, we have a strong evaluation programme led by our Chief Economist and we would be happy to discuss with your officials how this works, and the main success measures that we track and monitor.

Our partnership with the Government

We have a close and collaborative relationship with our sponsor Department, DSIT, and also with DCMS on media and broadcasting, and DBT on postal industries. We welcome this, and also the work that those departments are currently doing to finalise the Government's Statements of Strategic Priorities for our industries for the new Parliament.

We are already working with DSIT and DCMS on two issues which we believe are particularly important to boosting productivity and growth, and on which we think we can all go further with Government leadership:

- **Mobile investment.** Although mobile coverage is available across most of the country, in many places it is unreliable or patchy, which limits what people can do and what they can rely upon mobile to do for them. We have supported the CMA in the Vodafone/Three merger review which has resulted in a commitment from the merging Parties to significantly improve investment in the reliability of their network, and its capacity and performance. As part of the review's outcome Ofcom will monitor and enforce against this network commitment. But there is clearly a question about where further investment by all operators may be required to provide reliable mobile coverage in parts of the UK where it is still not adequate. Ofcom is currently overhauling our mobile coverage web-checker which helps consumers understand what mobile coverage is like in their area. This will improve transparency and should drive stronger incentives amongst mobile providers. We have also recently consulted on updating our annual licence fees for mobile spectrum, which would reduce costs for operators in some areas. But Government coordination may be needed to drive further investment in mobile infrastructure in the UK, particularly to ensure that areas with the greatest potential to increase productivity – and/or where the commercial case for investment is weaker – are given due priority. One example is mobile connectivity across the rail network.
- **Digital transition.** Although new networks, including full fibre, are increasingly available to consumers, take-up lags behind and Ofcom's research shows that approximately 2.8 million adults (5%) do not use the internet at home through any means. This presents a barrier to economic inclusion and ultimately to economic growth and public service transformation. Without rapid adoption of fibre the opportunities for growth from new technologies will be constrained, and there will be ongoing costs for many public and private industries as they need to run old and new technologies together. Ofcom will soon publish new analysis so we can better understand the barriers for the remaining groups who are offline, to frame the challenge. We are already working with DCMS on the specific question of the future of TV distribution, which is highly dependent on the future take-up of modern home broadband. But we welcome Government coordination

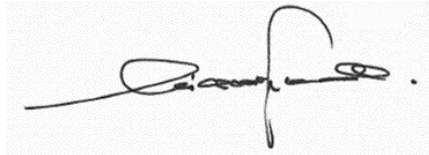
and ambition in this area and we would be very happy to support that with the levers we have at our disposal.

We would be very happy to engage with the Government in these or any other areas where you believe that Ofcom's work could support the growth and health of the UK economy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Melanie Dawes'.

MELANIE DAWES

A handwritten signature in black ink, appearing to read 'Michael Grade'.

MICHAEL GRADE

(Lord Grade of Yarmouth)