



JRC Comments on Ofcom's consultation: "Modifications to Spectrum Pricing."

6 July 2006

Key Points

- ❑ JRC welcomes the **opportunity to comment** on this consultation.
- ❑ The **financial impact** of this consultation when taken together with the related consultation, indicates that 6.5% of licensees in the Business Radio Technically Assigned licence class will face price increases in excess of 100%. When the Government's own inflation target is 2.5%, to impose such enormous increases on regulated industries is iniquitous.
- ❑ Given the complexity of this document and its companion consultation "Business Radio Trading & Liberalisation" JRC considers the **consultation period inadequate**, especially running over the holiday season. This has made it impossible for many respondents to assess the full implications for their businesses in the designated consultation period.
- ❑ Notwithstanding the above comment about the inadequacy of the consultation process, JRC wishes to record its **gratitude for the response of Ofcom staff** in analysing the impact of the documents on a number of sample licensees, responding to enquiries and attending meetings during a difficult time of the year.

Consultation Questions

0.1 Although JRC's comments do not align neatly with the **eleven questions**, we have arranged them in such a fashion to ease Ofcom's analysis of the responses.

0.2 JRC answers these questions from the perspective of the **radio spectrum manager** for UK **gas** transmission and distribution networks, the **electricity** generation, transmission and distribution industries, and elements of the **transportation** sector. These industries use radio communications to support the Critical National Infrastructure, failure of which returns western society to the Middle Ages with a potentially major damaging impact on the economy as well as the lives of individual citizens.

0.3 Several JRC member companies have only in the last week before the close of the consultation been able to obtain details of the precise impact of these proposals on their operations. As well as being covered by this response, a number of companies wish to comment on the impact of the proposals in their special circumstances. It is hoped that these complementary comments will be accepted, even if submitted slightly after the formal closing date.

Question 1) Do you agree with Ofcom proposals to simplify the fees charged for Business Radio Light Licence Class?

1.1 The proposals for the light licence class appear sensible, but it appears that the reduction in licence costs for this category of user is being recovered from the professional radio users which is inequitable.

Question 2) Do you agree with Ofcom's fee proposals for the Business Radio Area Defined Licence Class?

2.1 If JRC is interpreting the Area Defined Licence class correctly, the title is a misnomer: Licences can only be purchased from England, Wales, Scotland and Northern Ireland. It does not seem possible to buy a licence for a defined area as implied by the title. If this is the case, there is a vast disparity between the population of England and the remaining country areas. This disparity could be addressed in the following ways.

- England could be broken down into regions, varying in size between Wales and Scotland. Although it could be argued that this introduces troublesome boundary conditions, this is already the case between the constituent countries of the United Kingdom, so processes have to be in place to cover those boundaries in any case.
- A user could designate the area he wishes to include in his network (in our case an electricity or gas distribution network area), and Ofcom could licence the area based on the population within the radio coverage area. The user would then be at liberty to deploy whatever network he wished in that area provided he respected the boundary conditions.
- Users could be able to purchase spectrum in the 50kmx50km grid squares so that they could ensure the area within which they wish to provide the radio service is licensed and protected from interference.

2.2 The current design of area licences appears to be aimed at facilitating trading, but the high prices for national radio channels (and thus Area Licences) makes it difficult to see how a business case can be constructed which develops this trading. If Ofcom wishes to encourage trading of licences amongst small and medium size enterprises and for a flourishing market to develop, the price of a national channel licence will have to fall.

2.3 If one looks at the price of a national channel, it is possible to 'fill' the entire channel by selecting 60km radius coverage cells, thereby securing coverage of the entire UK for much less than the national channel fee. This supports our case that the national channel fee is excessive compared to alternative licences, and encourages large high sited cells rather than more spectrum efficient smaller cells.

Question 3) Do you agree with Ofcom's fee proposals for the Business Radio Technically Assigned Licence Class?

3.1 The technically assigned license class has been designed to accommodate many classes of existing licence categories, but in doing so has resulted in a substantial negative impact on trunked radio systems when interpreted in conjunction with the companion licensing document. In the case of the larger trunked radio systems, designed to use spectrum efficiently, the cost will rise by over 100% as described in paragraph A5.11 of the pricing document. In monetary terms, this can be an increase of several tens of thousands of pounds.

3.2 The result will be that either:

- The cost increase forces the business radio network to close as it will no longer be cost effective: or
- The user will assign different channels to every transmitter in each cell, consuming far more spectrum than currently (on the basis that if you have to pay for each transmitter separately, you might as well put every site on a different frequency to avoid sharing channels as in the current spectrally efficient schemes.).

3.3 JRC proposes that for trunked radio systems in the Technically Assigned Licence class, the user may licence a 'virtual' base station with a protected service area equivalent to that occupied by a number of smaller trunked radio transmitters installed within the designated area, all sharing the same frequency. In this way, the trunked radio system may be licensed at a cost commensurate with a simple business radio system, but having the desired trunking properties. This would encourage retention of the current spectrally efficient trunked radio system, fulfilling Ofcom's overall objective of spectrum efficiency.

3.4 The technically assigned licence class assumes a design and standard of service which may not adequately represent the highly resilient and high availability trunked radio systems used to support elements of the strategic national infrastructure, such as the utilities.

3.5 Following on from above, it would appear unwise to allow trunked and non-trunked radio systems to share the same spectrum. One of the inherent benefits of a trunked radio system is that it is not possible for a mobile unit to transmit unless it detects a network (in the same way as a cellphone cannot transmit unless it has a service). With non-trunked radio systems, a mobile will generate a transmission when the user presses the 'talk' key, even if it is well outside its intended service range. Thus trunked systems have inherent protection against use outside of their intended area, which non-trunked systems do not. It is thus sensible to partition the two types of system at the assignment level to protect trunked radio users, who tend to be the more critical users – utilities, transportation, etc.

3.6 Licence fee increases for existing licence holders should be capped at a rate of increase in line with the government's inflation target, ie 2.5%. It is difficult to understand how the government can expect the private sector to constrain costs when one of their agencies proposes increases in excess of 100% for the same service.

3.7 Licence holders in bands due for closure, most particularly VHF Band III should not be subjected to any fee increases. As they cannot take advantage of the new flexibilities by trading a licence due for revocation, it is difficult to see how Ofcom can justify increasing their cost.

Question 4) Do you agree with proposed modifications to the algorithms for each satellite earth station licence class?

No comments.

Question 5) Do you agree with Ofcom's PMSE fee proposals?

No comments in the time available.

Question 6) Do you agree with these proposals for simplifying the fee for community radio?

These appear sensible provisions.

Question 7) Do you agree that this proposal will encourage efficient surrender and reassignment of fixed links and with the change for the channel Isles and Isle of Man?

No comments.

Question 8) Do you agree with this proposal for self co-ordinated links in the new bands?

No comments in the time available.

Question 9) Do you agree with the proposed extension of the licence classes for public wireless and fixed wireless access network licences in the Channel Islands and the Isle of Man?

No comments.

Question 10) Do you agree with the other proposed amendments to the WT Act licence charges regulations?

No comments.

Question 11) Are there any points you want to raise concerning the payment methods proposed?

JRC hopes that existing arrangements for staged payments of large licence fees payable by Small and Medium Sized Enterprises will continue in order to assist their cash flow.

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