



JRC Comments on Ofcom's consultation: "Business Radio Trading & Liberalisation."

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 "Modifications to Spectrum Pricing" 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 **eight 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) Ofcom would welcome comment on its proposals for the Business Radio Technically Assigned Licence class

1.1 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 pricing 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.

1.2 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.).

1.3 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.

1.4 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.

1.5 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.

Question 2) Ofcom would welcome comment on its 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.

Question 3) Ofcom would welcome comment on its proposals for the Business Radio Light Licence class

3.1 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 4) Do you agree with Ofcom proposals to extend trading in the Business Radio sector?

4.1 JRC welcomes the principle of extending trading to the Business Radio Sector, although we recognise there are a number of potential dangers with this approach.

4.2 In the specific implementation proposed by Ofcom, if JRC understands the process correctly, there appear to be some inconsistencies surrounding the 'country areas' and 50kmx50km grid squares for trading. By way of example, if 'A' buys the area licence for Wales, and 'B' buy an area licence for England, how can 'B' trade the grid square which includes Liverpool when part of it belongs to 'A' who is serving Wrexham using his Wales area licence? If JRC's understanding is correct, the answer may be to move to 50kmx50km grid squares and dispense with the 'Country' area Licences.

Question 5) Do you agree with Ofcom proposals to extend trading flexibilities?

Yes in general.

Question 6) Do you agree with Ofcom proposals to extend trading to the UHF1 band?

Yes.

Question 7) Do you agree with Ofcom's proposals to extend information currently available about tradable licence classes to those licences made tradable as a result of the proposals set out in this document?

Although this provision is desirable in principle, there are concerns that it will increase the vulnerability of the communications supporting some of the UK's safety critical radio communications infrastructure. Although it is obviously impossible to conceal these elements of the vital communications backbone completely, it is nonetheless foolish to make it easy for those with hostile intent to obtain the necessary data to disrupt our strategic national infrastructure. To achieve Ofcom's objectives whilst providing an element of protection to the services operated over the radio networks, radio licensees must be able to nominate an agent whose name will appear on the spectrum and licensing registers. The agent will then be able to handle enquiries on behalf of the user, while providing a degree of anonymity. In the same way, where there are multiple names on a licence, only the first name should appear on Ofcom's publicly available registers.

Question 8) Do you agree with Ofcom proposals to extend licence term to 5 years notice period?

Yes

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