

Paul Johnson Sound Engineers Ltd

32 Parkhurst Road • Arnos Grove • London • N11 3EL • Tel : 020 8361 0381 • Orange : 07973 174985

Paula Guest
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

18 March 2007

Dear Paula Guest,

I am writing with regard to the Digital Dividend Review. I am the Director of a small Sound Engineering Company and have 20 years experience in the professional audio industry. I am very concerned about the proposed auction of the radio spectrum proposed by Ofcom as in its current form it may well be extremely detrimental to many members of the Programme Making and Special Events community. I have carefully read and entirely endorse the following statements:

1. It is unanimously agreed by the PMSE Pro User Group that it is impossible for the PMSE sector to enter a spectrum auction for spectrum release.

- i) Ofcom must acknowledge the inability of the PMSE sector to compete at auction. The PMSE sector is a disparate, diverse and diffuse community of content producers, manufacturers and rental organisations. Many of its members are extremely small and there is no way they could compete at auction. They possess neither the financial resources nor is there a mechanism to coordinate bidding for the collective needs of this community. The PMSE sector encompasses many different spectrum users. Last year spectrum managers JFMG recorded applications from over 600 organisations and individuals for spectrum usage, which resulted in 32,000 individual spectrum assignments (excluding Channel 69). These may range from large high end spectrum users such as TV broadcasters, London Theatres or live events to much smaller local community users.
- ii) The PMSE sector feels that for them, an auction mechanism for the release of spectrum is deeply flawed. Even if the sector were able to find a means for entering a spectrum auction, an auction system is in itself totally unacceptable. In engaging in an auction, the PMSE sector would be initiating a process that would lead to market failure. It is the PMSE Pro User Group's genuine belief that the PMSE sector could not be successful in securing spectrum at auction. Therefore the industry would be without access to a critical component of content production. Without access to spectrum the industry could not operate at current levels, leading to severe damage to the functioning of the British Entertainment Industry.
- iii) The likelihood of the PMSE sector losing in an auction process is only made more certain by any increase in the value of the likely bid. Ofcom's supposition that this spectrum is likely to be of only limited value is undermined by both a letter from Dell Corporation regarding spectrum's value and by the Vodafone RSPG Public Consultation document on the implications of the Digital Dividend. Additionally, at the Westminster eForum held at The Brit Oval on 28th February 2007 a consultant contracted to Microsoft publicly stated that Microsoft saw "huge potential in the 'white spaces' i.e. interleaved spectrum.

Paul Johnson Sound Engineers Ltd

32 Parkhurst Road • Arnos Grove • London • N11 3EL • Tel : 020 8361 0381 • Orange : 07973 174985

- iv) The PMSE Pro User Group believes that auctioning spectrum without restriction to a third party could also severely disadvantage the PMSE sector, and could itself initiate a process that could lead to market failure.
- v) The PMSE Pro User Group therefore proposes the concept of the 'gifting' of spectrum on an annual rental basis to a single band manager. This band manager would be committed to the needs of the PMSE sector and competent to manage interleaved spectrum. It would be independent of Ofcom, and Ofcom would not therefore be responsible for the organisation or charging of authorised spectrum usage by the PMSE sector, as these responsibilities would pass to the single band manager. The band manager would be charged with licensing the usage of frequencies used by Local TV and the PMSE sector.
- vi) In addition the PMSE Pro User Group advocates that channels 67 and 68 be held back for low power use. They would also suggest that there is considerable potential of opportunities for band sharing between PMSE and low power users. This would lead to more efficient spectrum use but on a low power basis. As to the value to society, low power use enjoys 100% coverage giving it immense social value.

The PMSE Pro User Group also advocates that channels 67 and 68 should be reserved for PMSE use on a similar basis as outlined in *Key Point 1, vi*. This would provide several advantages as it would allow three TV bands of contiguous spectrum that could be used nationwide. This proposal would therefore address the lack of spectrum that is available on a national basis. (*See Key Point 3*). It would also engage with a significant part of the problem of the legacy of redundant equipment. Furthermore it would also act as a buffer to the Channel 69 community usage, as well as recognising the potential shortage of spectrum available in the digital interleaved spectrum.

2/ *Current Ofcom estimates as to the value of the equipment currently used by the PMSE sector are wildly inaccurate.*

- i) The suggestion by Ofcom that there is at present around £10 million worth of equipment that would become redundant as part of the DDR, is wrong and underestimates the figure by at least a factor of five. One single medium sized company *Autograph Sound* alone has around £7 million worth of possibly affected equipment. Any analysis of other major manufacturers, for example the companies *Shure* or *Sennheiser*, would show that Ofcom's estimates are entirely incorrect.
- ii) One of the consequences of these calculations is that Ofcom have drawn together an unrealistic account of the ability of and time needed for the PMSE sector to adapt to proposed changes. Instead the PMSE sector must be given sufficient time that would fairly allow them to amortize the value of current equipment that will become redundant under current plans. In addition due consideration must be given to the fact that a considerable amount of this equipment will be unsuitable for upgrading due to the restrictions imposed by the RoHS directive.
- iii) Ofcom also needs to acknowledge that even equipment, for which full depreciation has taken place, continues to hold value within the industry because of the longevity of the equipment itself and the rental nature of part of the PMSE sector. This means that equipment filters down through the industry. Proposed changes would abruptly end the life cycle of this equipment by making it entirely redundant.
- iv) Ofcom needs to provide a timetable for spectrum release that is sufficiently long to allow the manufacturing industry to produce in sufficient quantity, equipment capable of utilising newly available frequencies in such a way as does not disrupt their production.

Paul Johnson Sound Engineers Ltd

32 Parkhurst Road • Arnos Grove • London • N11 3EL • Tel : 020 8361 0381 • Orange : 07973 174985

It would take between 10-15 years for a company in the industry to build up an inventory of stock to match current levels. Therefore 2020- 2025 is a more suitable date to complete the transitional period of the DDR.

3/ De-Regulated Channel 69.

- i) The PMSE Pro User Group believes there are three fundamental points to consider about Channel 69.
 - a) It is the only UK wide TV band available for PMSE use
 - b) Its users constitute a large proportion of smaller professional PMSE spectrum users
 - c) If it were deregulated the possibility exists that manufacturers could choose to stretch the definition of what constitutes a radio mike, and as a consequence the bands used for professional PMSE use would become dominated by non PMSE equipment.

As a consequence the PMSE Pro User Group is opposed to the deregulation of Channel 69 because existing PMSE needs, as well as those of amateur users require interference free use of spectrum. If the PMSE sector uses a deregulated Channel 69 for professional use it is certain that sound production will suffer from interference. Consequently it is an absolute fundamental that the spectrum used by the PMSE community is licensed and coordinated by a single band manager.

I sincerely hope that Ofcom takes note of the above and amends its proposed radio spectrum auction appropriately.

Yours sincerely,

Paul Johnson