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From the Group Strategy and Regulatory Affairs Director

BAA

Professor Martin Cave
Independent Review of Radio
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23 July 2001

Dear Martin

Thank you for your letter of 14 June. My apologies for the delay in replying, but as you can imagine I needed some technical advice!

The parallels between Radio Spectrum allocation and Airport capacity allocation are interesting. In both cases we concur with the general objective of economic efficiency, and the contribution which can be made by pricing. However, three important caveats apply in both cases.

Firstly economic allocation decisions need to be achieved with due regard to the consequences, and how these match with any public policy objectives of government. In the airports case, efficient allocation of scarce runway slots might drive out regional lifetime services; it is not clear which users would be driven out by market clearing prices for the radio spectrum, and whether this would be palatable to the government in the light of its priorities.

Second, one of the dangers of airport allocation may be that one airline may acquire market dominance by hoarding slots. It is important that no Radio Service Provider is able to buy enough bandwidth to create an artificial local monopoly.

Third, in both cases these may be significant externalities. For airports congestion is the obvious dimension. For radio spectrum the dangers of excessive power and transmission outside the specified bandwidth need careful control. In addition, there is scope for greater capacity utilisation through managed frequency hopping, which might be difficult to integrate into a simple auction system.

Turning to our specific interests, the aviation industry is a very large user of local frequencies, both for Air Traffic Control, and for essential airport operations. We use local frequencies for fire cover, airfield safety, passenger security and engineering. Airlines use radio for aircraft dispatch and other purposes. Very little of this use is discretionary or wilful - little status and considerable inconvenience is attached to carrying handsets.

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One of the complicating factors at airports is that users require considerable infrastructure, including aeriels and leaky feeders to maintain coverage, especially in terminal buildings which are effectively Faraday boxes. These facilities are provided by licences or wayleaves granted by the airport operator for a consideration. This consideration may interact with any new access charging regime.

I hope that these comments are useful. If you would like to discuss them further, with our technical experts or economists, please let me know. In the meantime we have produced the attached note on the subject of Wireless Exempt Spectrum, which is referred to in your paper

With best regards

Yours sincerely

Mike Toms