

D. Storey Esq.  
Secretary to Radio Spectrum Management Review  
C/O Radio communications Agency  
Wyndham House  
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London  
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17 August 2001

Dear Mr Storey

**Re: Channel 5 Response to the Radio Spectrum Management Review**

We are writing to set out our response to the consultation paper on Radio Spectrum Management, which deals with matters that are of fundamental importance to Channel 5 and to the UK broadcasting industry in general.

**Channel 5 History**

Channel 5 launched as the UK's fifth free terrestrial television service on 30 March 1997. It's licence from the ITC allowed it to broadcast from 33 transmitters across the UK reaching 70% of homes (about 16.5 million people). This compared to the other four terrestrial channels - each using over 1,100 transmitters to cover 99% of homes. The level of our coverage was determined by the limited number of remaining broadcast frequencies that could be used without clashing with either the signals of the then four terrestrial TV channels, and disrupting viewing, or the signals of neighbouring countries.

Before broadcasting could begin, Channel 5 was faced with the huge task of retuning video, cable and satellite equipment in over 9 million homes across the UK. It mounted the largest house-to-house operation since the conversion to natural gas, involving 6,800 retuners and at a cost to the Channel 5 shareholders of £140 million.

Since then, by negotiating for additional transmitters to be made available and/or paying for various engineering/transmission adjustments, Channel 5 has extended its analogue coverage to approximately 82% of UK homes, using 49 transmitters. We are also available on all of the delivery platforms – analogue and digital, terrestrial, cable and satellite. Our audience share grew to 5.7% in 2001 and we have given a huge boost to the independent production sector by commissioning an extra 4,500 hours per year of originated programmes.

## **Review document - paragraphs 63 – 84 (Broadcasting)**

### Efficient use of spectrum

Broadcasters use of spectrum is comparatively very efficient, each of the individual channels is re-used across the UK over 40 times. Because of the restriction on the available block of frequencies allocated to television, and the desire to cover as much of the population as possible at the lowest cost per household, the spectrum planning carried out jointly by the licence holders, the transmitter contractors and the regulators is highly efficient. For example, if the BBC or one of the commercial companies proposed a plan which was unnecessarily wasteful of the resource, the other parties would not allow it to go forward.

Unlike other users who have to keep frequencies allocated but not in use in case they are needed (the emergency services, military, all mobile radio users) broadcasters are transmitting information on all of the allocated capacity 24 hours a day.

### Spectrum pricing

In our view, the RS management review does provide a valid description of many of the factors affecting use of radio spectrum by the broadcasting sector. We agree in particular with the point made in paragraphs 73 and 81 that:

*“where broadcasters have been subject to an auction to assign spectrum and broadcast licences (eg Channels 3 and 5), the resulting franchise fees can be considered in part as payment for spectrum usage”, and “the franchise fee ... already implicitly incorporates a charge for the use of the analogue spectrum.”*

The payment for our use of spectrum was a fundamental part of our licence fee, agreed at auction in 1996. We would also stress that the very creation of Channel 5 has encouraged the efficient usage of spectrum on channels 35 and 37.

We agree with the Government’s position (paragraph 74) as outlined in the Communications White Paper, that the extent to which payment for spectrum is required will need to continue to take into account the particular circumstances of Broadcasting. We believe that there will need to be significant further developments of other delivery platforms before this link erodes. For Channel 5 these circumstances include:

- The substantial payments we already make :- £24.8 million cash bid and nearly £1 million for the licence.
- Our public service broadcasting commitments to originate a required minimum of:

9 hours per week – News

2 hours 30 minutes per week - Current Affairs

1 hour per week – Religion

11 hours 40 minutes - Children's Programming of which 9 hours 10 minutes is Children's information.

And indicative targets of:

2 hours per week – Documentaries

3 hours per week – Education

30 minutes per week – Arts

12 hours per year – Drama (excluding soaps)

As well as commitments for Audio Description, Signing and Subtitling

- The cost of our simulcast on DTT and DSat (about £12 Million p.a) - thus promoting and advancing the proposed switch to digital - as well as the significant costs and investments associated with analogue terrestrial transmission and distribution.

We are, therefore, extremely concerned about the statement (in paragraph 81) that:

*“the review will examine the scope for ‘unbundling’ the franchise fee to recognise explicitly the value of spectrum usage by each of the franchisees”*

It is our belief that we bought a ‘right to broadcast’ in an auction which, by its very nature, put a value on the spectrum.

The valuation of spectrum is complex and is dependent on a wide variety of variables and circumstances. As such, the actual valuation will fluctuate depending on external market conditions.

Any retrospective form of valuation which, for example, gave a fixed cost per MHz for spectrum would, first and foremost, be inappropriate but if undertaken would unfairly penalise Channel 5. Such a simplistic approach would take no account of the ability to exploit that spectrum, and the costs associated with it and would discriminate against broadcasters such as Channel 5, in comparison with ITV who, for historic reasons and reasons of scale, have the capacity to generate far greater revenues.

Channel 5 coverage is the most efficient use of spectrum of any of the channels, achieving 82% population covered using only 15 different channels, two of them (35 and 37) had never been used previously for broadcasting. Their availability was only made possible by moving aircraft radar on to 36 and by Channel 5 Broadcasting investing £140 million to clear the spectrum of VCRs and other equipment. In addition, Channel 5 has 49 transmitters whereas each of the other channels has over 1000. Any discussion of fees would also need to take these factors into account.

Spectrum sharing for broadcasting services (paragraph 81) already takes place; it is shared between all broadcasters and they also use the same allocation for radio mics and other communication links used for programme production.

### Encouraging Spectrum Efficiency

Question XX1: *How can the Government's commitment to value the spectrum used by broadcasters be implemented in a way which encourages spectrum efficiency?*

The suggestion in paragraph 82 is that, although there is currently no charge to multiplex operators for the use of radio frequencies to carry digital TV, this might change after analogue switch off. Such a prospect would defeat the whole object of having an incentive to move to digital only coverage.

Clearly, a migration from analogue to digital broadcasting would increase the efficiency of spectrum use. The report shows that six digital channels can be fitted into one analogue channel. However, the benefit is only available once the analogue service has been turned off, and that can only be achieved once there is sufficient digital coverage (either through digital terrestrial, cable or satellite services).

We believe that, to achieve the digital coverage required, it should be acknowledged that satellite reception should be used to cover those areas not within the coverage area of the main transmitters. This would have the effect of speeding up the changeover, eradicating the need to build costly additional transmitters and be efficient in use of spectrum, as all but ITV are presently available on DSAT.

In order to ensure that public service broadcasters are protected against increased conditional access charges imposed by the satellite operators, OFCOM, the new regulatory body, would need to ensure that public service broadcasters could gain access on terms that were 'fair and reasonable'.

We would welcome the opportunity to meet with Martin Cave to discuss our views at greater length, as the report deals with matters that are of great concern to us and to our share-holders.

With best wishes

Grant Murray  
Finance Director