



**Issue 1**

BT's response to Ofcom's consultation on:

**Spectrum pricing for terrestrial broadcasting**

*(Issued by Ofcom on 13 March 2013)*

## 1. INTRODUCTION

BT welcomes this opportunity to comment on Ofcom's proposals for how Spectrum Pricing shall be applied to spectrum used for broadcasting. We see this issue as closely related to a series of other consultations and long-term plans that Ofcom has underway. Our position is that the focus needs to be on achieving a smooth transition of the DTT platform from its current implementation to a future situation where it is consolidated into a smaller amount of contiguous spectrum (retaining the same number of multiplexes) whilst maintaining its appeal and affordability for consumers. This should enable release of further spectrum to mobile in the long-term if it is demonstrated that this is the highest value use following anticipated European harmonisation. In the very long-term the amount of spectrum needed for broadcasting is likely to reduce as alternative delivery mechanisms, especially fixed network superfast broadband, can provide an attractive substitute under the right commercial models.

It is important to find a balance in relation to charges for broadcasting spectrum that reflects the short-term "command and control" approach to managing the transition in use of the band, for which cost recovery based spectrum charges may be sufficient, and the longer term market based spectrum management regime where AIP may have an important role.

## 2. RESPONSE TO CONSULTATION QUESTIONS

### ***Question 1: Do you agree that the principle of applying AIP remains relevant to spectrum used for broadcasting?***

Yes, we agree that AIP is as relevant to broadcasting spectrum in the same way that it is relevant to many other spectrum uses. It is one important tool to promote efficient and optimal use of spectrum. However, as in other cases, the use of AIP needs to be considered carefully taking into account specific circumstances that may be relevant.

The terrestrial TV broadcasting spectrum band at 470 – 790 MHz has recently been subject to a strategic review by Ofcom. Subject to results of on-going European harmonisation discussions and additional national consultation, we understand that changes to the use of the band will be mandated by Ofcom. Notably, in the long-term Ofcom may release the 700MHz spectrum to mobile use and re-plan the digital TV platform in the remaining spectrum (including the cleared 600MHz spectrum that Ofcom recently has decided to make available temporarily for additional TV multiplexes).

The regulatory intervention to implement a long-term strategic plan for the TV band means that in the short-term it is subject to a high degree of "command and control", rather than market based spectrum management. This, together with the fact that the greatest efficiency gains in the broadcasting spectrum use will be dependent on consumers migrating to new equipment, will inevitably affect the timescales and suitability of AIP as a spectrum management tool in this instance. The right signals do need to be given to multiplex operators to use spectrum more efficiently. However, consumers also need to be allowed reasonable time to adopt more efficient technology, otherwise the accessibility and benefits of the digital TV platform would be diminished.

***Question 2: Do you agree with our revised proposals to delay the introduction of AIP based on opportunity cost for national DTT multiplex operators until we have materially progressed our proposals for the future use of the UHF spectrum?***

In view of the special circumstances outlined above, it may be better to concentrate efforts on getting a strategic plan in place to achieve the changes that Ofcom wants to secure, namely: (i) the release of 700MHz spectrum if demonstrated to be of higher value for mobile use in the long-term following European harmonisation; and (ii) consolidating the digital TV platform in a smaller amount of spectrum than is used today while preserving the same number of multiplexes. Improving spectrum utilisation efficiency by making TV white spaces spectrum available for licence-exempt use, via a database system, and enabling unused 600MHz spectrum to be used for additional TV multiplexes in the short-term, are also important. Ofcom has mandated that new 600MHz multiplexes use the more efficient DVB-T2/MPEG4 technology and this should encourage consumers to move to compatible equipment and possibly new aerials that cover the full TV band, which should help in the consolidation of the terrestrial TV platform in to a smaller amount of spectrum in the long-term.

Under these special circumstances it is unclear how AIP will in the short-term lead to more efficient use of the broadcasting spectrum and the increased spectrum costs may tend to take money away from content production. We therefore agree with Ofcom's proposal to defer introduction of AIP for terrestrial digital TV multiplexes in the period where the terrestrial TV platform is being re-planned.

We agree that full AIP should in time be applied for spectrum used for national DTT broadcasting. In the longer term the availability and take-up of superfast broadband, and the penetration of suitable consumer equipment to receive TV services over the internet, will provide an attractive alternative means of delivering TV content that could provide an attractive means to free up terrestrial broadcasting spectrum for applications such as mobile.

***Question 3: Do you agree with our proposals to apply a fee for spectrum used for national DTT, in the meantime, based on the cost of administration instead?***

Yes we agree with this approach.

***Question 4: Do you agree that charges based on the costs of managing the spectrum should be applied to DAB radio and to local TV broadcasting?***

We understand that Ofcom's reason for not charging AIP for local TV multiplexes is based on the assumption that there is no excess demand for interleaved spectrum. The supporting study from Analysys Mason does not appear to consider the impact that local TV has in terms of reducing the amount of spectrum available for future TV White Spaces applications and the value associated with these applications. The impact on PMSE use is also not considered to be significant at present. Once the regulatory framework for TV white spaces is in place and experience has been gained of how these applications materialise, it may be appropriate to reconsider the relevance of AIP to local TV. Likewise, the success of local TV is yet to be demonstrated. For the time being we agree with Ofcom's proposal to base charges for the spectrum used by local TV multiplexes on cost recovery.

We have no evidence to provide in relation to alternative uses for DAB spectrum and how DAB spectrum should be priced. On the basis of the information Ofcom has provided we would agree that cost recovery may be appropriate at the present time.

***Question 5: Do you agree that when full AIP is applied for spectrum used for national DTT broadcasting (once we have materially progressed our proposals for future use of the UHF spectrum) it should be applied gradually, rising over five years.***

It is reasonable that Ofcom allows some phase in period for the introduction of AIP. A period of 5 years seems reasonable based on past precedents in other bands.

### **3. CONCLUSIONS**

BT is in agreement with Ofcom's proposals in relation to spectrum pricing of broadcasting spectrum for the short-term, but we believe a transition to AIP is important in the longer term.