

Title:

Mr

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Representing:

Organisation

Organisation (if applicable):

Ministry of Defence

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What do you want Ofcom to keep confidential?:

Keep nothing confidential

If you want part of your response kept confidential, which parts?:**Ofcom may publish a response summary:**

Yes

I confirm that I have read the declaration:

Yes

Ofcom should only publish this response after the consultation has ended:

Yes

Additional comments:

MOD's spectrum bill has increased rapidly over the past few years and indications are that this trend is set to continue. As a result, MOD will need to scrutinise its AIP payments to ensure that they reflect the real opportunity costs for specific bands. The current method of using one of four fixed rates to value military spectrum between 70 MHz and 15 GHz is

unlikely to represent the true opportunity costs of spectrum in this range. It is therefore, MOD's intention to challenge AIP rates when information becomes available.

Question 1: Do you agree with our proposed core principles of setting AIP? Are there additional matters that it would be helpful to clarify? :

MOD is in general agreement with the proposed core principals of setting AIP.

Proposed principle 3. At paragraph 3.34, it states that Ofcom needs to take account of demand for spectrum from existing uses and demand for spectrum from feasible alternative uses. A good understanding of demand is required to identify the true opportunity cost of spectrum. MOD requests that this work is taking forward as a matter of priority.

Question 2: Do you agree that we should charge cost-based fees where AIP is not appropriate or AIP would not cover our costs? How do you think we should set cost-based fees in future fee reviews? Are there particular factors you think we should take into account, for specific licences fees or cost-based fees in general? :

MOD agrees that cost based fees are appropriate but Ofcom should consider apportioning the fees among departments and organisations that are required to commit resource to reviewing the applications. MOD commits significant resource to reviewing applications that attract a cost based fee but it does not receive any funding to do so. As resources become scarce, fulfilling this function without financial support will become increasingly challenging.

Question 3: Do you agree with our proposed fee-setting methodology principles (set out below)? Are there additional matters that it would be helpful to clarify?:

No comment.

Question 4: Do you agree with our proposal to move away from regular full-scale reviews to reviewing in response to evidence, as set out in Option 5?:

MOD accepts the reasoning to move away from cyclic reviews, but it should be noted that MOD receives its AIP budget during the HMT spending review process which occurs every three years. MOD's significant spectrum bill is increasing year on year and it requires certainty prior to each review that the current AIP rates represent the opportunity cost. An AIP review prior to each spending review would help inform settlement discussions for MOD and other public sector spectrum holders, so Option 2 would suit the government spending review cycle.

Option 5 places responsibility on MOD to produce evidence for Ofcom's consideration before a fee review would be initiated. MOD does not have the resources to regularly survey the spectrum market to identify evidence to support fee review cases and it would therefore look to Ofcom as the UK regulator to fulfil this function. It is also not clear what evidence would be required and how detailed it would need to be.

Question 5: Do you agree with our process for assessing the priority of future fee reviews? Are there other sources of evidence of misalignment between fees and spectrum value or spectrum management costs that you can think of, and what weight should we give them?:

See comment above.

Question 6: Based on our proposed criteria, or other criteria you would propose we use, what do you think our priorities for future fee reviews should be? Please tell us your reasons for thinking these should be prioritised. Do you agree that we should prioritise a fixed link fee, as some stakeholders have suggested to us? :

No comment.

Question 7: Do you agree with our proposed approach to post-review evaluations? :

No comment.