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Ref DAP/Ofcom/AIPSRSP/HdS&SM

Dear Ms Esslemont

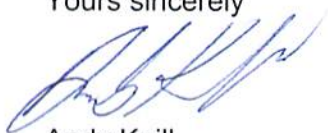
### **SRSP: REVISED FRAMEWORK FOR SPECTRUM PRICING**

1. The CAA recently provided a comprehensive response to the recent Ofcom consultation on proposals to apply Spectrum Pricing to the Aeronautical Sector. Whilst I have no wish to merely duplicate that response, it is important to reiterate the key issues concerning the relevant principles which are raised in the subject consultation to ensure consistency.
2. The CAA fully recognises and supports the general principles behind the use of market mechanisms as a means to deliver efficiency improvements where there are competing demands for the use of a scarce resource. As ably demonstrated through the UK's participation in European initiatives, the CAA fully supports the need to deliver spectrum efficiency, whether it be through spreading best practice, the application of spectrally efficient technology or the enhanced coordination and harmonisation in the international management of scarce resources.
3. The effectiveness of pricing mechanisms to deliver greater efficiency depends on the ability of the user to change behaviour in response to the pricing input. The CAA is not convinced that the argument has been made to support this approach for aviation. Aeronautical spectrum is required to meet operational and safety requirements that are coordinated and harmonised within both a national and international framework. The frequencies are implemented to support approved services in relation to the specific nature of the operational environment. As a result, and within this heavily regulated infrastructure, an individual service provider has very little, if any, flexibility to make changes to frequency requirements without jeopardising their operation. Therefore, pricing is extremely unlikely to deliver any efficiency benefit within the aeronautical spectrum. Rather, efficiency improvements are managed and sought in an international, administrative context, as the only practical way to coordinate changes in a safe and efficient manner, whilst securing the necessary consents from other member states.
4. Although the revised Framework for Spectrum Pricing recognises that benefits can only be delivered in the longer term, this does not change the fact that the use of pricing as a concept does not appear appropriate for aeronautical spectrum. Even though the pricing

principle is understood and agreed, it is not one which can deliver the perceived benefits across all sectors. Therefore it is essential that any proposal and impact assessment for the implementation of pricing demonstrates the feasibility of delivering benefits, taking into account the additional institutional costs of implementation before proceeding.

5. The CAA has provided significant detail to Ofcom concerning aeronautical spectrum management and frequency assignment and within the context of the issues already highlighted, it is not appropriate to answer the questions framed by the consultation. However, we stand willing discuss further the issues associated with the Ofcom proposals.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andy Knill', is written over the typed name.

Andy Knill  
Head Surveillance and Spectrum Management