



BBC response to Ofcom's Consultation

“Spectrum pricing: A framework for setting cost based fees”

Introduction

The BBC welcomes the opportunity to respond to Ofcom’s consultation on application of cost based fees, published on 13th September 2013 and with an addendum published on 6 November 2013.

We are grateful to Ofcom for deferring the application of Administered Incentive Pricing (AIP) to digital terrestrial television (DTT) until it has made material progress on developing its UHF spectrum strategy. We would like to re-iterate our view, set out in detail in our response to Ofcom’s *Spectrum pricing for terrestrial broadcasting* consultation of March 2013, that AIP is a fundamentally flawed tool for promoting spectrum efficiency for DTT. Therefore, when Ofcom decides to re-open that issue, we look forward to having further discussions and setting out our views once more.

As far as this consultation is concerned, we broadly accept the principle that we should pay at least the costs incurred by Ofcom from managing the spectrum which we use. We have a small number of concerns in the veracity of this figure. In particular, we are unclear that the reference dates used to inform the proposed fee level are entirely appropriate. As a consequence, we believe that Ofcom may have overestimated the fee which would be reasonable to charge DTT multiplex operators

We set out these concerns in our responses to Ofcom’s consultation questions below.

17 December 2013

Responses to questions

(Q1) Do you have any comments on our cost allocation methodology and proposed approach for setting cost based fees?

1. The approach set out by Ofcom is broadly sensible.
2. However, we note that the cost allocation methodology is being based on only one year's spectrum management costs (2011/2012). This is despite Ofcom stating in paragraph 3.11 that it would require three years information to "ensure costs are allocated fairly and robustly". Our concern in this respect is that spectrum management costs may have spiked for certain sectors during that year.
3. In the case of DTT we set out below how this may affect proposed fees faced by the BBC.

(Q2) Do you have any comments on our proposed licence fee for national DTT multiplex operators?

4. Our chief concern in relation to the proposed £188k per multiplex fee is that it may be based on cost data which overstates typical spectrum management costs of the DTT sector. In particular, in 2011/12 there was significant broadcasting activity relating to digital switchover (DSO) which would likely have incurred significant spectrum costs in excess of a typical year.
5. With that in mind, we would request that Ofcom takes into account this likely spike in DTT spectrum-related activity when confirming the fee to be charged. We would expect a reasonable analysis on this point to lead to a more realistic and representative picture of DTT spectrum management costs and a resultant reduction in the proposed fee.
6. For business planning purposes and certainty, we would support whatever fee is charged to be set for a reasonable period of time such as five years.

(Q3) Do you have any comments on our proposed licence fee for the local TV

multiplex operator?

7. We have no comment on this.

(Q4) Do you have any comments on our proposed licence fee for the Northern Ireland DTT multiplex?

8. We have no comment on this.

(Q5) Do you have any general comments on our approach for implementing the proposed licence fees?

9. In discussions with Ofcom, we have made it clear that we should not be faced with spectrum management costs incurred as a result of work where other sectors are the principal beneficiary of the activity taking place. We are therefore encouraged by Table 2 of this consultation which sets out that project management costs should be borne by the sector which benefits from the policy.

10. We would be grateful if Ofcom could confirm that this principle includes spectrum clearance programmes where the mobile sector is the beneficiary of the project work. In particular, we would like confirmation that no spectrum management costs relating to 700 MHz implementation will be charged to the BBC.

11. We would also be grateful if Ofcom could confirm that the BBC is not being “double- charged” for its spectrum management services and that these are not being recovered in other regulatory fees that the BBC pays to Ofcom.