

Presteigne Broadcast Hire Limited (“PBH”)

PMSE clearing the 700 MHz band: Support for PMSE equipment owners, July 2017

David Handley
Presteigne Broadcast Hire Limited
Unit 9, The Brunel Centre
Newton Road
Manor Royal
Crawley
RH10 9TU

Introduction

Presteigne Broadcast Hire Limited is an equipment hire and systems supplier to the broadcast/PMSE market. With offices in both Crawley and Manchester, Presteigne employs between 35 and 40 people and had a turnover last financial year of £7.5 Million. We hold approximately £26 Million of broadcast assets and roughly £750,000 of this is invested in high end radio microphone and IEM systems, serviced and maintained as part of a dedicated audio department. We supply all major broadcasters and support both Outside Broadcasts and studio based productions, and are an approved equipment supplier for the BBC. Radio Microphones and IEMs provide us with several hundred pounds worth of business a year and we provide kit for many of the country’s largest sporting and entertainment productions, including Channel 4/Whisper Films’ global production of Formula One (including therefore Silverstone) and for the last ten years the full RF microphone systems for the nationwide touring audition stages of both the X Factor and Britain’s Got Talent, the latter at roughly 60 plus co-ordinated channels. We have provided RF equipment to every OFCOM allocated ‘Major Event’ over the last few years, providing whole systems or expanding upon clients existing capability with our own extensive and frequency agile inventory.

As a facility provider our assets are expected to be operated all over the UK, to fit in for use at major events with potentially high levels of RF congestion and, when required, come together for our larger systems. As a result our business needs flexible equipment with a wide switching bandwidth to cope with these demands. We regularly service part of, or all of, productions that OFCOM research has classed as the 7% of events using more than 24 channels that will have to change working practices. Furthermore, due to our substantial investment into this class of equipment we actively seek more involvement in this 7% area and employ experienced staff in order to be able to fulfil the requirements of our clients and co-ordinate peak spectrum demand events.

Our inventory purchase decisions are based upon high levels of utilisation of equipment by supplying many smaller events, or bringing equipment together as a larger system. With an inventory of one type - the analogue Sennheiser 3000/5000 series, we can maximise our return on investment by ensuring inter-operability, minimising training diversity, simplifying maintenance and streamlining marketing and business development. Productions will normally only work with one system, mixing and matching equipment types on the same show is not acceptable sonically, visually or from an engineering perspective. It is vital that to continue to operate as normal after the clearance we still operate one system and that we can maintain the flexibility of a large operational bandwidth.

Answers to questions

Q1: Do you agree with our proposed criteria for who should be eligible for the grant scheme?

PBH fully support the issues raised by BEIRG with regards eligibility and would also strongly argue that for those rental companies who supply wholly, or partly, RF facilities for the 7% of 'affected' events, who actively market themselves as being capable of supplying equipment for those events and hold assets accordingly, should be recognised as having different needs to smaller operators. It should not be the case that we are disadvantaged by the clearance financially or have to alter our business model towards practices that are in themselves inefficient and jeopardise the co-ordination and productivity of our equipment. We acknowledge all of the points from BEIRGs executive summary.

Specifically, four issues for us are raised by the proposed eligibility criteria.

- If the guard band is given over to PMSE, we will be left with up to two-thirds of our fleet of Sennheiser N-GB range 606-790MHz equipment uncompensated for and still compromised in terms of its operational range- leaving it unsuitable for the jobs such Britain's Got Talent tours that the kit was purchased to service. (see answers for Q3 and Q4)
- As a result, we fear being forced into holding a less efficient mixed economy fleet of analogue and digital equipment (see answers for Q2, Q3 and Q4)
- That we will be left uncompensated for the accessories that are exclusive for the equipment compensated for, i.e. receiver mainframes, microphone capsules, battery packs etc (see below- 1)
- That purchases of equipment (and its accessories) made between the 2016 announcement and the clearance should also be eligible for compensation (see below- 2)

1). Accessories

After the clearance it is expected that high level facilities companies and productions will most likely abandon analogue RF microphone systems. OFCOM themselves recognise that new technologies (i.e. Digital systems) will be a significant part of the solution going forward for PMSE users after the clearance, and therefore accessories exclusive to the eligible equipment will become obsolete and must be compensated for as well if the system they support (analogue RF) is, in practice, no longer suitable. In 2012 when these items (accessories) were left off the OFCOM rate card, most hire companies changed equipment range rather than technologies, which meant that accessories were not a critical issue, however, now a technological shift is the most efficient response to this proposed clearance, this change will result in modular mainframes, microphones, capsules, battery packs and even test equipment becoming totally worthless. For funding to be adequate we strongly believe that compensation should be given for any and all items exclusive to the equipment being surrendered.

As one example, Presteigne holds stock of approximately 80qty SKM5200 system microphone capsules, each of these is worth in excess of £400 so if the analogue SKM5200 microphone itself is no longer an economic proposition or indeed a practical system for our customer needs then in capsules alone we stand to lose in excess of £32,000 of assets. Per kit, Presteigne will field an SKM5200 with 2x capsules (Omni-directional and Cardioid) and an exclusive battery pack (which in itself costs in excess of £200). At roughly £1200 for the microphone body, we have to add over £1000 of accessories. Simply compensating for 47% of the microphone body itself does not

come anywhere near the cost impact to PBH and therefore we will be severely financially disadvantaged. For those businesses such as PBH that supply the 7% of events OFCOM identify as being affected by clearance, all equipment and accessories should be eligible for funding because all equipment and associated accessories will have to be replaced.

2). Purchases post 2016

It is necessary that we will have to continue to purchase 700 MHz equipment and accessories up until the clearance as we need to refresh or replace existing inventory (which may, for example, require additional transmitters for a receiver stack) and also we are a service business renting temporary equipment in support of our clients' own requirements which may justify additional expenditure on expanding the inventory to meet that need. Our business thrives on client relationships and we would not want to damage these relationships by failing to provide the resources that they request of us. If there is a clear business reason to continue purchasing 700 MHz equipment and accessories then it would be unreasonable of OFCOM to deny funding to an industry that services and supports equipment 'in the now', and can't afford to look forward several years to a spectrum change and disappoint clients. If the client needs additional 700MHz kit to match their own receivers on a contract, we would want to supply that need in the same way next year as we would have done at this stage last year prior to the consultation – for OFCOM to prejudice our normal business decisions by an artificial cut-off point for funding is a distortion of the normal market. Furthermore, we need to be able to protect our existing investments. Accidents do happen and kit gets damaged, sometimes we can repair in house, but not always - for instance - when transmitters suffer water damage (surprisingly often), the whole unit is replaced. It should not be the case that we are financially disadvantaged because we support our existing systems.

Q2: Do you agree with our assessment of the impact clearance will have on equipment which operates exclusively below 694 MHz?

No. As discussed, our fleet comes together to build large systems (in the 7% of events with affected working practices) operating across the available UHF spectrum. We operate with essentially one technology, Sennheiser 3000/5000 series, for this reason. Our clientele will not accept a mixed system - 2 types of antenna structures, different sounding systems, different looking microphones etc. Operationally too we would be compelled to incur costs associated with co-ordination, maintenance, staff experience, marketing and sales pricing. For us to operate uncompromised after the clearance we need a cohesive fleet, and therefore, everything will need replacing. We cannot mix old systems with new.

If sub 694 MHz equipment is not eligible for funding, our analogue systems with reduced range would not be capable of supporting our larger events and our clients demands to fit in with their systems at peak spectrum use events. We would therefore be compelled to replace our existing channel count (roughly 150 channels) with digital equipment, and then only if we could raise the funding - something we should not have to do - and would not have to do if OFCOM hadn't undertaken the clearance. Obviously this would have a significant impact on our profitability in this area and the debt and cashflow levels of the business.

Furthermore, if one competitor is narrowly focussed with models and ranges that are all eligible for funding it would mean that one business competing in a market sphere is advantaged over the other and OFCOM has, in effect, changed the makeup of the marketplace in which we operate. This is especially pertinent where compensation will in effect fund a technology shift towards more efficient digital systems. This is an inequality and distortion of the market which should not be encouraged.

Q3: Do you agree with our analysis of the impact clearance will have on equipment which straddles the 700 MHz band and the spectrum below 694 MHz?

No. Nearly two-thirds of our inventory is Sennheiser N-GB range equipment operating between 606-790MHz, therefore, should the 694-703 guard band be released to PMSE, this equipment would no longer be eligible for compensation due to OFCOM's decision to only compensate equipment if more than 50% of its switching bandwidth is affected. We could not fulfil large touring shows such as Britain's Got Talent with approaching half the kits range unavailable. This example requires at least 7 TV channels of clear, high quality non-adjacent spectrum at major venues around the UK where the same equipment has to be used.

The impact on our business of this change means that we would not have acquired that equipment if it was not capable of continuing to operate in the way that is required to support our largest customers. Therefore the removal of this utility by the proposed clearance without compensation is a significant undermining of our business.

Q4: Do you have any evidence that an alternative boundary for the tuning range of equipment should be drawn?

Due to the squeeze on available spectrum post-clearance, new technologies to allow us to maximise spectral efficiency will need to be purchased i.e. digital RF microphones. If the 694-703 MHz guard band is released to PMSE we fear Sennheiser N-GB (606-790MHz) will not be compensated due the boundary being shifted. Currently this is 52.2% of the range in the 700MHz band, but if shifted this decreases to just under the threshold of 50% to 47.3%. We have invested highly in a homogenous single manufacturer system that spans 184 MHz and we should not be treated unequally - as previously discussed due to the way we operate our fleet we would be significantly disadvantaged by the loss of 87 MHz of usable range. We strongly urge OFCOM to review its 50% cut off decision or to indicate that one of the most popular UK touring ranges will be exempt.

One way in which this could be achieved is by acknowledgment that high profile events require, (for our clients and most others) fully licensed frequencies to protect against interference. As CH38 is an uncoordinated channel professional events rarely if ever risk its use, therefore I would point out that for us 606-614 MHz is effectively unusable spectrum for co-ordinated events.

It is of concern to us that the 700 MHz clearance may force us to have to operate two differing systems with increased operational and financial implications, new digital kit and older compromised analogue equipment that cannot be used on the same production. We fully support BEIRG in there assertion that PMSE equipment owners should be left no worse by the changes to spectrum and that any equipment impacted should be eligible for funding, and this is especially true for those who conduct business in the 7% of events identified to require significant change in working practices by OFCOM.

If our N-GB equipment is not eligible, then we would seek as mentioned in Section 3.15 to use the above arguments as a case for an exceptional circumstances application which we understand is awarded on a case by case basis.

Q5: Do you agree with the proposed formula to estimate the level of funding?

No. Presteigne fully support BEIRGs' assertion that 47% of value does not go far enough in covering actual costs for the 700 MHz clearance. As already discussed accessories alone account for large amounts of 'lost' investments, but the logistics of a change in technology and the impact assessments to existing contracts, inventory swaps, operational impacts and updated sales and marketing activity, are not insignificant in cost. Indeed, I have spent at least a week at meetings regarding this clearance already, and understand that all DTT

infrastructure and engineering hours will be compensated by OFCOM but that this will not be forthcoming even for the larger stockists in the PMSE sector.

We do not see this clearance as a financial opportunity; it can only be seen in terms of a burden of expenditure which is not of our own making. Government funding is of course a welcome assistance but for us to operate with the same abilities as before the spectrum change, 47% is nowhere near enough for it to be smooth transition.

Q6: Do you agree with our approach to calculating asset life?

PBH has no comment with regards asset life calculations.

Q7: Are you aware of any developments which would mean data from the 2013 equipment survey or the 2010 Channel 69 statement are likely to misrepresent average asset life?

No.

Q8: Do you agree with the use of an average asset age for the estimation of funding entitlements? If not, do you have any suggestions for an alternative approach?

PBH has no comment.

Q9: Are we correct in our assumption that a large proportion of PMSE equipment owners will not have evidence of when they purchased their equipment?

Yes, but Presteigne can provide a full asset register of affected equipment.

Q10: Do the data in the 2013 equipment survey provide a reasonable basis for calculating average equipment age? If not, do you have an alternative approach for gathering relevant data for making this calculation?

Presteigne supports the view of BEIRG that surrendering kit and re-equipping must occur before mid-2020 and as early as mid-2018, therefore OFCOMs nominal average age of equipment in mid-2020 should be adjusted back to reflect this.

Q11: Do you have any comments on our proposals for how the claims handling process should operate?

OFCEM should look to allow staggered submissions of equipment, and this process should be allowed to occur for as long a period as possible so we can continue to support existing business as seamlessly as possible. Furthermore, in 2012 financial penalties were made for surrendering kit close to the deadline. As stipulated we will need to continue to support contracts and companies should not be penalised for existing business.