

Question 1: Do you agree with our proposed criteria for who should be eligible for the grant scheme?

No.

Stage Electrics believes while the principle for eligibility captures leaving the PMSE sector no worse off, (financially or in terms of spectrum), the way the criteria are applied does not.

We do not feel that the losses attributable to the clearance are being considered fully. There is time and money that would not be spent if the clearance wasn't happening that is not being included in the compensation calculations. The disruption that replacing inventory and the associated costs are not covered. In some cases the reduction in spectrum is massively increasing the impact, by limiting the number of simultaneous events that can be run, Media City in Manchester is a prime example. These additional costs could well be substantial and will place an unfair cost on PMSE equipment owners if these costs are not recognised, as OFCOM has previously. By not recognising these costs OFCOM are not capturing the entirety of the losses solely attributable to the clearance.

With word coming from Digital Television Groups that project management costs are being covered for those involved in DTT infrastructure it raises questions why PMSE is being treated differently.

It is pertinent to point out the costs being pushed upon users of PMSE equipment who are not necessarily owners. Theatre productions will need to spend, time and money to ensure the equipment changes being thrust upon them are not going to negatively effect the show. This is expected to require at least one full rehearsal which will no doubt have to be paid at overtime rates due to the packed schedules of most shows.

Stage Electrics takes issue with the decision to exclude equipment purchased after the statement giving notice of the clearance. There will be owners who had no choice but to purchase equipment in the 700MHz band to continue to provide normal service, these users should be eligible for funding through the "exceptional circumstances" procedure.

To sum up, OFCOM appears to be failing to adequately cover who is effected by the clearance, as well as what equipment is covered.

Question 2: Do you agree with our assessment of the impact clearance will have on equipment which operates exclusively below 694 MHz?

No.

Owners of PMSE equipment in fixed locations will find reduced spectrum availability according to the OFCOM's indications with the post clearance spectrum map. It currently appears that there will be owners of equipment in certain areas of the country who will no longer be able to use it but will not be compensated.

Why OFCOM has currently chosen to assess eligibility for equipment operating below 694 MHz based on it being made unusable. If significant impact is defined as a 50% reduction in available tuning range for items that straddle the two bands the same should be true for equipment operating solely below 694 MHz.

Assuming partial costs can be recouped from sale of equipment second hand does not take into account the imbalance between consistent rental prices throughout the life of the equipment and the dramatic drop off in resale value, which will undoubtedly fall further due to the laws of supply and demand. It also ignores that PMSE owners tend not to buy second hand and there is no established market for it.

It is impractical for a hire company to ringfence equipment solely for use in certain areas of the country, tours that hire equipment will not want to carry and pay for duplicate equipment to be used in different areas. Additionally equipment that can only be used in certain areas will have a reduced economic value directly caused by the decision to clear the 700 MHz band. This is before any additional costs from the increased administrative and logistical challenges that will be placed on the hire company, leaving them worse off.

If equipment becomes impractical to use or entirely unusable because of the clearance it should be covered in the funding automatically, regardless of tuning range.

In some cases all equipment should be eligible for funding, some categories of owner will be forced to purchase entirely new systems to cater to the new demands of operating in a vastly reduced spectrum with increased congestion. The customers supplied by some hire companies are unable to operate different technologies and systems alongside each other, this is due to some new equipment working on a set frequency spacing, increasing efficiency of use of available spectrum, this efficiency is removed as soon as legacy equipment is used alongside, because the frequency planning must be treated as analogue for legacy and new equipment. Integrating audio equipment with differing latency is unacceptable to some sound designers, while technically feasible the reality is very different, on a large scale production audio quality can be damaged and vocals can become incoherent.

For these reasons, the organisations which own the most equipment will be forced to purchase complete replacement systems, including equipment operating below 694 MHz. These purchases are unavoidable and therefore should be funded. If these users only get 47% funding towards equipment with 50% or more of its tuning range above 700 MHz, only a tiny proportion of their equipment replacement costs will be covered, to say nothing of additional project management costs.

OFCOM is tasked with securing the "optimal use of spectrum". If OFCOM does not fund complete systems, where necessary, it will be failing to secure the best use of spectrum while simultaneously compromising the revenue earning potential of major end users such as the West End and television studios. In OFCOM's 2014 statement 7.27 it states that PMSE should improve their equipment and working practises. Manufacturers and industry already

produce and use some of the most flexible and efficient equipment but the industry would engage further with this approach if it was adequately funded to do so, the current proposals will not allow that to happen.

Question 3: 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.

Any loss of functionality caused by the clearance is attributable to OFCOM's decision, therefore everyone affected should be entitled to funding as any reduction of equipment's scope of use is leaving PMSE equipment owners and users demonstrably worse off.

For those businesses owning the most equipment it will be necessary to replace equipment operating below 694 MHz as well in order to achieve the efficiency necessary to continue serving the most spectrum intensive events and consequently in certain cases all equipment should be funded regardless of other considerations.

If a PMSE operator believes their equipment is still usable for the purposes they have they will have no need to claim funding, especially if the proposed level of funding doesn't increase from the current meagre offering. The end users and owners are better placed to judge whether their equipment is in need of replacement because of the clearance.

Question 4: Do you have any evidence that an alternative boundary for the tuning range of equipment should be drawn?

Yes.

If the proposed boundary (as stated the OFCOM document – PMSE clearing the 700 MHz band) stands, equipment that operates in the N-GB range (606-790 MHz), a popular frequency range available from Sennheiser, a major manufacturer of PMSE equipment, will receive no funding as only 47.3%, whereas if the boundary stays as the document is written they would be eligible to receive the funding as 52.2% of the tuning range would be unavailable. Moving this boundary even by this small margin has already had a large impact.

We believe that the guard band should not be included in the eligibility for funding, especially as there is no certainty about the usability of this area.

We maintain that in order to ensure that PMSE equipment owners are left no worse off by the clearance and the reduction in the available spectrum after clearance any equipment impacted should be eligible for funding.

Question 5: Do you agree with the proposed formula to estimate the level of funding?

No.

The decision to base the funding scheme exclusively on residual value of equipment results in a very restricted formula, failing to capture all associated costs PMSE equipment owners and users will have to meet because of the clearance.

The additional pressure of having to pay 53% to replace the equipment could cause closures of businesses in the PMSE sector, a traditionally cash poor sector.

OFCOM should recommend that Government reviews its decision that funding is based solely on residual value of equipment. The additional costs outlined in our answer to question 1 must be included to reflect the reality of the cost burden that will be placed on PMSE businesses.

Question 6: Do you agree with our approach to calculating asset life?

Question 7: 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?

Question 8: 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?

Basing the scheme narrowly on the residual value of equipment, with heavy reliance on averages is an issue. Stage Electrics recognises the necessity of using averages in the absence of any other reliable method. However, we dispute that the economic view of everything balancing across the industry, especially being as a lot of the costs equipment users and owners will incur directly as a result of the clearance will only be partially covered if at all. Some equipment owners getting a slightly better deal and some businesses closing down because of the clearance is not a balance across the sector.

Question 9: 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

Question 10: 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?

OFCOM have calculated the average asset age in mid-2020, the time by which the 700 MHz band must have been cleared. In reality PMSE equipment will begin to be replaced some 18 months before clearance to allow for refitting of large venues and the additional work required for rehearsals and testing. They will therefore be ceasing to gain economic value from their equipment in mid-2018. The average age of equipment should be adjusted to reflect this.

Question 11: Do you have any comments on our proposals for how the claims handling process should operate?

OFCOM needs to carefully consider the operating practices in the PMSE sector, the equipment is likely to be in use right up to the time it is replaced. Flexibility needs to be built into the claims handling process to claim for their equipment at a time that will not negatively impact their business.

For the same reasons the claims process needs to ensure a minimal time without funding or equipment. Some users will need to seek financial assistance in the form of loans to cover the need to replace equipment before funding, this will add an additional cost directly attributable to the clearance which should be funded by OFCOM.

Removing the need to surrender equipment would save the government money by removing the need to, collect, store, inventory and dispose of the prematurely retired equipment.

If the surrender of equipment is removed it would enable the lost utility of the equipment to be reduced as well as smoothing the transition. We would urge OFCOM to investigate fully alternatives to the current equipment surrender plan.

The scheme and clearance should be well publicised and as user friendly as possible, many claimants will be small businesses without the resources at their disposal that a larger business could allocate to the claim process, the smaller businesses are going to struggle the most with the changeover and should not be penalised further by a long and involved claims process.