

## Cover sheet for response to an Ofcom consultation

### BASIC DETAILS

Consultation title: PMSE clearing the 700 MHz band Support for PMSE equipment owners

To (Ofcom contact):

Name of respondent: Simon Meadows

Representing (self or organisation/s): The Warehouse Sound Services

Address (if not received by email):

### CONFIDENTIALITY

What do you want Ofcom to keep confidential?

Nothing	<input checked="" type="checkbox"/>	Name/contact details/job title	<input type="checkbox"/>
Whole response	<input type="checkbox"/>	Organisation	<input type="checkbox"/>
Part of the response	<input type="checkbox"/>	If there is no separate annex, which parts?	

If you want part of your response, your name or your organisation to be confidential, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

### DECLARATION

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Name Simon Meadows

Signed (if hard copy)

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

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No.

We believe that the funding scheme should follow the principal set out by Pascal Lamy in his report to the European Commission 'RESULTS OF THE WORK OF THE HIGH LEVEL GROUP ON THE FUTURE USE OF THE UHF BAND (470-790 MHz)' in which he states: "Member States should ensure that broadcasters and PMSE users are left no worse or no better off than they would have been without any clearance of the 700 MHz band." By excluding such a significant proportion of equipment, we believe that many rental companies will be significantly worse off.

We do not believe equipment purchased since the 2016 statement should be discounted. Rental companies must meet demand by purchasing new equipment. Sometimes the requirements of the location of use will have forced the purchase of equipment in the 700MHz band and should at least be considered under the "exceptional circumstances" procedure.

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

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No.

Rental companies will have a significant stock holding of equipment operating exclusively below 694Mhz. The re-allocation of DTT services will render some of this equipment unusable in many places. The assumption that rental companies can rent their equipment out into areas that still allow its use is a further assumption of available rental market in those locations; which may not be the case. Also, the suggestion that equipment can be sold into other locations assumes that there is the retail market to accommodate the sale of the equipment into the appropriate location and that that market will not become saturated with equipment when the switch over takes place. We believe that there are a significant number of assumptions made on available retail and rental market that may require additional research. Additionally, planning for the sale of equipment that will be unusable will require significant research and incur additional administrative costs in researching where equipment can be sold and finding potential customers. All while sitting on unusable equipment that must be sold to fund its replacement. When the costs of re-selling equipment are factored against the cost of like for like replacement systems, the stock count has the potential to be cut in half. This also presents a significant loss, as rental companies use a specific stock level to serve their target market. If that stock level is reduced, potential revenue from the sold systems will also be lost.

If any equipment overlapping the 694Mhz border will be eligible when its tuning range is reduced by more than 50%, why then is equipment that will be adversely affected by the re-allocation of DTT services not subject to the same criteria. By discounting all equipment below 694Mhz there is the potential for significant loss due to the re-allocation of DTT services. If the decision is that equipment must lose half its functionality to be eligible that should be the criteria for all equipment, regardless of its tuning range. This should also apply to ancillary equipment that would be made redundant by

having to replace complete systems. If a piece of equipment that works solely with a system that becomes redundant it has effectively lost 100% of its usability so should also be eligible for funding.

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*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?*

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No.

We believe that a loss of functionality, however small represents a loss due to the decision to clear the 700MHz band. Every user whose equipment is effected in any way should be recompensed for their losses. If we believe our equipment will still work within the re-allocation of the DTT services below 694MHz we will not need to claim for that equipment, but the option should be available should anyone believe they will incur a significant loss of functionality with their equipment. For all PMSE operators to be no worse off, no acceptable losses should be assumed in the eligibility criteria.

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

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Yes

We believe that there should not be a specific boundary by which equipment's eligibility is set. By setting a boundary Ofcom is suggesting that all PMSE operators should have to accept functional losses from a decision out of our control. Any boundary set is a decision on acceptable loss and will always leave PSME operators worse off because of the 700MHz clearance.

The current indecision on the use of the 700MHz guard band for PMSE leaves us unable to assess whether equipment will be eligible or not for recompense because the difference of 9MHz changes the eligibility of equipment and would make more equipment ineligible.

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

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No.

The residual value of a piece of equipment does not equate to its value as an asset to a rental company. Any properly maintained equipment has the ability to vastly overtake its residual value in rental revenue. All equipment that is affected by the 700MHz clearance should be funded such that it's operating functionality is maintained. Any equipment to be replaced should be funded to a level that can directly replace both its complete functionality and total system count. It would not be acceptable to have to reduce the total number of systems due to a shortfall in the funding of their replacements. Having a set of 10 systems that would only receive the funding to buy 5-6 systems would be a significant loss to the potential revenues from the original 10-way system. On a larger scale for rental companies, the current funding formula has the potential to have a significant impact

on their stock channel count and could have serious implications for future revenues that would have been generated with their original larger stock count.

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

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No.

An assets usable life can be very individual. A well-maintained system can be usable considerably longer than it's expected life. If a piece of equipment works and has been working up to the time it would be impacted by the 700MHz clearance, it should be funded to be replaced with something that directly replaces its functionality.

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*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?*

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No.

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*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?*

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No.

This approach averages both asset age and expected life span across the entire PMSE sector and while averaging will provide a result that is balanced in the long term across the sector, the fact that some PMSE operators may do slightly better out of the offer does not outweigh the fact that the potential losses for others may be enough to put them out of business.

Also, the average age of equipment is being calculated to 2020. Most PMSE operators will have had to change their equipment well before 2020 to allow for installation and testing time to minimise the impact to services.

The entire process of averaging age and basing funding on residual value puts every PMSE operator at a loss in the short term. For many rental companies with very tight cashflow this short-term loss could easily damage their business into the medium and long term, potentially putting them out of business altogether.

We believe that to avoid negatively impacting PMSE operators, their equipment should be funded like for like, anything less would present a loss.

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*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?*

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Yes

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*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?*

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We, and many others have continued to expand our stock count since the DSO so believe that the average equipment age may be younger than assumed.

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

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The process should allow for the differing way PMSE operators work. For rental companies, we would require a quick response on funding when equipment is surrendered to allow for the purchase of replacements and minimise equipment down time. It should also allow for multiple separate times to allow the flexibility to surrender equipment when it is suitable for us.

For some users, it may be that their equipment is in use continuously and do not have a significant gap to both return and purchase replacements before it is required to be in use again. These users may require finance to purchase replacements before surrendering their equipment at a cost of interest on the finance deal. The funding should cover this to allow uninterrupted use of equipment.

A different approach may be not to require the surrender of equipment. This would save the Government on having to dispose of large quantities of obsolete equipment. It would also allow users to be funded for their loss of functionality whilst maintaining best use of the available spectrum until the 700MHz band is lost.