

AIRPORT OPERATORS ASSOCIATION RESPONSE TO OFCOM:

**BESPOKE LICENCE FEES FOR AERONAUTICAL VHF COMMUNICATIONS FREQUENCIES: A FURTHER
CONSULTATION, MARCH 2011**

QUESTION 1

We propose to derive fees for Air/Ground, Aerodrome Flight Information Service, Tower, Approach and ATIS assignments on a bespoke approach, under which fees would reflect the geographic impact of each individual assignment. What is your view of the merits of this approach compared with the alternative generic fees approach set out in the December 2010 statement?. Do you take the same view about all of these service types?

AOA has made extensive representations to Ofcom on spectrum pricing, both at bilateral meetings and in written responses to previous consultations. We remain firmly of the view that Administered Incentive Pricing (AIP) for airport spectrum usage adds an unnecessary cost to our members' businesses, for what appear to be marginal benefits in terms of spectrum management. Additionally these costs come at a time when airports can least afford it.

However, AOA acknowledges that Ofcom is minded to go ahead with spectrum pricing for the aeronautical sector as part of a roll out across a number of business sectors; and that Ofcom has completed its strategic review of its general approach to spectrum pricing.

Against that backdrop, AOA's aim is to minimise the new cost burden to its members, while ensuring that whatever pricing structure is finally adopted does not in any way compromise aviation safety.

AOA has carefully considered Ofcom's proposal for bespoke pricing and believes that it is a more just methodology than the generic pricing structure originally proposed.

We would support Ofcom using bespoke pricing to price spectrum used by UK airports, because the methodology recognises that where frequencies used by airports sterilise a limited geographic area only, then a commensurate reduction in fees should be applied.

Our support for this method is contingent on the accompanying proposal that fees for services that sterilise a geographic area larger than the UK are capped at the level that would be charged for a service that sterilises exactly the UK's area.

QUESTION 2

Where an assignment prevents re-use of a frequency across an area which is larger than the area of the UK land mass, it appears to make little difference to potential alternative UK users whether the affected area is only marginally greater or is several times greater than the area of the UK land mass. Do you take a different view? Are there any reasons why very large service areas and associated separation zones do have greater impact on the availability of frequencies than assignments which impact a smaller area equivalent only to the size of the UK land mass? If so, please provide a full explanation of how this effect operates.

AOA agrees that for areas larger than the UK land mass, there is little difference whether the area sterilised is marginally or significantly larger than the UK. AOA would strongly resist any proposal that assignments which sterilise larger areas than the area of the UK should be charged higher fees than those that would apply to an assignment covering exactly the UK's area.

QUESTION 3

We currently propose that there is little merit in notionally deriving fees for Area Control, ACARS, VOLMET and VDL assignments on a bespoke basis when fees will rarely, if ever, be other than £9900. However, we recognise that there may be merit in applying a bespoke approach to fee setting so that, if assignments are ever made which impact an area smaller than the area of the UK land mass, fees would be reduced proportionately. In your view, would a bespoke approach to fee setting for these service types have any practical value now or the near term?

AOA's members make limited usage of these types of spectrum and do not therefore have strong views on the benefits or otherwise of applying bespoke pricing to them.

QUESTION 4

Would there be any merit in fees for other assignment types being derived on a bespoke basis? If so, which other service types should be subject to bespoke fee and how should these fees be derived?

The principal types of spectrum used by UK airports are already covered in the consultation. AOA does not therefore have strong views on any other types of spectrum that should be considered for bespoke pricing.

QUESTION 5

We are proposing to rely on ICAO's EUR Frequency Planning Manual when determining the size of the area in which one assignment prevents others from using the same frequency. For the purpose of setting fees, we propose not to take into account ICAO separation distance variables relating to adjacent channel use or bandwidth (although bandwidth will be reflected in fees as fees for 8.33 kHz and 50 kHz channels will be derived pro rata to fees for 25 kHz channels). We also propose to take into account the CAA's practice of applying, in the case of smaller DOCs, rules which ensure that an aircraft within one DOC cannot cause interference to the ground station of another. Are there other factors which should be taken into account when determining the size of the geographic area impacted by a particular assignment?

AOA acknowledges this as a pragmatic approach to determining assignment area.

QUESTION 6

We are proposing that, until April 2016, bespoke fees should be capped at the level of the generic fees announced in December 2010. After that date, no bespoke fees will rise beyond £9900 per 25 kHz bandwidth, but some Air/Ground, Aerodrome Flight Information Service and Tower assignments with a relatively large DOC will attract bespoke fees in excess of the £2600 generic fee set out in December 2010. Does this timetable provide sufficient time for licensees to review their operational needs and, where appropriate, agree changes to their DOC, before fees, for some licensees, increase beyond the level announced in December 2010?

AOA maintains its position that spectrum pricing is an unnecessary intervention, which only adds to the cost and regulatory burden already experienced by UK airports. However, if Ofcom is to adopt a bespoke pricing approach to aeronautical spectrum (something we would support, see above), then we acknowledge that for consistency, what is proposed above is consistent with a bespoke methodology. However, we would prefer to see these prices capped permanently at the same level as the generic fees.

QUESTION 7

We propose to introduce a new licence class for each of (a) Air/Ground, Aerodrome Flight Information Service and Tower, (b) Approach, (c) ATIS, (d) Area Control, (e) VOLMET, (f) ACARS, (g) VDL, (h) Aerodrome Surface, OPC and Offshore, (i) GA Sporting frequencies and (j) Fire and Emergency frequencies. Are there reasons why the portfolio of licence types should differ from this proposal?

AOA acknowledges that if new licences are necessary then this represents a practical classification.

QUESTION 8

Do you have any specific additional information about the likely financial impact on licensees of these proposals to apply bespoke fees, instead of generic fees, for certain service types?

AOA believes that a bespoke approach to pricing will generally benefit its members, compared with a generic approach. If Ofcom, as it is minded to, pursues AIP for aeronautical spectrum, we expect that a bespoke pricing approach will go some way to reducing the additional regulatory burden that will be experienced by airports.