JRC Response to the Ofcom Revised Framework for Spectrum Pricing: Proposals following a review of policy and practice of setting spectrum fees.

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Key Points

- The issue with Administrative Incentive Pricing (AIP) is that the basis of all the assumptions is that there is a market in spectrum, which in reality is not the case for many spectrum applications. If one looks at the spectrum trading notification register, the majority of trades, if not all of them, are administrative adjustments, not real trades in an economic sense where an assignment changes hands between two organisations, one of which values the use of the spectrum more highly than the other. Even a cursory glance at the register reveals that most of the trades are simple changes of name.

- Thus spectrum trading is a misnomer: there is no equivalent of 'eBay' for radio spectrum.

- The fact that there is no real market for spectrum is illustrated by the Government themselves. When they needed to acquire spectrum for the 2012 Olympics, they did not launch a public invitation to trade as they suggest others should; instead they privately approached large spectrum holders who could not realistically refuse an invitation to negotiate with the regulator for their industry. This would not be the case for a commercial entity trying to acquire spectrum through the market.

- If JRC wanted to acquire 2x1MHz of UHF2 spectrum on a 10 MHz duplex spacing at the Olympic site for a Tetra radio application, it is unlikely JRC would be able to acquire such through the 'spectrum market' in the same way as Ofcom did in that instance. Thus, it is unrealistic to base the framework for spectrum pricing on the philosophy that there is a true commercial market for spectrum.

- Business Radio and low frequency fixed links, the areas in which JRC operates, there is no evidence of exhibit classic market features. In many cases they are no sellers of spectrum, and the product is not substitutable in the economic sense of the term.

- To use classical economic market theory to determine the appropriate pricing model for business radio spectrum is unlikely to result in a rational outcome.

Background

A. JRC Ltd is a wholly owned joint venture between the UK electricity and gas industries specifically created to manage the radio spectrum allocations for these industries used to support operational, safety and emergency communications. JRC also represents gas and electricity interests to government on radio issues.

B. JRC manages blocks of VHF and UHF spectrum for Private Business Radio applications, telemetry & telecontrol services and network operations. JRC created and manages a national cellular plan for co-ordinating frequency assignments for a number of large radio networks in the UK.

C. The VHF and UHF frequency allocations managed by JRC support telecommunications networks to keep the electricity and gas industries in touch with their field engineers throughout the country. The networks provide comprehensive geographical coverage to support the installation, maintenance and repair of plant in all weather conditions on a 24 hour/365 days per year basis.

D. JRC's Scanning Telemetry Service is used by radio based System Control And Data Acquisition (SCADA) networks which control and monitor safety critical gas and electricity industry plant and equipment throughout the country. These networks provide resilient and reliable communications at all times to unmanned sites and plant in remote locations to maintain the integrity of the UK's energy generation, transmission and distribution.

E. JRC chairs the Information and Communication Technology (ICT) Working Group of the Energy Networks Association's Future Energy Networks Group assessing the ICT implications of Smart Networks, Smart Grids and Smart Meters.

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