



Delivering for Britain

The Chamber of Shipping
Carthusian Court
12 Carthusian Street
London EC1M 6EZ
Direct dial +44 (0)20 7417 2828
Fax +44 (0)20 7726 2080
E-mail : saurabh.sachdeva@british-shipping.org
Internet www.british-shipping.org

Michael Richardson,
Administered Incentive Pricing Consultation
Ofcom
Riverside House,
2A Southwark Bridge Road
London
SE1 9HA

29 January 2010

Dear Mr Richardson,

RESPONSE TO CONSULTATION ON “APPLYING SPECTRUM PRICING TO THE MARITIME SECTOR, AND THE NEW ARRANGEMENTS FOR THE MANAGEMENT OF SPECTRUM USED FOR RADAR AND AERONAUTICAL NAVIGATION AIDS”

I am responding on behalf of the Chamber of Shipping which is the trade association for UK based ship owners and ship managers. With 138 members and associate members, the Chamber represents 900 ships of about 24 million gross tonnes and is recognised as the voice of the UK shipping industry. This response reflects the consolidated views of our members who represent a diverse range of operational shipping interests.

1. General Comments

Firstly, we would like to thank you for acknowledging some of the Chamber's previous comments in the current consultation. However, the outlined Administered Incentive Pricing (AIP) proposals for using international channels still do not address how it would enhance spectrum efficiency, better manage congestion and ultimately deliver benefit to the end user, consumer and society. The Chamber appreciates that spectrum is a scarce resource and needs to be managed in such a way that it, in general, be not only safeguarded for future use but in doing so can also ensure that the maritime spectrum is not simply sold to

the highest bidder. Current international constraints on the alternative use of international frequencies mean that any spare spectrum (if it becomes available) cannot be put to any other use. We are therefore not yet convinced that these proposals to introduce AIP for the international channels will result in changes to users' behaviour and result in a more efficient usage. The objective of AIP is to manage congestion and balance the demand for new international assignments appropriately. As is clear from the above, the use of market-orientated policy levers in instances where spectrum usage is determined by other, internationally agreed non-market considerations is economically illiterate.

Secondly, our Members are unclear as to why Ofcom has decided to segregate the maritime and aeronautical sectors for this second round of consultation. It is our belief that spectrum efficiency issues for both sectors are similar.

Thirdly, the Chamber notes with particular interest the proposal on spectrum management for use of radar and aeronautical navigation aids by the government. While this new approach is both a positive step forward and a welcome change from the original proposal, we believe a more detailed assessment is needed if the industry is to accurately assess the full impact for end users and to comment authoritatively. This change of direction reaffirms our conviction that AIP is not the right tool to manage or enhance spectrum efficiency for internationally allocated channels. We would also like to point out that this new regime should be overseen by maritime transport policy makers as being more experienced with the problems associated with scarce spectrum in the international arena and how it can be put to efficient use on worldwide basis.

Notwithstanding this lack of detail, two further issues also need to be addressed:

- i) There is a general failure to need to explain the causes of congestion and interference. The casual assumption that it exists in close proximity to all the major ports is both unsubstantiated and says little on how it can be resolved. As many of the busiest ports are situated on the South or South East coast of UK the possibility exists' that congestion and interference may be attributable to the close proximity of other European ports and not careless use by the current license holders of the international channels.
- ii) AIS frequencies are self managed and AIP cannot further enhance efficiency and hence is irrelevant.

2. Cost Assessment

The cost breakdown shows that if the costs are passed onto the ship owner by a port it would result in an increment of £0.41 per visit for a ship. While these costs are negligible as suggested by Ofcom they are still objectionable for international shipping, especially when the case do not stand up to scrutiny of the proposed pricing regime that clearly leads to enhanced efficiency usage. On the contrary, it

may be more detrimental to the safety of the vessels or lead to reduction in provision of services for the visiting ships.

3. Recommendations

The Chamber of Shipping's preferred solution to overcoming demand for scarce spectrum for international channels is to resolve those issues by identifying areas for improvement by the use of intelligent monitoring. Wider efficiency gains can then be made through alternative mechanisms such as improved equipment and new agreements at international level. Another option available to regulators is to correctly monitor, examine and identify the license databases. Having identified unused spectrum it should be relatively simple to contact the license holder to confirm their ongoing need for the spectrum licensed to them. Ofcom could then make those users aware of any alternative approaches while providing objective evidence of the users' current use/non use. This could be followed through with an action of enforcement with the user having to either pay for loss of opportunity cost or risk their license being revoked.

With regards to the suggestion that the released spectrum can be put to productive use by releasing it to non-maritime users the Chamber would point out that not all technologies can make use of the spare maritime sector spectrum anticipated to become available. Ofcom should therefore be aware that the proper management of UK maritime frequencies should ensure that AIP measures to enhance efficiency also take into consideration the monitoring of any unintended interference to maritime users.

4. Conclusion

The Chamber of Shipping believes that improved spectrum efficiency for international shipping can only be achieved either through technological innovation or by renegotiating international treaties. The application of AIP to UK based holders of international assignments is felt to be a 'sticking plaster' approach that will have little impact and does not address the root cause of the problem. We nevertheless remain keen to work with Ofcom to help deliver greater spectrum efficiency and look forward to cooperating on how to achieve this. For instance, we believe that this would be facilitated by clearly defining how improved 'efficiency' can be delivered other than through pricing mechanisms.

We would also like to stress at this stage that any future measures imposed on the industry to meet the future spectrum requirements may have a potentially significant impact on safety critical port operations. Any changes in this arena must be accompanied by a full risk assessment to ensure adequate accountability, monitoring management and last not the least international harmonisation.

Our response to the consultation questions is attached below in Annex 1.

For your information, I am copying my response submission to both Mrs Theresa Crossley at the Department for Transport and Mr Richard Rees at the Maritime and Coastguard Agency.

Yours sincerely

A handwritten signature in blue ink, reading "Saurabh Sachdeva", with a horizontal line underneath.

Captain Saurabh Sachdeva

Nautical Consultant – Chamber of Shipping

cc: Theresa Crossley, Department for Transport
cc: Richard Rees, MCA

Annex 1 - Response to Consultation Questions

Question 1. Do you consider that the fee rates set out in Table 8 for assignments in the eight core international maritime simplex channels are appropriate?

Answer. In our view by applying AIP principle for International assignments, users are not the real beneficiary. By simply forcing users to pay charges without clear defined benefit seems totally inappropriate. It has been suggested in the consultation that the proposed pricing shall drive to influence user's behaviour in the long run and therefore the charges are basically to have a balancing impact on the users – which is yet to be proven. We do not agree with a single minded approach that aims to justify and verify AIP ideology. Suggestive attempts to pre-empt the outcome of this consultation, in way of narrowing the remit of responses in favour of AIP is both questionable and controversial.

Question 2. Do our revised proposals reflect appropriately the distinctions between the different uses of particular internationally allocated maritime channels, as set out in Table 9

Answer. Again, the evidence is based upon the subjective interpretation of applying incentive pricing and not providing comparisons with other alternative that may be available. Overall, it is recognizing the fact that different users have different needs and therefore this has to be well catered for. However we do not agree with the logic on segregating areas of usage in terms of low, medium and high.

Question 3. Do you agree with our proposals not to set any fees for use of the calling and distress channels, the search and rescue channels, the AIS channels, or for exceptional shore-based use of the intership channels?

Answer. Yes.

Question 4. Do you agree with our proposals to set administrative cost-based fees for licenses to use the package of 3 marina channels?

Answer. No comment.

Question 5. Do you agree with our proposal to set administrative cost-based fees for licences to use the internationally-allocated duplex channels?

Answer. Yes.

Question 6. Do you consider that the fee rates set out in Tables 10 and 11 for assignments in the UK-allocated working channels (that is, not including the search and rescue or marina channels) are appropriate?

Answer. Where it is determined that excess demand (if any) from non-maritime users is high then it should be dealt on case by case basis. Where there is clear evidence to determine that there is no excess demand from the maritime sector for UK-allocated channels then the fees proposed for the maritime sector becomes irrelevant. In the context where demand exceeds supply for non-maritime use then the costs should then be borne by other non maritime users and appropriately proportioned to cover administrative costs from maritime users who are allocated with the UK working channels.

Question 7. Do our revised proposals correctly identify all of the UK allocated maritime channels which are assigned to specific applications which require a specific approach to fee setting, as set out in table 12

Answer. No comment.

Question 8. Do you agree with our proposal to set no fees to licensees for use of the two UK-allocated search and rescue channels?

Answer. Yes.

Question 9. If you are a maritime organisation with the safety of human life in an emergency as your sole or main objective, would you be interested in accessing spectrum for working purposes (i.e. other than SAR or other emergency response uses) under a private commons basis, shared with other users with the same objectives and co-ordinated by the MCA, and free of any spectrum fee?

Answer. Not applicable.

Question 10. Do you consider that our proposed fee rates for area-defined licences (where feasible) in the eight core internationally-allocated maritime simplex channels are appropriate?

Answer. ADL seems to be a good concept, but it will make sense to be offered in locations where spectrum is easily available. If the purpose of AIP is to enhance efficiency - we are unsure as to how ADL would result in the same. But having said that, we support the concept and hope to see more details as to how Ofcom would make it work in the long run.

Question 11. Do you agree that area-defined licences in the international duplex channels should be based on a minimum cost of £75 for 4 squares, with larger areas priced on a case by case basis?

Answer. Same as above but this time the impact will be for UK maritime frequencies. We wonder as to why Ofcom has decided to pick up just 4 squares for setting the minimum costs?

Question 12. Do you consider that our proposed fee rates for area-defined licences in the UK allocated working channels (that is, not including the search and rescue channels or the marina channel) are appropriate?

Answer. Cautiously agree with the proposed approach. But in absence of substantive details it is very difficult for us to appreciate the proposals implication and what it really means for the maritime users.

Question 13. Do you agree with our proposal to set an administrative fee of £75 for maritime radio (suppliers and demonstration) licences?

Answer. Not applicable but agree with the approach in principle.

Question 14. Do you agree with our proposal to bring the arrangements for temporary maritime licences into line with those in other sectors?

Answer. No comment.

Question 15. Do our proposals for phasing in some of the proposed fee increases provide sufficient time for you to accommodate the additional costs, without undue disruption to your operations which could reasonably be avoided by a phasing arrangement? We would like to be able to publish all responses to this question. However, if you wish your response to this question to remain confidential, please provide your response on a separate sheet clearly marked to that effect. Your request for confidentiality will be respected

Answer. This question once again seems to pre-determine the fact that irrespective what the users might say, the only way forward is to proceed ahead with the concept of AIP. We would like to highlight the fact that introduction of any costs should have a long phase in period and take account of its impact on businesses. Suggested pricing will have to be then reflected by either being absorbed by businesses themselves or passing on to the end user (i.e. ships). If later is applicable then tariffs would have to reflect any such increments to the future freight rates that are usually set at the beginning of the financial year.

Question 16. Do you consider that our phasing proposals for the maritime licences for which we propose to set AIP-based fees are appropriate? If there are particular reasons why you consider that any user or group of users would need longer phasing-in periods, please provide any supporting evidence for us to consider.

Answer. No comment.

Question 17. Do you have any further quantified information to contribute to the analysis of financial impacts of the proposed fees on particular spectrum users, as set out in Annex 7? We would like to publish all responses, but will respect the Confidentiality of any material which is clearly marked as such.

Answer. Yes new light dues that came into effect from 01 July 2009.

	<u>Previous</u>	<u>1 July 2009</u>	<u>1 April 2010</u>
<i>Rate</i>	35 pence per ton	39 pence per ton	43 pence per ton
<i>Tonnage cap</i>	35,000 nrt	35,000 nrt	40,000 nrt
<i>Voyage cap</i>	7	9	9

Question 18. If the Government were to assume the strategic management role for the radar and aeronautical navigation aids spectrum that we propose, do you agree that we should not develop proposals for AIP licence fees?

Answer. Please refer to our covering letter that highlights our views on this proposal. We do cautiously welcome this new approach but are yet to see any concrete proposals prior to aligning to the concept in its entirety. It also requires further work so that a long term solution on how to resolve spectrum usage crisis can be achieved. At this stage, we are pleased to note that Ofcom has finally recognized the fact that radar spectrum usage is a complex issue that would warrant international harmonization and cross Governmental discussions via IMO to find any long term solutions. This is obviously the first step in the right direction and we look forward to actively participate in future discussions on how to take this further. We are also supportive of the proposal that Government should assume a strategic management role and we believe that DfT and or MCA are far better suited to address such needs. Especially, as the spectrum usage by the maritime sector is mostly driven by decisions at the IMO, various international requirements, conventions and treaties.
