



# Review of Business Radio licence fees in Band I

55.750 MHz to 68 MHz

Statement

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## Section 1

# Our consultation

## Our proposals

- 1.1 In our consultation<sup>1</sup> we proposed revised fees for Technically Assigned and Area Business Radio licences in Band I (55.750 MHz to 68 MHz). The existing fee levels were based on Administered Incentive Pricing (AIP), which had assumed that there was a positive opportunity cost for this spectrum. Given the legal restrictions on the use of the Band and the comparatively poor quality of the spectrum at these frequencies (in particular its susceptibility to interference), we decided to revisit this assumption, particularly as the resultant fee levels might dissuade otherwise efficient use of the spectrum.
- 1.2 We therefore commissioned a report from consultants Analysys Mason<sup>2</sup> into the opportunity cost of the Band. They considered that the nature and level of use of the Band meant that the opportunity cost was zero. We therefore reviewed the fees and proposed that they should not be based on AIP but should instead contribute to the recovery of our administrative costs. However, we wished to retain the existing Business Radio fees structure and products (Technically Assigned, Area and so on), to minimise administration costs.
- 1.3 The fees that we consequently proposed were thus as follows.

**Table 1 - Proposed annual fees per 2 x 12½ kHz (or 1 x 25 kHz) channel**

Licence	Current fee £pa <sup>3</sup>	Proposed fee £pa
Technically assigned	75	75
Area-defined (UK)	3,300	600
Area-defined (England)	2,758	150
Area-defined (Wales)	163	150
Area-defined (Scotland)	285	150
Area-defined (Northern Ireland)	93	150
Area-defined GB (England, Wales and Scotland)	3,206	450
Area-defined per Trading Unit in population category A	395	150
Area-defined per Trading Unit in population category B (subject to an absolute minimum annual fee of £75 pa)	50	50
Area-defined per Trading Unit in population category C (subject to an absolute minimum annual fee of £75 pa)	5	5

<sup>1</sup> <http://www.ofcom.org.uk/consult/condocs/bandi/bandi.pdf>

<sup>2</sup> <http://www.ofcom.org.uk/consult/condocs/bandi/report.pdf>

<sup>3</sup> See [www.ofcom.org.uk/licensing/applications08/changes/Fees/nonexcelguide.pdf](http://www.ofcom.org.uk/licensing/applications08/changes/Fees/nonexcelguide.pdf)

## Section 2

# Consultation responses

## Introduction

- 2.1 We received three responses, from the Joint Radio Company, the Federation of Communication Services and one confidential respondent. We summarise the non-confidential responses below. Respondents generally agreed that the lower fees being proposed were likely to encourage innovation which would lead to greater use of the Band.

## Question 1. Do you agree with the licence fee levels that we are proposing?

### Comments received

- 2.2 Respondents commented that Band I had lain underutilised for many years and that demand was unlikely ever to exceed supply, given the operationally challenging nature of the Band. There was no proprietary apparatus to use this spectrum and reducing the fee levels could create an incentive to firms to innovate to use it instead of using scarcer (and more costly) spectrum. One respondent questioned why the fee for Northern Ireland would actually rise, under our proposals.

### Our reply

- 2.3 The existing Business Radio licence fee for Band I was based on assumptions about its opportunity cost. The fee consequently reflected many criteria, such as population density, geographic location, coverage area and so on. That is why the prices for England, Scotland, Wales and Northern Ireland all differed from each other. However, on the basis of Analysys Mason's view that the opportunity cost for Band I was zero, we based the proposed new fees on a contribution towards the recovery of our administrative costs. We used the minima currently payable for Business Radio licences and retained the overall structure of Business Radio licensing. As we are not basing the new fees on opportunity cost but on cost-recovery, we felt that it was right to charge a uniform fee for licences in relation to each constituent part of the UK. This fee structure reflects the fact that it will cost us broadly the same to issue a licence in respect of Northern Ireland as in respect of, say, Wales.
- 2.4 It is important to recognise that a cost recovery-based fee does not depend on the opportunity cost of the spectrum. We therefore believe that it is right to set a charge per licence, as is currently the case for other Business Radio licences. We are not persuaded that the fee should be lower than the level that we proposed. To price all Business Radio Band I licences at the Business Radio licence fee minimum, for example, would differ from our approach to other licences fees based on cost recovery. The fees for maritime coastal station radio licences, for example, are also designed to contribute towards the recovery of our costs and also attract a fee based on the number of channels per base station. So, the more channels or base stations, the higher the total fee payable. We have applied the same thinking to the revised fees for Band I. We believe that these revised fees will promote more efficient use of the Band.

**Question 2. Band I is currently little used. Are there any potential uses of Band I that we should consider?**

**Comments received**

- 2.5 Given the demanding technical characteristics of the Band itself and of the two international agreements that apply specifically to Band I, respondents said that they were not aware of any apparatus available for the Band. One respondent thought that it could be used for telemetry and telecontrol but this would require firms to innovate.

**Our reply**

- 2.6 We note these comments and believe that if there were a cost barrier unduly preventing efficient use of Band I, our proposals should remove this such that firms can now devise innovative uses for Band I. However, our proposals were made without any particular new use or innovation in mind and are designed simply to promote efficient use of the spectrum that may otherwise be dissuaded.

## Section 3

# Looking ahead

### What we have decided

- 3.1 In the light of consultation responses, we have decided to implement the proposed fee changes. We shall not be changing the other terms and conditions of licences granted to use Band I, so these will remain as they are now. This means that the spectrum will be available for any purpose permitted.

### Next steps

- 3.2 We are making changes to the fees for several other wireless telegraphy licences (for services other than Business Radio) later in the year. We shall take this opportunity to consolidate the various Fees Regulations that apply to wireless telegraphy licences. We will change the Band I Business Radio licence fees at the same time, consistent with an orderly approach to maintaining and updating the authorisation regime for spectrum. The new fees are likely to take effect from the beginning of 2010.
- 3.3 These changes are not directly affected by the Strategic Review of Spectrum Pricing (SRSP) that we are currently undertaking<sup>4</sup>. The SRSP is looking at the factors and principles that influence the way that we determine charges for spectrum in general, including both AIP-based fees and fees which are set to recover a contribution to our costs. As we proposed in the consultation, in order to give some degree of certainty, we do not expect to change the new fees for Business Radio Band I licences for the next three years. However, under the SRSP, we plan to consult on a prioritised plan for reviewing fee levels. If the SRSP consultation process indicated that the new Band I fees should be a priority for review, we would include them in that plan. Any future review of the fees (whether prioritised following responses to the SRSP, or on the timetable indicated above) would be carried out under the principles and methodology determined by the SRSP consultation and set out in a subsequent Statement.

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<sup>4</sup> <http://www.ofcom.org.uk/radiocomms/ifi/srsp>