

Question 1: How should Ofcom manage the process of taking advice from users, regulators and government on efficient apportionment of AIP fees in the maritime and aeronautical sectors? Are any new institutional arrangements needed?:

The maritime and aviation sectors are significant users of spectrum and in view of the amount of spectrum used and the various external constraints it is essential that full discussion and consultation takes place with all relevant bodies. However in view of the different characteristics of the two sectors it is considered important that the two sectors are dealt with separately. Indeed in some of the Ofcom work to date the sectors have been dealt with on a separate basis.

There is a need to fully understand the interaction between market forces and the external constraints imposed on spectrum use in these two sectors. It is considered that the external constraints will reduce the impact of market forces or distort the working of the market though further work is required to fully understand the interaction.

It is further considered that new institutional arrangements to support the introduction of market forces may be required though the need will depend on the scope of application of AIP to these sectors. We consider that there might be difficulties in the application or the introduction of AIP so that consequently the result will be less impact on spectrum usage than expected.

Question 2: If you consider that our proposals for pricing ground station users for any spectrum would be likely to have a detrimental impact on safety, please let us know. In order for us to understand your assessment fully, it would be helpful if you could outline the mechanisms whereby this might happen.?:

This question and the associated text are only applicable to the aviation sector. With the range of increasing costs faced by the aviation industry there may be difficulty in absorbing these additional costs associated with mandatory safety requirements. Thus it is essential that the implications of these cost increases together with the combination of cost increases arising from other sources are fully considered before reaching any conclusion. This issue is touched on in some of the responses below, see question 6.

Question 3: Do you have any evidence which indicates that AIP charged to ground stations could have a material detrimental impact on UK competitiveness?:

Part of the text refers to both ports and airports though other parts of the document and the question apparently only refer to the aviation sector. We consider that this issue is of special relevance to the aviation sector though we do consider that the ?Study of Economic Effect on Light Dues? is not fully relevant to the application of spectrum AIP to the maritime sector as different principles are being considered. There are a number of changes taking place that will have an impact on airports such as the sale of some BAA airports. Therefore any additional changes such as AIP may have unintended consequences and there is a need to consider all the factors before making decisions on any individual part of the overall system.

There is already some antidotal evidence that travelers from some parts of the world are using a European hub rather than Heathrow when traveling to European destinations. It may be appropriate to consider the drivers for this change and will the introduction of AIP have any impact on this trend.

Question 4: Taking into account the information available in this document, including that set out in Annex 5, our initial views on VHF radiocommunications licence fees and on the reference rates for bands in other uses, and any information you have about the organisations to whom we are proposing to charge fees, please provide any evidence that you think is relevant to us in considering the financial impact of the fees we intend to propose for VHF radiocommunications, or for other uses:

With the sector specific regulatory regime applicable in both the aviation and maritime sectors it is unlikely that setting AIP fees too high would result in lack of use of spectrum. It is considered that setting AIP too high would have more impact on alternative uses of the spectrum than on the primary use. Thus there is a need to consider the implications of this though we note that Ofcom is now proposing more conservative values. However if the rates are too low it may encourage excessive alternative use and we consider that this could be a more significant disadvantage than overpricing the spectrum. There is also the outcome of the strategic review of spectrum pricing principles to take into account. This review may result in a more consistent structure for the value of spectrum which could have implications for these AIP values.

We consider that a different form of impact assessment is required to reflect the special features such as the number of entities involved and constraints found in these two sectors.

Annex 5 raises a number of issues that require detailed consideration to ensure that the optimum solution is identified. On a specific point Annex 5 Figure A1 provides some indicative values for aeronautical VHF radiocommunications and we wonder if a valid approach has been used. It appears that the value is based on passenger movements and we consider that it should be based on aircraft movements as the use of VHF channels is not directly related to the number of passengers on board the aircraft.

Question 5: Do you agree that there is little to be gained, in terms of economic efficiency, from charging AIP to WT Act licences for aircraft:

We agree that there appears to be little economic benefit resulting from the application of AIP to aircraft. However we are concerned that parts of the document indicates that the Ofcom position on the application of AIP to aircraft for certain applications could be over ruled by the government. An example is weather radar where the AIP rate has been proposed but will not be charged to aircraft though the government will decide on who should be charged. There are other similar examples and there are some textual references that seem to leave the position open. The reference to the non-application of AIP to ship radio licenses is much more strongly worded and is clearly the last word on the issue. However the wording for the application of AIP to WT Act licences for aircraft appears to leave the position more open.

Question 6: Do you consider that we should discount fees for any particular user or type of user? Specifically, do you consider that there should be a discount for charities whose object is the safety of human life in an emergency:

We fully agree that there should be a discount for relevant charities with this objective. We recognize that certain distress bands will be exempt from AIP charges though we consider that further research into the possibility of applying a discount to other mandatory safety services in the aviation and maritime sectors is required. We note that the 20th October Update goes some way to addressing this point and we welcome Ofcom's initiatives in this area in reducing spectrum costs for these entities.

Question 7: Do you agree that Ofcom should apply AIP to ground stations? use of maritime and aeronautical VHF radiocommunications channels, to help manage growing congestion in current use and to ensure that the cost of denying access to this spectrum by potential alternative applications is faced by current users?:

The proposal is fully compatible with general UK spectrum policy. However due to the special requirements of the two sectors we wonder if AIP on its own is the most appropriate approach. We note the comments in Annex 6 and consider that other means of improving spectrum usage efficiency and reducing the amount of spectrum required by these sectors should be investigated in combination with the application of AIP.

Question 8: Do you agree with our initial view that it would be appropriate to apply a pricing system similar to that already existing for Business Radio licences to maritime and aeronautical VHF communications? If not, what are your reasons for proposing that we should develop a fee structure for maritime and aeronautical VHF channels which is distinct from that already established for Business Radio?:

If AIP is applied to VHF communications then the Business Radio licences appears to be an appropriate model to use for determining the pricing structure. However we consider that the charging bands should contain some encouragement for the aviation sector to migrate from 25 kHz channels to the 8.33 kHz channels. The proposed pricing bands contain no encouragement.

Question 9: Are there any short term reasons specific to the sector(s) why it would be inappropriate to apply fees from April 2009?:

Some aviation charges are announced a significant period in advance so an early introduction could cause complications with the time-tabling of implementing the changes.

Question 10: Ofcom would welcome stakeholders' views on the factors which should be taken into account when apportioning fees between individual users of radars and racons:

We agree with the suggestion that separate algorithms are required for the aviation and maritime sectors. We wonder if something like Spectrum Usage Rights (SUR) could be used to determine the impact of the radars and racons and based on this information determine the methodology for charging individual users. It may be possible that using a form of SUR could demonstrate the impact of using different technologies so that the charges could be related to the technology used and thus encouraging the migration to more efficient technology.

Question 11: Do you agree with our initial view that a reference rate of £126k per 1 MHz of national spectrum for L band and S band radar spectrum would achieve an appropriate balance between providing incentives to ensure efficient use of spectrum while guarding against the risks of regulatory failure in setting the reference rate too high? If you consider a different rate would be more appropriate, please provide any evidence that you think we should take into account.:

We consider that this is a realistic value when compared to other spectrum values taking into our responses to some of preceding questions. However we consider that there are other factors to take into account such as encouraging the use of more efficient technology to improve spectrum efficiency use. We consider that there needs to be an understanding of the relationship between the economic value and these other factors when considering if the spectrum value is appropriate.

Question 12: Do you agree with our initial view that a reference rate of £25k per single MHz of national spectrum would be appropriate for deriving fees for licences to use X band radar?:

We consider that this is a realistic value when compared to other spectrum values.

Question 13: Do you agree that, generally, spectrum used by aeronautical radionavigation aids is currently uncongested? Do you believe that this may change during the next few years and, if so, approximately when?:

We consider that more information should be made available on the demand for aviation spectrum and how this demand will be affected by various initiatives such as the Single European Sky. Without this information it is difficult to make informed decisions on the amount of spectrum required and the impact of concepts such as AIP.

Question 14: Do you agree with the basis on which Ofcom has arrived at its initial view on reference rates for aeronautical radionavigation aids?:

We are in agreement with the methodology used by Ofcom. We consider that the values quoted are realistic when compared to other spectrum values.

Comments:

At inland locations where spectrum allocated to the maritime sector is not utilized we suggest that the spectrum could be used for Short Range Devices on a licence exempt basis, possible types of applications for consideration include wireless microphones and similar devices