

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: Applying Spectrum Pricing to the maritime and aeronautical sectors

To (Ofcom contact):

Name of respondent: Wolfgang Scheel

Representing (self or organisation/s): Deutsche Lufthansa AG

Address (if not received by email):

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Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	<input checked="" type="checkbox"/>	Name/contact details/job title	<input type="checkbox"/>
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Name Wolfgang Scheel


Signed (if hard copy)

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CONSULTATION ON APPLYING SPECTRUM PRICING TO THE MARITIME AND AERONAUTICAL SECTORS

Dear Madam, dear Sir,

On 30 July 2008 Ofcom published its consultation on applying spectrum pricing to the Maritime and Aeronautical sectors. We appreciate the opportunity to submit our position on the proposals.

We have decided however, not to provide individual answers to the questions, Ofcom has published. We know that the airlines organisations representing us, IATA and AEA, have undertaken to answer in detail. Lufthansa is fully supporting those organisations' submissions. We would like to concentrate on a number of key issues.

It has been mentioned that the intention of Administered Incentive Pricing (AIP) is to improve the efficient use of such spectrum. Quite a number of the questions are actually being worded in a way that suggests that spectrum pricing has already been approved. We believe however that the whole concept is seriously flawed. Therefore we strongly oppose the proposal.

1. There are international treaties e.g. the Final Acts of the ITU World Radiocommunication Conferences, which allocate radio spectrum to aviation. The UK Government is bound by these treaties. Furthermore, the UK is a major player in the European Union's Single European Sky Initiative. Part of the SES programme is the Interoperability Rule, which is directly applicable law in the European Community and has a direct influence on the use of aeronautical use. We do not believe that proper consideration has been given to these international obligations of the UK Government.

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2. Administrative Incentive Pricing (AIP) is supposedly designed to improve the efficient use, in this case of radio spectrum. We do believe that aviation indeed uses the spectrum in a highly efficient way already. Without major technological progress, there is nothing to gain in this respect from charging for it.

3. The introduction of the concept of opportunity costs in this area is totally flawed. There might be some justification for that approach when using or requesting radio spectrum for purely commercial purposes; it is however well acknowledged that charging opportunity costs, respectively introducing the concept as such, can lead to serious disadvantages for society as a whole. We believe it is any Governments duty to prevent society from such downsides. Therefore, we are even more surprised to find a Government agency proposing such a scheme and totally neglecting the downsides.

4. Aviation can not make decisions about using spectrum or not, regardless of its value to other uses and users. Either, the frequencies are available to aviation, and in a worldwide harmonized way, or they are not. In the latter case, aviation simply stops. This is another point, where the concept is flawed – it does not take into consideration the contribution of aviation to the UK and indeed European economy.

5. There is little doubt that spectrum pricing would significantly increase the costs for users of UK airspace. This will of course hurt the UK-based carriers most, but also European carriers that have a significant traffic share of the total flights passing through UK airspace. If the UK Government would succeed in convincing other European Governments to follow the proposed concept, flying in Europe would become significantly more expensive, and European airlines in total, already blessed with very high airport charges, and the highest air navigation charges in the world, would quickly loose important transfer traffic to carriers based elsewhere (e.g. in the Middle East), which are able to almost bypass EU airspace for instance on flights from India or the Middle East to the United States.

6. We understand that such a proposal must be accompanied by an Impact Assessment. This has not been provided up to now.

7. The concept will not increase the efficient use of radio spectrum, as has already been mentioned above. Therefore, the proposal is simply a poorly disguised attempt to implement and secure an additional revenue stream to the UK treasury.

8. Finally, if AIP should be introduced on aeronautical spectrum, Ofcom must be aware of the possible implications on aviation safety. Airlines, Airports and Air Navigation Service Providers overall aim is to

provide a service, as safe as humanly possible. There must not be any compromises. The AIP-proposal however is detrimental to this aim.

Summarizing our position:

The concept of charging for aeronautical radio spectrum is totally flawed. It does not consider international obligations; it will fail to achieve a more efficient use, but may have a serious impact on the safety of aviation. It is simply a means to increase revenue for the treasury, not taking into account the far bigger implications it will have on aviation and the overall economy in the UK and Europe.

Lufthansa is strongly opposed to the idea of introducing AIP on aeronautical radio spectrum.

Sincerely



Wolfgang Scheer
Senior Manager Aviation Charges