



Office of Communications
Riverside House
2A Southwark Bridge Road
London SE1 9HA

30 October 2008

By e-mail to: aeromarlstconsult@ofcom.org.uk

Dear Sir or Madam,

**ON APPLYING SPECTRUM PRICING TO THE MARITIME AND
AERONAUTICAL SECTORS**

In a recent consultation, the Office of Communications ("Ofcom") has proposed applying Administered Incentive Pricing ("AIP") to spectrum used in the Maritime and Aeronautical sectors.¹ For reasons explained herein, UPS Ltd. ("UPS") strongly objects to this proposal and requests that it be withdrawn.

Founded in 1907, UPS is the largest express delivery company in the world with about 425,000 employees. We offer delivery and collection services to more than 200 countries and territories globally. UPS is the ninth largest airline worldwide and transports 2% of the world's GDP.

The U.K. is pivotal to our operations. In the U.K., UPS employs about 8,000 people with 150 points of access (and 40,000 employees throughout the EU). UPS is very committed to the U.K.: East Midlands Airport is our critical gateway into and out of the country, helping us to achieve the rapid, time-definite delivery of goods and documents to customers in the UK and throughout the world.

¹ "Applying spectrum pricing to the Maritime and Aeronautical sectors", consultation document, published 30 July, 2008.

The express industry directly employs over 4,700 people in the East Midlands and over 10,200 jobs in the region.² Stansted Airport is strategically critical to enable UPS to support London and the South East; our operations there allow us to provide the early morning next day service that our customers demand to meet their business needs.

The express industry has continued to perform well over the past few years with total sales estimated to have grown by over 20% to around £2.6 billion in 2007.³ In real terms, the express industry's turnover has grown by about 13% over this period, well ahead of U.K. GDP. On the basis of this growth the direct contribution of the express industry to U.K. GDP is estimated to have increased to around £1.15 billion in current prices in 2007, with direct employment increasing to around 37,000. Taking account of indirect and induced employment, it is estimated that the express industry supported a total of almost 84,000 U.K. jobs in 2007.

UPS has also recently opened a new distribution hub in Tamworth which will help to deliver significant growth for UPS as well as deliver further improvements for both staff and customers. Employing around 1,000 staff, the site processes the packages that local and national businesses depend upon to ensure their products are delivered to customers on time and in a secure manner.

UPS strongly supports the efficient use of spectrum. As a user of spectrum throughout many parts of our business, UPS has a strong track record of spectral efficiency and a long history of supporting regulatory policy that promotes this goal.⁴

Ofcom's proposal, however, will do little to improve efficiency in the use of spectrum. In fact, Ofcom explicitly states that "[i]t is not our objective to achieve any specific change in the use of spectrum."⁵ There is no indication in the consultation paper of exactly what is thought to be "broken" in terms of current use of aeronautical spectrum. Therefore, the proposed "solution"—

² Oxford Economics (2006).

³ Oxford Economics (2008).

⁴ E.g., in the United States, UPS converted the vast majority of its land mobile radio operations in the 450 MHz band to narrowband technologies more than a decade prior to the regulatory deadline.

⁵ Consultation paper at 3.1.

application of AIP would appear to impose a significant cost with no clear benefit.

UPS is further concerned that the impact on safety has not been adequately considered in this consultation document. Safety is a top priority in every UPS operation, but is particularly emphasised throughout our air operations. Ofcom acknowledges that there is a crucial "public interest in safe and sustainable operations"⁶ but does not indicate how this interest will be protected from possible unintended consequences of applying AIP to aeronautical spectrum. Without a clear understanding of the impact to safety, any consideration of applying AIP to aeronautical spectrum is premature at best.

In summary, UPS strongly objects to Ofcom's proposed application of AIP to aeronautical spectrum. It does not clearly define a problem, does nothing to promote the efficient use of spectrum, and yet it proposes a "solution" that would appear to do nothing more than add cost to businesses that operate in the U.K. or transit U.K. airspace. Furthermore, the impact to aviation safety has not been appropriately considered. For these reasons, UPS requests that the proposals in the consultation paper are withdrawn.

UPS is grateful for the opportunity to submit these comments and respectfully requests that they are published as a separate submission and as part of the public record.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Richard Currie', with a stylized flourish at the end.

Richard Currie
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⁶ Consultation paper at 3.5.