



## Addendum to Consultation

### Spectrum Pricing: A framework for setting cost based fees

Proposals for licences for DTT multiplex services  
issued under the Wireless Telegraphy Act 2006

Publication date: 6 November 2013

Revised closing date for consultation responses: 18 December 2013

## Section 1

# Overview

## Background

- 1.1 This Addendum to Consultation (the Addendum) has been issued in response to a stakeholder request for additional information on our spectrum management costs and fees.
- 1.2 We published a consultation proposing an approach for reviewing and setting cost based fees for Wireless Telegraphy Act (WT Act) licences on 13 September 2013<sup>1</sup>. Our consultation proposals are currently open for public consideration, and as a result of the publication of this additional material, we are **extending the closing date for responses to 5pm on 18 December 2013**.
- 1.3 Our cost based fees approach consists of three core stages (set out in Table 1 on page 8 of the consultation document). Stage 1 analysed and categorised our costs for 2011/12 (referred to as cost categories in the consultation), and these are: Spectrum policy programmes and projects, Spectrum engineering and enforcement, Spectrum licensing, International spectrum management, ICT, property and other common costs.
- 1.4 At paragraph 3.19 of our consultation document, we explained that the total spectrum management cost attributed across all licence classes in 2011/12 is £40.1m against total WT Act fees invoiced in 2011/12 of £265m. Figure 1 on page 11 of the consultation shows how our costs of £40.1m breakdown across the cost categories identified in Stage 1.
- 1.5 Stage 2 (see section titled '*Stage 2: Defining a methodology to allocate spectrum management costs to licence classes - the cost allocation methodology*' on page 10 of the consultation) set a methodology to attribute cost categories to the individual licence classes by identifying specific cost drivers relevant to each cost category. The methodology itself is set out in Table 2 on page 10 of the consultation.
- 1.6 By applying this proposed cost allocation methodology, we calculated the costs associated with all of our spectrum authorisation activities (ie. the WT Act licence classes we manage). This includes sectors where we charge AIP or which are licence exempt (even though they are outside the scope of our consultation document). For 2011/12, these costs total £40.1m as referred to in paragraph 3.19 of the consultation, paragraph 1.4 above, and is the rounded equivalent of £40,111K set out in the table in section 2 of this Addendum.
- 1.7 The cost data by licence class above are then used as the basis for proposing fees for licence classes where WT Act fees are set on the basis of our spectrum management costs, as explained in Stage 3 of our cost based fees approach (see section titled '*Stage 3: Process for setting cost based fees*', on page 11 of the consultation).

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<sup>1</sup> <http://stakeholders.ofcom.org.uk/consultations/cbfframework/>

- 1.8 In the consultation document we specifically applied the cost allocation methodology to define costs associated with the TV broadcasting licence class – that is, for national, local and the Northern Ireland digital terrestrial television (DTT) multiplex licences. We have identified a total cost for national DTT TV broadcasting licences of £1.13m out of the £40.1m. This figure has been calculated by identifying the relevant cost categories applicable to these licences and by attributing the costs based on the methodology and drivers set out in Table 2 on page 10 of the consultation. These costs of £1.13m for national DTT broadcasting set out in the consultation are the rounded equivalent of the £1,126K figure shown for TV broadcasting in the table in section 2 of this Addendum. (Costs for the local and Northern Ireland multiplexes were not included as these were not available in 2011/12).
- 1.9 Section 4 of the consultation document provides a full breakdown of our spectrum management costs for each of these WT Act multiplex licences within the TV broadcasting licence class, by each type of relevant cost category (see Figures 2, 3 and 4 in the consultation), and proposes fees for these licence classes by applying the three stage approach for setting cost based fees set out in Section 3 of the consultation (see pages 9-13).
- 1.10 The information request we received related to obtaining more granular information on our spectrum management costs and fees in order to aid a response to the consultation. We have been asked to provide a breakdown of our costs and fees information as attributed to each licence class and this is now set out in section 2 of this Addendum.

## Context for information provided in this Addendum

- 1.11 The information provided in section 2 relates to the 2011/12 financial year only. Figures have been rounded to the nearest thousand pounds.
- 1.12 For the avoidance of doubt, where we refer to total spectrum management costs, we mean total spectrum costs incurred by Ofcom in managing respective licence classes. These do not represent the incremental costs of managing a licence class.
- 1.13 Fees invoiced in 2011/12 are provided in fulfilment of this information request and should not be taken as an indication of future WT Act fees. For 2011/12, the figure of £264,644K in the table in section 2 of this Addendum is the rounded equivalent of the £265m of fees referred to in paragraph 1.4 above and 3.19 of the consultation document.
- 1.14 In setting WT Act fees for cost based licence classes, our proposal is to take into account spectrum management costs together with a number of policy and sectoral considerations which may influence the level of fees we set in the future. We are currently consulting on these considerations in paragraphs 3.29-3.35 of the consultation document.
- 1.15 We also note that our proposed approach is to consult on WT Act fees in other (non TV broadcasting) licence classes as part of our sectoral fee review programme, in line with the indicative roadmap set out in paragraphs 5.8-5.12 and Figure 5 of the consultation document.

## Section 2

## Spectrum management cost and fees in 2011/12

Licence type / class	Total spectrum management costs 2011/12 £K	Total fees invoiced 2011/12 £K
<b>Licence exempt classes</b>	1,278	-
<b>Satellite filings<sup>a</sup></b>	1,173	-
<b>Free lifetime licence classes<sup>b</sup></b>		
Amateur radio	1,862	11
Ships radio	1,252	9
<b>Cost-based licence classes</b>		
Business radio - light licences <sup>c</sup>	995	233
Fixed wireless access (5.8 GHz) - light	265	21
Fixed wireless services (fixed links) - light	138	1
Maritime - light	167	38
Radio broadcasting <sup>d</sup>	3,848	3,509
Satellite - light	397	10
Science and technology - light	3	2
Science and technology - technically assigned	343	51
TV broadcasting	1,126 <sup>e</sup>	0.3 <sup>f</sup>
<b>Outsourced licence classes<sup>g</sup>: Aeronautical and PMSE (programme making and special events)</b>	4,613	3,416
<b>Administered Incentive Pricing (AIP) licence classes</b>		
Business radio - area defined	371	4,208
Business radio - technically assigned	5,324	3,902
Fixed wireless access - technically assigned	395	2,215
Fixed wireless service (fixed links) - technically assigned	1,753	21,542
Maritime - area defined	127	1
Maritime - technically assigned	590	404
Satellite - technically assigned	655	1,213
Space science	505	809
Public safety / emergency services	711	3,273
Public sector spectrum (MoD)	410	154,878
Public wireless (Mobile)	11,113	64,898
<b>Spectrum access (eg. block assigned spectrum)</b>	697	-
<b>TOTAL</b>	<b>40,111<sup>h</sup></b>	<b>264,644</b>

<sup>a</sup> We are unable to recover costs associated with satellite filings under current legislation

<sup>b</sup> Fee receipts reflect non-online licence applications (which attract a fee of £20)

<sup>c</sup> By light licences we are referring to licences which are not technically coordinated and assigned by Ofcom

<sup>d</sup> Radio broadcasting licence class includes analogue and digital radio services

<sup>e</sup> Figure reflects the £1.13m of national DTT broadcasting costs referred to in paragraph 4.11 of the consultation. It does not include costs for the local and NI muxes as figures were not available for 2011/12

<sup>f</sup> Figure reflects self-help relay WT Act licence fees. These licences are outside the scope of our cost based fee review (and no fees for DTT multiplexes were collected in 2011/12)

<sup>g</sup> Outsourced licence class figures are subject to contractual terms and have been combined in this table. PMSE is a cost based class. Aeronautical comprises both cost and AIP classes

<sup>h</sup> Figure reflects the £40.1m of spectrum management costs referred to in paragraph 3.19 of the consultation