



# Ofcom's Tariff Table 2005/06

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## Section 1

# Ofcom Funding for the year 1 April 2005 to 31st March 2006

## Ofcom Funding for the year 1 April 2005 to 31 March 2006

### Comparison with 2004/05

- 1.1 For 2004/05 Ofcom set an Operating Budget<sup>1</sup> of £140 million. In setting that budget Ofcom built in the 5 per cent efficiency savings it had already achieved from merging the functions of the five former regulators and the headcount reduction of 25 per cent.
- 1.2 Ofcom also publicly made a commitment to seeking a further 5 per cent efficiency gain during the 2004/05 year; a target of a further 5 per cent efficiency gain during 2005/06 and of continuing to seek further efficiencies thereafter to be an RPI-Minus Cost Regulator.

### 2005/06 Budget and end-year out-turn

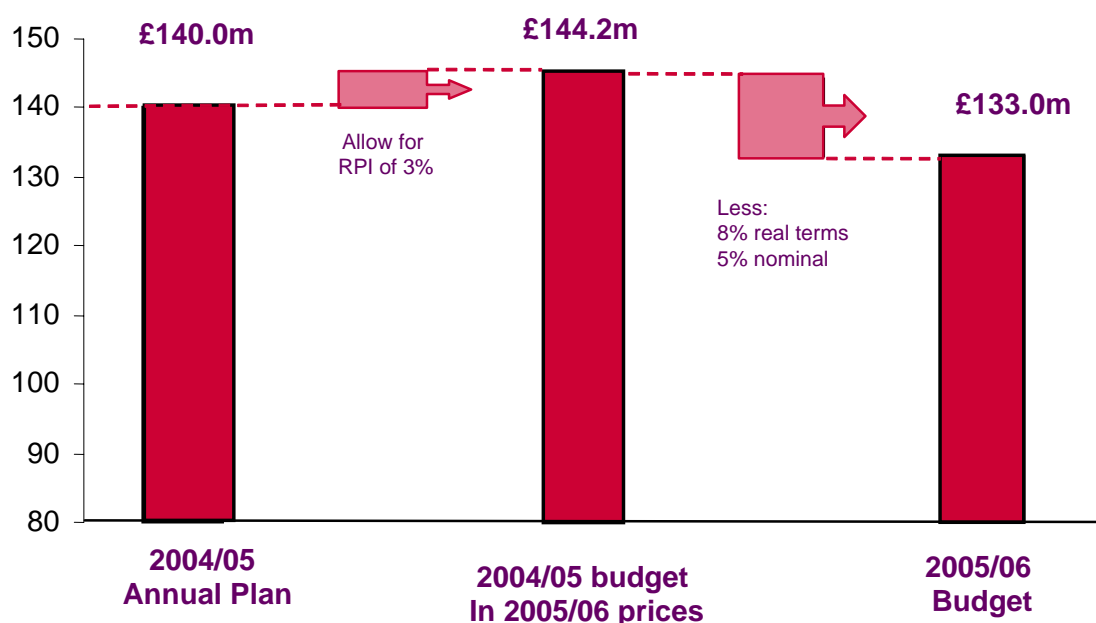
- 1.3 Ofcom's Operating Budget for 2005/06 is therefore £133 million. This is 5 per cent lower than the 2004/05 budget (8 per cent lower in real terms compared with the 2004/05 Operating Budget plus RPI).
- 1.4 The outturn for 2004/05, Ofcom's first full year post-merger, is estimated to be £124.1 million. This lower figure reflects higher than expected efficiency gains from the merger; but also that a number of major projects, scheduled for completion in 2004/05 will now be completed over the forthcoming financial year.
- 1.5 Recognising the impact of this re-phasing and of projected RPI increases in 2005/06, Ofcom believes that the £133 million operating budget is a prudent figure. Of this budget, it is expected that £6.4 million will be capital expenditure, subject to final consultation. The budget is based on an adjusted cash basis, which includes capital expenditure but excludes depreciation.

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<sup>1</sup> Operating Budget excludes estimated spend on the Spectrum Awards programme and on the Spectrum Efficiency Scheme which is funded by a special grant from Government, and repayments of the Foundation Loan.

## Comparison of 2004/05 costs with those for 2005/06

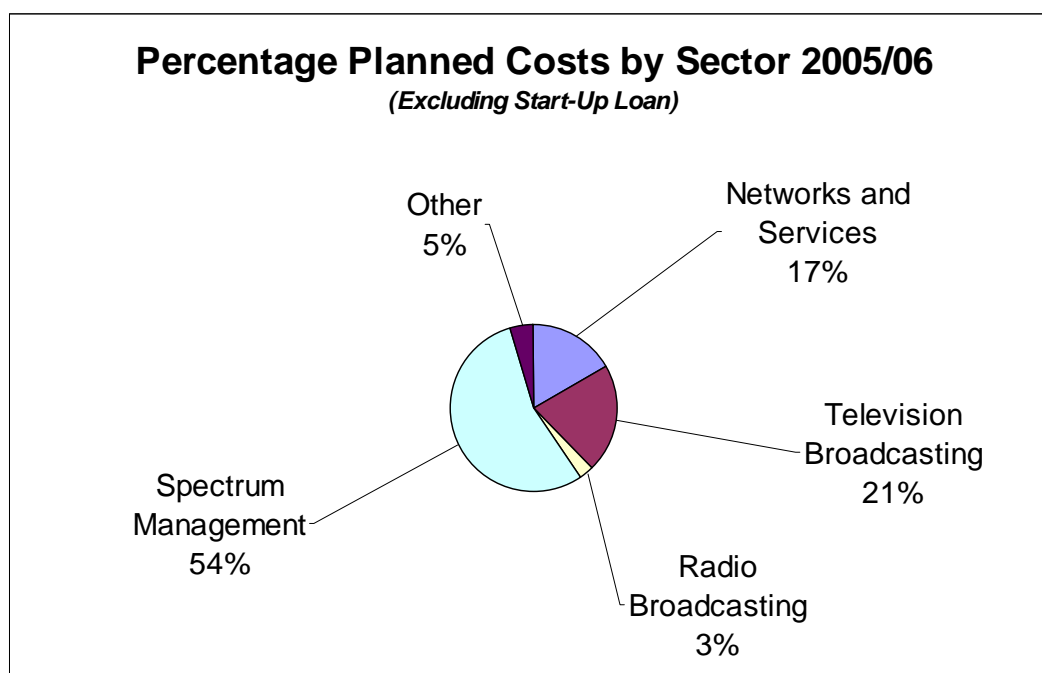
Table 1 :Ofcom Costs



- 1.6 In setting the 2004/05 Tariff Tables the predicted effectiveness of collection rate was determined by reference to that of the former regulators. Greater effectiveness in tariff collection has spread fees more fairly over a wider base of stakeholders than was the case under the former regulators.
- 1.7 The differences between the planned operating budget in March 2004, revenues raised and actual expenditure throughout 2004/05 will be remitted back to industry, in line with the provisions of sections 38 and 347 of the Communications Act 2003.
- 1.8 Specifically, this will mean that across the board, regulatory fees for 2005/06:
- Will reduce by an average of 26 per cent for television licensees, a total cost reduction to the industry of £8.5 million in real terms;
  - Will reduce by an average of 29 per cent for radio licensees, a total cost reduction to the industry of £1.3 million in real terms; and
  - Will reduce by an average of 8 per cent for networks and services operators a total cost reduction to the industry of £2.0 million in real terms.
- 1.9 The Analysis of Fees and Expenditure at Annex 1 sets out the effect of these developments in tabular form.

## Allocation of 2005/06 costs across sectors

1.10 The allocation of costs is determined in accordance with the methodology described in the Statement of Charging Principles published on 8 February 2005.



1.11 These 2005/06 Tariff Tables set out the payments due by sector, but do not include details broken down by Licensee; these remain confidential to the companies concerned.

1.12 The fees also reflect changes to the tariff structure for broadcasting licensees, made or confirmed following consultation with stakeholders and reflected in the Statement of Charging Principles published on 8th February 2005, which takes greater account of relevant turnover. Those changes mean that actual costs for some individual broadcasting licensees will vary from the sector average.

1.13 As indicated above, Ofcom is targeting further efficiency savings of 5 per cent in 2005/06. Should these be achieved, the benefits will also be remitted back to the sectors, on a proportionate basis in the succeeding financial year.

## Section 2

# Ofcom's launch costs

- 2.1 The costs of restructuring from the former regulators to Ofcom and the cost incurred by Ofcom since its establishment under the Office of Communications Act 2002 have been met through loan funding of £52.3m from the Department of Trade and Industry. These loans, which were made in the period from 31 March 2003 to 2 January 2004, are repayable in the period from March 2004 to March 2008.
- 2.2 The phasing of repayments is determined under the loan agreement with the DTI. We have allocated the launch costs for the complete repayment period until March 2008 on a proportionate basis to the amount of expenditure incurred by the legacy regulators in each Regulatory Sector. The result of this allocation is shown in Table 2.

Table 2 :Loan repayments

<b>Loan repayments (inc. interest)</b>	<b>Paid 2003/4 £' 000</b>	<b>Paid 2004/5 £' 000</b>	<b>2005/6 £' 000</b>	<b>2006/7 £' 000</b>	<b>2007/8 £' 000</b>	<b>Total £' 000</b>
Networks & Services		2,723	2,592	2,672	2,560	10,547
TV Broadcasting		2,578	2,454	2,530	2,423	9,985
Radio		403	383	395	379	1,560
Other	7,328	13,948	13,425			34,701
<b>Total</b>	<b>7,328</b>	<b>19,652</b>	<b>18,854</b>	<b>5,597</b>	<b>5,362</b>	<b>56,793</b>

- 2.3 The recovery of these allocated costs is part of the costs for each Regulatory Sector or Tier.

# Ofcom Licence Fees and Administrative Charges

## Tariff Table - 2005/6

The following tariff table provides Ofcom's 2005/6 fees and charges for the year from 1 April 2005 to 31 March 2006. It is split into three sections:

- Networks and Services including Electronic Communications Code
- Television; and
- Radio

### Section 3

## Networks and Services Charges

### Administrative Charges for the Networks and Services sector

- 3.1 Network and Services administrative charges are payable by all Relevant Persons with a Relevant Turnover greater than £5m in the calendar year ended 31 December 2003.
- 3.2 Administrative charges are calculated by applying a percentage tariff to the Relevant Turnover. Where Relevant Turnover falls within a band, as set out in the table below, Ofcom will use the lower figure of the turnover band to calculate the administrative charge payable.
- 3.3 The administration charge is based on 0.0625% of relevant turnover in the calendar year ended 31 December 2003.

Table 3: Networks and Services Administrative Charges

Bands		Relevant Turnover (£)	Fee payable (£)
Bottom (£)	Top (£)		
0	5,000,000	0	0
5,000,000	10,000,000	5,000,000	3,125
10,000,000	25,000,000	10,000,000	6,250
25,000,000	50,000,000	25,000,000	15,625
50,000,000	75,000,000	50,000,000	31,250
75,000,000	100,000,000	75,000,000	46,875
100,000,000	150,000,000	100,00,000	62,500
150,000,000	200,000,000	150,000,000	93,750
200,000,000	300,000,000	200,000,000	125,000
300,000,000	400,000,000	300,000,000	187,500
400,000,000	500,000,000	400,000,000	250,000
500,000,000	600,000,000	500,000,000	312,500
600,000,000	750,000,000	600,000,000	375,000
750,000,000	1,000,000,000	750,000,000	468,750
Above 1,000,000,000		Actual Relevant Turnover	0.0625% of relevant turnover

### Monthly payment

- 3.4 If the annual administrative charge as calculated above is more than £75,000, Ofcom will allow monthly payment of the fee.



## Administrative Charges for the Electronic Communications Code

### Annual Administration Charge

- 3.5 Persons who have been granted the electronic communications code (the 'code') must pay an annual administration fee as shown in the following table:

*Table 4: Electronic Communications Code Annual Administrative charges*

	Tariff for 2005/06 (£)
Annual Administrative Charge	3,000

### Application fee

- 3.6 Persons who have been granted the electronic communications code (the 'code') in a particular Charging Year must pay a one-off charge in respect of the estimated costs of dealing with their application for the code.

*Table 5: Electronic Communications Code Application Charge*

	Tariff for 2005/06 (£)
Application Charge	10,000

## Section 4

# Television Licence Fees

4.1 The categories of licences are:

- i. **Category A** – Channel 3, Channel 4, Channel 5 and the Public Teletext Service Licence. (Note that this category includes associated TLCS licences where content is simulcast);
- ii. **Category B** – Television Licensable Content Service Licences, Digital Television Programme Service Licences, Commercial Additional Services Licences and Digital Additional Service Licences. (Note that this category does not include those TLCS licences which are included in Category A);
- iii. **Category C** – Restricted Television Service Licences (long-term and short-term);
- iv. **Category D** – Multiplex Licences
- v. **Category E** – Teleshopping Channels

4.2 The tariffs for categories A and B relate to the licensee's Relevant Turnover for the year ended 31 December 2003. The tariffs are progressive in that licensees pay proportionally more in fees as their revenue increases, based on a cumulative sliding scale (see Table 6 below). There is a maximum revenue cap of £300m.

### Category A and B licence fees

Table 6: Category A and B Licence Fees

Qualifying Revenue	Category A PSB Revenues	Category B PSB Simulcast Revenues	Category B Non-PSB Revenues
Bands			
£0m - £10m	0.27695%	0.27695%	0.03729%
£10m - £35m	0.41543%	0.41543%	0.07457%
£35m - £75m	0.62314%	0.62314%	0.14915%
£75m - £300m	0.93471%	0.93471%	0.29830%
Over £300m	0.0%	0.0%	0.0%

Notes:

- i) Minimum Fee = £1,000
- ii) Rates are expressed cumulatively. For example, for Category A licensees,  
0.27695% is charged on the first £10m of qualifying revenue:  
0.41543% on the next £25m,  
0.62314% on the next £40m and  
0.93471% on the next £225m.

## Transitional Relief

- 4.3 Transitional relief will not be applicable for the 2005/6 charging year due to both structural changes in the Television Broadcasting Sector tariff regime and the higher than anticipated efficiency savings during the 2004/5 financial year which have limited the maximum tariff increase to which any existing licensee will be subject. In 2006/07 and 2007/08 Ofcom does not anticipate any requirement for transitional relief in this sector. In 2008/09 licence fees will fall once the foundation loan repayment is complete.

## Monthly payment

- 4.4 If the annual licence fee calculated is more than £75,000, Ofcom will allow monthly payment of the fee.

## Categories C, D and E

- 4.5 Licence fees for categories C, D and E are shown below:

### Restricted Television Service Licences (long-term and short-term) and Restricted Events Licences

Table 7: **Category C** Licence Fees

	Tariff for 2005/06 (£)
<b>Restricted Event Licences</b>	
Up to 1,000 seats	100
1,001 – 5,000	150
5,001 – 20,000	250
Over 20,000 seats	500
<b>Restricted Services Licence</b>	500

### Multiplex Licences

Table 8: **Category D** Licence Fees

	Tariff for 2005/06 (£)
<b>Digital Multiplex</b>	
Fee per annum	10,000
<b>Application / Renewal fee</b>	25,000

### Teleshopping channels

- 4.6 During the consultation process, a new category of TV licence fee was created for teleshopping channels and for these channels, a fixed annual fee will be charged.

Table 9: **Category E** Licence Fees

	Tariff for 2005/06 (£)
<b>Shopping Channels</b>	
Fee per annum	2,000

## Application Fees

4.7 Application fees are shown below

Table 10: Application Fees

	Tariff for 2005/06 (£)	Transfers/ Variations
Television Licensable Content Service Licence	2,500	1,000
Restricted Events Licence	250	-
Digital Television Programme Service Licence	2,500	1,000
Digital Additional Service Licence	2,500	1,000
Digital Channel 3, Channel 5 and Public Teletext Licences	30,000	30,000

4.8 The amount that new licensees will pay is the non-refundable application fee plus the first years licence fee, which will be the minimum fee. For example, a new TLCS licence will cost £2,500 application fee plus the first years annual fee (the minimum fee of £1,000).

## Section 5

# Radio Licence Fees

## National and Local Licences - Application and Licence Fees

### Application Fees

- 5.1 All new applications for national and local licences must be accompanied by a non-refundable application fee. The fees for each category of licence are:

Table 11: National and Local Licence Applications

	Population (Aged 15+)	Tariff for 2005/06 (£)	
		FM	AM
<b>National Licences</b>			
All Licences		100,000	100,000
<b>Local Licences</b>			
Category A	4,500,000 +	50,000	14,500
Category B	1,000,000-4,500,000	25,000	8,000
Category C	400,000-1,000,000	10,000	3,500
Category D	0-400,000	5,000	1,000

### Annual Licence Fees

- 5.2 Annual licence fees are calculated as a percentage of the annual Relevant Turnover obtained from the licence for the calendar year ended 31 December 2003.

Table 12: National and Local Licence Fees

Bands	Tariff for 2005/06 % of Qualifying Revenue
£0m - £1m	0.300%
£1m - £5m	0.450%
Over £5m	0.675%

Notes: The movement from a population-based tariff (prior to 1 April 2004) to a percentage of revenue measure has led to licence fee increases and reductions. A transitional relief policy limits the extent of increases and reductions.

## Transitional Relief

- 5.3 Licence fee increases are capped at 45% for the year to March 31st 2006 compared to the fee payable in the year to March 31st 2005. Licence fee decreases for 2005/6 are capped at -46% compared to the fee payable in 2004/5. In 2004/05, after consultation with the radio sector, Ofcom implemented major changes to the tariff structure for national and local analogue licence fees, basing them on the turnover rather than the population coverage of the licence. The scale of these changes required the use of transitional relief in 2004/05 and again in 2005/06, capping the maximum increase (or decrease) in fees payable by licence, and may require the use of transitional relief in future years until fees fall in 2008/09 once the foundation loan repayment is complete

## Monthly payment

- 5.4 If the licence fee for a national or local licence is more than £5,000, Ofcom will allow monthly payment of the fee.

## De Minimis Threshold

- 5.5 It was decided during the consultation phase to set at zero the fee for holding national and local licences where the fee due would otherwise be less than £100. This is in the interests of efficient administration for both Ofcom and licensees. Therefore, the de minimis threshold is £100 for existing national and local licence fees.

## Fees for Renewal of National and Local Licences

- 5.6 All applications for renewal of national and local licences must be accompanied by a non-refundable application fee. The fees for renewing each category of licence are:

Table 13: National and Local Licence Renewals

	Population (Aged 15+)	Tariff for 2005/06 (£)	
		FM	AM
<b>National Licences</b>			
All Licences		100,000	100,000
<b>Local Licences</b>			
Category A	4,500,000 +	21,200	14,500
Category B	1,000,000-4,500,000	11,800	8,000
Category C	400,000-1,000,000	5,000	3,500
Category D	0-400,000	1,500	1,000

## National and Local Radio Multiplex Licences - Application and Licence Fees

### Application Fees

- 5.7 All applications for national and local radio multiplex licences must be accompanied by a non-refundable application fee. The application fee for each category of licence is:

*Table 14: Radio Multiplex Licence Applications – National and Local*

	Population (Aged 15+)	Tariff for 2005/06 (£)
<b>National Licences</b>		
All Licences		50,000
<b>Local Licences</b>		
Category A	4,500,000 +	25,000
Category B	1,000,000-4,500,000	15,000
Category C	400,000-1,000,000	5,000
Category D	0-400,000	1,000

### Annual Licence Fees

- 5.8 Annual fees for national and local radio multiplex licences have been set at a fixed rate as shown in Table 15.

*Table 15: National and Local Radio Multiplex Licence Fees*

	Tariff for 2005/06 (£)
National radio multiplex licences	10,000
Local radio multiplex licences	500

## Community radio – Application and Licence Fees

- 5.9 Application and annual licence fees for community radio licences have been set as shown in Table 16.

*Table 16: Community Radio Application and Licence Fees*

	Tariff for 2005/06 (£)
Application fee	600
Annual licence fee	600

5.10 Any commercial revenue obtained from a community radio licence will be subject to the same tariff as that applied to national and local licences, which for the financial year 2005/06 is shown in table 12 which is reproduced below. Any amount due will be offset against the £600 already paid

Bands		Tariff for 2005/06 % of Qualifying Revenue
£0m	- £1m	0.300%
£1m	- £5m	0.450%
Over	£5m	0.675%

*Reproduced from table 12*

## Restricted Service Licences (short-term) – Application and Licence Fees

### Application Fees

5.11 A non-refundable fee is required for a short-term restricted service licence application, as follows:

*Table 17: Short term RSLs application fee*

	Tariff for 2005/06 (£)
<b>Restricted Service Licence (Short-term) Application Fees</b>	
Application Fee	400

### Licence Fees

5.12 For short-term RSLs operating over a period of consecutive days (which will not normally exceed a maximum of 28 days, but exceptionally may do so) licence fees will be charged on a daily rate as follows:

*Table 18: Short term RSLs*

	Daily Rate (£)
a) AM (medium wave)	
All power levels	10
b) FM (VHF) e.r.p.	
i) Up to and including 1W	10
ii) Above 1W, up to and inc. 25W	30



5.13 For short term RSLs operating over a period of non-consecutive dates where the period between the first date of the licence period and the last date of the licence period falls within a period exceeding 28 days the licence fee will be as follows:

*Table 19: Short term RSLs (non-consecutive)*

	Fixed Rate (£)
a) AM (medium wave)	
i) 29 to 140 days	675
ii) Over 140 days	1,250
b) FM (VHF)	
i) 29 to 140 days	1,000
ii) Over 140 days	1,550

5.14 All other short-term Restricted Service Licences will be subject to a licence fee of £100 for each 28 day period or part thereof.

#### **Amendment Fees**

5.15 An amendment fee is charged when an applicant wishes to amend details of its application after it has been approved by Ofcom.

*Table 20: Short-Term Restricted Service Licences Amendment Fee*

	Tariff for 2005/06 (£)
<b>Restricted Service Licence (Short-term) Amendment Fee</b>	
Amendment Fee	200

### **Restricted Service Licences (long term) – Application and Licence Fees**

#### **Application Fees**

5.16 A non-refundable fee is required for a long-term restricted service licence application, as follows:

*Table 21: Long-Term Restricted Service Licences Application Fee*

	Tariff for 2005/06 (£)
<b>Restricted Service Licence (Long-term) Application Fees</b>	
Application Fee	200

## Annual Licence Fees

5.17 The annual licence fee for a long-term restricted service licence varies according to the method of transmission as follows:

*Table 22: Long Term Restricted Service Licences*

	Annual Licence Fee £
a) Induction Loop (AM)	
Licence fee per annum	140
b) Low-powered (FM) Up to and including 50 mW e.r.p.	
Licence fee per annum	140
c) Low-powered (AM) Up to and including 1 watt.	
Licence fee per annum	275

## Amendment Fees

5.18 An amendment fee is charged when an applicant wishes to amend details of its application after it has been approved by Ofcom.

*Table 23: Long-Term Restricted Service Licences Amendment Fee*

	Tariff for 2005/06 (£)
<b>Restricted Service Licence (Long-term) Amendment Fees</b>	
Amendment Fee	200

## Radio Licensable Content Service Licences – Application and Licence Fees

5.19 Application and annual licence fees for Radio Licensable Content Service Licences have been set as shown in the following table.

*Table 24: Radio Licensable Content Service Licences - Application and Licence Fees*

	Tariff for 2005/06 (£)
Application fee	250
Annual licence fee	575

## Digital Sound Programme Licences – Application and Licence Fees

5.20 Application and annual licence fees for Digital Sound Programme Licences have been set as shown in the following table.

Table 25: Digital Sound Programme Licences - Application and Licence Fees

	Tariff for 2005/06 (£)
Application fee	250
Annual licence fee	100

## Digital Additional Services Licences – Application and Licence Fees

5.21 Application and annual licence fees for Digital Additional Services Licences have been set as shown in the following table.

Table 26: Digital Additional Services Licences - Application and Licence Fees

	Tariff for 2005/06 (£)
Application fee	250
Annual licence fee	100

## Additional Services Licences – Application and Licence Fees

### Application Fees

5.22 Application fees for Additional Services Licences have been set as shown in the following table.

Table 27: Additional Services Licences – Application Fees

	Tariff for 2005/06 (£)
<b>Additional Services Licences (on National FM Services only)</b>	
Application Fee	20,000

### Annual Licence Fees

5.23 Annual licence fees for Additional Services Licences have been set as shown in the following table.

Table 28: Additional Services Licences – Application Fees

	Tariff for 2005/06
<b>Additional Services (on National FM Services only)</b>	
Percentage fee of relevant turnover	10%
Minimum (per annum)	£25,000
Maximum (per annum)	£100,000

# Annex 1

## Analysis of Fees and Expenditure

	Balance b/f from 03/04	Fees & Charges for the year ending 31 March 2005	Estimated actual expenditure for the year ended March 2005	Over/(under) spend compared with income	Estimated actual expenditure for the year ended 31 March 2006	Fees & Charges for the year ending 31 March 2006	Fees Variance 2005 / 06 £m	Fees Variance 2005 / 06 %
Networks and Services	(139,000)	25,660,187	24,173,024	(1,487,163)	25,292,444	23,666,281	(1,993,906)	(7.8%)
Television Broadcasting	(30,000)	33,022,518	27,026,071	(5,996,447)	30,554,595	24,528,148	(8,494,370)	(25.7%)
Radio Broadcasting	-	4,478,997	3,762,943	(716,054)	3,882,659	3,166,605	(1,312,392)	(29.3%)
Spectrum Management	(3,940,000)	81,906,399	81,906,399	-	86,109,400	86,109,400	4,203,001	5.1%
Spectrum Efficiency Scheme	183,000	3,729,000	3,729,000	-	7,587,855	7,587,855	3,858,855	103.5%
Other	-	7,385,947	6,926,692	(459,255)	6,014,902	5,650,847	(1,735,100)	(23.5%)
Spectrum Awards	-	-	-	-	2,225,000	2,225,000	2,225,000	-
<b>Total</b>	<b>(3,926,000)</b>	<b>156,183,048</b>	<b>147,524,129</b>	<b>(8,658,919)</b>	<b>161,666,855</b>	<b>152,934,136</b>	<b>(3,248,912)</b>	<b>(2.1%)</b>
Less:								
Start-up Loan	-	-	19,652,000	-	18,854,000	-	-	-
SES	-	-	3,729,000	-	7,587,855	-	-	-
Spectrum Awards	-	-	-	-	2,225,000	-	-	-
	-	-	124,143,129	-	133,000,000	-	-	-