



## **RESPONSE OF CHANNEL 5 BROADCASTING LTD TO OFCOM'S CONSULTATION ON SPECTRUM PRICING FOR TERRESTRIAL BROADCASTING**

Channel 5 welcomes the opportunity to respond to this consultation. We also welcome Ofcom's decision to postpone the introduction of spectrum pricing, as this is both sensible in its own terms and removes a potential cost to our business. However, we do not believe Ofcom has made a convincing case for the introduction of Administered Incentive Pricing (AIP) in the longer term, either in the past or in this document.

*Question 1: Do you agree that the principle of applying AIP remains relevant to spectrum used for broadcasting?*

Channel 5 does not agree that AIP should be applied to the spectrum used for terrestrial broadcasting. We set out our thinking on this in detail in our response to Ofcom's last consultation on this subject, in which we said that "the arguments for applying spectrum pricing to DTT broadcasters are illusory, because of the nature of the DTT platform and the commitments already made to it by government"<sup>1</sup>. No developments in the last six and a half years have led us to resile from this view.

Our principle argument is that because government and Ofcom set out the parameters within which terrestrial broadcasting takes place – defining the frequencies, transmitters, power, antennae height, etc from which we broadcast and the minimum coverage this is designed to achieve – there is no scope for AIP to drive improved efficiencies. AIP would be a charge on broadcasting - we do not see how it would meaningfully incentivise more efficient use of spectrum.

We recognise that in theory public service channels, because of their universality requirements, are in a somewhat different position from non PSB channels, as the coverage levels of the latter are not dictated centrally by government. But the DTT platform needs to be planned as a whole; and as Ofcom has recognised, a vibrant DTT platform needs a sufficiently large number of free-to-air channels to maintain its attractiveness to viewers<sup>2</sup>. Furthermore, if AIP is to be introduced at the multiplex

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<sup>1</sup> *Response of Channel 5 Broadcasting Ltd (Five) to Ofcom's consultation on the future pricing of spectrum used for terrestrial broadcasting*, October 2006, page 3

<sup>2</sup> Ofcom, *Securing long term benefits from scarce low frequency spectrum - UHF strategy statement*, paragraphs 4.21 - 4.30

level, it is hard to see how a distinction can usefully be made between PSB and non-PSB channels, as one multiplex carries both types of channel and the additional gifted capacity of one PSB is located on a commercial multiplex.

*Question 2: Do you agree with our revised proposals to delay the introduction of AIP based on opportunity cost for national DTT multiplex operators until we have materially progressed our proposals for the future use of the UHF spectrum?*

Yes. For the DTT multiplexes to adopt DVB-T2 and MPEG-4 transmission and encoding technologies would lead to a substantial improvement in spectrum efficiency, comparable to the move from analogue to digital broadcasting. However, such a move would need to be carefully managed to minimise the disruption to viewers.

We agree that a top-down properly managed process, involving the multiplex licensees, Ofcom and government, would lead to a step change in spectrum efficiency. Introducing AIP at the same time would not assist this process.

*Question 3: Do you agree with our proposals to apply a fee for spectrum used for national DTT, in the meantime, based on the cost of administration instead?*

We had believed that the costs of administering DTT spectrum were recouped already through payments for WTA licences. We do not see the need for additional charges.

*Question 4: Do you agree that charges based on the costs of managing the spectrum should be applied to DAB radio and to local TV broadcasting?*

We do not believe DAB radio or local TV broadcasting should be treated differently from DTT.

*Question 5: Do you agree that when full AIP is applied for spectrum used for national DTT broadcasting (once we have materially progressed our proposals for future use of the UHF spectrum) it should be applied gradually, rising over five years.*

If Ofcom persists in its view that AIP should be introduced in due course, we would clearly prefer for it to be phased in gradually rather than in one go.

*Channel 5 Broadcasting Ltd*

*May 2013*