



TBI Limited

RESPONSE TO SPECTRUM POLICY GROUP DOCUMENT

“Applying spectrum pricing to the Aeronautical sector: A second consultation”

APRIL 2010



1. Introduction

1.1. TBI Limited is pleased to submit this response to the consultation being conducted into applying spectrum pricing to the aeronautical sector.

1.2. TBI Limited is the owner of London Luton Airport Operations Limited which, in turn, has been granted the concession to manage and operate London Luton Airport. Through its subsidiaries, Belfast International Airport Limited and Cardiff International Airport Limited, TBI Limited also owns and operates both Belfast International Airport and Cardiff Airport. The comments made in this response are consistent with the views of each of these airports which may also choose to confirm that separately.

2. Response to consultation

GENERAL

- 2.1. We welcome the opportunity to respond to this consultation. However, we strongly oppose all proposals put forward by Ofcom in this consultation.
- 2.2. We welcome Ofcom's abandonment of its proposals to apply AIP to nav aids, however we remain opposed to the principle of applying spectrum pricing to the use of aeronautical VHF spectrum. Users cannot give up their obligations to use certain frequencies and a 'price signal' will not affect this.
- 2.3. Aviation spectrum is mandated internationally to ensure the safety of aircraft. These proposals would have a detrimental effect on the safety of UK aviation.
- 2.4. The basis of the proposals is flawed. Any spectrum released by AIP will be handed back to the EU aviation pool.
- 2.5. The cost of the proposals will impact on airports who will be unable to pass this cost through due to long term contracts with airlines.

SPECIFICS

- 2.6. As far as international obligations are concerned, the radio spectrum used by aviation is allocated internationally at the ITU World Radiocommunication Conferences. These international agreements exist because of the need to ensure safety in the use of air traffic control and navigation and communication systems. The rules are designed to prevent this spectrum being reused by other sectors without international agreement.
- 2.7. On this basis, our understanding is that, AIP will not deliver any efficiency savings because any frequencies that are released will be returned to the overall European aviation pool. Even if AIP resulted in the release of a frequency, it does not remain in the UK but is released into the European pool for the benefit of aviation generally. Therefore the proposals bring no additional benefit or value to any other user or sector of the economy.
- 2.8. The consultation claims that the proposals would not have a negative effect on safety. We believe this to be incorrect, especially in the case of General Aviation (GA) and recreational flying, because introducing an elective cost on the use of VHF could lead some GA flyers to forego VHF systems, and fly from unlicensed aerodromes which aren't subject the CAA's rigorous licensing criteria. This in itself would represent a material detriment to safety.

- 2.9. Ofcom's view that the cost of '10p per passenger for AIP is negligible' shows little understanding of the aviation industry. These proposals, in year 5, could cost close to £60,000 per annum. We are involved in long term contracts with airlines and would not be able to pass this cost through, nor would we be able to reduce our usage. This would impact our competitiveness relative to European counterparts. TBI Limited remains opposed to the imposition of any new costs during a difficult time for the industry, especially when the benefits of such proposals are not clear. Adding a price mechanism is unlikely to result in any behavioural change that would enhance efficiency.
- 2.10. The Impact Assessment admits that the efficiencies that could arise out of AIP cannot be predicted, although this is the reason for using impact assessments is to establish beyond doubt the rationale for proceeding with the action proposed. Ofcom has not identified what is not efficient about the current system – beyond an academic economist's argument that absent some form of price mechanism it must be inefficient. Nor has any argument been put forward to demonstrate what benefits are being denied to the UK by the current international arrangements for use of UK aviation.