

22 April 2010

By email:

aerovhfconsult@ofcom.org.uk

michael.richardson@ofcom.org.uk

Dear Michael,

Applying Spectrum Pricing to the Aeronautical Sector: a Second Consultation

I would like to respond to Ofcom's second consultation on Administered Incentive Pricing (AIP) on behalf of UPS.

Founded in 1907, UPS is the largest express delivery company in the world with 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 UK is pivotal to our operations. In the UK, UPS employs around 7,500 people. Our air gateways in the UK are at Stansted, East Midlands and Edinburgh airports.

In our response to Ofcom's initial consultation, we pointed out that the application of AIP to aeronautical spectrum will do little to improve efficiency in the use of that spectrum. Nothing in the record of this proceeding, including Ofcom's second consultation, has changed our view.

Indeed, the introduction of spectrum pricing cannot lead to efficiency savings where spectrum is allocated in accordance with international agreements, as usage is strictly constrained. This fact is supported by the 2005 Cave Audit, which concluded that pricing would not be effective where the opportunity cost for any other use of spectrum is zero. In short, there is no clear benefit.

Although Ofcom rejected the pricing of internationally allocated spectrum for navigational aids, it is still considering the introduction of charges for internationally allocated aeronautical VHF spectrum. While Ofcom has provided estimates of the direct costs associated with the proposal, there has been no justification provided for these new expenses. Ultimately, the increased cost of operating in U.K. airspace necessarily will be reflected in higher prices paid by the end consumer for air transportation and shipping services.

We believe that Ofcom should review its proposal and follow the example of countries like the Netherlands, which has rejected the charging of aviation and maritime users for spectrum on the basis of the international nature of agreements. Any concerns over congestion or spectrum efficiency can be addressed through existing mechanisms within the aviation community. Indeed,

the aviation community has a long history of managing spectrum to the benefit of all users. We believe that this system should be considered for the management of spectrum in the UK.

In summary, the proposed application of AIP to aeronautical VHF spectrum only increases prices for U.K. consumers without providing any offsetting public interest benefit. We urge Ofcom to withdraw the proposal.

We would be happy to meet with you and other respondents to this consultation to discuss this issue further.

Yours sincerely,

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

Richard Currie
Director of Public Affairs, UK & Ireland
UPS Ltd