

DEPARTMENT FOR BUSINESS
ENTERPRISE & REGULATORY REFORM

The Rt Hon Stephen Timms MP
MINISTER OF STATE FOR
COMPETITIVENESS

Ed Richards
Chief Executive
Ofcom
Riverside House
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13 October 2007

Dear Ed,

DIGITAL DIVIDEND REVIEW

I and my Ministerial colleagues have been following the progress of the Digital Dividend Review with interest. I am pleased to hear that Ofcom intend to issue a statement before the end of 2007 on the way forward following consideration of the issues raised by the consultation document which you published last December. As you prepare that statement, you may find it helpful if I reaffirm the Government's view both on the general approach to managing the spectrum freed up by digital switchover, and on the position of publicly-funded organisations which may seek access to that spectrum.

The Government decided to implement digital switchover in order, among other reasons, to ensure the optimal use of spectrum. The Government's established and declared policy remains that the spectrum freed-up by digital switchover should be released in a technology-neutral auction or auctions. As James Purnell said to the Royal Television Society meeting in Cambridge:

"A sure way to freeze innovation would be to reserve new spectrum for existing users and incumbents.

That's why we have a clear policy of using market mechanisms to allocate spectrum – because that is the best way of identifying the most productive use to which it can be put..... [Ofcom] has recognized that some uses of the spectrum may be socially as well as commercially valuable.

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I welcome its moves to offer protection for the use of wireless microphones where there is a genuine special case. But the threshold for any such exception is extremely high, particularly if it means that large parts of the released spectrum are not available for new entrants to bid for. "

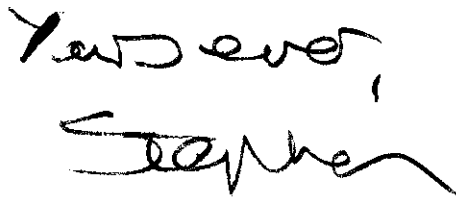
The Government is pleased to see that Ofcom is pursuing its duties with respect to spectrum management by examining ways to improve the efficiency of use of the spectrum supporting the existing six digital multiplexes. Greater clarity on the nature and timing of improvements that technologies such as DVB-T2 and MPEG4 can bring to the platform and how these can be delivered in practice – through publication of Ofcom's forthcoming consultation document - should come ahead of Ofcom's statement on use of the spectrum interleaved between those multiplexes and the spectrum cleared nationally for reuse. The Government stands ready to work with Ofcom on measures to achieve this objective.

The consultation which Ofcom published in December 2006 made reference to the financial and institutional framework for the support of providers of socially valuable applications who may wish to access the digital dividend. We have considered this but have not identified any reason to believe that the current financial and institutional frameworks would in principle prevent public sector users – or other providers of socially valuable services - from bidding for access to spectrum in accordance with the award processes proposed by Ofcom. Our view is that current frameworks already provide clear and established processes which allow the need for spectrum to be taken into account when reaching funding decisions, including where necessary through an increase in the funding of such providers of socially valuable applications.

We do not therefore believe that Ofcom's proposals on spectrum management will require substantive changes to existing public institutional and financial frameworks. However, if the Government were to decide that a specific outcome to any awards process was required, for example in terms of the nature of the service to be provided or the nature of the service provider, a different approach would need to be considered – as such certainty could not necessarily be delivered through changes to frameworks or funding levels. On the basis of our current understanding of Ofcom's proposals, no such conclusion is in view for the awards process or processes following the digital dividend review

I look forward to the publication of Ofcom's statement later this year. Please keep me informed of progress.

I am copying this letter to James Purnell and Alistair Darling.

A handwritten signature in black ink, appearing to read 'Stephen Timms', written in a cursive style.

STEPHEN TIMMS