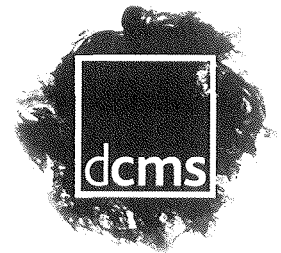


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I wrote to you on 8 February 2012 setting out the Government's responses to a number of questions which Ofcom had asked about the assistance to be provided to those television viewers who are likely to suffer interference to reception from LTE services operating in the 800MHz spectrum.

Ofcom consulted on the basis of the Government's response. In the light of the responses to your consultation I will set out once again the Government's position.

The high speed mobile broadband services which will be launched in the 800MHz spectrum will bring significant economic and social benefits to the UK as a whole and to consumers and businesses. Many of those consumers will also be viewers of digital terrestrial television (DTT) and some of those will unfortunately have those TV services affected by the LTE services unless action is taken to deal with interference.

The Government is keen to mitigate the effects of interference, so that no television viewer loses access to television services. However, in order to arrive at a fair view of the appropriate budget with which to implement mitigation measures, it is necessary to make a number of assumptions.

Ofcom's figures, developed in discussion with industry stakeholders, indicate that around 2.3 million households could be affected.

However, only 900,000 are likely to rely on DTT for their primary viewing, so in effect, fewer than a million people will be directly affected. The rest will be viewing television on satellite, cable or broadband.

It is these 900,000 homes which should receive the assistance necessary to enable them to continue to view the services they are used to.

The support offered should be as follows:

- the provision of information;
- the provision of filters free of charge (on a proactive and reactive basis); and
- platform changes where fitting a filter alone cannot restore an acceptable level of TV reception.

I have also decided that extra support, including the installation of filters where needed, should be offered to vulnerable consumers, where “vulnerable” is defined on the same criteria applied under DSO.

Ofcom’s research indicated that almost everyone was able to fit a filter to a TV receiver in the normal living space. However a number of homes have an amplifier installed at some point between the rooftop antenna and the TV. There are various reasons for this. Historically many homes needed to boost low power digital signals before switchover. Many fewer homes now need this amplification following the increase in power levels at switchover. Indeed homes with poor reception after switchover may well be advised to remove the amplifier as it is the cause of the problem. Other homes fit amplifiers to boost the signal so that it can be split to feed multiple receivers.

Where the amplifier has been fitted indoors it should be possible for able-bodied people to fit a filter to it, though I acknowledge that Ofcom’s research only tested installation in the normal living space. However, where the filter needs to be fitted to a masthead amplifier this should be done by someone competent at undertaking such installations at rooftop height, such as a Registered Digital Installer. The cost of this should be much less than for an antenna installation. Charges may vary from installer to installer but typically should be around £50 + VAT. I have therefore decided that those homes which need a professional installer to fit the filter to a masthead amplifier which is still required, after switchover, to deliver good DTT reception should be able to ask for a voucher for £50+VAT which can be redeemed by a reputable installer.

There will be some homes where a filter cannot remedy the interference. Ofcom has estimated that 38,500 premises are in this category, although the number falls to 17,000 if some limited level of network mitigation were applied to the 150 worst interfering mobile base stations. For these homes, assistance should be provided to switch to free-to-view satellite or to cable TV. In some cases – including the 500 or so homes which it may not be possible to serve by satellite or cable - it may be appropriate to look at alternative ways of restoring good DTT reception, up to a limit of £10,000 per household.

To limit the number of homes switching reluctantly from their first choice of platform to an alternative, it may be appropriate to set a cap on the number of platform changes to be funded by this scheme of assistance. However until the scheme is operational and the scale of the issue becomes much clearer I do not consider it sensible to set such a cap. I wish to make it clear now that the policy intention of any limit would be to encourage a bias towards restoring DTT reception rather than allowing platform changes to become the norm.

For affected homes that are served by communal distribution systems, the person responsible for the distribution system (normally the landlord) should receive the appropriate filter free of charge for fitting at the distribution point. It is normally the responsibility of each landlord to maintain any TV signal distribution system in the property, and this should extend to the fitting of any filter that is required. The cabling of the distribution system may be susceptible to interference if it isn't sufficiently shielded to protect it from interference. However the cabling within the building is the responsibility of the landlord, and therefore I believe that if it is of poor quality it is a matter for the landlord to address.

I have decided that there should be no support for interference issues that result from problems with set-top aerials, cable TV equipment or local TV services. In the latter case I understand that the dominant mechanism for loss of reception is where amplifiers or receivers are overloaded by LTE signals. In these cases, the UK-wide multiplexes as well as the local service would be affected and the household would receive appropriate mitigation. Otherwise, the impact on local TV is expected to be small as all local TV services will operate on frequencies no higher than channel 57. With set top aerials Ofcom's technical analysis suggests that there is likely to be a lower incidence of interference than with a rooftop aerial and what interference there is can again be dealt with by a simple filter. For customers of cable TV, who may suffer some interference if they are using an older box, the cable company should be able to resolve any problems. Similarly, no support should be offered for any interference caused by mobile handsets using a 4G, LTE, service where a practical solution is to move the handset away from the TV. However, wherever possible, I would expect the assistance scheme to provide suitable information on possible impacts from handsets and things consumers affected could do to help themselves.

Finally in terms of the scope of assistance, I am of the view that support should only be offered to mitigate interference into primary sets and not to additional sets. This is consistent with the approach we took in switchover where help was provided (to those eligible) for one set only. However I do want some thought given to how it can be made easier for affected viewers to acquire additional filters- for example information provided on suitable local stockists or the assistance scheme providing them at cost. It is important that affected viewers should have a clear and straightforward route to any additional filters required. In any event, many houses which receive a free filter will be using cable or satellite for their primary set, so they will be able to use the filter for their second set.

This scheme of assistance should be funded by the MNOs who are licensed to provide services in the 800MHz spectrum and hence will be the cause of the interference to reception of DTT services in the adjacent spectrum band. I agree with Ofcom's proposal that these MNOs should work together to deliver the scheme of assistance and that it is likely that they will do this most effectively by establishing a body which they will jointly set up, own and operate. I note that this body has become commonly known as "Mitco".

I understand that Ofcom will include in the licences granted to the MNOs conditions including obligations to comply with Key Performance Indicators (KPIs) for the delivery of the assistance scheme. If the KPIs are not met then Ofcom is proposing a set of operational conditions that would automatically apply to the MNOs. MNOs will be required by these conditions to do things such as delay their network roll out or reduce their power levels in the areas affected until the KPI that had been breached is met.

I am setting in process the establishment of an Oversight Board whose primary purpose will be to monitor and assess the performance of the MNOs (via Mitco) against their KPIs, and to ensure that mitigation is as effective as is possible and meets our overall objective of minimising disruption to the consumer. It should be possible for Mitco and the Oversight Board to propose to Ofcom changes to the KPIs to meet the practical experience of dealing with LTE interference to DTT. The Oversight Board will require some funding to undertake its work which should be drawn from the provision for the administration of Mitco.

I am very keen to see Mitco fully operational as soon as possible. Clearly there is a considerable amount of work to be done by the MNOs and others to put in place an effective scheme of assistance. To help the MNOs prepare, I intend to appoint one or more people shortly to develop the potential constitutional and governance arrangements for Mitco, and to establish much of the operational framework that Mitco will need. This work will only be successful if it is done in close cooperation with the current MNOs, with the broadcasters, and with other parties who have a direct interest. I am particularly concerned that this new assistance scheme should learn from the experience of Digital UK and the Switchover Help Scheme in delivering a complex and highly successful digital switchover programme.

In terms of the life span of MitCo, we should start on the premise that MitCo should exist for one year after either the date for meeting the coverage obligation, or network roll out completes, whichever is the earlier. However this is something I would expect the Oversight Board to keep under review.

I am proposing that the funding ceiling for MitCo is set at £180million with any underspend returned to the funding MNOs. If the Government were to decide that further mitigation support was required, the MNOs would not be required to provide additional funding. The funding ceiling should provide the level of certainty you sought so that the auction can be as effective as possible. The return of underspend to the MNOs should also provide an incentive to MNOs to mitigate as efficiently as possible, balancing network mitigation with consumer based mitigation. Payments by the funding MNOs to Mitco should be staged, in line with Ofcom's best estimate of Mitco's spending profile.

I do not believe it is appropriate to constrain unduly how the funding is spent but I think it is right that £20million should be set aside for additional support for the approximately 1 in 4 households with someone aged 75 or over or registered disabled (in the same terms as the Switchover Help Scheme), and up to £12 million should be used to support the professional installation of filters where this is essential. Ofcom's assessment, on which the funding ceiling of £180million is based, indicates that around £8million may be needed for platform changes, up to £100million for the provision of filters and appropriate information, and around £16million for scheme overheads. I am therefore confident that £180 million will be sufficient for the foreseeable tasks and includes a significant contingency which if not used will be returned to the MNOs when the scheme closes.



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