
Three's response to Ofcom's consultation on proposals for implementing revised ALFs and notice of proposal to make Regulations

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Executive Summary.

Three welcomes the opportunity to respond to Ofcom's consultation on proposals for implementing revised ALFs and notice of proposal to make Regulations.

In December 2024, Ofcom consulted on proposals to revise the annual licence fees ("ALFs") for the 900 MHz, 1800 MHz, and 2100 MHz bands, to which we have already provided our response. While Ofcom has not yet made a final decision on the ALF levels, they are currently consulting on proposals regarding how MNOs should pay these fees, specifically proposing:

- To align the fee payment dates for the 900 MHz, and 1800 MHz, and 2100 MHz bands, so that the liability for ALFs in each band falls on the same date each year (31 October); and
- To allow licensees to pay ALFs in 12 monthly instalments, instead of the current 10 instalments.

In summary,

- 1) We agree with Ofcom's proposal to allow licensees to pay ALFs in 12 instalments rather than 10. However, we request that Ofcom extend this option to the 3.9 GHz and 28 GHz band, as well as any other bands where instalment payments may be permitted in the future.
- 2) We support Ofcom's proposal to move the fee payment date for the 2100 MHz band to 31 October, aligning it with the ALF payment dates for the 900 MHz and 1800 MHz bands; and
- 3) We suggest that Ofcom move the ALF liability to a monthly basis instead of annually, as this would ease future spectrum trading.

Our response to the specific Consultation questions are provided in the section below.

Response to Ofcom's specific questions.

Question 1: *Do you agree with our proposal to permit licensees to pay ALFs in 12 monthly instalments? If not, please give reasons.*

We support Ofcom's proposal to allow licensees to pay ALFs in 12 monthly instalments instead of 10. This proposal would be beneficial from a cash flow and financial reporting perspective, as it spreads the payment obligation across the financial year, rather than the current option where there are two months without payments.

However, Ofcom only proposes this change for the 900 MHz, 1800 MHz, and 2100 MHz bands. We suggest that Ofcom extend the option for 12 monthly instalments to the 3.9 GHz and 28 GHz bands, as well as any other bands where instalment payments are permitted in the future. Aligning payment structures across all bands would help us in managing cash flow more effectively and ensure consistency.

Question 2: *Do you agree with our proposal to align the fee payment date for all the ALF spectrum (i.e. to proceed with 'Option 1' above)? If not, please give reasons.*

Currently, the payment date for the 2100 MHz band is 4 January, while the fee payment date for the 900 MHz and 1800 MHz band is 31 October. We recognise that aligning the ALF payment dates to 31 October would streamline administrative processes for both Ofcom and the licensees. This alignment would also allow us to forecast CPI for a single month, rather than across months to account for each payment cycle. Therefore, we support Ofcom's proposal to move the fee payment date for the 2100 MHz band to 31 October, aligning it with the ALF payment dates for 900 MHz and 1800 MHz bands.

Question 3: *Do you agree with our proposal not to move to monthly liability for ALFs? If not, please give reasons.*

Ofcom briefly considers in the Consultation the possibility of moving to monthly liability for ALFs but does not propose it, noting that their existing licensing and invoicing systems would not be able to accommodate such a change and that implementing it would impose significant administrative burden on Ofcom.

However, we believe the benefits of moving to monthly liability outweigh the short-term administrative burden. Specifically, this would ease spectrum trading, as the current annual liability for ALFs presents a barrier. Under Ofcom's Mobile Trading Regulations, all licence fees owed

must be paid in full before a transfer can occur. When fees are paid in stage payments, all remaining instalments must be paid in full.¹ As a result, a licensee becomes liable for a full year's worth of fees if they hold the relevant spectrum licence on the "fee payment date", even if they subsequently trade the spectrum within the same payment cycle. This creates a significant cash flow burden on licence holders before any trades take place, as they are required to make large payments upfront. Transitioning to monthly liability for ALF payments would help mitigate this issue, reducing the cash flow strain on licence holders before a spectrum trade.

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Question 4: *Do you have any other comments relating to this consultation? Please provide evidence in support of your views.*

Three has no comments.

¹ [Trading Guidance Notes](#), para 3.27

² [3<]