



Vodafone Response to Ofcom Consultation: Review of Annual Licence Fees

**Consultation on proposals for implementing revised ALFs and notice of proposal to make
Regulations**



1. Payment in instalments

Vodafone agrees with Ofcom's proposal that payment be made in 12 monthly instalments rather than the existing 10 monthly instalments. Although the change results in a benefit of a marginally-longer "interest free" payment period, our principal motivation for supporting the change is one of operational simplicity, avoiding the need to manage "payment" and "holiday" months.

Our preference would be to receive 12x monthly invoices as is currently the approach for Networks & Services fees, but if this is not administratively possible, then it would be acceptable to continue the existing approach of a single invoice backed by a letter setting out the instalment plan. In this situation, we would prefer a single invoice covering the licence fees for all of the bands, however please note our caveats on trading set out in Section Three.

Although not the subject of this consultation, we would prefer if the 12x monthly instalments approach was extended to all spectrum fees where Ofcom offers the capability to pay in instalments, i.e. for Vodafone the approach was extended to individually-licensed links, and 28GHz licences.

2. Fee payment dates

We support the proposals to align fee payment dates on 31st October (Option 1), and also the approach to be taken for the transition period for 2100MHz (i.e. a pro-rata'd fee to be levied in January 2026 payable in 10x instalments, followed by a full-year fee to be levied in October 2026 payable in 12x instalments).

Although not the subject of this consultation, we would prefer that the payment dates remain as-is on individually-licensed links, and 28GHz licences (i.e. April).

3. Annual vs monthly liability

The current situation is that the liability for fees is annual, hence (notwithstanding the ability to pay in instalments) the holder of the spectrum at e.g. 31st October is liable to pay the fee. By extension, as Ofcom requires all outstanding fees to be settled before any spectrum trade requests can be considered, submission of a trade request results in a loss of ability to pay in instalments, with the whole fee being payable immediately. To exacerbate matters, this is applied to the whole annual licence fee, even if only a subset of the licensed frequencies is being traded. This has acted as a considerable impediment to the trading of spectrum.



We note that in the consultation, Ofcom states that Vodafone has commented that the materiality of this will not be so high moving forward. We believe that there has been miscommunication on this aspect – whilst the issue isn't as material as it has been (3), there are areas where the issues could arise again, for example:

3

Vodafone's preference is therefore that we move to a monthly liability, so that each month the amount payable is related to the spectrum held in that month. If spectrum rights are traded, then the liability changes from the seller to purchaser for the following month.

We note that in the case of individually-licensed fixed links, a significant part of our annual bill is reconciliation of overpayment of fees where links have been ceased, and underpayment where new links have been introduced (3). This means that implicitly the instalments made in year N actually reflect the state of usage in year (N-1) rather than the current year. Changing to monthly liability would avoid this, as there would be no under/overpayment.

However, we do recognise that there may be systems issues which preclude such an approach. If that is the case, then we believe that there are sensible improvements that can be made to the regime. 3. This would mean that if a licensee holds spectrum at 31st October and has agreed to pay in 12 monthly instalments, then they would still be on the hook for those instalments, regardless of having traded the spectrum away. It would then be incumbent on them to structure their trade such that the buyer agreed to settle the instalments, or that as seller they continued to make payment having received sufficient capital payment for the spectrum trade to cover these. In the extremely unlikely event that the fees were not paid, then the seller would still be liable for the fees (Ofcom having invoiced them in October) and Ofcom could recover the debt via normal channels.

If neither of the above approaches are acceptable to Ofcom, then we would request that the trading regulations make clear that any requirement to settle fees relates only to that spectrum which is the subject of the trade. For example, in the scenario that 900MHz, 1800MHz and 2100MHz are billed via a single invoice, a trade of 2100MHz spectrum should not trigger a loss of instalments associated with 900MHz and 1800MHz spectrum.

4. Regulations

We have reviewed the regulations and consider that they give force to the proposals.

On a technicality, we note that the definitions of both 900MHz and 1800MHz extend beyond the frequencies currently licensed.

Vodafone UK
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