

Your response

Question	Your response
Consultation question 1: Do you have any comments on the proposed guiding principles? Do you consider these guiding principles to be appropriate and sufficient to guide calculation (and verification) of QWR? If not, what changes or additions would you recommend and why? Where applicable, please provide evidence to support your responses.	<i>The answer should be read in connection with answer to question 2.</i> Summary We support clear, principled guidance for QWR. However, as currently framed, the “causality” principle appears to reach beyond the Online Safety regime’s intended scope by pulling in revenue streams that are only indirectly connected to regulated, in-scope online features. At the same time, there is no explicit proportionality principle to prevent inclusion of revenues from physical, offline services (such as, for online marketplaces, shipping and handling services) that do not drive online safety risk or contribute to the operating costs incurred by Ofcom in carrying out its online safety regulatory responsibilities. How the causality principle overreaches A broad reading of “based on the relative contribution of the service” could capture revenues that exist because a marketplace exists (e.g., shipping, customs handling, returns logistics, insurance premia, payment pass-throughs) rather than because of the regulated user-to-user content and discovery functions that the Online Safety Act targets. The Online Safety duties attach to user-generated content and discovery features (listings, messaging, search, recommendations). Logistics and other fulfilment services occur after the transaction and are not regulated as online functions.

	Treating logistics revenue as “based on” the service conflates online safety risks with offline fulfilment. Ofcom’s supervisory costs arise from regulating content and discovering harms. Including logistics revenue in QWR would weaken the link between the fee base and the activities that actually cause regulatory costs. Absence of a proportionality principle Without a proportionality guardrail, QWR can be inflated by high pass-through, low-margin offline services. This would disproportionately affect marketplaces that facilitate shipping and handling, despite no increase in the scale of regulated content functions, and create distortions across business models and perverse incentives to disintermediate safer, integrated shipping options that benefit users. A proportionality principle would ensure QWR reflects the scale of in-scope online activities, not the gross value of ancillary, offline services. Recommended changes and additions We recommend tightening the causality principle, so as to limit inclusion to revenue directly and principally derived from in-scope online features (hosting, discovery, communications, and their monetisation such as advertising, in-product promotions, listing fees, subscriptions for content features). We also recommend introducing directness and materiality tests. The revenue must flow from the provision or monetisation of in-scope online functionality itself, not merely from transactions that the service facilitates end-to-end. Moreover, where revenues are mixed, we suggest including only the portion materially attributable to in-scope online functionality and excluding amounts for separate, offline goods/services.
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	Finally, we recommend adding an explicit proportionality principle, whereby QWR should be proportionate to the scale of in-scope online activity and the risks/costs regulated by Ofcom, and should exclude revenues for physical/offline services. Consequently, shipping, postage, customs brokerage, returns, handling, insurance premia, taxes/duties, and payment pass-throughs should be excluded from QWR.
Consultation question 2: Do you have any comments on the proposed range of apportionment methods? Do you consider these apportionment methods to enable consistent application of 'just and reasonable' apportionment whilst accommodating a provider's individual circumstances and business model? If not, what additional methods or changes would you recommend and why? Please provide evidence to support your responses.	1. Summary We note that, in explaining the usage-based apportionment method, Ofcom indicates that shipping and handling fees should be included in QWR calculations - see Case study 7 of annex 1, pag. 23, where an online marketplace is used as example. We recommend that Ofcom clarify that shipping/handling-related revenue is not included in QWR for the purposes of calculating fees under the Online Safety regime. As far as we are aware, including shipping and handling revenue in QWR calculations has not been suggested in any prior Ofcom publications or UK Government written or oral communications on the fees and penalties framework. While other, more logical, revenue examples (e.g., advertising, subscription fees and one-off payments) were mentioned in the Statement on fees and penalties published last June, there have been no references to shipping or handling fees until the use case study in this draft guidance for online marketplaces. As a result, we believe this proposal is a material policy change that warrants explicit justification, re-consultation, and transitional arrangements. Shipping/handling revenue is not directly associated with the regulated user-to-user aspects of an online marketplace service and should not be treated as referable revenue. Why shipping/handling revenue should not be counted as referable revenue

Not directly associated with regulated functions: The Online Safety regime applies to internet services that enable users of the service to generate, share or upload content (such as messages, images, videos, comments, audio) on the service that may be encountered by other users of the service. The regime therefore targets risks arising from user-generated content online, not offline. Shipping and handling are after-the-fact fulfilment of a sale and not part of the in-scope content digital features.

Consistency and neutrality across business models: Platforms that facilitate shipping (to improve safety and user experience) would be penalised versus those that do not but which arguably entail bigger online risks (e.g. adult websites and social media platforms), creating a distortion and a perverse incentive to disintermediate shipping arrangements that can, in practice, enhance user safety and trust.

Proportionality and ability-to-pay: QWR is used as a proxy for scale and ability to pay. Shipping charges are largely pass-through costs paid to third-party carriers. Including them would artificially inflate QWR for logistics-heavy marketplaces relative to their actual margins and to the scale of regulated online activity, undermining proportionality and the principle of 'fair and reasonable apportionment'.

Alignment with the purpose of the fee regime: Ofcom's costs arise from supervising online safety duties (content and discovery). The fees imposed to recoup these costs are intended to be directly referable to the relevant regulated services. Logistics revenue neither creates the relevant risks nor maps to Ofcom's regulatory activities. Including it would weaken the link between the fee base and the costs caused by in-scope activity.

Practical and compliance implications

These include:

	• Material overstatement of QWR for logistics-enabled marketplaces, potentially moving services into higher fee tiers without any corresponding increase in regulated online features or risk. • Complex and unnecessary administrative burdens to disaggregate carrier receipts, taxes, and insurance premiums from platform earnings if gross shipping were to be included. • Potential inconsistencies across firms depending on contractual models with carriers and accounting treatments, undermining comparability and potentially favouring platforms that do not facilitate shipping. Requests to Ofcom We believe that Ofcom should confirm explicitly in the final statement/guidance that shipping, handling, delivery, postage, and related logistics amounts collected from users on behalf of third parties or other Group undertakings are excluded from QWR. If Ofcom intends to include any element of shipping/handling amounts in QWR, it must: • Publish the legal basis and policy rationale for doing so and re-consult given the materiality of the change and the absence of prior direct reference to these revenues. • Provide worked examples for marketplace and hybrid models showing exactly which physical services are to be included. Conclusion We strongly encourage Ofcom to maintain a clear boundary between revenues arising from regulated online features and those from ancillary logistics. Including shipping/handling revenue in QWR was not signposted in prior consultations or statements and, if introduced now, would be a material change lacking the necessary justification and consultation.
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	Excluding shipping and other pass-through amounts will better align the fee base with the risks and regulatory activities under the Online Safety framework, preserve proportionality, and avoid distortions across business models.
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- ☐ Found it on Ofcom's website
- ☐ Found it on another website
- ☐ Heard about it on TV or radio
- ☐ Read about it in a newspaper or magazine
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