



Vodafone' response to Ofcom's April 2016 consultation on 900MHz and 1800MHz licence charges

Vodafone welcomes the opportunity to respond to Ofcom's consultation on a detailed amendment to the WT Regulations for 900MHz and 1800MHz annual fees¹. We agree that there is certainly a need to amend the regulations, specifically at 6(2) and 7(2) to reflect the recent change to the CPI tables and indexed values by the ONS from the previous base year of 2005 to 2015. In the absence of any such amendment, future annual spectrum fees would be calculated incorrectly and in a manner different from the intention of the original regulations.

We can see that the proposed amendment, the substitution of the absolute value of 98.1, replacing that of the absolute value 125.6 in the calculation would currently achieve the objective of indexing the 900MHz and 1800MHz annual fees with the level of inflation, measured by the CPI, between the starting date of March 2013 and the relevant annualisation date. (Obviously there are small differences from the change, that arise from rounding, but these can be considered to be de minimis.)

However we question whether Ofcom's proposal is the best possible approach. The hardcoding of any CPI base value for March 2013 into the spectrum calculation remains vulnerable to future changes in CPI calculation methodology or indexation. The CPI is still a relatively new index, and if one change can take place, there is no particular reason why another cannot occur in the next few years. Such a change would also be likely to necessitate a further revision to the spectrum fee regulations to avoid an "incorrect" fee being charged in all subsequent years.

¹ Notice of Ofcom's proposal to amend the Wireless Telegraphy (Licence Charges for the 900 MHz frequency band and the 1800 MHz frequency band) (Amendment and Further Provisions) Regulations 2015, April 2016



To prevent this eventuality, it would be possible to refrain from the use of any absolute value of 98.1, or 125.6 or whatever in the design of the regulations. It can be seen that both 125.6 and 98.1 share the common feature of being the value for March 2013 published in the ONS' (then) current CPI table – 125.6 was the value published in the table current at the Statement date, and 98.1 is the value published in the current table (ie dataset CPI15, column C, which provides CPI values monthly from January 1996, with the index value of 100 set at July 2015).

So it would be possible to replace the proposed absolute value of 98.1 with a formula reference e.g. B and then define B, with appropriate wording, as the CPI index value for March 2013 consistent with the value of P, which is already defined in paragraphs 6 and 7 of the instrument as:

“P” means the most recent CPI that is available on 30th September of the year in which the charges are due;”

The intention would be to make B of a value and format consistent with P, and to be read from the same table. The formula for 900MHz for example would thus become:

$$S = 451,200 * (P/B)$$

P/B therefore would correctly represent the most recent published view of the increase in CPI between March 2013 and the indexed value at the (current and variable) date used for P.

We trust that Ofcom will find this suggestion helpful.

Vodafone Ltd
May 2016