



Communications Consumer Panel response to the HM Treasury consultation *Implementing a landline duty*

Introduction

The Communications Consumer Panel was established under the Communications Act 2003 as an independent advisory body. Its role is to influence Ofcom, Government, the EU, and service and equipment providers so that the communications interests of consumers and citizens are protected and promoted.

This paper sets out the Communications Consumer Panel's response to HM Treasury's consultation on implementing a landline duty.

The Panel supports the Government's intention to stimulate the rollout of high-speed broadband, also known as next-generation access (NGA), to the third of the population the market is unlikely to reach.

It is imperative that the Government begins rollout of publicly-subsidised NGA as soon as possible to complement market-led initiatives. However, the Panel believes that public subsidy should not be used as a substitute for, or to subsidise, market-led initiatives and should be deployed only in those areas commercial rollout would not reach.

The UK is already trailing many of its international competitors in provision of high-speed broadband and will fall yet further behind if Government waits to see how far commercial rollout will go before it intervenes.¹ Without fast and efficient widespread access to high-speed broadband beyond the 60-70% expected from the market, significant numbers of UK consumers, citizens and small businesses will be denied the economic and social advantages NGA can deliver.² This will not only be of great detriment to those affected but also to the economy as a whole.

The Panel believes that the Government's proposal to implement a 50p-per-month landline duty in order to build an NGA Fund is a pragmatic proposal, given the current economic climate and the immediate need to begin extending NGA rollout; however, we are concerned that the duty should be designed to be as equitable as possible. We have identified three sub-groups who are particularly at risk of being adversely affected as a result of the proposed duty: low-income consumers (particularly older people and mobile-only households); small businesses; and consumers in the devolved nations. We would like to see some additional protections put in place to ensure these inequities are minimised.

¹ Research released by CISCO in late 2009 put the UK 25th out of 66 in terms of network quality and speed. The report concluded that UK broadband networks are adequate for current use but unprepared for future applications.

² The Panel evaluated the benefits of next-generation broadband in collaboration with the Broadband Stakeholders Group and the Department for Business, Enterprise and Regulatory Reform in 2008
http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1009/Itemid,63/

Low income households

The Panel welcomes the built-in exemption from the duty for those customers who use a social telephony tariff to pay for their landline line-rental. The proposed duty is a fixed charge and so would have a relatively greater impact on low-income households than on those with higher incomes.

However, we are concerned that there is a significant gap between the number of households currently using social telephony tariffs and the number of households eligible to use them. Around 850,000 households are currently signed up to a social telephony tariff and a further 3-4 million households are eligible for them.

A greater proportion of low-income households use mobile phones as their sole means of communications. Of course, this means they will not be directly affected by the proposed duty since they do not have a fixed line. However, the Panel is concerned that an increase in the price of fixed-line services might create a new barrier to the take up of fixed-line broadband services for some low-income mobile-only households. This may disadvantage them in relation to broadband access.

We are also concerned that older people on low incomes will be disproportionately exposed to the proposed duty, since older people are more likely to have a landline and yet less likely to use broadband services than the rest of the UK population.

Almost all households including people aged over 65 could be liable to pay the proposed duty, since 97% of people in this age group have a landline at home; however, less than a third of this group use broadband services in the home. For older people on very low incomes, an extra 50p per month in duty on their fixed-line could represent a significant personal investment in a future service from which they are unlikely to benefit.³

Recommendation

The Panel calls on the Government to work with BT and KCOM to promote social telephony tariffs in order to close the gap between current subscribers and those eligible. In doing this it should ensure that older people and mobile only households are particularly targeted, not only to raise awareness of social tariffs but also to explain their wider use, such as exemption from the landline duty.

Small businesses

The Panel's remit includes representing the interests of small businesses with up to 10 employees, in addition to the interests of consumers. The Panel believes the current method for collecting the tax would have a disproportionate impact on small businesses.

Larger firms are more likely to have bespoke telecoms solutions that allow them to bundle all their connections into one high-capacity fibre link, which would attract the duty only once. It is not as cost effective for smaller firms to pay for a high-capacity line to cover their communications needs, so small businesses would be more likely to have multiple smaller connections, on each of which duty would be payable.

Recommendation

Government should look at ways to make the tax fairer on small businesses.

³Ofcom Communications Market Report 2009 <http://www.ofcom.org.uk/research/cm/cmr09/cmr09.pdf> pg 249

Consumers in the devolved nations

The Panel is concerned that some consumers may end up paying tax twice, through different mechanisms, to fund NGA rollout depending on where they live. Progress with NGA differs amongst the nations and some devolved nations have already found a way to pay for broadband rollout with public money.

For instance, tax payers in Northern Ireland are already investing through government programmes to extend 2Mb broadband as far as possible to businesses and, subsequently, to consumers. There are also a number of NGA projects in place in Northern Ireland, which will potentially be funded in the same way. It is clearly unfair that these consumers should pay twice to invest in a service that some other UK consumers may only be paying for once.

Recommendation

The Panel believes that the Government should build flexibility into the duty to exempt those consumers who are already paying for broadband rollout through other taxes.

Conclusions

The Panel welcomes the Government's plan to support the roll out of super-fast broadband to the parts of the UK that the market is unlikely to reach and we broadly support the implementation of a landline duty as a pragmatic funding option in today's market. However, we are concerned that the duty should be designed to be as equitable as possible.

Our concerns are primarily based on the impact on low-income households, small businesses and consumers in the devolved nations. We ask the Government to promote social tariffs in order to close the gap between those low-income households already using a social tariff and those eligible for one. The Panel is also concerned about the equitability of the tax on small businesses and calls on Government to seek out ways to make the duty fairer for small businesses. Finally, we ask that flexibility is built into the duty to ensure that consumers in the devolved nations do not have to pay twice to fund NGA, where they are already paying for superfast broadband rollout through other taxes.