



**Consumer  
Focus**  
Campaigning for a fair deal

# **Consumer Focus response to BIS consultation on implementing a landline duty: draft legislation and impacts**

**February 2010**

# About Consumer Focus

Consumer Focus is the consumer champion for England, Wales, Scotland and (for postal consumers) in Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice.

We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives. We work with companies to ensure they put consumers first, and challenge those who fail to do so

# Introduction

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Consumer Focus welcomes the opportunity to respond to the Department for Business and Skills consultation on implementing a landline duty.

Digital rights, in particular the right for individuals to access affordable digital technology is a key policy area for Consumer Focus. We have publicly commented on the UK Government's proposals laid out in the Digital Britain interim report. We noted our concerns that consumers were not at the heart of these proposals and that there appeared to be a greater emphasis placed on the availability of and the infrastructure required in delivering the technology.

Since the publication of the Digital Britain final report, we are pleased to see that there has been the introduction of a number of schemes where the UK Government is tackling digital inclusion, for example the national rollout of the Home Access scheme for low income families in England and Wales and the increased funding for UK Online centres over the next three years.

## General views on the draft legislation on the implementation of the landline duty

In its rationale for considering the introduction of a new duty on landline owners, the Government has concluded that the market is unlikely to deliver next generation broadband to the *final third* of the UK population.

On the assumption the market alone cannot deliver broadband to meet the needs of the UK population, Consumer Focus has concerns about the cost of superfast broadband being covered via a fixed levy on consumers' bills. While we recognise the relative simplicity of this approach, we believe that funding from central taxation would be fairer and less regressive. The Government must give greater consideration as to whether their proposed approach effectively results in low income consumers who are less likely to see the benefits of superfast broadband, subsidising those on higher incomes who are more likely to benefit.

The UK Government has indicated that the funds from the landline duty will be used to fund the roll out of Next Generation Access (NGA) to 90 per cent of the UK population by 2017. Consumer Focus welcomes the commitment to make high speed broadband available. However, the Government's commitment still means that 10 per cent of the UK population will be unable to access high speed broadband, and it is likely that the majority of these consumers will be those living in remote rural areas – the very people who would arguably have the most to gain from NGA. We will set out our views on this 90 per cent target in more detail in our response to the separate BIS consultation on proposals for a Next Generation Fund.

However, at this stage we would point out that there is a question of fairness that needs to be considered in asking people living in the 10 per cent of areas where NGA will not be made available to contribute to the roll out of this service in other parts of the country. Essentially these consumers are being asked to make a financial contribution to widening the digital divide that already exists between themselves and others.

There is a growing awareness by individuals of pensionable of age concerning the potential benefits that the internet can bring in both economical and social terms. But, we know from Ofcom's Consumer Experience Research that many individuals aged 65 and over do not realise the additional benefits, for example potential savings on utility bills that being online could bring. We have concerns that by limiting the levy to fixed landline owners only, many of the individuals paying for this service will not necessarily be the beneficiaries. Just under a third of those aged between 65 and 74 use their landline to access the internet compared to over two thirds of those households on higher incomes and from younger age groups.

We know that older people aged over 65 years on a household income of less than £11.5k are five times more likely to rely on a landline in their homes for their main method of communicating with friends and family compared with people aged between 25 and 34 years.<sup>1</sup> Also consumers aged between 54 and 64 years on a household income of less than £11.5k are more likely to own a fixed landline than younger age groups.

## Scope of the landline duty

According to point 3.4 of the consultation document, the duty will be payable on all local loops that are *made available* for use by an owner whether or not the lines are actually used. Where there is more than one local loop, in order for a client to receive two distinct services, the duty is payable on both lines. Consumer Focus would want the UK Government to demonstrate the impact on both residential and business consumers that using the local loop system to levy the duty is likely to have.

## Greater transparency on billing

Point 4.6 clearly states that: *There will be no requirement on owners or retailers to show the duty separately on their billing to end users.* Consumer Focus would want the end users to have the billing information available to them especially as it is proposed for reasons of simplicity that an annual accounting period is used. It is a fair request that consumers are aware of the amount of duty that has been included in their landline service bill.

## Exemption

While we appreciate the suggested amount of 50p a month is a small amount, it may have a worrying impact on budgets of people on low incomes. We have similar experiences in other sectors such as energy where the Carbon Emissions Reduction Target (CERT) raised concerns about its regressive nature and that it was not based on consumers' ability to pay. Consumer Focus has reservations that, once implemented, the broadband levy may be increased. Given this is regressive in principle it could add a significant burden to those on a low income reliant on their landlines for communication.

The UK Government stated in the Digital Britain White Paper that the only exemption from the duty would be for lines that are used to provide a social telephony service – BT Basic available to low income groups. Consumer Focus has some concerns on only limiting the exemption from the duty amongst BT Basic customers, currently 580,000 (less than one per cent of the UK population) compared to 53 million (87 per cent) of the UK population who have landlines.

We would want greater analysis on exemption to be expanded for those on a low income and for the Government to define what this means in their legislation under section 3 (1) in accordance with an order made under section 65 of the Communications Act 2003).

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<sup>1</sup> Ofcom Regions and Nations Tracker Survey (Q1, 2009)

# Summary

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On the assumption the market will not deliver Next Generation broadband to the final third of the UK population. Consumer Focus suggests that the most equitable and least regressive way would be funding collected from the public purse through central taxation. We question the fairness of using a cross-subsidisation mechanism such as the 50p/month levy on landline owners particularly those living in rural and remote areas.

## **We recommend:**

- The exemption criteria are expanded for Government to clearly define 'low income' in terms of exempting those sectors of the population
- Greater transparency with the landline duty figures present on consumers' bills
- Government to carry out an impact analysis of the effects that implementing a landline duty will have particularly for those on low incomes and to determine who the beneficiaries are and who will lose out

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