

Chris Southworth
Excise and Commercial Property Tax
HM Treasury
1 Horse Guards Road
London SW1A 2HQ



cc. Sam Sharps, BIS

12th February 2010

RE: Implementing a landline duty: consultation on draft legislation and impacts

Dear Mr Southworth,

I am writing on behalf of the Broadband Stakeholder Group (BSG) in response to the consultation on implementing the landline duty.

Firstly the BSG agrees that if next generation broadband services were to be made available universally then there is likely to be a need for some form of public subsidy. However, views are divided on when such a subsidy should be instituted since, for instance, it is not possible at this stage to accurately predict the likely extent of market led deployment. If it was deemed appropriate for there to be public subsidy, the first preference for most of our stakeholders would be for these funds to be made available out of general taxation, on the grounds that this would be the simplest and fairest approach and would be least costly in terms of collection. Implementing and collecting a new duty is inevitably costly for the commercial stakeholders, as the consultation document concedes. In order to minimise these costs the approach taken has been to simplify the duty where possible. This is sensible. However, as the purpose of the levy is to raise additional funds for investment in next generation broadband, care should be taken to ensure that the scope is not widened beyond what was originally envisaged in the Digital Britain Report in such a way as to incur disproportionate costs to the industry.

Our primary concern about the proposals, however, relates to the issue of technology neutrality. It is our understanding from conversations with officials that because the duty is only collected from fixed line technologies, the resulting funds could only be spent on fixed line next generation broadband solutions due to EU rules. This would not be a good outcome in our view. Although fibre is likely to be preferable in many areas, there may well be instances where wireless and satellite technologies could provide a more efficient and effective alternative means of delivering next generation broadband services (particularly if those services are to be made universally available at some stage, rather than simply to 90 per cent of households). Restricting the potential technology solutions to fibre could mean that many rural locations would remain beyond the reach of next generation broadband despite the establishment of the final third fund, as fixed line solutions will remain too costly, even with the benefit of a subsidy. We do not believe this would be a sensible outcome and would argue that it is entirely wrong to be prescriptive about the range of technologies that could be used at this stage. Indeed it would seem to us to be very unfortunate if wireless and satellite solutions were excluded from eligibility for funding, simply as a consequence of the mechanism chosen to collect the funds in the first place. We would urge therefore that this issue should be resolved so that all suitable technologies can be utilised for extending next generation broadband to rural areas.

Yours sincerely,

A handwritten signature in blue ink that reads 'Antony Walker'. The signature is written in a cursive style and is contained within a light blue rectangular box.

Antony Walker
CEO Broadband Stakeholder Group