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Cost of ‘Superfast Broadband’ across the UK isn’t adding up

The proposed £6 consumer ‘tax’ falls well short of the funding required to rollout broadband nationwide. Should the consumer fund the installation of nationwide broadband so that ISPs and content providers can reap the financial benefits? The ‘tax’ seems to be going to law before the issue is debated. Tajinder Jagdev, Head of Communications, Media and Entertainment Practice at [Business Analytics](#) company [SAS UK](#), opens the debate and argues that that the industry must consider alternative and fairer ways of funding nationwide broadband

Government minister Stephen Timms, the minister for Digital Britain, has announced that the controversial broadband tax on every telephone user in the country – whether or not he or she is connected to the broadband service - will come into force by the general election, without any debate as to its fairness, whether it is sufficient, how the money will be shared out to the industry, or how the spend will be monitored so that broadband is indeed rolled out across the country and that the levels of service claimed are actually being delivered. If the consumer is paying, the consumer surely has the right to know how the money is being spent.

And even if the £6 annual fee comes into force, the Government-backed funds are going to fall short – so who should foot the bill? Providing super-fast networks to every UK home could cost as much as £5 billion, according to BT, and although the Government has announced the ‘Broadband Tax’ will come into force in the next finance bill, this is only enough to subsidise a small part of the roll-out. The 50p-per-month tax will generate around £175 million each year – no where near the amount required. Consumers with a fixed telephone line are not happy, as they currently appear to be the only ones who are burdened with the additional cost. So what are the options?

Flat fee Charge

The Government is proposing a flat-fee broadband charge to finance the development of the broadband service regardless of usage, or even whether or not a consumer uses

broadband. The majority of broadband users subscribe to a package for which they pay a set amount each month. One obvious answer to the funding issue would be to simply increase monthly package charges by a small amount across the board. In the end everyone that uses broadband is going to have a faster, more reliable connection and users may prove more amenable to a slightly increased broadband package charge on the basis that they are going to benefit.

While this is good news for heavy users, if everyone is charged the same amount for a broadband connection, issues of 'fairness' arise as heavy users downloading videos and music increase their usage, while light users doing their weekly online grocery shop remain the same. This is likely to create dissatisfaction with the pricing model.

One way to overcome the challenge between light and heavy users is to implement a system by which high bandwidth users pay more for the services they require.

Usage-based Billing

Under this structure, users would pay additional costs for additional services that they use. So, for example, consumers with high broadband demands, such as those who play X-Box Live, stream films and download lots of music, could be charged for each of those 'services' separately; someone who only uses email, eBay and FaceBook, would pay far less because their usage is significantly lower and less demanding on the network.

In order to make this a viable option, service providers would need visibility and analysis of the different services being used by their broadband customers – which would ultimately enable the implementation of a tiered pricing structure. This change would secure revenue for the continued roll-out of the new infrastructure.

In the same way as gas and electricity bills are put together and paid for on a monthly or quarterly usage basis, so too could Internet bills. Charges would be based on actual consumer usage and the types of applications they are using. As customers upgrade to different Internet service packages, for example HD streaming, they would benefit from additional capabilities. The ISP can then implement a pay-per-use model within those different tiers.

In reality, the costs associated with the Internet are actually independent of usage, but the argument is persuasive because if heavy users demand High Definition streaming without service latency then they have the need for the next generation of superfast broadband, and should subsequently be expected to pay for the additional service. However, while this system will create revenue to fund some of the roll-out, heavy users will not necessarily be willing to subsidise the vast majority of the roll-out.

Although the 'Telephone Tax', flat fee charge and usage billing system are viable options, consumers and industry experts may deem them all 'unfair'. When will the £6-per-year tax end, is it likely to increase year-on-year and could it even become a permanent fixture used to continue subsidising Broadband and Content Providers once the roll-out is complete? All these questions can only be answered in time; however the issue high on the agenda now is that the sector set to benefit financially from the roll-out is currently exempt from burdening any of the cost.

Content Providers will be the ones to benefit financially

Through the availability of a superfast network, it is in fact the Content Providers who will have the opportunity to hugely increase their revenue streams, as the infrastructure encourages more people to access Internet-based services and products, such as HD Video streaming and IPTV channels.

In these circumstances it is becoming obvious that the burden of the roll-out should be shared by businesses and consumers alike and the balance of funding between ISPs and Content Providers needs to change. As content providers are set to considerably increase their revenues surely they should be prepared to pay towards the roll-out?

Internet service provider, BT, recently called for content providers to shoulder some of the cost of content provision, which is currently available free-of-charge, for example the BBC's iPlayer. Such services require high-bandwidth connections and the most basic and cheapest broadband packages paid for by the customer don't necessarily cover the full cost. Traffic continues to grow very quickly and it is not reasonable for content providers to offer these services without putting their hand in their pocket and paying towards its availability.

These developments will affect the accounting infrastructures of all the players in the industry and new systems are already emerging to give service providers increased visibility and analysis of the use of these different services and enable the implementation of a tiered pricing structure. These changes would directly benefit the provider's bottom line and secure revenue streams to enable them to grow and develop their services.

The implementation of a new generation of specialist Business Analytics systems can now give service providers specific insights into the use of particular services and applications in every region, every street or, in certain cases, every home. By enabling them to understand consumers' capacity demands from the network and forecasting where consumer demand will increase, this invaluable data can help service providers to determine the immediate areas of highest demand and plan the first deployments of fibre networks.

The new 'superfast network' will create many opportunities to increase customer services and content, and the demand for increased internet usage will continue to grow as technology and services keep evolving. Customers, ISPs and Content Providers are going to benefit from the new infrastructure so, in an ideal world, all three should share the resulting costs.

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