

Telecommunications Industry Ireland Submission on Budget 2024

The following are the Budget 2024 recommendations of Ibec's Telecommunications Industry Ireland, whose members account for most of the sector's investment and employment.

These proposals are practical measures to help achieve the ambition articulated by Government in its Digital Connectivity Strategy for Ireland to be at the forefront of European and global digital developments. They seek to ensure future national competitiveness and an equitable regional distribution of the economic, social and cultural benefits of advanced telecommunications.

Summary recommendations

Telecommunications Industry Ireland's summary recommendations for Budget 2024 are:

- Reduce VAT rate for internet access services
- Make 100% of broadband costs allowable for remote working tax relief
- Introduce a Broadband Support Allowance
- Fund all measures necessary to deal with the current backlog at An Bord Pleanála and to make the planning system more efficient
- Fund a dedicated telecoms unit within each local authority
- Fund a reduction in mobile coverage 'blackspots'
- Incentivise **SME** take-up of very high-capacity networks
- Allocate funding for the public alert system
- Invest in enhanced cybersecurity, cyber crime investigation and security of subsea cables
- Subvent increased network energy resilience

PART 1 - INDUSTRY BACKGROUND

Industry contribution

The telecoms sector employs 25,000 people, has invested approximately €3.3 billion in the network over the past 5 years, committed to pay €1.4 billion for spectrum over the last 10 years, and is estimated to contribute c.€2.5 billion to the economy annually.

Economic and social significance

Telecommunications is the backbone of Ireland's digital economy and underpins it. An estimated 270,000 people are employed in digital intensive sectors, up 32% since 2016, and 30% of data held in the European Union is held in Ireland.

Every industry will need to digitise to remain competitive, and this requires the constant upgrading of telecommunications infrastructure (fibre, masts etc.) to host the necessary very high-capacity networks and the latest services. This upgrading is also important for working from home and for availing of educational resources and leisure pursuits,

Meeting Ireland's connectivity targets

The telecommunications industry is on track to reach the Digital Connectivity Strategy's overall national targets for fixed and mobile connectivity from now until 2030, which align to the EU's digital targets for 2030 as set out in "Europe's Digital Decade". In fact, Ireland appears set to reach the EU Gigabit connectivity target by 2028, two years ahead of schedule. This is due to the enormous commercial investment previously made and currently planned by industry as well as that committed to by the State under the National Broadband Plan.

Over the five years 2015 to 2019, over €3 billion was invested by the telecommunications industry in new and upgraded networks. This investment proved critical during the pandemic because it enabled working and studying from home in 2020. At the onset of the pandemic industry made a series of voluntary commitments to help keep citizens connected through the provision of affordable unlimited data packages and to work with customers having difficulty paying bills. Meanwhile networks experienced a substantial growth in traffic but no growth in revenue. The industry continued to invest throughout the pandemic and since. Provided the policy and regulatory climate is right it hopes to increase investment over the next few years to continue to roll out fibre and 5G networks, and to enhance existing networks.

Supply of electricity

For economic reasons it is also recommended that Ireland's telecommunications networks should be deemed a priority in the unlikely event that there is electricity rationing. This is because they are a critical piece of national infrastructure, playing a vital role in crisis situations and underpin the wider economy.

PART 2 - BUDGET RECOMMENDATIONS

Taxation

Reduce VAT rate for internet access services:

Reduce the VAT rate for internet access services as provided for in Council Directive (EU) 5442/22 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 as Regards Rates of Value Added Tax.¹

This reduced rate will incentivise the take up of internet access services both in the National Broadband Plan intervention area and in areas served by the private sector. Under the provisions of the Directive any reduction is strictly limited to internet access services that provide for connectivity and may not extend to the content provided over the internet.

There is precedent in Hungary where consumers obtained a significant benefit from a reduction in the VAT rate resulting in a saving to them of an estimated €93 million - €107 million (HUF35 billion – HUF 40 billion). The VAT rate decrease has been directly linked to Hungary moving from 16th to 7th place in the DESI Index in terms of access to broadband wired and wireless network.²

The Directive refers to the inclusion of “internet access services provided as part of digitalisation policy, defined by member states.” It explains the intention of the policy as follows.

“In order to overcome poor coverage of internet access services and with a view to promoting their development, Member States should be able to apply a reduced rate to such services. The application of a reduced rate to internet access services should be tailored to the objectives set out in the national digitalisation policy...”³

The Digital Connectivity Strategy defines Ireland’s digitalisation policy. It seeks “to overcome poor coverage of internet access services” by addressing issues such as rural access, internet access speeds etc. Accordingly, Ireland meets the criteria required under the Directive to reduce its VAT rate on internet access services.

Make 100% of broadband costs allowable for remote working tax relief:

Make 100% of broadband costs allowable for remote working income tax relief, apportioned based on the number of days worked from home over the year. The proposed increase from the current 30% will help consumers and take account of the fact that many employees now incur these costs while working from home for a significant part of the year. It would also encourage the significant environmental benefits of working from home due to reduced commuting.

¹ <https://data.consilium.europa.eu/doc/document/ST-5442-2022-INIT/en/pdf>

² <https://digitalisjoletprogram.hu/en/content/digital-tax-reduction>

³ P. 10 <https://data.consilium.europa.eu/doc/document/ST-5442-2022-INIT/en/pdf>

Broadband support

Introduce a Broadband Support Allowance:

Introduce a Broadband Support Allowance similar to the Telephone Support Allowance. This allowance would help eligible recipients with the cost of broadband communications and would be paid by the Department of Social Protection. It would help reduce the current digital divide in respect of access to broadband. Affordable broadband schemes operate in other countries, including the UK and US. It is suggested that, as in the case of the Biden administration's Affordable Connectivity Program, this allowance is credited directly against recipients' bills. ⁴

Planning system

Delays connected with the planning system are an enormous impediment to improving mobile telecommunications coverage.

Fund all measures necessary to deal with the current backlog at An Bord Pleanála:

Fund all measures necessary to deal with the current backlog at An Bord Pleanála further to the recommendations of the Office of the Planning Regulator's review on "how to quickly turn around a major and rapidly increasing overhang of caseload".

A survey of Telecommunications Industry Ireland members revealed a major slowdown in decisions by An Bord Pleanála on appeals in cases concerning telecommunications masts. Some 43% of 2021 appeals were decided in 2021 whereas only 14% of 2022 appeals were decided in 2022. This has resulted in an enormous delay in improving mobile coverage throughout Ireland because masts are essential to better coverage.

It is essential that An Bord Pleanála has the resources needed to recruit and retain significant numbers of additional staff with relevant expertise.

Fund adequate staffing levels in the Planning and Environment Division of the High Court:

Fund adequate staffing levels in the soon-to-be-established Planning and Environment Division of the High Court so that it has an appropriate number of trained judges and support staff.

Fund the digitalisation of the planning system:

Fund the digitalisation of the planning system, a long-awaited measure that is crucial to the efficient processing of applications.

Fund a dedicated telecoms unit within each local authority:

Fund a dedicated telecoms unit within each local authority to reduce obstacles to, and enable, telecoms investment within each of the 31 local authority areas.

Such units could accelerate the improvement of telecoms coverage by facilitating network investment. They could also leverage the work of Dublin City Council's Telecoms Unit, which was established to improve coverage and service by accelerating the rollout of telecommunications infrastructure and 5G deployment.

Functions would include data collection/GIS mapping, development of a telecoms asset register, acquiring digital connectivity benchmarking and coverage data for each local authority area and supporting intra-regional alignment with all public sector asset owners.

⁴ <https://www.fcc.gov/acp>

Structural connectivity shortages

Address structural connectivity shortages through the following measures.

Fund a reduction in mobile coverage 'blackspots':

Fund a reduction in mobile coverage 'blackspots' (about 5% of the landmass has no data coverage) by building an open access telecommunications infrastructure that would be available to all mobile network operators in areas where it is not commercially viable for the private sector to deliver such infrastructure. Similar models already exist in countries such as Germany and the UK. Industry estimates that a pilot project involving 9 sites would cost in the region of €5 million.

Incentivise SME take-up of very high-capacity networks:

Incentivise SME take-up of very high-capacity networks (VHCNs) where SME customers are faced with remediation costs (e.g., the reinstatement of private property underground ducting) to allow for such a connection. VHCNs are essential to SME competitiveness because they provide a faster, more reliable and more energy efficient service than traditional copper networks.

Safety and security

Allocate funding for the public warning system:

Allocate funding for the public warning system which Ireland is obliged to have in place by end 2024 under the European Electronic Communications Code. The State is currently engaged with the mobile telecommunications sector to develop this system. Based on experience in other jurisdictions, adapted for Irish circumstances, it should be possible to estimate costs for capital expenditure in addition to annual operating costs. The authorities in the UK have budgeted for £25.3 million, including the first three years of operational delivery.⁵ The generations of technologies in scope will have a significant impact on costs.

The allocation of funding under Budget 2024 will ensure the State can progress delivery of this important facility to warn people of emergency events. Several European governments including Denmark, France Germany, Spain, and the UK have already funded development of public warning systems by telecommunications companies to ensure their citizens can receive real time location-based alerts and advice when natural disasters occur or in extreme weather events. Such funding should be made available in Ireland. The development of this system for Ireland will mean the State's emergency planning teams can provide valuable and potentially life-saving information to help keep the public safe during future emergencies.

Fund greater security of Ireland's subsea cables:

Fund greater security of Ireland's subsea cables. The Government has approved a decision to move to Level of Ambition 2 (LOA2) over six years to 2028.⁶ This will result in the defence budget rising to 0.72% of national income by 2028. Budget 2024 should set out a multiannual plan to step up funding during this period, including funding specific measures to protect our subsea cables. This will enhance our reputation as a place to invest in high quality telecommunications and digital infrastructure.

⁵ <https://questions-statements.parliament.uk/written-questions/detail/2023-05-10/hl7733>

⁶ P. 6 file:///C:/Users/denihan/Downloads/229799_41a14126-c212-46ac-960a-608b057ad8d5.pdf

Invest in enhanced cyber security:

Invest in enhanced cyber security to combat the much greater threat level since the Russian invasion of Ukraine by increasing the resourcing of Ireland's national cyber security capacities, institutions, and infrastructure. It is essential that the National Cyber Security Centre (N.C.S.C.) be provided with further resources so that it can implement:

- the recommendations of the N.C.S.C. Capacity Review
- the additional activities proposed in the mid-term review of the National Cyber Security Strategy
- the additional responsibilities allocated in response to new EU legislation (e.g. NIS2 Directive)
- the Commission on the Defence Forces' recommendations relevant to the N.C.S.C. and accepted by Government.

Cyber threats have been identified in the State's National Risk Assessment as one of the biggest risks facing Ireland. While the telecommunications sector invests heavily in cyber security, certain essential national functions in this regard can by definition only be discharged by the State. The adequate discharge of these functions is essential to protect both citizens and the digital economy and requires appropriate resources in the N.C.S.C. and in the associated cyber security capacities and infrastructure. This will also help position Ireland as a lead player in the cyber security industry internationally.

Resource the capacity to investigate cybercrime properly:

Resource the capacity to investigate and prosecute cybercrime properly, including scam calls and texts, by filling vacancies in the Garda National Economic Crime Bureau, and publish the overdue resourcing plan for the Bureau.

The threat of detection and prosecution are essential to deter cybercrime and will make investment by the State and industry in cyber security significantly more effective.

Energy resilience

Subvent increased network energy resilience:

Subvent increased network energy resilience by providing subventions for solar power and enhanced battery backup. The latter will reduce the impact of any interruption of the supply of electricity. Should telecommunications be disrupted, in addition to the serious economic impact, there will also be major societal implications, including on the emergency services.

There are approximately 6,000 mast sites in Ireland in addition to infrastructure such as exchanges, so the potential environmental benefit of a move to renewables is significant.

Further information

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