

Mr Paschal Donohoe T.D.
Minister for Finance
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2

2 September 2022

Re: Telecommunications Industry Ireland Budget Submission 2023

Dear Minister,

The following are the Budget 2023 recommendations of Ibec's Telecommunications Industry Ireland, whose members account for the majority of industry investment and employment.

These proposals aim 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

In summary, Telecommunications Industry Ireland's recommendations for Budget 2023 are:

- Increase network energy resilience
- Provide tax relief for cost of spectrum
- Reduce VAT rate for internet access services
- Address structural connectivity shortages
- Support telecommunications R&D
- Counter online disinformation on 5G
- Combat increased cybersecurity threats
- Bridge the digital divide

Energy

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 underpinning the wider economy. In view of the risks to the security of supply of electricity and the unprecedented rise in energy costs proposals are made below to increase the energy resilience of telecommunications networks.

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, paid €932 million 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. In 2020 the O.E.C.D. recognised Ireland as one of several 'global hubs of digitally delivered services. Some 240,000 people are employed in digital intensive sectors, up 17% since 2016, and an estimated 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 equally important for access to public services, educational resources and leisure pursuits, which are increasingly available over very high-capacity networks.

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 is 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 including 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 has also planned increased levels of investment over the next few years to continue to deliver very high-capacity networks and 5G networks and also to enhance existing networks.

Investment proof all telecommunications policies

Investment proof all telecommunications policies at national and local level to ensure that the State maintains a policy and regulatory environment that encourages continued investment in telecommunications networks because such investment is essential to meeting the Digital Connectivity Strategy's targets.

Address investment bottlenecks

Address investment bottlenecks due to administrative planning, and regulatory obstacles. Such unnecessary hurdles delay or even obstruct the deployment of very high-capacity networks (both in the National Broadband Plan intervention area and in areas served by the private sector) and mobile networks, including 5G. The objective should be fewer difficulties in obtaining any permits or permissions required to deploy telecommunications infrastructure, easier access to public infrastructure and making spectrum available at a reasonable cost.

2. BUDGET RECOMMENDATIONS

Increase network energy resilience

Increase network energy resilience through subventions for solar power and enhanced battery backup in view of the risk to the security of supply of electricity. Should telecommunications be disrupted the economic and societal impact will be enormous.

The following measures will help to reduce the impact of any future interruption of the supply of electricity on the telecommunications networks, a critical piece of national infrastructure that should be deemed a priority in the unlikely event that there is electricity rationing.

Battery back up - To reduce the impact of any future interruptions of the supply of electricity, industry recommends subventions for the cost of enhancing and updating battery backup arrangements, particularly in more remote mast locations.

Solar power - Solar power can be used to provide a significant amount of the electricity consumed by the active equipment at both fixed and mobile telecommunications infrastructure locations so should be subvented. 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 also significant.

Provide tax relief for cost of spectrum

Provide tax relief for the cost of spectrum as is the norm for the intangible assets of other industries. It is an established principle in the tax code that intangible assets can avail of tax deductions. It is an outlier that the telecommunications sector's most expensive intangible asset is ineligible for such relief.

The Irish approach of not providing tax relief on the cost of the acquisition of spectrum assets should be reviewed. Countries such as Germany, Italy, the Netherlands, Spain and the UK all permit a tax deduction for the purchase of spectrum resource. Industry recommends that Ireland aligns with these countries by permitting a tax deduction for spectrum in the next Finance Bill.

Mobile network operators in Ireland secure capital for network investment from their group companies, which operate in many European countries. In competing at group level for Ireland to secure further investment for 5G network rollout the argument is more compelling when it can be demonstrated that tax relief is available for the cost of the underlying asset.

Such a deduction will ensure industry is best placed to maximise the rapid utilisation of the spectrum acquired while the State secures a fair return for the use of this key national asset.

Reduce VAT rate for internet access services

Reduce the VAT rate for internet access services as provided for in Council Directive (EU) 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 as Regards Rates of Value Added Tax.

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, while helping hard pressed consumers. 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 HUF35 billion – 40 billion.¹

¹ [Digital tax reduction - Digital Success Programme \(digitalisjoletprogram.hu\)](https://digitalisjoletprogram.hu/)

The Directive refers to the inclusion of “internet access services provided as part of digitalisation policy, defined by Member States.” The preamble to the Directive 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...”

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.

Address structural connectivity shortages

Address structural connectivity shortages through the following measures.

- *Mobile ‘blackspots’* - Establish a rural mobile connectivity scheme to target rural mobile ‘blackspots’ where it is not commercially viable for the private sector to deliver services. The scheme should fund open access telecoms infrastructure in ‘blackspot’ areas available to all mobile telecommunications network operators.
- *SME connectivity* - Consider how to incentivise the take-up of very high-capacity networks where SME customers are faced with remediation costs (e.g. the reinstatement of private property underground ducting) to allow for such a connection. Fibre networks are essential to SME competitiveness because they provide a faster, more reliable and more energy efficient service than traditional copper networks.
- *Street hubs* - Provide a targeted subsidy to increase the amount of shared multi-purpose street hubs which can enable multi-operator equipment and facilities. This will increase the availability of high-speed coverage, including 5G.

Support telecommunications R&D

Support telecommunications R&D by providing subventions for 5G coverage to research facilities and testing centres for applications such as autonomous vehicles and drones. Given the exponential growth in the use of drone applications and the future importance of connected motorways it is essential that Ireland is positioned to engage in high value R&D on these emerging 5G enabled technologies.

Counter online disinformation on 5G

Counter online disinformation on 5G through an official communications campaign. It is very important for future competitiveness that Ireland will be able to compete for the estimated €12 trillion of global economic output enabled by 5G in the period to 2035. A government funded communications campaign is needed to counter the enormous and sophisticated deluge of online disinformation that 5G is harmful to human health, a claim contrary to all reputable scientific opinion. This disinformation has caused a significant level of objection to the deployment of 5G due to the public concern it has generated. The public are entitled to be informed on a proactive basis by the State of the facts regarding 5G in a way that is both accessible and independent. It will only take a tiny proportion of the enormous sums the State will receive from industry in 5G spectrum fees to do this. Such a campaign will complement industry’s ongoing efforts to communicate with the public regarding 5G.

Combat increased cybersecurity threats

Combat increased cybersecurity threats since the Russian invasion of Ukraine by continuing to fund the prompt and complete implementation of the July 2021 decision by Government to significantly expand the

National Cyber Security Centre (N.C.S.C.). While the telecommunications sector invests heavily in cybersecurity, certain essential functions in this regard can 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.

Bridge the digital divide

Bridge the digital divide by allocating additional resources to the Department of Communications' Digital Skills for Citizens Programme and to the Trading Online Voucher Scheme for SMEs. This will generate a greater social and economic dividend for investment in high-speed broadband, whether by the State or by the private sector.

Telecommunications Industry Ireland would welcome the opportunity to answer any questions you or your officials have on the above.

Yours sincerely,

"Bears no signature as sent electronically"

Torlach Denihan

Director