



Communications and Digital Committee

Corrected oral evidence: Digital exclusion and the cost of living

Tuesday 21 February 2023

2.35 pm

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Members present: Baroness Stowell of Beeston (The Chair); Baroness Featherstone; Lord Foster of Bath; Baroness Fraser of Craigmaddie; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Baroness Healy of Primrose Hill; Lord Kamall; Lord Lipsey; Baroness Wheatcroft; Lord Young of Norwood Green.

Evidence Session No. 1

Heard in Public

Questions 1 - 23

Witnesses

I: Helen Milner OBE, Group Chief Executive Officer, Good Things Foundation; Rocio Concha, Director of Policy and Advocacy and Chief Economist, Which?; Rowlando Morgan, Head of Environment, Infrastructure & Local Growth, Centre for Economics and Business Research; Tom Lowe, Head of Policy and Communications, Digital Poverty Alliance.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of Witnesses

Helen Milner, Rocio Concha, Rowlando Morgan and Tom Lowe.

Q1 The Chair: This is the Communications and Digital Committee. We are very pleased to be starting a new inquiry into digital exclusion. As this is its first hearing, I will introduce it and set it in context. Then I will ask today's witnesses to introduce themselves. For the benefit of everybody in the room, we are now transmitting live on the internet. A recording is being taken and will subsequently be made available on the internet, and a written transcript will also be available on our website.

Digital exclusion typically refers to sections of the population having unequal access to or capacity to use technology in order to participate fully in society and the workforce, and later in today's session we will come to definitions and trying to understand some of the terminology. Although in the UK we are increasingly going online—people are doing that all the time, and the shift was accelerated by the pandemic—a significant group is still being left behind, and we will explore the complex reasons for that as part of this inquiry.

However, we do not want to just come up with new descriptions of what seems to be a long-standing problem, even though it is one that we have seen some progress on. It is also worth acknowledging from the start that a lot of good work has already been done by various groups and bodies looking at this topic. We want to learn from the work that already exists and to build on it. We are aiming to identify some of the most significant obstacles to addressing this divide and hope to come up with some effective and targeted solutions. So this inquiry is about solutions and not just descriptions of problems.

One reason why we are doing this now is because the cost of living continues to put household budgets under strain, and it is likely that more people will be pushed into being digitally excluded or losing out as a result. This situation is not just bad for the people affected; it also limits our potential for economic growth and other opportunities as a nation. The very fact that we are doing this inquiry proves that, I hope.

Although we must work to close the digital divide so that the benefits and opportunities that some people are losing out on are properly addressed, closing that divide in our society should not become an excuse for businesses and public service providers to reduce the quality of their customer services, some of which will always require some human contact. I would argue that, at a time of higher prices, customers and taxpayers understandably expect an even better level of responsiveness to their complaints and queries from the organisations responsible for the services they rely on, especially when digital chatbots are not very helpful, whether they can use them or not.

That is our intro to this inquiry. Our first session is very much a scene-setter. We will cover four main themes: who is digitally excluded?—as I say, we want to understand the definitions and the terminology that gets used; the economic costs of the digital divide and the benefits of closing

it; specific cost of living challenges; and the more longer-term strategic issues.

I will ask each of our four witnesses to introduce themselves and the organisations they are representing here.

Rocio Concha: I am the director of policy and advocacy, and chief economist, at Which?, which is a consumer group.

Helen Milner: I am group chief exec at the Good Things Foundation.

Rowlando Morgan: I am head of environment, infrastructure and local growth at the CEBR—the Centre for Economics and Business Research.

Tom Lowe: Hello everybody. I am the head of policy and communications at the Digital Poverty Alliance.

Q2 The Chair: I will start with the first question. I remind you that we will not always ask each of you to answer every question that is put. If you are not asked to respond but you feel that you have something to add to what has already been said by one of your fellow witnesses, signal to me, and if there is time available, I will invite you to answer.

I will start with Helen Milner. Could you tell us a bit more about what digital exclusion involves and the types of impact it has on people? As I said earlier, it would be helpful if you could be quite clear about the different definitions.

Helen Milner: If this was “Mastermind”, this would definitely be my specialist subject. It is important to say first that digital exclusion is about what we call an impossible triangle: you need to be able to afford a device, to have connection to the internet and the basic digital skills to be able to function in our society, and the motivation and confidence to understand the relevance of it and to want to do it.

Some 10 million adults in the country lack essential digital skills—to be specific. We have an essential digital skills framework in the UK, which is excellent. A lot of organisations work together on this. It is now owned by the Department for Education, and qualifications for adults—this is all for adults—are set against that framework.

Turning to access, more than one in 20 households have no internet at all, either fixed-line or mobile. That figure was supplied by Ofcom at the end of last year. Importantly, the people in those two groups are quite often the same. People are excluded because of poverty—they cannot afford it—and often poverty drives other social factors such as poor educational attainment.

We know that, if you are older, you are likely to be digitally excluded, but it is really important not to focus only on older people; 39% of people who have never used the internet are under 60, which I think a lot of people find staggering. People are excluded from jobs; 92% of all jobs are advertised only on the internet, so if you do not have the skills or the access, you will not be able to find those jobs in the first place, let alone have the skills to apply for them.

You mentioned services, both public and commercial. People are excluded from being able to use those services. You also mentioned customer support. Often if you are offline because you cannot afford to be online or you do not have those skills, you are driven to higher-cost helplines that cost you a lot of money.

We heard a lot during the pandemic about children not being able to access the internet for home schooling, which is important. We got a much better understanding of the need for each child in the household to be able to have a personal device. We worked with families where three children and a parent were all working or home schooling using one mobile phone. It is really important to understand the nuances here; for example, people on pay-as-you-go mobile contracts may have a device, but if you run out of data half way through the month, for half of the month you are basically excluded from the internet. I will pause there.

Q3 **Baroness Fraser of Craigmaddie:** Thank you for setting the scene very effectively. I will delve a bit into what you have said, as you used a very broad brush. Can you pull anything out on who can and cannot get access? Are there regional trends? You mentioned age and things such as poverty. I would also put disability as an example. Can you say a bit more about that? Obviously, the pandemic was a seminal moment for this. What impact do you think it has had, good or bad? I might add a final question, depending on your reply.

Helen Milner: Disabled people, for example, are much more likely to be digitally excluded but also much more likely to be out of work. It is really important that you delve into the social science of this, because that is what underpins digital exclusion. Regionally, London and the south-east are more included than other areas of the country, but more people live in that area, so although in the north-east of England less than half the population are advanced internet users, fewer people are offline than in London. However, if you just looked at the pure percentages, you would say that London is okay. There is a lot of nuance.

I will also pick up a point about ethnic minorities, because that is definitely worth delving into. It is quite hard to get numbers on them, because they tend to be younger across the population. Therefore, when you look at groups of a particular heritage, you will find that proportionately they appear to be more digitally included, but that may be because their population as a whole is younger.

Baroness Fraser of Craigmaddie: Do you have a sense that in the north-east of England—I come from Scotland, so I always think of people in the Western Isles—there are fewer people but they are more heavily reliant on being able to access digital services? You mentioned the trend towards more services being online, so there is more of an issue if people cannot access them. Is there something in the data you have just painted for us showing that it is more important for a person in the north-east?

Helen Milner: I would say that it is important that everyone across the whole of the UK has access to good-quality internet that they can afford,

and that, if they cannot afford it, it is available to them for free. It is the same with devices: if they do not have the skills, they should get the support to use them.

You are right that if you are in rural areas in remote parts of Scotland, you will be more reliant on it. Similarly in Lincolnshire, we have local partners who talk about the appalling local transport services—you cannot get a bus to go to a local place for a free access point, for example. There are other indicators that would excuse you further, but my starting point is that everybody should have access.

I have been looking at this for a very long time and the overlap is really about income and exclusion, because if you assume that good-quality broadband will get to everybody, the people who can afford it and have the skills will be able to access and use it.

Baroness Fraser of Cragmaddie: Do we have any data? You mentioned that 10 million adults lack the skills and that one in 20 households does not have a connection. Do we have any data about how many people have devices?

Helen Milner: No, we do not.

Q4 Lord Hall of Birkenhead: On this idea of data and how we can assess whether someone is in digital poverty or not, we have had some evidence and we understand that the Nuffield Foundation has been looking to see whether it can develop a minimum digital living standard benchmark. Would this be useful? What are the difficulties of getting the data together so that you have one benchmark like that?

Helen Milner: The Good Things Foundation is part of the partnership bringing the minimum digital living standard together. It is incredibly helpful. It is also very difficult. A number of academics are working on that project. However, having it does not necessarily mean that there will be action to solve it. It is good to have the evidence, but you have to make sure that actions follow. It is like your basket of goods: if you are to succeed in Britain today, you need these minimum skills and access. It will definitely be helpful for us—

Lord Hall of Birkenhead: Would those be measurable—things that you could put data around and find out whether we are achieving them or not?

Helen Milner: Yes. The first phase, coming out later this year, will look at what the minimum digital living standard would be for a family.

Q5 Lord Foster of Bath: I have a very nitpicking question, picking up on what Baroness Fraser was saying a minute ago. We are slightly struggling with our understanding of some of the data. You used the figure that one in 20 households has no access to mobile or fixed broadband internet.

Is there a way of breaking that down between what seem to me to be three groups? First, there is the group of people who simply live in an area where there is no mobile or fixed internet available, full stop. Then

there are the categories of people who have access but do not access it, either because they cannot afford the device or the subscription or because they are simply not interested since they have not seen the benefits. Do we have those figures anywhere? We have struggled to find them.

Helen Milner: They do not exist in the way you have described it in those three different buckets. They are not the same datasets; you have those datasets, but in different buckets. Ofcom could absolutely tell you where the not-spots are—where it is not accessible—and we have other survey data on affordability and things that we talk about such as relevance or motivation. But it is not the same.

I believe that you can make assumptions based on those different datasets. There is a very old piece of data—probably about eight years old—saying that fewer than 1% of people did not have the internet in their home because they did not have access to broadband. That goes back to the point about people living in very remote areas. Typically, people in more remote areas do not have access to broadband, but they understand the relevance of it and can usually afford it. It was more about the driver of never using the internet. Actually, a lot of people in areas where the broadband is not very good are the very people who want it and can afford it.

Rocio Concha: I agree with Helen that there is a whole pocket of data that gives you a sense of the size of the problem of digital exclusion. What we are talking about here is how we identify these people. Obviously we can get a sense via surveys of the people who might not have the right skills or who have problems affording a connection, and, as Helen said, we know from Ofcom which part of the country does not have access to a good mobile or fixed-broadband connection.

The question here is: where are the people who are able to get online, so that we can reach out to them and help them to get online, to address the reason why they are not online? Whether it is because of affordability issues, skill issues, confidence issues, there will always be a group of people—it does not matter why—who will not be able to engage online, particularly those with disabilities. We need to know who they are so that we can help them directly.

In the meantime, there are some things that we can do already. We already know that a number of people find being able to afford a good broadband or mobile connection very challenging. We know that some providers are offering a voluntary social tariff. The research that we and Ofcom have done shows that only 3.2% of the people who qualify for a social tariff—in the main, people on benefits—are currently on a social tariff. We have done research to understand why people who qualify for a social tariff are not taking them. It is because a big percentage of them—more than 60%—are not aware of them. That is something that providers can do immediately: know who these people are, their customers, make them aware of social tariffs and explain to them what they are.

There are also misconceptions about the quality of a social tariff. There is Citizen API, which the DWP offers and which you have probably heard about. It is now available to providers, and will make checking whether someone qualifies for a social tariff much easier. You put in your national insurance number and they will know whether you qualify for a social tariff. That should be accelerated. At the moment, only two providers are accessing that service.

It worries us quite a lot that at the moment only 3.2% of people who qualify for a social tariff are on one. That tells you that there are a lot of people on benefits who are paying for a standard contract. We are now seeing providers announcing mid-contract price increases above inflation that will be in place in April. We are seeing increases of around 14%. A couple of providers have announced increases of 17%. You also need to understand that these contracts have exit fees, so we will see people not being able to afford those price increases and having to pay quite a lot of money to get out of those contracts.

Why can the providers not waive exit fees, given where we are in the cost of living crisis, because this is not the only challenge that people face; there are increases in food, in energy and all that? Why can they not exclude financially vulnerable consumers from these above-inflation mid-contract price increases?

There are a lot of things that we can already do to deal with some of the drivers of digital exclusion.

The Chair: We will probably come back to this when we come on the cost of living short-term issues, but that is a very helpful introduction to them.

Q6 Lord Lipsey: I am very interested in the very high level of exclusion among really old people like me—75 year-olds. It seems to me that there are a two broad possible explanations. One is that these are people who were not around when the internet first came about; I used to write my stories as a journalist on an old-fashioned typewriter and have never picked up the internet in the meantime. Another factor that often drives exclusion is very old people tending to be poorer than just old people. Could you give any sense as to which is the most important of those two sorts of factors? Helen, you have been talking around the subject—sorry, no offence meant.

Helen Milner: I think it depends on how old you are. People in their 70s are much more likely not to have used the internet, obviously not at school, not during their career, and not since then. Another factor, which we come across often because we work in thousands of communities, is that when one partner dies and he has been online—it is usually the man—the wife cannot access any of her bank accounts, and that sort of thing; one partner has been doing everything for the other partner.

As you get older, other disabilities come in affecting sight and mobility, there is dementia and other things that reduce your ability to continue to use the internet as well as your ability to start using it in the first place.

The age profile and the reasons for not using the internet map quite nicely in that way.

Q7 Lord Young of Norwood Green: I was a subscriber to Which? before you were born, Ms Concha. That is just an observation.

I cannot see why the people who deal with DWP are not saying to them, "Look, you should be accessing this". They should be doing it, and I suggest that if they are not, you should prompt them.

I want to address my next question to Rowlando and Tom. What action do you think the Government need to take to stop all the fibre broadband providers focusing on the cities and, instead, get it out to the rural areas? We know that that is more difficult, but they can use innovation.

The Chair: That is a really good question, and we will want to cover it when we get to later questions. You have rather pre-empted there.

Lord Young of Norwood Green: I am sorry. I thought this was the place to raise it.

The Chair: That is fine. We move on to more economic issues.

Q8 Baroness Harding of Winscombe: I should declare that I used to work quite a lot in this space and was a founder and trustee of Go ON and Doteveryone, which are referenced in the pre-reading.

When I was involved in this a decade ago, a lot of people used to say, "Why are you worried about this? A lot of people are just choosing to opt out. Why are you trying to force people online if they don't want to go online?" So my questions, if I may start with Rowlando, are these. Are there economic reasons why we should care about how digitally included we are as a country, and what do you think the economic consequences of digital exclusion are in the UK?

The flipside of that is: what might the opportunities for economic growth be if we could unlock greater digital inclusion, or are the people challenging me, Helen and others a decade ago right and we should not be that fussed about it?

Rowlando Morgan: I am from the CEBR and undertook some research for the Good Things Foundation. We explored different benefit streams through which digital inclusion at the basic level can generate benefits to the economy. We found a range of benefits that relate to the things you mention. There are benefits in government efficiency and benefits to the NHS, for instance, in the users of those systems having enhanced skills.

Speaking to your first point, it is important for people to be engaged even if they may not want to be. For instance, if the Government want to have digital by default and increasingly have services provided online, that will be feasible only if users can access them. You cannot have services 100% online unless, in general, a large percentage of people can access them. There is a kind of equilibrium; we are all online or not. You create inefficiencies if you have to duplicate your services both

online and offline—we all have to do that to some extent, but ideally you want to minimise it.

More generally, on the consequences of digital exclusion, those who are digitally excluded will be able to play a limited role in the economy. For instance, we explored the extent to which they may miss out on obtaining jobs and the benefits to the economy of people being able to obtain a wider range of jobs and higher wages. Through digital exclusion, people also miss out on being able to shop online, find potential savings and the best deals and save time—time saving is a big thing.

If you flip that around, hundreds of millions of pounds of benefits to the economy will potentially accumulate over time. This is not only through the government efficiencies I mentioned or being able to access appointments online and therefore seeing time savings; for instance, corporations see benefits through being able to fill vacancies more easily through having a wider pool of applicants, and the Government get revenue as employment and earnings are increased through higher skills levels.

In our report, we looked only at the basic level, but as you think about skills more generally, you see that basic skills naturally lead to high-level skills, and that will become more and more important. The potential gains of digital inclusion and its ramifications in the extent to which it is connected to high-level skills could definitely be significant, both annually and as accumulated over time.

Baroness Harding of Winscombe: Your report attempts to quantify that. Can you put on the record the scale that you described and how you did that quantification?

Rowlando Morgan: In terms of scale, we did a cost-benefit analysis looking at the potential costs of training people so that they could gain basic digital skills, which we estimated to be about £1.4 billion over a 10-year appraisal period from 2023. The accompanying economic benefits amass to an estimated £13.7 billion over that period, using 2022 prices. We used this counting as the standard approach used within government. As to how you rate the costs to the benefits, the ratio between them was just below 10. It had a net present value of £12.2 billion, looking at the arithmetic difference between the two.

To do this, we took data from the Lloyds consumer digital index on the extent to which there is a prevalence of digital exclusion among people. That gave evidence of 11.5 million people in 2021. We estimated in the report that that would fall to 10.6 million by the end of this year and then estimated how that would organically fall over the period, leaving us with a certain number of people at the end who would need training—about 5.8 million. Some 3.7 million of those would be over 75, confirming some of the things we discussed before. Then we looked at nine benefit streams to see the different ways in which those people, if trained, would accrue benefits through those different streams, and then totted that up over the years and across the streams to get the total figure.

Q9 **Baroness Wheatcroft:** I would be really interested to hear a little more about how you came up with those numbers. How did you estimate what the benefits would be? Did you look at other countries that were doing it better, for instance?

Rowlando Morgan: We did not do an international comparison; we looked at different evidence in the literature, all publicly available, to calculate the different steps for each benefit stream. For the NHS, for instance, we looked at data indicating the extent to which there may be reduced appointments, because people may be able to access appointments online. For monetary savings, we looked at evidence on the average amount that people might save through transactions.

It was about using different reputable information across the board, such as data from PwC on the amount that earnings might increase because of increased basic digital skill levels. In the report, we set out and describe for each benefit stream how we obtained them. It can be quite complicated, but I think you can see the chain of argument.

Q10 **Baroness Wheatcroft:** We hear a huge amount in this country, and have done for far too long, about the productivity gap. Do you think this is the answer to bridging it? What proportion of the gap is it?

Rowlando Morgan: We discuss the productivity gap in the report but do not explore it or try to put a quantitative estimate on the extent to which this would contribute to solving the problem. The evidence suggests that it is not obvious that this would solve that problem or that this is at the heart of it. It would almost certainly help in increasing productivity, but one of the things that has been part of that discussion over many years—I am not an expert in this—is that digitisation across the globe has increased dramatically over many decades while there have been challenges with productivity, so it is not obvious that this would fundamentally change things. That said, with the advent of artificial intelligence and the way it is going, we will see massive changes in that space with respect to productivity.

Q11 **Baroness Fraser of Craigmaddie:** I have a quick supplementary on the NHS. You were talking about how access to digital appointments could be increased. Quite a lot of work was done by commissions during the pandemic on the benefits of face-to-face versus online appointments. Was any of your research cross-referenced against what types of appointments we might want to go online and what types we definitely would not want to? For example, getting your blood test results could be done online, but in diagnostic appointments various things could be missed if done online. Did you take into account any of those kinds of studies?

Rowlando Morgan: It was not something we delved deeply into; we did not look into specific types of appointments that might be saved. That would be one for further study. I am not sure whether it has been done.

Baroness Fraser of Craigmaddie: What I am getting at is that the figures you are quoting for the NHS, for example, may need tapering.

Rowlando Morgan: It could definitely be explored further if that were an issue. I am not sure about the extent to which—

Baroness Fraser of Cragmaddie: For example, the University of Oxford did quite a big study on it.

Rowlando Morgan: I am afraid I am not familiar with that.

Helen Milner: The economic model that Rowlando and the team used did not assume that all appointments would go online. Only a proportion of them would, so the benefits are robust. Your point is really well made; it is the classic point that, if you break your arm, you cannot go online to get it fixed, and that only a proportion of interactions with the NHS would move online.

Baroness Fraser of Cragmaddie: That is what I was trying to understand.

Q12 **Lord Kamall:** I want to focus on skills. It is very interesting that, even before we get to the idea of digital skills, all companies want more skilled workers in theory but not all companies want to train their workers; either they want to poach other skilled workers, or they are disincentivised from training because they think they will lose their staff. Have any of you touched on any of that when it comes to digital literacy and digital skills, or is that too niche?

Helen Milner: FutureDotNow is a charity that works specifically with employers, not to help them with training but with looking at what we call the hidden middle. Quite often, charities like my own are very focused on those who are most excluded—those who are out of work or in and out of work. But you are absolutely right that a very large number of people—more than 11 million people, I think—lack essential digital skills for life and work and are in the workplace.

So we need to unlock what we can do to incentivise employers, which is absolutely what FutureDotNow does. We have a very large number of people in the workforce, so they are not unemployed. Therefore, they have an employer who could invest in upskilling, or the Government could incentivise employers to do that upskilling.

The Chair: The next question focuses more on the current impact of the cost of living, so we will come back to some of the things that we touched on earlier.

Q13 **Baroness Featherstone:** We touched on this earlier very briefly. I address this question particularly to Rocio and Tom. I assume that the cost of living challenges have affected digital exclusion, so the question is: what happens when the money gets tight, in digital exclusion terms?

Tom Lowe: It is a massive issue. In a survey that the DPA conducted with YouGov and Currys in December, we found that 36% of respondents were struggling to pay their broadband or mobile phone bills or had other issues with connectivity. The most recent data from Citizens Advice shows that the amount of support they are giving is at the highest level

on record. It is a really serious issue. Incomes are being squeezed for many families.

On the social tariff mechanism, as my colleagues said, at the moment the take-up is about 3.2%. There are potentially a number of reasons for that. Awareness-raising is needed so that people are signposted to it, but they also need to be informed of their eligibility when they interact with government services like the DWP. I think the API that has been introduced will be really helpful in that respect.

A really big issue may be people's perception of social tariffs and whether they feel that social tariffs are sufficient to meet their data needs. Some of the social tariffs offered are for a lower package than tariffs for some of the more expensive packages. For households that need lots of data, a social tariff might lead them to have concerns about whether it is sufficient to support streaming, people doing homework—the sorts of things that people use data for.

The other key thing is affordability. Research done by Ofcom estimated that a really affordable social tariff for universal credit recipients would be closer to the £4 to £7 range than to the £15 to £20 range that is currently offered.

As people's incomes are squeezed, as they are, we are keen to see that there are sustainable measures to help people, because we come at it very much from the position that, in the current world, internet access and connectivity are not a luxury but a right. In order for people to engage in the world, to access essential services and to be able to realise a range of tangible social benefits, they have to have that connectivity, that access. So there is an argument for collaboration between the third sector, industry and government to make sure that people are not precluded from access on the basis of affordability.

Baroness Featherstone: Are there any stats to show whether people have just stopped using the internet?

Tom Lowe: Yes. As part of that survey, we asked how many people had either downgraded or given up completely. I would have to check the number of people who have given up completely, but I think about 27% have downgraded to a less comprehensive package.

Rocio Concha: Ofcom, for example, does a regular affordability report. Its latest figures show that around 1.4 million households are struggling to afford broadband, and around 2 million are struggling to afford their mobile.

Going back to what was said before, access to the internet is an essential utility in today's world. It is as important as having access to water, gas and electricity. We have to see it that way. That is why the discussion that we are having today is so important.

We have talked about the barriers to taking up social tariffs. More needs to be done, and can be done, by the providers to tell their customers that they have social tariffs. If you go to the websites of some of the providers, you will not find that information. We tell people, and I am

sure that others on this panel tell people, about social tariffs, but the providers are in direct contact with their customers.

The other thing that we really need to consider, and you should be aware of this if you are not already, is that social tariffs also pay full VAT for essential services. If you are on a social tariff, you are also paying 20% VAT on top of that social tariff, which is not what you do for energy or for water. So that is another consideration for the Government.

As I mentioned before, we are also quite worried about the mid-contract price increases, which are so high. We think there are people who will find them very difficult to afford, but they may be trapped in a lose-lose situation because some of these contracts have exit fees, so you might find yourself unable to pay the increase but also that it is very expensive to get out of the contract. So as a minimum, in the context of the cost of living crisis, the providers should stop charging exit fees, because people cannot afford it.

Baroness Featherstone: So there are no exclusions in the contracts to say, "If we double the price, you don't have to pay the exit fee". There is nothing in the contract to let people out.

Rocio Concha: No, there is not. The only thing that some providers offer is that if a customer tells them that they cannot afford the contract and the provider offers a social tariff—not all providers do—the customer will not have to pay the exit fee when moving to the social tariff. But if a customer cannot afford the contract and the provider does not offer a social tariff, that provider should also waive the exit fee.

That should be for all consumers. Remember, it is not only the people on benefits who are struggling in this cost of living crisis. The exit fee can be quite high, so if providers go ahead with price increases above inflation, they should allow people to shop around and to switch without paying the exit fee. As a minimum, if your customers are financially vulnerable, you should not introduce these price increases.

Baroness Featherstone: I might very well agree with you.

Baroness Healy of Primrose Hill: What you have been saying about social tariffs is very interesting, but I am still slightly unclear whether you think there should be government pressure on the providers to make it clearer that there are social tariffs. What are your ideas to try to bring that forward?

Rocio Concha: Absolutely there must be more pressure from the Government, and the regulator, about increasing awareness of social tariffs and the provision of social tariffs.

Q14 **Baroness Healy of Primrose Hill:** Thank you. Can the panel think of another solution in the next 12 months to try to address the digital divide? Not every child in school, for instance, has access to an iPad or laptop. I have heard calls for that and that it should be fundamental. How do you think that would impact on the work that you are doing?

Helen Milner: I will come back to VAT on social tariffs first. That is one thing that we have been calling for, because it feels shocking that most of the industry has stepped up and provided good-quality fast access for a low cost for people on benefits, and it is taxed at 20%. We have done the modelling for if that went to zero—to be optimistic. If everybody on universal credit took it up, it would cost the Treasury £151.2 million a year. Given the £13.3 billion that the economic benefits work shows, that is not a lot of money. As we have heard, take-up is currently quite low, so at the moment it would cost £1.98 million a year—not even £2 million.

We have been talking to industry and, if the VAT was cut, it would absolutely pledge to pass that cut on to the end consumer, as obviously that would be the worry—this is not a cut for industry, but for people who cannot afford it. I am sure you are aware that we have broadband wholesalers and retailers and that some broadband providers buy their broadband infrastructure off Openreach. I believe that VAT for the social tariff customers should also be cut to zero for them, to make sure that there is a level playing field for all providers providing social tariffs. Removing VAT on social tariffs would boost their take-up because of the associated media that would happen to promote awareness of social tariffs. To answer your question, that is something quite pragmatic that you could do very quickly.

At the Good Things Foundation, we work with partners to provide the National Databank, which provides free connectivity—like food banks but for mobile connectivity. We have half a million sims from partners such as Virgin Media O2 and Vodafone. We are seeing massive demand; we have almost 1,000 local, community data banks across the UK, like food banks, and demand is very high—I know you like evidence, but this is anecdotal. Many of those people have turned off their broadband; these are the people on low incomes who previously could afford it and now cannot. Promoting the National Databank and these 1,000 points in communities would be another way of making sure that people who are switching it off or cannot afford it in the first place can get access, because it has been put in place by the charity sector and industry to make sure that people who cannot even afford social tariffs can access the internet.

Lord Young of Norwood Green: Very briefly, on using up the data allocation, I encountered someone recently who was calling her parents back in Poland. She said, “I can’t afford to”. I said, “Wait a minute, aren’t you on WhatsApp?” Do you think that promoting an awareness of WhatsApp is a useful thing to do? You can call people for free, for as long as you like, anywhere in the world. Are you doing any of that?

Tom Lowe: Very much so. Part of what we are doing at the DPA at the moment is developing what we call a national delivery plan, which will come out in May. Its intention is to set out our strategic vision for how we could co-ordinate a lot of the amazing activity going on at the moment and talk about where we think there need to be new recommendations to government, industry and the third sector. A big

part of that is raising awareness about what digital exclusion and digital poverty look like.

During the pandemic, a spotlight was shone on digital exclusion; we think there needs to be a maintained focus on showing how broad it is—the number of people affected—and the fact that it is almost a continuum. That is, anybody at any point in their lives could find themselves on the wrong side of the digital divide. It is not just about typologies of particular characteristics but about affordability, where people live, and so many things that can structure people's life experience and, consequently, their digital exclusion. For us, raising awareness of the ways in which it manifests is really important.

Q15 Lord Hall of Birkenhead: I think my question has been answered, which is also about raising awareness. Helen gave a thorough answer, but I wonder whether, from the point of view of Which? or Tom, it would be helpful to lay out any other things that could be done to raise awareness.

Tom Lowe: In terms of governmental ask, the current digital inclusion strategy was written in 2014. The world has moved on since then and technology has changed, and we think there is probably a call for a refreshed strategy to co-ordinate what is going on at the moment. It seems as though, certainly over the next five years, we will see a profound acceleration in digital and services moving online. That provides the basis to ask how we work out the balance of responsibilities between government at a national and local level; local government will be essential to digital inclusion, but local work must be supported by a clear national policy steer. That is where, when I speak to local areas, there seems to be a bit of a gap at the moment—a clear sense of national strategy and political ownership. For raising awareness and ownership, that would be very useful.

Rocio Concha: I would endorse that. We need a coherent strategy going from the Government to the local level, with the involvement of the charity sector, providers and all of us working together to tackle the issue.

Helen Milner: I would add that DWP and HMRC interact with everyone on benefits, so they could just put in a communication with each of those people at those touchpoints to ask whether they are struggling with affording the internet; tell them about social tariffs—Ofcom has a list on its website—and the National Databank; and give them a map of the more than a thousand data banks. That could be a coherent, pragmatic approach; the Government interact with every person on benefits, so why cannot they use those channels to push out that communication?

Lord Kamall: Rocio, I was very interested in the point that tariffs have gone up above inflation increases, and about exit fees. I thought that customers were offered a choice to leave the contract, so I had no idea that there were still exit fees. Do you have any evidence of people being pursued? This might be negative awareness, but it could shame the companies for what they have been doing. Do you have clear examples

of people being pursued because they cannot afford the new tariff, and people being pursued for an exit fee?

Rocio Concha: We do not have any particular evidence of the number of people who have experienced that, but it is in the contract. It was there when the people signed it off, so they are not doing something illegal. We are saying that, given the current context of the cost of living crisis, if they want to continue these increases, they should waive that exit fee.

Lord Kamall: I am thinking about the court of public opinion.

Q16 **Baroness Wheatcroft:** The databank is a really interesting idea, and there is clearly scope for building on that. What sort of response do you get from the big tech companies when you ask them to help in this sort of area? They have the money; they could afford it. People will use their services if they are able to, so could they do more to bolster the data banks to have digital hubs? As Tom says, it has to be local. Are they receptive?

Helen Milner: Do you mean platforms? We work very well with telecoms companies. They are very supportive, particularly Virgin Media O2 and Vodafone. We also work with Google, if that is what you were thinking of.

Baroness Wheatcroft: Yes, I was thinking of Google and Apple—the biggies.

Helen Milner: We are definitely working with Google, through Google.org. We work in partnership with thousands of local community organisations—local authorities, community centres, small local charities and libraries. I call it “a big club with a shared vision”, because they are all independent of us. We have more than 2,000 of what we call digital inclusion hubs across the country. Many of them are the data bank in their local community. They are so important, because they can reach in and find the people who are not being reached in any other way, such as through further education. The formal education sector, which spends millions of pounds on adult learning, is not reaching these people either.

They are informal and very local, but they need help and support. We bring them together within the national digital inclusion network so that they can interact with one another. We provide them with training, support, capacity-building and the data bank. We also have a device bank, where companies give us their old laptops and other technology, to get devices to them. If they are part of that, they can join in to help those local people. We need more of them. There are definitely more that can join in; everything is free to them and to the beneficiaries through our system.

This started in 2010, with austerity. Money has been cut and cut at the local level, so many of them are very much hand to mouth. The cost of living crisis utility bills are affecting them and their ability to survive, but they are amazing organisations. We throw our arms around them and support them.

Baroness Wheatcroft: Tom, is there any way to quantify what the

companies are putting in to fill this gap?

Tom Lowe: A lot of the bigger companies are interested in what they can do to support it through their CSR agendas. I think they see action towards fixing the digital divide as a big priority. We work very closely with Currys, for example, which is interested in what it can do to support this agenda. However, I agree with Helen that, despite there being a lot of support, more always needs to be done. There are things to do on the role that companies can play in upskilling their existing staff. We know, for example, that a high proportion of people do not have EDS for work. People in companies can volunteer as digital champions to act as advocates in their workforce for why it is important to get connected and develop skills. They can volunteer their time in an ad hoc capacity for in-kind support. There is a lot they can do, and they are doing a lot of work, but to really meet the scale of the challenge there is still a lot more that, hopefully, can be done.

Q17 The Chair: I have a question of clarification. For the 3.2% of eligible households not taking up the social tariffs, are they already on a tariff? That is, do you have a number of people who are on no tariff but could qualify for a social tariff? Is there a growth potential here as well as a reduction in income issue?

Rocio Concha: At the moment, that 3.2% is calculated to be the percentage of how many people who would qualify for a social tariff are taking them up at the moment—how many people in total will be able to take it up.

The Chair: Is that of existing customers or of all the people who would be entitled to a social tariff, whether they are already users or not?

Rocio Concha: Yes.

The Chair: Do you have a breakdown of those who are already subscribers versus those who are not? How many more people might be going online if they were to go on to a social tariff?

Rocio Concha: I do not have a breakdown that I can think of, but we can take a look and see whether there is anything.

Helen Milner: If your question is how many of all the people who are eligible for social tariffs have no tariffs whatever right now, we do not have that data. We know only that 3% of those who are eligible have taken up a social tariff.

The Chair: Okay, so we do not know how many people are out there who could take advantage of it and who we could bring on to the other side of the divide by taking it up.

Lord Foster of Bath: In theory, it is 97%.

The Chair: No, because some of them are already on higher tariffs.

Q18 Baroness Harding of Winscombe: This is a very cheeky ex-telecoms chief executive question, but do we think that the social tariffs are good enough? I have just been looking at this, and I worry that in some cases

people may be paying more than they otherwise would by being on a social tariff. Do you have a view?

Helen Milner: Absolutely. One thing that would help to drive take-up is having a standardised definition of a social tariff and how much it costs. Clearly, you would have to deal with those wholesaling a fixed line from Openreach. It is very confusing. They are all different prices—£20 or less—Ofcom determines whether something is a social tariff or not, and they all have different speeds and data allowances. If you had a standardised definition of how much it costs, how much you get for it and the quality and cost, that may drive it.

Others have said that, if you do not have £10, it may be too expensive if it costs £10, £12, £12.50 or £15. I met a young woman who wept because we gave her a £10 top-up through the data bank because she could now contact her mum in Ireland. She had two young kids and absolutely no way of contacting her. We are talking about people with very little money. Social tariffs are worth looking at further, because the market is saying that this is what it can afford to do as a product, so if we can standardise it further, that would definitely help.

Rocio Concha: We need to be careful with standardisation. We definitely need coherence and clarity on what a social tariff is. As you say, there are very good social tariffs out there in relation to speed, for example, but you can also find, at the same value, a very much lower speed. However, we need to be careful, because people have different needs. Helen was talking about families and people living alone; you cannot just have one type of social tariff. In defining this, we need to see the needs of different types of households in that respect. For example, on the point you made about mobiles, sometimes a social tariff may not seem so good when you look at low-cost, sim-only contracts. There is more potential on the broadband side.

The Chair: We now move on to the longer term. As has been acknowledged, these intractable problems have been around for a long time, so let us look at how we can deal with them.

Q19 Lord Foster of Bath: It has been a fascinating session, so thank you very much. We have learned a lot from it. From our own research and what you have told us today, we know that a huge amount is going on, so we welcome that and thank you for all the contribution that you make. Ultimately, our role is to work out what we can propose in a report that will move things further than we currently are and, in particular although not exclusively, what we can persuade the Government that they should be doing.

While recognising that there are a number of initiatives that you have told us we could do more on, whether on data banks, measures on social tariffs or upskilling of workforces and so on, what is the future role of government in—to use your language—providing a national policy steer and co-ordinating actions by lots of other people? Tom, bearing in mind that you talked about the new initiative that you will be involved in—co-ordinating lots of other activity—perhaps you would like to start and say

whether government should be doing what you are about to do, or should be working with you on it, and what else it should be doing. I will then come to Helen, if I may.

Tom Lowe: We are very much focusing on that at the moment. We did an evidence review back in 2022 which looked at all the available evidence on digital poverty in the UK context. That evidence review has formed the structure of what we call our national delivery plan. We will focus on a number of themes. One of them reflects the conversation we have had today about affordability, which will be really important. It will involve different mechanisms to see how people can be supported, especially those who are most disadvantaged. I do not know what the precise policy mechanism will be—whether the VAT option on broadband bills or cost sharing between industry and government—but it is clear that there has to be more government support to allow us to make sure that everybody is connected.

The skills aspect is really important. Following the pandemic, Scotland has had quite a big focus on making sure that it is including people digitally and committing to providing a laptop for all school pupils there. It may not need to be for all school pupils—if they were distributed to everybody, there would be a fair amount of duplication in people getting a device who could afford one anyway—but for some children in disadvantaged situations, that could certainly have a big effect on building those digital skills and have long-term effects on their opportunities.

There is also a point about measurement. One of the things that the evidence review highlighted was that there is a bit of a gap in longitudinal surveys in quantifying all those different dimensions of digital exclusion. It is not just about access, which Ofcom can measure, but about the whole piece—access, capability and motivation. That is where, I hope, the minimum digital living standard would provide the basis for a longer-term trajectory to see how digital exclusion is changing over time. That is something holistic that we do not really have at this point. A survey administered by Ofcom on a regular basis could be really impactful.

It goes back to the idea of locally delivered solutions that are supported by a clear policy steer from central government, backed up by the requisite funding. With the speed of acceleration of digital transformation in public and private spheres at the moment, we are moving towards a situation in which the consequences of not being digitally included will get greater and greater. It is time for the Government to join the third sector and industry to act as soon as possible.

Helen Milner: It is shocking that the Government do not have a digital inclusion strategy and that the last one was in 2014. There are one and a half FTE civil servants in what was DCMS working on this area. It is such an important area, highlighted by the pandemic and exacerbated by the cost of living crisis. It is shocking that there is no focus on strategy and leadership for digital exclusion. Let us start with that and convene a cross-sector group, with government leadership, on a strategy.

You ask about the long term, but we need to make sure that we understand how to break down barriers across the different axes of this. Let us work on affordable internet access. The Government must absolutely take 20% VAT off social tariffs. It is shocking that it is still there. It should be passed on. Work on social tariffs, promoted through the DWP and HMRC, is really important.

The second point is about devices. We have created a national device bank, which is about refurbishing equipment. The UK puts the second-most e-waste into landfill per head of population of all the countries in the world. I can give you the source for that.

Lord Young of Norwood Green: That is quite an achievement.

Helen Milner: It is. It would be great if the Government could give all the old equipment they have to the device bank or other schemes; we have an end-to-end process, so it would cost them nothing and we can put them into the hands of beneficiaries. That is sustainable and long term. At the moment, industry, businesses and other large organisations are stepping up to the plate to give us their devices, which is fantastic, but if the millions of pieces of equipment the Government have could come back into reuse, that would be a game-changer. Some of the numbers that Rowlando shared earlier assumed £150 per person to buy a piece of kit. This solution does not have that cost.

Thirdly, if we are realising more than £13 billion over 10 years for the economy, there should be a funded plan. Our modelling suggests that we could halve the digital divide—we are being more aggressive than the numbers in the CEBR report—for £30 million a year over a five-year period. That assumes that we get these bits of kit from government and that we have the data bank but are also aggressive on affordability when it comes to social tariffs, VAT and connectivity. If we can sort out the access, we need to make sure that we support hyper-local organisations in a co-ordinated way—not reinventing the wheel but having high-quality support and realising that it is about supporting and amplifying the work of those hyper-local organisations on the ground. There are definitely things that we can do in the long term, but we can start doing them now.

Lord Foster of Bath: That is phenomenally helpful.

Q20 Lord Kamall: When people answer questions like this, they always say what the Government can do. I would like to look at it the other way. I am not saying that the Government should do nothing, but civil society has a huge role. I worked on a project helping people to get into work, as the local jobcentre was rubbish. It said to me, “All we want is second-hand computers, not money”. They got local people hundreds of jobs over a few years.

Let us look at it the other way. What do you think companies should be doing more of? Secondly, where could civil society and local charities—you are clearly part of this—step up? Thirdly, I look at the role of government in two ways. There is government pressure, either convening or bashing heads together, bringing people into the room and saying, “Come on, it’s not right that you have these tariffs and exit fees”.

There is also government and taxpayer spending, which you have talked a lot about. I understand that it is part of the solution, but can you go through the other bits? What more can companies and civil society do and what more can government do, not in spending taxpayers' money but in convening and bashing heads?

Tom Lowe: To link up the role that industry and civil society can play, working with community organisations to increase capacity building is really important. So much good practice exists across the UK, but more can be done to share these models of what works. For example, Leeds has a very joined-up and holistic local digital inclusion system, but that requires a lot of co-ordination and a lot of ability for local people to understand the vision. Part of it is almost about winning hearts and minds as to why this is important. It is also about volunteers—people giving their time to build capacity and help deliver the solutions that will be most impactful for communities.

Rowlando Morgan: I would just like to step back and say why there is a bit of a problem. We have established that it is increasingly essential that people have basic digital skills. It is a public good, in the economic definition of the phrase. In technical terms, the training of persons is non-excludable, so there may not be incentives for any particular firm to train people—I think you raised this earlier—because once you train them, they can work for anyone. In terms of first principles, this is why the Government might need to intervene. It is about recognising that there are these benefits, but there may not be incentives for firms to realise them. Once we recognise that, it will be more obvious why government may need to come in and knock heads together a bit more.

Lord Kamall: That is interesting, because a public good is something that the Treasury would understand. What you were saying about people understanding different social tariffs and comparisons was very interesting, but my instinctive reaction was, "Isn't that what comparison websites do, or Which? should be doing?" Are you doing this? Have you looked at all the social tariffs, and how do you make sure that more people are aware of the comparisons you have done?

Rocio Concha: If you go to "How to switch broadband provider" on our website, you will see that we put a lot of information up about social tariffs. Not all providers provide social tariffs, so we keep that information up to date, and if you use our tool, you will know what social tariffs there are and what a social tariff does—the speed and all that. There is definitely more to do on that.

As Helen and I mentioned, the DWP's Citizen API will not cost a lot of money and it is already there; the service is there. There are operational issues that need to be resolved, but it already has two providers. Let us make sure that all the providers join in and help with the benefit-assessing process, which can sometimes be quite intrusive for people who want to qualify for a social tariff.

That is something that the Government can do relatively quickly. We already talk about VAT and the overarching strategy, which I completely endorse. I have to say that companies need to do more awareness-

raising on this. That would address quite a lot of the short-term issues here. Obviously we need to think about a long-term affordability solution for this.

Q21 Lord Kamall: Helen, I ask about government spending last, because any Minister will be asked by the Treasury, "How much is this going to cost us?" I am interested in what you think about the pressure and the convening that the Government can do, as well as the awareness-raising, particularly in this area but also working with private companies and civil society.

Helen Milner: You talked about bashing heads together earlier. We need to remember that there are carrots as well as sticks. My experience of businesses is that quite often they will respond well if there is some leadership. If the Government could say that this is important for the economy, for our communities, for our society, industry may well step up to the plate more quickly. By providing those carrots by saying that it is important and that government cannot do it alone, you may find that people will get behind it without heads having to be bashed together.

Some businesses are doing a lot; some are doing less. Obviously, civil society can do more. I do a lot of work in Australia, and they have a great expression there; they say that a lot of community organisations are surviving on the whiff of an oily rag. We have to be really careful that we fully understand how tough it is for the small organisations that are absolutely the safety net for our society right now, picking people up and helping them. Let us make sure that they are at the table, but let us not put all the onus on them to come up with the solutions and to do even more work than they are doing now.

Lord Griffiths of Burry Port: I echo what has been said about this session being an amazingly good scene-setter for us, and I am very grateful to you for coming and sharing with us in this way. In a sense, my question has been pre-empted by the carrots and sticks image that we just had. It is easy to compile a list of things that need to be done and to provide a timescale, a cost-benefit analysis—all those kinds of things—but we need to persuade the Government that the efficiencies that can be earned by appropriate policy in this area will make it worth their doing these things. I was very taken by Rowlando's contribution, along those sorts of lines, about the better performance that the economy can achieve by the kinds of investment that we are talking about. It has to be sold as investment. All right, that is not a question. They all know that I like to sum up debates.

Q22 Lord Young of Norwood Green: I do not know if you are aware, but the DWP recruited 10,000 extra job coaches whose primary concern should be equipping people to get back into a job. That includes literacy, numeracy and digital skills. I do not know whether you are aware of that, but my experience is that they ain't very good. I talk to employers and I do not get positive feedback, so there is something for you.

I return to my previous question. At the moment, we see fibre providers all doing the easy bits. Some of them will go bust anyway. What action

should the Government take to ensure that we drive them out into the rural areas where they should be using innovation?

Tom Lowe: It is the classic problem of cherry-picking the easiest cases. There are two things that could be looked at. One is the status of the universal service obligation. Every household has the right to claim a download speed of 10 megabits a second and an upload speed of 1 megabit a second. The question is whether that is fast enough in the current context. I think the Government have said that they will review it over time.

There is also an issue with the cost thresholds, which I think are about £3,600. Above that, a household would have to pay costs towards it. The hardest-to-connect properties in particular will be too much out of pocket to justify that. There are questions over whether the USO needs redefinition in terms of speed and whether the excess cost threshold needs to be raised.

Lord Young of Norwood Green: Are you sure about that? There are examples of people banding together and using innovative technology. Surely, if they can do it, companies should be doing it. I query what you say about costs.

Tom Lowe: The other element is the extent to which you can use different kinds of solution, such as mobile technology. It is also a mixture of incentivising and challenging providers. Could we have subsidies to extend networks to harder-to-reach places?

Q23

Baroness Harding of Winscombe: I echo what others have said; this has been brilliant at setting the scene and stretching our thinking. I will probably end on quite a downer. Fundamentally, why are the Government not championing this? Each of you has made a really clear case for why this is a great return on investment and the social and economic benefits for the country are so huge. I have heard Helen and others make this case for quite a long time, yet we do not have that convening power of government, let alone any of the money you describe. Why has this agenda not captured the hearts and minds of government?

Lord Griffiths of Burry Port: You should be asking someone else.

Baroness Harding of Winscombe: I am just interested, because you have worked in this space. What do you think are the real barriers preventing this agenda moving forward?

Helen Milner: I think there are two. One is that it is perceived as—dare I say it—soft and fluffy social justice, which is not at all soft and fluffy. I do not think the economic argument has been made well enough. Well, maybe it has been made well enough but has just not been heard. I also think it gets drowned out by things that are perceived to be sexier, such as how we get more unicorns in this country and help more people become programmers of artificial intelligence.

The digital skills policy sits with what was DCMS, but basic digital skills have basically been airbrushed out of it. They have gone to the essential

digital skills entitlement in DfE, which is not reaching the hard to reach. That policy is failing those people; it is a bit “Tick, done that. Off it goes to DfE”, but it is not working and no one is asking why. It is really about the fact that it is not sexy. The economic argument needs to be made and heard by all of us, and the Treasury needs to understand the cost-benefit analysis that Rowlando and others have done.

The Chair: As everyone else has said, it has been very helpful to have all four of you here today to kick us off on this inquiry. To follow up on what Baroness Harding just said, it seems to me that we have to shift from a position where this is seen as a problem to one where it can be part of the solution to a bigger problem. I hope that participating today in the questions and dialogue that we have had may give some of you and your organisations some thoughts on how you can do more to try to promote the positive reasons for action in this area—not just presenting problems that we look to the Government to solve. We have to be able to come at this from different angles.

If there are other sources beyond what you have already shared with us, Rowlando, about the economic benefits, that would be very helpful to have. Critical to our moving on this and getting more progress will be being able to promote the positive aspects—where those benefits lie, who will gain among organisations and government departments, and all that sort of thing. The more we can help to identify that, the more successful we will be, especially if you can provide more information in writing; I do not want to overburden you—you are all busy people—but you have been pursuing this campaign for a long time. If we can shift the dial, as Baroness Harding put it earlier, as a result of this inquiry and your contribution to it, that is what we will try to do.