

**ANACOM'S PROPOSAL**

**ON THE  
VALUE OF THE SOCIAL TARIFF FOR THE PROVISION OF  
BROADBAND INTERNET ACCESS SERVICES**

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## 1. Framework

Decree-Law No 66/2021, of 30 July<sup>1</sup>, which establishes the social tariff for provision of fixed or mobile broadband Internet access services (hereinafter social tariff for broadband Internet access) requires ANACOM to submit a non-binding reasoned proposal for the final price to be paid by beneficiaries of this tariff (cf. paragraph 3 of article 5 of the Decree-Law).

According to the referred statutory instrument, ANACOM has 60 days from the date of publication of the Decree-Law to send the information referred to in paragraph 3 of article 5 (cf. paragraph 2 of article 14 of the Decree-Law) to the members of the Government in charge of the areas of digital transition and communications.

Under paragraph 3 of article 5 of the above-mentioned Decree-Law, the value of the tariff is set by order of the member of the Government in charge of the digital transition, to take effect on 1 January of the following year and is preceded by the referred proposal from ANACOM, which is to be sent until 20 September of each year.

Pursuant to paragraph 3 of article 14 of Decree-Law No 66/2021, following the proposal presented by ANACOM, the value of the social tariff for broadband Internet access to come into force already in 2021 is established by an Administrative Rule from the member of the Government in charge of digital transition.

In pursuit of this objective, ANACOM's Board of Directors approved on 12.08.2021<sup>2</sup> the proposal for the value of the social tariff for the provision of broadband internet access services applicable for the period when it becomes available in 2021 and for 2022.

This proposal was submitted to the general consultation procedure provided for in article 8 of the Electronic Communications Law (Law No 5/2004, of 10 February, as amended) pursuant to paragraph 1 of article 11 of the Statutes approved by Decree-Law No 39/2015, of 16 March, for a period of twenty working days.

Timely replies were received from MEO - Serviços de Comunicações e Multimédia, S.A., NOS, SGPS, S.A., on behalf of its subsidiaries NOS Comunicações, S.A., NOS Açores

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<sup>1</sup> Decree-Law No 66/2021, of 30 July, which establishes the social tariff for provision of fixed or mobile broadband Internet access services; available at <https://dre.pt/web/quest/home/-/dre/168697989/details/maximized>.

<sup>2</sup> Available at

[https://www.anacom.pt/streaming/PropostaPrecosBLargadec12082021.pdf?contentId=1695373&field=ATTACHED\\_FILE](https://www.anacom.pt/streaming/PropostaPrecosBLargadec12082021.pdf?contentId=1695373&field=ATTACHED_FILE)

Comunicações, S.A. and NOS Madeira Comunicações, S.A., NOWO Communications S.A. and SUMAMOVIL Portugal, S.A. Contributions were also received within the deadline from 6 citizens, from the consumer associations Lus Omibus and DECO, and also from APRITEL. A contribution from one citizen was also received, although it was not considered in this report, as it arrived after the deadline.

After analysing the comments, a report on the public consultation procedure was prepared, which contains a summary of contributions received and the Regulatory Authority's positions in this regard.

This document consists of ANACOM's reasoned proposal for the value of the social tariff for broadband Internet access applicable for the period when it becomes available in 2021 and for 2022.

## **2. Value of the social tariff for broadband Internet**

### **2.1. Preliminary observations**

The aim of the social tariff is to promote, among consumers on low incomes or with special social needs, the use of broadband Internet services, mitigating one of the obstacles to the use of these services: high prices charged for access thereto. Bearing in mind that this tariff aims to guarantee tariff affordability and promote the more widespread use of this service, it is appropriate to assume that the lowest prices practised on the market still form an obstacle to connectivity that must be ensured for the most underprivileged sections of the population. As such, the social tariff will necessarily have to include some type of price differential when compared to the tariffs practised on the market for new customers.

It is also important to bear in mind that promoting the affordability of the broadband Internet access service also involves the price of the terminal equipment used to access the service, the initial cost of installing and activating the service, including the cost of any access equipment, such as routers, and the value borne on a regular basis, usually through a monthly fee, to keep the service active.

ANACOM thus believes it is essential, when setting the value of the social tariff, to analyse, in particular, the prices of the most affordable offers available on the market for broadband Internet access service.

It is noted that Decree-Law No 66/2021 makes no reference to the value of terminal equipment used to access the service. However, it is clear that such equipment may

constitute a relevant element for creating conditions which may encourage eligible beneficiaries to sign up to the social tariff for broadband internet access. ANACOM therefore includes in this proposal the information it considers relevant on access equipment.

## **2.2. Most affordable stand-alone offers available on the market**

As pointed out in the preliminary observations, it is considered appropriate to take the prices charged by the most affordable offers available on the market as a starting point for the definition of the social tariff for broadband Internet access.

As a prior remark, it should be noted that, in the Portuguese market, most offers made available have converged, and are in many cases equivalent, in terms of their characteristics, the speeds available and the associated prices.

As regards the availability of single-play (“1P”) and bundled offers, it may be observed that there is a concentration of offers in the 4P and single-play Mobile Telephone Service (MTS) modalities, and that the number of stand-alone offers of services at a fixed location is relatively small and significantly lower than the number of bundled offers<sup>3</sup>.

The options provided by the three largest providers show little differentiation, with few choices of stand-alone services, which are often not available and, in other cases, have very unattractive prices which, in many cases, are close to those of the bundled offers.

According to information published in ANACOM’s study on stand-alone residential offers<sup>4</sup>, dated April 2021, over the last five years the trend has been towards the narrowing of the difference between the minimum monthly fees of bundled offers and the scenario for stand-alone offers, to the comparative detriment of the perceived cost/benefit of stand-alone offers. ANACOM’s study on the evolution of telecommunications prices in June 2015<sup>5</sup> also shows the small price difference between 1P offers and bundled offers. For example, the minimum monthly charge for Vodafone’s fixed broadband offer of EUR 25.90 already corresponds to the value charged by this provider for the joint offer of fixed broadband and telephone at a fixed location. NOWO’s minimum monthly charge for fixed broadband, of EUR 20.00, is very close to the minimum monthly fee for the joint acquisition of fixed

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<sup>3</sup> See ANACOM’s study “The Communications Sector 2020” published in April 2020, available at [https://www.anacom.pt/streaming/SectorComunicacoes2020.pdf?contentId=1635852&field=ATTACHED\\_FILE](https://www.anacom.pt/streaming/SectorComunicacoes2020.pdf?contentId=1635852&field=ATTACHED_FILE).

<sup>4</sup> See ANACOM’s study on “Stand-alone Residential Offers” published in April 2021, available at [https://anacom.pt/streaming/Ofertas\\_residenciais\\_1P\\_v20210412.pdf?contentId=1614181&field=ATTACHED\\_FILE](https://anacom.pt/streaming/Ofertas_residenciais_1P_v20210412.pdf?contentId=1614181&field=ATTACHED_FILE).

<sup>5</sup> Available at [https://www.anacom.pt/streaming/EvolucaoPrecos\\_junho2021.pdf?contentId=1684841&field=ATTACHED\\_FILE](https://www.anacom.pt/streaming/EvolucaoPrecos_junho2021.pdf?contentId=1684841&field=ATTACHED_FILE).

broadband and television. The strategy adopted by providers to encourage the take-up of bundled offers has meant that prices for 1P offers remain at relatively high levels.

It should also be noted that, according to the European Commission’s study on Mobile and Fixed Broadband Prices in Europe 2019<sup>6</sup>, fixed broadband prices of stand-alone offers in Portugal were between 12% and 59% above average, depending on the download speeds considered, with Portugal ranking between 21<sup>st</sup> and 26<sup>th</sup> in EU28 at the reference date of that study<sup>7</sup>. The EU average monthly fee for 1P fixed broadband offers with download speeds below 12 Mbps was EUR 19.50 and for a download speed of 12 to 20 Mbps it was EUR 20.40 euros, in contrast to the EUR 31.00 charged in Portugal.

According to the analysis carried out in the aforementioned ANACOM study on stand-alone residential offers, the minimum monthly fees for fixed broadband for two of the most important national operators were 15% above the average of providers from six EU countries analysed, with one national operator having a below-average minimum monthly fee, which, given the value currently practised, is already slightly above the average.

It is therefore relevant to take this context into account when analysing the prices charged by providers for stand-alone offers, including those with the most affordable prices.

The table below shows the conditions advertised by providers for the most affordable stand-alone offers available on the market for broadband Internet access, whether at a fixed location, including satellite-based accesses, or mobile location<sup>8</sup>.

**Table 1 – Providers’ advertised conditions for the most affordable 1P broadband Internet access offers**

Offer	Price	Advertised speed	Monthly traffic included
<b>Mobile broadband Internet offer (for new customers)</b>			
MEO – Mobile Net (PC and tablet) Post-paid plan	Monthly fee ....€15.00 Router 4G.....€19.99 <sup>9</sup>	The speeds set out in the information document on supply conditions apply <sup>10</sup>	15GB
	Monthly fee .... €20.00		30GB
NOS – mobile	Monthly fee .... €15.00	The speeds set out in the information document on	15GB

<sup>6</sup> Available at <https://digital-strategy.ec.europa.eu/en/library/mobile-and-fixed-broadband-prices-europe-end-2019>.

<sup>7</sup> For more detailed information, see the referred ANACOM study on “Stand-alone Residential Offers”, published in April 2021.

<sup>8</sup> Note that for some of these offers, namely fixed broadband, but also in some cases satellite Internet access, the tariff conditions presented are subject to the subscription of services with loyalty periods.

<sup>9</sup> The equipment costs EUR 49.99 (VAT included), with a EUR 30.00 discount when subscribing to a M Mobile Net tariff plan. The discount includes a 12-month loyalty period.

<sup>10</sup> Available at <https://conteudos.meo.pt/meo/Documentos/Condicoes-Adesao/Condicoes-Adesao-comunicacoes-eletronicas-moveis-MEO-MOD-C1002120.pdf>.

	Router 4G..... €19.99 <sup>11</sup>	supply conditions apply <sup>12</sup>	
	Monthly fee .... €20.00		30GB
Vodafone	Monthly fee .... €15.00		15GB
	Wi-Fi Spot 4G . €19.99 <sup>13</sup>	The speeds set out in the information document on supply conditions apply <sup>14</sup>	
	Monthly fee .... €20.00		30GB
<b>Broadband Internet offers provided at fixed location</b>			
MEO – M1 Net 30 Loyalty period - 24 months	Monthly fee .... €24.99	Download ..... 30 Mbps Upload..... 3 Mbps	500GB
NOS – fixed Loyalty period - 24 months	Monthly fee .... €24.99	Download ..... 30 Mbps Upload..... 10 Mbps	-
NOS – fixed Loyalty period - 24 months	Monthly fee .... €26.99	Download..... 100 Mbps	-
NOS – WOO Net fixed Loyalty period - 24 months	Monthly fee .... €27.00	Download..... up to 100 Mbps	-
NOWO – fixed	Monthly fee .... €20.00	Download..... 120 Mbps Upload..... 12Mbps	-
<b>Satellite Internet access offers</b>			
Eutelstat	Monthly fee .... €22.99 (24 months) Activation..... €49.00	Download ..... 30 Mbps Upload ..... 5 Mbps	unlimited
Greenmill	Monthly fee .... €20.00 Activation ..... €35.00 Installation ..... €150 (optional) Equipment...€9/month	Download.....16 Mbps Upload..... 3 Mbps	10GB
Greenmill	Monthly fee .... €35.00 Activation ..... €35.00 Installation ..... €150 (optional) Equipment...€9/ month	Download.....30 Mbps Upload.....6 Mbps	20GB
SkyDSL	Monthly fee .... €12.90 Activation ..... €49.90 Equipment ..... €69.90 + €4.90/month	Download ..... 18 Mbps Upload..... 1 Mbps	8GB
Vivanet	Monthly fee .... €24.90 Activation and equipment... Offer including a 12-month loyalty period Installation ...€150	Download..... 20 Mbps Upload..... 3 Mbps	10GB

Source: Service providers' websites [as of 02.08.2021, or 21.09.2021 in the case of NOWO] and "Satellite Internet Access Report - Availability, monthly fees and features", April 2021<sup>15</sup>

<sup>11</sup> The equipment costs EUR 49.99 (VAT included), with a EUR 30.00 discount when subscribing to a mobile Internet tariff with invoice.

<sup>12</sup> Available at [https://www.nos.pt/particulares/outros/condicoes-da-oferta-de-servicos/Documents/Regulamento\\_2120%20%20NOS\\_Comunicacoes.pdf](https://www.nos.pt/particulares/outros/condicoes-da-oferta-de-servicos/Documents/Regulamento_2120%20%20NOS_Comunicacoes.pdf).

<sup>13</sup> The equipment costs EUR 49.99 (VAT included), with a EUR 30.00 discount when subscribing to a mobile Internet tariff. The discount includes a 12-month loyalty period.

<sup>14</sup> Available at <https://www.vodafone.pt/content/dam/digital-sites/downloads/docs/movel/velocidades-de-internet-v2.pdf>.

<sup>15</sup> Available at <https://www.anacom.pt/render.jsp?contentId=1610821>.

Note 1: Excludes tariffs for bundled services, including MTS and MBB. For mobile Internet tariffs, non-customer offers were taken into consideration.

Note 2: Prices including VAT.

According to the available data, the most affordable monthly broadband Internet subscription is the SkyDSL offer provided via satellite (EUR 12.90, VAT included), but to enjoy this offer end users need to pay an activation fee (EUR 49.90, VAT included) and a monthly equipment charge (EUR 4.90, VAT included). It should also be noted that this offer only involves 8GB of monthly traffic. The second most affordable offer in terms of monthly fees is also available via satellite (EUR 20.00, VAT included), but involves a EUR 35 activation fee and equipment with a monthly cost of EUR 9.00. The offer with the lowest monthly fee at a fixed location is NOWO's (EUR 20.00, VAT included), but due to network coverage limitations, this provider's offer is not available throughout the country. The second lowest minimum monthly fee for broadband at a fixed location is EUR 24.99 (VAT included).

The monthly price of the most affordable PC/tablet mobile Internet offers for new customers is EUR 15.00 (VAT included). Customers require a router to use this service. This may or may not be acquired from the provider of the Internet access service, whereby most providers give a discount on the acquisition of this equipment for a 12-month loyalty period, and thus normally charge a single amount of EUR 19.99 euros (VAT included).

It may be observed, as regards mobile Internet offers, that providers charge lower values for offers that constitute additives to other services, as shown in the table below. These additives are only available to customers who have already subscribed to services from the same operator, but even so, their consideration in the present scope is relevant, as they allow the conditions that providers consider attractive for offering these services to be identified, although such conditions are made available only to users who have already subscribed to electronic communications services.

**Table 2 - Technical specifications for mobile broadband Internet offers for customers who have already subscribed to services from the same provider**

Offer	Monthly fee	Advertised speed	Traffic included
MEO – Mobile Net (PC and tablet) Post-paid plan	€8	The speeds set out in the information document on supply conditions apply <sup>16</sup>	10GB
	€15		30GB
NOS mobile Internet	€5 (24-month loyalty period)	The speeds set out in the information document on supply	3GB

<sup>16</sup> Available at <https://conteudos.meo.pt/meo/Documentos/Condicoes-Adesao/Condicoes-Adesao-comunicacoes-eletronicas-moveis-MEO-MOD-C1002120.pdf>.

	<p>€8 (24-month loyalty period)</p>	conditions apply <sup>17</sup>	10GB
	<p>€15 (24-month loyalty period)</p>		30 GB
Vodafone	<p>€5 (24-month loyalty period)</p>	The speeds set out in the information document on supply conditions apply <sup>18</sup>	7GB
	<p>€15 (24-month loyalty period)</p>		30GB

Source: Service providers' websites [as of 02.08.2021].

Note: Prices including VAT.

In view of the data presented above, ANACOM believes that the social tariff for broadband Internet access must necessarily cost the user less than EUR 17.00 (VAT included), as the market already makes offers for new customers starting from this value (this value already including other costs, spread over the period of 1 year), and should tend to be closer to the value of the most economical offers in Table 2.

It should be noted that this EUR 17.00 (VAT included) is considered to be a theoretical maximum, taking into account, as explained above, the price values of stand-alone offers, their value compared to bundled offers and the price level in other EU countries.

### 2.3. Mobile broadband for students in public schools - contracted values

The specifications included in tender procedures<sup>19</sup> for contracting the mobile broadband Internet access service for students at public educational establishments covered by school social benefits establishes the obligation to provide mobile broadband Internet access over 2G, 3G and 4G networks with a guaranteed speed of at least 2 Mbps.

Furthermore, a monthly ceiling of up to 12GB is established.

The monthly fee for which the State has contracted the service from the three national mobile network operators corresponds to EUR 5.00, VAT excluded (amount that comes to EUR 6.15, with 23% VAT included).

<sup>17</sup> Available at [https://www.nos.pt/particulares/outros/condicoes-da-oferta-de-servicos/Documents/Regulamento\\_2120%20%20NOS\\_Comunicacoes.pdf](https://www.nos.pt/particulares/outros/condicoes-da-oferta-de-servicos/Documents/Regulamento_2120%20%20NOS_Comunicacoes.pdf).

<sup>18</sup> Available at <https://www.vodafone.pt/content/dam/digital-sites/downloads/docs/movel/velocidades-de-internet-v2.pdf>.

<sup>19</sup> Tendering procedures carried out in 2020 and 2021. Information on these tender procedures is available at the website [www.base.gov.pt](http://www.base.gov.pt).

The application of a unit price for access equipment ranging between EUR 18.50 and EUR 21.45 (with VAT included at 23%, the amount corresponds to EUR 22.76 and EUR 26.38) was also established within the scope of this contract.

## **2.4. Concept of affordability**

When defining the price associated with the social tariff for broadband Internet access it is necessary to bear in mind that the universal service is aimed at ensuring affordability for consumers on low incomes or with special social needs.

The European Electronic Communications Code<sup>20</sup> defines an affordable price as a price defined by the Member States at national level in the light of specific national conditions, but does not specify either this concept or that of affordability.

According to Kessides et al. (2009<sup>21</sup>), in a study for the World Bank, affordability means the “ability to purchase a necessary quantity of a product level of a service without suffering undue financial hardship”. This is also the definition of the UK Regulatory Authority, which considers that a “good or service being affordable for a consumer if the consumer is able to purchase it without suffering undue hardship” (OFCOM, 2016<sup>22</sup>). For the Centre on Regulation in Europe (CERRE), “affordability measures the relative ability to pay or proportion of income spent on a particular service by any household within the population” (CERRE, 2015<sup>23</sup>).

As important as the concept of accessibility is the way in which it is verified. The CERRE study “Affordability of utilities’ services: extent, practice, policy” identifies three types of metrics to assess the affordability of services provided by utilities<sup>24</sup>: i) a fixed threshold of expenditure as a proportion of income; ii) a relative threshold linked to median expenditure; and iii) residual income (income remaining after expenditure against the general poverty line).

For the electronic communications sector, the Broadband Commission for Digital Development (2011)<sup>25</sup> defines basic broadband affordability by considering a metric that uses the cost of fixed broadband service used in the ICT price basket of less than 5% of

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<sup>20</sup> Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018.

<sup>21</sup> Kessides, I, Miniaci, C. Sharpa and P. Valbonesi (2009), Towards defining and measuring the affordability of public utility services, Policy Research Working Paper 4915, Washington, D.C.: The World Bank Group.

<sup>22</sup> OFCOM (2016) – Achieving decent broadband connectivity for everyone.

<sup>23</sup> CERRE (2015) – Affordability of utilities’ services: extent, practice, policy. Research paper 1.

<sup>24</sup> Energy, water, electronic communications and transport.

<sup>25</sup> See 2025 Targets: «Connecting the Other Half», available at: <https://www.broadbandcommission.org/broadband-targets/>.

average gross income per capita.

Within the ITU, the Broadband Commission for Digital Development updated its goals for Internet access and set a new target for affordability by 2025, reducing the threshold from less than 5% to less than 2% of gross monthly income per capita for broadband services (fixed or mobile).

## **2.5. Determination of an affordable value for the social tariff**

Taking into account the previous chapters, a price estimate was made that would allow a rough approximation to the metric proposed by the Broadband Commission for Digital Development - cost of broadband service equal to 2% of the average gross income per capita - to be applied to the most vulnerable segment of the population.

As such, on the basis of the average annual net income per adult equivalent<sup>26</sup> at risk of poverty (2019 - EUR 4 317.00<sup>27</sup>) and the 2% rate, a monthly price of EUR 7.20 was calculated.

If the same exercise is carried out for beneficiaries of the senior citizens pension supplement - income less than or equal to EUR 5 258.63 (in 2019) for an unmarried person who has not lived with a non-marital partner for more than 2 years<sup>28</sup> - the price would be €8.76. In case the income of other beneficiaries was considered, the calculated price would necessarily be different.

Bearing in mind the diversity of incomes of beneficiaries of the social tariff for broadband Internet access, it is necessary to ensure a price that guarantees tariff affordability for the greatest number of beneficiaries.

In this context, ANACOM believes that the average income per adult equivalent at risk of poverty is the best way to ensure the premise of tariff affordability. Thus, it is deemed that the affordability of the broadband Internet access service within the scope of the social tariff will be duly ensured for prices of around €7.20 (VAT included) per month.

On the basis of data made available by Eurostat on the weights of goods or services that

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<sup>26</sup> The income per adult equivalent is obtained by dividing the net income of each family by its size in number of adult equivalents and its value allocated to each family member. The use of net rather than gross income is considered to have a residual impact for this analysis given that income associated with low income individuals is either not subject to tax or the tax applied is low.

<sup>27</sup> Indicator "Distribution of income by different income groups - EU-SILC and ECHP surveys; ilc\_di02; last update on 01.07.2021. Available at <https://ec.europa.eu/eurostat/web/main/data/database>.

<sup>28</sup> Available at <https://www.seg-social.pt/complemento-solidario-para-idosos>.

are part of the basket used to calculate the Harmonised Index of Consumer Prices (HICP)<sup>29</sup>, it can be observed that, in Portugal, the consumption expenditure of an average household on mobile communications services, including bundled mobile data, and on wired and wireless Internet access services was 1.316% and 0.073% of its consumption basket, respectively. In total, both items represent around 1.39% of the value spent on average by households in Portugal.

Given that the social tariff for broadband Internet access is aimed at low-income households, it is considered appropriate to match the weight of these services in the consumption basket of these families with the average value observed in the population, using the *Indexante de Apoios Sociais* (IAS - Social Support Index) for this purpose. Thus, assuming that low-income households consume a value close to the IAS, which for 2021 was set at EUR 438.81, these families would have spent only 1.39% of this value, or EUR 6.10 (VAT included), so as to achieve parity with other consumers.

In light of the above, ANACOM believes that setting a monthly fee of €6.15 (23% VAT already included) meets the objective of ensuring affordability for consumers on low incomes or with special social needs for broadband internet access service, without undermining the dynamics of market evolution and the ability of providers to differentiate their offers.

In order to ensure affordability, it is considered that a value should also be established for the activation costs of services and/or access equipment, namely routers (as shown in Table 1, this cost for 12-month loyalty periods ranges between EUR 17.00 and 20.00, including VAT).

In view of the above, and considering that in the context of mobile broadband contracts for students in public schools, where national mobile network operators charge a unit price for access equipment ranging between EUR 18.50 and EUR 21.45 (which, added to VAT at a rate of 23%, totals EUR 22.76 and EUR 26.38), ANACOM believes that an additional price for equipment of a maximum value of €26.38 (with VAT of 23% already included) may be applied, corresponding precisely to the value that was last contracted with mobile operators in the context of mobile broadband in schools.

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<sup>29</sup> From the HICP dataset - item weights PRC\_HICP\_INW, updated on 19/05/2021 and available at [https://ec.europa.eu/eurostat/databrowser/view/prc\\_hicp\\_inw/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_inw/default/table?lang=en), the methodological manual of which can be found at <https://ec.europa.eu/eurostat/documents/3859598/9479325/KS-GQ-17-015-EN-N.pdf/d5e63427-c588-479f-9b19-f4b4d698f2a2?t=1547028935000>.

Even though the IST may have characteristics that are different from those of the schools' programme, it is important that the former ensures affordability conditions to its potential beneficiaries, and for this purpose it is relevant that values charged for activation or for equipment (which have as a reference those charged in the context of that programme) also ensure compliance with this objective.

It should be noted that there are offers in which the costs associated with the equipment are charged autonomously, rather than being included in the value of the monthly fee itself, and there may be potential beneficiaries of the social tariff for broadband Internet access who are already provided with the necessary equipment that meets all the applicable legal requirements for access to the service, or wish to acquire the equipment separately, and for this purpose it is considered appropriate to set an autonomous price to cover the costs of this equipment.

Even if operators charge this amount, should it be diluted over time, for a period of 12 months or 24 months, the monthly cost of the social broadband Internet access tariff would be EUR 8.35 and EUR 7.25 respectively (both values include VAT at a rate of 23%). These values are reasonably in line with the benchmarks presented above regarding the affordability of broadband Internet access for consumers on low incomes or with special social needs (which, as explained above, range between EUR 6.10 and EUR 7.20) and with values applied in the context of mobile broadband for schools.

In addition, it is important to note that setting lower values could cause undesirable effects, namely producing adverse consequences for social welfare. In particular, unjustifiably low prices may create a potential distortion in the market, namely by discouraging new offers of equivalent or even lower values, which could be particularly relevant if it contributed to constrain the expansion capacity of smaller operators or new entrants in the market, which in the medium and long term contribute to foster the adoption of adequate and competitive prices.

### **3. Conclusions**

Whereas:

- a) The aim of the social tariff is to promote, among consumers on low incomes or with special social needs, the use of broadband Internet services, mitigating one of the obstacles to the use of these services: high prices charged access thereto.

- b) An analysis of the conditions associated with the most economical 1P broadband Internet access offers indicates that the social tariff for broadband Internet access must necessarily cost the user less than EUR 17.00 (23% VAT included), as the market already makes offers for new customers starting from this value (which already includes other costs, spread over a 12-month period).
- c) To measure affordability, ANACOM believes it is appropriate to follow an approximation to the metric proposed by the Broadband Commission for Digital Development - cost of broadband service equal to 2% of the average gross income per capita - to be applied to the most vulnerable segment of the population.
- d) On the basis of the average annual net income per adult equivalent at risk of poverty and applying the 2% percentage mentioned in the previous point, a monthly price of EUR 7.20 is obtained.
- e) Given that the consumption expenditure of an average household on mobile communication services, including bundled mobile data, and on Internet access provision services represents around 1.39% of the basket used for HICP calculation, and on the basis of its application on the value of the IAS set for 2021, it follows that these households should spend no more than €6.10 (including VAT) to achieve parity with other consumers.
- f) The monthly charge for the social tariff for broadband Internet access should not include service activation costs, including router-type equipment, so as to safeguard against situations where the consumer does not wish/need to acquire it.
- g) In order to ensure that, in addition to the monthly fee, no other values are charged that have not already been established and that may thus affect the purpose of the measure applying the social tariff for broadband Internet access, the price ceiling that can be charged for this purpose must be set.
- h) Decree-Law No 66/2021, of 30 July, determines in paragraph 1 of article 14 that ANACOM is required to send the information referred to in paragraph 3 of article 5 on an annual basis, which allows for a review of the values to be applied.

ANACOM, in accordance with and for the purpose of paragraph 3 of article 5 of Decree-Law No 66/2021 of 30 July, and as determined in paragraph 2 of article 14, hereby proposes that the Government:

1. Establishes a monthly fee of EUR 5.00 (corresponding to EUR 6.15 with 23% VAT) for the broadband Internet access service, in the framework of the social tariff for broadband Internet access, as this value is considered to meet the objective of ensuring affordability for consumers on low incomes or with special social needs for broadband Internet access service.
2. Sets a price ceiling of €21.45 (plus VAT at 23%, totalling EUR 26.38) for the activation of services and/or access equipment, namely routers.

The table below shows the proposed price ceiling for the social tariff for the provision of broadband internet access services.

Proposed price ceiling	
<b>Monthly amount of social tariff (without supplements)</b>	EUR 5.00 (corresponds to EUR 6.15 including 23% VAT)
<b>Value of activation and/or equipment</b>	EUR 21.45 (corresponds to EUR 26.38 including 23% VAT)
<b>Monthly value of social tariff plus activation and/or equipment spread over 12 months</b>	EUR 6.79 (corresponds to EUR 8.35 including 23% VAT)
<b>Monthly value of social tariff plus activation and/or equipment spread over 24 months</b>	EUR 5.89 (corresponds to EUR 7.25 including 23% VAT)