

# ECONOMUSE

## NBN – More convoluted pricing

*The new entry level price is not affordable and imperils take-up*

On 18<sup>th</sup> September, the NBN [advised customers](#) about the much anticipated “discounted” Entry Level Bundle (ELB). It has made only two small adjustments from what it foreshadowed in December 2017: *“We are proposing to launch a new entry-level bundle as a low-usage plan at a wholesale charge of \$22 per month with an included 50Kbps of data, which is enough to cover a basic telephone service as well as basic email and web browsing.”* The included 50Kbps CVC per user has been lifted to 150Kbps but the discount on the \$24 NBN 12/1 AVC has been reduced from \$2 to \$1.50.

The \$22.50 wholesale price will translate into something like \$30 pm retail. The current TPG price (based on \$24 wholesale) is \$30 pm; which includes 10GB of data. That may have to change because the ELB 12/1 AVC is designed for voice users who do not use much data.

Before mandatory CVC capacity was bundled into High Capacity Bundles and now also Entry Level Bundles, ISPs ordered enough CVC to deliver chosen contention ratios (and could have more than one CVC in a service area to give different grades of service). If the ISP had 100 end users and ordered 100 Mbps of CVC (1 Mbps/user), aggregate speeds would be artificially slowed down to ensure the CVC would deliver no more than what was purchased. All AVCs in the CVC were affected. This is not the case for ELBs.

NBN’s Retail Service Providers (RSPs) have to opt-in to ELB 12/1 AVCs which are quarantined to an “associated” CVC. The total downloads measured

daily over the peak 30-minute period for such a CVC are divided by the number of ELB lines on that CVC to calculate bandwidth usage. If the daily average over the billing period is more than the allotted 150Kbps per user, the wholesale price doubles to \$45 pm for every ELB on that CVC in the next billing period. So, with NBN’s double jeopardy you can be charged twice for even minor transgressions.

Presumably, the AVC is still 12/1 while the ELB is charged \$45 even though the [list price](#) is \$38 for 100/40 (and \$45 for the 50/20 [High Capacity Bundle](#) with 2Mbps of CVC capacity).

It is unclear whether the RSP can buy more CVC capacity for its ELBs at \$17.50/Mbps. If it can raise the 150Kbps bar this way, neither the dimension-based discounts nor the \$8/Mbps available to High Capacity Bundles apply to its purchase of extra CVC capacity. The

*“I would not sell my mother a fixed service if she wanted only voice. Mobile service can offer unlimited talk and text in Australia for \$20 pm versus \$30 pm based on the NBN’s new ELB wholesale service”.*  
(Unattributed – not Mrs Burgess)

list of discounts, credits and rebates is now over 70 pages long and needs a lawyer to decipher how they work together. The [price list](#) is only 20 pages long.

In the “[pea and thimble](#)” column in February, I said NBN pricing is sliding inexorably towards, effectively, a fixed (bundled) fee that will grow as the amount of embedded CVC has to be increased. This will make affordability issue worse.



My USO [paper](#) for ACCAN argued that a social tariff for affordable fixed broadband has to be around \$5/week. The same article includes this chart showing how that could be achieved with more imaginative NBN wholesale pricing.

An affordable entry level tariff is also critical for migrating customers to the NBN. It hopes to see over 3 million homes and businesses connected to the NBN over the next two

years. In August 2018 there were 7.2 million Australian homes and businesses able to connect, of which 4.3 million homes and businesses were connected to a plan over the NBN. Next year will be the biggest year for construction with an additional 2.7 million premises to be declared Ready to Connect. Then FY20 is forecast to be NBN Co’s most significant year of activations with 2 million new homes and businesses expected, bringing total activations to 7.5 million.

The NBN faces a moment of truth when users have to decide whether to opt-in to the NBN or default to mobile. Mobile services are just getting better and better.

The pricing going into effect on 2<sup>nd</sup> October makes a mockery of building a high-speed broadband network. It was bad enough to ration speed with the initial price tiers but to now actually prevent low use customers having the opportunity to use broadband seems outrageous and mean.

*John de Ridder*