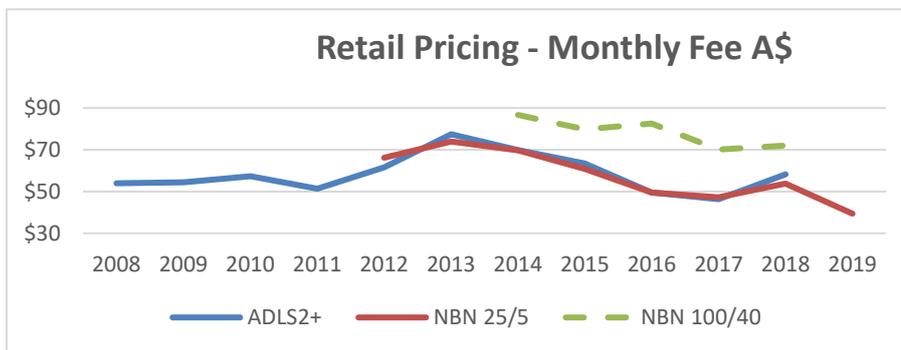


2019 review of retail broadband pricing

The crisis in disconnected wholesale and retail pricing

This will be the last annual review of retail broadband pricing. Since 2008 reviews have relied on a regression analysis of monthly cost against the associated data cap. That's very difficult when so many plans now have unlimited data! This trend is disconnected from NBN pricing but calls to resolve this by abolishing the CVC to support these plans are misguided.

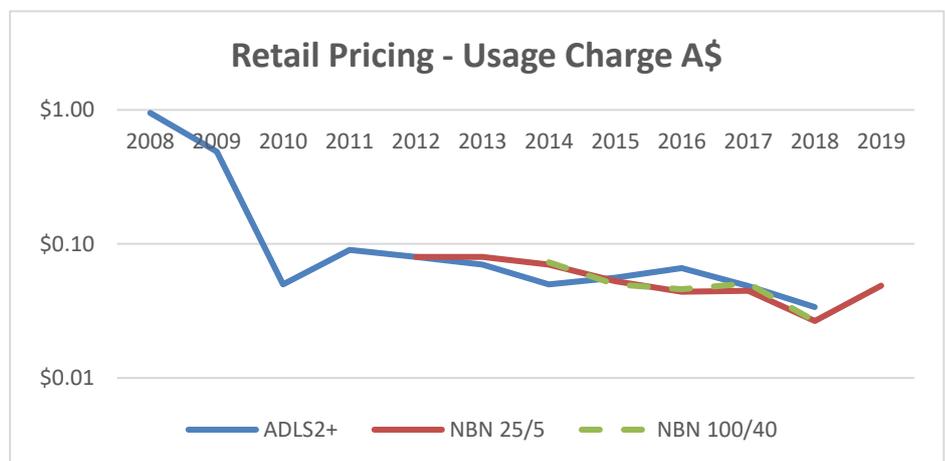
Last year there were 16 plans with data-caps for which the typical retail broadband plan



could be estimated by a pooled regression analysis that also allowed for different NBN speeds. This year there are just 5 plans with data-caps. Four of these are based on the NBN-12 speed tier

from which the typical NBN-12 plan is $\$39.39 + 4.6$ cents/GB pm. This is shown as an extension of the NBN-25 line for 2019 in the two charts on this page.

In 2018 the typical NBN-12 plan was $\$39.30 + 3.4$ cents/GB (n=9); not much change in a year. The cheapest plan now is TPG's 10GB pm for $\$29.99$ pm (excluding calls).



Up to 2013 there were no unlimited retail broadband plans. In 2017 Telstra became the last to cave in and offer an unlimited retail plan on the fixed network. There are no unlimited data SIM-only plans on mobile networks – yet.

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It is the retail sector that is moving in the wrong direction. Carriers complain that they are becoming fat commodity pipes. It is their own fault. The value in broadband is being captured by content providers like Google. Carriers (including the NBN) can, at least, collect a "clip fee" by charging for the volume of data carried.

When Bob James and I first looked at “utility pricing” for TransACT’s NBN Mark I business plan, the implicit cost of data in retail broadband plans was 95 cents/GB - too high to support the wholesale cable-based television service. The implicit price in retail plans is now between 3 and 5 cents per GB. Yet, the NBN recently toyed with the idea of charging streaming differently; which caused a furore around net neutrality. I have the same problem with the creation of a voice-only wholesale NBN service – a travesty, in my view.

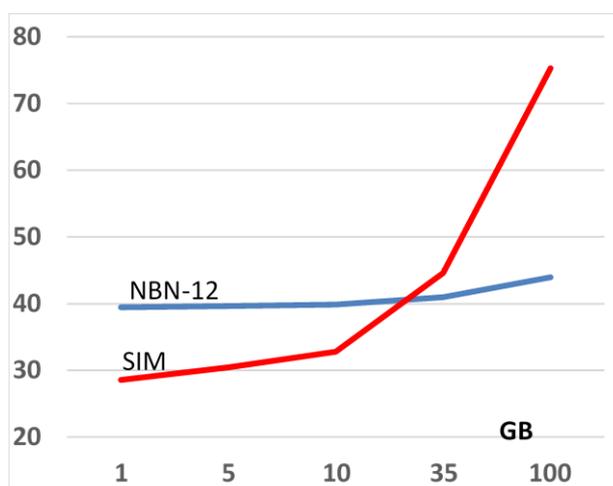
Telstra has now joined the chorus of those calling for an end to the CVC (the NBN’s surrogate usage charge). That would be a problem not only for affordable prices but would also mean low use customers effectively cross-subsidise high usage customers.

Vocus CEO, Kevin Russell thinks the CVC charge needs to be abolished to help consumers on low incomes. It will do precisely the opposite. If CVC (usage) fees are abolished, fixed fees will have to increase. My “[Hobson’s Choice](#)” analysis of the NBN’s July 2014 pricing options paper found that AVC charges would double.

What is affordable? My paper for ACCAN on “The Future of the USO” in November 2015 drew a line in the sand at \$5 per week (now \$5.39 or \$21.58 pm). That paper also showed how you could do it with simpler NBN wholesale pricing (Figure 3 shown here). Note there are simply two AVC prices and two simple prices per GB at the wholesale level – just like any other utility.



The NBN’s current consultation paper



fiddles with the lowest tier NBN-12 prices but the minimum cost is still \$22.50 versus the \$13 in the chart above.

Mobiles are looking very attractive for low use customers – over a third of users are on NBN-25 or less. The chart here looks at the cost at different levels of usage for “typical” retail NBN-12 and SIM-only plans.

Carriers both retail and wholesale, have to look harder at how they can capture value.

John de Ridder