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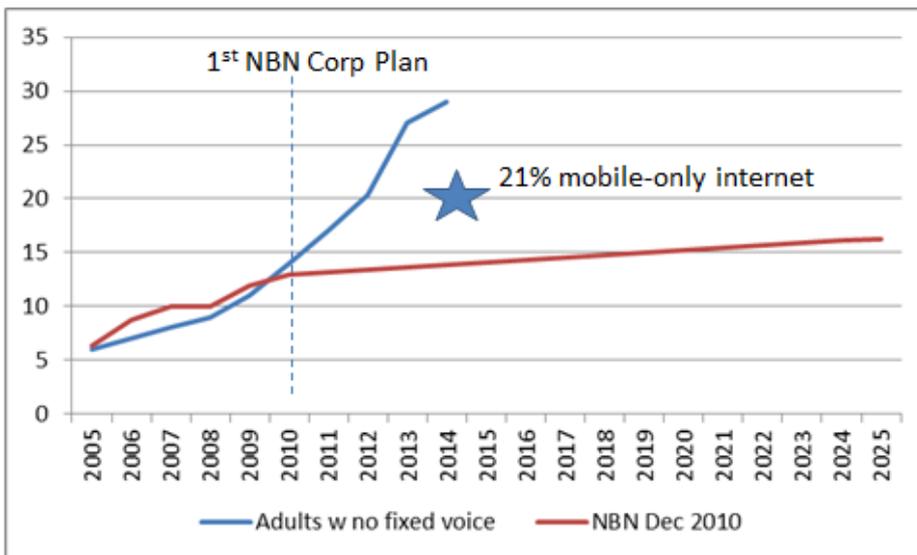
Mobiles and the NBN - Again

Last week's ACMA report sounds another alarm. Is anybody listening?

Why isn't NBN taking the threat of mobile substitution more seriously? The Bureau of Communications Economics (BCR) also has its head in the sand. They need to take a hard look at pricing and the approach to the USO levy respectively.

As reported in *Commswire* on 11 June, the ACMA [report](#) last week says 21 percent of Australia adults (over 18 years old) already use mobile for broadband (and 12 percent use mobiles exclusively for both voice and internet). The move towards mobile substitution seems to be going faster than NBN expects.

In its first corporate plan (December 2010), NBN quoted Roy Morgan research as finding that 13% of residential households were wireless-only; with "no fixed line". This was forecast to increase to only 16.3% by 2025 and 16.4% by 2040 (the red line in the chart).



At the time, I [said](#) that the 13% could easily double by 2025; and I have bet to that effect against a couple of industry experts who would be known to many readers of *CommsWire*. No, I am not going to name them, but I think I shall be calling my bet shortly.

The blue line in the chart also comes from [Roy Morgan](#) but is for Australians aged 14 years or more (not households) who do not have a fixed voice service.

Definitions can be a bit tricky. It is not clear if the Roy Morgan research on "no fixed line" in the December 2010 corporate plan actually refers to "no fixed line for voice". I suspect it does. As you can see, the exponential growth to 2010 in both lines has continued for the blue line (actuals); casting doubt on the flatter red line projected by NBN in 2010.

Just after the Bureau of Communications (BCR) was set-up and advertised its plan to collate and publish industry indicators, I shared with it some correspondence from the Australian Bureau of Statistics indicating that the ABS collected data by households relevant to this issue but would only

provide it for a fee – a few hundred dollars - which is beyond me, but not the BCR. The BCR has not followed this up yet; although it is clearly a very significant indicator for the viability of the NBN and highly relevant to its current USO study (see below).

The NBN should be getting feed-back from its own staff on the take-up of NBN services as areas are cut over to the NBN. More than 163,000 premises throughout Australia are scheduled to hit the copper cut-off deadline in the first six months of 2015. So, when faced with the move to the NBN, how many customers are deciding to cut the cord and become wireless-only households?

Although the NBN migration started a many months ago and no area has been completely cut-over (e.g. alarms that depend upon copper remain), where is the data on customer choices? The data provided regularly by the NBN refers only to the roll-out. We need to know what happens when customers are asked to move to the NBN or defect to mobiles.

Of course, 2010 is a long time ago in our industry so no forecasts made at the time will last. The most recent opportunity for a corrected NBN forecast would have been the December 2013 Strategic Review commissioned by NBN. But, little was said in it about mobile substitution.

The Strategic Review said (p58) that cumulative revenues to 2021 could be about \$250m lower *“driven by an accelerated migration to mobile-only and the potential for existing broadband infrastructure providers to use fibre to serve residential premises such as large apartment blocks (e.g. MDUs)”*. That does not seem much and some of it is accounted for by TPG-like situations.

It also said (p68) that the need to increase NBN prices 50-80% might drive customers to *“use alternative, mobile-only services, especially for voice calls and basic internet with small monthly data usage”*. But, it does not provide estimates of the impact on take-up rates.

Presumably, the BCR does its homework before it *“notes that the extent of fixed to mobile substitution is not clear. It is likely that the full extent of competition and substitution between fixed line and mobile networks may not be known for many years”* (footnote 24 in the USO Levy consultation paper). But, we have not seen it.

Readers of this column will recall that I raised the [ogre of mobile substitution](#) in the context of the Vertigan reports in September last year. It discussed how attractive mobile voice and broadband was becoming relative to the NBN and what might be done about that in terms of pricing and technology strategy.

Both the NBN and the BCR seem to have a blind-spot when it comes to mobile competition. There is evidence that they have severely under-estimated its impact. At least, they could both do more to provide evidence that would dismiss or confirm the impact.

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