



Media release

Monday 15 February 2021

NBN Co consults with industry in two-part wholesale pricing consultation paper

Summary of the Pricing Review 2021 Consultation Paper 1:

- The beginning of a two round consultation process, with an interim paper in Q2 2021 and a closeout paper in Q3 2021
- Part A includes consultation on extending the two-year Bundles Discount to April 2023 with greater CVC (capacity) inclusions, and repositioning the original High-Speed Tiers to continue to meet the needs of business customers
- Part B aims to drive a longer-term strategic discussion, including working with internet retailers on further support for the low-income segment

NBN Co today released its Pricing Review 2021 Consultation Paper 1, which seeks to deliver value, certainty and simplicity to the telecommunication industry and customers.

Over the past five years, NBN Co has more than halved its effective wholesale charge per gigabyte of data on average. The current two-year pricing roadmap and annual review continues to reduce the cost of data for customers. As part of its pricing review, NBN Co is consulting on the continued evolution of its wholesale pricing model to ensure the industry supports the future digital needs of Australian households and businesses.

More than 50 internet retailers and consumer advocacy groups, such as Australian Communications Consumer Action Network (ACCAN), have been invited to participate in the consultation.

This year's consultation follows the completion of the Wholesale Pricing Review in November 2019, which delivered significant industry and customer benefits, including wholesale pricing discounts and additional data inclusions, the introduction of national CVC pooling, new higher speed tiers, and creation of the two-year Bundles Discount roadmap.

As a result of those changes, today 70 per cent of customers are on wholesale speed tiers of 50Mbps and above, and more than 16 per cent of total services purchased by internet retailers are on wholesale speed tiers of 100Mbps and above, driving a better customer experience¹.

With more than 11.9 million residential and business premises now able to connect to the **nbn**[™] network, and demand for higher speed tiers expected to further accelerate as a result of changing consumer

broadband needs, the aim of the Pricing Review 2021 paper is to continue to find solutions to meet Australia's digital future, with a focus on underpinning value, simplicity and certainty for the industry and customers.

As part of the scope of this paper, NBN Co will examine possible alternatives to the current bundle discount for Access Virtual Circuit (AVC) and Connectivity Virtual Circuit (CVC), which respectively serve as an access charge based on speed tier and capacity charge.

The consultation paper also seeks feedback on proposed wholesale discounts and data inclusions in the two-year Bundles Discount roadmap to April 2023, solutions for a long-term low-income offer, repositioning the original higher speed tiers to meet the future needs of business customers, while also aiming to simplify how the company does business with internet retail providers.

NBN Co Chief Customer Officer, Brad Whitcomb, said:

"COVID-19 has further accelerated the digitisation of the Australian economy and society. Australians rely on broadband services to work from home, participate in online learning, stream entertainment, and access a range of essential services such as telehealth.

"We see this consultation as an important opportunity for the industry to ensure that we can continue to evolve our framework to meet growing data consumption and develop solutions to continue to support Australia's digital future in a commercially sustainable way."

Part A of the Consultation Paper

As part of the Wholesale Pricing Review 2019, NBN Co committed to providing a two-year Bundles Discount Roadmap to give the industry greater certainty, which led to significant wholesale discounts and data inclusions introduced across all speed tiers from May 2020 to April 2022. In Part A of the new consultation paper, NBN Co is seeking feedback on extending the two-year Bundles Discount roadmap by a further 12 months from May 2022 to April 2023.

Mr Whitcomb said: "In May 2021, we will be proceeding with the planned higher data inclusions for the 50/20 Mbps, 25/5 Mbps speed tiers and Wireless Plus Bundles, which will range from 11 per cent to 20 per cent of additional capacity at no extra cost to retailers. On 1 December 2020, we brought forward significant additional data inclusions for selected higher speed tiers to meet the data demands of customers at that time."

In the 2022-23 roadmap, NBN Co is seeking feedback on two options. Option one proposes maintaining the bundles discount effective charge across all wholesale speed tiers at the May 2021 levels³ and increasing CVC capacity inclusions by between 0.10 Mbps to 0.50 Mbps in May 2022 at no extra cost to retailers.

Option two proposes rebalancing the CVC charges for the 50Mbps and faster bundles by increasing the AVC charge by \$2 but providing up to an additional \$2.80 worth of CVC inclusions over and above the inclusions proposed in Option 1. This is effectively a 17 per cent to 29 per cent discount for the additional CVC inclusions.

Mr Whitcomb said: "We believe both options deliver the industry real choice in managing future data demand."

Part A of the paper will also seek feedback on repositioning the original higher wholesale speed tiers of 250/100 Mbps; 500/200 Mbps and close to 1000/400² Mbps under the TC4 Bundles Discount to better serve small and medium sized businesses.

To achieve this, NBN Co is proposing to maintain the bundle discount effective charge for the 250/100 Mbps wholesale speed tier, mainly used by small businesses, at \$100 and increase the associated CVC inclusions from 3.5Mbps to 5.5Mbps in May 2022. For the 500/200Mbps and close to 1000/400Mbps wholesale speed tiers, predominantly used by medium and large sized companies, NBN Co is proposing to increase the CVC inclusions and provide more business-related benefits in return for a \$30 and \$50, respectively, effective charge increase in May 2022.

NBN Co expects to finalise and announce the outcomes of all the items in Part A of the paper by 30 April.

Part B of the Consultation Paper

In Part B of the new consultation paper, NBN Co will explore various longer-term strategic options to continue to evolve its wholesale pricing, with a range of potential alternative constructs as part of its commitment to delivering a fair and commercially sustainable framework. Changes to the company's pricing constructs may require further engagement with regulators before they are implemented.

In particular, the company is seeking comment from the industry on solutions for a long-term low-income offer, which further builds on industry engagement on this matter to date.

ENDS

Media enquiries

Katherine Jimenez

Email: Katherinejimenez@nbnco.com.au

Mobile: 0456 811 401

Greg Spears

Email: gregspears@nbnco.com.au

Mobile: 0406 315 014



For further information, visit www.nbnco.com.au

Notes to editors

1. In this reference, **nbn** wholesale download speed tiers of 50Mbps and 100Mbps include wholesale plans available to phone and internet providers with download speeds of 50Mbps and 25-50Mbps (in the case of the 50Mbps download speed tier), and 100Mbps, 25-100Mbps and 50-100Mbps and (in the case of the 100Mbps download speed tier). The **nbn**[™] wholesale speed tiers available to your phone and internet provider vary depending on the **nbn**[™] access network technology in your area. Your experience, including the speeds actually achieved over the **nbn**[™] network, depends on the **nbn**[™] network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on **nbn**'s Fixed Wireless network, including during busy periods. Satellite users may experience latency.

2. Regardless of the retail service you purchase, the actual wholesale speeds delivered by **nbn**'s highest wholesale speed tiers of close to 1000 Mbps will be less than 1Gbps due to equipment and network limitations. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on some factors outside our control (like equipment quality, software, and how your retail service provider designs its network) and the **nbn** technology used for your connection.

³ Excludes the original high speed tiers. The original high speed tiers are 250/100 Mbps; 500/200 Mbps and close to 1000/400² Mbps under the TC4 Bundles Discount.