

Consumers may walk away from NBN if the price isn't right: ACCAN

Australia's consumer voice on communications issues, the Australian Communications Consumer Action Network (ACCAN), has cautioned that consumers may seek alternative home broadband solutions, like 5G, if NBN prices are not addressed.

"As home broadband alternatives like 5G become more accessible in more areas across the country, NBN Co is going to have to demonstrate to cost-conscious consumers why they should choose an NBN service over these alternatives," said ACCAN CEO, Teresa Corbin. "This means that they're going to have to provide more competitive wholesale prices if they want to keep customers in these areas."

The comments come as part of the peak body's submission to NBN Co's pricing review, which asks the telecommunications industry and the consumer voice for their thoughts on future pricing.

In their submission, ACCAN argued that over time the cost of Connectivity Virtual Circuit (CVC) should fall, and CVC inclusions should continue to increase with demand to ensure that the cost of services does not increase, and service quality is maintained.

"As the NBN rollout is now functionally complete and we continue to see take up rates increase, we'd expect to see the per unit cost of supplying the service decrease for NBN Co, meaning that they'll be in a stronger position to provide additional data to Retail Service Providers and by extension, consumers."

Given Australia's economic climate, including the impact of recovery from the 2019-20 bushfire season and COVID-19 pandemic, the issue of affordability will be top of mind for many households. Research shows that 60% of Australians are concerned about the impact of COVID-19 on their financial wellbeing, with 20% stating they are worried about paying their telecommunications bills¹.

"We're very pleased that NBN Co has explicitly highlighted the need for a targeted low-income offering in an effort to ensure that there is no Australian left offline," said Ms Corbin. "However, the retail price that they are suggesting in their pricing review paper is too high to make an NBN service affordable for low-income Australians."

"People in this group need a suitable 50Mbps home broadband product retailing for \$30 per month² to get connected so that they can job search, study, and access government services."

ACCAN also raised issues with the proposal to include data caps on the concessional service.

"Households with multiple users will quickly use the data allowance available and would be forced to restrict their internet usage or pay more if they exceed data caps. We need safeguards in place to ensure this doesn't occur."

If data caps are deemed necessary, ACCAN proposes that priority websites should remain uncapped to allow for unlimited use. These would include websites for the purpose of education, health or government services, and

¹ Consumer Policy Research (2020), COVID-19 and consumers: from crisis to recovery.

https://cprc.org.au/app/uploads/2020/09/Consumers-and-COVID-19_summary_25June2020_compressed.pdf

² <https://accan.org.au/files/Affordability/No%20Australian%20Left%20Offline-1.pdf>

services that use video to convey essential information, such as online education resources and the National Relay Service.

Small Business Needs Overlooked

ACCAN has also used the pricing review paper to highlight the need for an affordable product for small businesses with symmetrical upload and download speeds at 50/50 Mbps and 100/100Mbps.

“We’re concerned to see that the proposed prices of higher speed business bundles are increasing significantly in NBN Co’s pricing review,” explained Ms Corbin.

Between the present date and May 2022, the price of a B500/200 service and a B1000/400 service will increase by 23% and 28% respectively³. While ACCAN notes that the CVC inclusions have also increased, ACCAN was surprised to see that CVC inclusions on these bundles will be almost double in the coming years as this exceeds any other bundle’s CVC inclusion increase.

“We’re keen to understand the rationale behind such a steep increase in price, as it is likely to result in customers switching to cheaper lower speed tiers which may not be appropriate for their needs,” explained Ms Corbin.

The organisation also spoke to the importance of Retail Service Providers educating small businesses on the benefit of specialised NBN business products.

“We’ve spoken to a number of small businesses who explain that they are frankly confused by the current NBN business products available on the market and why they would benefit from what they see as just a more expensive option.”

“This has resulted in many small and microbusinesses signing up for residential plans that don’t meet their needs when it comes to service reliability, upload speeds, and support.”

³ B500/200 current wholesale price is \$130, the proposed price is \$160. $(160-130)/130 = 23\%$

B1000/400 current wholesale price is \$180, the proposed price is \$230. $(230-180)/180 = 28\%$