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RMID1027 Pricing Review 2021 Consultation Paper 2

ACCAN thanks nbn for the opportunity to contribute to its Pricing Review 2021 Consultation Paper 2.

In regard to the WBA TC-4 Bundles Discount Roadmap, ACCAN supports the decisions to provide additional CVC inclusions with no increase to the TC-4 bundle effective charges for most wholesale speed tiers, to increase CVC inclusions for Home Superfast and above wholesale speed tiers, and to bring forward the increase in CVC inclusions proposed on the 250/100 Mbps speed tier. It is ACCAN's preference that wholesale costs for residential customers do not increase. As mentioned in our response to the first consultation paper, we are conscious of the impact that increases to wholesale prices can have on households. Particularly without a forthcoming introduction of a low-income offering, we strongly support not increasing wholesale prices at this point in time.

Additionally, we support the decision to reduce the CVC TC-4 List Price by 10% to \$15.75 per Mbps. This brings the List Price marginally closer to the \$8 per Mbps overage charge available under the Bundle discounts. Whilst this is a step in the right direction, the List Price should be lowered further to match the \$8 per Mbps overage charge to effectively allow uniform CVC prices across different technology types. ACCAN considers that there should be uniform pricing across access technology types given that access to broadband is now an essential part of daily life. Consumers living in regional and rural Australia should not have to pay more for the same service as their metro counterparts.

The soft cap is designed to reduce RSP risk and management costs by providing additional CVC inclusions at no extra cost when the RSP meets the eligibility criteria. Whilst ACCAN supports the proposal, we are concerned that due to the eligibility criteria there may be unintended consequences for telecommunications consumers.

The first eligibility criterion, that an RSP's total cost of bundles and overage paid per nbn service increases by 7% compared to the higher of either last year measured on a three-month rolling average or the average from January 2021 to March 2021, is reasonable. This should reduce RSPs' uncertainty by providing a cost buffer in the event that usage grows significantly.

The consultation paper mentioned that based on RSPs growth estimates, the 7% threshold is estimated to provide significant cost savings to RSPs. If CVC usage grows as estimated, we are concerned that end-users may still expect to see their cost of service increase in the future or experience a reduction in service quality. So, whilst the soft cap is welcomed, there is still a need for a rethink of the pricing construct to ensure it is sustainable. ACCAN is pleased to hear that this process will be incorporated into the Special Access Undertaking (SAU) Variation. Despite this process likely

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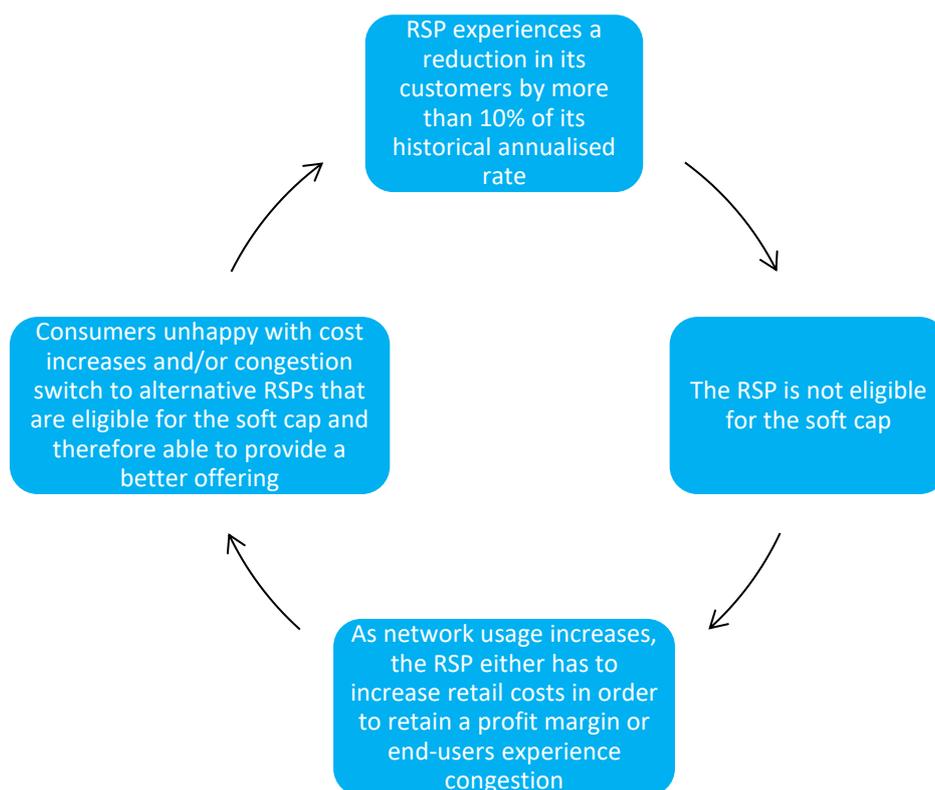
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taking a longer period of time, we consider that any significant change in pricing needs to be provided with greater certainty than within the WBA.

The second criterion, that the RSP must not reduce its numbers of customers by more than 10% of its historical annualised rate could potentially distort competition of telecommunications services. ACCAN understands that this criterion is required to prevent RSPs churning low cost end-users in order to increase the average cost per service, allowing RSPs to reach the soft cap without usage growth actually increasing. ACCAN supports the effort to reduce incentives to churn particular customers in attempts to meet the soft cap criteria.

ACCAN is concerned for a situation where for whatever reason, a retailer’s churn rate is above 10% of their historical annualised rate and is therefore not eligible for the soft cap. This RSP will be disadvantaged compared to other retailers who are eligible for the soft cap. The ‘uncapped retailer’ and its end-users are likely to be made worse off, either through increased congestion or increased retail prices. These end-users may decide to switch to retailers who are eligible for the soft cap, which in turn creates higher rates of churn, making the first RSP even more unlikely to be eligible for the soft cap. The ‘uncapped retailers’ will find it harder to retail nbn services, and in a worst case scenario could be blocked out of the market, reducing retailer choice for consumers.



Given our concern expressed above, and illustrated by the diagram, ACCAN would like to see some reassurance that the chance that such a situation would take place is minimised. For example, we would be interested in understanding how the historical annualised rate is calculated, and how likely it is that an RSP experiences a sudden increase in its churn rate. Additionally, we are unsure how the soft cap would work in a situation where a new RSP, without an annualised churn rate, begins to sell nbn services.

In your organisation's view, should nbn proceed with introducing a 'soft cap' on variable charges?

If our concerns above are addressed appropriately, ACCAN supports the introduction of a soft cap on variable charges as a short term solution to large increases in network usage. That said, the solution is not perfect, and we consider that an alternative solution to this issue should be reached within the SAU variation process, one that doesn't negatively impact retail competition, allows consumers to make the most of the network without seeing prices increase significantly whilst at the same time being commercially sustainable for nbn.

In your organisation's view, what would be an appropriate level of increase to the bundled CVC inclusions when the criteria are met?

ACCAN recommends providing at least 40% increase to the bundled CVC inclusions when the criteria are met. This will reduce congestion, giving end-users a positive experience of the network, whilst reducing uncertainty for retailers. When retailers are able to anticipate their costs more effectively, they don't have to factor in unexpected wholesale costs into their retail costs. ACCAN would expect this to result in reduced retail costs for end-users.

Low-income offering (incl. Older Australians)

ACCAN is pleased to hear that industry engaged with the proposal to provide a low-income offering and offered constructive feedback, as the success of such an offering requires buy-in from retailers. However, the progression of this offering will be slowed by including it in the SAU. So whilst ACCAN supports the proposal to include the offering in the SAU, as it gives retailers certainty that the product has longevity, we consider that nbn should continue to work on bringing a low-income offering to market via the Product Development Forum. There is currently no reason why the nbn cannot continue to develop a low-income offering within the Product Development Forum. Given the immediate need of a low income product, we recommend nbn to continue the process of bringing this offering to market as soon as possible.

Simplicity

Billing

ACCAN supports the decision to move to a single calendar month aligned billing period if it streamlines processes for the majority of RSPs. Nbn should work with the small number of RSPs that mentioned the changes would be costly, in an effort to minimise this cost. Overall, where processes can be made more efficient this will benefit consumers by reducing retailers' costs.

TC-1

ACCAN considered that the 2Mbps and 5Mbps TC-1 tier could be withdrawn and substituted for the TC-2 5/5 Mbps alternative provided end-users could expect the same (or better) quality of service, however given that these services are used for critical services we understand why nbn has decided to make no further changes to TC-1 at this time.

TC-4 Business Bundles

ACCAN supports the proposal to bring forward the inclusions on the 250/100 Mbps tier to December 2021.

Does your organisation have feedback on nbn extending the Business Bundles to the High Speed Tiers which would include discounting TC-1 1Mbps to \$5?

ACCAN supports extending the Business Bundles to high speed tiers with the inclusion of eSLAs. There is likely a need for further promotion of the benefits of the significant increase in upstream capacity as well as eSLAs included in these services. Targeted promotion towards the different segments that would find value in the high speed Business Bundles, such as small businesses, would ensure these offerings are more successful and provide greater benefit to end-users. For example, in regard to eSLAs, ACCAN often hears from small businesses who do not purchase appropriate service levels because they do not think they need it. However, these small businesses will lose a significant amount of money when problems occur. Therefore, there is a need for greater consumer education regarding the value provided by the newly proposed Business Bundles.