



Media release

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NBN Co confirms new wholesale discounts and annual data capacity increases to meet customer demand

Summary of outcomes from NBN Co Wholesale Pricing Review 2019:

- Confirms commitment to Australians by supporting growing data demand with significant wholesale bundle discounts, which include annual increases in data capacity inclusions for most discount bundles
- Ability for Retail Service Providers (RSPs) to share unused data capacity across all geographic areas associated with 121 Points of Interconnect (POIs)
- Plans to introduce an overhead allowance for the downstream component of most fixed line wholesale speed tiers, where possible, to assist RSPs to supply higher retail peak download speeds to customers
- Two-year discount bundle roadmap to provide RSPs with greater certainty on future wholesale prices and data capacity inclusions

Australians stand to enjoy more affordable access to high-speed broadband if Retail Service Providers (RSPs) pass on the benefits of NBN Co's full range of wholesale discounts and additional data capacity inclusions scheduled for release over the next two years.

Today's public release of NBN Co's Wholesale Pricing Review 2019 Close-out Paper follows five months of extensive consultation with RSPs and industry groups.

NBN Co is maintaining its strong focus on improving customer experience and its Wholesale Pricing Review 2019 has further targeted five key areas: lifting take-up in under serviced consumer segments; promoting much higher speeds; improving support for RSPs in the face of increasing demand for broadband; creating a regular cadence for future pricing consultations; and making it simpler and easier for RSPs to do business with NBN Co.

Chief Customer Officer Residential at NBN Co, Brad Whitcomb, said:

"Retailers strongly advocated for greater certainty on future wholesale prices, more included data capacity and better value for money. We've listened and this is exactly what we're announcing today.

"Across most of our discount bundles we're introducing significant improvements, which will allow RSPs to provide their customers with greater choice and even more affordable retail broadband products.

"In response to RSP, ACCC and industry calls for price reductions on entry level wholesale products, we introduced a modified 12/1 Entry Level Bundle on 1 October 2019, and we fast-tracked a rebalancing of our 25Mbps bundle discount, which will be implemented on 6 December 2019. Both initiatives will help ensure **nbn** services remain affordable, particularly for price-sensitive customers, and we will continue to work with the ACCC and retailers on targeted discounts in the future.

“To address growing data consumption, we’ve substantially increased CVC capacity inclusions across most of our discount bundles. These changes represent another significant step forward for the industry and demonstrate our commitment to address factors such as wholesale price certainty and growing data consumption, and we’re also supporting a sustainable industry while maintaining and improving the network in the future.

“The key point is that NBN Co continues to create greater value, which is making broadband even more affordable despite consistent increases in data demand. Since 2016, we have more than halved the effective wholesale price of CVC, which applies to purchased capacity.”

National pooling of CVC

In addition to increasing the included data capacity across most discount bundles, NBN Co is changing the rules that govern the reallocation of unused data capacity for the benefit of RSPs and customers.

Previously, RSPs were only able to pool CVC within certain geographical areas associated with a Point of Interconnection (POI) to the **nbn**[™] access network. However, from May 2020, NBN Co will extend this pooling mechanism to the national level across RSPs’ fixed line and fixed wireless services. RSPs will be able to more cost-efficiently purchase capacity to serve fixed and fixed wireless customers across all Connectivity Serving Areas (CSAs) anywhere in Australia, making it simpler for retailers and helping them to manage costs.

Introducing AVC overhead allowance

To help customers to receive faster layer 3 speeds from RSPs, subject to internal operational requirements, NBN Co intends to introduce an overhead allowance for the downstream component of most fixed line wholesale speed tiers (with the exception of the up to 1000/50 and 1000/400 bundle discounts^{1,2}). Where possible, NBN Co will provision this allowance into its wholesale speed tiers to accommodate protocol overhead, which includes the code used to ensure the correct delivery of data packets that otherwise impact a customer’s broadband speed. NBN Co is targeting mid-2020 to introduce this change.

Future roadmap

NBN Co today published a two-year roadmap of its discount bundles for fixed line and fixed wireless services with incremental, annual increases in data capacity inclusions on most bundled discounts to meet customers’ growing data demand.

Brad Whitcomb said: “We strongly believe this rolling two-year roadmap, which will be updated annually as part of our yearly review of our discount bundles, will go a long way to improving transparency and certainty for RSPs. The increased value and data capacity inclusions are a minimum guaranteed baseline and we will be flexible on any unexpected shifts in the market to support the industry and customers.”

Underserved customer segments

As foreshadowed at the commencement of the Wholesale Pricing Review 2019 consultation process in June, a key priority for NBN Co is working with RSPs and industry groups to find solutions to connect underserved Australian households. In December, NBN Co will unveil its strategy to encourage greater take-up of **nbn** services among underserved segments of the community.

Brad Whitcomb said: “We want all Australians to benefit from having access to high-speed broadband and will do our best to ensure the highest number of people can take advantage of this national infrastructure asset.”

Outline of changes to Bundle Discounts

High speed tiers:

NBN Co is introducing three new wholesale high-speed tiers¹ and associated bundle discounts, which will be available from May 2020:

- NBN Co will create a new 100/20 bundle discount starting with 3.75Mbps of included CVC capacity at an effective charge of \$58 per month. The new 100/20 bundle discount is \$7 less, or around 11 per cent cheaper, than the \$65 effective charge for the 100/40 bundle discount and the increase in CVC inclusion further improves the total value significantly. The data capacity inclusions for both the 100/20 and 100/40 wholesale discount bundles will increase to 4.25Mbps in May 2021, 0.25Mbps more than the previous proposal (of 4.0Mbps) for both discount bundles outlined in Wholesale Pricing Review 2019 Consultation Paper 2.

To deliver more immediate benefits to customers, NBN Co will launch a 'Hot 100' campaign on 1 January 2020, making the \$58 effective charge for the 100/20 bundle discount available to RSPs for the 100/40 discount bundle, instead of the current \$65 effective charge for that bundle, as an interim measure until the new 100/20 product is launched in May 2020.

- A 250/25 bundle discount starting with 4.75Mbps of included data capacity at an effective charge of \$68 per month. CVC capacity inclusion will increase to 5.25Mbps in May 2021. The new 250/25 bundle discount is \$32 less, or 32 per cent cheaper, than the \$100 effective charge for the 250/100 bundle discount. The data capacity inclusion for the 250/25 bundle discount will increase to 5.25Mbps in May 2021, 0.25Mbps more than the previous proposal (of 5.0Mbps) outlined in Wholesale Pricing Review 2019 Consultation Paper 2.
- An up to 1000/50 bundle discount² starting with 5.75Mbps of included data capacity at an effective charge of \$80 per month. The new up to 1000/50 bundle discount is \$100 less, or 55 per cent cheaper, than the previous \$180 effective charge for the 1000/400 bundle discount. Additionally, an almost doubling of the CVC inclusion to 5.75Mbps further significantly improves the total value. The data capacity inclusion for the up to 1000/50 bundle discount will increase to 6.25Mbps in May 2021, 0.25Mbps more than the previous proposal (of 6.0Mbps) outlined in Wholesale Pricing Review 2019 Consultation Paper 2.

Mid speed tiers:

NBN Co has improved the value of the 25Mbps bundle discounts on fixed line and fixed wireless available to RSPs, which are currently available at a charge of \$45 (including 2Mbps of CVC) to become available at an effective charge of \$37 (including an effective 1.25Mbps of CVC). This change will be effective from 6 December 2019, and the included CVC capacity allocation will be increased to 1.5Mbps in May 2021. Compared to the current 25Mbps bundle discounts, this change amounts to a minimum of a \$2 cost reduction for retailers in December, and a further \$2 cost reduction in May 2021, if they choose to maintain the current allocation of 2Mbps of CVC.

NBN Co is also boosting the CVC inclusion on the 50Mbps bundle discount and Fixed Wireless Plus product from 2Mbps to 2.25Mbps from May 2020, with the effective wholesale charge unchanged at \$45. This CVC inclusion will increase again to 2.5Mbps from May 2021.

Entry level speed tiers:

NBN Co took immediate action to address the price-sensitive segment by modifying the existing 12/1 Entry Level Bundle discount on 1 October 2019.

The starting price of \$22.50 and the CVC inclusion of 150Kbps (0.15Mbps) has remained unchanged, but the additional charge that is applied to RSPs when the average monthly peak CVC usage across ELB services on a CVC exceeds 150Kbps has been reduced from \$22.50 to \$5.70 per Entry Level AVC. The additional charge will be

further reduced to \$4.90 in May 2020 and to \$4.10 in October 2020. The effective charge for additional CVC capacity will remain at \$8/Mbps.

Take-up of the Entry Level Bundle has already more than doubled since the change was made.

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¹ Regardless of the retail service customers purchase, the actual wholesale speeds delivered by the **nbn** 1000 wholesale speed tier product 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 the RSP. As RSPs are aware, the end user experience, including speeds actually achieved over the **nbn**TM access network, depend on the configuration over which services are delivered to a premises, whether the end user is using the service during the busy period, and some factors outside NBN Co's control (like in-home equipment quality, the chosen broadband plan, or how a service provider designs its network).

² The precise nature of the PIR commitment for HFC is being consulted on and is subject to change as further detailed in the nbn Product Construct Paper, RMID0844 New AVC Higher Speed Tiers, September 2019.