



18th September 2020

Joint Standing Committee on the National Broadband Network
Parliament House
Canberra ACT 2600
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Re: Inquiry into the business case for the NBN and the experiences of small businesses

ACCAN thanks the Committee for the opportunity to submit to the inquiry into the business case for the NBN and the experiences of small businesses in recognition of the significant impact of COVID-19. The COVID-19 pandemic has presented unimaginable challenges to Australians, and indeed the world. As restrictions and lockdowns commenced, the way in which we carry out everyday activities changed and moved online. NBN has been instrumental in allowing consumers to remain connected to their workplaces, educational institutions, friends, family, healthcare and government services.

The broad experiences of NBN consumers throughout COVID-19

COVID-19 has accelerated the shift to digital markets and online service delivery, resulting in the amplification of the existing digital divide where a lack of affordable and reliable internet has deepened existing disadvantages.

Residential consumers

Changed behaviours

Telecommunications has allowed consumers to continue to conduct business, receive healthcare, work, learn and access a range of government services throughout restrictions and lockdown. During March, ACCAN commissioned a survey which revealed that over half (51%) of Australians were working or studying at home because of COVID-19.¹ The majority of people (97%) working or studying from home stated they required the internet to do so. Two thirds of Australian households in the sample accessed the internet via the NBN, this was similar across capital cities and regional households.²

The change in behaviours resulted in consumers shifting their usage to higher speed plans as a result of working and learning from home, with NBN experiencing nearly a 12% increase in uptake of its

¹ Loneragan (2020) *ACCAN Express Omnibus*. Unpublished.

² Ibid.

100Mbps plans.³ Despite a fall in consumer confidence, spending on telecommunications increased. Overall, the Australian communication sector grew by 1.5% in the last quarter, contrasting with household spending which fell by 12.5%.⁴

Online learning has been one of the biggest challenges for digitally excluded families throughout the whole of Australia. One example comes from Aboriginal communities in central Australia that struggled to ensure continuity of learning for students. Many secondary students attend boarding schools in this area however as part of Australia's public health response, students were urged to return to their communities for the duration of the outbreak. Due to limited or no access to the internet or equipment, online learning was not feasible. It is rare for students in these communities to have access to a personal computer or appropriate device for online learning as they usually connect through computers in public libraries and digital hubs. However, due to the restrictions these were closed. The restrictions also prevented NBN from installing two Skymuster public Wifi hotspots in the region. This is just one example of an area where students struggled to get online, yet ACCAN is aware of many places across Australia where there are high concentrations of digital exclusion and disadvantage. The former has exacerbated the latter as a consequence of the pandemic.

Affordability

ACCAN hears from consumers who are concerned regarding the affordability of basic internet access during the pandemic. Affordability of telecommunications is a persistent issue for low income households, with the lowest 10% of earners spending nearly 10% of their income on telecommunications.⁵ Given the economic climate, the pre-existing problem is heightened now, and affordability is a growing concern for many households. 60% of Australians are concerned about the impact of COVID-19 on their financial wellbeing, 20% of consumers are worried about paying their telecommunications bills.⁶ ACCAN continues to call for a targeted concessional NBN service to help tackle the issue of affordability.⁷ ACCAN sent a community sector letter to the minister regarding affordability during COVID-19.⁸

Reliability and Service Standards

COVID-19 has highlighted the need for reliable broadband. ACCAN considers that current service standards do not reflect the essential nature of telecommunications. ACCAN has heard from consumers who are not being informed of NBN outages, maintenance and even cases where their fixed wireless tower has been decommissioned during lockdown. Whilst it is not required for Retail Service Providers (RSPs) to provide this information to consumers, we have been disappointed and concerned to hear that consumers have been left in the dark and without internet access at a time

³ ACCC (2020) *Increased connection to higher speed broadband services during COVID-19*. <https://www.accc.gov.au/media-release/increased-connection-to-higher-speed-broadband-services-during-covid-19>

⁴ Australian Bureau of Statistics (2020) *Australian National Accounts: National Income, Expenditure and Product, June 2020*. <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5206.0Main+Features1Jun%202020?OpenDocument>

⁵ Bureau of Communications and Arts Research (2017) *Trends and Drivers in the Affordability of Communications Services for Australian Households*, Working Paper. <https://www.communications.gov.au/documents/trends-and-drivers-affordability-communications-services-australian-households-0>

⁶ Consumer Policy Research (2020) *COVID-19 and consumers: from crisis to recovery*. https://cprc.org.au/wp-content/uploads/Consumers-and-COVID-19_full-report_25June2020_compressed.pdf

⁷ ACCAN (2019) *No Australian Left Offline* <http://accan.org.au/No-Australian-Left-Offline>

⁸ ACCAN (2020) *Community sector organisations call on Government to act on communications affordability issues* <https://accan.org.au/media-centre/1713-community-sector-organisations-call-on-government-to-act-on-communications-affordability-issues>

when they are most reliant on it. As far as ACCAN is aware, NBN have aimed to limit the instances of planned maintenance to critical works.

ACCAN is also aware of increased lead time for connections to Sky Muster and Sky Muster Plus services. The combination of increased demand for the services, alongside restrictions on installation staff in accessing certain sites have meant that since June the average wait for a connection was 36 days. Usually, consumers can expect to wait just under three weeks for installation. NBN has informed ACCAN of the measures they are taking to reduce the lead times but as of mid-August, there are still issues due to travel restrictions and logistics in getting the required equipment to the right areas.

Small and medium businesses

ACCAN has received feedback from organisations representing small and medium businesses that the network has, on the whole, stood up well and allowed businesses to move online throughout the pandemic. The economic challenges facing SME's means that now is a critical time as they move online and stay connected to their clientele through the internet. However, there are hurdles to SME's shifting to online delivery channels. These include issues with reliability, suitable service choice and affordability.

Reliability

Currently rules of reliability do not reflect the essential characteristics of telecommunications and are failing to meet the needs of small businesses. For small businesses the costs associated with disconnection or poor services can be significant. Significant losses arise due to forgone revenue and income. ACCAN has received reports from small business that have lost \$3,000-\$4,000 in income as a result of unexpected disconnections. Between September 2019 and March 2020, the TIO recorded 1,101 complaints that included claims for small business loss compensation,⁹ in the context of an increasing number of small business complaints to the TIO. Businesses which are already strained due to the economic climate cannot afford to lose income due to disconnections, faults or poor service. Additionally, the time taken for small businesses to resolve an issue with their telco represents a significant opportunity cost of time.

The ACCC recently resumed its inquiry into NBN's wholesale service standards,¹⁰ where it seems likely they will accept NBN's proposed terms incorporated into the Wholesale Broadband Agreement 4 (WBA4). ACCAN is concerned that the proposed rebates and service standards are not sufficient to drive improved consumer outcomes. We consider that issues such as wholesale service standards should not be determined on as part of a commercial agreement but would be better set by the Minister under the new legislation which gives them the powers to set wholesale standards, rules and benchmarks for statutory infrastructure providers (SIPs).

Suitable service choice

We are finding that many businesses are not aware of which services are most suited to their needs. When telecommunications issues occur, quick response times are necessary to limit the disruption

⁹ Telecommunications Industry Ombudsman, 2020, *Addressing the cause of small business complaints*.
https://www.tio.com.au/sites/default/files/2020-06/TIO%20Addressing%20the%20causes%20of%20small%20business%20complaints%20-%20Systemic%20Investigation%20Report%20June%202020_4.pdf

¹⁰ ACCC (2020) *NBN Wholesale service standards inquiry*. <https://www.accc.gov.au/regulated-infrastructure/communications/national-broadband-network-nbn/nbn-wholesale-service-standards-inquiry/consultation-paper-on-nbn-cos-wba4-proposal>

and harm caused to a business. Business grade services with enhanced response times are available, however ACCAN understands that small businesses are often not aware of these services. When they are informed, the cost of enhanced service level standards often deters small businesses despite the potential risk of service performance issues down the track.

Another problem facing small and medium businesses is that they are often purchasing inappropriate bandwidth profiles. Small businesses are buying asymmetric services designed for residential use which are often unsuitable for their needs. We have received feedback that the number of symmetrical plans in the market is decreasing. The complexity in choosing an appropriate service means small businesses rely on the internet provider's advice. The TIO have identified this as a problem, with their complaints' analysis showing that small businesses are receiving poor advice or being given misinformation about products.¹¹

Affordability

Small business owners often have a net income well below the Australian wage with 52 per cent of small business owners registered with the ATO as individuals earning \$0 to \$25,000 per annum.¹² The cost of broadband is just one of the many costs SME's face when shifting online. Thus, there is a need for affordable broadband for small businesses which includes a reasonable level of service standards. Small businesses, particularly micro businesses, often find business grade broadband packages unaffordable, as well as enhanced service level standards. This results in business owners rolling the dice by purchasing a cheaper residential service and hoping that it will perform adequately, with no service issues in the future. As mentioned previously, when issues do occur it can be a significant setback for SMEs.

Community service delivery organisations

Community groups have been affected in a variety of ways throughout COVID-19. Similar to consumers and businesses, community groups have had to adapt how they provision services and move online. Many of the community and service delivery groups ACCAN engages with work with people with disabilities, CALD communities, older people, refugees, low income families and Aboriginal and Torres Strait communities. These cohorts are more digitally excluded than the average Australian,¹³ thus finding ways to ensure continuity of delivery of services has been extremely challenging for community groups. Similarly to SMEs, community groups' ability to operate now largely depends on the quality of their telecommunications, as well as the telecommunications of the people they are working with.

The pandemic has prompted some organisations to form in order to tackle digital exclusion. For example, the Wester'ly group in south west Sydney has been formed with the aim of solving two critical challenges highlighted by the pandemic; lack of access to internet and technology, and lack of digital skills.¹⁴

¹¹ TIO (2020)

¹² Australian Small Business Family Enterprise Ombudsman (2019) *Small Business Counts*

<https://www.asbfeo.gov.au/sites/default/files/documents/ASBFEO-small-business-counts2019.pdf>

¹³ Thomas, J, Barraket, J, Wilson, CK, Rennie, E, Ewing, S, MacDonald, T, 2019, Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2019, RMIT University and Swinburne University of Technology, Melbourne, for Telstra.

https://digitalinclusionindex.org.au/wp-content/uploads/2019/10/TLS_ADII_Report-2019_Final_web_.pdf

¹⁴ <https://www.westerly.org.au/>

Network performance

In the first week of April, business hours saw an increase of 102% upstream network usage, whilst downstream network usage increased by 127% compared to pre covid-19 baseline levels.¹⁵ NBN's decision to offer retail service providers 40% extra network capacity for free has ensured that the network has performed well under increase usage. Prior to the NBN's CVC boost, average download speeds on 50 and 100 Mbps speed tiers had dropped by 14 and 23 per cent, respectively.¹⁶ However following the CVC boost, the average download speeds returned to their usual levels. Additionally, the performance of the network has also been assisted by measures taken by streaming providers to reduce the picture quality of videos streamed, reducing the need for data.

NBN's response

On the 17th April, NBN announced its \$150 million COVID-19 relief and assistance package. This included funds aimed at supporting low-income families with school children, households facing financial hardship, small and medium businesses and emergency and essential services. NBN provided the funds, but largely left it up to retailers to determine when and what offers they develop for their customers. ACCAN has supported the relief package as it provided the opportunity to ensure many Australians remain connected or get connected for the first time.

NBN Business package

\$50 million was allocated to providing relief measures for SMEs, and essential and emergency services. It focused on providing higher speeds, enhanced service levels and prioritised connections and fault resolution for essential and emergency services, to assist with increased use of telehealth. For small and medium sized businesses, NBN provided discounted access to new connections of wholesale business grade products with the intention for businesses to maintain or re-establish their business. Additionally, funds were allocated to help SME customers who were struggling to pay their monthly bills due to the pandemic.

Regarding the waiving of the wholesale price for business grade connections, ACCAN has struggled to find evidence of the impact this has had for SMEs. There has been a significant amount of confusion on what is on offer, and a lack of advertising or even product offerings from RSPs regarding this package. ACCAN is disappointed that given the allocated funds, the initiative has had very little effect at a time when many SMEs are looking to move their businesses online.

Furthermore, ACCAN has found little evidence of the effectiveness of the financial hardship measures provided by NBN. There has been a lack of transparency regarding these measures however we have received feedback from small business organisations that businesses have been unable to access these supports. Telecommunication bills now represent a liability to many small businesses and will be factored into decisions on whether to close down.

NBN's educational and financial hardship packages

As part of its relief package, NBN allocated \$50 million towards its educational package. NBN waived its \$37 monthly wholesale charge for internet providers for services on the 25/5 Mbps

¹⁵ NBN (2020) *Australian Broadband Data Demand* <https://www.nbnco.com.au/corporate-information/media-centre/media-statements/broadband-data-demand-uploads>

¹⁶ ACCC (2020) *Measuring Broadband Australia Monthly report (February to April 2020)*.
https://www.accc.gov.au/system/files/Monthly%20report%201_v2pdf_.pdf

speed tier for eligible customers. The eligibility criteria included not having an NBN connection previously and having children who require internet access for school purposes.

ACCAN does not have specific figures regarding the take up of the educational offer, but we are aware that it is in excess of 6000 connections. In assessing the impact of NBN's educational package, it is important to note that the cost of broadband is one of many barriers to overcoming digital exclusion. Other hurdles include the cost of devices, financial uncertainty and commitments to contracts during a recession, cost of modems and installation, a lack of digital skills, language barriers and living in short term accommodation.

ACCAN found that at the beginning there was very limited information or promotion of the offers. This is probably due to the time it takes for retailers to develop the products and take them to market. Once the products were made available, consumers might have been cautious to sign up as initially the offer was only made available until September. It is likely that the longevity of the service made the offer unattractive to some households, as some low-income consumers would struggle to pay for modems if they could only access the service for a short period.¹⁷

ACCAN has heard a range of experiences from RSPs in providing the educational relief offer. RSPs which appear to have seen the most demand for the educational offer were those that already had engagement with schools, charities or low-income families. However, these RSPs faced hurdles in providing the service as some ran out of modems and others have claimed to have exhausted the allocated funds from NBN. This meant consumers were placed on a waiting list to receive the package. Other RSPs did not want to engage with the offer because they did not have the systems in place to deliver it or were concerned that they would overwhelm their already diminished call centres which had to close due to the pandemic. Whilst some RSPs who indicated they were offering the service did not see any take up of the educational offer, this might be due to the fact that these RSPs do not usually service residential consumers, such as Buroserv, or did little to promote the offer.

ACCAN appreciates that the design of the relief package was time sensitive, however we consider that it could have been better implemented in order to increase take up of the service. ACCAN considers the lesson learnt from the relief package is that there are certain RSPs which might be better placed to target this proportion of the population. Perhaps for the package to be more successful, the RSPs which already had the systems and connections in place could be provided with more resources in order to meet demand. Additionally, the initial offer from NBN was a short-term solution to a long-term issue, therefore we welcome to extension of the package until 15th January 2021.

Despite the numerous barriers to getting low income households connected, NBN's offer has meant that households had the opportunity to receive a broadband service for the first time. For these households, the connectivity has made it easier for their children to continue learning no matter what restrictions are in place.

Additionally, another \$50 million was allocated to providing relief for households in financial hardship. ACCAN has been unable to assess what effect this relief package has had. We have been

¹⁷ The cost of modems varies from \$88 - \$300+, no modems were included as part of the educational plans.

hearing from consumers who have been disconnected throughout the pandemic but cannot confirm if those disconnections have been attributable to NBN services.

NBN's CVC boost

As mentioned previously, NBN provided 40% increased capacity to RSPs as a temporary measure to ensure that the network performs well throughout the pandemic. ACCAN considers the behavioural changes which have occurred over the last six months are not temporary and there will be a sustained increase in network usage. Evidence of this comes from a survey carried out by NBN, where 67% of respondents expect to continue working from home more after the COVID-10 crisis has ended.¹⁸ This has caused concern regarding the removal of the CVC boost. There is a need for a solution once NBN revokes the boost as it may result in either worsening network performance or increased prices as RSPs purchase more CVC to keep up with demand.

ACCC authorisation

On 30 March, NBN applied for authorisation to enable a special working group (SWG) to respond to the COVID-19 pandemic with the main purpose of implementing hardship measures and capacity optimisation strategies. The SWG consists of Telstra, Optus, TPG/Vodafone, Vocus and Aussie Broadband. Following consultation of the Authorisation NBN narrowed the scope of the proposed conduct which was granted on the condition that NBN provide certain reporting obligations, improving transparency over the various agreements. On 10th September, the ACCC issued a final determination granting conditional authorisation until 31st March 2021 given the ongoing uncertainty of the COVID-19 pandemic.

ACCAN was initially concerned that breadth of the authorisation was too wide and that NBN had managed to achieve the goals of the authorisation unilaterally (via its relief package) rendering the authorisation unnecessary. Since then the scope has been narrowed, reporting requirements improved, and the situation regarding COVID has evolved. ACCAN considers that the main benefit of the SWG is helping to manage traffic demand. The SWG has and continues to monitor and manage the impact of OTT video streaming applications, OTT video conferencing applications and online gaming updates. Managing this appropriately reduces congestion which may limit consumers ability to access the network. For example, on behalf of the SWG, NBN has engaged with online gaming providers to improve information flows regarding updates to allow RSPs to provision for them.

¹⁸ NBN (2020) *NBN Australian Covid-19 Behavioural change survey: 8 in 10 experiencing better work/life flexibility*
<https://www.nbnco.com.au/corporate-information/media-centre/media-statements/behavioural-change-survey>