



14 January 2020

NBN Joint Standing Committee on the National Broadband Network  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**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 experience of small businesses.

The NBN is a critical infrastructure project that will have a transformative effect on the way that Australians connect with one another, their communities and the opportunities offered by the digital economy. However, despite a decade of record investment in telecommunications infrastructure,<sup>1</sup> the affordability of NBN services is becoming a brake on the potential economic and productivity gains to be obtained through digital transformation.

The NBN is expected to provide benefits in the order of \$1.2 billion per annum, growing to a total of over \$10 billion by 2021.<sup>2</sup> In addition to the established broadband dividend<sup>3</sup> significant productivity gains may be made if pricing arrangements facilitate the take-up of high-speed services.<sup>4</sup> However, the realisation of these benefits is predicated on strong take-up, driven by affordable broadband services.

Attaining the full economic benefits of broadband will require steps to be taken to ensure the affordability of services. Assisting households through the creation of a targeted concessional service offering will enable Australians to make the most of the opportunities that digital inclusion brings and support equality of access health, education and employment opportunities.

Our comments that follow address the terms of reference published on the Committee's website<sup>5</sup> in relation to the rollout and performance of NBN Co.

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<sup>1</sup> Bureau of Infrastructure, Transport and Regional Economics, *Australian Infrastructure Statistics Yearbook* (2018) 225.

<sup>2</sup> Ibid 565.

<sup>3</sup> S Greenstein and R McDevitt, *Measuring the Broadband Bonus in Thirty OECD Countries* (OECD Digital Economy Papers No 197, 2012).

<sup>4</sup> Infrastructure Australia (n 2) 567.

<sup>5</sup> <[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/National\\_Broadband\\_Network/smallbusinessandcase](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Broadband_Network/smallbusinessandcase)>

Australian Communications Consumer Action Network (ACCAN)

*Australia's peak body representing communications consumers*

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- a. *the economics of the NBN, including key operational and financial performance forecasts in the Corporate Plan 2020-23;*

ACCAN understands that the underlying economics of the NBN are predicated on significant rates of take up by households and enterprises in order to generate ongoing revenue for the delivery of services and continued upgrade of the network. Although ACCAN has not observed any immediate indicators for concern, we consider that the take-up of the network and consequently potential revenue has been lacklustre. This trend is likely to be exacerbated by improved mobile service offerings that may be adequate substitutes for an NBN service for some consumer cohorts in areas with adequate mobile coverage, such as low data use renters in urban areas.

ACCAN believes that the creation of targeted concessional services would bolster NBN revenues by increasing overall take-up. The fixed cost of rolling out the infrastructure to households has in large part already been sunk and will remain sunk irrespective of whether consumers take-up NBN services, so encouraging some recovery of the cost of the infrastructure is to be preferred over the alternative of no recovery from these households.

- b. *current pricing structures, including wholesale pricing, affordability and take-up, particularly as they relate to low-income and rural and regional customers;*

ACCAN believes that current wholesale pricing arrangements are discouraging the take-up of broadband services by low income households, and that targeted concessional pricing offerings are a financially sustainable mechanism for increasing affordability. This is reflected in disproportionately higher expenditure by low income households,<sup>6</sup> increased resistance to paying more for services,<sup>7</sup> and 44% of consumers rating services as costly, posing a material risk to NBN take-up.<sup>8</sup>

Broadband services delivered over the NBN are out of reach for more than a million low income households, and as a consequence take-up of these services has lagged among this cohort. ACCAN believes that efforts must be made to ensure that these low income households can have access to NBN services via a concessional arrangement in order to ensure that no Australian is left offline.<sup>9</sup>

ACCAN notes that NBN Co. has recently committed to undertaking consultation on the creation of targeted concessional offerings for those households that have a low capacity to pay for broadband services. However, ACCAN believes that given the financial constraints faced by NBN Co. that ensuring that all Australians can access affordable broadband requires government to commit to co-funding a concessional service.

#### *Rural and regional customers*

At present pricing arrangements appear to be supporting take-up of NBN services by regional and rural households, who are able to access services on an equivalent price to those offered in metropolitan areas. However, for households on low and limited incomes NBN services remain out of reach.

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<sup>6</sup> Infrastructure Australia, *Infrastructure Audit* (2019) 584–585.

<sup>7</sup> Ibid 560.

<sup>8</sup> Ibid 562.

<sup>9</sup>. <<http://accan.org.au/no-australian-left-offline>>.



ACCAN continues to receive reports that for many households on low incomes residing in rural, regional and remote areas that the cost of NBN services is in excess of their ability to pay. ACCAN believes that supporting rural and regional households to take-up NBN services is best undertaken through the creation of targeted concessional offerings. The creation of a targeted concession would allow for the greatest cost relief to those most in need, and is preferred to a one-size-fits all blanket approach to NBN pricing.

*c. network coverage issues; including reporting of outages planned and unplanned;*

ACCAN supports greater transparency and more detailed reporting of planned and unplanned outages. However, we do acknowledge that considerable improvements have been made in the course of the last year, with greater reporting by NBN Co. in response to actions taken by the ACCC. These have included NBN Co.'s s87B undertaking with the ACCC,<sup>10</sup> and more recently the ACCC's NBN Wholesale Services Inquiry Draft Decision,<sup>11</sup> which proposed further reporting requirements be placed upon NBN Co.

Fixed wireless service congestion continues to be an ongoing source of frustration for consumers residing in areas with congested cells. At the same time, NBN Co. is dedicating considerable resources in order to address the underperformance experienced by consumers in these areas.<sup>12</sup>

ACCAN strongly supports continued investment in the upgrade of the fixed wireless network in order to ensure the performance of these services. Consumers in regional and rural areas served by these networks should not experience inferior services to those in metropolitan areas, and are entitled to expect the provision of services on an equitable basis.

*d. the delivery of the business segment strategy, including to enterprise and government customers, and small to medium businesses;*

ACCAN understands that NBN Co. has been actively engaged in delivering enterprise services that meet the various needs of business and government customers. ACCAN appreciates that many incumbent operators within the enterprise market do not support NBN Co.'s entrance into this particular market on the basis that businesses were adequately served by existing arrangements and providers.

However, in large part the entrance of NBN Co. into the enterprise market has seen improvements in the overall level of competition for small and medium sized business customers at the wholesale level, and supported greater retail choice by business. The entrance of NBN Co. into the enterprise market has brought much needed competition to the market and in doing so enhanced the relative negotiating position of smaller businesses who historically have had limited ability to negotiate the terms on which services are provided to them.

Moreover, as a wholesaler NBN Co. has increased the level of retail competition for enterprise services by creating a platform of open competition for business customers. This model of service

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<sup>10</sup>.<<https://www.accc.gov.au/system/files/public-registers/undertaking/Undertaking%20s87B%20-%20NBN%20Co%20Limited%20-%2011%20September%202018.pdf>>

<sup>11</sup>.<<https://www.accc.gov.au/regulated-infrastructure/communications/national-broadband-network-nbn/nbn-wholesale-service-standards-inquiry/draft-decision-submissions>>

<sup>12</sup>.<<https://www.nbnco.com.au/corporate-information/media-centre/media-statements/nbn-co-unveils-new-plans-for-fixed-wireless-network>>.



delivery has enhanced the level of competition in the infrastructure delivery stage and the retail level. In particular the structural separation of the wholesale and retail delivery of services has precluded the ability of infrastructure providers to use restrictive wholesale arrangements to the detriment of small businesses.

- e. the experiences of small and medium business in relation to the utilisation, accessibility, customer service and affordability of the NBN*

ACCAN supports the development of an array of affordable and reliable telecommunications services that meet the needs of small and medium businesses. However, in our consultations with small businesses we have been advised that enterprise grade services do not represent a material value-add above residential services as they lack sufficient performance guarantees and rectification timeframes<sup>13</sup>.

The experience of regional, rural and remote businesses has also historically been mixed, with limited access to services at affordable prices that facilitate business development and economic growth. This paradigm is however starting to shift due to efforts on the part of NBN Co. to develop an array of service offerings that cater to these businesses through the use of excess capacity on the SkyMuster satellite.<sup>14</sup> As this market continues to develop ACCAN will actively engage with NBN Co. in order to ensure that an array of service offerings are made that meet the unique needs of these businesses.

- f. compliance with the NBN Statement of Expectations and adequacy of that Statement;*

ACCAN understands that the activities of NBN Co. have broadly been in keeping with the statement of expectations, but that more recently its conduct in the enterprise market has been a source of concern. As a matter of good governance ACCAN believes that it is appropriate that the activities of NBN Co. are subject to scrutiny, but notes that we have not observed any conduct that goes beyond that of standard commercial practice.

At present ACCAN does not see grounds for revising the statement of expectations, noting that processes are currently underway to enact elements of the statement of expectations including the statutory infrastructure provider obligation. ACCAN supports the formalization of statutory infrastructure provider obligations through the Telecommunications Reform Package and strongly supports the smooth passage of this legislation through Federal Parliament. We consider these obligations are more appropriately expressed through permanent and legally binding obligations being placed upon NBN Co.

### *Conclusion*

Thank you for the opportunity to submit to the Committee on these important matters. Please do not hesitate to contact Una Lawrence, ACCAN Director of Policy should you require clarification or additional information on any of the issues raised.

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<sup>13</sup> <http://accan.org.au/files/Advisory%20Forums/SBAF%20Meeting%20Report%202019.pdf>, page 4.

<sup>14</sup> <<https://www.nbnco.com.au/corporate-information/media-centre/media-statements/regional-and-remote-businesses-get-digital-boost>>