



New wholesale pricing to meet the needs of all Australians

NBN Co taps in to high-bandwidth gains and begins consultation on ‘basic usage’ and Fixed Wireless wholesale bundles

When the **nbn**[™] broadband access network was first talked about as a “high-speed broadband network” in 2006, Australia was a very different place.

Back then, many of us still did our banking in person or over the phone. We bought music on physical CDs and synced it to our iPods. Television was only broadcast via free-to-air or pay TV and we rented movies on DVDs. The internet was accessed through desktop computers or laptops, and most people were just starting to hear about a thing called Facebook.

Fast forward to 2018 and the mean number of devices per household Australians use to connect to the [internet is 17.1](#). We now do our banking online. We watch programs in HD video on large-screen smart TVs via [Netflix or other video streaming services](#).

We listen to music through multiple streaming services like Spotify, which are voice controlled by in-home intelligent devices such as Amazon’s Alexa.

So the internet needs and, consequently, the data needs of Australians have changed irrevocably and show no sign of slowing down. In the three months prior to December 2017, the average volume of data downloaded per household exceeded 200GB per month. This continues the trend of a roughly 20 to 30 per cent household data increase every year.

This ever-increasing demand for data requires reliable download speeds, especially during peak usage times: between 7pm and 11pm, when people have the strongest need to use the internet and the **nbn**[™] access network experiences the largest load.

Bundles to boost wholesale speeds

Recognising this growing demand, we have undertaken one of the most transformative consultation processes since establishing the **nbn**[™] access network to ensure we deliver a model that works for NBN Co, Australians, as well as phone and internet providers.

Working closely with our phone and internet providers, we introduced new wholesale pricing offers in May 2018, remaining firm in our commitment to provide Australians with access to fast broadband as soon as possible, at affordable prices.

The changes we made to our Fixed Line services pricing meant, for the first time, NBN Co would bundle access and bandwidth charges for its higher-speed plans under a simple wholesale pricing structure.

[This new structure](#) offers a wholesale bundle based on the 50/20Mbps speed tier charged to phone and internet providers at \$45 a month with an included 2Mbps of bandwidth, and the wholesale bundle based on the 100/40Mbps speed tiers at \$65 a month with an included 2.5Mbps capacity.*

Previously, the static access charge and the fluid capacity charge were part of our two-part pricing wholesale model that had seen some internet providers’ under-provision bandwidth, which was impacting end-user speeds during peak usage times.



As with any change to a major wholesale pricing structure, we knew it would take the industry some time to introduce plans based on the bundles. That's why we launched an interim wholesale pricing option, 'Focus on 50', late last year to help provide an immediate broadband boost to Australians. The promotion was designed to emulate a similar pricing benefit to the new bundles and bridge the gap created by the time it would take us and then the internet providers to offer the new products.

The success of the promotion has really exceeded our expectations. We now have over 1.3 million homes and businesses on 50Mbps plans, while average network bandwidth congestion across the network (excluding Sky Muster™ satellite services) has reduced from more than 7 hours per week a few months ago to under 20 minutes per week (on average) by April 2018. We believe this is a world-class level of minimal congestion and, while it may fluctuate month to month, we are aiming to help internet providers consistently keep this figure to less than one hour per week. **

[In our latest monthly progress report](#), the real impact can be seen with a dramatic shift in the percentage of homes and businesses connected to a 50Mbps (download) wholesale speed plan or higher, which increased from 16 per cent in April 2017 to 42 per cent in April 2018. This fantastic market response is down to our internet and phone providers championing and positioning the 50Mbps wholesale speed product to Australians as the 'sweet spot' for their customers.***

Industry and consumer advocate groups have also come out and welcomed this shift to higher-usage plans with the ACCC's latest *Wholesale Market Indicators* report supporting the ["remarkable shift in just three months"](#).

As phone and internet providers begin to transition to the new wholesale bundles, we'll continue to support and work with them to ensure all end users on retail plans based on **nbn**™ 50Mbps wholesale speeds (or above) are migrated across to the bundles by 31 October 2018 when the promotion period ends.

New products to offer something for everyone

Our priority in evolving our wholesale pricing model in the last six months has been focused predominately on improving the role we play in the overall customer experience for Australians on our Fixed Line connections to the **nbn**™ access network by driving the take-up of higher-speed plans.

Having successfully completed this, we are now shifting our focus to fill the product suite for internet and phone providers who offer **nbn**™ broadband plans for Australians in regional areas as well as providing solutions for low-usage and basic internet users.

This month, we'll begin our next round of consultation with phone and internet providers around our voice-only and basic-broadband-usage plans. We are proposing to launch a new entry-level bundle as a low-usage plan at a wholesale charge of \$22 per month with an included 50Kbps of data, which is enough to cover a basic telephone service as well as basic email and web browsing.

It should be noted this entry-level bundle is suitable for phone and internet providers whose customers use little to no internet and, instead, want to have a home telephone service via the **nbn**™ access network. The current **nbn**™ 12 product has always been intended as a primarily telephone service designed for those who have basic internet needs.

Unfortunately, many households purchased this **nbn**™ access network plan via their internet provider assuming it included fast broadband. Some end users didn't realise it did not provide them the speed or capacity needed to meet their needs, especially during peak usage times.



Keeping alignment with the current high-bandwidth bundles, we will propose a wholesale pricing structure that is a fixed entry point for [access and bandwidth charges](#). This will allow internet providers to manage their customer base with a single wholesale pricing construct that helps supports many end users' needs.

It's important to remember that while we believe our new pricing options provide significantly better value and price certainty, we will continue to make our existing pricing options available to phone and internet providers who prefer that model.

We will be working closely with industry to finalise details of the plan and expect it to be available by the end of 2018.

Introducing wholesale bundles for Fixed Wireless

In addition to a low-usage bundle, we are now beginning to consult with phone and internet providers on pricing bundles for our wholesale **nbn**[™] Fixed Wireless plans.

We recognise the potential divide that could come with not having Fixed Wireless bundled offers available to phone and internet providers. The aim would be for the fixed access and bandwidth price options to remove the requirement to retain separate charges for providers to support Fixed Wireless services under our existing two-part price construct and improve the economies of scale for Fixed Wireless from internet and phone providers. We aim to have this wholesale pricing option available to providers by the end of September 2018.

We will also further consult with phone and internet providers on how our Fixed Wireless products will evolve. This consultation will examine phone and internet providers' preferences for a new Fixed Wireless product that better aligns to the capability of the network. The intention is to provide end-users with the best utility from the available Fixed Wireless network capacity, so they can get a better experience. We will also look to improve our systems and processes to further enhance interactions between **nbn** and phone and internet providers by the end of September 2018.

At the same time, we will continue to upgrade and provide solutions to internet providers to help manage [network congestion on Fixed Wireless connections](#) to the **nbn**[™] access network.

Where to next?

We have done significant work to rejuvenate our wholesale pricing model and we are seeing very positive signs within the market after only six months. Our consultation work with industry continues to be a key priority for us while we keep up with the changing market demand and continue our focus on customer experience as we transition to the new pricing solutions.

As reliance on technology continues to grow at an exceedingly fast rate, we don't need to be convinced of the importance of fast, reliable and affordable broadband services. With the mean number of connected devices in the home set to grow from 17.1 this year to 37 by 2020, connecting to high-speed broadband services will soon be a necessity for many Australians to keep up with their love affair of staying connected.

We will continue to look to the future and will review our wholesale pricing model accordingly to make sure Australians are getting a great experience while ensuring the industry remains profitable.

Tom Roets is the Executive General Manager of Wholesale Products and Pricing at NBN Co.

*The included bandwidth/capacity is relevant to internet providers and isn't reflective of end-user speed expectations for retail services on these plans.



This is calculated across all bandwidth purchased by every phone and internet provider across the entire network (CVC congestion). Please note that while bandwidth congestion is caused by the level of provisioning of capacity by the phone and internet provider, there are also other types of congestion that may occur on the **nbn[™] access network.

***In this metric, “50Mbps (download) wholesale speed plan” includes wholesale plans available to phone and internet providers with download speeds of 50Mbps and 25 to 50Mbps.