

Launtel - Public response to NBN's proposals concerning speed tier pricing and service standards.

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Executive Summary

We mostly support NBN's proposed changes to the 50/20 speed tier pricing and the introduction of a 'floor and ceiling' approach to limit the price variation for this service.

We do however question if for Launtel at least, if it is worth us continuing to provide the 50/20 speed tier to our customers at all.

We would like to see some consideration given to the very high pricing of the "legacy" higher speed tiers (250/100, 500/200, 1,000/400), we feel this is an untapped market that the entire industry is missing out on.

In the absence of any service level standards we would like to see some concrete commitments to FTTP upgrades and to rolling these out across the entire network - given that this appears to be the way that NBN is expecting to improve their service levels.

Finally we are extremely keen to bring this SAU process to a close in particular to see the introduction of the AVC only speed tiers.

Response - In detail.

In NBN's June 2023 proposal titled "50/20 Mbps cost certainty" they have proposed to introduce a ceiling of the individual service price (AVC + CVC overage) set at the price of the no CVC 100/20 (HomeFast) at \$55. This is ostensibly to limit the upside risk of an RSP having to pay excessively for a high usage 50/20 service. We understand that without this it was feared that the larger RSPs (who have more sophisticated management systems that would allow them to more easily flip services between the two speed tiers) would have gained a competitive advantage over the smaller RSPs that did not.

We broadly support this proposal - we have a preference for the "Floor and Ceiling" version rather than the "average cap" mainly because of its simplicity. Without this we were strongly considering exiting the 50/20 market completely and just setting the lowest speed tier we offered at 100/20 (HomeFast). Even with this proposal we will have to look carefully at the resulting price that we end up paying and with our mix of users - which may well not be typical and indeed be on the high end - and we may still end up exiting the 50/20 market completely.

We also note that NBN are also insisting that with this ceiling, there has to be a floor, which we understand is another way of saying that there will no longer be any pooling of the CVC between services (allowing say a low usage 50/20 users that is not using all the CVC allocation to balance the overage of (say) a high usage 25/5 service). This will lead to some changes in the mix of prices for these lower speed tiers compared to NBN's original proposal, but we feel this is worthwhile for the pricing certainty.

We are also generally supportive of this idea because it goes halfway to providing an AVC only price for the 50/20 speed tier - something we wish was being offered now. Indeed given this construct we could just assume the price is the top price of \$55 and then it is effectively an AVC only price. The problem is that this is the same as the 100/20 price - so why not just sell the 100/20 instead? We suspect this is intentional.

The problem we have in selling the 100/20 speed tier is that due to the deficiencies in the MTM - many customer's lines won't support anywhere close to 100Mbps. Many customers (for good reason) strongly object to paying for a speed tier they cannot actually achieve. So we end up having to sell them a 50/20 regardless of their (possibly high) usage - but this may as well be a shaped down 100/20 - at least that would allow us to give them a free FTTP upgrade should that be available to them.

Indeed it still would probably make sense for us to stop offering the 50/20 (except on wireless), because then at least we can avoid having to measure their actual line speed and offering the customer a downgraded speed tier. If we only offered an "up to" 100Mbps service (and make it clear that it is dependent on their actual line capability) then aside from

encouraging them to check their actual speed and consider their options (which may include finding another provider), we are assuming this would be acceptable behaviour according to the ACCC. However we are not confident that this is what the ACCC wants and if this is in the LTIE.

It appears to us that long term, NBN really want to make the 100/20 tier the “standard” speed that most people buy (much as the 50/20 is now). We assume NBN has realised that it pretty much costs them the same to supply a 50/20 service versus a 100/20 one so by bringing their prices closer together they are passing on this lack of cost difference - and looking to at least slightly raising their ARPU.

Frankly, at Launtel, we don't object to this thinking so we accept NBN's proposal on the 50/20. However we only wish it would go somewhat further. While we very much support the price changes for the Superfast and UltraFast, we wish that NBN would bring the prices of their so-called “legacy business” services: 250/100, 500/200 & 1,000/400 also down in line with their actual costs to supply. In our experience these speed tiers are attractive to a certain high end residential user - however their very high price means their sales volume is very low. We believe this is a massive untapped part of the market that could raise NBN's ARPU just by bringing them more in line with the price of the low upload (the Home Superfast and Home Ultrafast) plans. That extra upload costs NBN and RSP almost nothing, given that most data pipes are symmetrical and they are always sized for the download portion. Having said that, we are not expecting this to be part of this SAU process.

We would like to further comment on the service standards argument that other RSPs have raised. We too would like to see some sort of service standard included in the SAU process, however we are cognizant that the current low standards are really a side effect of the poor technologies used as part of MTM. From our vantage point it appears that NBN are expecting to solve the issue long term by simply building out more FTTP. We assume that their logic is that not only is any money spent on remediating the technologies they are replacing (FTTN & FTTC at least) going to be wasted, but any penalties that they have to pay for poor performing services is just money taken away from further FTTP upgrades.

There is no question that we would like to see more FTTP upgrades and we certainly understand and mostly agree with their logic desiring to push back against service standards and the resulting penalties they entail. However if there are to be no service standards can we at least have some concrete plans for FTTP upgrades. If not as a part of the SAU process, some other mechanism. We would like to see these upgrades being more freely offered such as with a reduced minimum speed requirement and a somewhat more flexible install arrangement such as placement of NTDs. We have seen a number (20%) of FTTP upgrade orders cancelled because of excessively tight requirements (e.g. back to back with the PCD ending up in a bedroom or other inconvenient place) and the NBN technician's refusal to do simple runs under the floor or through a roof - things that they used to do in the early days of the FTTP rollout. This seems like a crazy missed opportunity to us - a missed opportunity to increase the reliability of the NBN network and reduce everyone's costs. Overall we believe NBN needs to have a very strong incentive to get people to upgrade to FTTP.

We would also like to get some indication of where NBN is going with HFC. While it has high speed it does suffer from a relatively low reliability, e.g. a high number of dropouts and node congestion. We understand that the upgrade process will lag behind the existing project to upgrade FTTN & FTTC footprints, but so far there has been no indication that it will ever be replaced by FTTP, which is concerning, particularly on the service quality front.

Finally we would like to point that we do have a strong desire to see this new SAU enacted as quickly as possible. The process has now taken over two years from when the first roundtable was held and we are keen to see some tangible results, in particular the removal of most of the CVC charge proposed in the SAU, which seems to be widely agreed on, and which at this stage of our growth is particularly expensive for us.

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