
ISP Stockholm Syndrome

Fixing the NBN billing model

NBNco operates a free network

- Government expects a 5% rate of return
- *They don't expect capital return*
 - No need to repay the \$50 billion
 - The network has been built **for free.**
- Government gets capital return when they sell, 5 years after network completion.

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5% on \$50 billion

That's \$2.5 billion per year.



Problem statement

How can NBNco operate the network to produce \$2.5 billion per year, and cover their opex?

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Round figures...

NBNco is expecting ~10 million subscribers

- Averaged per-subscriber share of the Government's \$2.5 billion per annum:
 - \$250 per annum
 - Round it off and call it \$20 per month.

Proposal: \$40 flat-rate per port

- Approximately the same price point as today's 25 Mbps FTTB AVC + UNI TC-4 bundle.
http://www.nbnco.com.au/content/dam/nbnco2/documents/sfaa-wba2-product-catalogue-price-list_20150201.pdf
- 10 million subscribers @ \$40 per month
 - \$4.8 billion revenue per annum.
- Government wants \$2.5 billion.
 - \$2.3 billion left over for NBNco to do everything else.

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\$2.3 billion is comparable to what Telstra used to spend on the CAN.

If you had \$2.3 billion per year, could you operate it?



NBN's network:

No long-haul components.

Built on someone else's dime.

No need to pay back capex.

No CVC costs?

- NBN's costs don't scale with utilization.
 - Why should yours?
 - Why do you want to give your per-utilization margin to NBNco?
- Why aren't you people screaming for this?
- ***Stockholm Syndrome?***
 - Have you simply accepted that everything always needs to have usage charges? Why?

NBNCo doesn't need CVC costs

The requirements the Government has given them are deliverable without billing for CVCs.

NBNCo has *chosen* to have political fights with you people about how broken your business models are.

Bill the access network like sewerage, not like electricity.



Closing

NBNCo needs to stop billing for CVC.

- **Flat-rate per port**
Achieves \$2.5 billion return on \$50 billion: Keeps the Government happy.
- **Enables “good, fast”**
NBNCo currently fails at “good”, “fast”, AND “cheap.” Enabling “good, fast” will keep users happy.
- **Keeps margin with RSPs**
RSPs get to grow their businesses without handing increasing margins over to NBNco. Keeps RSPs happy.

Questions?

Go on, MMC: Tell me why I'm wrong.