



Media Release

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New CVC pricing model to drive enhanced broadband service

- **nbn** moves from industry-based discount model to retailer-based model
- New model designed to drive greater price certainty for retailers, more flexibility and enhanced experience for end users
- New discounting approach comes into effect on 1 June

nbn – the company building Australia’s broadband network – has announced it will be moving to a new discount model for its Connectivity Virtual Circuit (CVC) charge, to further encourage high quality broadband services on the **nbn**[™] network.

The new model, which comes into effect on 1 June 2017, calculates the discount based on individual retailer averages, as opposed to an industry average. It automatically reduces the price of CVC as the average amount of CVC per end user increases.

nbn Chief Customer Officer John Simon said: “This change is intended to deliver a number of benefits, including greater forward price certainty to retail service providers (RSPs), allowing them to better manage their cost base, and supporting growth in usage on the **nbn**[™] network.”

“It will also provide further scope for retailers to differentiate their offerings, which in turn will promote competition and assist consumers in accessing a wider choice of broadband plans.

The new model is the next step in the evolution of the dimension based discount (DBD) pricing mechanism, which was introduced last June on an industry-average basis. It follows an extensive consultation period with **nbn**’s customers, the retailer service providers.

“Our aim is to achieve better outcomes for end users, RSPs and **nbn** by providing a more direct link between an individual retailer’s dimensioning and unit price,” Mr Simon said.

Feedback received during the consultation period with industry was broadly supportive of the new approach.

“We have worked closely with industry in order to make sure we are delivering a range of competitive broadband services for all Australians. Today’s announcement is another step in helping us create value and competition in the market,” Mr Simon said.

“We will continue to review our pricing structure to ensure it supports uptake and usage of the **nbn**[™] network.”

The new model applies the discount on a monthly basis across all technologies, except satellite.

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Notes to editors

- The **nbn** Ethernet Bitstream Service is primarily charged in two components – the monthly access charge (AVC) and a network capacity charge (CVC). The CVC is the amount of network capacity shared across an RSP's end-users. It is purchased based on the bandwidth required to service all an RSP's end-users aggregated by that CVC. As the CVC is shared capacity, the average amount per end user is an important concept when considering the **nbn** input cost of an RSP.
- **nbn** introduced the industry average discount model for CVC last year. This move saw the effective unit price per Mbps drop from \$17.50 to \$15.75 in June 2016. This was followed by a further reduction to \$15.25 in December 2016.

For more information, visit www.nbn.com.au