

Rebalancing of NBNC Co Cost models to encourage innovation
Simon Hackett : 30 March 2011 (Version 1.0)

Customer Count	NBNC Co + ACCC POI (Est)	NBNC Co (Only)	NBNC Co (Only) Rebalanced
10000	\$ 106.04	\$ 69.44	\$ 30.22
20000	\$ 65.02	\$ 46.72	\$ 27.93
30000	\$ 51.35	\$ 39.15	\$ 27.16
40000	\$ 44.51	\$ 35.36	\$ 26.78
50000	\$ 40.41	\$ 33.09	\$ 26.55
60000	\$ 37.67	\$ 31.57	\$ 26.40
70000	\$ 35.72	\$ 30.49	\$ 26.29
80000	\$ 34.26	\$ 29.68	\$ 26.21
90000	\$ 33.12	\$ 29.05	\$ 26.14
100000	\$ 32.20	\$ 28.54	\$ 26.09
110000	\$ 31.46	\$ 28.13	\$ 26.05
120000	\$ 30.84	\$ 27.79	\$ 26.02
130000	\$ 30.31	\$ 27.50	\$ 25.99
140000	\$ 29.86	\$ 27.25	\$ 25.96
150000	\$ 29.47	\$ 27.03	\$ 25.94
160000	\$ 29.13	\$ 26.84	\$ 25.92
170000	\$ 28.83	\$ 26.67	\$ 25.90
180000	\$ 28.56	\$ 26.52	\$ 25.89
190000	\$ 28.32	\$ 26.39	\$ 25.88
200000	\$ 28.10	\$ 26.27	\$ 25.86
210000	\$ 27.91	\$ 26.16	\$ 25.85
220000	\$ 27.73	\$ 26.07	\$ 25.84
230000	\$ 27.57	\$ 25.98	\$ 25.83
240000	\$ 27.42	\$ 25.89	\$ 25.83
250000	\$ 27.28	\$25.82	\$ 25.82
260000	\$ 27.16	\$ 25.75	\$ 25.81
270000	\$ 27.04	\$ 25.68	\$ 25.80
280000	\$ 26.93	\$ 25.62	\$ 25.80
290000	\$ 26.83	\$ 25.57	\$ 25.79
300000	\$ 26.73	\$ 25.51	\$ 25.79
310000	\$ 26.65	\$ 25.47	\$ 25.78
320000	\$ 26.56	\$ 25.42	\$ 25.78
330000	\$ 26.49	\$ 25.38	\$ 25.77
340000	\$ 26.41	\$ 25.34	\$ 25.77
350000	\$ 26.34	\$ 25.30	\$ 25.77
360000	\$ 26.28	\$ 25.26	\$ 25.76
370000	\$ 26.22	\$ 25.23	\$ 25.76
380000	\$ 26.16	\$ 25.20	\$ 25.75
390000	\$ 26.10	\$ 25.17	\$ 25.75
400000	\$ 26.05	\$ 25.14	\$ 25.75
410000	\$ 26.00	\$ 25.11	\$ 25.75
420000	\$ 25.95	\$ 25.08	\$ 25.74
430000	\$ 25.91	\$ 25.06	\$ 25.74
440000	\$ 25.86	\$ 25.03	\$ 25.74
450000	\$ 25.82	\$ 25.01	\$ 25.74
460000	\$ 25.78	\$ 24.99	\$ 25.73
470000	\$ 25.75	\$ 24.97	\$ 25.73
480000	\$ 25.71	\$ 24.95	\$ 25.73
490000	\$ 25.67	\$ 24.93	\$ 25.73
500000	\$ 25.64	\$ 24.91	\$ 25.73

How the rebalancing is done:

* Instead of we charge \$20.00 Per CVC Megabit
\$1.00 Per CVC Megabit

* Offset this by raising 12/1 Port fee
From \$24.00 Per Port
by adding \$1.63 Per Port
to become \$25.63 Per Port

Results of this rebalancing are:

* Same income for NBNC Co at 250,000 customers

* Viable for RSP's from 10,000 custs and upward instead of from 250k and up

* Chart illustrates the outcome (with cost parity at 250k customers)

* NBNC Co+ACCC POI Overhead: \$820,400 per month

* NBNC Co (only) Overhead \$454,400 per month

*NBNC Co Overhead *after rebalancing*: \$45,900 per month

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Assumptions (From NBNCost worked example in pricelist for 12/1 entry plans)

POICount	122	Points of Interconnect
CSACount	200	NBNCost geographic areas to service
CVCCost	\$20.00	Per Mbit (original)
CVCNewCost	\$1.00	Per Mbit per month (proposed)
CustCount	250000	Customer Count for average calculation
PortCost	\$24.00	Per month for entry level 12/1 port
NBNCVCCost	\$2,150.00	CVC Cost per CSA
NBNNNICost	\$200.00	NNI Cost per CSA

Resulting in:

NBNOverheads	\$454,400.00	Per month minimum fixed overhead
Equivalent to	\$1.82	Average Overhead at 250k customers (above \$24 per port cost)

ACCC POI Decision overhead (costs to service each POI with backhaul)

BackhaulPerPOI	\$3,000.00	Est monthly cost per POI
POIOverheads	\$366,000.00	Total monthly POI national overhead

Calculating added cost per port to rebalance the reduced CVC charge:

Reduced NBNCVCCost: Scale CVC cost down based on old and new rate
NBNCVCCostNew \$107.50 CVC Cost per CSA

New NBN Overhead figure per month:

NBNOverheadNew	\$45,900.00	Per Month minimum fixed overhead
Shortfall of	\$408,500.00	Per Month to earn from higher port cost

To regain the shortfall, raise the per port charge as follows:

AdditionalPortCst	\$1.63	To be added to the per port cost
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Hence:

NewPortCost	\$25.63	Per port per month (12/1 entry port)
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(Add same offset to charge for other port speeds
to ensure income parity regardless of speed selections)

NBNCo Cost Rebalancing Scenario: Access Cost vs Customer Base Size

