



Small
Business
Commissioner

Submission to the Joint Standing Committee on the National Broadband Network

***Inquiry into the Business Case for the NBN and
the Experience of Small Business***

September 2020

About the NSW Small Business Commission

The NSW Small Business Commission is an independent office within the NSW Treasury cluster, led by the NSW Small Business Commissioner, Mr Chris Lamont. It provides strategic advice, advocacy and affordable dispute resolution services to small businesses across NSW.

The Commission's role includes:

- encouraging government agencies and larger businesses to enter into productive working relationships with small businesses
- facilitating and encouraging the fair treatment of small businesses
- promoting a fair operating environment in which small businesses can flourish.

Introduction

Based on the most recent data, small businesses account for 35% of Australia's gross domestic profit and employ 44% of Australia's workforce. Of the 877,744 total employing businesses, 823,551 are small businesses (93.8%), and of those businesses, 627,932 are businesses that employ only 1-4 people, known as micro businesses (76.2%).¹

More and more we see small businesses seeking to expand and strengthen their digital capability: to explore new markets, work differently or deliver services in a new way. Challenges faced over the past few years, such as floods, bushfires and the COVID-19 pandemic have only intensified this trend, as small businesses without passing trade have relied more on the online ecosystem to survive these changes.

This Submission seeks to focus on the following points from the Inquiry's terms of reference:

- current pricing structures, including wholesale pricing, affordability and take-up, particularly as they relate to low-income and rural and regional customers;
- the delivery of the business segment strategy, including to enterprise and government customers, and small to medium businesses;
- the experiences of small and medium business in relation to the utilisation, accessibility, customer service and affordability of the NBN.

¹ <https://www.asbfeo.gov.au/sites/default/files/documents/ASBFEO-small-business-counts2019.pdf>

Focus Area 1

Current pricing structures, affordability and take-up

1.1 Small Businesses find it hard to choose an appropriate plan

While the Commonwealth commitment to a Universal Service Guarantee is welcomed, the differences in connections across the NBN network and offerings by retail service providers can be daunting and confusing for some small businesses.

The Telecommunications Industry Ombudsman (TIO) noted in its Systemic Investigation Report 2020² that one of the main causes of complaints from small businesses was that they had committed to a product that was unsuitable for their needs. This is unsurprising with most telecommunications purchases happening online or over the telephone.

The TIO also notes that small businesses are receiving poor advice or being given misinformation about products and that this can lead to the small business signing up for services or equipment they do not need.³

In order to choose the NBN package best suited for their needs, a small business needs:

- a level of understanding about the connection available in their location and its capacity,
- an awareness of the speed requirements required to conduct their own online operations well
- clarity of what level of technical support they are likely to need going forward
- an understanding of the differences between residential and business packages, and what those entail for them and the support they get when their service is interrupted.

A knowledge gap in any of these areas will frequently result in them selecting a package that either does not meet their needs or is a waste of money, but the wide range of choices and lack of appropriate retailer guidance can make that difficult.

For example, Aussie Business Broadband offers five 'popular' NBN plans for business, from intermediate to ultimate – ranging from \$79 per month to \$429 per month (nbn50 to nbn 1000), with unlimited data. A basic support package is included at no additional cost, but Bronze, Silver and Gold tier support packages are also offered, taking the

² https://www.tio.com.au/sites/default/files/2020-06/TIO%20Addressing%20the%20causes%20of%20small%20business%20complaints%20-%20Systemic%20Investigation%20Report%20June%202020_4.pdf

³ Ibid.

cost of an 'Essential' package from \$109 per month to \$329 per month, with 99.5% 'uptime SAG'.⁴

The website finder.com.au also offers a comparison of NBN offerings from a range of retailers, all with different 'typical evening speeds', contract terms and monthly charges. These range from \$55 per month for 20 Mbps to \$109 per month for 86 Mbps. Without additional information, it is understandable that a small business would choose their plan based primarily on price point, with limited understanding of operational impact or network capability.

In May 2020, the ACCC's *Measuring Broadband Australia* report showed that maximum plan speeds, one of the key factors people consider when choosing an NBN plan, were only being met between 82.5 and 89.3 per cent of the time, depending on provider.⁵ This highlights that people do not always get the speed they are paying for and that the service advertised by retail providers can differ greatly based on a business' location and capacity to pay for an upgraded connection.

It's understandable that many small businesses reportedly continue to rely on residential NBN packages for as long as possible – they're generally cheaper and already in place, but these may not meet the long-term needs of a business.

In our view, the NBN Co and retail providers should be asked to both review existing and collaborate on new NBN products developed for and marketed to small businesses. These offerings would sit between residential packages and the more costly and complicated packages developed with larger businesses in mind.

Offerings may be developed and based on the needs of typical cafes or retail stores, with more symmetrical connections, guaranteed minimal downtime, a backup option and a dedicated support team, at a reasonable price. This would enhance productivity, assist in reducing the common sources of complaints to the Telecommunications Industry Ombudsman and support small businesses looking to boost digital engagement.

Recommendation 1: NBN Co work with retail service providers to develop new and/or review offers catering specifically to the needs to small businesses, guarantees minimal downtime and dedicated support.

1.2 Enhancing the speed and reliability of the NBN

In the same way that governments constantly assess the need for new and improved roads and road infrastructure, Government should view the National Broadband

⁴ Aussie's website explains that 'SAG' stands for Service Agreement Guarantee and refers to, *our commitment to keeping your nbn service up and running with minimal disruption, or we pay you a percentage rebate back on your monthly service cost in the event of unscheduled downtime on your service*. Only the top tier packages offer a SAG.

⁵ <https://www.accc.gov.au/consumers/internet-landline-services/broadband-performance-data>

Network as essential infrastructure and provide suitable ongoing investment. In the current COVID climate with its cultural shift of a significant increase in people working from home, investing in the broadband network is arguably a higher priority than it was 12 months ago.

It is important that the National Broadband Network is consistently assessed to ensure it remains fit for purpose and is able to support all Australian businesses moving forward, whether located in capital cities, regional centres, or remote farms and villages.

While it is noted that a 5G network is currently being rolled out, this is currently limited in its scope and will not address the speed and reliability issues identified with the NBN, particularly in rural and regional locations.

Recommendation 2: Ongoing investment in the NBN, to ensure minimum performance standards continue to improve, slowest performing connections are upgraded and the network keeps pace with the needs and expectations of all businesses, especially those in rural, regional and remote areas.

1.3 Affordability of Connection Upgrades

In the short-term, individuals and small businesses have the option of paying to have an upgraded NBN connection installed at their premises (e.g. upgrading from FTTN to FTTP) under the NBN Technology Choice Program⁶. However, the cost is often out of reach for many small businesses, with the fee for getting an initial quote costing \$330 and the actual cost of installation often in the tens of thousands of dollars, according to the NBN.

One recent example raised with our Office involved a medical clinic in the Illawarra that was looking to provide Tele Health services to clients: it was quoted \$40,000 to have its NBN connection upgraded in order to provide the service.

This high cost barrier to upgraded internet service will potentially curtail small businesses from exploring new service offerings, further limiting our nation's productivity and economic growth, and limiting some entrepreneurship to those with significant start-up capital.

1.4 COVID-19 and the NBN Relief Package

The current COVID-19 pandemic and associated recession also raise issues of affordability for small businesses in a time of restricted cash flow. A welcome support for this was the \$150 million NBN relief package⁷- of which \$50 million is earmarked for small to medium businesses – designed to assist consumers in financial hardship.

⁶ <https://www.nbnco.com.au/learn/technology-choice-program>

⁷ <https://www.nbnco.com.au/corporate-information/media-centre/media-statements/nbn-co-creates-covid-19-relief-and-assistance-package>

However, we note there are some concerns with the accessibility and promotion of the package.

Noting the current challenges faced by many small businesses and their growing reliance on reliable and affordable internet connectivity, there would be value in consideration of further promotion and additional investment to support small and medium businesses.

Recommendation 3: Additional promotion and the potential extension of the NBN COVID-19 Relief and Assistance Package.

Focus Area 2

Delivery of the Business Segment Strategy

NBN Co's Business Segment Strategy, outlined in its Corporate Plan 2020-2023, states that *NBN Co is committed to providing access to high-speed broadband to Australian businesses to support the creation of new jobs, expand businesses and support productivity.*⁸

The Strategy refers to either businesses or larger businesses, all targeted at more sophisticated customers. Given that small businesses make up approximately 98% of all Australian businesses, it is recommended that the Strategy and supporting actions clearly identify the importance and support for small business.

Recommendation 4: That the Business Segment Strategy of NBN Co and associated supporting actions specifically identify measures aimed at addressing the specific needs of Australian small business.

Focus Area 3

The Experiences of Small and Medium Business

3.1 Provision of NBN infrastructure in premises

An examination of NBN issues raised with our office reveals many involve scenarios in which a small business is a commercial tenant and for example, moves in to premises understood to be NBN ready, only to discover no cabling in place, or where there is in dispute over who is responsible for NBN cabling repairs.

To avoid these unnecessary disputes, connections and disconnections should be managed as they would be for any other essential infrastructure; that is, that the default

⁸ <https://www.nbnco.com.au/content/dam/nbnco2/2019/documents/media-centre/corporate-plan-report-2020-2023.pdf>

position is to ensure continuity of service, ensure all properties should have a reliable connection by default, and facilitate transition of accounts .

3.2 Reliability of services and repairs

Service interruptions to small businesses can have a very significant effect. Appendix 1 contains four de-identified excerpts of small business experiences with broadband service interruptions. It is important that retail providers understand the outsized impact these have on small businesses – they have less ability to cope with a prolonged telecommunications outage and are less likely to have a back-up plan to cover such a situation.

More broadly, it is noted that many complaints to the Telecommunications Industry Ombudsman by small businesses in the 2019 financial year were related to this:

- No or delayed action by a service provider (34%)
- A dispute over charges for a service or equipment (30%)
- No phone or internet service (18%)
- A delay connecting, transferring, migrating or relocating a service (14%)⁹

The TIO notes¹⁰ that small businesses may suffer financial loss if they don't have a plan for unexpected service interruptions and advises small businesses and providers to develop one. Given a small business may be running phone lines, EFTPOS, service delivery, a website, etc. over their broadband connection, it may be unrealistic or cost-effective for a small business to provision an adequate back-up.

We are also unaware of any examples of where the NBN Co or a Retail Service Provider has taken responsibility to provide or assist a small business to find a back-up in circumstances where they have been left with no telecommunications access.

Summary of Recommendations

Recommendation 1: NBN Co work with retail service providers to develop new and/or review offers catering specifically to the needs to small businesses, guarantees minimal downtime and dedicated support.

Recommendation 2: Ongoing investment in the NBN, to ensure minimum performance standards continue to improve, slowest performing connections are upgraded and the network keeps pace with the needs and expectations of all businesses, especially those in rural, regional and remote areas.

⁹ https://www.tio.com.au/sites/default/files/2020-06/TIO%20Addressing%20the%20causes%20of%20small%20business%20complaints%20-%20Systemic%20Investigation%20Report%20June%202020_4.pdf

¹⁰ https://www.tio.com.au/sites/default/files/2020-06/TIO%20Addressing%20the%20causes%20of%20small%20business%20complaints%20-%20Systemic%20Investigation%20Report%20June%202020_4.pdf

Recommendation 3: Additional promotion and the potential extension of the NBN COVID-19 Relief and Assistance Package.

Recommendation 4: That the Business Segment Strategy of NBN Co and associated supporting actions specifically identify measures aimed at addressing the specific needs of Australian small business.

Further information and contacts

For further Information or clarification on issues raised in the discussion paper, please contact:

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Appendix 1: Small Business Accounts of NBN Experiences

The examples have been de-identified to ensure privacy:

Example 1 – Small restaurant (2018)

I'm getting desperate. My name is Todd Smith. I own a small restaurant. Seven weeks ago my business phone line was terminated by Optus without warning. I was told I needed to place an NBN order which would take 7-10 days.

I immediately left Optus and went to iiNet. I placed the NBN order with them, however I still have no phone line. It is not possible to have the calls diverted, and even if it was, the mobile reception here is almost non-existent anyway. Business is down by approximately 30% each week and I am financially struggling because of this. I wish to make some sort of compensation claim and my friend who is a lawyer suggested contacting you.

*I'd very much like to speak with someone to outline further details of this and determine whether legal action would be a suitable option for me. I hope to hear from you soon,
Kind regards, Todd.*

Example 2 – Debt collection business (2020)

In August 2020, we heard from a small debt-collection business, based in Western Sydney, who said their Retail Service Provider had disconnected the business without warning the previous month, leaving the business with no phone or internet for a period of 27 days, as well as the additional stress of having to establish a new account with a different provider and make a complaint to the Telecommunications Industry Ombudsman (TIO).

The Australian Communications Consumer Action Network advises that it has received reports from small businesses that have lost between \$3000 and \$4000 in income as a result of unexpected disconnections like this, without taking into account the time and opportunity cost of having to organise and negotiate a solution.

Example 3 – Children's carers (2018)

In 2018 a business providing special needs care for children provided the following account,

A phone system is costing us \$22,000 for 3 phones and a mobile unit. Only 2 phones were required. Since the introduction on NBN our phone service has been reduced to 1 line. This has caused quite a lot of damage to my business. I have brought this to the attention of Telstra who noted that router they sold me did not have enough lines to add another line. They're suggestion was to buy another router and fit it myself and

they would refund the cost of the router. The router that was initially put in by a qualified Telstra Technician 2 days to fit... I am concerned that I do not have the skills to purchase or fit such a product. Again nothing has been done.

Since the introduction of NBN we have a satellite number that redirects to our business number. We are on a billing plan that includes all our calls, however, since the satellite redirection this service has gone and we are paying for every call. We have received no paperwork to say our plan has changed (and I don't believe it has) but it costs us another \$300 a month more. Nothing has been done.

Example 4 – Technology Retailer (2020)

Relayed via Business NSW.

NBN has been a massive issue with my business operating remotely with high resolution video systems, we are only able to achieve 40Mbps maximum downloads on FTTN with no resolution in sight. We have had four line changes in three years as the line burnt out and we have lost over five modems. I have noticed many premises around Gosford that have two FTTP boxes... this game of playing the numbers leaves many of us behind. I would also like to see any business with an ABN have the ability to upgrade to FTTP for a maximum of \$299 as previously done by Telstra. And for this work to be done in a reasonable time frame to turn NBN back into what it was supposed to be all along. A level playing field for everyone regardless of location.”¹¹

¹¹ Email from Simon Moore, Business NSW, 17 August 2020