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The Briefing

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Ta da! Telstra reveals low end broadband price

Telstra has finally given consumers an insight into the kind of prices they could be paying under its fibre-to-the-node broadband plan, confirming reports that it will charge wholesalers \$59 per month to provide 512kb broadband to retail customers.

This could mean a final price to consumers of about \$70 per month for broadband which, although fast by today's standards, would be at the bottom end of the speed spectrum in a fibre-to-the-node broadband network.

By comparison, the Optus-led G9 group of rivals to Telstra have indicated plans to charge a wholesale price of \$29 per month for faster 1.5mbps broadband.

No wonder Telstra has worked so hard to keep the figure under wraps.

While the G9 unveiled its plans with a bang by lodging a comprehensive price and access proposal with the competition regulator, Telstra's approach was a carefully controlled whimper, releasing only its basic broadband price in a private briefing to a select group of journalists.

Market analyst firm Ovum director of research David Kennedy says Telstra appears to have gone for the status quo option with its entry level broadband price.

"At the moment, people with the most common 256kb broadband service pay around \$30 for line rental and \$30 for 256kb. If you put that together it is something very close to this price, so what Telstra actually promising is the status quo," Kennedy says.

He says that while on its face the G9's proposed price looks much better than Telstra's, the Optus-led consortium's price is based on the assumption that it will only have to pay \$5 per line access Telstra's copper network and attach its fibre to its customers homes, a price that Telstra has rejected.

Also important, Kennedy says, is the period of time each group has said they will lock in their prices – 13 years for Telstra compared to three years for G9.

"There's been a lot of talk about operational costs falling when fibre is put into the network, and if that is the case then perhaps what we won't see those price savings being passed on to customers under the Telstra plan," he says.

Telecommunications market research firm Telsyte's managing director of research Warren Chaisatien agrees there is a solid prospect that the cost of providing broadband will go down over the next decade.

"Based on past technological trends, you would think going forward that the technology should become cheaper. It's happened everywhere else and so I think consumers would favour short-term commitments that allow flexibility for future downward adjustment of broadband prices," Chaisatien says.

– Mike Preston