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# COMMUNICATIONS DAY

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## Broadband now a \$3bn market as revenue surges 12.4%

The Australian broadband market boomed last year in spite of the global downturn, according to a new report. A new Telsyte report on the Australian broadband and fixed line market in 2008 found that DSL continues to be the dominant fixed connection – and is forecast to be the strongest performer in coming years even as ISPs significantly cut back on DSL investments.

The report found that broadband service revenue grew 12.4% year-on-year by the end of 2008, reaching \$3.25 billion in total. The number of fixed broadband subscribers reached 5.9 million in the period – triple the amount of 3G mobile broadband users, but facing growing competition from a growing number of users favouring mobility over big download quotas.

xDSL was found to account for 80% of the market, followed by cable with 13%, and 'other' technologies making up the remaining 7%. 3G broadband was not included. Telsyte associate analyst Gary Tsang said while DSL is expected maintain its stronghold, the growth of mobile broadband was affecting market-share projections over the next four years. "We are really starting to see some substitution effect, especially in low end users who treasure mobility over high amounts of data usage per month," he said. "We see opportunities for fixed line ISPs to really take up [reselling] mobile broadband services... to diversify their portfolios and to offset the substitution effect in the future," he said.

But despite the estimated growth of DSL connections, Tsang also expects operators to scale back investments in DSL technologies in the coming four years as the NBN becomes a reality. "[The rate of] ADSL uptake will be slower due to ISPs not investing or holding back until they're clear about the NBN."

**DSL WILL GROW:** "What we think will happen is DSL will continue to grow – we think there'll be 6.6 million xDSL subscribers by 2013, and we think that'll generate approximately \$3.5 billion in revenues." Naked DSL proved to be a disruptor in the market, Tsang said, giving the merged iiNet/Westnet and Soul/TPG an edge. "iiNet and Soul/TPG experienced exceptional growth last year, close to doubling their subscriber numbers and service revenue, mostly due to iiNet's acquisition of Westnet and the merger between Soul and TPG." Tsang said. "We expect iiNet and TPG, both early to market with Naked DSL and content services, to be able to sustain their organic growth in 2009, as will other 'Naked' ISPs like Internode and Adam Internet." The analyst found that end users were saving up to 31% off average broadband bills by going with Naked or a bundled Naked/VoIP service, varying between providers.

But non-3G wireless services did not fare so well. "Wireless growth has been slow," Tsang said, referring specifically to WiMAX or pre-WiMAX subscriber figures which were included in the report. "For the wireless portion we estimated there were around 147,000 subscribers at the end of 2008, which is only 3% growth from previous years." Tsang said WiMAX and non-3G wireless services would find niche appeal, but were "unlikely to be mainstream."

The report did not include the planned NBN in its calculations, with Tsang saying it is not expected to be operational until after the firm's 2013 projections. "We think there'll be some FTTP services already, we've said 15,000 subscribers by that time – mostly from current developments from new housing complexes which include FTTP."

Once the NBN is operational, Tsang sees new business opportunities for ISPs in content and advertising. "ISPs must look to harness the power of broadband to monetise content offerings by providing more relevant, personal and contextualised multimedia offerings to Australians" he said. "ISPs who learn to do this best, are those most likely to succeed in transitioning their newly won customers from DSL services to NBN services, once the FTTP infrastructure is in place."

Luke Coleman