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SP Telemedia may introduce unlimited download plans

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SP Telemedia may introduce unlimited download quotas if its proposed $374 million takeover of Pipe Networks goes ahead, in a move that could prompt other telcos to introduce similar plans of their own.

The announcement comes after some analysts have criticised the deal, saying it will transform Pipe Networks into another large telco company and soften its emphasis on wholesale operations.

SP Telemedia executive chairman David Theo has told the Australian Financial Review that the deal could possibly see the introduction of unlimited download plans for customers.

The comment comes after Teoh said last week that international access to broadband is crucial as most content comes from overseas.

Many ISPs currently offer deals whereby customers can download as much as they like, but they are often "shaped" after a certain point and have their download speeds reduced dramatically.

The introduction of a cap system in Australia is due to the cost of transferring data from overseas networks. However, ISPs in the US and other developed countries offer unlimited plans as the norm.

But iiNet managing director Michael Malone says there isn't necessarily a need for unlimited quota plans, suggesting the average Australian uses only a few gigabytes of downloads per month.

"Firstly, this broadband doesn't come for free. SP will still have to buy bandwidth, and there is only one strand of fibre from Sydney to Guam. If you put the bulk of your customers on that...you don't want to be in a situation where you have all your customers offline due to one cable being cut."

"But really, look at TPG which is offering 100GB for $50. What person comes out and says they want more than 100GB per month? Any offering is not going to be a lot cheaper, and that company will incur an expense because of that bandwidth. We've seen this from time to time before."

Warren Chaisatien, research director and principal analyst of Telsyte, says the introduction of unlimited download plans will spur competition and prompt bigger telcos to introduce unlimited plans of their own.

"I think SP is in a position to say that they will, because they will own not only the retail division of that entity but the backend, and will put them in a comfortable position. Now, when you look at competitors, notably TPG, they're offering 80GB and that is huge, more than the average consumer needs.

"But with the rise of the National Broadband Network, you're going to get a lot more services that need higher quotas. And right now people are paying relatively expensive plans, and so that competition will lower prices, and that will be good."

Chaisatien points to Pipe's ownership of a submarine cable system linking Sydney with Guam, which provides fast access to networks in the US and Asia, which he says will allow them to comfortably provide unlimited download plans.

He also says the move to unlimited plans by a smaller company will prompt larger companies including Telstra and Optus to introduce similar offerings.

"That will force bigger players to do something, because Telstra and Optus will not move unless someone is eating their lunch, and that is going to be a really good thing."

The comments come after some analysts have opposed the proposed takeover deal, saying Pipe's tradition of providing cheap wholesale access to businesses may disappear.

Renai LeMay from tech news site ZDNet.com.au also raised concerns about Pipe's wholesale customers, saying a takeover will put power back in the hands of larger telcos.

"Since 2002, Pipe has shone like a diamond in the rough in the Australian telco market by virtue of the fact that it has refused to play favourites and has offered its peering and fibre services equally to the whole tranche of Australian ISPs (although it does also have some big business and government customers)."

"In the worst case, the glorious fibre network that Pipe's loyal staff have spent the last decade building will simply be subsumed into SP Telemedia's wider assets and wholesale customers given the boot. At that point Telstra will probably heave a sigh of relief and re-visit its pricing strategy."

If the takeover goes ahead, it is expected the combined group's revenue will reach $560 million for the 2010 financial year, with EBITDA of $184 million and profit of approximately $70 million.

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