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Wireless internet eats into 'fixed' broadband market

- Mitchell Bingemann, Stuart Kennedy
- From: **The Australian**
- February 12, 2010 12:00AM

AUSTRALIANS are increasingly turning to wireless services to get their broadband internet -- just as the government embarks on a \$43 billion plan to deliver the web through a network of cables and wires.

Telstra yesterday revealed the market for "fixed" broadband services -- delivered through cable or traditional phone lines -- was levelling off while wireless services on devices such as iPhones were soaring.

Industry analysts see a pattern developing similar to the shift from fixed line phone services in the 1990s, with almost one in 10 Australian households now relying on mobiles only.

But they said there would be enough demand for fixed broadband services, which can deliver massive amounts of data, to justify the NBN, which would also provide the "backhaul" network to carry internet traffic.

The federal government and Telstra are in negotiations about how the telco will migrate its traffic on to the fibre-based NBN, which promises to deliver broadband speeds up to 100Mbps to 90 per cent of the population. But as the negotiations drag on, Telstra continues to haemorrhage fixed broadband customers as price competition heats up and wireless broadband continues its unabated growth.

About 30,000 subscribers left Telstra's fixed retail broadband services in the six months to December 31, leaving the telco with 2.2 million fixed broadband customers, down 2.3 per cent from the same period last year.

In the same period, Telstra signed up 279,000 customers to wireless broadband plans, taking its total subscriber count to more than 1.3 million, a growth of 73 per cent from the same time last year. Optus has grown its wireless broadband subscriber base by 213,000 to 799,000.

This is despite wireless internet connections costing up to 25 times more than fixed connections in terms of the amount of data consumers can download. Wireless plans also come with stiff penalty fees for breaching download limits.

According to research from telecommunications analyst Paul Budde, fixed broadband, with a market share close to 60 per cent of all internet connections, is fast approaching maturity in Australia.

Warren Chaisatien, research director at telco analyst firm Telsyte, said while there were about 2.9 million mobile

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wireless connections, they had eaten into less than 10 per cent of the fixed line broadband base so far. But by 2014, wireless could easily snatch 50 per cent of the market.

Telsyte predicts wireless will leap to 5.9 million connections by 2014 as fixed line growth slows from about 6.5 million connections today to about 7.5 million connections.

David Kennedy, research director at Ovum, said mobile phone-only households made up about 8 per cent of the market but could rise to 20 per cent in the second half of this decade.

He sees wireless broadband growth as complementary to fixed broadband as people snap up mobile data devices such as netbooks and iPhones but keep fixed-line broadband for heavy-duty data transmission such as viewing high-definition movies.

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