



More ISPs join broadband price war

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A number of smaller Internet service providers have joined the broadband price war which flared between Telstra and Optus.

Last week Telstra announced aggressive new broadband plans in response to the entrance of Optus into the retail DSL market. This prompted a flurry of complaints from smaller ISPs, which argued that BigPond's AU\$29.95 256 Kbps broadband plan with a 200 MB data limit was priced lower than the wholesale cost of buying bandwidth from Telstra, and was therefore uncompetitive.

However, in response, ISP iiNet has announced it will match Telstra's offer if customers preselected iiNet for their long-distance phone calls. However, the extra 15 cents/MB charged for data usage over 200 MB would be capped at AU\$59.95 per month.

"To be honest, these plans are not for the serious broadband user," said Michael Malone, chief executive officer of iiNet. "Just because it's got a low headline rate doesn't mean it's the right deal. Customers aren't stupid. Plans like this are a good start, but customers know the devil is in the detail."

Dart -- a retail ISP -- late last week announced it would offer a 256 Kbps broadband connection for AU\$26.95, with the same 200 MB limit as Telstra's offering. Ozemail, one of the largest ISPs in Australia, has offered an unlimited 256 Kbps broadband plan at AU\$49.95 to compete with BigPond's limited offering.

Zac Swindells, director of broadband wholesaler DCG told ZDNet Australia that in his opinion Telstra's entry-level plan was not uncompetitive because of the low data limit set on the plan.

"The AU\$29.95 plan is nothing new, TPG have done it, Swiftel have done it," said Swindells. He pointed out that the average usage rate of a broadband consumer was around 1 GB per month, and with an excess usage charge of 15 cents/MB a customer only has to use an extra 100 MB of data before they get their money back. "I think what they've done is use some creative marketing to make it happen."

Swindells said that Telstra could wear the risk of a number of people remaining under the 200 MB limit, and therefore losing money on them, knowing that the majority of people would exceed the cap and pay extra. Smaller ISPs may not be able to take that risk, said Swindells.

"We have to show [the smaller ISPs] how they can compete on a different level, work on other ways they can add value to the end user," said Swindells.

Swindells said the real concern with Telstra's new plans were the higher-priced unlimited plans. "Telstra are selling unlimited plans for AU\$59.95, smaller ISPs have to spend more than that to get the bandwidth," said Swindells. He also pointed out that Telstra doesn't have regional-based pricing, despite smaller ISPs paying more for that.

Pacific Internet has raised the data cap on its 256 Kbps plan from 500 Mb included to 1 GB included in response to Telstra's new pricing. The ISP has also launched a "Super Off-Peak" plan that allows unlimited downloads and runs at 256/64 Kbps from 6pm to 8am monday to friday, but reduces to dial-up speed during the day when businesses are using Pacific Internet's network.