

Broadband Pricing: How does Australia compare?

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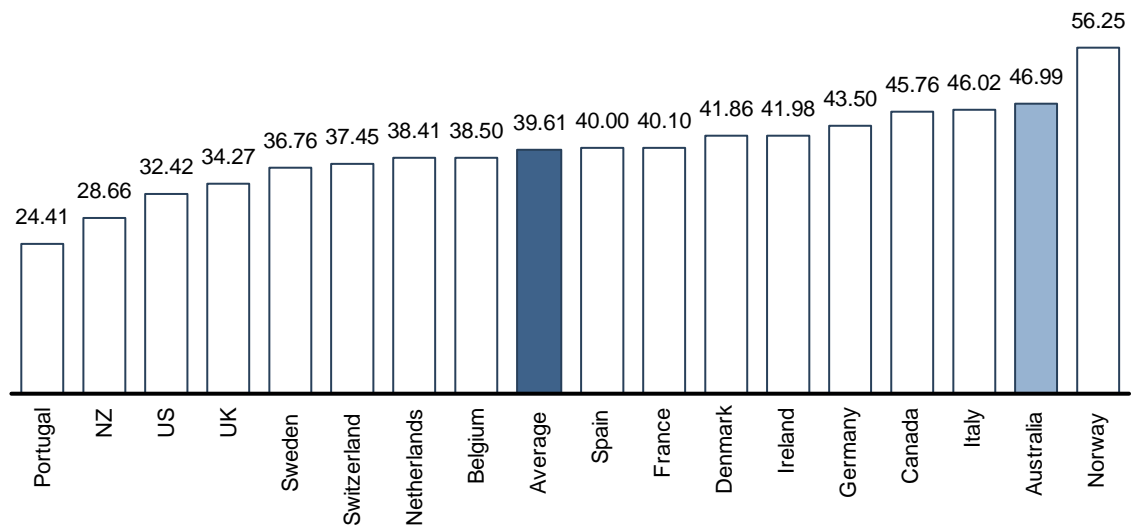
1 Executive summary

Venture Consulting has completed a comprehensive study of broadband pricing globally. The study surveyed and analysed the broadband pricing plans of the top two ISPs in seventeen OECD countries. In total, 121 individual broadband plans were reviewed and categorised based on the speed of the connection and usage limits. The “Total Cost of Broadband¹” per month was then calculated for each of the plans surveyed. The monthly Total Cost of Broadband of each plan was compared within its category for each country, and the least expensive (“most economical”) plan was determined for comparison country by country.

The price of the most economical plans in each country were adjusted for exchange rates and compared, and the results of this analysis suggest many Australians are still paying significantly higher for their broadband than consumers are in many other OECD countries.

If all plans with a broadband connection speed of 1Mbps or higher are considered, at a monthly data usage of 500MB, an Australian family would need to pay \$47 per month, including modem and connections fees amortised over 24 months. This is significantly higher than the average of the countries we have surveyed. In fact, it is in fact the most expensive of any market except Norway.

Exhibit 1: Comparison of broadband costs for an average² household (A\$ per month)



The volume of monthly data usage does not influence the outcome of the analysis. The exhibit below shows that across a range of different monthly usage levels, ranging from 200MB per month to 30GB per month, Australia ranks between the 15th and 17th out of the 17 countries we have reviewed.

¹ The Total Cost of Broadband is defined in Appendix A and includes monthly subscription fees, connection costs, modem charges and any excess usage charges if applicable

² Average means a connection speed of 1Mbps or greater and a monthly data usage of 500MB.

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Exhibit 2: Australian broadband pricing rank³ by usage level for 1Mbps+ plans

Usage level	Australia ranking
Ultra-low (200MB)	16 th out of 17
Low (500MB)	16 th out of 17
Medium (2GB)	15 th out of 17
High (10GB)	17 th out of 17
Ultra-high (30GB)	17 th out of 17

However, at higher speeds, the story is different. When broadband plans with access speeds less than 17Mbps are excluded, Australian broadband pricing becomes more competitive. This is because in Australia, prices of the most competitive plans are broadly flat across different access speeds, unlike most other countries where prices fall as speeds fall. Subsequently, at plans of 17Mbps and faster, Australia is the fourth cheapest of the markets considered for users with usage levels of 2GB per month and below.

This competitiveness does not extend to high usage consumers as data caps continue to penalise heavy users. For 30GB of data usage per month, which is the equivalent of a single Blue-ray disc storage capacity, Australians will pay the fourth highest of the countries we surveyed. As a result, this will continue to hinder development of high bandwidth applications.

Exhibit 3: Australian broadband pricing rank by usage level for 17Mbps+ plans

Usage level	Australia ranking ⁴
Ultra-low (200MB)	4 th out of 15
Low (500MB)	4 th out of 15
Medium (2GB)	4 th out of 15
High (10GB)	8 th out of 15
Ultra-high (30GB)	12 th out of 15

In summary, the broadband pricing analysis shows that:

- Most Australians are getting a raw deal compared to their counterparts overseas, with all but the fastest Australian broadband access plans looking expensive against the other OECD markets considered
- At ADSL2+ and cable speeds (17Mbps and higher) the story is different, with plan prices looking much more competitive in global terms
- However, as usage levels increase to 10GB per month and higher, Australian competitiveness starts to slide

³ 1st indicate least expensive broadband in the category

⁴ Neither of the two largest ISPs offer plans of this speed in two of the seventeen markets reviewed

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2 Broadband pricing survey results

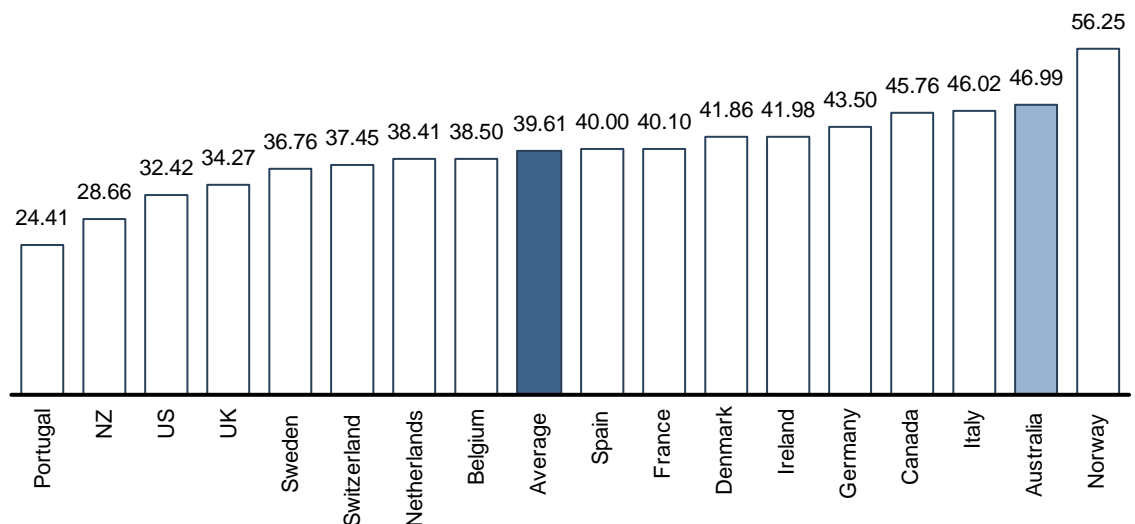
The broadband offerings of the top two ISPs in seventeen OECD countries have been compared and analysed. In total, the details of 121 broadband plans which satisfy our analysis criteria⁵, have been reviewed and categorised by speed of connection and download limit (“usage”). Based on the methodology outlined in Appendix A, the Total Cost of Broadband per month for each plan surveyed has been calculated and compared to determine the most economical⁶ plan in each country for different usage levels.

The results of our survey and analysis show some significant broadband pricing trends are apparent:

- Based on a 24 month amortization of connection and modem costs, broadband in Australia is between the most and the third most expensive (depending on the level of usage) out of seventeen countries at access speeds of 1Mbps or greater
- However, if only 17Mbps+ broadband plans are considered, Australia is fourth least expensive country at usage levels of 2GB and below, but increasing to fourth most expensive for usage of 30GB and above out of fifteen countries. This suggests a high level of domestic competition in high speed broadband, but much less competition at slower access speeds
- Of the seventeen countries (thirty-four operators) surveyed, uncapped plans are available in every country except four, including Australia, again indicating a higher cost of data
- Combined, these results imply a significantly higher average cost of broadband in Australia compared to the other OECD markets reviewed

Exhibits 4 – 8 below compare the most economical broadband offerings for each country based on Total Cost of Broadband per month for each usage category, across all plans offerings speeds greater or equal to 1Mbps. Our analysis shows that across all categories of usage, broadband access in Australia is among the most expensive in developed OECD countries.

Exhibit 4: Most economical Ultra-low (200MB) usage plan with speed of 1Mbps+ (A\$ per month)



⁵ The selection criteria for broadband plans are outlined in Appendix A

⁶ Broadband plan with the lowest monthly Total Cost of Broadband as determined based on methodology outlined in Appendix A

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Exhibit 5: Most economical Low (500MB) usage plan with speed of 1Mbps+ (A\$ per month)

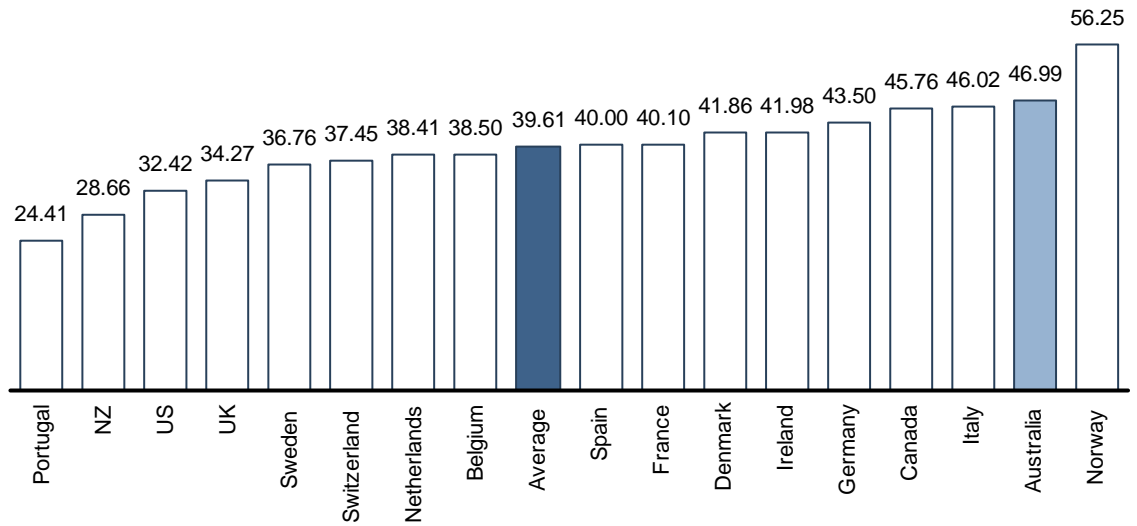
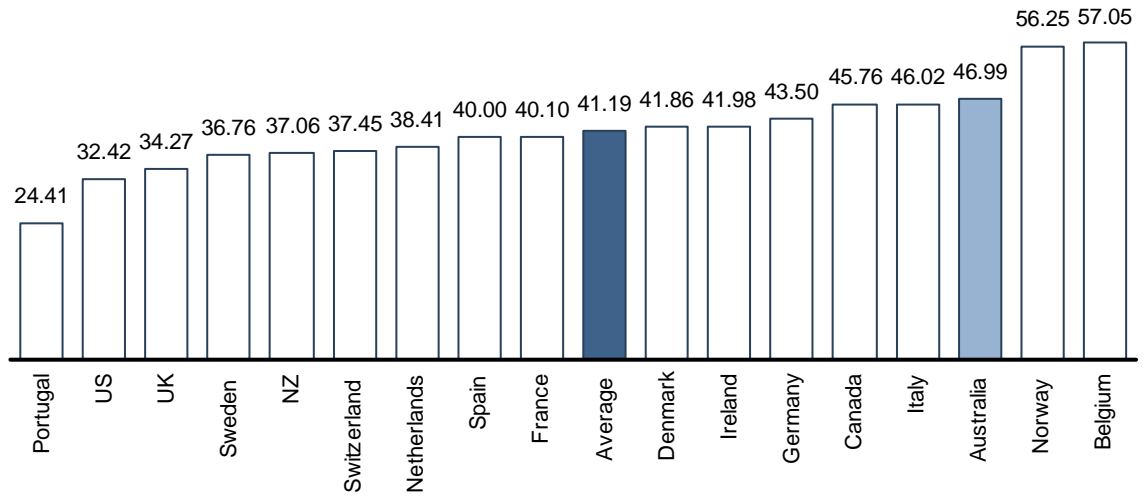


Exhibit 6: Most economical Medium (2GB) usage plan with speed of 1Mbps+ (A\$ per month)



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Exhibit 7: Most economical High (10GB) usage plan with speed of 1Mbps+ (A\$ per month)

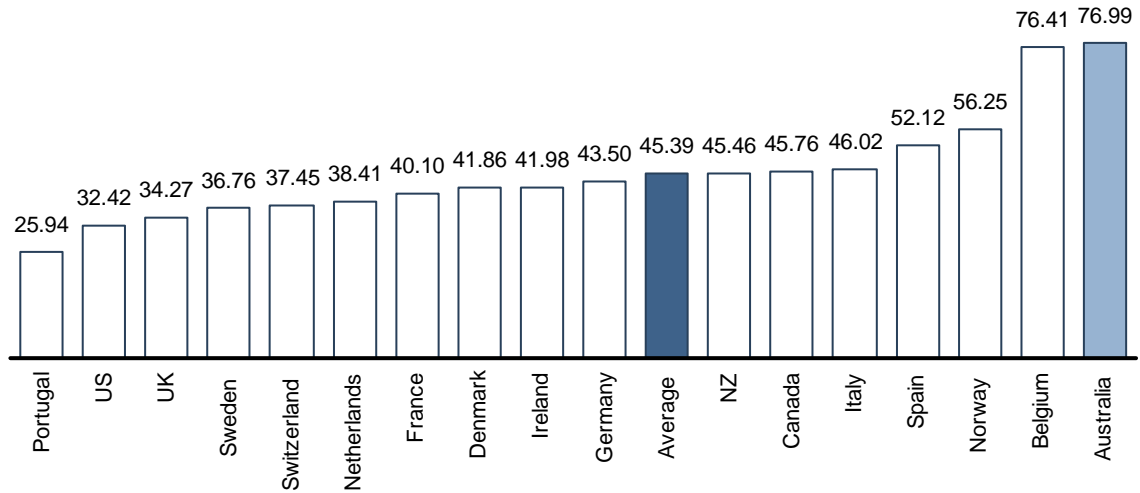
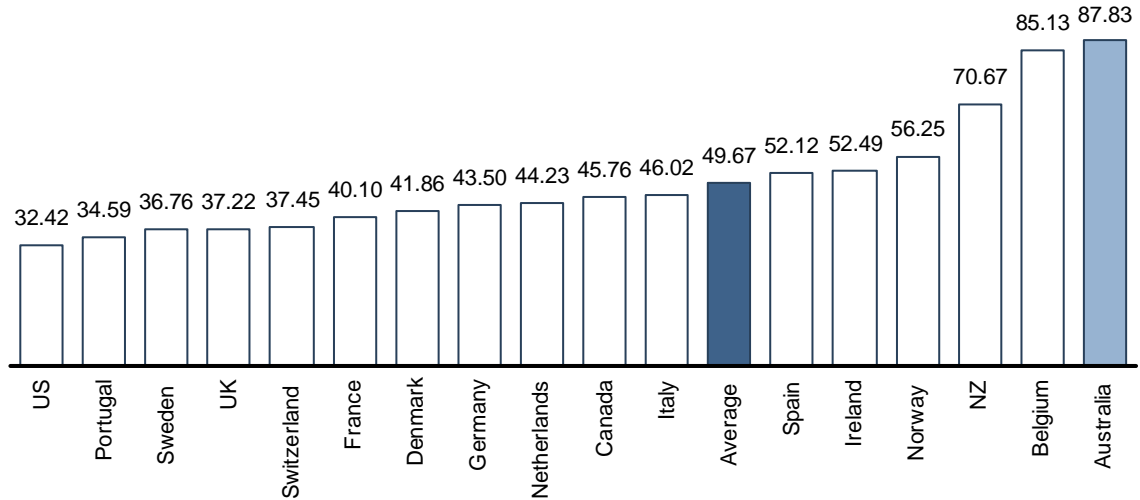


Exhibit 8: Most economical Ultra-high (30GB) usage plan with speed of 1Mbps+ (A\$ per month)



The previous analysis considers all plans, whether they have an access speed of 1Mbps or 17Mbps. However, higher speed plans offer a better end-user experience. In addition, with increasing high bandwidth requirement due to higher resolution video, it is important to assess Australia's placement in developed countries for high-speed broadband. Therefore, for the following analysis, we have only considered broadband plans with speeds above 17Mbps.

Exhibits 9 – 13 compare the Total Cost of Broadband for the OECD countries in our survey if we consider only broadband plans with speeds at or above 17Mbps. The results show Australia has lower than average high-speed broadband costs for low and medium usage categories.

We believe that this is due to widespread implementation of ADSL2+ in Australia. In many markets, the majority of LLU competitors have deployed older DSLAMS. However, in Australia, LLU was delayed. Ultimately that has encouraged more operators to launch with ADSL2+, increasing competition at the premium end of the market.

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However, the results of our analysis also show that Australia's comparative advantage in high speed broadband pricing reduces with higher usage (10GB +), since capped data costs begin to cut in.

Exhibit 9: Most economical Ultra-low (200MB) usage plan with speed of 17Mbps+ (A\$ per month)

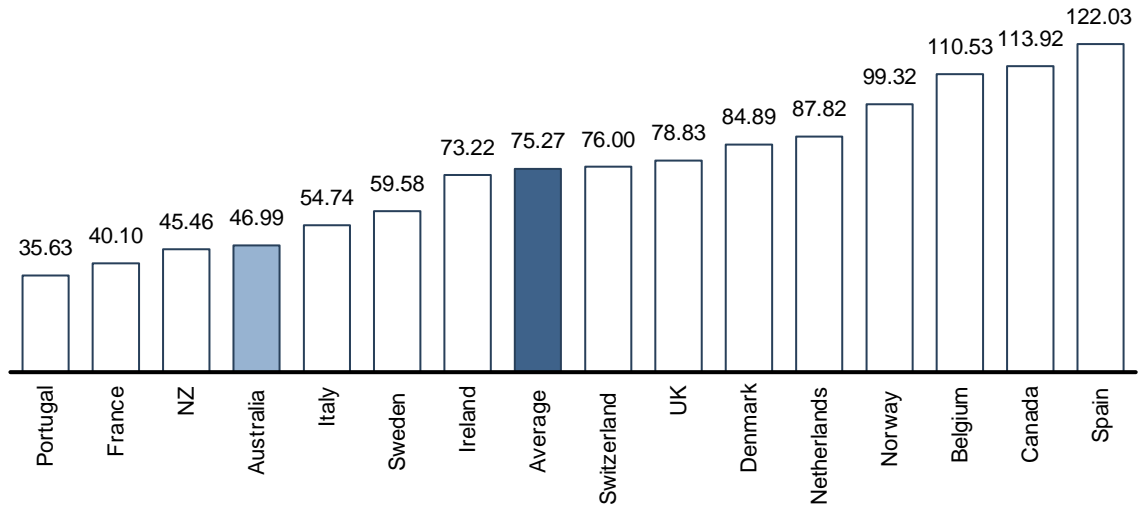
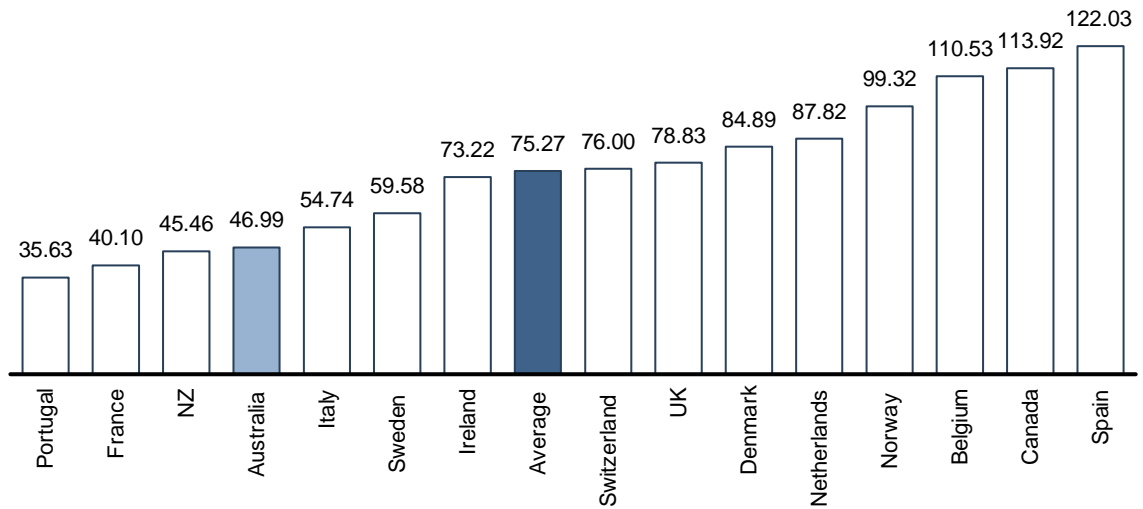


Exhibit 10: Most economical Low (500MB) usage plan with speed of 17Mbps+ (A\$ per month)



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Exhibit 11: Most economical Medium (2GB) usage plan with speed of 17Mbps+ (A\$ per month)

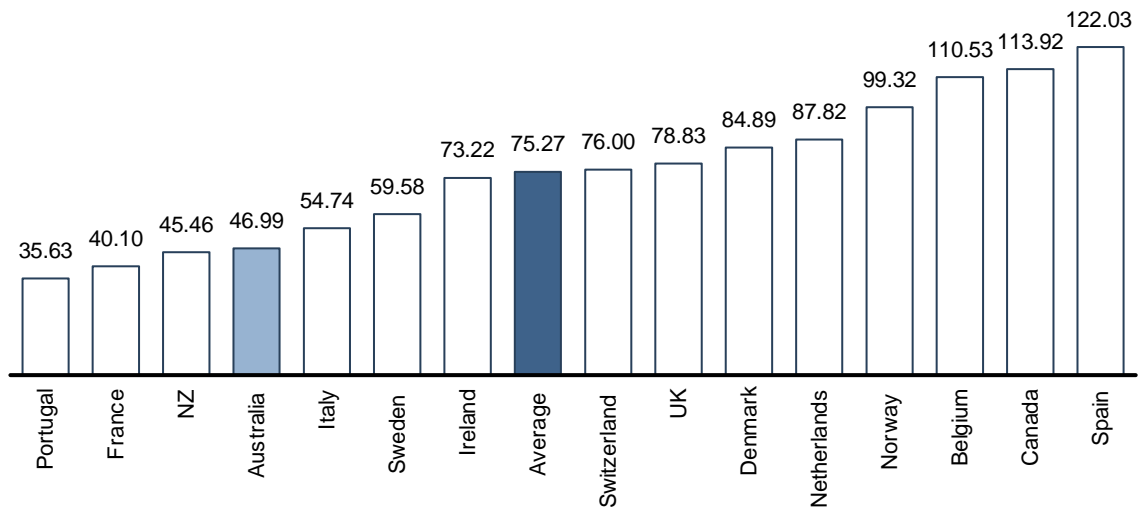
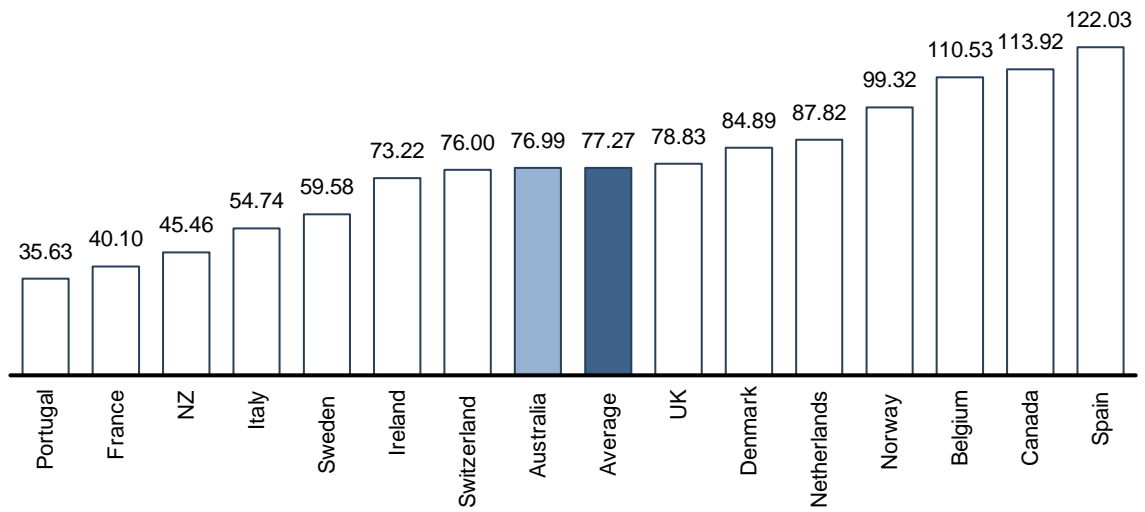
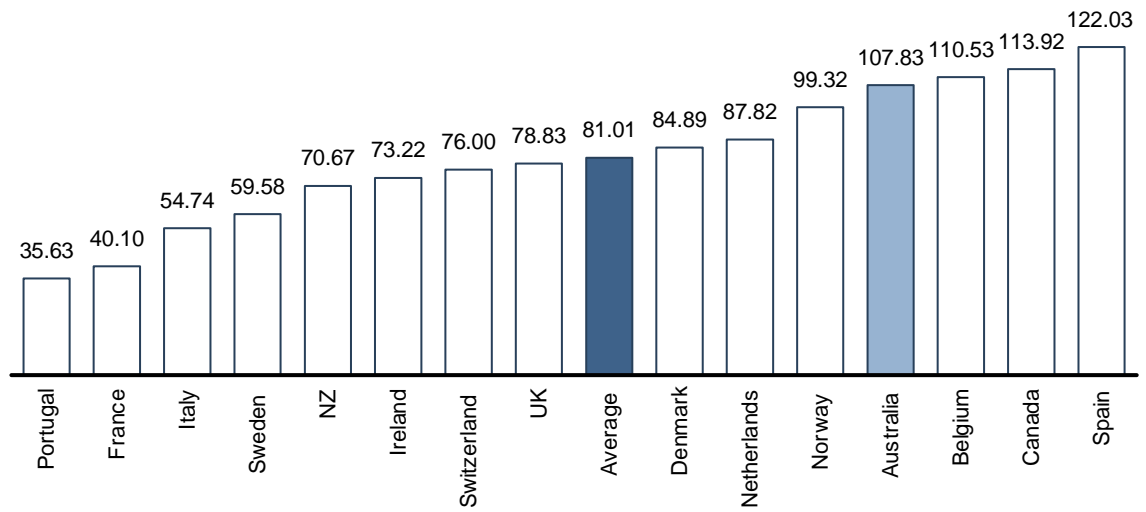


Exhibit 12: Most economical High (10GB) usage plan with speed of 17Mbps+ (A\$ per month)



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Exhibit 13: Most economical Ultra-high (30GB) usage plan with speed of 17Mbps+ (A\$ per month)



3 Appendix A: Methodology

In this international broadband pricing survey, we analysed the broadband offerings of the top two operators⁷ in each of the seventeen countries we surveyed, to calculate the cost of subscription per month over a 24 month period. The broadband pricing data were collected at the beginning of February 2009 and for each country, we have categorised the surveyed plans based on:

- Speed: We have classified the broadband plans into three different speed categories and they are 1-7 Mbps, 8-16 Mbps and 17+ Mbps. All plans offering download speeds of less than 1Mbps have not been included due to the scarcity of such offerings in the countries surveyed, and future-proofing this analysis as the definition of broadband is ever evolving
- Usage: We have assigned the surveyed broadband plans into four different data usage categories. They are Low (500MB per month); Medium (2GB per month); High (10GB per month) and Ultra-high (30GB per month)

In total, 121 broadband plans were surveyed and categorised by usage and speed.

The cost of broadband subscription per month is defined as the "Total Cost of Broadband", which includes:

- Monthly subscription charge
- Cheapest connection and modem available with the cost amortised over a 24 month period
- Additional cost of data if usage exceeds allowed data usage per month of the surveyed plan

For example, the monthly cost to a 'Low' user of a 0.2GB plan with a monthly subscription charge of \$49.95, an initial charge of \$189 for the modem and connection fee and an excess data usage fee of \$150 per GB would be:

$$\$49.95 + (\$189/24) + ((0.5-0.2)*\$150) = \$102.83$$

For the purpose of consistency, and to more accurately measure the cost of broadband, we have excluded from the survey:

- Special offers and promotions available for a limited period
- Business plans
- All bundled plans (i.e. with TV services, mobile, cable, satellite etc)
- All plans based on time (duration) charges

By calculating the cost of broadband subscription per month for all surveyed plans, we were able to identify the cheapest plan for the consumer for each of the four usage categories for each country.

Finally, to compare the results of the countries surveyed, we have used the average 2008 exchange rates⁸, and converted the calculated monthly broadband costs to Australian dollars.

⁷ Top two ISPs determined based on data from Informa, February 2009

⁸ Source: www.oanda.com

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4 Appendix B: Surveyed broadband plans

Exhibit 14: Input country and provider data

Country	Provider	Plan name	Max download speed (Mb)	Speed Category	Usage (max GB)	Monthly Charge (Local currency)	Additional charge (Local currency/GB)	Modem and Connection Fee (Local currency)
Australia	Telstra	Faster	1.5	1	0.4	39.95	150	189.00
Australia	Telstra	BigPond Liberty Faster	1.5	1	12	69.95	0	189.00
Australia	Telstra	BigPond Liberty Faster	1.5	1	25	79.95	0	189.00
Australia	Telstra	Fastest	20	17	0.6	59.95	150	189.00
Australia	Telstra	BigPond Liberty Fastest	20	17	12	89.95	0	189.00
Australia	Telstra	BigPond Liberty Fastest	20	17	25	99.95	0	189.00
Australia	Telstra	Fastest	20	17	60	149.95	150	189.00
Australia	SingTel Optus	MyHome	20	17	2	39.99	0	167.95
Australia	SingTel Optus	MyHome	20	17	5	49.99	0	167.95
Australia	SingTel Optus	MyHome	20	17	15	69.99	0	167.95
Australia	SingTel Optus	MyHome	20	17	30	109.99	0	167.95
Belgium	Belgacom	Budget	1	1	1	20.00	6	50.00
Belgium	Belgacom	Light	4	1	4	31.55	6	50.00
Belgium	Belgacom	Go	12	8	25	41.75	1	50.00
Belgium	Belgacom	Plus	12	8	60	57.05	1	50.00
Belgium	Belgacom	Boost	17	17	60	62.15	1	50.00
Belgium	Telenet	BasicNet	1	1	1	20.00	1.5	50.00
Belgium	Telenet	ComfortNet	6	1	4	30.64	1.5	50.00
Belgium	Telenet	ExpressNet	15	8	25	42.91	1	50.00
Belgium	Telenet	TurboNet	25	17	60	61.32	1	50.00
Canada	Bell Canada	Essential Plus	2	1	20	41.90	2.00	0
Canada	Bell Canada	Performance	7	1	60	51.90	1.50	0
Canada	Bell Canada	Max 10	10	8	100	61.90	1.00	0
Canada	Bell Canada	Max 16	16	8	100	91.90	1.00	0
Canada	Shaw	High-Speed	5	1	60	40.95	0	0
Canada	Shaw	High-Speed Xtreme	10	8	100	50.95	0	0
Canada	Shaw	High-Speed Nitro	25	17	150	101.95	0	0
Denmark	TDC	TDC Broadband 4 Mbit	4	1	No cap	244.00	0	0
Denmark	TDC	TDC Broadband 10 Mbit	10	8	No cap	314.00	0	0
Denmark	TDC	TDC Broadband 20 Mbit	20	17	No cap	363.00	0	0
Denmark	Cybercity	2Mbit	2	1	No cap	179.00	0	0
Denmark	Cybercity	4Mbit	4	1	No cap	199.00	0	0
Denmark	Cybercity	6Mbit	6	1	No cap	299.00	0	0
France	Orange	ADSL	18	8	No cap	42.90	0	0
France	Orange	Fibre	100	17	No cap	23.00	0	0
France	Free	ADSL	28	17	No cap	32.99	0	0
Germany	Deutsche Telekom	Basic	2	1	No cap	29.95	0	106.94
Germany	Deutsche Telekom	Comfort	6	1	No cap	39.95	0	106.94
Germany	Deutsche Telekom	Comfort Plus	16	8	No cap	49.95	0	106.94
Germany	Vodafone Germany	InternetFlat	6	1	No cap	24.95	0	0
Germany	Vodafone Germany	InternetFlat +	16	8	No cap	24.95	0	0

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Ireland	Eircom	Home Starter	1	1	10	25.09	10.24	0
Ireland	Eircom	Home Plus	2	1	30	30.11	10.24	0
Ireland	Eircom	Home Advanced	7	1	50	40.16	10.24	0
Ireland	Eircom	Home Professional	7.6	1	50	48.60	10.24	0
Ireland	UPC	Value	3	1	20	22.00	0	49.99
Ireland	UPC	Express	10	8	No cap	32.00	0	49.99
Ireland	UPC	Ultra	20	17	No cap	40.00	0	0
Italy	Alice	7 Mega	7	1	No cap	19.95	0	154.80
Italy	Alice	20 Mega	20	17	No cap	24.95	0	154.80
Italy	Fastweb	NavigaCasa	20	17	No cap	39.90	0	59.90
Netherlands	KPN	Basics	3	1	No cap	25.00	0	8.95
Netherlands	KPN	Extra	8	8	No cap	30.00	0	8.95
Netherlands	KPN	Premium	20	17	No cap	50.00	0	8.95
Netherlands	Ziggo	Z1	2	1	10	19.95	0	50.00
Netherlands	Ziggo	Z2	5	1	50	29.95	0	50.00
Netherlands	Ziggo	Z3	15	8	100	47.95	0	50.00
Netherlands	Ziggo	Z3i	30	17	200	69.95	0	50.00
New Zealand	Telecom NZ	Go	8	8	3	39.95	0	99.95
New Zealand	Telecom NZ	Explorer	20	17	10	49.95	0	99.95
New Zealand	Telecom NZ	Adventure	20	17	20	59.95	0	99.95
New Zealand	Telecom NZ	Pro	20	17	40	79.95	20	99.95
New Zealand	TelstraClear	PDQ Turbo	8	8	1	38.95	2.95	168.95
New Zealand	TelstraClear	PDQ Max	8	8	1	46.95	2.95	168.95
New Zealand	TelstraClear	PDQ Turbo	8	8	10	47.95	2.95	168.95
New Zealand	TelstraClear	PDQ Max	8	8	10	55.95	2.95	168.95
Norway	Telenor	Basic	1.5	1	No cap	299.00	0	0
Norway	Telenor	Medium	5	1	No cap	399.00	0	0
Norway	Telenor	Premium	16	8	No cap	499.00	0	0
Norway	Telenor	Turbo	16	8	No cap	399.00	0	0
Norway	NextGenTel	ADSL 1000	1	1	No cap	249.00	0	399.00
Norway	NextGenTel	ADSL 2500	2.5	1	No cap	289.00	0	0
Norway	NextGenTel	ADSL 3500	3.5	1	No cap	319.00	0	0
Norway	NextGenTel	ADSL 4500	4.5	1	No cap	349.00	0	0
Norway	NextGenTel	ADSL 6000	6	1	No cap	398.00	0	0
Norway	NextGenTel	ADSL Mega Fri Fart	20	17	No cap	469.00	0	0
Norway	NextGenTel	V30	30	17	No cap	598.00	0	0
Norway	NextGenTel	V40	40	17	No cap	698.00	0	0
Portugal	PT	SAPO 4Mb	4	1	No cap	14.00	14.9	0
Portugal	PT	SAPO 8Mb	8	8	No cap	19.00	14.9	0
Portugal	PT	SAPO 24Mb	24	17	No cap	24.00	14.9	0
Portugal	TV Cabo	2Mb	2	1	5	14.99	1.5	0
Portugal	TV Cabo	4Mb	4	1	10	14.88	1.5	0
Portugal	TV Cabo	8Mb	8	8	0	19.84	0	0
Portugal	TV Cabo	18Mb	18	17	0	20.44	0	0
Portugal	TV Cabo	30Mb	30	17	0	44.64	0	0
Spain	Telefonica	Mini	1	1	2	19.90	0	73.05
Spain	Telefonica	Base	1	1	No cap	29.90	0	0
Spain	Telefonica	Mid	6	1	No cap	40.90	0	0
Spain	Telefonica	Max	10	8	No cap	44.90	0	0

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Spain	ONO	Banda Ancha 6Mb	6	1	No cap	50.00	0	0
Spain	ONO	Banda Ancha 12Mb	12	8	No cap	60.00	0	0
Spain	ONO	Banda Ancha 25Mb	25	17	No cap	70.00	0	0
Sweden	Telia	Telia Bredband 2	2	1	No cap	229.00	0	0
Sweden	Telia	Telia Bredband 8	8	8	No cap	279.00	0	0
Sweden	Telia	Telia Bredband 24	24	17	No cap	329.00	0	0
Sweden	Com Hem	Small	2	1	No cap	199.00	0	96.00
Sweden	Com Hem	Medium	10	8	No cap	299.00	0	96.00
Sweden	Com Hem	Large	24	17	No cap	339.00	0	96.00
Sweden	Com Hem	XLarge	50	17	No cap	429.00	0	96.00
Switzerland	Swiss Telecom	DSL mini	1	1	No cap	34.00	0	0
Switzerland	Swiss Telecom	DSL standard	5	1	No cap	49.00	0	0
Switzerland	Swiss Telecom	Infinity	20	17	No cap	69.00	0	0
Switzerland	Cablecom	Hisppeed 2000	2	1	No cap	34.00	0	0
Switzerland	Cablecom	Hisppeed 10000	10	8	No cap	49.00	0	0
Switzerland	Cablecom	Hisppeed 25000	25	17	No cap	75.00	0	0
UK	BT	Fast & reliable	8	8	10	15.65	0	0
UK	BT	Heavy usage	8	8	15	20.54	0	0
UK	BT	Unlimited	8	8	No cap	24.46	0	0
UK	Virgin Media	M	2	1	No cap	17.00	0	0
UK	Virgin Media	L	10	8	No cap	24.00	0	0
UK	Virgin Media	XL	20	17	No cap	36.00	0	0
UK	Virgin Media	XXL	50	17	No cap	51.00	0	0
US	AT&T	Express Plan	1.5	1	No cap	25.00	0	49.99
US	AT&T	Pro Plan	3	1	No cap	30.00	0	49.99
US	AT&T	Elite Plan	6	1	No cap	35.00	0	49.99
US	Comcast	Performance	6	1	No cap	59.95	0	0
US	Comcast	Performance Plus	8	8	No cap	67.95	0	0

Note: Excludes bundled offerings; assumes 12 month DSL contracts; user has a fixed line with the incumbent; user has no modem and is a new broadband user/customer; lowest cost modem is used; self-service installation where possible; and excludes any promotional deals.

Source: Company websites

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