

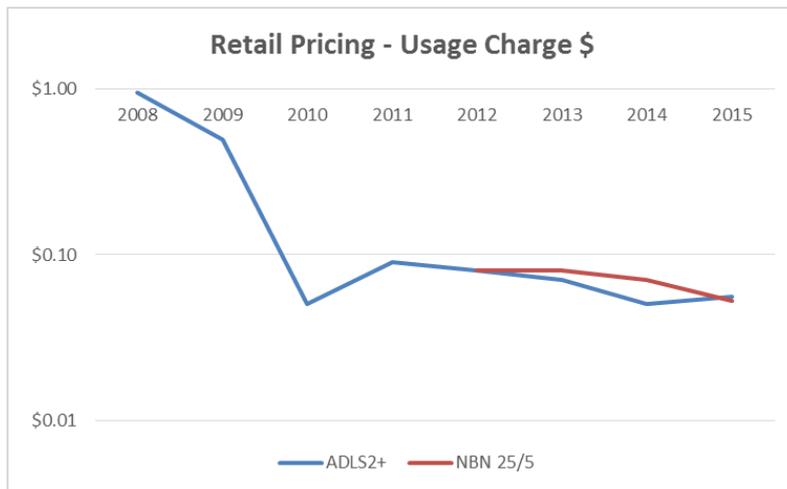
ECONOMUSE

2015 review of broadband pricing

NBN retail prices are still marking time and NBN entry level prices still too high.

Every September since 2008 I have reviewed the state of retail broadband pricing. Not much has changed since [last year](#). Entry level prices on the NBN are still too high and mobile broadband is still a threat for the NBN.

The same methodology as in previous years has been used. The state of retail pricing is found as a “best fit” line on a scattergram showing the plan price per month (including telephone) against the peak monthly download. Higher plan fees are associated with a higher monthly data cap. So, the slope of the line is the implicit average cents/GB and the intercept is the average fixed monthly fee. The changes in estimated typical plans are shown in the two charts below – excluding plans with unlimited data (discussed later).

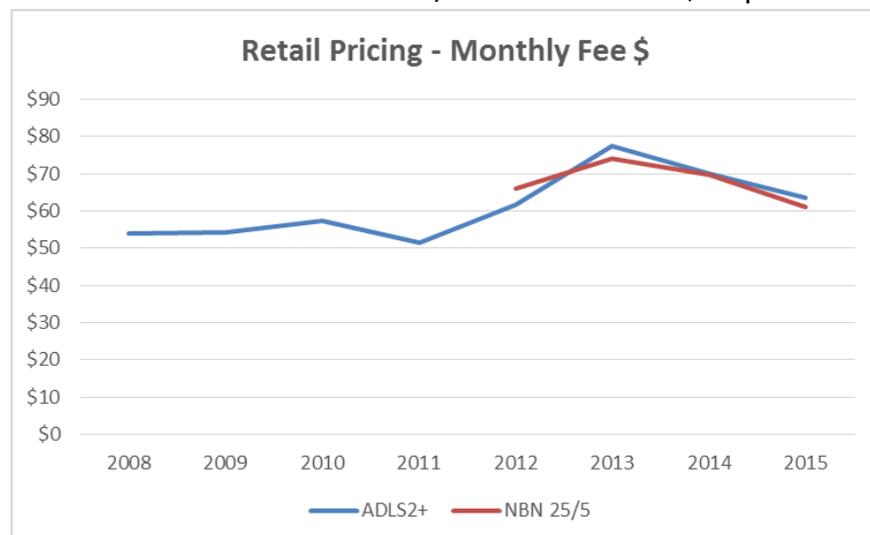


The first chart shows the implicit cost per GB for both ADSL2+ and NBN 25/5 Mbps plans is now around 6 cents for the top ISPs (BigPond, TPG, Optus and iiNet). This is the same as last year.

If you want extra data on top of the plan, expect to pay \$10/GB. Otherwise, exceeding the cap will see the download speed to be throttled to as little as 128Kbps (TPG) to the end of the month.

Although not shown on the first chart, NBN 100/40 plans are implicitly around 5 cents/GB; which is a couple of cents cheaper than last year.

The second chart shows the typical fixed fee for both ADSL2+ and NBN25/5 is now around \$62 pm. While fixed prices have fallen two years in a row, retail entry level prices on the NBN are still too high. The cheapest is around \$40 pm (TPG, 12/1 Mbps).



Vertigan forecast that just under 18% of NBN fixed services will be voice only (p66, Vol. II). But, I think it is much more likely that they will opt for mobile-only.

Part of the problem is that the cheapest wholesale price on the NBN is around \$25 pm. That needs to be halved to get affordable voice services on the NBN.

Both TPG and Optus have unlimited data plans. These cannot be included in the scattergram from which the typical plan is derived (charts above). But, if we deduct the estimated average fixed fee from the advertised fee for an unlimited plan, we can then spread the remainder over an assumed usage to get the implicit cents per GB.

The estimated best-fit fixed fees for ADSL2+, NBN 25/5 and NBN 100/40 are \$63, \$61 and \$80 respectively. The corresponding fees for unlimited plans with Optus are \$95, \$95 and \$125 (there are options that are \$20 higher which include extra free calls). TPG no longer offers unlimited data on ADSL2+. For the two NBN plans above, its fees are \$89.99 and \$99.99 (with an option to pay an extra \$10 on the last to get more free calls).

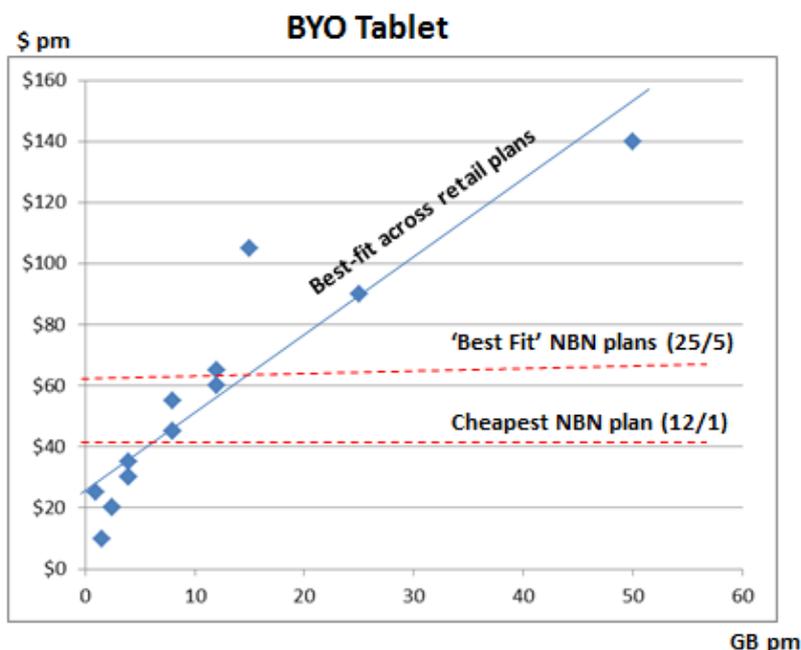
At December 2014, the mean monthly download on fixed broadband was 60 GB pm (ABS 8153). Those on unlimited plans probably use much more. The more they use, the lower the effective cents per GB. For example, on NBN 100/40 Optus customers using only 100 GB would be paying implicitly 45 cents/GB. They need to be using over 900 GB per month to get to the same implicit 5 cents per GB as the 'typical' plan. However, the 'typical' plan only describes the market; it is not in the market; where there the only data-cap between 500GB and 1,000GB pm is iiNet's 600GB.

It is unlikely that ISPs can make money from unlimited plans – unless usage is low and users are paying a premium for certainty. There are no unlimited plans at iiNet which has [complained](#) loudly

about the cost impact of NBN's CVC pricing fuelled by video-streaming. Will Optus and TPG have to drop unlimited plans?

Last year, mobile was cheaper than the fixed NBN up to 15 GB pm. But, mobile broadband has lost some ground with TPG's entry level NBN plan at around \$40 pm (see chart).

This may be only a temporary respite for the NBN as the cost and speed of mobile broadband improve and free WiFi services are extended.



Previous surveys have observed that fixed broadband competition [stalled](#) around 2010-11 (see charts above). Initially, that was probably due to ISPs waiting to see more realistic wholesale pricing for the NBN – and there is no sign of that yet. But, as TPG moves from maverick to mature player, it is difficult to see where the competition is going to come from outside of mobile broadband.

John de Ridder