

NGN Price Benchmarking

A report for Telstra

27 June 2018

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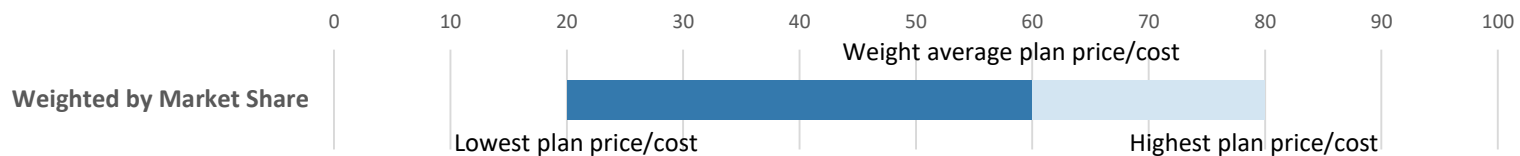
Executive Summary

- Analysis of thirty leading Next Generation Broadband markets indicate Australia is at least the fifth most expensive of all markets across each speed tier compared to 7th most expensive in December review.
- For plans meeting the NBN's SOE objective of 50Mbps, Australia ranks as 4th most expensive of 26 markets (vs. 5th of 25 markets in December). Australia's average price is 27% higher than the median average price and more than double that seen in the three least expensive markets. In the other speed cohorts, Australia ranked:
 - 5th most expensive of 21 markets for plans with speeds up to and including 25Mbps (vs. 7th of 21 in December), and
 - 4th most expensive of 26 markets for plans with speeds from 25Mbps up to and including 50Mbps (vs. 5th of 25 markets in December).
 - 5th most expensive of 29 markets for plans with speeds from 50Mbps up to and including 100Mbps (vs. 6th of 28 markets in December).
- Australia remains one of nine markets where data allowances remain a feature on next generation networks, and is the only market where leading providers do not offer plans with speeds of greater than 100Mbps.
- Population density and urbanisation show weak relationships^{1,2} with pricing. Even when only considering urban areas, where NGN deployments are focused, the evidence of a relationship remains weak³.
 - This counters the reasoning that Australian should only be benchmarked against countries with similar geographic and population profiles, such as Canada or the United States.
 - This further suggests the prevalence of infrastructure competition, market structure and regulatory settings remain the determinates of price levels. This includes, in Australia's case, NBN wholesale price setting arrangements.
- Comparison of plan prices to the sample collected in December 2017 suggest modest price inflation (2% over six months). Of carrier plans with unchanged features, 28% had increased in price compared to 18% which had decreased in price.



Methodology

- The following charts summarize the cost to end customers of NGN fixed broadband available in 30 leading broadband markets. The data represents plans evaluated in the first two weeks of June 2018.
- The plans analyzed represent the plans from the leading 3-4 providers in each market, and are focused on standalone NGN broadband wherever possible (rather than bundles). Plans are priced for inclusion of a Wi-Fi modem, a standard installation and exclude sales taxes such as VAT and GST.
- Prices are in Australian dollars, with adjustment for purchasing power (PPP), and reflect the average cost per month inclusive of promotional discounts and one-off charges (activation fees, equipment purchase & postage, installation charges). This is calculated based on a 36-month term of service. The PPP adjustment allows comparison with low cost/low income markets such as Mexico, Poland, Turkey and Romania and is consistent with broadband price monitoring undertaken by the OECD and ISEN.
- For each market the range of available plans are presented, illustrating the lowest and highest cost plans as well as the market share weighted average price of available plans. The weighted average price is intended to illustrate the supply of available services but is not intended to represent the average price paid by end users or provider ARPU. The upper limit of A\$400 is used for presentation purposes – there are some plans, such as 10Gbps plans in Hong Kong that exceed this threshold.



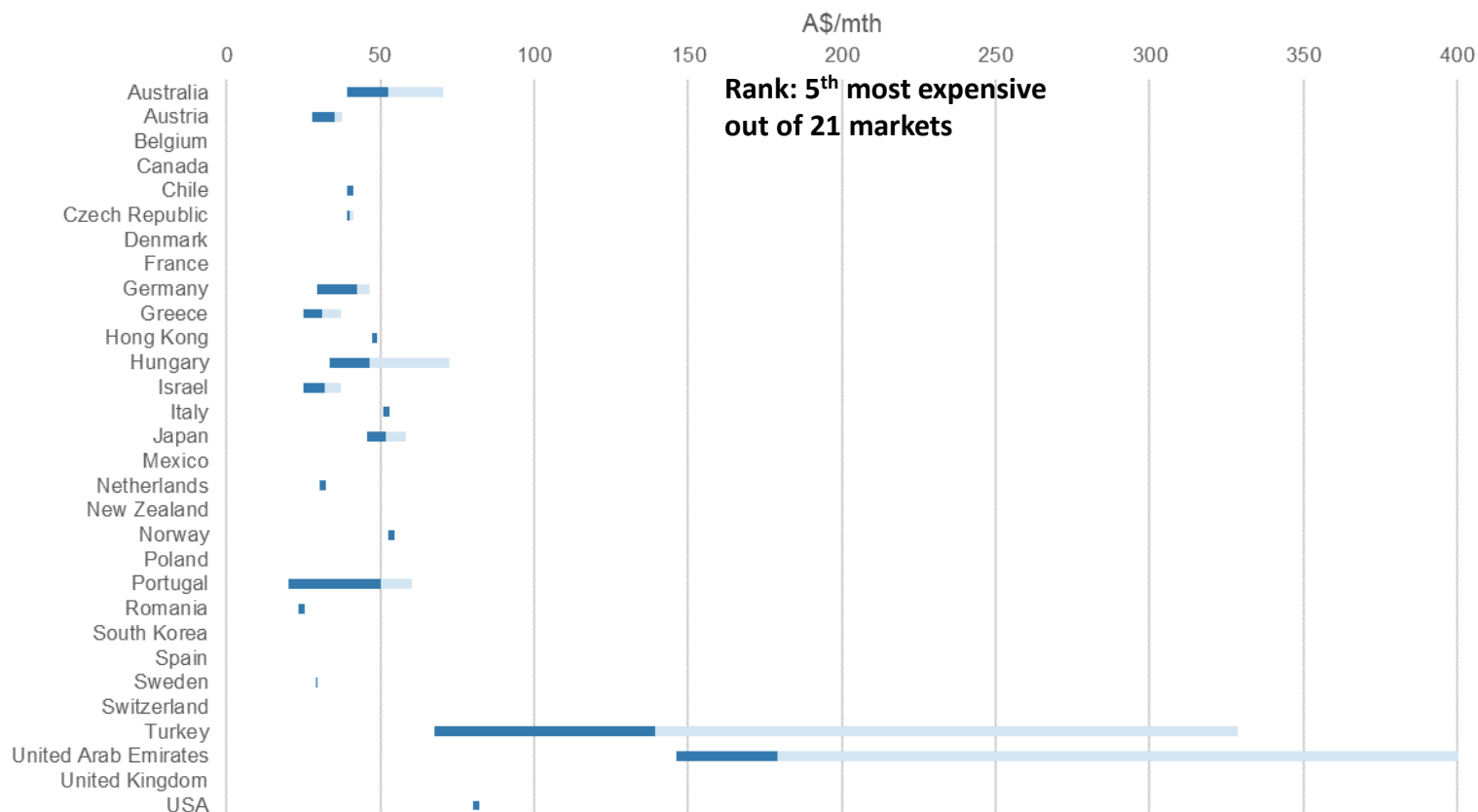
- Most markets predominantly feature unlimited data plans. The analysis focuses on plans with data allowances of 1TB or more, including unlimited plans.



Plans up to 25 Mbps

Weighted Average monthly cost ex-tax, PPP adjusted, 1TB+ data allowance

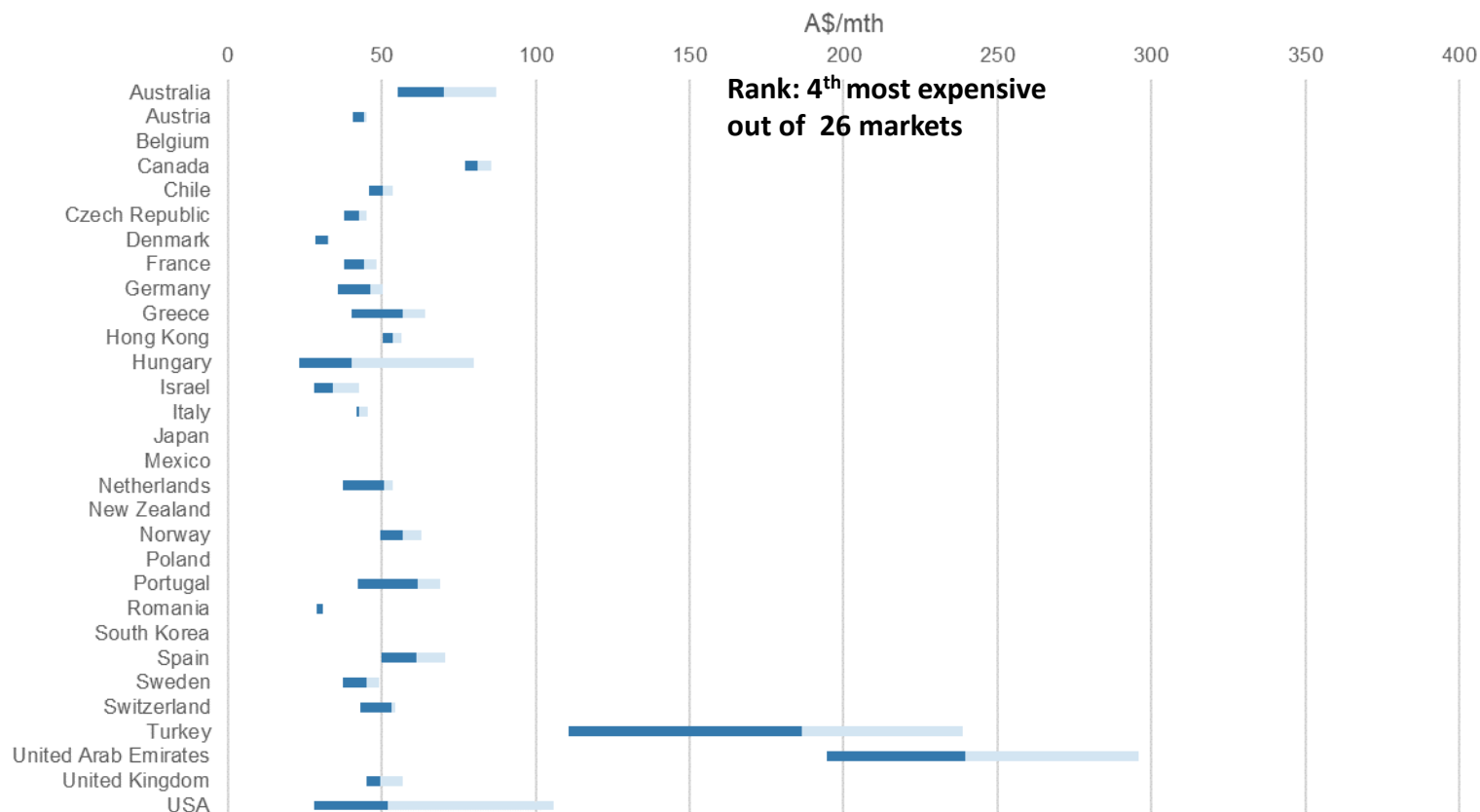
- Total weighted average cost including one-off charges and promotional discounts averaged over 36 months for plans offering download speeds of up to and including 25Mbps



25-50 Mbps Plans

Weighted Average monthly cost ex-tax, PPP adjusted, 1TB+ data allowance

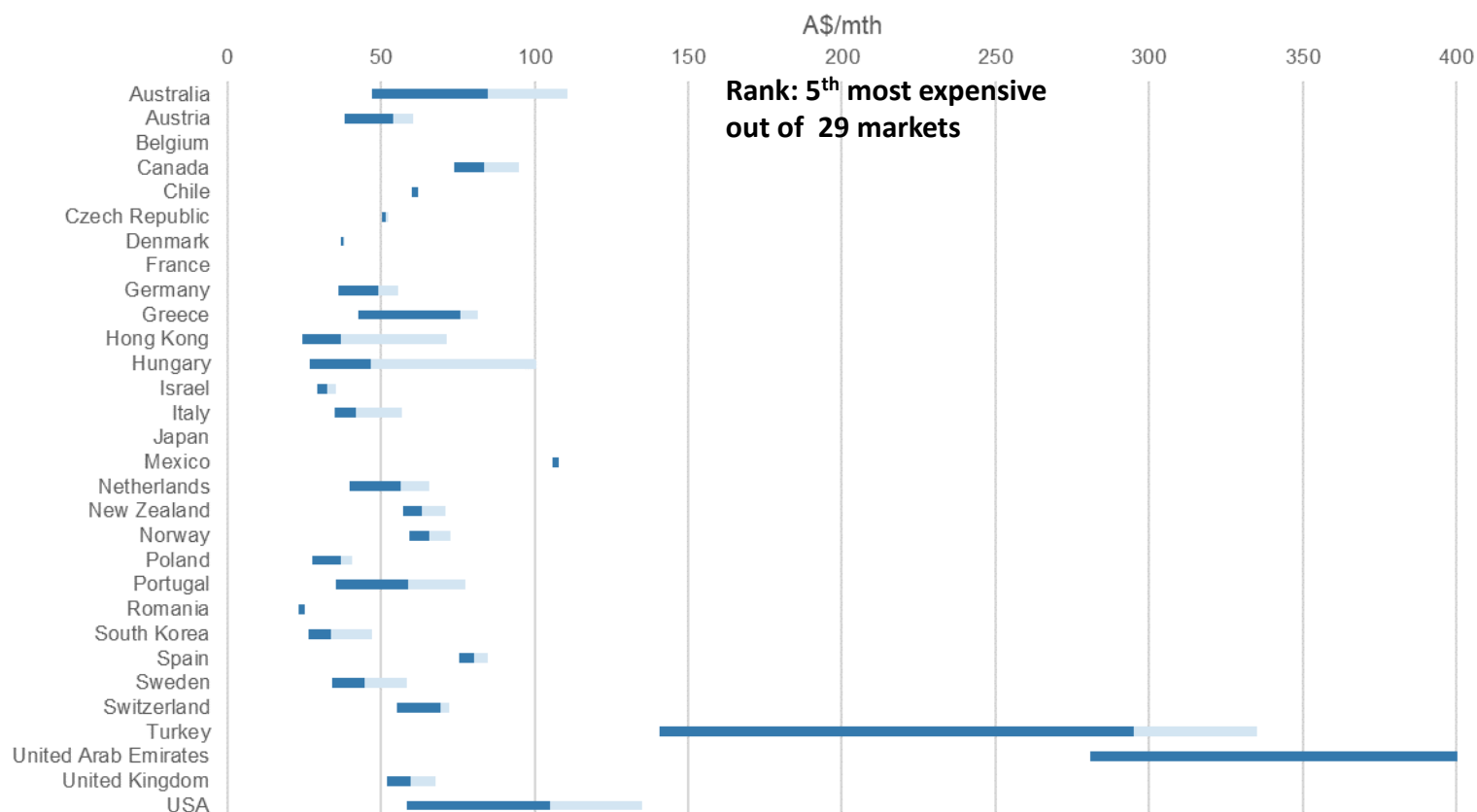
- Total weighted average cost including one-off charges and promotional discounts averaged over 36 months for plans offering download speeds of more than 25Mbps and up to and including 50Mbps



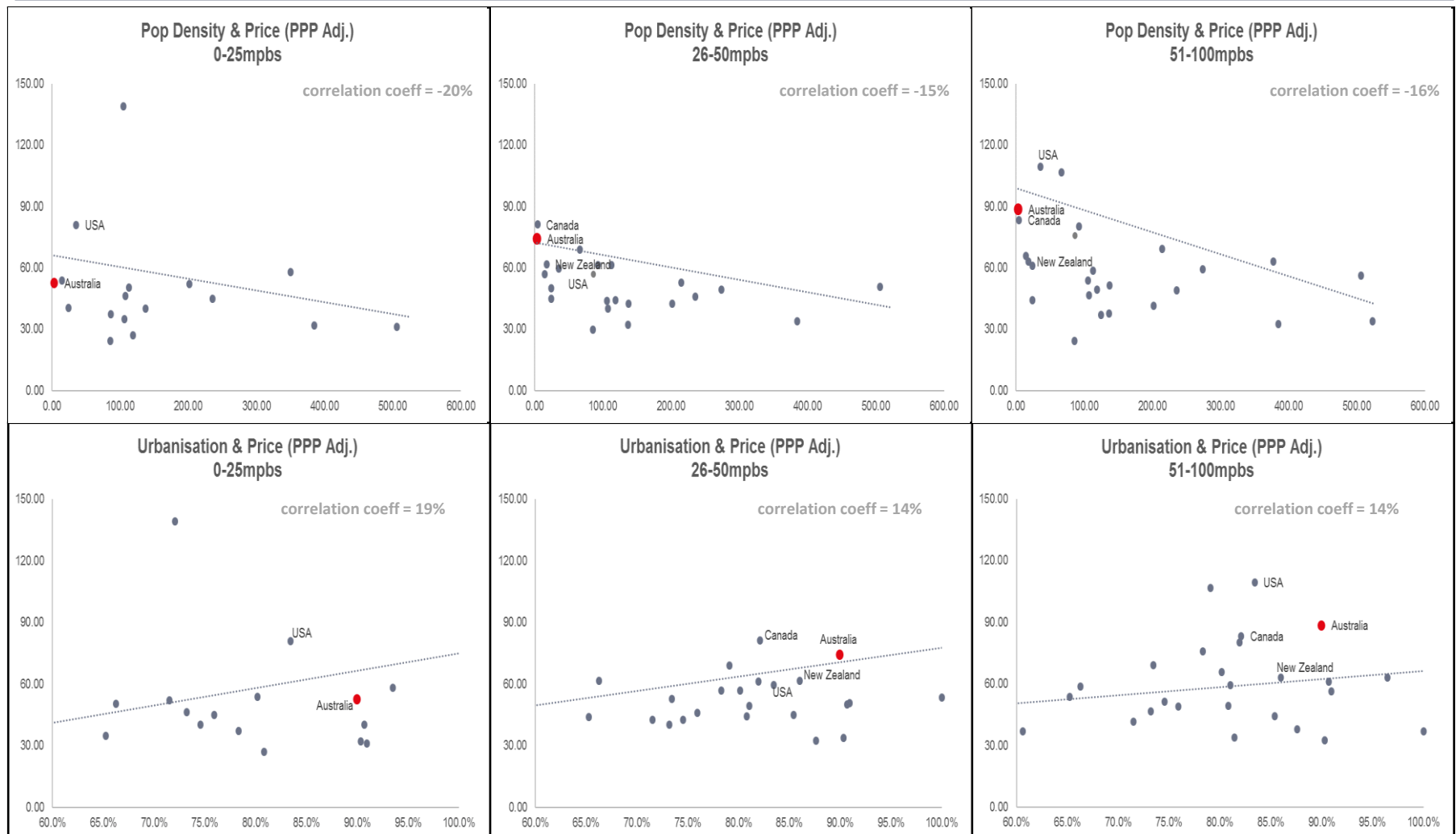
50-100 Mbps Plans

Weighted Average monthly cost ex-tax, PPP adjusted, 1TB+ data allowance

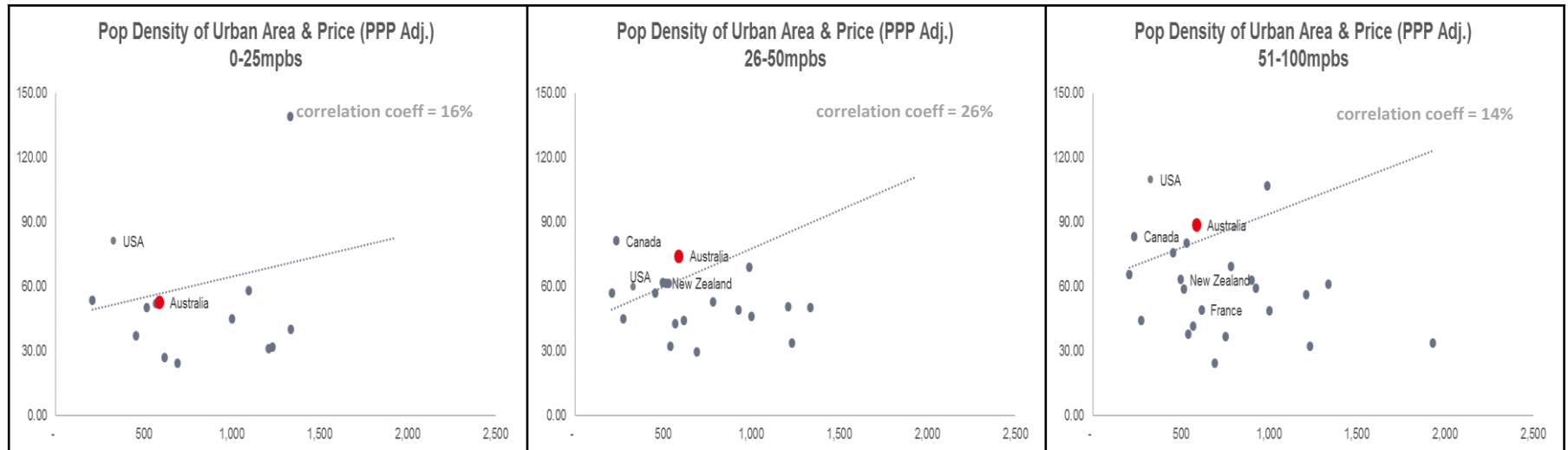
- Total weighted average cost including one-off charges and promotional discounts averaged over 36 months for plans offering download speeds of more than 50Mbps and up to and including 100Mbps



Relationships with population density & urbanization



Relationships with urban population density



Pricing trend

- Comparison of the data set with the sample gathered in December 2017 suggest a modest rise, on average, of NGN broadband prices globally.
- From the sample of 745 plans reviewed in Jun 2018, 586 or 78% were consistent (name, download speed, data allowance) with plans reviewed in December 2017.
- Of these plans, the list price (ongoing monthly charge for service, local currency)
 - Increased in 140 (28%) instances
 - Remained unchanged in 340 (58%) instances
 - Decreased in 106 (18%) instances
- The average of the list price changes was +2%.
- Review at a country level suggests a similar number of markets experienced increasing prices as experienced decreasing prices.

