Point Topic’s Broadband Operators and Tariffs

Broadband tariff benchmarks: Q1 2013

May 2013
1 Introduction

Every quarter, Point Topic track changes in the standalone and bundled broadband tariffs provided by operators across the globe. This report presents the latest tariff benchmarks from end of March 2013.

The data is collated within Point Topic’s Broadband Operators and Tariffs subscription service. Our experienced analysts review and interpret the information to show pricing trends by region, country and technology.

We provide access to the raw data, as well as charts and tables for the tariffs offered.

2 What we measure

Our tariff database covers all major operators across the globe. In total, we track 290 operators from 90 countries across the world.

We use this data to report on global trends in tariffs and bandwidths offered. We also report on regional trends and variation across countries. The data can also be used to track changes in the tariffs offered by individual operators.

Standalone and bundled

We report tariffs where broadband is offered as the only service (standalone) and tariffs where broadband is offered with other services such as TV and telephony (bundled).

Residential and business

We report both business and residential tariffs.

Technologies

Within this report we look at differences between the three major fixed broadband technologies. The full tariff database also includes some wireless and mobile broadband tariffs.

Fibre includes FTTx and VDSL technologies.

The full tariff database and analysis reports are available for subscribers to download from our website:

http://subscribers.point-topic.com/tariffs
3 Global tariffs and bandwidths

We have compared the average subscription charges and corresponding bandwidths for different broadband technologies across the world.

3.1 Residential broadband packages

In Q1 2013, the average monthly charge for residential broadband services was $73.29. The average bandwidth provided by residential services was 36.3Mbps. This means that the average global cost per megabit was just over $2 at the end of March 2013.

The key factor that affects this metric is the bandwidth offered by the different technologies. Monthly subscription charges for all three services are comparable (although fibre remains the most expensive service).

The cost per megabit for fibre and cable residential broadband services was comparable at $1.14 and $1.53 respectively. Copper is much more expensive for residents, given the bandwidth that they can expect to receive. The average global cost per megabit for residential copper broadband services was $5.57 in Q1 2013.

Copper continues to be central to the networks in many regions. Despite the decline in subscribers in some mature markets for plain DSL (but not VDSL) services and many ISPs moving away from end-to-end copper, its role in delivering FTTx in the local loop (VDSL) will mean that copper will still be in the ground for many years to come.

End-to-end copper will increasingly be focused in areas that have poor infrastructure and competition and low upgrade potential, meaning that operators are able to charge a relative premium which drives up the average tariff. In areas where DSL faces more competition the tariffs tend to be lower than for either cable or fibre – pitched at the more entry level, low data volume users. However, at the regional level, copper is still the most expensive technology in all regions.
3.2 Business broadband packages

In Q1 2013, in terms of average monthly price, fibre services for businesses cost twice as much as copper services and four times as much as cable services. The downstream bandwidth offered by cable and fibre services was comparable and four times faster than copper or DSL services.

This means that overall, the cost per megabit for business cable broadband services is much cheaper than fibre or copper. This is a different story to the residential market, where fibre and cable are quite equally matched in terms of average cost per megabit, and all services offer a cheaper cost per megabit.

![Average cost per megabit - Q1 2013](image)

If as a business you don’t have access to fibre or cable services then you usually have to pay more than twice as much per megabit for a copper subscription than residential consumers. This reflects the higher usage and average bandwidths that businesses need as well as the increased customer service costs generally associated with business services.

In part the high cost for fibre is due to the introduction of new gigabit fibre tariffs. With more expensive high-speed services now available, the overall price trend inevitably shifts upward although ‘cheaper’ fibre services are still offered. We expect to see this come down slightly as the premium element wears off in the next few quarters.

4. Regional tariffs and bandwidths

In this section we have compared the average subscription charges and corresponding bandwidths for different broadband technologies in different regions across the world.

4.1 Residential broadband packages
Asia-Pacific offers, on average, the fastest broadband services, as in the case of business segment. The average bandwidth was further increased by countries such as Japan launching a 2Gbps residential fibre service. The prices for residential services in Asia-Pacific are among the lowest, whereas in the case of business services the prices were mid-range in this region compared to other regions. This once again confirms that countries like Japan are leading in terms of “value for money” on residential broadband.

There has been little shift since the last quarter, but in the coming quarters we expect to see bandwidths to continue to increase in most mature markets, as we also wait for the South American and MEA regions start offering higher bandwidth tariffs as primarily fibre based deployments make their way to market.

Within the last year, the speeds offered by residential services in Western Europe and North America have increased, as the deployment of higher speed solutions reaches more of their markets. This is a stage that much of Asia has already undergone, and to an extent Eastern Europe, which joined the race later and hence was able to focus on more advanced technologies at the outset. The average price for residential broadband is comparable in Asia-Pacific and Europe.

The next major shift will happen in Western Europe and North America when mass consumer gigabit services come online. These developments aren’t expected in North America until next year, and possibly as late as 3-5 years in Western Europe. Some countries of Eastern Europe are already offering gigabit broadband for residential customers, although at rather high prices.
4.2 Business broadband packages

The lowest priced business tariffs are offered in Europe and the Americas, although services in Europe and North America are typically faster. Asia-Pacific offers the fastest broadband services to businesses, but at a higher cost than in Europe and the Americas.

South and East Asia sells by far the most expensive broadband services to businesses. This is due to a dominance of expensive fibre based services offered to businesses in China and India.

The key change within this quarter is that the average downstream speeds offered by services in Eastern Europe is now comparable to Western Europe and North America. This is due to the introduction of some very high speed services.
5. Regional technology benchmarks

Here, we show a comparison of the average tariffs offered by region for copper, cable and fibre broadband services.

5.1 Residential broadband packages

It is interesting to note that Western Europe – where FTTH/P has failed to gain much of a foothold – continues to offer the lowest average PPP tariff for fibre, most often for a hybrid solution. Western Europe comes second only to Asia-Pacific in terms of the average cost per megabit for residential fibre services.

It remains to be seen whether this position can be maintained. One of the major criticisms of the Western Europe hybrid approach is that beyond 100Mbps supply will be very difficult and expensive. Western Europe may be forced into a second fibre build out earlier than expected, or will find themselves within the slow lane in 3-5 years time.

Similarly to the business segment, copper based residential services are most expensive in Latin America, Middle East and Africa, and South and East Asia. In most countries of these regions customers still have a limited choice of alternative technologies, so have to pay a premium price for legacy broadband due to a lack of competition.
5.2 Business broadband packages

It is more difficult to get pricing information for business services from some operators. Therefore we must alert users to the cases where the sample sizes are small.

In Latin America, though cable is the second most popular technology after copper in terms of take-up, most operators do not publish the prices for business customers, hence the prices used for analysis are from one supplier in Mexico. Fibre is a bit less widely spread, but mostly for reasons quoted above the value returned is from a single suppliers.

With an exception of Asia Pacific and South and East Asia, fibre based business services tend to be less expensive than copper. This could be due to the fact that fibre is a relatively new technology there and operators are trying to sign up as many customers as possible by offering lower prices in the initial stages of fibre deployment. On the other hand, in the case of South and East Asia, the dedicated fibre lines in China and India are highly expensive, which has raised the average cost per megabit for their business fibre services. China specialises in FTTB/MDU which is then portioned out amongst tenants. In Asia Pacific too, fibre tends to be used for offering premium business services which often include a large number of static IP addresses and other advanced features.

Copper based services are most expensive in Latin America, Middle East and Africa, and South and East Asia where businesses are still being charged premium prices as there is still relatively little competition from alternative technologies.

![Average cost per megabit by technology Q1 2013](chart_image)

*Low sample sizes:
Cable in Asia-Pacific and South and East Asia
Fibre in Middle East and Africa.
6 Global trends over time

Within this report, we look at global changes in the average cost per megabit for copper, cable and fibre broadband services. We compare residential and business standalone broadband tariffs. All prices are quoted in international US dollars at PPP rates to allow comparisons between countries.

6.1 Residential broadband packages

The average cost per megabit for residential copper or DSL broadband services is significantly higher than fibre or cable services and has been for some time. However, the average cost per megabit for copper services continues to plummet, due to a relatively modest increase in the downstream speeds offered by services.

Since Q2 2010, the average cost per megabit for residential cable services has been declining steadily, although it has remained relatively stable since Q2 2012. The average cost per megabit for residential fibre services has remained relatively stable since Q2 2011. The global trends in DSL have been much more erratic over the same period. DSL is the slowest broadband service, offering on average speeds of 12.5Mbps to global users in Q1 2013.
6.2 Residential broadband packages

The average cost per megabit for broadband services through DSL, cable and fibre are much more closely matched for business tariffs. Here cable offers the best cost given the speeds business users can expect - for residents fibre is the most cost effective.

The cost per megabit for cable business broadband services has been declining over time. Fibre shows a more erratic pattern. The average speed offered by fibre providers to businesses increased significantly in Q4 2011, as operators started to focus more on this particular market. Prior to this, fibre speeds offered to businesses had been much lower than those offered to residential users. The monthly tariffs offered to businesses for DSL services have been decreasing over the time period, whilst the speeds have been increasing slightly. Whilst these shifts are modest, they account for a big decline in the average cost per megabit for DSL business services over the time period. We are nearly seeing a fairly level playing field for business broadband technologies, in terms of the cost per megabit.
7 Country ranking report

Within this section, we look at the average monthly tariff for residential broadband services across the world. The average includes copper, cable and fibre broadband services, and covers both standalone and bundled services.

All prices are quoted in international US dollars at PPP rates to allow comparisons between countries.

Many countries in Eastern Europe rank top in terms of offering the cheapest broadband, whereas residents who live in the Middle East and Africa tend to pay most for their broadband services. Overall, the trend seems to be for some less developed countries - in particular those outside the EU - to have high broadband prices caused by lower investment in infrastructure as well as lower take-up which prevents them from benefiting from the economies of scale. Customers in some more developed Western European economies as well as countries like Singapore, the United States, Canada, New Zealand and Australia tend to pay more for broadband than those in Eastern European states which belong to the European Union and often benefit from the EU funding. Some less developed economies from other regions (e.g. Tunisia, Kuwait, Libya) tend to have relatively low broadband prices too, which could be the case because of the lower purchasing power of their population.
Residential tariff benchmarks - Q1 2013
(Bundled and standalone services, all broadband technologies)

Average of Monthly Charge (USD PPP)
APPENDIX ONE: Background to the methodology

Introduction

In order to more directly represent the operator tariffs we collate we have consolidated the tariff benchmark spreadsheets into a single file. This is available to subscribers to the Operator Source service (see link below).

We have also reduced the number of tables and charts in this report, while increasing the information contained in them.

Other data and analysis can be seen in the spreadsheets and subscribers can conduct their own analysis based on the data provided.

If there is a particular element that you cannot find and you wish to have available please contact us on tariffs@point-topic.com.

In addition we have reduced the number of tariffs that we exclude from our analysis, specifically we include tariffs where:

There is a low data cap – only tariffs which are completely PAYG have been excluded in this analysis

This results in the following totals for the tariffs that serve as the base for the following analysis:

Total tariffs – 5,230.

3710 standalone (broadband only) and 1521 bundled offerings.

Residential & Business – 2948 (res) and 2882 (bus). The remainder are not specified or are wholesale.

Coverage and methodology

The monthly rental prices have been analysed in terms of local currency and equivalent USD costs.

As of Q1 2007, a full set of tariff information is available for download as part of Point Topic’s Operator Source Service. The data set contains the most up-to-date tariff information including such details as monthly rental, connection speed, equipment cost and service features. In Q1 2007, Point Topic began providing end of quarter tariff updates from the database, which clients may use for their own historical analysis. These are now incorporated into our benchmark report and are published simultaneously.

Full details of the tariffs and comparisons are provided in the excel spreadsheet, which is available to Operator Source service subscribers.

A current data set of tariffs can be downloaded from your Operator Source service website at any time.

Entries within these data sets which do not have both a downstream speed and a monthly rental listed have been excluded from this analysis. This paper has addressed services which are either residential or business. In cases where service tariffs apply to both residential and business customers, such services have not been included in the average tariff pricing analysis.

The PPP rates used up to Q4 2010 are published annually by the OECD for a selection of countries and are readily available to the public free of charge. Those PPP rates are published at the beginning of each year are used throughout the year and hence, any quarterly changes in PPP rates are not taken into account during the
analysis. Some retrospective adjustments to PPP rates were made during the period 2000 – 2010. All PPP rates during this period were updated accordingly.

**Price comparison issues**

This analysis is intended as a general indicator of the trends in pricing in major broadband countries. There are several additional variables that complicate the process of making a direct comparison of broadband prices. These need to be taken into account when making a more in-depth analysis:

- **ISP charges**: Some operators include ISP charges in their monthly rental, whereas others do not and charge an additional cost. This is evident in the case of Yahoo Japan, where a separate ISP charge of JPY 400 is billed to the customer. In instances where this clearly occurs, Point Topic includes the charge in the monthly rental.

- **Bundling**: With the continuous competition in service price, ISPs are focusing on bundling value-added services in order to increase revenue. Since Q1 2007, an integrated tariff database file containing bundled services information is available as part of the Operator Source service. This allows a comprehensive analysis of bundled services and pricing which we introduced here for the first time in Q1 2007. A paper on the statistical relationship of the bundled services will be published during 2012.

- **Tax charges**: Sales taxes (such as value-added tax) are also included in the monthly rental by most operators, although this is not the case in North America where telecommunications taxes are charged on top of the monthly rental. There would be a slight difference in the rankings if tax costs were included in the quoted monthly rentals of North American operators.

- **Time limits**: Many operators worldwide have begun introducing broadband packages that restrict the time spent on-line without additional charges. For a monthly flat rate, customers can enjoy ‘free’ broadband access at particular times of the day/night, or for a certain number of hours per month. Any time spent beyond that limit is charged at an hourly rate.

- **Download limits**: Some operators offer entry-level services with data volume limits. In most cases, these limits are generous enough so as not to affect light or medium users. Point Topic includes this type of service as a reasonable entry-level service, since it does not involve adding a usage charge to the monthly cost for the typical user.