



Phone wars could spell death for landline

By Mike Barton and Colin Kruger

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A price war launched by mobile and internet phone companies could more than halve callers' bills next year - and analysts predict the traditional home phone may become largely redundant within five years.

At stake is the \$8 billion home phone market dominated by Telstra. The shake-out is being spurred by aggressive Christmas offers from mobile companies, with fixed-price "all-you-can-eat" deals for less than \$50 a month.

According to the telecommunications analyst Paul Budde, mobile companies have already "poached" some landline customers. He predicted even cheaper plans next year could push 10 to 15 per cent of people to give up landlines and their fees, expected to reach \$32 a month.

At the same time, internet phone products are being marketed aggressively through mainstream retailers. These give customers a new portable number that allows them to use a traditional handset to make and receive calls using their broadband connection. Savings are estimated to be about 30 per cent of current phone costs, with some providers offering 10 cent flat-fee calls.

Fifty to 60 per cent of broadband subscribers might opt to use the net primarily to make calls in five years, Mr Budde said.

Next year, Telstra will launch internet-based calls from homes. It has already introduced wireless broadband over mobile networks to counter Unwired.

The managing director of mobile sales at Telstra, Murray Bergin, said the company was aware that people's relationship with the home phone was changing. But he said falling mobile prices would be offset by increased use.

"Take-up in [mobile] usage is not something we should be afraid of ... that's why we're busy rolling out early deals," he said.

The chief of the internet phone company Freshtel, Michael Carew, said people who replaced their home phone with a net phone could save as much as 60 or 70 per cent next year by clever use of the new technology.

"There are going to be some massive changes in the next 12 months," he said.

Many bigger businesses in Australia have already converted to the internet for their phone calls. Mr Budde said the biggest challenge to the phone giants would come from broadband providers moving into the home market.

Mr Carew said his company was developing internet call products for a group of 250 internet providers, "which almost makes [them] into little telcos".

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