

[Home](#) » [Technology](#) » Article

Telstra in cut-price war with net rivals

By Lisa Murray
April 8, 2006

THOUSANDS of Telstra customers will be able to make as many local and long-distance calls as they want for a monthly fee of \$89.90, as the company fights off the threat of increasingly popular internet phone services.

Under siege from the cut-price internet calls, Telstra will send a letter to selected customers next week, telling them about the "all you can eat" offer. It also includes a 50 cent cap on calls to Telstra mobiles for up to 20 minutes, and customers will not have to sign up for a one or two-year contract.

It is seen as a pre-emptive strike against companies including Ninemsn and Yahoo!7, which are planning to launch voice-over-internet-protocol (VOIP) services later this year. Telstra plans to roll out its own VOIP service and will revamp the home phone so it can take video calls.

Telstra's fixed-line revenue slumped 7 per cent to \$3.8 billion in the six months to December. The offer is a significant shift in Telstra's strategy for hanging onto customers. It is the first time it has offered subscription-pricing - a fixed fee regardless of the volume or length of calls.

Telstra would not say how many customers would be offered the deal, although the *Herald* understands it will start with tens of thousands before offering it more widely. People living in rural areas and on the outskirts of cities, who are forced to make long-distance calls to reach friends and family, are the most likely first candidates.

Internet telephony took off in Europe and the US after a company called Skype launched in Luxembourg four years ago, allowing people to talk online. About 50 million people now use Skype, but it spawned an industry, including Australian operators such as Engin and Freshtel, which offer free calls between their own customers anywhere and 10 cent untimed local and national calls. Engin charges 3.5 cents a minute to Britain on a \$9.95-a-month plan, while Freshtel costs 6.9 cents a minute or 3.9 cents on a \$5.95-a-month plan.

Telstra is prepared to risk losing revenue from long-distance calls as it strives to keep a grip on its customers. It has already interviewed 22,000 customers about subscription pricing products.

"We've done extensive market research into the offer and we're keen to see how customers actually respond to the new pricing before we offer it more widely," said spokesman Warwick Ponder.

Telstra believes if customers use its fixed-line service, they are more likely to buy its mobiles or sign up to its broadband.

Telstra's chief financial officer, John Stanhope, said this week that the company was focussed on "arresting the decline" in fixed-line revenue. "I'm not suggesting we can eliminate the decline in fixed-line revenue completely but it can be arrested."

Telstra's share price has plunged in recent years and the Treasurer, Peter Costello, said this

week it had been "a shocking investment". The Government is expected to make an announcement on how it will sell its remaining 51 per cent stake in Telstra by May.

The move to internet calls has been slow in Australia but Goldman Sachs JBWere analysts told clients in a research note: "We expect internet telephony to become commonplace among mainstream users over the coming 12 to 24 months. It represents a very clear and present threat to fixed-line traffic revenues."

[Subscribe for as little as \\$6.50 a week and receive a free gift valued at \\$69.95](#)

Copyright © 2006. The Sydney Morning Herald.