

iiNet to build up network

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Corporate strategy

PERTH internet service provider iiNet is planning to expand its broadband capacity to balance sagging profits from its Telstra ADSL resale business.

iiNet managing director Michael Malone said the third-largest internet provider's strategic review revealed that customers on Telstra's wholesale service were unlikely to be offered places on iiNet's network in future.

The move represents a major switch in iiNet's strategy.

Prior to the strategic review iiNet resold Telstra's service alongside its own in a bid to acquire customers and fund expansion of its ADSL network.

"In the past we've tried to maintain pricing parity between the two subscriber bases on the basis that it gave us scale in areas outside of our footprint," he said.

"We tried to cut the cost base and install more D-SLAMs but we've now diverged from that."

iiNet intended to use part of \$40 million it expected to recoup from the sale of its New Zealand operation, iHug, to

fund the infrastructure project, he said.

The rest of the money would help it wipe \$60 million of debt from its books, he said.

Mr Malone signalled an end to extension of the company's ADSL infrastructure outside the five major metropolitan areas and the handful of regional territories it covers.

iiNet serves just over half of its 190,000 broadband subscribers from 260 exchanges with its DSL equipment.

iiNet recently entered a wholesale network deal to share infrastructure with PowerTel, a major shareholder and corporate internet provider.

PowerTel managing director Paul Broad said the combined network catchment covered about 280 exchanges.

The two service providers were working to overcome technical challenges, Mr Broad said.

Mr Malone said iiNet would focus its marketing on locations that could be served by the shared infrastructure.

He rejected suggestions that subscribers on Telstra's wholesale network would become second-class customers.