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### Australian Economy Continues to Boom

The Australian Economic Scene is one of the strongest in the world at the present time and ranks top in the OECD countries. Forecast GDP growth next year is 3.5 - 4% (OECD forecast 4%, Australian Treasury mid-term review 3.5%).

The mining sector is continuing to experience extraordinary growth in volume and prices owing to high demand for Australian minerals in Asia, particularly China and India. The severe downturn in the USA and the nervousness in the European bond markets have negative connotations for demand for Australian minerals and the current rate of growth may plateau in the medium term.

The non-mining sector of the Australian Economy is much more subdued and patchy. Those sectors which service the mining industry and infrastructure construction are experiencing good business.

Housing construction is steady.

Service industries recreation and tourism are buoyant, however those sectors which are subject to overseas competition are suffering because of the high value of the Australian dollar.

The Reserve Bank of Australia has maintained interest rates for the past 12 months. However, rates were reduced by 0.25% to 4.5% on 1 November 2011 - the first reduction in approximately three years. This compares with virtually 0% in the USA.

Consequently there is a substantial speculative trade in the Australian dollar and this is contributing to the high exchange rate which has ranged between US \$.96- US \$1.09 in August and September 2011.

Exports of coal and some minerals, LNG and agricultural products have been affected by floods and cyclones in the Northeast of Australia in the December 2010-March 2011 period. These sectors are recovering.

Australia is experiencing a trade surplus on external account monthly.

Employment is growing and the unemployment rate is less than 5%. There is a shortage of skilled personnel, particularly those with the skills required by the mining industry. The Federal Government is currently supporting a Skilled Migrant Programme for both permanent and temporary migrants.

GDP growth of 1.5% in 2011 is expected and 3.5-4% is expected in 2012.

## Snapshot of the Australian Market

Mining is booming overall whereas non-mining construction and the housing sector are relatively flat.

The construction industry is experiencing an extraordinary boom with severe shortages of skilled personnel with major projects underway for the Mining Industry and the National Broadband Network.

Business investment is running at record levels.

The Australian share market tends to follow the US and European share markets. In general it is strong. Mining stocks have been running at historically high prices.

## Trends in the Telecommunications Sector

The unique problems of developing telecommunications networks in Australia are related to the distribution of the population. The majority of Australians live in cities which are separated by long distances, whilst a small minority live in remote areas.

Since deregulation of the Telecommunications Industry in 1997, there have been major changes as the market has evolved from a single carrier to dual carrier and then multiple carrier and carriage service provider structure.

During the last decade, the telecommunications market in Australia has experienced a period of rapid growth. The removal of certain carrier and technology restrictions has made way for a more competitive market environment.

As new players have entered the market, consumers have been faced with greater choice which has led to more competitive telecommunication prices.

### Fixed and mobile service trends

During 2009/10 some clear trends around fixed and mobile services have emerged.

Subscription numbers of both fixed and mobile services suggest that while mobile take-up continues to grow, this is not necessarily at the cost of fixed line subscriptions.

There were 10.59 million fixed line voice services at June 2010 whilst mobile subscriptions grew by 7% to just under 26 Million.

Wireless Internet was the fastest growing subscription type service over 2009/10 and high-speed data services also continue to increase.

Evidence shows that consumers value the convenience of mobiles and are using these more, but this appears to be mostly in respect of voice services. Download volumes clearly demonstrate that whilst take-up of wireless Internet has been high over 2009/10, fixed broadband remains the dominant technology for Internet services - suggesting that consumers use wireless Internet services primarily for convenience.

Anecdotal evidence in 2010/11 indicates an increase in wireless broadband data services in response to the widening use of Apple iPad and iPhone and similar Android devices

45.6 billion call minutes originated on fixed lines in 2009/10, down from 94.6 billion in 2005/6.

Mobile call origination grew from 18.6 billion call minutes 2005/6 to 28.2 billion in 2009/10.

### **Industry restructuring**

The trend in fixed and mobile services and the growing consumer preference for bundled services was reflected in the industry restructuring that took place during 2009/10. There were a number of takeovers and mergers resulting in both horizontal and vertical integration and vertical separation (separation of retail and wholesale business).

### **National Broadband Network**

The NBN is in the early implementation stage. Government legislation and other regulatory amendments are anticipated and they will have a major impact on the medium to long-term competitive outcomes in the telecommunications sector

- NBN began rolling out test sites
- Nextgen networks commenced construction of backbone links
- NBN and Telstra signed an agreement to provide a framework for the rollout of NBN and the migration of customers from the copper network to NBN

Some commentators forecast the A\$39 billion cost will blow out to A\$50 billion.