TELECOMMUNICATIONS MARKET INDICATOR REPORT 2004–05

JULY 2006

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Overview

The telecommunications market indicator report is published annually by the Australian Competition and Consumer Commission (ACCC). The report contains revenue and usage information for PSTN and mobile voice services and Internet services, but does not provide information on other fixed-line or mobile data services such as ISDN services, leased lines, or mobile short messaging services.

Data in this report is sourced from returns provided to the ACCC by Telstra, Optus, AAPT, Primus and Vodafone under the Regulatory Accounting Framework (RAF).

The RAF is a collection of rules for the telecommunications industry that require reporting carriers to maintain records and prepare financial statements in a common format. A copy of the RAF can be found on the ACCC's website www.accc.gov.au.

While the RAF currently provides standard rules which should be applied consistently by all reporting carriers, there are some discrepancies between carriers in how they apply the rules. The ACCC is working with reporting RAF carriers to remedy these discrepancies.

Readers should refer to the Explanatory Notes when considering the information in this report. Readers should also note the aggregate information in this report is calculated using data provided by the five reporting carriers only. This may understate the overall size of the market and may overstate each carrier's market share.

Aggregated revenues for fixed-line Internet services have been included for the first time in this report, reflecting the growing significance of these services in fixed-line telecommunications markets.

With the exception of additional information on Internet services in this year's report, this report has a similar format to the previous telecommunications market indicator reports, which are also available on the ACCC's website.

PSTN Services

This section contains revenue and usage information for the following PSTN services:

Retail

- end-user access (line rental)
- local calls
- domestic long distance calls
- international calls
- fixed-to-mobile calls

External wholesale

- domestic PSTN origination/termination

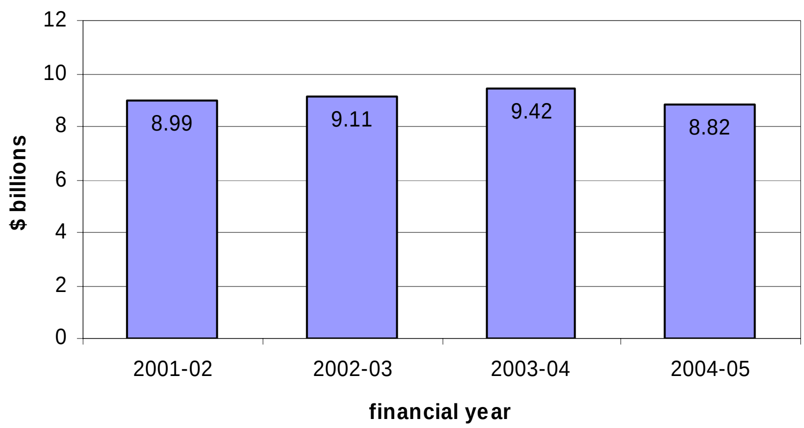
Retail PSTN Services

Revenue

Aggregate revenue

Total retail revenue from PSTN services included in this report for Telstra, Optus, Primus and AAPT decreased from $9.42 billion in 2003-04 to $8.82 billion in 2004-05, a fall of 6.3 per cent (figure 1). This reverses the trend from the previous two years which saw increases in total PSTN revenue due to increases in revenues from end-user access and fixed-to-mobile calls. Total revenue from PSTN services was 1.8 per cent lower in 2004-05 compared to 2001-02.

Figure 1. Total PSTN service revenue 2001-02 to 2004-05



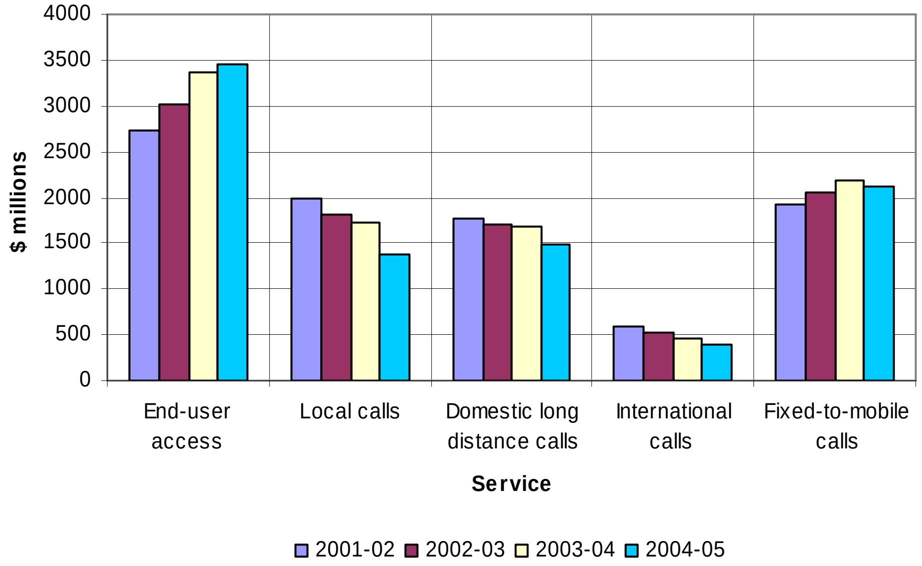
Source: Telstra, Optus, Primus and AAPT RAF reports

Revenue by service

Revenue from end-user access increased to $3.4 billion in 2004-05 (figure 2 and table 1), a rise of 2.4 per cent from the previous year. This increase in revenue is smaller than in previous years and has not been sufficient to offset declines in the revenues of other PSTN services (figure 3). End-user access revenue accounted for

39 per cent of total PSTN revenue in 2004-05 compared to 30 per cent of total revenue in 2001-02.

Figure 2. Total revenue by PSTN service 2001-02 to 2004-05

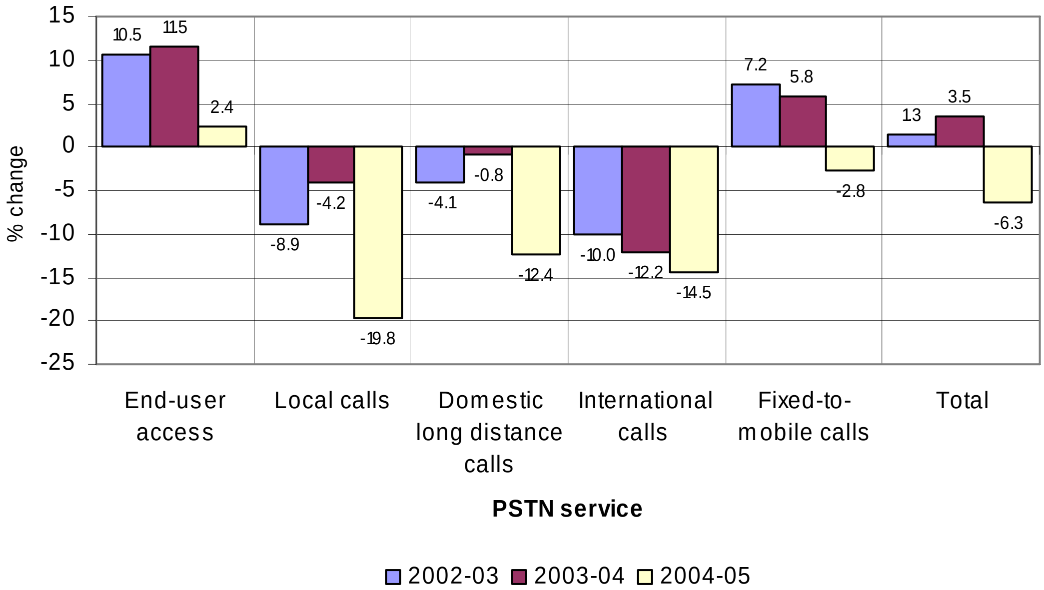


Source: Telstra, Optus, Primus and AAPT RAF reports

Revenue from local calls decreased from $1.73 billion in 2003-04 to $1.38 billion in 2004-05, a fall of 19.8 per cent. While this fall continues the trend from previous years, the rate of decline is greater (figure 3). Between 2001-02 and 2004-05, the share of total PSTN revenue attributable to local calls also fell from 22 per cent to 16 per cent.

Similarly, revenue from domestic long distance calls fell from $1.68 billion in 2003-04 to $1.47 billion in 2004-05, a fall of 12.4 per cent. This compares to falls of 0.8 per cent in 2003-04 and 4.1 per cent in 2002-03. In 2004-05 domestic long distance calls accounted for 17 per cent of total PSTN revenue compared to 20 per cent of total revenue in 2001-02.

Figure 3. Year-on-year change in revenue by PSTN service



Source: Telstra, Optus, Primus and AAPT RAF reports

A fall in international call revenue from $462 million in 2003-04 to $395 million in 2004-05 – a fall of 14.5 per cent – is consistent with falls from previous years. Revenues for this service fell by 12.2 per cent in 2003-04 and 10 per cent in 2002-03. The share of total PSTN revenue attributable to international calls has fallen from 7 per cent in 2001-02 to 4 per cent in 2004-05.

Revenue from fixed-to-mobile call services fell from $2.2 billion in 2003-04 to $2.1 billion in 2004-05, a decrease of 2.8 per cent. This is the first decrease in fixed-to-mobile call revenue since the ACCC began compiling this report. In 2003-04 and 2002-03, revenues for this service increased by 5.8 and 7.2 per cent, respectively. In 2004-05, revenue from fixed-to-mobile services accounted for 24 per cent of total PSTN revenue compared to 21 per cent in 2001-02.

Table 1. Revenue and revenue share by PSTN service and carrier 2001-02 to 2004-05 ($m)

	2001-02		2002-03		2003-04		2004-05	
	$m	%	$m	%	$m	%	$m	%
End-user access								
Telstra	2447	*89.6*	2621	*86.8*	2764	*82.1*	2759	*80.1*
Optus	*	*	182	*6.0*	358	*10.6*	429	*12.4*
Other[a]	284	*10.4*	216	*7.2*	243	*7.2*	259	*7.5*
All	**2731**	*100*	**3018**	*100*	**3365**	*100*	**3447**	*100*
Local calls								
Telstra	1549	*78.2*	1389	*77.0*	1305	*75.4*	1044	*75.3*
Optus	203	*10.2*	259	*14.4*	260	*15.0*	226	*16.3*
Other[a]	228	*11.5*	156	*8.7*	165	*9.5*	118	*8.4*
All	**1980**	*100*	**1804**	*100*	**1729**	*100*	**1387**	*100*
Domestic long distance								
Telstra	1265	*71.4*	1208	*71.1*	1154	*68.4*	1025	*69.4*
Optus	296	*16.7*	294	*17.3*	308	*18.3*	281	*19.0*
Other[a]	211	*11.9*	198	*11.6*	224	*13.3*	171	*11.6*
All	**1772**	*100*	**1699**	*100*	**1686**	*100*	**1477**	*100*
International calls								
Telstra	368	*62.9*	326	*61.9*	278	*60.1*	243	*61.4*
Optus	107	*18.3*	116	*22.1*	118	*25.5*	92	*23.4*
AAPT	61	*10.5*	46	*8.8*	38	*8.5*	36	*9.1*
Primus	48	*8.3*	38	*7.1*	28	*6.1*	24	*6.1*
All	**584**	*100*	**526**	*100*	**462**	*100*	**395**	*100*
Fixed-to-mobile calls								
Telstra	1439	*74.9*	1533	*74.5*	1602	*73.6*	1570	*74.2*
Optus	215	*11.2*	264	*12.8*	311	*14.3*	308	*14.5*
Other[a]	266	*13.8*	261	*12.7*	264	*12.1*	239	*11.3*
All	**1919**	*100*	**2056**	*100*	**2178**	*100*	**2117**	*100*
Total PSTN								
Telstra	7068	*78.7*	7077	*77.7*	7103	*75.4*	6641	*75.3*
Optus	821	*9.1*	1115	*12.2*	1355	*14.4*	1336	*15.1*
Other[a]	1098	*12.3*	915	*10.0*	962	*10.2*	847	*9.6*
All	**8986**	*100*	**9106**	*100*	**9421**	*100*	**8823**	*100*

Source: Telstra, Optus, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.
* aggregated into 'other' category for 2001-02 only

Revenue by carrier

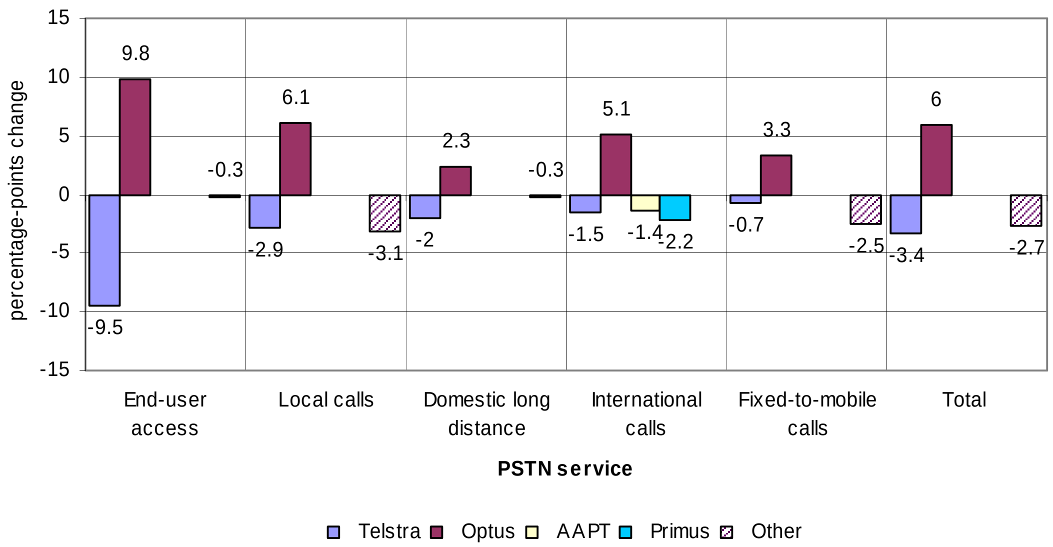
Table 1 above and figure 4 below set out carrier revenue, market share and change in market share, by PSTN service, since 2001-02.

Telstra's total revenue from PSTN services included in this report has declined from $7 billion in 2001-02 to $6.6 billion in 2004-05. Its overall revenue market share remained stable at around 75 per cent in 2004-05, down 3.4 percentage points since 2001-02 (figure 4). Telstra's revenue from all PSTN services covered in this report declined in 2004-05, including revenue from end-user access which declined slightly from $2764 million in 2003-04 to $2759 million, or by $5 million, in 2004-05 – the first decrease since the ACCC began compiling RAF revenue data in 2001-02. Similarly, Telstra's revenue from fixed-to-mobile call services also declined for the first time in 2004-05, falling from $1602 million in 2003-04 to $1570 million after consistent increases in previous years. As table 1 above sets out, there has been a declining trend for Telstra's revenues from all other call services – local, domestic long distance and international calls – since 2001-02.

Between 2001-02 and 2004-05, *Optus* increased its revenue and market share from all PSTN services from $821 million (9.1 per cent of the market) to $1.3 billion (15.1 per cent of the market), although between 2003-04 and 2004-05 Optus's total PSTN revenue fell marginally from $1355 million to $1336 million. The only increase in revenue between 2003-04 and 2004-05 came from end-user access which increased from $358 to $429 million, giving Optus 12.4 per cent of the market for this service. Otherwise, in 2004-05 revenues declined across all call services. Despite this, as indicated in table 1 (and with the exception of international call services where Optus's market share dropped from 25.5 to 23.4 per cent), Optus continued to increase its market share across individual call services. Figure 4 illustrates that between 2001-02 and 2004-05, Optus has gained market share across all PSTN services—capturing market share lost by other carriers.

Total revenue and market share for *AAPT* and *Primus* combined has fallen from just over $1 billion in 2001-02 (or 12.3 per cent of the PSTN market) to $847 million (9.6 per cent of the PSTN market) in 2004-05. AAPT and Primus's combined revenue for end-user access increased marginally to $259 million in 2004-05, increasing market share from the previous year by 0.3 per cent to 7.5 per cent. Revenue from all other PSTN services, however, fell in 2004-05 with these two carriers losing market share across all call services except international calls, where AAPT's market share increased from 8.5 in 2003-04 to 9.1 per cent in 2004-05 while Primus's market share remained unchanged. However, as figure 4 illustrates below, since 2001-02, AAPT and Primus (combined as 'other' in most service categories) have lost market share across all PSTN services.

Figure 4. Change* in carrier market share by PSTN service between 2001-02 and 2004-05



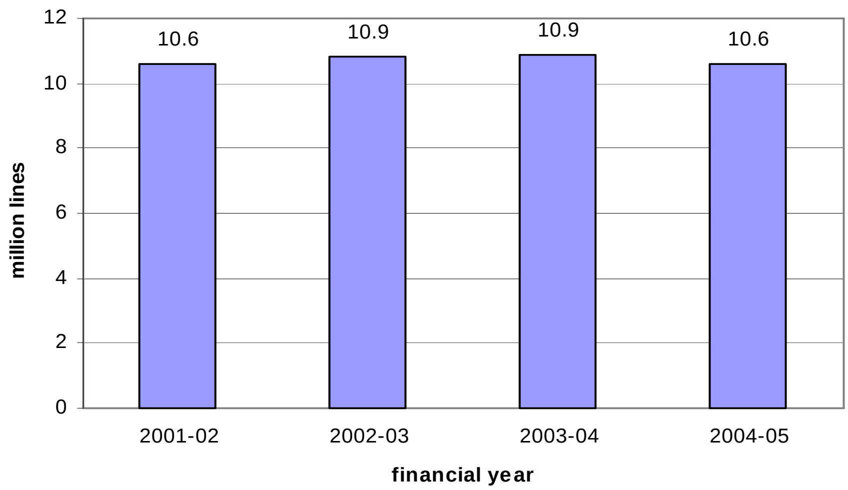
* expressed as percentage–points change
Source: Telstra, Optus, Primus and AAPT RAF reports
Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

Usage

Table 2 and figures 5 to 7 set out changes in PSTN service usage in total and by carrier between 2001-02 and 2004-05.

The number of end-user access lines declined from 10.9 million in 2003-04 to 10.6 million in 2004-05, a fall of 2.8 per cent, to return to the number of lines reported in 2001-02. This fall was due in part to a decline in the number of retail lines reported by Telstra which fell from 8.9 million in 2003-04 to 8.4 million lines in 2004-05. Optus reported an increase in the number of end-user access lines to 1.4 million in 2004-05, up from 1.3 million in 2003-04, while the number of end-user access lines reported by Primus and AAPT combined remained virtually unchanged at 0.7 million in 2004-05.

Figure 5. Number of end-user access lines 2001-02 to 2004-05



Source: Telstra, Optus, Primus and AAPT RAF reports

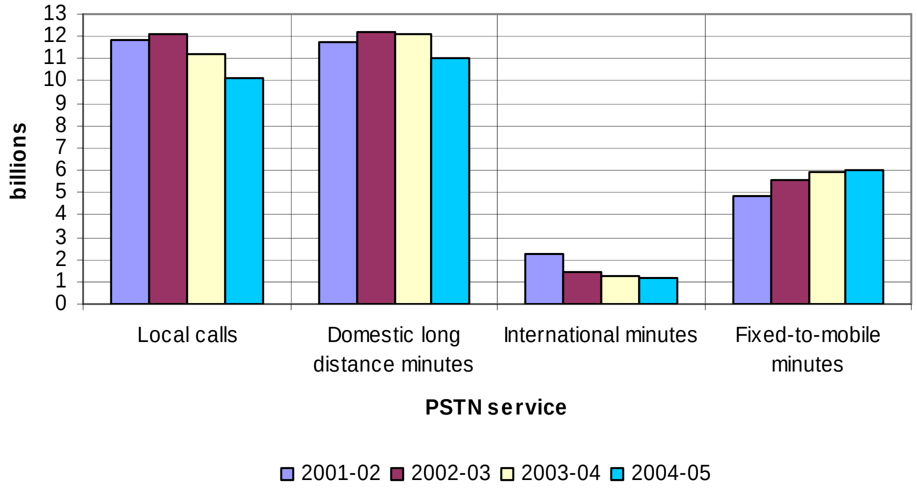
Figure 6 below illustrates that, after peaking in 2002-03 at just over 12 billion calls, the total number of local calls has since trended downward, declining to 10.1 billion in 2004-05. However, as table 2 indicates, it has been primarily falls in the number of Telstra's local calls (9.9 billion calls in 2001-02 falling to 6.6 billion calls in 2004-05) that have contributed to this decline. Local call numbers for Optus, and Primus and AAPT combined, increased between 2001-02 and 2004-05 from 1.3 to 2.6 billion and 584 million to 1 billion, respectively – although in 2004-05, Primus and AAPT combined also reported a fall in local call numbers from the previous year.

The total number of domestic long distance call minutes has also, over time, trended downward from a high of 12.2 billion minutes in 2002-03 to just under 11 billion minutes in 2004-05. This decline has been primarily due to falls in the number of domestic long distance call minutes reported by Telstra. In 2004-05, there was a decline of 9.3 per cent in the total number of domestic long distance call minutes with all carriers reporting a decrease in the usage of this service compared to the previous year.

The total number of international call minutes reported by the four carriers in this report also trended downwards. Total minutes have declined from 1.3 billion in

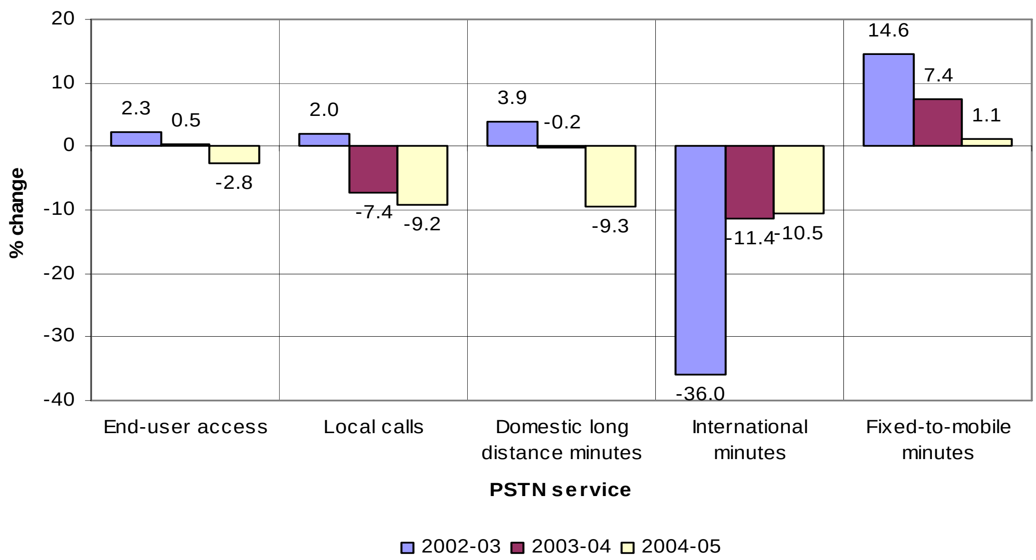
2003-04 to 1.2 billion in 2004-05, a fall of 10.5 per cent. Since 2001-02 the total international call minutes reported by the carriers has fallen by 51 per cent.

Figure 6. Usage of other PSTN services 2001-02 to 2004-05



Source: Telstra, Optus, Primus and AAPT RAF reports

Figure 7. Year-on-year change in PSTN service usage 2002-03 to 2004-05



Source: Telstra, Optus, Primus and AAPT RAF reports

Table 2. Usage by PSTN service and carrier 2001-02 to 2004-05

	2001-02		2002-03		2003-04		2004-05	
	usage	%	usage	%	usage	%	usage	%
End-user access				*number of lines (millions)*				
Telstra	8.9	*84.0*	8.9	*82.4*	8.9	*81.4*	8.4	*79.2*
Optus	1.0	*9.7*	1.3	*11.7*	1.3	*12.0*	1.4	*13.6*
Other[a]	0.7	*6.3*	0.6	*6.0*	0.7	*6.5*	0.7	*6.6*
All	**10.6**	*100*	**10.8**	*100*	**10.9**	*100*	**10.6**	*100*
Local calls				*number of calls (millions)*				
Telstra	9900	*83.7*	9449	*78.3*	7629	*68.2*	6583	*64.8*
Optus	1350	*11.4*	1638	*13.6*	2440	*21.8*	2554	*25.2*
Other[a]	584	*4.9*	982	*8.1*	1110	*9.9*	1015	*10.0*
All	**11835**	*100*	**12068**	*100*	**11179**	*100*	**10152**	*100*
Domestic long distance				*number of minutes (millions)*				
Telstra	9016	*77.1*	9018	*74.2*	8539	*70.4*	7663	*69.7*
Optus	1045	*8.9*	1694	*13.9*	1738	*14.3*	1599	*14.5*
Other[a]	1641	*14.0*	1445	*11.9*	1855	*15.3*	1737	*15.8*
All	**11702**	*100*	**12157**	*100*	**12133**	*100*	**10999**	*100*
International call minutes								
Telstra	786	*34.5*	731	*50.1*	641	*49.6*	565	*48.8*
Optus	1126	*49.4*	429	*29.4*	373	*28.8*	327	*28.2*
AAPT	245	*10.7*	198	*13.6*	188	*14.5*	189	*16.3*
Primus	124	*5.4*	102	*7.0*	92	*7.1*	77	*6.7*
All	**2280**	*100*	**1460**	*100*	**1294**	*100*	**1158**	*100*
Fixed-to-mobile call minutes								
Telstra	3815	*79.0*	4077	*73.7*	4297	*72.3*	4392	*73.1*
Optus	345	*7.1*	808	*14.6*	965	*16.2*	958	*15.9*
Other[a]	670	*13.9*	650	*11.7*	685	*11.5*	660	*11.0*
All	**4831**	*100*	**5535**	*100*	**5947**	*100*	**6011**	*100*

Source: Telstra, Optus, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

While reported usage of all other PSTN services has declined since 2001-02, the total number of fixed-to-mobile call minutes reported by the four carriers has increased by 1.2 billion minutes or by 24 per cent since 2001-02. The rate of increase, however, has slowed from 14.6 per cent in 2002-03 and 7.4 per cent in 2003-04, to 1.1 per cent in 2004-05 (figure 7). As table 2 indicates, while Telstra reported an increase in fixed-to-mobile call minutes from 4.3 billion in 2003-04 to 4.4 billion in 2004-05, Optus, and Primus and AAPT combined, reported small decreases in the number of fixed-to-mobile call minutes from 965 million to 958 million and 685 million to 660 million, respectively, between 2003-04 and 2004-05.

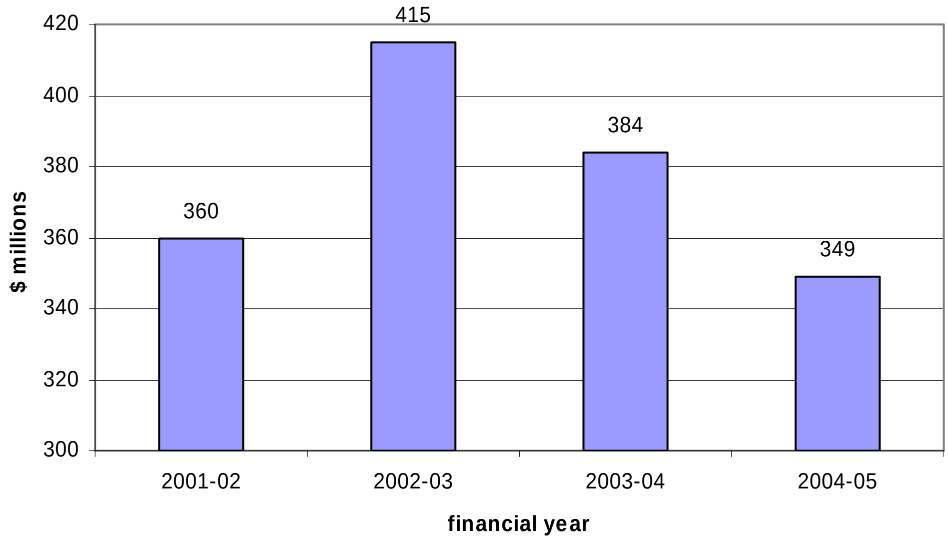
External wholesale PSTN services

Revenue

Aggregate revenue

In 2004-05, carriers reported a total of $349 million in revenue for the PSTN origination and termination service (PSTN O/T), a decline of 9 per cent from the previous year. Revenue from this service peaked at $415 million in 2002-03 (Table 3 and figure 8) and has since trended downward.

Figure 8. Total revenue for PSTN origination/termination 2001-02 to 2004-05



Source: Telstra, Optus, Primus and AAPT RAF reports

Table 3. Revenue and usage for PSTN origination/termination 2001-02 to 2004-05

	2001-02		2002-03		2003-04		2004-05	
Domestic origination/termination access service								
Revenue	$m	%	$m	%	$m	%	$m	%
Telstra	292	*81.0*	375	*90.3*	336	*87.7*	309	*88.6*
Optus	43	*12.0*	27	*6.4*	26	*7.0*	26	*7.5*
Other[a]	25	*7.0*	13	*3.2*	20	*5.4*	14	*4.0*
Total	**359**	*100*	**415**	*100*	**383**	*100*	**349**	*100*
Usage (minutes)	m	%	m	%	m	%	m	%
Telstra	25474	*56.0*	26200	*59.0*	24955	*77.6*	23729	*76.9*
Optus	5469	*12.0*	4970	*11.2*	5160	*16.0*	5904	*19.1*
Other[a]	14560	*32.0*	13258	*29.8*	2057	*6.4*	1210	*3.9*
Total	**45503**	*100*	**44427**	*100*	**32171**	*100*	**30843**	*100*

Source: Telstra, Optus, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

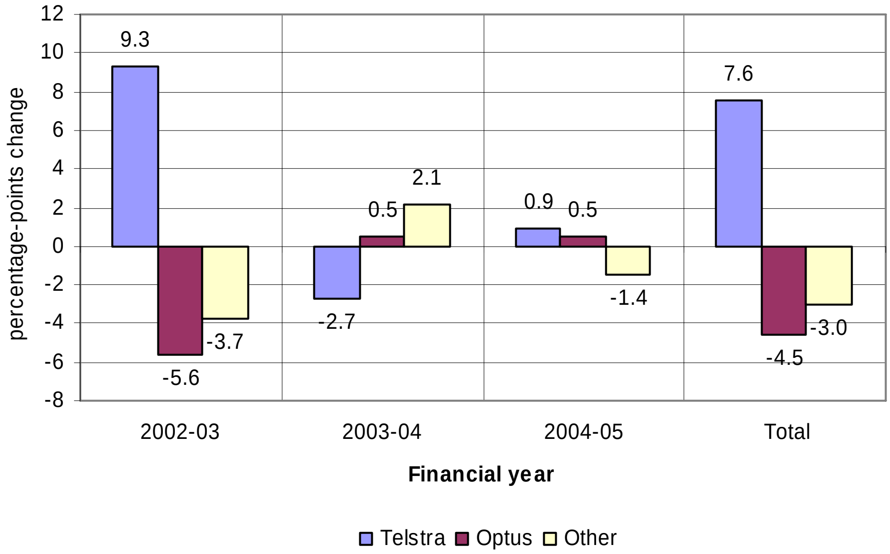
Revenue by carrier

Table 3 and figure 9 below show carrier revenue, market share and percentage-points change in market share for the PSTN O/T service and indicate that since 2001-02 both Optus, and AAPT and Primus combined, have lost market share to Telstra.

Telstra's revenue from PSTN O/T services declined from $336 million in 2003-04 to $309 million in 2004-05. Despite this fall, its overall revenue market share increased from 87.7 per cent to 88.6 per cent, a gain of 0.9 percentage points in the same period. As table 3 and figure 9 illustrate however, while Telstra's revenue for the PSTN O/T service increased between 2001-02 and 2004-05, from $292 million to

$309 million and market share from 81 per cent to 88.6 per cent, revenue peaked in 2002-03 at $375 million.

Figure 9. Change* in carrier market share for PSTN O/T 2002-03 to 2004-05



* expressed as percentage-points change
Source: Telstra, Optus, Primus and AAPT RAF reports

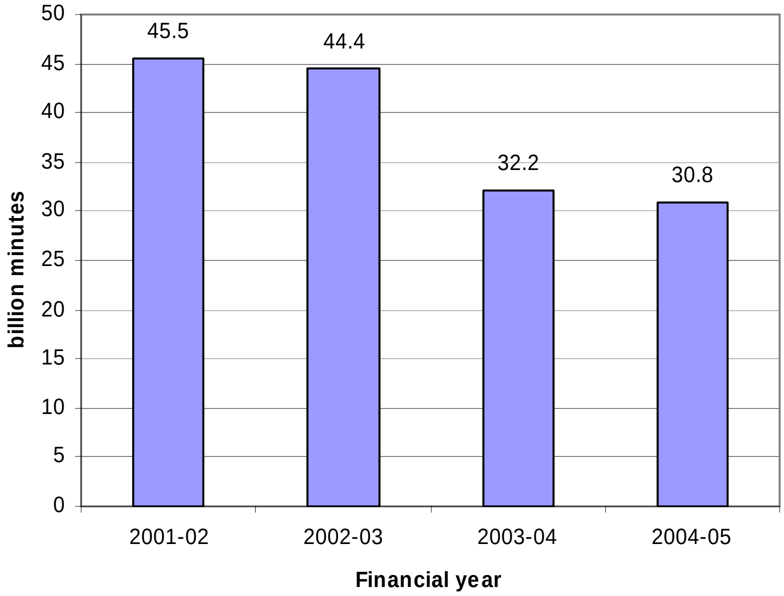
Optus's revenue from PSTN O/T services remained stable at $26 million in 2004-05 while its market share increased from 7 per cent to 7.5 per cent. Between 2001-02 and 2004-05, Optus's revenue for the PSTN O/T service has decreased, from $43 million to $26 million and market share has decreased from 12 per cent to 7.5 per cent of the market – a loss of 4.5 percentage points. Revenue and market share for *AAPT* and *Primus* combined has fallen from about $20 million in 2003-04 (or 5.4 per cent of the PSTN O/T market) to $14 million (or 4 per cent of the PSTN O/T market) in 2004-05. Between 2001-02 and 2004-05, AAPT and Primus's combined market share has fallen from 7 per cent to 4 per cent of the PSTN O/T market.

Usage

Table 3 above and figure 10 below set out changes in PSTN O/T service usage in total and by carrier between 2001-02 and 2004-05.

In 2004-05, AAPT, Optus, Primus and Telstra reported 30.8 billion minutes of domestic PSTN O/T as part of their external wholesale business, down from 32.2 billion minutes in 2003-04. Since 2001-02 total PSTN O/T minutes reported by carriers have declined by 32.2 per cent.

Figure 10. Usage of PSTN origination/termination 2001-02 to 2004-05



Source: Telstra, Optus, Primus and AAPT RAF reports

As indicated in table 3 above, PSTN O/T minutes reported by *Telstra* declined from approximately 25 billion minutes in 2003-04 to 23.7 million minutes in 2004-05. Since 2001-02, Telstra's share of total PSTN O/T minutes reported has increased from 56 per cent to 76.9 per cent.

PSTN O/T minutes reported by *Optus* increased from 5.1 billion minutes in 2003-04 to 5.9 million minutes in 2004-05, and Optus's share of total PSTN O/T minutes reported has increased from 12 per cent to 19.1 per cent between 2001-02 and 2004-05.

The number of PSTN O/T minutes reported by *AAPT* and *Primus* combined fell from 2 billion minutes in 2003-04 to 1.2 billion minutes in 2004-05. Since 2001-02, AAPT and Primus's share of total PSTN O/T minutes reported has decreased from 32 per cent of total carrier minutes reported to 3.9 per cent.

Internet services (dial-up and broadband)

This section contains aggregated revenue information for the following Internet services provided over fixed lines:

Retail

- Internet services—dial-up, cable and asymmetric digital subscriber line (ADSL) services

Retail Internet services

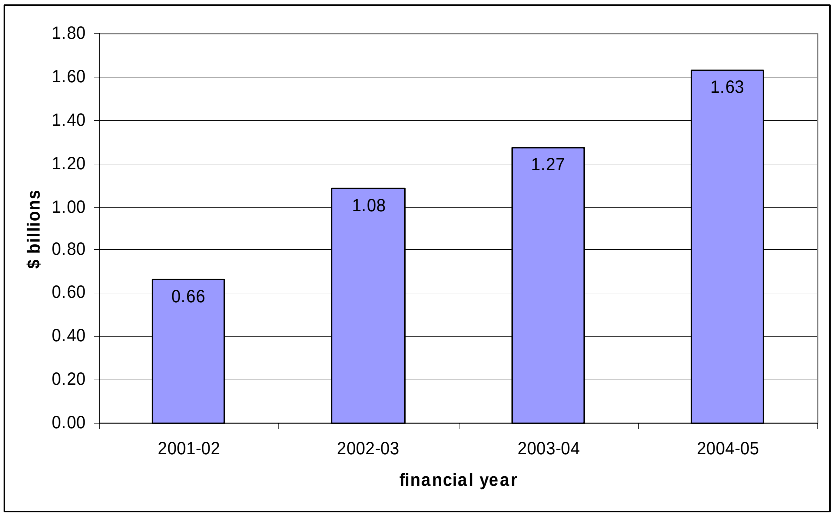
Revenue

Aggregate revenue

Total retail revenue from retail Internet services provided by Telstra, Optus, AAPT and Primus increased from $1.27 billion in 2003-04 to $1.63 billion in 2004-05, an increase of 28.4 per cent (figure 11).

The total revenue reported by carriers from the provision of Internet services has trended upward, increasing by 146 per cent between 2001-02 and 2004-05.

Figure 11. Total revenue for retail Internet services 2001-02 to 2004-05



Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports

Revenue from ADSL Internet services experienced rapid growth, increasing by 120 per cent from 2003-04 to 2004-05. Since 2001-02, ADSL Internet services revenue has surged by 970 per cent from a low base.

In contrast, other Internet services (dial-up and cable) experienced slower revenue growth of 11 per cent from 2003-04 to 2004-05, and 92 per cent over the last four years from 2001-02.

Mobile Services

This section contains revenue and usage information for the following mobile telephony services:

Retail

- GSM and CDMA network services

External wholesale

- domestic GSM origination/termination

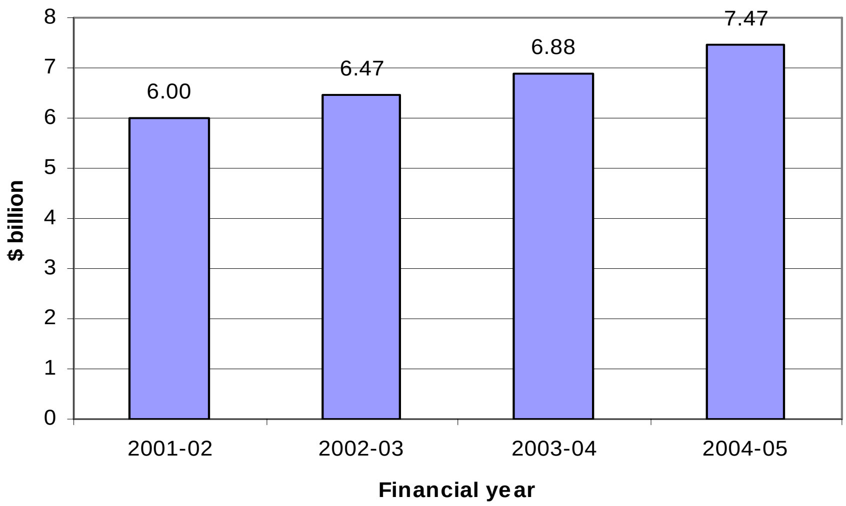
Retail mobile services

Revenue

Aggregate revenue

Total retail revenue from retail mobile services, included in this report, for Telstra, Optus, Vodafone, Primus and AAPT increased from $6.88 billion in 2003-04 to $7.47 billion in 2004-05, a rise of 8.6 per cent (figure 11). The total revenue reported by carriers from mobile services has trended upward, increasing by 24.5 per cent between 2001-02 and 2004-05.

Figure 12. Total revenue for mobile retail services 2001-02 to 2004-05



Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports

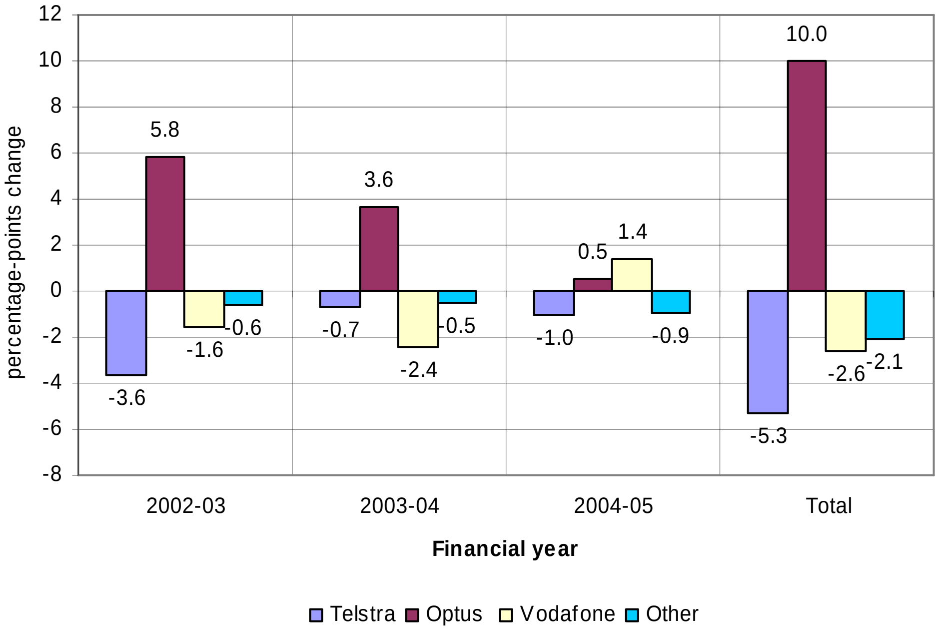
Revenue by carrier

Table 4 and figure 12 below set out carrier revenue, market share and change in market share for mobile services since 2001-02.

Telstra's revenue from mobile services included in this report increased from $3.3 billion in 2003-04 to $3.5 billion in 2004-05. Between 2001-02 and 2004-05, Telstra's mobile services revenue has increased by 11.8 per cent while its overall market share has fallen from 52.1 per cent to 46.8 per cent.

Optus's revenue from mobile services also increased, from $2.4 billion in 2003-04 to $2.6 billion in 2004-05 or by 10.2 per cent. Since 2001-02, Optus's mobile revenue has increased by 73 per cent and its overall revenue market share has increased from 25.2 per cent to 35.1 per cent of the market.

Figure 13. Change* in carrier market share for mobile services 2002-03 to 2004-05



* expressed as percentage-points change
Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports
Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

Table 4. Revenue and usage for mobile services 2001-02 to 2004-05

	2001-02		2002-03		2003-04		2004-05	
Retail mobile services								
Revenue	**$m**	*%*	**$m**	*%*	**$m**	*%*	**$m**	*%*
Telstra	3125	*52.1*	3135	*48.5*	3287	*47.8*	3494	*46.8*
Optus	1509	*25.2*	2002	*31.0*	2379	*34.6*	2622	*35.1*
Vodafone	1144	*19.1*	1133	*17.5*	1037	*15.1*	1231	*16.5*
Other[a]	220	*3.7*	197	*3.0*	173	*2.5*	118	*1.6*
Total	**5998**	*100*	**6466**	*100*	**6876**	*100*	**7465**	*100*
Usage								
Services in operation	**m**	*%*	**m**	*%*	**m**	*%*	**m**	*%*
Telstra	5.82	*50.8*	6.37	*49.7*	7.29	*51.2*	7.92	*52.1*
Optus	3.41	*29.8*	3.89	*30.4*	4.38	*30.8*	4.67	*30.7*
Vodafone	1.99	*17.4*	2.26	*17.7*	2.33	*16.3*	2.43	*16.0*
Other[a]	0.23	*2.0*	0.29	*2.2*	0.24	*1.7*	0.18	*1.2*
Total	**11.46**	*100*	**12.82**	*100*	**14.24**	*100*	**15.2**	*100*
Minutes	**m**	*%*	**m**	*%*	**m**	*%*	**m**	*%*
Telstra	5780	*52.2*	6335	*48.9*	7315	*50.2*	8026	*49.1*
Optus	3264	*29.4*	4295	*33.1*	4971	*34.1*	5527	*33.8*
Vodafone	1766	*15.9*	2067	*15.9*	2044	*14.0*	2628	*16.1*
Other[a]	273	*2.5*	266	*2.1*	241	*1.7*	180	*1.1*
Total	**11083**	*100*	**12962**	*100*	**14571**	*100*	**16361**	*100*

Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

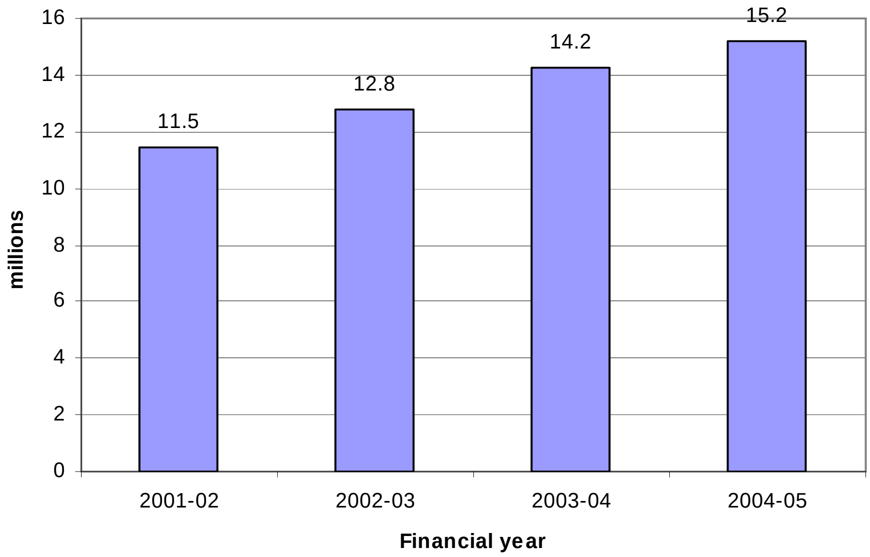
Vodafone's revenue from mobile services increased from approximately $1 billion in 2003-04 to $1.2 billion in 2004-05 or by 18.7 per cent. While Vodafone's mobile revenue has increased by 7.6 per cent since 2001-02, its overall revenue market share has decreased from 19.1 per cent to 16.5 per cent of the retail mobile services market.

Revenue from retail mobile services for *AAPT* and *Primus* combined decreased from $173 million in 2003-04 to $118 million in 2004-05 or by 31.8 per cent. Between 2001-02 and 2004-05, the combined mobile revenue for these two carriers has decreased by 46.4 per cent and overall revenue market share has fallen from 3.7 per cent to 1.6 per cent.

Usage

Table 4 and figures 13 and 14 set out changes in the number of mobile services in operation and number of mobile minutes in total and by carrier between 2001-02 and 2004-05. The number of mobile services in operation (SIO) increased from 14.2 million in 2003-04 to 15.2 million in 2004-05, an increase of 7 per cent. Since 2001-02, the number of SIO reported by carriers has increased by 3.7 million or 32.6 per cent.

Figure 14. Services in operation 2001-02 to 2004-05

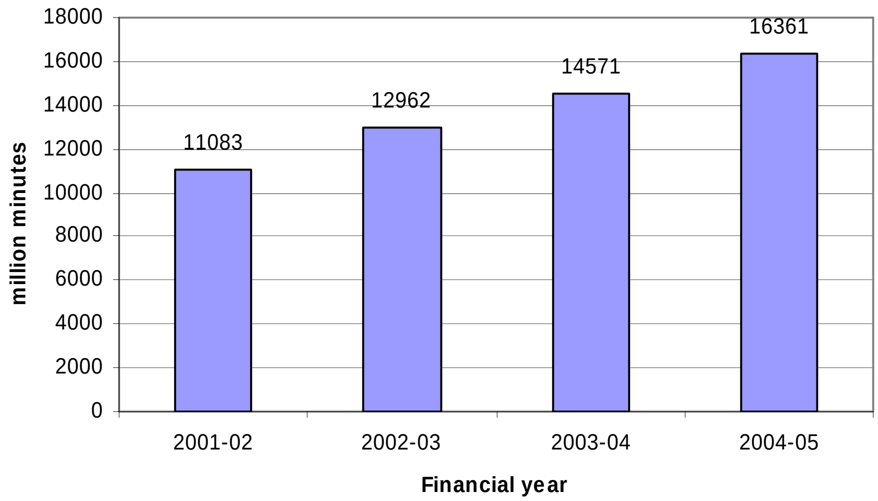


Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports

The increase of mobile SIO in 2004-05 was due to increases in the number of mobile services reported by Telstra, Optus and Vodafone of approximately 600 000, 300 000 and 100 000 SIO, respectively, from the previous year. The number of SIO reported by Primus and AAPT combined declined marginally in 2004-05 compared to 2003-04.

Similarly, as shown in figure 14 below, the number of mobile voice minutes increased from about 14.6 billion minutes in 2003-04 to 16.4 billion minutes in 2004-05, an increase of 12.3 per cent. The number of mobile minutes reported by carriers was 47.6 per cent higher in 2004-05 compared to 2001-02. Telstra, Optus and Vodafone all reported increases in the number of mobile minutes of 9.7 per cent, 11.2 per cent and 28.6 per cent, respectively, in 2004-05 compared to the previous year. AAPT and Primus combined, however, reported a decline of 25.3 per cent in the number of mobile minutes in 2004-05 compared to 2003-04.

Figure 14. Total mobile voice minutes 2001-02 to 2004-05



Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports

External wholesale mobile services

Revenue and usage

Aggregate revenue and revenue by carrier[1]

In 2004-05, Telstra, Optus and Vodafone reported a total of $1.78 billion of external wholesale revenue from the sale of GSM origination/ termination services. This compares to $1.97 billion in 2003-04, $1.89 billion reported in 2002-03 and $1.98 billion reported in 2001-02.

Table 5. Revenue and usage for GSM origination/termination 2001-02 to 2004-05

	2001-02		2002-03		2003-04		2004-05	
GSM origination/termination access service								
Revenue	$m	*%*	$m	*%*	$m	*%*	$m	*%*
Telstra	457	*23.0*	428	*22.6*	460	*23.4*	466	*26.2*
Optus	1000	*50.4*	979	*51.6*	1086	*55.2*	1146	*64.3*
Vodafone	528	*26.6*	489	*25.8*	422	*21.5*	170	*9.5*
Total	**1985**	*100*	**1896**	*100*	**1968**	*100*	**1782**	*100*
Usage (minutes)	m	*%*	m	*%*	m	*%*	m	*%*
Telstra	1699	*26.0*	1721	*25.2*	1934	*26.1*	2124	*25.9*
Optus	3102	*47.5*	3161	*46.2*	3837	*51.7*	4287	*52.4*
Vodafone	1730	*26.5*	1956	*28.6*	1651	*22.2*	1777	*21.7*
Total	**6531**	*100*	**6838**	*100*	**7422**	*100*	**8188**	*100*

Source: Telstra, Optus, Vodafone RAF reports

[1] Optus and Vodafone (until 2002-03) have reported revenue and usage measures for *all* external wholesale GSM services (e.g. including resale services) as GSM O/T. As such, the RAF reported measures are considerably inflated, and cannot be relied upon to provide reliable market share data for this service. In 2003-04 Vodafone amended its RAF allocation methods to more correctly allocate revenue and usage information between GSM O/T and other external wholesale services. As a result, Vodafone's reported RAF GSM O/T information for 2003-04 onwards is likely to be more reliable than in the past.

The inclusion of other external wholesale GSM services in the reported GSM O/T measures prevents a more precise indicator of carriers' market shares being derived. It can generally be said that the results shown in Table 5 will overstate Optus' and Vodafone's (to 2002-03) market share while understating those of Telstra and Vodafone (since 2003-04).

Aggregate usage

As shown in table 5, Telstra, Optus and Vodafone reported a total of 8.19 billion minutes of GSM origination/termination in 2004-05. This compares to 7.42 billion minutes in 2003-04, 6.84 billion minutes reported in 2002-03 and 6.53 billion minutes reported in 2001-02.

Appendices

Tables

It should be noted that:

- The information in these tables is for 2004-05 only.
- Aggregate data is calculated using data from the five reporting carriers only. This may understate the overall size of the market and may overstate each carrier's market share.
- Tables 1 – 5 in the report provide full-year data series for services covered in this report since 2001-02. Readers should refer to previous reports for detailed 1H and 2H data from these years.
- Total figures may not add up correctly due to rounding.

A: PSTN revenue, total and by carrier, 2004-05

	($ millions)		
		2004-05	
End-user access	**1H**	**2H**	**FY**
Telstra	1405	1354	2759
Optus	209	219	429
Other[a]	124	135	259
Total	**1739**	**1708**	**3447**
Local calls	**1H**	**2H**	**FY**
Telstra	566	478	1044
Optus	119	106	226
Other[a]	64	54	118
Total	**749**	**639**	**1387**
Domestic long distance	**1H**	**2H**	**FY**
Telstra	533	492	1025
Optus	144	136	281
Other[a]	103	68	171
Total	**781**	**696**	**1477**
International calls	**1H**	**2H**	**FY**
Telstra	129	114	243
Optus	48	44	92
AAPT	20	16	36
Primus	13	11	24
Total	**210**	**186**	**395**
Fixed-to-mobile calls	**1H**	**2H**	**FY**
Telstra	807	763	1570
Optus	155	153	308
Other[a]	132	107	239
Total	**1094**	**1023**	**2117**
All PSTN	**1H**	**2H**	**FY**
Telstra	3440	3201	6641
Optus	676	660	1336
Other[a]	456	391	847
Total	**4572**	**4251**	**8823**

Source: Telstra, Optus, Primus and AAPT RAF reports.
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.

B: PSTN service usage, total and by carrier, 2004-05

	(millions)		
	2004-05		
End-user access (lines)	**1H**	**2H**	**FY**
Telstra	8.5	8.3	8.4
Optus	1.4	1.4	1.4
Other[a]	0.8	0.7	0.7
Total	**10.7**	**10.5**	**10.6**
Local calls (calls)	**1H**	**2H**	**FY**
Telstra	3466	3117	6583
Optus	1285	1269	2554
Other[a]	533	482	1015
Total	**5283**	**4869**	**10152**
Domestic long distance (minutes)	**1H**	**2H**	**FY**
Telstra	3926	3736	7663
Optus	821	778	1599
Other[a]	902	835	1737
Total	**5650**	**5349**	**10999**
International calls (minutes)	**1H**	**2H**	**FY**
Telstra	296	269	565
Optus	166	161	327
AAPT	97	92	189
Primus	40	37	77
Total	**599**	**559**	**1158**
Fixed-to-mobile calls (minutes)	**1H**	**2H**	**FY**
Telstra	2211	2181	4392
Optus	480	478	958
Other[a]	343	318	660
Total	**3043**	**2977**	**6011**

Source: Telstra, Optus, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as ‘Other’ category.

C: PSTN O/T revenue and usage, total and by carrier, 2004-05

	2004-05		
Revenue ($ millions)	**1H**	**2H**	**FY**
Telstra	159	150	309
Optus	13	13	26
Other[a]	7	7	14
Total	**179**	**170**	**349**
Usage (minutes in millions)	**1H**	**2H**	**FY**
Telstra	11580	12149	23729
Optus	2660	3244	5904
Other[a]	707	503	1210
Total	**15516**	**15327**	**30843**

Source: Telstra, Optus, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as ‘Other’ category.

D: Internet (dial-up and broadband) revenue, total, 2004-05

Revenue ($ millions)	2004-05 1H	2H	FY
Total	**762**	**870**	**1632**

Source: Telstra, Optus, Primus and AAPT RAF reports

E: Mobile services revenue and usage, total and by carrier, 2004-05

	2004-05		
Revenue ($ millions)	**1H**	**2H**	**FY**
Telstra	1767	1727	3494
Optus	1257	1365	2622
Vodafone[b]	-	-	1231
Other[a]	67	51	118
Total	-	-	**7465**
Usage *(millions)*			
Services in operation	**1H**	**2H**	**FY**
Telstra	7.8	8.1	7.9
Optus	4.7	4.8	4.7
Vodafone[b]	-	-	2.4
Other[a]	0.2	0.2	0.2
Total	-	-	**15.2**
Call minutes *(millions)*	**1H**	**2H**	**FY**
Telstra	4020	4006	8026
Optus	2609	2918	5527
Vodafone[b]	-	-	2628
Other[a]	120	60	180
Total	-	-	**16361**

Source: Telstra, Optus, Vodafone, Primus and AAPT RAF reports
a Where a carrier has less than 5 per cent market share, its data is aggregated with next largest carrier and presented as 'Other' category.
b At the time of compilation, Vodafone had not submitted 1H and 2H data to the ACCC.

F: GSM O/T revenue and usage, total and by carrier, 2004-05

	2004-05		
Revenue[b] *($ millions)*	**1H**	**2H**	**FY**
Telstra	253	213	466
Optus	580	566	1146
Vodafone[a]	-	-	170
Total	-	-	**1782**
Usage[b] *(millions)*	**1H**	**2H**	**FY**
Telstra	1066	1059	2124
Optus	2180	2107	4287
Vodafone[a]	-	-	1777
Total	-	-	**8188**

Source: Telstra, Optus, Vodafone RAF reports
a At time of compilation, Vodafone had not submitted 1H and 2H data to the ACCC.
b Optus and Vodafone (until 2002-03) have reported revenue and usage measures for *all* external wholesale GSM services (e.g. including resale services) as GSM O/T. As such, the RAF reported measures are considerably inflated, and cannot be relied upon to provide reliable market share data for this service. In 2003-04 Vodafone amended its RAF allocation methods to more correctly allocate revenue and usage information between GSM O/T and other external wholesale services. As a result, Vodafone's reported RAF GSM O/T information for 2003-04 onwards is likely to be more reliable than in the past.

Abbreviations

1H	First half of the financial year as it relates to each reporting RAF carrier
2H	Second half of the financial year as it relates to each reporting RAF carrier
FY	The financial year as it relates to each reporting RAF carrier
ADSL	Asymmetric Digital Subscriber Line
CDMA	Code Division Multiple Access
GSM	Global System for Mobile Communications
ISDN	Integrated Services Digital Network
LCS	Local Carriage Service
O/T	Originating and Terminating service
POI	Point of Interconnection
PSTN	Public Switched Telephone Network
RAF	Regulatory Accounting Framework

Glossary

End-user access	Provision of access to the switched telecommunications network from the customer premises.
Local calls	Provision of fixed-network to fixed-network calls within the carrier-defined local call area.
Domestic long distance calls	Provision of fixed-network to fixed-network domestic calls beyond the local call area, including pastoral, community and operator-assisted calls, but excluding international calls.
International calls	Provision of international calls originating either within or outside Australia including operator-assisted calls.
Fixed-to-mobile calls	Provision of fixed network to mobile network calls terminating on domestically and internationally located mobile terminals.
Mobile services	Provision of retail services originating on GSM and CDMA networks.
Domestic PSTN originating and terminating service (declared)	Domestic PSTN originating is an access service for the carriage of telephone (i.e. PSTN and PSTN equivalent such as voice from ISDN) calls (i.e. voice, data over the voice band) to a POI from end-customers assigned numbers from the geographic number ranges of the Australian Numbering Plan and directly connected to the Access Provider's network. Domestic PSTN terminating is an access service for the carriage of telephone (i.e. PSTN and PSTN equivalent such as voice from ISDN) calls (i.e. Voice, data over the voice band) from a POI to end-customer assigned numbers from the geographic number ranges of the Australian Numbering Plan and directly connected to the Access Provider's network.
GSM originating and terminating (declared and non-declared)	GSM originating is an access service for the carriage of telephone calls (i.e. voice, data over the voice frequency band) to a POI from end-customers assigned numbers from the GSM number ranges of the Australian Numbering Plan and directly connected to the Access Provider's GSM network. GSM terminating is an access service for the carriage of telephone calls (i.e. voice, data over the voice band)

	from a POI to B-parties assigned numbers from the GSM number ranges of the Australian Numbering Plan and directly connected to the Access Provider’s network.
Local Carriage Service (LCS)	A service for the carriage of telephone calls from customer equipment at an end-users premises to separately located customer equipment of an end-user in the same standard zone.
Asymmetric Digital Subscriber Line (ADSL)	A digital technology that supports high speed services over conventional copper telephone lines. It is a high bandwidth downstream service (towards the customer) with a lower bandwidth upstream service, that is, the service is asymmetrical.

Explanatory Notes

The information disclosed in this report comes from financial statements that have been lodged with the ACCC by reporting RAF carriers for the 2004-05, 2003-04, 2002-03 and 2001-02 financial years.

This report should be read subject to the following points:

1. The RAF statements may differ from other statements that a reporting carrier prepares (e.g. for its shareholders). In particular, the RAF financial statements require the allocation of revenues and service usage information to services in accordance with standard rules. These may differ from the rules, if any, that a reporting carrier uses in compiling its other financial statements and reports.

2. Currently, only the five largest carriers (by total revenue) report under the RAF. These are AAPT, Optus, Primus, Telstra, and Vodafone. As such, the total market data and market shares in this report relate to these five reporting RAF carriers only.

3. Each reporting carrier's RAF financial year aligns with its financial year for other statutory reporting purposes. As the reporting carriers have different financial years, the periods of the RAF financial statements do not match. Specifically:

   - Telstra and AAPT report on a 1 July ─ 30 June financial year
   - Optus and Vodafone report on a 1 April ─ 31 March financial year
   - Primus reports on a 1 January ─ 31 December financial year

   Generally speaking, this means that the timing of Optus' and Vodafone's data does not align with the timing for Telstra, AAPT and Primus. For the 2002-03 report, Vodafone supplied data on a 1 July 2002─30 June 2003 basis in addition to supplying its regular RAF reports. It has not done so for the present report.

4. This report only provides information for certain services that a reporting carrier may provide and, as such, does not disclose the total revenues or service usage of a reporting carrier's entire business.

5. This report only contains revenue and service usage data and not cost data. As such, it cannot be used to give a measure of profit.

6. Where a reporting carrier has less than five per cent of the market (in revenue terms) this information has been aggregated with that of the next most significant reporting carrier (in revenue terms) – and the aggregated figure listed in an 'other' column. This aggregation aims to protect the commercial interests of carriers that have a limited or emerging presence in a particular market.

7. The majority of data presented in this report have been rounded off to the nearest whole number or (for percentages) to one decimal point.

8. The ACCC has been informed by Optus that a significant portion of total revenue from its 2001-02 RAF return was allocated to ‘other services’ because it did not correspond to a specifically defined RAF service. In addition, Optus does not currently include revenue from pay-TV services in its RAF return.

9. The ACCC has been informed by Telstra that, as 2001-02 was the first year for reporting for the Local Carriage Service (LCS), Telstra was not in a position to fully separate LCS revenue from End-user access and Local calls revenue until the second-half (2H) of 2001-02 due to systems constraints. Consequently, both the 2H and the majority of 1H LCS revenues were subtracted from End-user access and Local calls revenue in the 2H of 2001-02. Telstra has advised the ACCC that this is the major reason for the downward movement in End-user access and Local calls revenue from 1H to 2H in 2001-02.

10. The ACCC has been informed by Telstra that during 2001-02 and 2002-03, Telstra was unable to exclude LCS service usage from Local call usage (as required under the RAF rules) due to systems constraints. Therefore, Telstra’s Local call usage for 2001-02 and 2002-03 includes LCS usage, but Telstra’s Local call revenue for 2001-02 and 2002-03 excludes LCS revenue.

11. Since 2003-04, AAPT, Optus and Primus end-user access and mobile subscriber numbers are averages across the relevant periods. For example, in 2004-05, Optus SIO numbers are calculated as an average using number of lines/subscribers at 31 March 2004 and 30 September 2004 for 1H and 30 September 2004 and 31 March 2005 for 2H. In previous years, these variables were reported as end-of-period values. While reported SIO data for all carriers is now an averaged value, giving a better indication of market shares, it also means that the reported year-to-year trends in fixed-line and mobile subscriber numbers and market shares for AAPT, Optus and Primus may understate or overstate the actual changes in subscriber numbers.

12. The results presented in the report do not include revenue and usage information on data and internet services such as broadband internet. The RAF focuses on traditional telecommunications services and as such collects information on only certain data and internet services. Further, as only the five major telecommunications carriers report under the RAF, it does not capture any information concerning data services supplied by other providers of broadband internet or other data services.

13. As in previous reports, the ACCC has excluded mobile data service ‘minutes’ from Telstra’s reported 2004-05 RAF mobile call minutes on the basis that mobile data services such as GPRS are typically charged per KB rather than per minute. The ACCC believes that including these minutes would have presented a misleading impression of the growth in mobile call minutes.