



Australian Government

**Department of Broadband,
Communications and the Digital Economy**

Committee Secretary
Joint Select Committee on Broadcasting Legislation
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

On 18 March 2013, representatives from the Department of Broadband, Communications and the Digital Economy attended a hearing of the Joint Select Committee on Broadcasting Legislation's inquiry into further reform of Australia's broadcasting legislation.

During this hearing, members of the Committee requested a range of additional information from the Department. The Department was also asked to respond to questions on notice from Mr Tony Zappia MP and Senator the Hon Barnaby Joyce. Please find the additional information and the answers to the questions on notice attached.

Yours sincerely

Simon Pelling
First Assistant Secretary
Broadcasting

Joint Select Committee on Broadcasting Legislation
Additional Information Requested by the Committee
Public Hearings, 18 March 2013

Department of Broadband, Communications and the Digital Economy

Commercial television broadcasting licensees – current holdings of ‘regulated media assets’

Controller	TV audience reach (%)	TV licences	Radio licences	Associated newspapers
Seven West Media	73.8	6	9	2
Nine Entertainment Co.	59.4	6	-	-
Ten Network	66.7	5	-	-
Prime Media Group	24.4	13	10	-
WIN Corporation	38.9	23	2	-
Southern Cross	34.1	19	80	-

Note: the audience reach figures in the above table have been calculated using the population figures determined by the ACMA under section 30 of the *Broadcasting Services Act 1992* (‘the section 30 schedule’). This section 30 schedule is based on the population figures contained in the 2006 Census.

Ownership and control rules

75 per cent audience reach rule

Subsection 53(1) of the *Broadcasting Services Act 1992* (BSA) provides that a person must not be in a position to exercise control of commercial television broadcasting licences whose combined licence area populations exceed 75 per cent of the population of Australia. Subsection 55(1) and 55(2) establish similar restrictions for a director of a company, or of 2 or more companies that are, between them, in a position to exercise control of commercial television broadcasting licences.

An audience reach rule was first introduced in 1987 and set at 60 per cent. This was increased to 75 per cent in 1992.

The Australian Communications and Media Authority (ACMA) is responsible for determining the population of licence areas under section 30 of the BSA, having regard to the most recently published Census. Section 52 provides that, if as a result of a new determination, a person would be in breach of subsections 53(1), 55(1) or 55(2), those subsections will continue to apply to the person or director as if the previous determination remained in force. In other words, a shift in the population which meant a person or director became in a position to control licences reaching more than 75 per cent of the Australian population would not, of itself, require corrective action.

The following rules would remain in place after the repeal of the 75 per cent audience reach rule:

Statutory control rules

Subsection 53(2) of the BSA provides that a person must not be in a position to exercise control of more than one commercial television broadcasting licence in the same area. Subsections 55(3) and 55(4) establish similar restrictions for a director of a company or companies that between them control more than one commercial television broadcasting licence in the same area.

Section 54 of the BSA provides that a person must not be in a position to exercise control of more than two commercial radio broadcasting licence in the same area. Section 56 establishes similar restrictions for a director of a company, or of 2 or more companies that are, between them, in a position to exercise control of more than two commercial television broadcasting licences in the same area.

2 out of 3 rule

Section 61AEA of the BSA provides that there will be an unacceptable 3-way control situation in relation to a commercial radio broadcasting licence if a person is in a position to exercise control of a commercial television broadcasting licence, a commercial radio broadcasting licence area and an associated newspaper.

5/4 rule

Section 61AB of the BSA provides that there will be an unacceptable media diversity situation if there are less than 5 points (or voices) in a metropolitan commercial radio licence area or less than 4 points (or voices) in a regional commercial radio licence area.

ACCC competition rules

In addition to the broadcasting specific rules, any proposed merger or acquisition may be subject to an ACCC assessment of whether it will, or is likely to, result in a substantial lessening of competition. The ACCC may assess matters that are referred to it by merger parties or that are brought to the ACCC's attention by other parties, for example, through press reports or complaints by third parties.

News Corporation's Australian Media Assets¹

News Corporation is a global media company that owns various media interests in Australia, including print publishing, subscription television and digital media. The company is listed on the United States NASDAQ and the Australian Securities Exchange. News Corporation's Australian media interests are outlined below.

Newspapers

News Corporation wholly owns News Limited Newspapers, whose newspaper holdings in Australia are outlined below.

	Title (Mon-Fri)	Circulation (‘000s)	Readership (‘000s)
Metropolitan and national	Herald Sun	450	1,168
	Daily Telegraph	333	842
	Courier Mail	186	533
	Advertiser	166	452
	Australian*	122	417
Regional	Mercury	40	100
	Gold Coast Bulletin	34	92
	Townsville Bulletin	23	64
	Geelong Advertiser	22	56
	Cairns Post	21	71
	Northern Territory News	18	36

* The Australian is not an associated newspaper for the purposes of the current media diversity rules under the *Broadcasting Services Act 1992*. News Limited also owns over 100 non-associated regional newspapers.

Notes

Circulation: average daily net paid print sales; calculated over 12 months ending December 2012; revised quarterly.

(Data supplied by the Audit Bureau of Circulations)

Readership: Number of people reading an average issue of each newspaper; calculated over 12 months to June 2012; revised quarterly.

(Data supplied by Roy Morgan Research)

The *Broadcasting Services Act 1992* defines a *newspaper* as one that is in the English language and is published on at least 4 days in each week, but does not include a publication if less than 50% of its circulation is by way of sale. A newspaper is an ‘associated newspaper’, associated with the relevant licence area (as described below) and regulated under the media diversity rules, if the Australian Communications and Media Authority (ACMA) is satisfied that:

¹ This information has been prepared on the basis of publicly available information (with the exception of newspaper circulation and readership figures which were sourced from the Audit Bureau of Circulations and Roy Morgan Research). More detailed information on News Corporation's Australian media assets would need to be sought from the company itself.

- at least 50% of the circulation of the newspaper is within the licence area of a commercial television broadcasting licence; or
- at least 50% of the circulation of the newspaper is within the licence area of a commercial radio broadcasting licence and the circulation of the newspaper within that licence area is at least 2% of the licence area population.

Subscription television

News Corporation owns 100 per cent of the subscription television channel provider Fox Sports and holds a 50 per cent stake in subscription television provider Foxtel.

Foxtel has an estimated 2.3 million subscribers, post its merger with Austar.

Digital media

News Corporation also owns *NewsDigitalMedia*, which controls and operates the online websites of many of the company's print publishing businesses (e.g. daily newspaper websites), along with classified sales and search engine websites (e.g. carsguide.com.au and careerone.com.au).

Control of Associated Newspapers

Owner	Associated newspaper	Radio licence areas	Television licence areas
Fairfax	The Canberra Times	Canberra RA1	Southern NSW TV1
	Western Advocate	Bathurst RA1	Southern NSW TV1
	Daily Liberal and Macquarie Advocate	Dubbo RA1	Southern NSW TV1
	The Herald	Newcastle RA1 Newcastle RA1/Muswellbrook RA1	n/a
	Central Western Daily	Orange RA1	Southern NSW TV1
	The Sydney Morning Herald	Sydney RA1 Sydney RA1/Campbelltown RA1 Sydney RA1/Katoomba RA1 Sydney RA1/Western Suburbs Sydney RA1	Sydney TV1
	The Northern Daily Leader	Tamworth RA1	n/a
	The Daily Advertiser	Wagga Wagga RA1	Southern NSW TV1
	Illawarra Mercury	Wollongong RA1	Southern NSW TV1
	The Maitland Mercury	n/a	Northern NSW TV1
	The North West Star	Mt Isa RA1	Mt Isa TV1 RCEA TV1
	The Advocate	Devenport RA1	Tasmania TV1
	The Examiner	Launceston RA1	Tasmania TV1
	The Border Mail	Albury RA1	Eastern Victoria TV1 Regional Victoria TV1 Western Victoria TV1
	The Courier	Ballarat RA1	Regional Victoria TV1 Western Victoria TV1 Regional Victoria TV1/Western Victoria TV1 Regional Victoria TV1/Eastern Victoria TV1
	The Bendigo Advertiser	Bendigo RA1 Maryborough (VIC) RA1	Regional Victoria TV1 Western Victoria TV1 Regional Victoria TV1/Eastern Victoria TV1 Regional Victoria TV1/Western Victoria TV1
	The Warrnambool Standard	Warrnambool RA1	Regional Victoria TV1 Western Victoria TV1 Regional Victoria TV1/Eastern Victoria TV1 Regional Victoria TV1/Western Victoria TV1
	The Age	Melbourne RA1 Melbourne RA1/Geelong RA1	Melbourne TV1

APN	The Daily Examiner	Grafton RA1	n/a
	The Northern Star	Lismore RA1	n/a
	The Bundaberg NewsMail	Bundaberg RA1	Regional QLD TV1
	The Observer	Rockhampton RA1	Regional QLD TV1
	The Gympie Times	Gympie RA1	Regional QLD TV1
	The Queensland Times	Ipswich RA1	Brisbane TV1
	The Daily Mercury	Mackay RA1	Regional QLD TV1
	Sunshine Coast Daily	Nambour RA1 Nambour RA1/Gympie RA1	Regional QLD TV1
	Fraser Coast Chronicle	Maryborough RA1	Regional QLD TV1
	The Morning Bulletin	Rockhampton RA1	Regional QLD TV1
	The Chronicle	Toowoomba/Warwick RA1	Regional QLD TV1
Warwick Daily News	n/a	Regional QLD TV1	
News Ltd	The Daily Telegraph	Sydney RA1 Sydney RA1/Campbelltown RA1 Sydney RA1/Katoomba RA1 Sydney RA1/Western Suburbs	Sydney TV1
	Northern Territory News	Darwin RA1	Darwin TV1
	The Courier Mail	Brisbane RA1 Brisbane RA1/Ipswich RA1 Brisbane RA1/Nambour RA1	Brisbane TV1
	The Cairns Post	Cairns RA1	Regional QLD TV1
	The Gold Coast Bulletin	Gold Coast RA1 Gold Coast RA1/Murwillumbah RA1	Brisbane TV1
	Townsville Bulletin	Townsville RA1	Regional QLD TV1
	The Advertiser	Adelaide RA1	Adelaide TV1
	The Mercury	Hobart RA1	Tasmania TV1
	Geelong Advertiser	Geelong RA1	Melbourne TV1
Seven West	Herald Sun	Melbourne RA1 Melbourne RA1/Geelong RA1	Melbourne TV1
	The Kalgoorlie Miner	Kalgoorlie RA1	Kalgoorlie TV1 RRWA TV1
	The West Australian	Perth RA1	Perth TV1
McPherson Media Group	Shepparton News	Shepparton RA1	Eastern Victoria TV1

Chapter 1

The Australian communications and media market

Overview

Chapter 1 provides an overview of major developments in the provision and use of communications and media services in Australia. This includes key mergers and acquisitions, service provider offerings, challenges to existing business models, and the provision and take-up of emerging services. Developments relating to key digital economy infrastructure such as the NBN are also examined. Key developments during 2011–12 included:

Industry mergers and acquisitions

- > A continuing trend towards industry consolidation, with communications and media players striving for economies of scale in an environment of increasing competition through mergers and acquisitions. In addition, the continuing rollout of new digital economy infrastructure such as 4G mobile networks and the NBN has also been a catalyst for the purchase of strategic communication assets.

NBN

- > 38,914 premises passed by the NBN fibre network, with a further 173,885 covered by NBN fixed wireless or interim satellite services at June 2012.
- > Of premises passed by the fibre network, 3,867 had activated a fibre service at June 2012, compared to 9,669 activating fixed wireless or satellite services.
- > NBN Co forecasts that, by 30 June 2016, 5.53 million premises will have been passed by the NBN with 58 per cent of premises passed activating an NBN service.
- > 43 NBN retail service providers in existence at June 2012.

Fixed-line telephone services

- > Fixed-line telephone service numbers declining by one per cent to reach 10.44 million services. In contrast, 3.1 million adult mobile phone users (aged 18 years and over) did not have a home fixed-line telephone at June 2012, a 24 per cent increase over the reporting period.

Mobile services

- > Mobile services in operation reaching 30.2 million, approximately four mobile services for every three people in Australia. In relation to growth in mobile services:
 - > Net increase in service numbers (three per cent) was significantly lower than in 2010–11 (13 per cent).
 - > Growth in take-up of mobile internet and smartphones continues to be critical to growth of this sector, with:
 - > mobile handset internet subscribers increasing by almost 22 per cent in the 12 months to June 2012 to reach 16.19 million subscribers
 - > 49 per cent of adult Australians using a smartphone at May 2012, up from 25 per cent at June 2011
 - > mobile internet subscribers accounting for 78 per cent of total subscribers at June 2012, up from 75 per cent at June 2011.
- > Telstra increasing its mobile service market share at the expense of Vodafone Hutchison Australia (VHA), with Optus's share of mobile service remaining unchanged. In September 2011, Telstra also became the first mobile carrier to launch commercial 4G services, activating more than 375,000 4G devices by June 2012.

Internet services

- > At June 2012, there were 28.23 million internet subscribers, a nearly 17 per cent increase since June 2011.

Online video content services

- > Increased availability of professionally produced online video content (OVC) services such as subscription IPTV and catch-up television services. At June 2012:
 - > nine ISPs in Australia were providing subscribers with access to IPTV services, with all free-to-air television broadcasters offering audiences online catch-up television services
 - > use of catch-up television is leading the adoption of other OVC services, with an estimated 1.6 million persons aged 14 years and over having used catch-up services during June 2012, compared to just over one million during June 2011. This compared with an estimated penetration level for subscription IPTV services of five per cent of internet-connected households at June 2012.

Communications industry

Key acquisitions and mergers

The search for economies of scale in an environment of increasing competition continues to be the major driving force for consolidation in the Australian communications sector.¹ In addition, the ongoing rollout of the NBN and 4G networks has been a stimulus to the purchase of a number of assets in expectation of the transition to an NBN and 4G service environment (Table 1.1). The most significant developments in relation to industry consolidation over the period have included:

- > iiNet's \$165 million+ acquisition of Supernerd, TransACT and Internode within the space of three months and TPG's acquisition of a 7.24 per cent stake in iiNet.
- > M2 Group's acquisition of Primus Australia for \$192.4 million from its US parent.
- > Optus's purchase of the assets of Vividwireless for \$230 million from Seven Group Holdings with Optus planning to use the company's substantial wireless broadband assets (2.3 GHz wireless spectrum) to help it build its 4G network.
- > FOXTEL's \$2 billion acquisition of pay-TV provider Austar.

There were also examples of companies looking to expand beyond traditional business lines, such as Panasonic (electronics manufacturer) finalising distribution deals with Telstra (for Bigpond movies) and Netflix.²

Number of service providers in operation

Table 1.2 shows that in the 12 months to June 2012, key shifts took place in several areas of the communications service market, including continued market consolidation, the ongoing NBN rollout and the continuing rise in the popularity of mobile internet access. According to Market Clarity, during 2011–12 the number of ISPs in Australia fell slightly (two per cent) to 473.

There was significant growth in a number of areas, mostly associated with the NBN rollout. The number of ISPs offering fibre internet access—including NBN services—increased from 56 to 80 during 2011–12, with an increase in the number of ISPs offering fixed-wireless broadband (from 82 to 101). The increase in the number of fixed-wireless broadband providers reverses the dramatic retraction of this market seen in recent years.³ ISPs offering 3G internet services increased by 16 per cent. Public switched telecommunications network (PSTN) and VoIP service provision grew by 18 and 20 per cent respectively.

In addition to voice and data services, at June 2012 there were nine ISPs providing access to IPTV services and 38 providers of cloud communication services.

Table 1.1 Key mergers/acquisitions in the Australian communications sector, June 2011–12

Purchaser	Target	Date	Value	Commentary
iiNet	TransACT	November 2011	\$60 m	Had 40,000 subscribers at the time of acquisition in ACT and Victoria, plus fibre and cable assets
	Internode	December 2011	\$105 m	Had 190,000 broadband subscribers and some 260,000 active services at the time of acquisition
	Supernerd	September 2011	Undisclosed	Had 4,000 Melbourne-based residential customers
TPG	iiNet (7.24 per cent)	4.4 per cent stake in October 2011, reaching 7.24 per cent in November 2011	In excess of \$10 m	TPG described its purchase of iiNet shares as purely a 'strategic investment', remaining below regulatory reporting thresholds
	Intrapower	July 2011	\$12.8 m	Intrapower is a cloud services provider
Optus	Vividwireless assets (from Seven Group Holdings)	February 2012	\$230 m	Optus publicly stated that it had bought Vividwireless's assets (in particular, 2.3 GHz wireless spectrum) to assist it to build its 4G network
ClubTelco	Eftel (merger)	July 2011	\$9.6 m	Estimated to have 120,000 active DSL services at the time of merger
Eftel	West Australian Networks	June 2012	Undisclosed	The purchase includes approximately 1,500 business and residential DSL customers and all intellectual property of West Australian Networks
	Platform Networks	August 2011	Undisclosed	Platform was a wholesale telecommunications service provider. Core products provided, Ethernet, DSL data services and data centre solutions
M2 Group	Primus Australia	April 2012	\$192.4 m	Primus has about 165,000 customers (a mixture of residential, small and medium business, corporate and wholesale). M2 indicated that the purchase would position it to 'take full advantage of the shift to fibre-optic based telecommunications'. ⁴

FOXTEL	Austar	April 2012	\$2 b	The ACCC announced it would not oppose the proposed acquisition after court-enforceable undertakings were accepted by FOXTEL preventing them from acquiring exclusive IPTV rights for a range of attractive television program and movie content.
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m=million. b=billion.
Source: Company media releases and news websites.

Table 1.2 Number of communications services providers, Australia

Communications service provider category	June 2011	June 2012
Number of PSTN voice providers	179	212
Number of VoIP providers	176	212
Number of mobile service providers	145	156
Number of ISPs	484	473
ISPs offering dial-up	297	221
ISPs offering 3G	165	191
ISPs offering HFC	11	6
ISPs offering satellite internet	33	27
ISPs offering fibre internet access (incl. NBN)	56	80
ISPs offering NBN services	n/a	43
ISPs offering fixed-wireless	82	101
ISPs offering IPTV services	n/a	9
Number of cloud communications providers (Cloud PABX/voice)	n/a	38

n/a=not available. HFC=hybrid fibre coaxial cable.

Note: Counts of providers include retailers, wholesalers, mobile virtual network operators (MVNOs) where relevant, and providers servicing the residential, business and government sectors. Service providers can be in more than one category. Cloud service providers offer on-demand information and communications technology services.

Source: Market Clarity, June 2012.

Fixed-line service availability

Fixed-line voice services

There were 10.44 million fixed-line telephone services in operation at June 2012, compared to 10.54 million services at June 2011, a net decline of around one per cent.

Telstra's fixed-line telephone services in operation continued to decline, with 8.06 million services in June 2012. This is a decline of 3.7 per cent (approx 310,000) for 2011–12, compared with 3.3 per cent during 2010–11 (Table 1.3).

Telstra also reported an 11 per cent decline (\$538 million) in its PSTN product revenue during 2011–12, compared to a \$480 million decline during 2010–11.⁵

Table 1.3 Number of fixed-line telephone services in operation

All CSPs	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	% change from Jun-11 to Jun-12
Retail	9.40 m	9.17 m	9.12 m	9.15 m	9.01 m	-1.5%
Wholesale	1.60 m	1.50 m	1.47 m	1.39 m	1.43 m	+2.9%
Total	11.00 m	10.67 m	10.59 m	10.54 m	10.44 m	-0.9%

Telstra services only	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	% change from Jun-11 to Jun-12
Retail	7.87 m	7.73 m	7.41 m	7.16 m	6.88 m	-3.9%
Wholesale	1.50 m	1.29 m	1.25 m	1.21 m	1.18 m	-2.5%
Total	9.36 m	9.02 m	8.66 m	8.37 m	8.06 m	-3.7%

m=million.

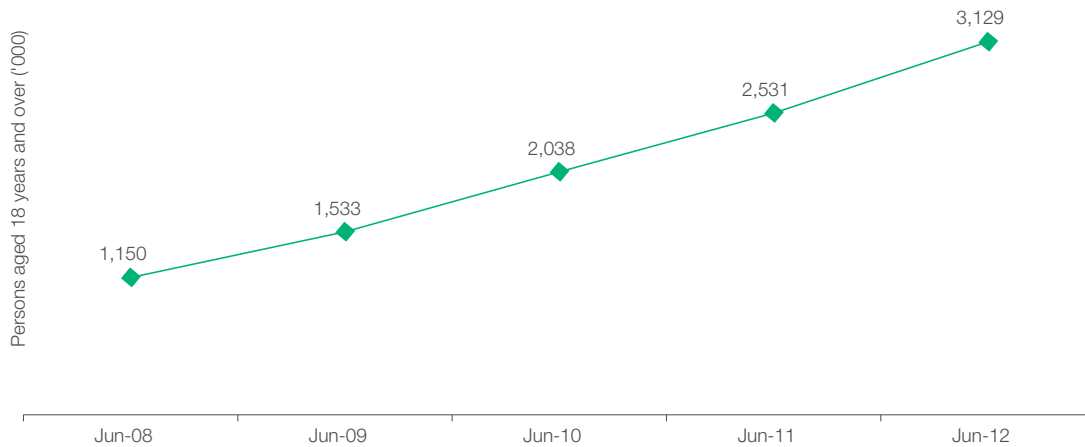
Note: Retail refers to residential and business services provided on own network.

Source: The ACMA annual industry data request covering Telstra, Optus, iiNet group, TPG, AAPT, Primus.

The shift from fixed-line telephony

The decline in fixed-line telephone services and revenues reflects changing patterns of consumer communications usage, such as disconnecting fixed-line telephones or favouring other communication channels. Just over 18 per cent of adults aged 18 years and over (3.1 million persons) did not have a fixed-line telephone connected in their home at June 2012, an increase of 24 per cent since June 2011 (Figure 1.1).

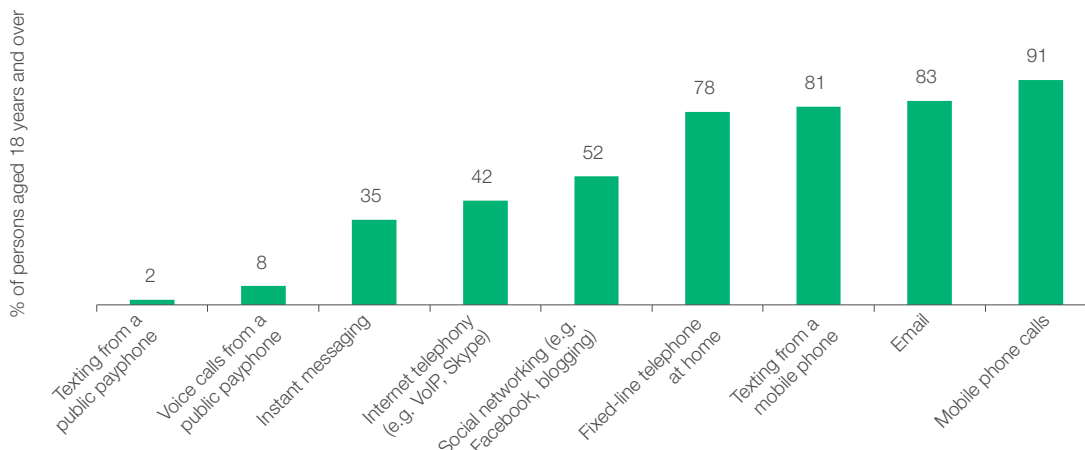
Figure 1.1 Growth in population with a mobile phone and no fixed-line telephone



Source: Roy Morgan Single Source, June 2012.

The ACMA's consumer research reveals the diversity of the communications services used by Australians (Figure 1.2).

Figure 1.2 Communications services currently used, May 2012

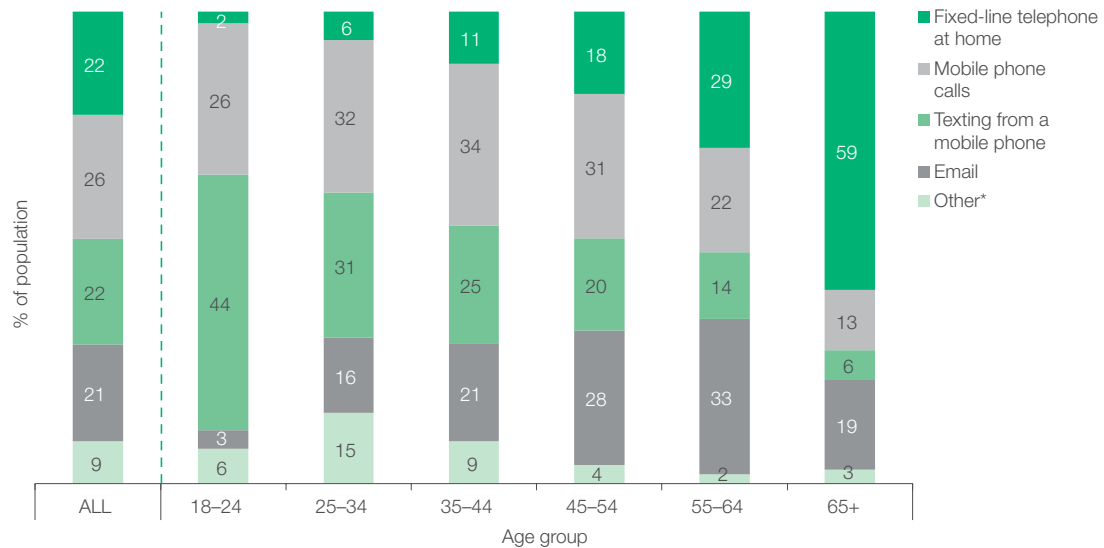


Base: Persons with a fixed-line and/or mobile telephone.

Source: ACMA-commissioned research, May 2012.

The preference for communication services other than the home fixed-line telephone is further reinforced by Figure 1.3. The only group where a fixed-line telephone is the most used service is persons aged 65 years and over, with mobile phone communications the most used services for persons aged 18–54 years.

Figure 1.3 Communications service most used, May 2012

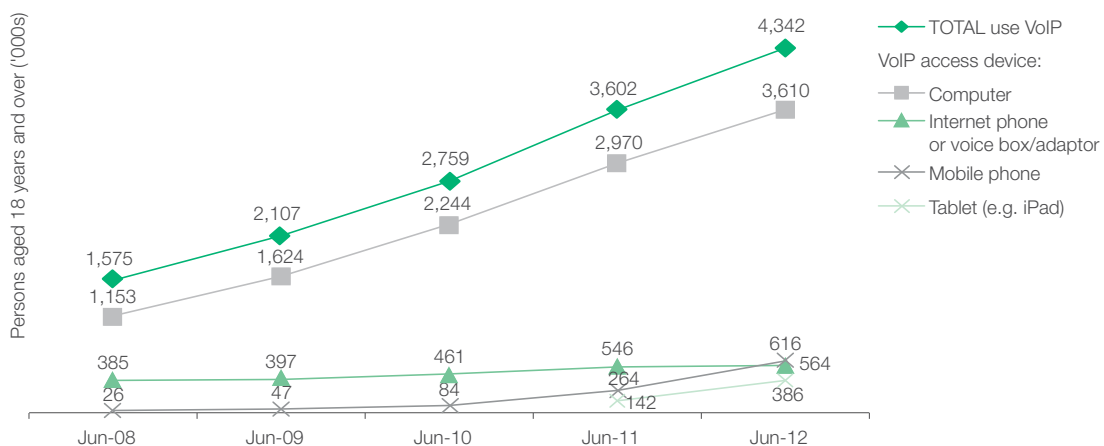


*Includes social networking, instant messaging, VoIP, etc. Numbers may not add to 100 per cent due to rounding.
Base: Persons with a fixed-line and/or mobile telephone.
Source: ACMA-commissioned research, May 2012.

The increasing capacity of mobile phones to deliver converged communications, combining access to SMS/MMS and voice services with internet-based communications such as VoIP, email and social networking, makes the mobile phone the main challenger currently to the fixed-line telephone. This is despite continued growth in the use of internet telephony or VoIP services that are accessible by computers and devices other than the mobile phone.

The number of VoIP users increased by nearly 21 per cent to 4.3 million users aged 18 years and over at June 2012. The majority of growth has occurred in the use of computer/tablet-based VoIP (such as Skype), which accounted for the majority of VoIP users in Australia at June 2012 (Figure 1.4). These services are largely used as a complement to either a mobile phone or a traditional fixed-line telephone or both, with 99 per cent of computer/tablet VoIP users also using a mobile phone and 78 per cent also using a fixed-line home telephone at June 2012.⁶

Figure 1.4 Take-up of VoIP services by household consumers



Note: Multiple responses allowed, so components do not add to total. Computer VoIP refers to use of a PC/laptop computer and excludes tablet devices.
Source: Roy Morgan Single Source, June 2012.

Mobile service availability

Number of mobile services in operation

At June 2012, there were an estimated 30.2 million mobile voice and data services in operation in Australia, which is four mobile services for every three people. The three per cent growth in mobile services in operation was significantly lower than the 13 per cent increase recorded for the 2010–11 period (Table 1.4).

During 2011–12, mobile service providers continued to face intense competition, particularly for market share. Recent Australian research identified that the monthly average revenue per user (ARPU) for these services was approximately \$30–\$35 at June 2012, a decline of nearly 50 per cent since December 2008.⁷

In terms of the performance of Australia's three mobile carriers, a number of significant developments occurred during 2011–12:

- > Telstra recorded a net increase in mobile services of 1.6 million, bringing its total mobile subscriber base to 13.8 million.
- > In September 2011, Telstra became the first mobile carrier to introduce commercial 4G services.⁸
- > Optus recorded a net increase in mobile services of approximately 416,000 to reach a total of 9.5 million at 30 June.⁹ In May 2012, Optus and VHA announced that they had agreed to share base stations and other resources. This saw Optus gain access to 1,000 Vodafone sites and VHA gain access to 400 Optus sites. VHA customers will also be able to roam on the Optus network in some areas.¹⁰
- > VHA recorded a net decline in mobile services in operation of 357,000, bringing its total customer base to 6.8 million.¹¹ In 2011, VHA committed to a \$1.1 billion network upgrade, which included 775 new mobile network sites and upgrades to a further 810 sites.¹²

Table 1.4 Mobile services in operation

	Jun-10	Jun-11	Jun-12	% change from Jun-11 to Jun-12
Prepaid	10.71 m	11.23 m	11.64 m	+3.7%
Post-paid	15.28 m	18.05 m	18.56 m	+2.8%
Total	25.99 m	29.28 m	30.20 m	+3.1%

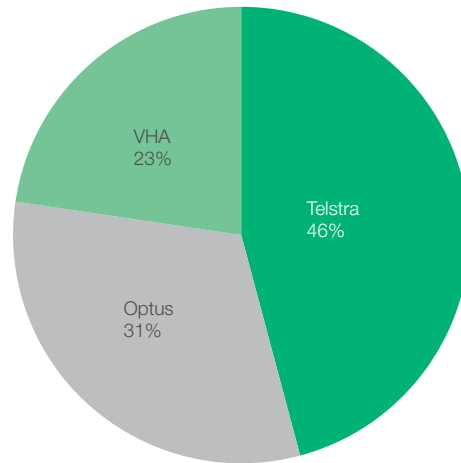
m=million.

Note: Figures include wholesale and retail services and wireless broadband data services provided via data cards, dongles or USB modems.

Source: The ACMA annual industry data request.

During the 2011–12 reporting period, Telstra increased its share of mobile services in operation to 46 per cent (Figure 1.5), compared to 42 per cent at June 2011. Optus's market share remained unchanged and VHA's share of declined by four percentage points to reach 23 per cent at June 2012.¹³

Figure 1.5 Carrier share of mobile services in operation, June 2012



Source: Carrier annual reports.

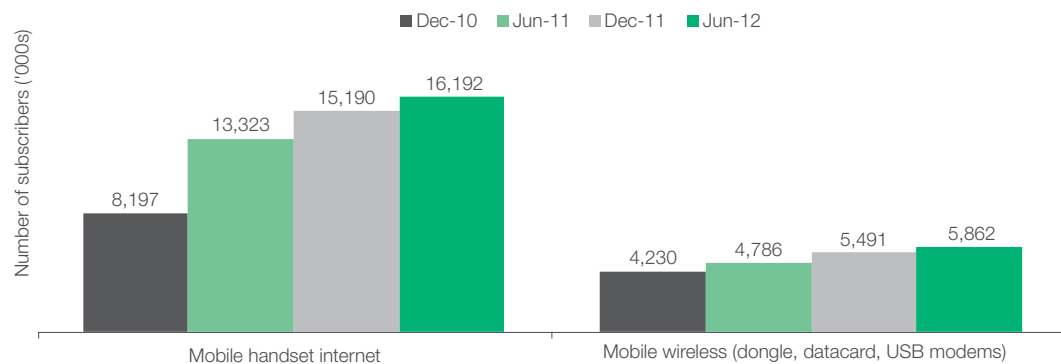
Churn in mobile service provider

ACMA research shows that approximately 16 per cent of adult mobile phone users (aged 18 years and over) in Australia changed their mobile service provider in the 12 months to May 2012. The top two reasons were better network coverage and cheaper call rates (both 28 per cent). A further 14 per cent of consumers changed their mobile service provider due to dissatisfaction with the level of customer service.¹⁴

Mobile internet services

Growth in mobile services continues to be driven by take-up of mobile internet (using mobile phone handset internet, dongle, datacard or USB modem services). Latest ABS data shows that at June 2012, there were nearly 5.86 million mobile wireless internet subscribers and a further 16.19 million mobile handset internet subscribers. This was an increase of approximately 23 per cent and 22 per cent respectively since June 2011 (Figure 1.6). Given overall growth in the total number of mobile voice and data services in Australia was only three per cent during 2011–12, the significant increase in mobile internet subscribers continues to be a major driver of the take-up of mobile services, particularly in conjunction with the increasing popularity of smartphones in the Australian market.

Figure 1.6 Mobile internet subscribers in Australia



Note: ABS has revised some mobile handset internet subscriber figures published in previous ACMA reports.
 Source: ABS, 8153.0–Internet Activity, Australia, June 2012.

ACMA research shows that 51 per cent of Australian adults (nine million persons) had used the internet via their mobile handset during the six months to May 2012. Other research confirms the strong growth in mobile phone internet usage in Australia. For example, during June 2012, an estimated 6.0 million Australians used the internet via their mobile phone compared to 3.9 million during June 2011.¹⁵

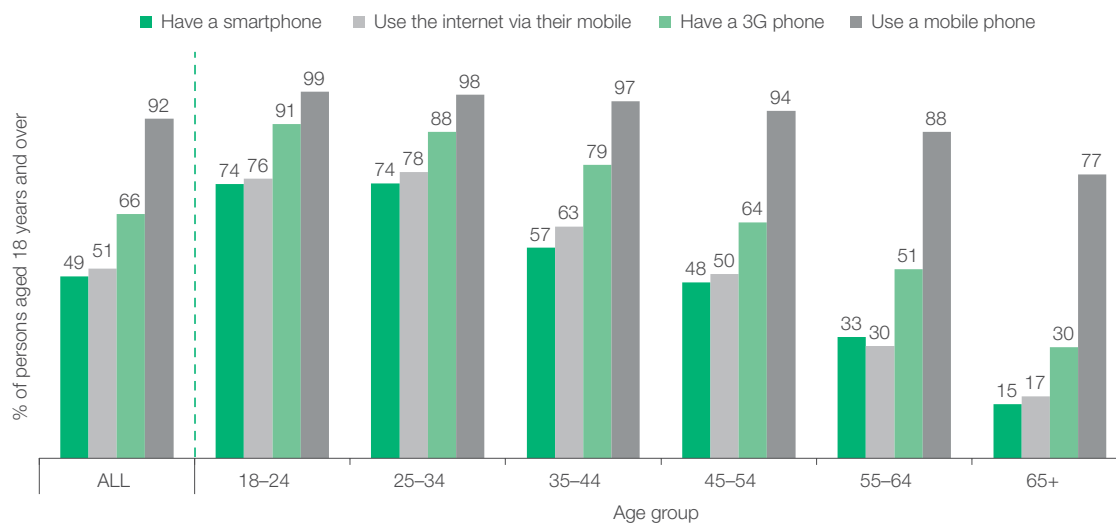
Supply-side factors likely to continue to contribute to the growth of mobile phone internet usage (other than the increasing data capacity of mobile networks) include the development of mobile applications and content services, the increase in mobile data allowances, and the increased take-up of smartphones into the Australian market.¹⁶ These factors have been instrumental in the development of mobile phones as affordable and functional communications technology, able to meet the everyday communications and data needs of Australians wherever they are.

Consumer research shows that of adult mobile phone users in Australia:¹⁷

- > 50 per cent had downloaded a mobile application during June 2012, compared to 46 per cent during June 2011
- > 49 per cent had an estimated monthly mobile data allowance of one gigabyte or more at June 2012, compared to 35 per cent at June 2011.

At May 2012, 49 per cent of the population were estimated to use a smartphone compared to 25 per cent at June 2011, with smartphone usage peaking at 74 per cent for persons aged 18–34 years (Figure 1.7).¹⁸

Figure 1.7 Type of mobile phone internet use and handset type



Base: Persons with a fixed-line and/or mobile telephone.

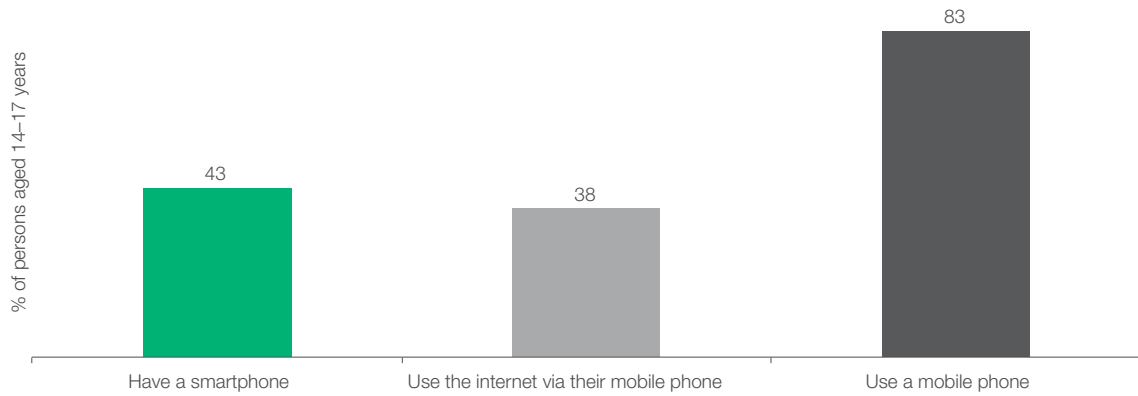
Note: Mobile phone internet use is for the six months to May 2012. A smartphone is a mobile phone built on a mobile operating system, with more advanced computing capability and connectivity. Examples of smartphones include Apple iPhone, Android phones such as HTC Desire and Samsung Galaxy, Windows mobile phones such as the Nokia Lumia 800 and HTC Mozart, Blackberries.

Source: ACMA-commissioned research, May 2012.

Youth market

As shown in Figure 1.8, persons aged 14–17 in Australia generally have lower overall levels of mobile take-up, smartphone adoption and mobile phone internet usage than for all groups except older Australians. Possible reasons for this include young people’s reduced earning capacity and greater likelihood of relying on parental support to pay mobile phone bills.

Figure 1.8 Mobile phone users aged 14–17



Base: Persons with a fixed-line and/or mobile telephone. Internet use relates to activities performed online during June.
Source: Roy Morgan Single Source, June 2012.

Internet service availability

Number of internet services

At June 2012, there were 473 ISPs operating in the Australian market, a marginal decline from 484 at June 2012.¹⁹ This decrease has been influenced by a number of mergers and acquisitions such as iiNet's takeover of TransACT in November 2011 and Internode in January 2012. Table 1.5 provides a snapshot of the internet services in operation (SIOs) for the dominant ISPs in the Australian market—Telstra, Optus, iiNet and TPG.

Table 1.5 SIO for key Australian ISPs at June 2012

ISP	('000)	Internet SIO
Telstra ²⁰	4,672	Total fixed internet subscribers
	2,599	Fixed broadband retail
	767	Fixed broadband wholesale
	1,306	ISDN access (basic line equivalents)
	3,118	Mobile broadband (data card)
Optus ²¹	1,034	Total fixed internet subscribers
	993	On-net broadband customers*
	20	Off-net
	21	Dial-up
	1,570	Wireless mobile broadband subscribers [†]
iiNet [‡] ²²	869	Total fixed internet subscribers
	548	On-net
	291	Off-net
	30	Dial-up
	93	Mobile
TPG [§] ²³	595	Total fixed broadband subscribers
	98	Off-net broadband
	497	On-net broadband
	255	Mobile subscribers [¶]

*Optus on-net includes HFC, ULL and business-grade broadband customers.

†Wireless broadband subscribers are those with an HSPA broadband service. Excludes data packs attached to voice services.

‡iiNet figures includes new customers from acquisition of TransACT in November 2011 and Internode in January 2012.

§TPG figures are for July 2012.

¶Includes Soul Mobile and TPG Mobile subscribers.

Note: Includes re-sale figures.

Source: Company websites.

The most notable aspect of the internet access market in Australia has been the continued growth of mobile internet services, comprising mobile handset internet subscribers and mobile wireless internet—including dongle, datacard and USB modem services—and the diversification of devices used to access the internet.

At June 2012, there were 28.23 million internet subscribers in Australia, of whom 78 per cent were mobile internet subscribers. This compares to 24.23 million internet subscribers at June 2011, of whom 75 per cent were mobile internet subscribers (Table 1.6). The critical role mobile internet has played in driving growth in the internet access market in Australia is further reflected by the fact that in the 12 months to June 2012:

- > mobile wireless subscribers increased by almost 23 per cent to reach 5.9 million
- > mobile handset internet subscribers increased by nearly 22 per cent to reach 16.2 million
- > other internet subscribers (excluding dial-up) increased by just over three per cent to reach 5.74 million.

During the 2011–12 period, the third and fourth largest internet subscriber markets—ADSL and cable—saw an increase in subscriber numbers of three and four per cent respectively. Fibre subscriber numbers in Australia increased by 68 per cent in the 12 months to June 2012, from a low base of 31,000 at June 2011. These numbers are likely to steadily increase as the focus shifts to signing up customers to NBN fibre internet access.

Table 1.6 Internet subscribers by technology type

Internet subscribers by access technology	Dec-10 ('000)	Jun-11 ('000)	Dec-11 ('000)	Jun-12 ('000)	% change from Jun-11 to Jun-12
Mobile wireless (dongle, data card, USB modem services)	4,230	4,786	5,491	5,862	+22.5%
ADSL	4,458	4,493	4,553	4,632	+3.1%
Cable	n/a [†]	881	900	917	+4.1%
Dial-up	707	569	473	439	-22.8%
Satellite	n/a [†]	106	100	94	-11.3%
Fixed wireless*	24	34	35	30	-11.8%
Fibre	24	31	37	52	+67.7%
Other	n/a [†]	7	8	10	+42.9%
Total (excluding mobile handset subscribers)	10,446	10,906	11,596	12,036	+10.4%
Mobile handset	8,197	13,323	15,190	16,192	+21.5%
Total (including mobile handsets)	18,643	24,229	26,786	28,228	+16.5%

n/a=not available.

**Fixed wireless (for example, WiMAX) uses an air interface to connect an internet service. An antenna installed at the customer's premises receives signals from the service provider's base station.*

†Data not available but is included in totals.

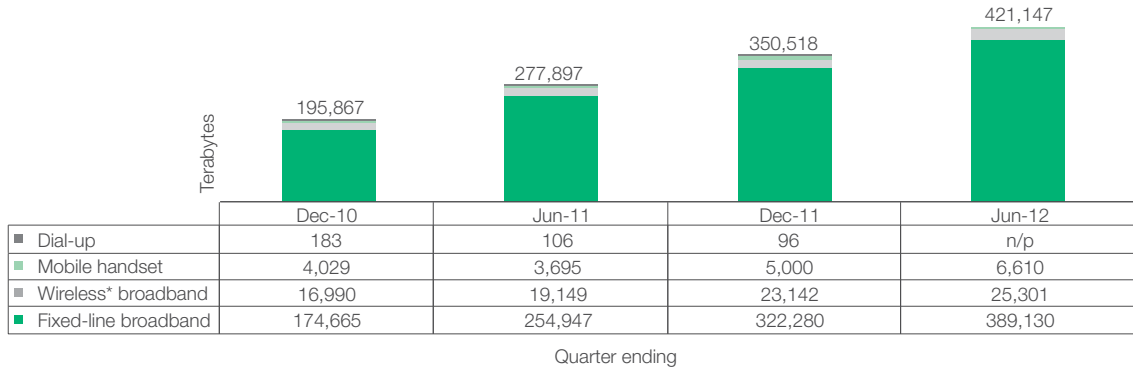
Note: ABS has revised some figures for mobile handset internet subscribers published previously.

Source: ABS, 8153.0–Internet Activity, Australia, June 2012.

Volume of data downloaded

Growth in internet subscription numbers is also reflected in increases in the volume of data downloaded. During the June 2012 quarter, the volume of data downloaded was almost 52 per cent higher than during the June 2011 quarter. Despite the numerical dominance of wireless and mobile phone handset internet subscribers, these services continued to account for only a fraction of total data downloaded in Australia—nearly eight per cent for the June quarter of 2012 (Figure 1.9).

Figure 1.9 Volume of data downloaded by Australian internet users



n/p=not published.

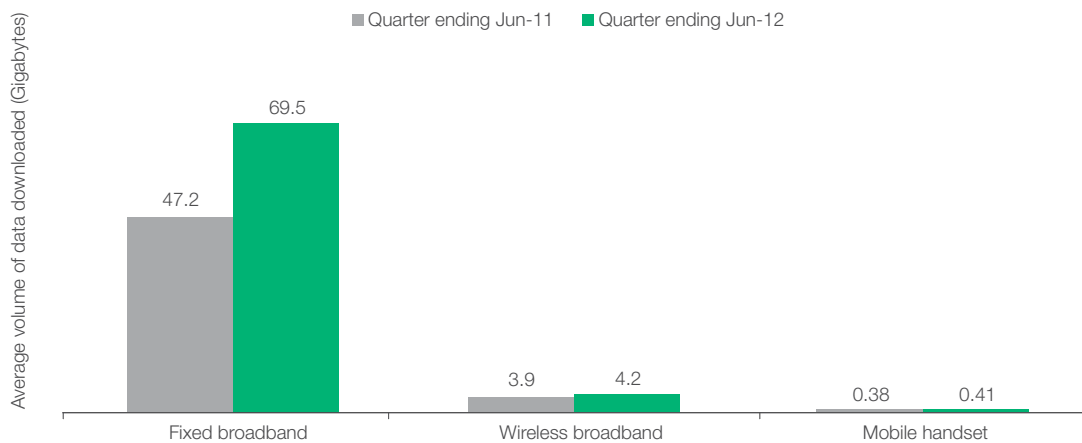
**Excludes downloads via mobile phone handsets. Includes dongle, USB modems, datacard services, satellite, etc.*

Note: Total volume of data downloaded is based on ABS published numbers, and components may not add up due to rounding. The ABS reports that 'download data presented should only be considered an indicative measure of internet activity during the reference period'. Data downloaded via dial-up services are not published separately for June 2012 but are included in the total.

Source: ABS, 8153.0-Internet Activity, Australia, June 2012.

In terms of the average amount of data downloaded, fixed broadband subscribers are more likely to be heavy users of high bandwidth services such as video streaming than their wireless counterparts (Figure 1.10). During the June quarter of 2012, the average amount of data downloaded by a fixed-broadband subscriber was approximately 17 times greater than that downloaded by a wireless broadband subscriber and 170 times that of a mobile handset internet subscriber.

Figure 1.10 Average volume of data downloaded by subscriber type



Note: Wireless broadband includes dongle, datacard, USB modem, satellite, fixed-wireless services. Fixed broadband includes ADSL, cable and fibre.

Average downloads published in previous ACMA reports may vary due to ABS revisions.

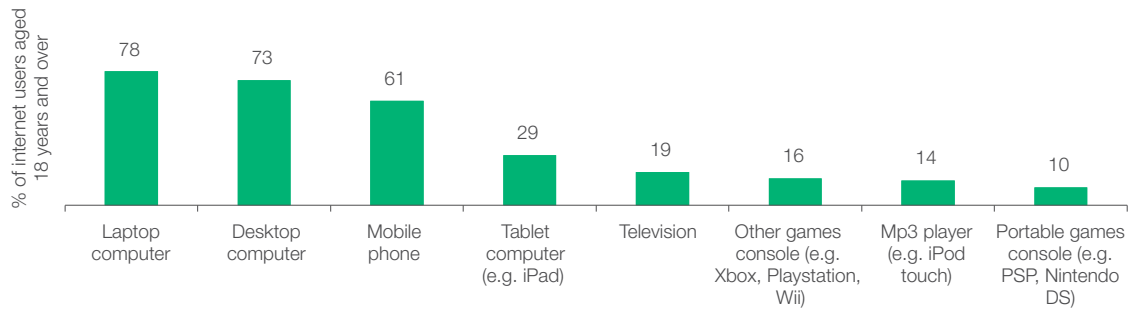
Source: ABS, 8153.0-Internet Activity, Australia, June 2012.

Diversification of consumer internet access devices

At May 2012, approximately 86 per cent adults resided in a household with internet access, while 80 per cent of adults were estimated to have broadband internet in the home.²⁴

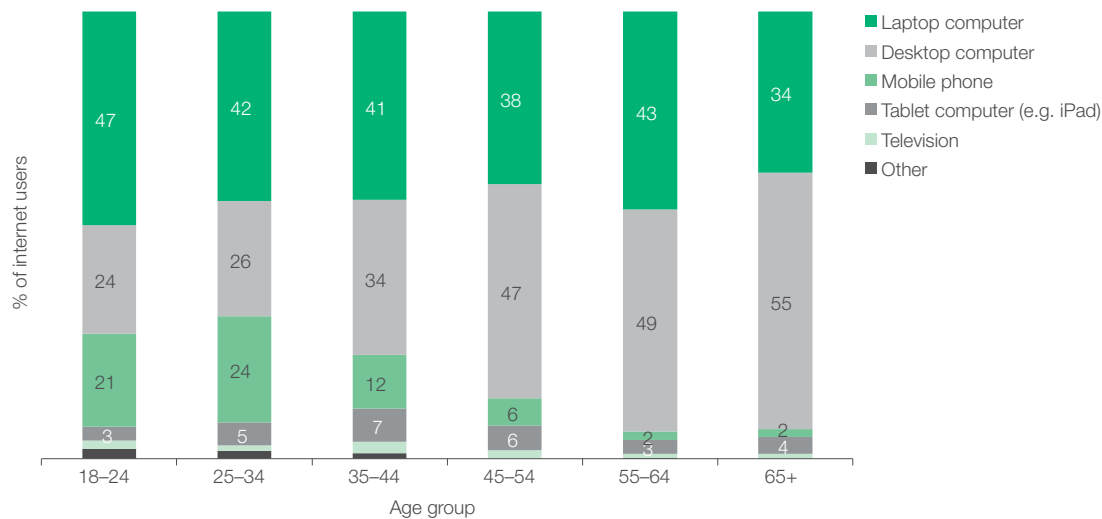
Australians with household internet access go online from home via a range of consumer devices (Figure 1.11), with smartphones, tablets and internet televisions having a significant user base in the Australian household consumer internet market. Despite this, desktop and laptop computers remain the main devices for accessing the internet in Australia regardless of the age of the internet user (Figure 1.12), reinforcing the complementary nature of many consumer devices. For example, of Australians using the internet via their mobile handset in the six months to May 2012, 99 per cent also used a workstation or a portable computer to go online.²⁵

Figure 1.11 Internet take-up and devices used to access the internet from home



Base: Persons with a fixed-line and/or mobile telephone.
 Note: Relates to persons with household internet access.
 Source: ACMA-commissioned research, May 2012.

Figure 1.12 Main device used to access the internet from home by age



*Includes games consoles, Mp3 player. Don't know responses not shown in figure but included in base, so percentages do not total 100.
 Note: Relates to persons with household internet access.
 Base: Persons with a fixed-line telephone and/or a mobile telephone.
 Source: ACMA-commissioned research, May 2012.

Strategies to retain market share

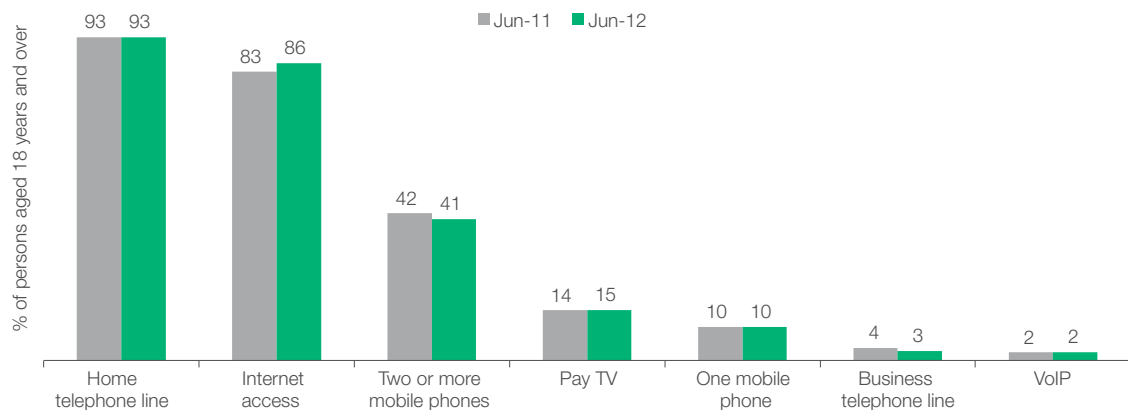
With increasing competition and declining returns from traditional revenue streams (as shown earlier by declining fixed-voice revenues and mobile ARPUs), communications service providers have resorted to a range of strategies to retain market share. The bundling of services (usually to provide a perceived financial or other gain for the consumer) and, more recently, providing additional services such as content are two examples of approaches adopted by service providers to differentiate service offerings from competitors. However, the success of these two strategies has varied.

Service-bundling

The majority of ISPs have typically moved into bundling voice services with internet access to their subscribers, usually by providing a VoIP service. Approximately 67 per cent of ISPs in Australia provided a voice service to their customers at December 2011, compared to 61 per cent at June 2011.²⁶ More recently, the major ISPs (Telstra, Optus, iiNet and TPG) have moved to provide subscription content services, such as IPTV, to their subscriber base in an attempt to diversify revenue streams (Table 1.7).

The proportion of households with a bundling arrangement has remained relatively unchanged over the past two years. Approximately 42 per cent of the population aged 18 years and over bundled two or more of their communication and media services with a single service provider, compared to 43 per cent at June 2011.²⁷ Typical services bundled at June 2012 were a home fixed telephone line (93 per cent), internet access (86 per cent) and mobile phones (51 per cent). Pay TV services were included in 15 per cent of bundling arrangements (Figure 1.13).

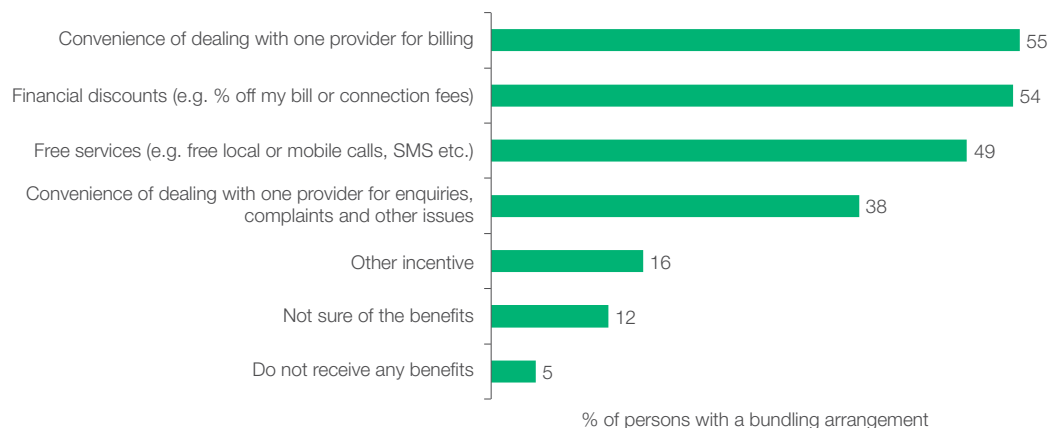
Figure 1.13 Services included in bundling arrangements, June 2012



Base: Persons with a bundling arrangement.
 Source: Roy Morgan Single Source, June 2012.

The convenience of dealing with a single service provider for billing (55 per cent), financial discounts (54 per cent) and 'free services' (49 per cent) were the most frequently reported benefits from bundling services with one communication provider at June 2012 (Figure 1.14). While the proportion of consumers who bundle services reporting financial benefits has remained relatively unchanged since June 2011, consumers reporting the convenience of dealing with a single provider for billing as a benefit of bundling has increased from 48 per cent at June 2011.²⁸

Figure 1.14 Benefits from bundling communications and media services, June 2012



Source: Roy Morgan Single Source, June 2012.

Online video content delivery in Australia

The emerging online video content service market is seen as a potential area of growth for communications service providers and free-to-air broadcasters. The provision of these services in Australia takes two major forms:

- > high-end IPTV services—providing users with access to video content in return for a subscription, or pay-per-view provided by ISPs (Table 1.7)
- > catch-up television offered by free-to-air television broadcasters—enabling viewers to access recently aired shows via the internet, usually available free of access charges (Table 1.8).

The supply of IPTV services has continued to expand over the last 12 months, encouraged by increased competition between ISPs and higher available bandwidth. At June 2012, there were nine IPTV providers in the Australian market, the majority offering content from two aggregators, FOXTEL and Fetch TV.

Telstra remains the dominant player in this market, leveraging its 50 per cent stake in FOXTEL by bundling other communications products with online video access services to attract additional customers. Conversely, along with a number of smaller ISPs, Optus has invested heavily in the Fetch TV model, offering users access to Fetch’s aggregated video content in return for a subscription charge. In late 2011, competition between service providers resulted in efforts to differentiate products and prices, which in some instances saw prices fall by 30 per cent.²⁹ As a further incentive, many service providers are offering content accessed free of metering charges, including some catch-up television sites such as ABC iView.

Table 1.7 Online video service offerings of selected ISPs, 2011–12

Company	Service	Content	Platforms/ devices
Telstra	BigPond TV/ BigPond Movies	TV and film content of local and international origin. Mix of recent and archive content. Access to FTA television, seven BigPond TV channels including sports, news and music, and a library of on-demand movies and TV programs	T-Box, internet-enabled TV, PC (through Windows Media Player)
	FOXTEL on T-Box/FOXTEL on Mobile	Content from FOXTEL—30 TV channels, plus on demand movies and TV programs	T-Box/smartphone
Optus	MeTV (with Fetch TV)	Offers mix of on-demand content and subscription channels, with access to FTA channels	FetchTV STB
	OptusNow	Cloud-based online recording service of FTA television	Service suspended on 27 April 2012 ³⁰
iiNet	Partnership with FetchTV	Offers mix of on-demand content and subscription channels, with access to FTA channels	FetchTV STB
Westnet			
Internode			
Netspace			
Adam Internet			
mytelecom			
TransACT			

FTA=free-to-air.

Note: Westnet, Internode, Netspace and TransACT are all part of the iiNet group.

Sources: Provider websites at 20 July 2012.

While the take-up of high-end IPTV services such as Fetch TV is still relatively small at five per cent of internet-connected households³¹, a much higher number of Australians have used catch-up television services. Nearly 1.6 million persons aged 14 years and over used these services during June 2012, compared to just over one million during June 2011.³² The quest to expand online audience figures has seen free-to-air broadcasters increase the amount of content available on their websites over the past year, though the range of content still remains limited compared to traditional broadcast television offerings.³³

Both catch-up and high-end IPTV have seen investment in providing content in multiple formats, a reflection of the demand for ‘go anywhere’ internet access. Broadcasters and service providers offer content compatible with iOS and Android platforms, in addition to games consoles and internet-enabled televisions. Further information about this market can be found in the ACMA *Communications report 2011–12 series, Report 1 – Online video content services in Australia: Latest developments in the supply and use of professionally produced online video services.*

Table 1.8 Selected online video content offerings of Australia’s FTA broadcasters

Broadcaster	Service	Content	Platforms/devices
ABC	ABC iView	Recently screened ABC content, trailers, pre-broadcast programs and some content exclusive to the iView website	PC, iPad, smartphones, PlayStation 3, internet-enabled Sony, Samsung and LG televisions and Xbox360
SBS	SBS On Demand	Recently screened SBS content with emphasis on documentary and cooking shows. Recently screened movies	PC, internet-enabled Sony TVs, iOS devices, Xbox360
Seven Network	Plus7	Recently screened Seven Network content, in addition to TV programs that have not aired on Australian FTA channels	PC, internet-enabled Sony, Samsung and LG televisions, Sony Bluray players
Nine Network	nineMSN Video	Nine Network content, including Go! Majority are short clips	PC, internet-enabled televisions, Xbox360, limited shows available via iOS devices
Network Ten	Watch TV	Recently screened Ten Network content	PC, internet-enabled televisions, limited shows available via iOS devices

Sources: Broadcaster websites at 15 July 2012.

Communications infrastructure developments

There are a number of major infrastructure projects currently underway in Australia that will have significant implications for the future development of the communications sector and the digital economy. This section provides an overview of key developments relating to the rollout of 4G mobile networks and the NBN that have occurred during 2011–12.

4G networks

Australia’s three mobile network operators (Telstra, Optus and VHA) indicated in 2011–12 that they were either planning to roll out, were in the process of rolling out or had commenced providing 4G services.

Telstra—in September 2011, Telstra became the first mobile network operator to begin commercial services on its 4G network, which commenced in the central business districts of Melbourne, Brisbane, Adelaide and Perth and has since been expanded to multiple regional centres.³⁴ Telstra reports that at June 2012, its 4G network covered 40 per cent of Australia’s population, with more than 375,000 4G devices activated.³⁵

Optus—in November 2011, Optus commenced 4G network trials in Bendigo³⁶ and at the completion of the trial reported that it had achieved peak download speeds of 70 Mbps.³⁷ Optus undertook a ‘soft’ launch of its 4G network in the Newcastle/Hunter Valley region of New South Wales in April 2012. During this launch, Optus provided access to its network for free on the basis that its customers would provide it with feedback.³⁸

In February 2012, Optus acquired significant network assets through the purchase of Vividwireless (of which the key asset was 2.3 GHz wireless spectrum), which will assist it in its rollout of a new network.³⁹

VHA—VHA has not released any definite plans as yet, but has indicated that a rollout would commence in ‘selected areas’ some time in 2013.

National Broadband Network

The government created NBN Co on 9 August 2009 to design, build and operate a new wholesale-only network to deliver high-speed broadband to all Australian premises.

The network will use fibre-to-the-premises (FTTP) to provide fibre-optic cabling to 93 per cent of Australian homes, schools and businesses delivering peak download speeds of 100 Mbit/s per second at the wholesale level, with capability to provide up to 1 Gbit/s planned for next year. All other premises will be able to access next-generation high-speed fixed wireless and/or satellite technologies, delivering peak download speeds of 12 Mbit/s at the wholesale level, with higher speeds anticipated as technology evolves.

Rollout

In March 2012, NBN Co released its first three-year rollout plan and announced that construction will commence or be completed for over 1,500 communities by June 2015.⁴⁰ NBN Co also announced that Tasmania would be the first Australian state where the rollout of the NBN would be completed, with fibre connections providing service to approximately 200,000 premises, fixed wireless to 32,000 premises and the remainder receiving NBN Co's satellite service.⁴¹ NBN Co intends to update the three-year plan every 12 months, adding a further year of information on rollout locations.

On 1 July 2011, NBN Co launched its interim satellite service that offers improved broadband services to eligible users in rural and remote areas, ahead of the introduction of a long-term satellite service in 2015.⁴² During 2011–12, NBN Co announced the location of three of 10 planned satellite base stations—Wolumla (south coast of New South Wales), Bourke (New South Wales) and Geeveston (Tasmania).⁴³ NBN Co expects to launch two Ka Band satellites in 2015 to provide its Long Term Satellite Service.

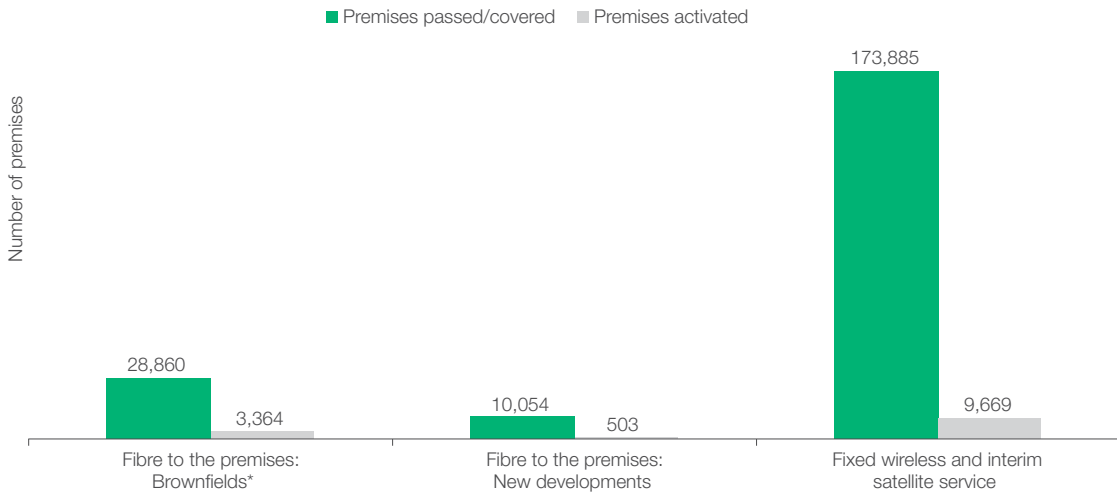
Lots/premises passed and activated

The rollout of the NBN continues, with NBN Co reporting its fibre network had passed 38,914 lots/premises, with a further 173,885 premises covered by NBN fixed wireless or interim satellite services at June 2012. Of premises passed by the fibre network, 3,867 premises had activated a fibre service at June 2012, compared to 9,669 premises activating fixed wireless or satellite services (Figure 1.15).

In its *Corporate Plan, 2012–15*, NBN Co presented a five-year forecast for the number of premises passed by the NBN and the level of expected service activation:

- > 2012–13: 661,000 premises passed, 14 per cent activated
- > 2013–14: 1.68 million premises passed, 33 per cent activated
- > 2014–15: 3.66 million premises passed, 44 per cent activated
- > 2015–16: 5.53 million premises passed, 58 per cent activated.

Figure 1.15 Lots/premises passed/activated by the NBN at 30 June 2012



*Brownfield premises are currently connected to a legacy fixed telecommunications network.
 Source: NBN Co.

In March 2012, NBN Co finalised its agreement with Telstra to progressively migrate customers connected to its fixed networks to the NBN in areas covered by the NBN fibre network.⁴⁴ The agreement also provided NBN Co access to key infrastructure necessary to build the NBN more efficiently and cost-effectively. In June 2011, NBN Co also executed an agreement with Optus to progressively migrate Optus hybrid fibre coaxial customers to the NBN. This deal was finalised in July 2012.⁴⁵

On release of its updated corporate plan in August 2012, NBN Co stated the delay in finalising the Telstra agreement, regulatory changes such as the ACCC decision to mandate 121 points of interconnect and other factors necessitated changes to the corporate plan and accompanying planned rollout schedule.⁴⁶ NBN Co anticipates, however, that these changes to the scope of the project will only extend the rollout by six months.

Service announcements

During 2011–12, a number of communications service providers made announcements relating to the retailing and wholesaling of services over the NBN (Table 1.9). For a full list of providers and their areas of activity see Table 1.10.

Table 1.9 Select announcements relating to the provision of services over the NBN, 2011–12

Date of announcement	Provider	Service category	Details of announcement
July 2011	Internode	Retail	Initial monthly NBN prices, with plans starting at \$59.95 (now \$49.95) for 30GB of data at speeds of 12 Mbps downstream and 1 Mbps upstream. Users are able to pay more for faster access and plans included a VoIP telephone service
July 2011	Exetel	Retail	Entry-level plan for \$34.95 with 20 GB of data (now \$35.00 with 50 GB data). Plans include a VoIP telephone service
July 2011*	Eftel	Wholesale	Intended to provide wholesale services over the NBN to retail ISP Dodo and its own RSP, ClubTelco
September 2011	iiNet	Retail	Entry-level NBN services would commence at \$49.95
September 2011	Internode	Retail	It would begin trialling of voice-only services in the first release site of Willunga in SA, with estimated prices for service around \$30
November 2011	Optus	Retail	Monthly plans starting from \$39.99 when bundled with an Optus prepaid mobile plan at \$19 and above
December 2011	iiNet	Retail	Signed up to sell NBN Co's satellite service
December 2011	Ipstar	Retail	Signed up to sell NBN Co's satellite service
December 2011	Primus	Retail	It would begin trialling voice-only NBN services across the country with prices to start at \$24.95
February 2012	Telstra	Retail	Announced its NBN pricing, with all plans requiring users to also have a voice component charged at the same rates as other similar services
March 2012*	Symbio†	Wholesale	It had signed NBN Co's wholesale broadband agreement
April 2012	iiNet	Retail	Commenced selling wireless services over the NBN, in Armidale, NSW
May 2012	MyNetFone	Retail	Ready to provide services over the NBN with its entry-level plans at \$39.95, which included VoIP services with users only paying additional for calls

*Other providers that had previously confirmed they would be selling wholesale services over the NBN included Telstra, AAPT, Optus, Nextgen Networks, Continuum Communications and Platform Networks.

†Owned by VoIP and broadband service provider MyNetFone.

Note: Rates identified are per month.

Source: Communications Day, company websites.

NBN Co also secured the assistance of Primus to test a new provisioning system (enabling the logging and tracking of connection and fault reports of services) to help retail service providers (RSPs) to provide voice-only services over the NBN.⁴⁷

NBN service providers

According to NBN Co, at 30 June 2012, 41 Access Seekers had signed its Wholesale Broadband Agreement, 12 Access Seekers had signed its Interim Satellite Services Agreement and 16 the Fixed Wireless Trial Agreement.⁴⁸

Table 1.10 NBN retail service providers by area of activity/service type

	First release fibre sites*	New housing developments	Tasmania - fibre†	Fixed -wireless trial	Satellite service area
Aardvark Internet	✓	✓	×	×	×
AARNet (education only)	✓	✓	×	×	×
Ace Internet Services	✓	✓	×	✓	×
Activ8me	✓	✓	×	✓	✓
Adam Internet (SA only)	✓	✓	×	×	×

Ant	×	×	×	×	✓
Aussie Broadband	✓	✓	×	✓	×
Bluemaxx	×	×	×	×	✓
Bordernet	×	×	×	×	✓
Clear Networks	✓	✓	×	✓	✓
Club Telco	✓	✓	×	×	×
Comstech Systems (Aldinga)	✓	×	×	×	×
DeVoteD NBN	✓	✓	×	×	×
Eftel	✓	✓	×	×	×
Engin	✓	✓	×	×	×
EscapeNet	✓	✓	×	✓	×
Exetel	✓	✓	✓	✓	×
Fastel	✓	✓	×	×	×
Harbour ISP	✓	×	×	✓	✓
iiNet	✓	✓	✓	✓	✓
Indigo Telecom	×	×	×	×	✓
Internode	✓	✓	✓	✓	×
Internet Solutions	✓	✓	×	×	×
iPrimus	✓	✓	✓	✓	×
IPSTAR Australia	×	×	×	×	✓
Macquarie Telecom	✓	×	×	×	×
Montimedia	✓	×	×	×	×
mVoice	✓	✓	×	×	×
My Fibre	✓	✓	×	×	×
MyNetFone	✓	×	×	×	×
Node1 Internet	✓	×	×	✓	×
North Queensland Telecom	✓	✓	×	×	×
NuSkope	✓	✓	×	×	×
Optus	✓	×	×	×	×
The ORCA Network	✓	✓	×	×	×
Reachnet	×	×	×	×	✓
Reback Communications	✓	✓	×	×	×
Rivertel	×	×	×	✓	×
*SkyMesh	✓	✓	×	✓	✓
Spintel	✓	✓	×	×	×
Telstra	✓	✓	✓	×	×
Westnet	✓	✓	×	✓	✓
ZettaNet	✓	×	×	×	×
Total number of RSPs	36	28	5	14	12

*Armidale, Brunswick, Kiama, Townsville, Willunga.

†Midway Pt, Scottsdale, Smithton, Kingston, Sorrell, Triabunna, Deloraine, George Town, St Helens.

Note: Retail service providers may not service all fibre sites. Refer to NBN Co's website, www.nbnco.com.au/getting-connected/certified-service-providers.html.

Source: NBN Co, 16 August 2012.

NBN Regional Backbone Blackspots Program

The Australian Government's NBN Regional Backbone Blackspots Program (RBBP) is designed to improve the supply of backbone transmission links to regional centres where competitive backbone infrastructure is lacking, filling gaps in backhaul capacity.⁴⁹ By improving network 'blackspots', the project aims to enhance competition and encourage service providers to improve the range, quality and prices of broadband services to homes and businesses in regional areas.⁵⁰

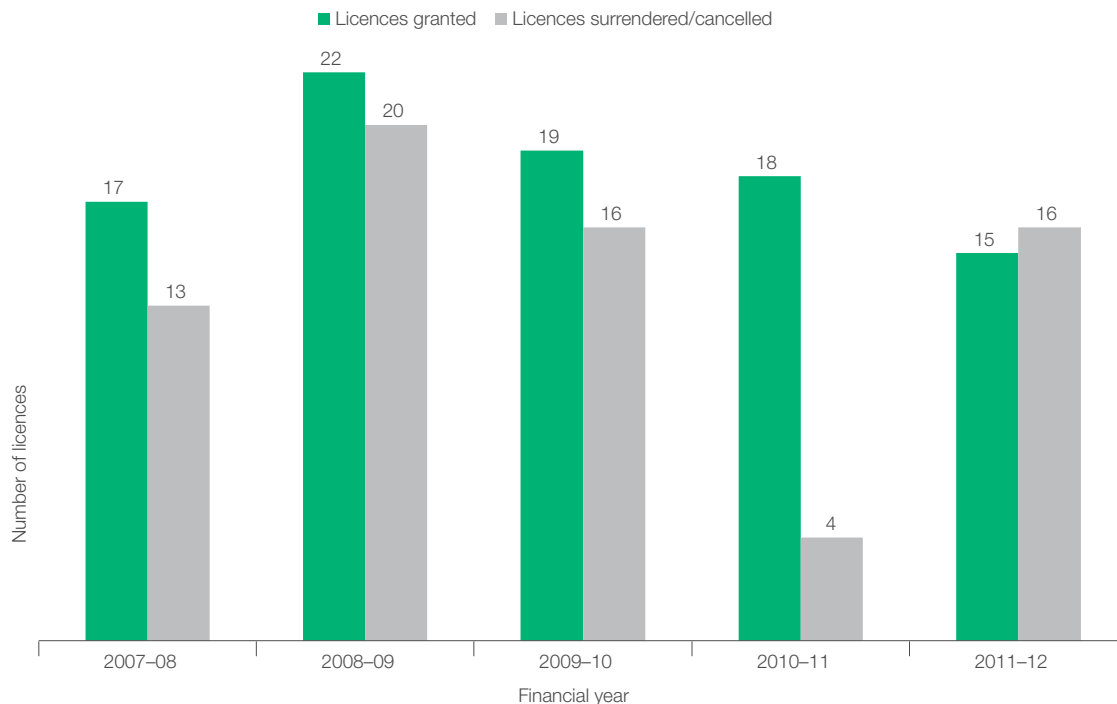
Deployment of the \$250 million project by Nextgen Networks was completed in late 2011–12 and is projected to benefit approximately 400,000 people across six states and territories and more than 100 regional locations. Nextgen Networks is also responsible for operating and maintaining this backbone transmission for an initial period of five years.

During the second half of 2011, the final two fibre backbone links were completed—the Darwin link connecting Darwin to Toowoomba (3,800 kilometres)⁵¹ and the Broken Hill link connecting Gawler in South Australia to Broken Hill in New South Wales and Shepparton in Victoria (1,150 kilometres).⁵²

Carrier licensing

At June 2012, there were 187 licensed carriers in Australia. In 2011–12, the ACMA granted 15 carrier licences compared with 18 licences in the previous year. Sixteen carriers surrendered their licence compared to four in 2010–11 (Figure 1.16). A further three licensed carriers were deregistered by the Australian Securities and Investments Commission during 2011–12.

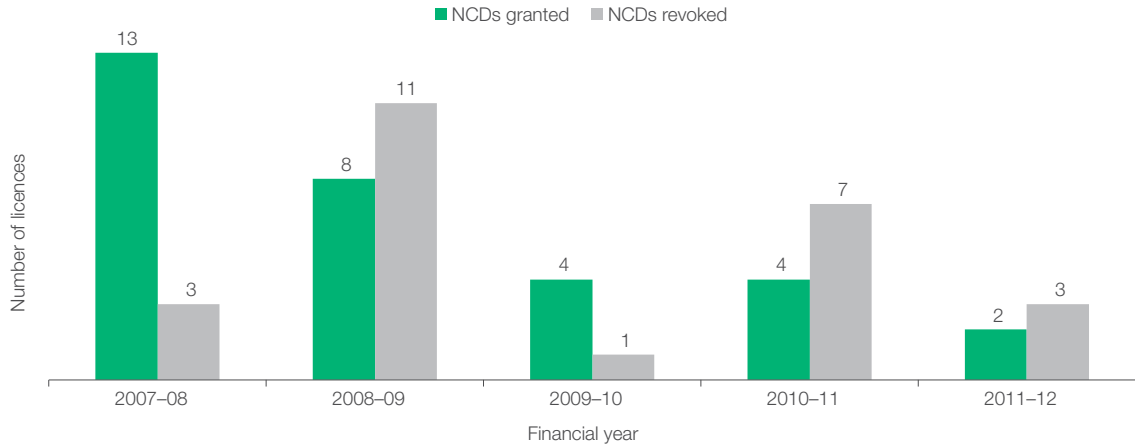
Figure 1.16 Trends in carrier licensing



Note: A licensed carrier can surrender its licence by providing a written notice to the ACMA.
Source: ACMA licensing figures.

At June 2012, there were 71 nominated carrier declarations (NCDs) in force. The ACMA granted two NCDs in 2011–12 compared with four in the previous year. Three NCDs were revoked by the ACMA compared to seven in the previous year (Figure 1.17). During 2011–12, the ACMA issued five trial certificates compared to four in the previous period.⁵³ Trial certificates facilitate provision of new technology and services into the communications market.

Figure 1.17 Trends in nominated carrier declarations



Source: ACMA licensing figures.

Allocation of numbers

smartnumbers

The smartnumbers auction system was introduced in 2004 to better allocate freephone and local rate numbers (FLRNs)—13, 1300 and 1800 numbers. The system was introduced as an efficient way to allocate these numbers and it enables an appropriate return for this valuable and limited resource. The ACMA currently conducts a public auction each fortnight. In 2011–12, the ACMA sold 4,995 numbers through the smartnumbers auction allocation system and raised \$1,753,846 in revenue. In 2010–11, the ACMA sold 5,399 smartnumbers and raised \$2,091,095 in revenue.

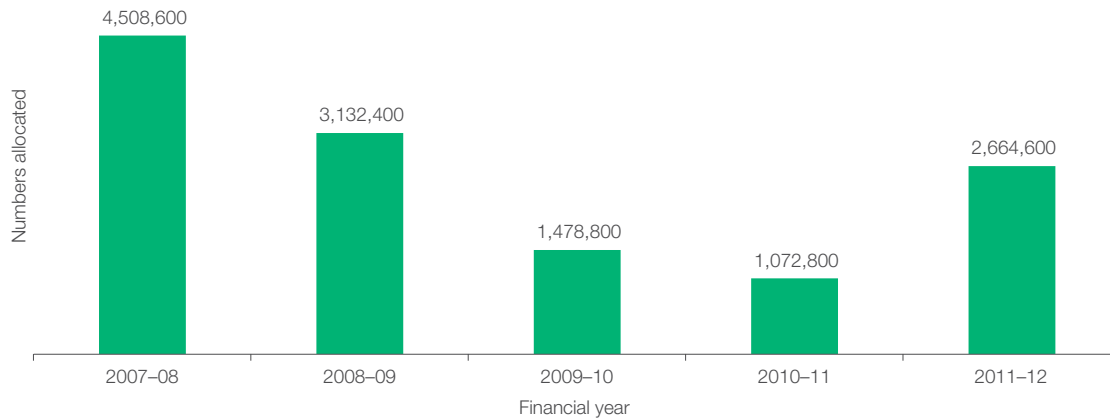
Geographic numbers

There was an increase in geographic numbers allocated to CSPs in 2011–12. This increase may be attributed in part to CSPs using VoIP technology to deliver services and a recent amendment to numbering arrangements that allows geographic numbers to be issued ‘out of area’ to customers (for example, a customer in Geraldton, Western Australia, can be issued with a Sydney number under certain conditions).

Figure 1.18 shows the number of geographic numbers the ACMA allocated over the last five financial years. In 2011–12, CSPs were allocated 2.66 million geographic numbers—up 148 per cent and 80 per cent on allocations in 2010–11 and 2009–10 respectively but lower than in 2008–09 and 2007–08. More than half the numbers allocated in 2011–12 were to two established CSPs and were available to use across Australia. The remaining numbers were allocated to established CSPs primarily for Melbourne, Sydney, Brisbane, Adelaide and Perth.

CSPs surrendered 18,400 geographic numbers compared with 11,000 for 2010–11.

Figure 1.18 Geographic number allocations



Source: The ACMA.

Digital mobile numbers

During 2011–12, CSPs were allocated 6.4 million digital mobile numbers, up from 5.9 million in 2010–11 and 5.6 million in 2009–10. At 30 June 2012, approximately 65 per cent of available mobile numbers have been allocated. The use of mobile numbers for devices with wireless internet connectivity and for machine-to-machine communication continues to drive demand for mobile numbers.

Location-independent communications service numbers

Numbers commencing with 0550 are for use with location-independent communications services (LICS) and have been available since 2007. This range was made available for IP-based services that are nomadic or not fixed to a particular geographic location. There has been limited take-up of LICS numbers. At 30 June 2012, 7,000 LICS numbers were allocated to four CSPs while 1,000 numbers were surrendered in 2010–11.

The ACMA has now made 05 numbers available for digital mobile numbers services, once 04 numbers are exhausted (in approximately five years). CSPs and consumers will be consulted about the surrender of LICS numbers.

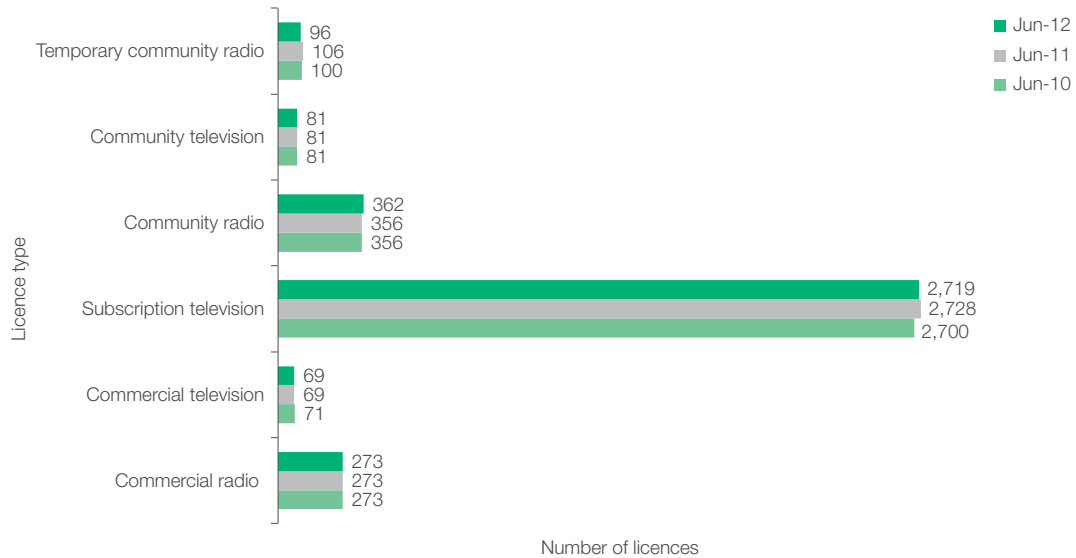
Other numbers

In 2011–12, there was limited demand from CSPs for number types other than geographic and digital mobile numbers. Four mobile network codes were issued to mobile network operators and CSPs surrendered one pre-selection override code and two calling card service numbers.

Broadcasting services

The number of broadcasting (television and radio) licences in operation remained virtually unchanged from the 2010–11 reporting period. At June 2012, there were 342 commercial broadcasting (radio and television) licences, 2,719 subscription television licences and 539 community radio and television licences (including temporary licences) active in Australia (Figure 1.19).

Figure 1.19 Number of broadcasting licences in operation in Australia



Note: The number of subscription television licences for June 2011 has been revised down due to 31 formerly surrendered subscription television broadcasting licences being overlooked in 2010–11 figures.
Source: ACMA licensing numbers.

Commercial broadcasting services

Commercial broadcasting services comprise free-to-air radio and television services that are made available to the general public. Commercial free-to-air broadcasting services are also licensed to operate within specified geographic areas and have regulations to limit concentration of their ownership and control.

Ownership and control of commercial television services

Only a small number of control changes occurred in the media industry during 2011–12. Most changes were a result of financial or company restructures, rather than the transfer of licences to different media networks or groups.

The Seven, Nine and Ten networks operate commercial television broadcasting licences predominantly in metropolitan markets. Their programming is also made available in regional markets through affiliation agreements with the regional television licences controlled by Prime Media Group Limited, Southern Cross Media Group Limited, WIN Corporation Pty Ltd and Imparja Television Pty Ltd.⁵⁴ Table 1.11 summarises ownership and control of commercial television services in Australia.

A discussion of broadcasters' compliance with notification of change in control requirements is provided in Chapter 4 of this report.

Table 1.11 Ownership and control of commercial television services (major networks)

Network		Ownership and control	
	Licence type	Number	Operations
Seven Network Operations Ltd	Metropolitan	5	Operates commercial licences in Sydney, Melbourne, Brisbane, Adelaide and Perth
	Regional	1	Covering regional Queensland
Nine Network Australia Holdings Pty Ltd	Metropolitan	3	Operates commercial licences in Sydney, Melbourne and Brisbane
	Regional	3	One each in the Darwin and northern New South Wales licence areas, and a digital-only television joint venture with Southern Cross Media Group Ltd in the Darwin licence area
Ten Network Holdings Ltd	Metropolitan	5	Commercial stations in Sydney, Melbourne, Brisbane, Adelaide and Perth
WIN Corporation Pty Ltd	Metropolitan	2	Commercial television licences affiliated with Nine Network programming in Perth and Adelaide
	Regional	20	Commercial television licences operating across Australia, including digital-only television licences through joint venture partnerships with: <ul style="list-style-type: none"> > Southern Cross Media Group Ltd in Tasmania > Prime Media Group in the Mildura, Geraldton, Kalgoorlie, Western Zone, South West and Great Southern television licence areas Controls an additional three digital-only television licences, respectively servicing Griffith, Riverland and Mount Gambier South-East
Southern Cross Media Group Ltd	Regional	17	Commercial television licences operating across Australia, including joint ventures in relation to digital-only television services in Darwin, Tasmania, Mt Isa and the remote central and Eastern Australia licence areas, and digital-only television services in Broken Hill and Spencer Gulf
Prime Media Group Ltd	Regional	13	Commercial television licences operating across Australia including joint venture partnerships with the WIN Corporation Pty Ltd for digital-only television licences servicing the Mildura, Geraldton, Kalgoorlie, Western Zone, South-West and Great Southern licence areas

*Note: Some licences may be counted more than once as they are controlled by more than one network.
Source: The Register of Controlled Media Groups.*

Ownership and control of commercial radio services

Table 1.12 shows that:

- > Southern Cross Media Group Limited, Australian Radio Network Pty Ltd (ARN), DMG Radio Investments Pty Ltd and Fairfax Media Limited own the majority of capital city commercial radio broadcasting licences.
- > Southern Cross Media Group Limited, Super Radio Network and Grant Broadcasters Pty Ltd remain the three largest networks of regional commercial radio broadcasting licences.

Eleven radio licence owner groups control five or more commercial radio broadcasting licences each—ACE Radio Broadcasters Pty Ltd, ARN, DMG Radio Investments Pty Ltd/Illyria Investments, Fairfax Media Limited, Grant Broadcasters Pty Ltd, Southern Cross Media Group Limited, Prime Media Group Limited, Redwave Media Limited, the Macquarie Radio Network Limited, Super Radio Network (Broadcast Operations Pty Ltd) and Capital Radio Network. Another 17 radio licence owners/controllers hold fewer than five licences each.

Table 1.12 Ownership and control of commercial radio services

Network	Ownership and control	
	Commercial radio licences	Licenses and operations
ACE Radio Broadcasters Pty Ltd	13	Mainly in regional Victoria, but also has one radio licence in the regional New South Wales licence area of Albury
Australian Radio Network Pty Ltd	11	Metropolitan radio licences in Adelaide, Brisbane, Melbourne, Sydney and Western Suburbs Sydney One regional radio licence in Katoomba Two joint-venture licences with DMG Radio, one in each of Brisbane and Perth, and two joint-venture licences with Southern Cross Austereo in Canberra
Capital Radio Network Pty Ltd	5	Two regional radio licences in each of Goulburn and Canberra One metropolitan radio licence Perth
DMG Radio (Australia) Pty Ltd	10	Metropolitan radio licences in Adelaide, Brisbane, Melbourne and Sydney Two joint-venture licences with Australian Radio Network, one in each of Brisbane and Perth
Fairfax Media Ltd	7	Metropolitan radio licences in Brisbane, Melbourne, Perth and Sydney
Grant Broadcasters Pty Ltd	37	Radio licences in regional areas of Australia
Macquarie Radio Network Ltd	8	Radio licences in regional Queensland (Charleville, Emerald, Kingaroy, Mt Isa and Roma) Two metropolitan radio licences in Sydney
Prime Radio Group Ltd	10	Radio licences in the following areas of regional Queensland—Cairns, Gympie, Mackay, Nambour, Rockhampton and Townsville
Redwave Network	9	Radio licences in the following areas of regional Western Australia—Bunbury, Geraldton, Karratha, Port Hedland and Remote Commercial Radio Service Western Zone
Southern Cross Media Group Ltd	80	Metropolitan radio licences in Adelaide, Brisbane, Melbourne, Perth and Sydney Radio licences in various regional areas of Australia
Broadcast Operations (Super Radio Network) Pty Ltd	36	Radio licences mainly in regional areas of Australia, but also has one metropolitan radio licence in Sydney

Note: Table only includes networks with five licences or more.

Source: The Register of Controlled Media Groups.

Key changes

- > On 31 August 2011, Macquarie Radio Network Limited acquired the six commercial radio broadcasting licences held by Smart Radio Group (Pinecam Pty Ltd).
- > On 30 October 2011, Grant Broadcasters Pty Ltd purchased eight commercial radio broadcasting licences from Fairfax Media Limited.
- > On 2 March 2012, Macquarie Radio Network Limited ceased to control commercial radio broadcasting licence with call sign 3MP in Melbourne when the joint venture between it and Pacific Star Network Pty Ltd ended.
- > On 14 June 2012, companies controlled by Ms Gina Rinehart acquired additional shares in Fairfax Media Limited, taking her interest to 18.67 per cent. This puts her in a position of control of the commercial radio licences and associated newspapers controlled by Fairfax Media Limited.

Cross-media ownership

A small number of companies control two types of media assets in the same markets:

- > Southern Cross Media Group controls a combination of radio and television broadcasting licences in 27 licence areas.
- > Fairfax Media Limited controls two radio licences and a newspaper in Melbourne, and a radio licence and a newspaper in Sydney.
- > Seven Network Limited controls a television licence and is deemed to be in a position to exercise control of a newspaper in the Perth metropolitan licence area.
- > WIN Corporation controls a radio and television licence in the Wollongong licence area.
- > Mr Lachlan Murdoch, through his interests in Ten Network Holdings Limited and the DMG radio licences, controls two radio licences and a television licence in each of the Sydney, Brisbane, Adelaide and Melbourne metropolitan licence areas, and one radio licence and one television licence in the Perth metropolitan licence area and the Gosford licence area.

Register of Controlled Media Groups

The Register of Controlled Media Groups is a core component of media ownership rules. The register, published on the ACMA website, provides information to industry and the community about the existence of registered media groups operating in licence areas across Australia, the media operations that form each group and the controllers of those operations. When the register was first published in March 2007, it contained 131 media groups. The number has increased to 211 as at 30 June 2012.

Subscription television in Australia

In 2011–12, the ACMA allocated one subscription television broadcasting licence to VIETFACE TV Australia Pty Limited and a number of licenses were surrendered. At June 2012, there were 2,719 subscription television broadcasting licences, slightly down from the 2,728 licences at June 2011.

FOXTEL, the dominant player in the Australian subscription television market, increased its market presence with its acquisition of Austar for \$2 billion on 23 May 2012. The ACCC announced it would not oppose the acquisition after court-enforceable undertakings were accepted by FOXTEL preventing them from acquiring exclusive IPTV rights for a range of attractive television program and movie content.⁵⁵

FOXTEL reported that its direct pay TV subscriber base increased by 6.3 per cent during 2011–12 to reach 1.68 million subscribers at June 2012, compared to 1.58 million subscribers at June 2011.⁵⁶ At December 2011, Austar had 755,374 subscribers compared to 764,250 subscribers at June 2011.

Community radio broadcasting licences

Community broadcasting services are radio and television broadcasting services that are provided for community purposes and must not be operated for profit or as part of a profit-making enterprise, and must encourage community participation in service operation and programming.

At 30 June 2012, there were 362 long-term community radio broadcasting licences, representing a range of community interests (Table 1.13). Forty-eight per cent of community radio broadcasting services represent the general community in their respective licence areas.

During 2011–12, the ACMA:

- > renewed 59 community radio broadcasting licences
- > did not refuse the renewal of any community broadcasting licences
- > allocated six community radio broadcasting licences in Armidale, Bankstown and Narrandera (New South Wales), Palm Island (Queensland), Oatlands (Tasmania) and Goolwa (South Australia)
- > decided not to allocate the community radio broadcasting licence for Upper Murray, Victoria.

Table 1.13 Community radio broadcasting services by community interest, June 2012

Community interest	Number	% of total
Aboriginal and Torres Strait Islander	99	27.3%
Educational/special interest	22	6.1%
Ethnic	6	1.7%
General geographic area	175	48.3%
Music	9	2.5%
Religious	34	9.4%
Senior citizen	9	2.5%
Youth	8	2.2%
Total	362	100%

Source: The ACMA.

Temporary community radio broadcasting licences

The temporary community radio broadcasting licence scheme allows the ACMA to allocate non-renewable community radio licences to eligible aspirant broadcasters. There were 96 temporary licences at 30 June 2012.

Community television services

There were 81 long-term community television broadcasting licensees at 30 June 2012, of which three were in the metropolitan areas of Brisbane, Melbourne and Sydney. The remaining 78 were remote Indigenous broadcasting services.

The ACMA renewed four community television broadcasting licences, all of which were remote Indigenous broadcasting services.

Community television trials

During 2011–12, the ACMA made spectrum available for a community television trial in Adelaide for the period 5 July 2012 to 30 June 2013.

A community television trial is continuing in Perth for the period 16 April 2011 to 30 June 2013.

These services are made possible by a condition on the apparatus licences that they be used only to provide an open narrowcasting television service for community and educational non-profit purposes.

Digitisation of community television services in metropolitan areas

On 4 November 2009, the Minister for Broadband, Communications and the Digital Economy announced a pathway for the five existing metropolitan community television services to convert to digital mode. The initiative provided for the temporary digital simulcast of three long-term community television services (in Sydney, Melbourne and Brisbane) and one trial community television service (in Adelaide), until the end of the simulcast period that applies to commercial and national services in their respective licence areas. Under the policy, the trial community television service in Perth could commence transmission in digital mode only (Table 1.14).

The ACMA has allocated new apparatus licences to the broadcasters of each community television service to enable them to provide their digital services. These licences contain specific conditions that reflect the parameters set by the government's decision.

In August 2011, the ACMA varied the licence area plans in Sydney, Melbourne and Brisbane to allow community television broadcasters in those areas to end their simulcast (and provide a digital-only service), prior to the end of their respective commercial and national simulcast period. The community television broadcasters in Sydney, Melbourne and Brisbane, and the community television trial broadcasters in Perth and Adelaide are all now providing digital-only services.

Table 1.14 Digital transmission of community television services

Area served	Simulcast start date	Digital-only start date
Sydney	March 2010	March 2012
Perth	n/a	March 2010
Melbourne	May 2010	March 2012
Brisbane	June 2010	May 2011
Adelaide	September 2010	June 2012

n/a=not available.
Source: The ACMA.

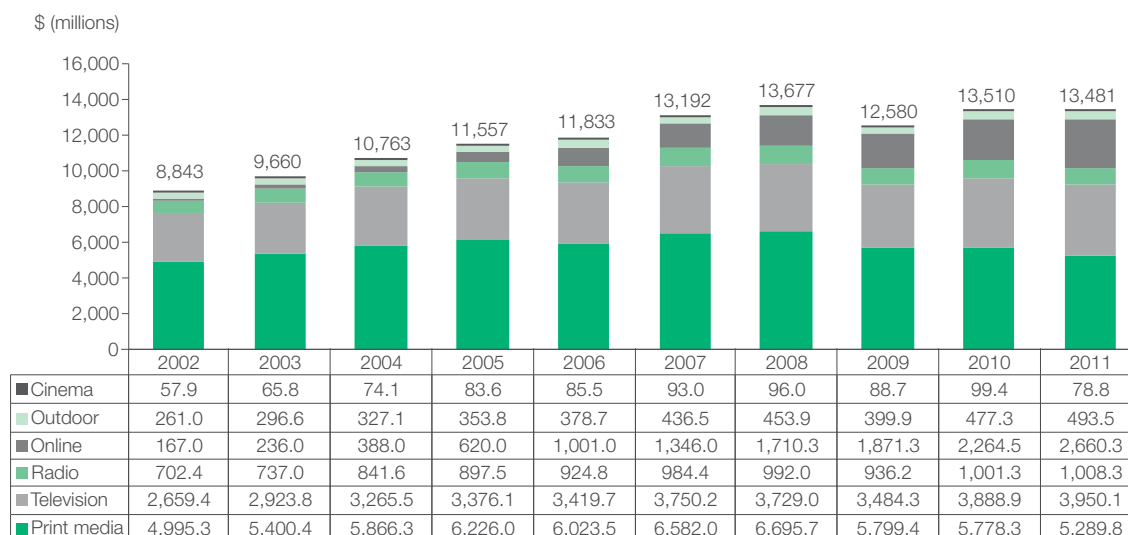
Advertising expenditure in main media

Revenue from advertising is critical to the commercial sustainability of the commercial broadcasting and print media sectors. Advertising revenue is estimated to account for 90 per cent of total revenue for the free-to-air television broadcasting sector.⁵⁷ Trends in advertising expenditure provide an insight into market conditions and the challenges facing traditional media models in Australia in the face of increasing use of the internet to deliver and access news and digital content services.

Commercial Economic Advisory Service of Australia (CEASA) data shows that total advertising expenditure across the main media categories (print, television, radio, online, outdoor and cinema) has risen consistently over the past decade with the exception of a significant decline during the global financial crisis (GFC) in 2009.

CEASA data for the year ended 31 December 2011 (Figure 1.20) indicates that total advertising expenditure is yet to reach pre-GFC levels, with advertising expenditure declining by 0.2 per cent during 2011 to reach \$13.48 billion. Print and television attracted the majority of advertising expenditure during 2011 – 39 per cent and 29 per cent respectively.

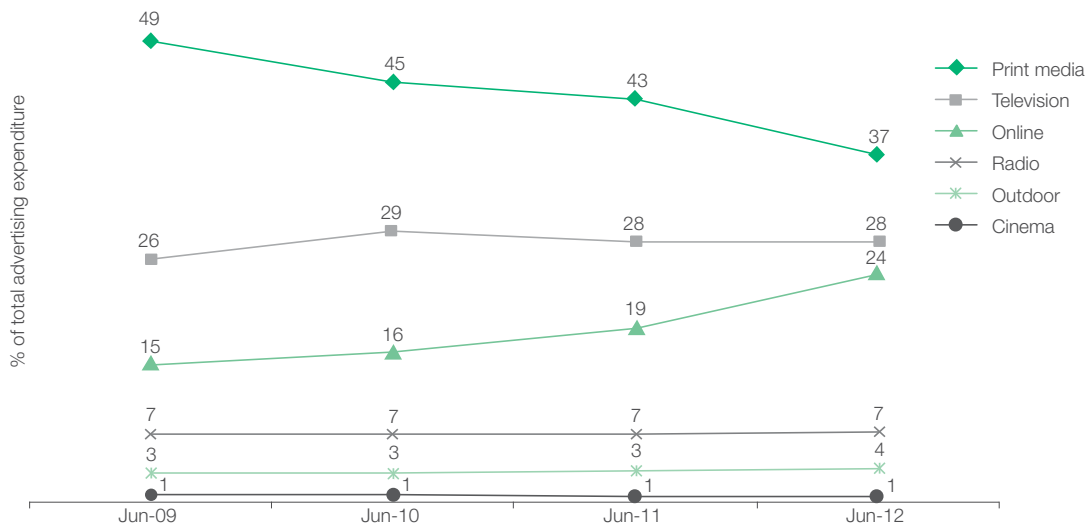
Figure 1.20 Distribution of advertising expenditure across main media



Source: CEASA, The Ceasa Report, Advertising Expenditure in Main Media, year ended 31 December 2011.

CEASA data for the six months ending 30 June shows a marked decline in the proportion of advertising expenditure for print media and the continued growth in the online sector.

Figure 1.21 Distribution of advertising expenditure by main media category for six months ended 30 June



Source: CEASA, *The Ceasa Report, Advertising Expenditure in Main Media, year ended 30 June 2012.*

Growth in expenditure on online advertising channels

According to CEASA figures, expenditure on online advertising grew by nearly 17.5 per cent to total \$2.7 billion over the 2011 calendar year. This represented a 20 per cent share of total media advertising expenditure compared to 17 per cent during 2010 and 15 per cent during 2009. During 2011:

- > 53 per cent of online advertising expenditure was accounted for by online search and directories
- > 23 per cent was accounted for by classifieds
- > 24 per cent was accounted for by other online channels.

Search and directories recorded the highest growth in online advertising expenditure—25 per cent growth compared to nearly 16 per cent for general classifieds and just four per cent for other categories.⁵⁸

While offline print media continues to account for the largest share of total advertising expenditure in Australia, its market share has steadily declined from 56 per cent (nearly \$5 billion) during 2002 to 39 per cent (nearly \$5.3 billion) during 2011. The market share decline is further reinforced by research that shows a reduction in traditional offline newspaper readership and the growing importance of online news and information sources. For example:

- > Roy Morgan research found that at June 2012, 23 per cent of the Australian population aged 14 years and over was estimated to read traditional newspapers less often since using the internet, compared to 21 per cent at June 2011.
- > ACMA research found that at May 2012, 43 per cent of the adult population identified the internet as either important or very important for accessing news daily.⁵⁹

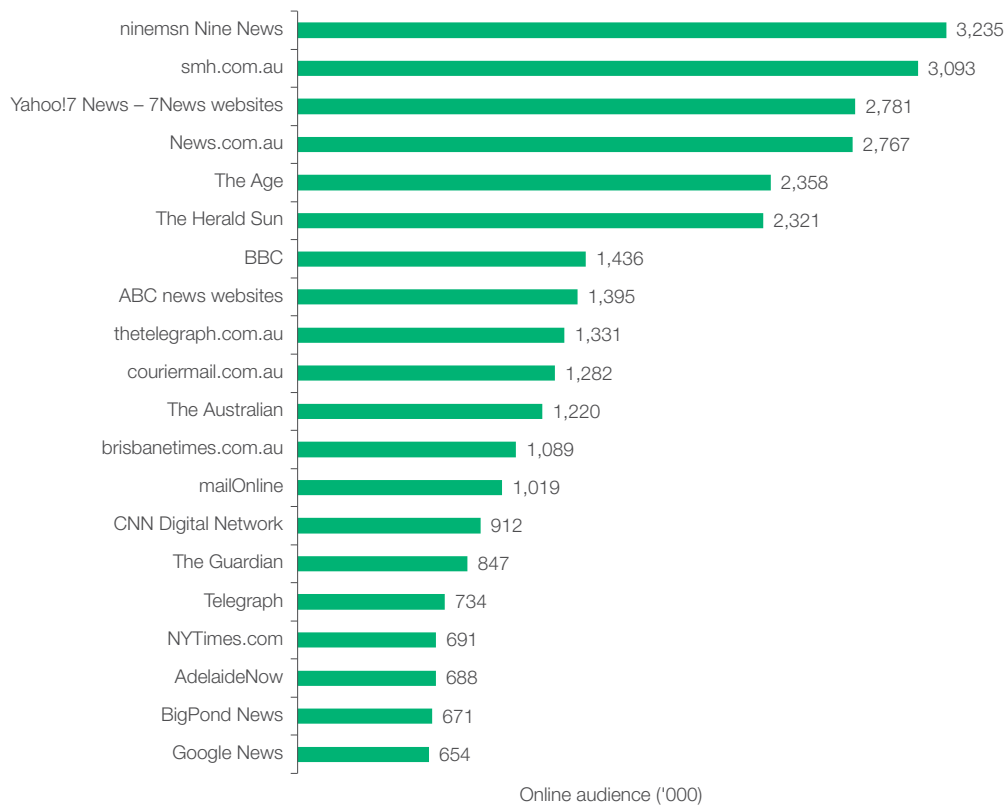
The shift to online news formats and the introduction of user-pays models

Figure 1.22 shows that many of the major daily newspapers in Australia already have a significant number of readers accessing their online news sites. However, non-print news and international organisations (for example, Yahoo!7News, BBC, ABC, BigPond and Google News) are also attracting significant online readership in Australia. With revenues from traditional print media in decline, pay-per-view models are being explored as a mechanism to generate revenue from this growing online audience (Table 1.15).

Australia's two largest media organisations, News Limited and Fairfax Media, announced their decisions to erect paywalls to restrict access to their mainstream publications to paying readers. Despite initial reservations from some consumers, the popularity of digital newspaper subscriptions has been increasing. *The Australian* reached a daily paid online readership of 40,000 in March 2012.⁶⁰ Fairfax Media's *Australian Financial Review*, which has charged for its content since 2006, has seen its digital subscriber level rise from 11,000 to 20,455 in the six months to June 2012, facilitated by reducing the price of an online-only subscription by more than a third in November 2011.⁶¹

In June 2012, Fairfax Media indicated that paywalls would also be installed at the *Sydney Morning Herald* and *The Age* websites as part of a major restructure presented as a 'transition to a digital-only model'.⁶²

Figure 1.22 Australians accessing online news sites during June 2012



Note: Relates to use of a particular site at least once in the month of June.
Source: Nielsen Online, June 2012.

Table 1.15 Selected user pay news services

Owner	Publication/s	Paywall launch date	Cost at 30 June 2012*	Number of paid online subscribers†
News Limited	<i>The Australian</i>	October 2011	\$7.95 per week	40,000†
	<i>Herald Sun</i>	March 2012	\$2.95 per week	n/a

Fairfax	SMH, <i>The Age</i>	October 2012	\$18 per month	22,074 (SMH), 11,251 (<i>The Age</i>)
	<i>Australian Financial Review</i>	2006	\$59 per month	20,455 (June 2012)

SMH=Sydney Morning Herald. n/a=not available.

*Provider websites.

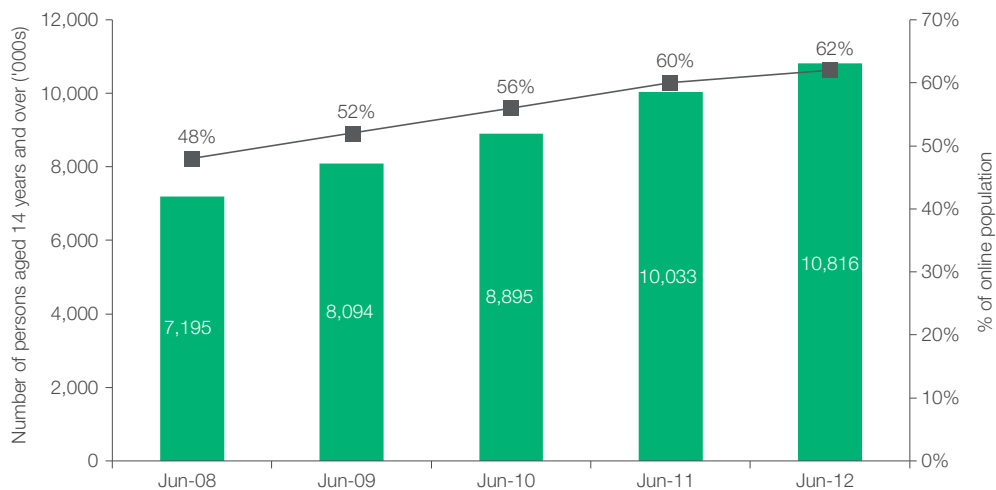
†Lee, J., 'News Ltd quiet about its digital claim', *Business Day*, 14 August 2012.

‡25% paper subscribers with free access.

Source: Company websites.

Growth in online advertising expenditure in Australia reflects increasing levels of online participation and the role the internet is playing in facilitating everyday social and economic activities. During June 2012, an estimated 14.3 million Australians aged 14 years and over went online compared to 13.5 million during June 2011.⁶³ Australians are going online more frequently, with the number of internet users going online at least once a day increasing by nearly eight per cent during 2011–12 to 10.8 million persons (Figure 1.23).

Figure 1.23 Australians going online more than once a day



Source: Roy Morgan Single Source, June 2012.

Report 2 in the ACMA *Communications report 2011–12* series, *Australia's progress in the digital economy*, found that Australians are performing a wider range of activities online and that increasing numbers of consumers are accessing online digital media services.

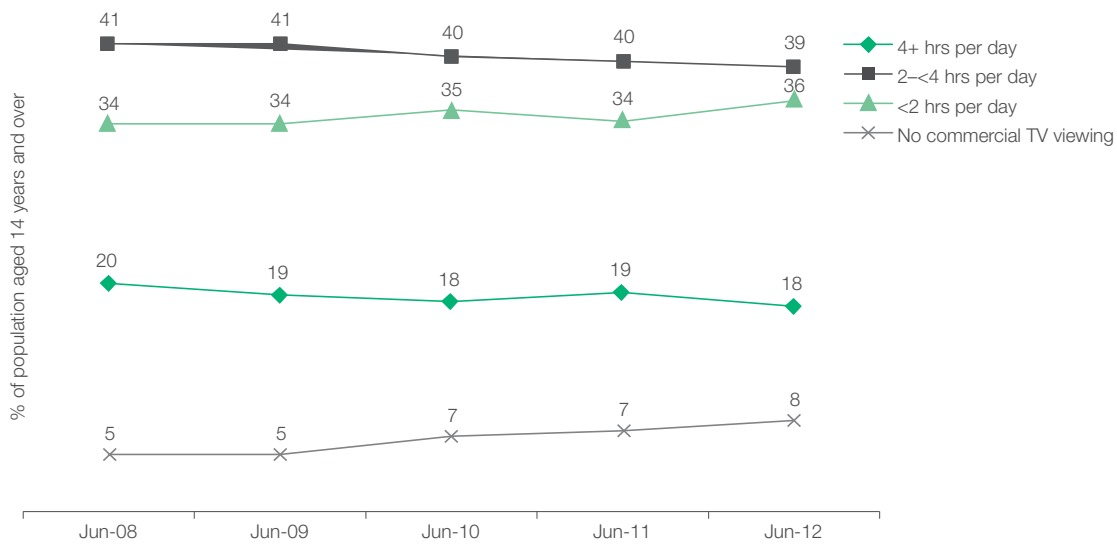
Consumer use of traditional media and growth in online digital content activities

Despite the advent of online content service delivery models, Australians' levels of usage of traditional media channels (television and radio services) have remained relatively stable over the past five years. This is reflected in figures 1.24 and 1.25, which show time spent watching and listening to commercial television and radio. However, with the availability of higher-speed internet services and the growth in online content services, Australians have increased their media consumption by accessing content online in addition to their existing offline media usage.

More people are streaming content online while activities such as downloading short video clips have decreased, likely a result of increased take-up of higher internet speeds and data allowances (Figure 1.26). During June 2012:

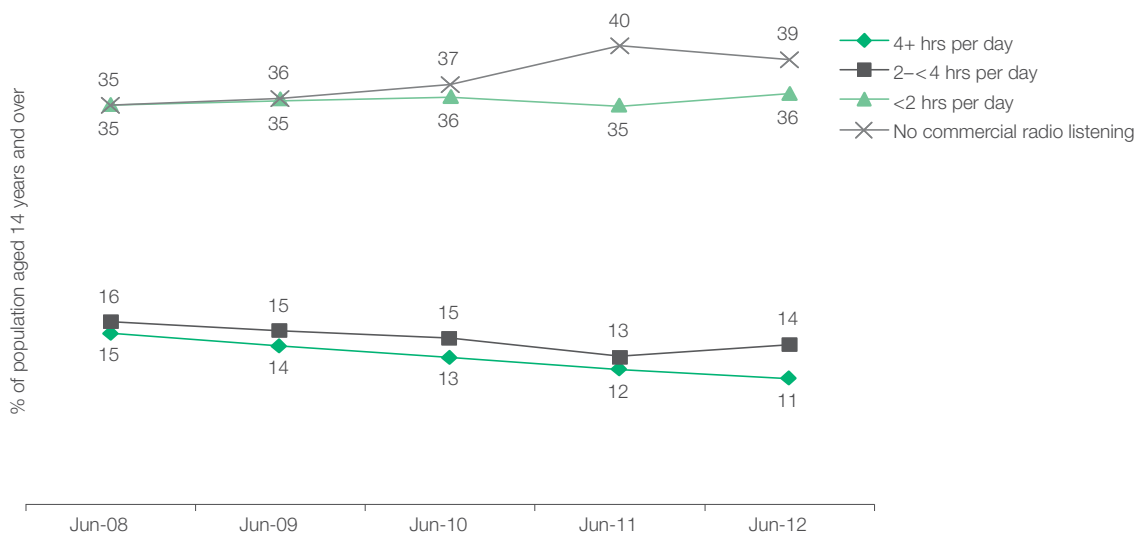
- > 4.4 million persons streamed videos online, a 67 per cent increase over June 2011
- > 2.1 million streamed music, an increase of 71 per cent since June 2011
- > nearly 1.6 million streamed TV programs, an increase of 47 per cent since June 2011.

Figure 1.24 Commercial television viewing on a normal weekday



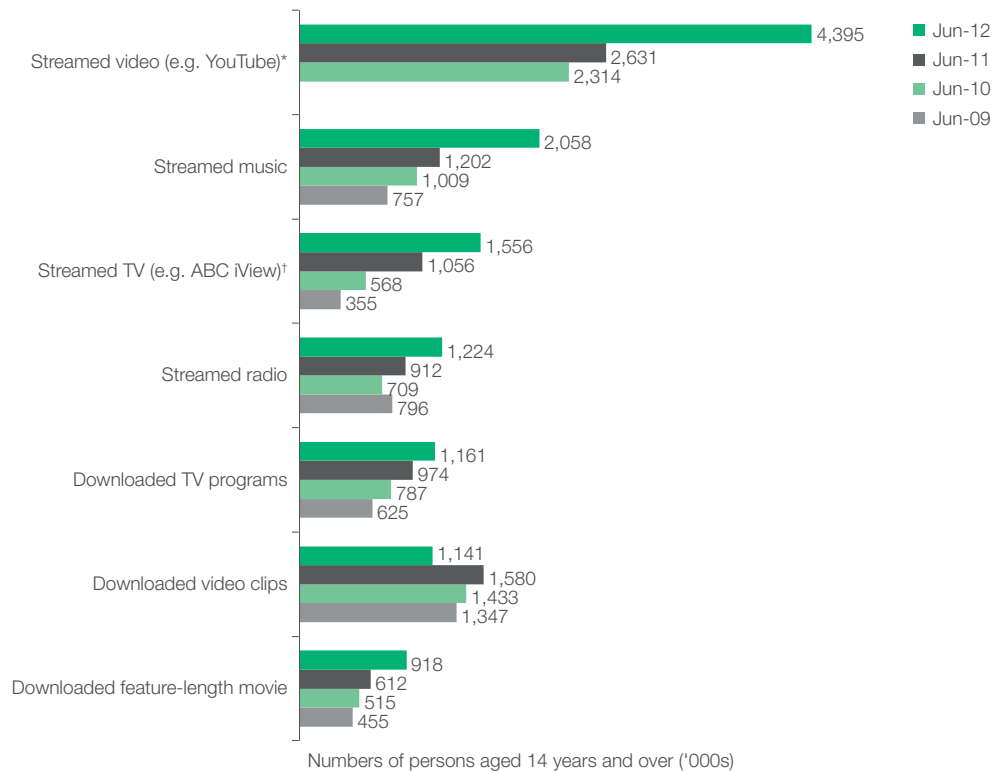
Source: Roy Morgan Single Source, June 2012.

Figure 1.25 Commercial radio listening on a normal weekday



Source: Roy Morgan Single Source, June 2012.

Figure 1.26 Digital media activities undertaken online by Australians during the month of June



*Data not available for June 09. Excludes full-length TV content.

†Relates to use of catch-up TV services.

Note: Comparable data before 2009 not available.

Source: Roy Morgan Single Source, June 2012.

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