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NOTES

PURPOSE OF THE SURVEY The 1996–97 Telecommunication Services Industry Survey was conducted in part to provide a statistical benchmark to allow policy makers and researchers to assess the impact of the deregulation of the industry, which took place at 1 July 1997.

SCOPE OF THE SURVEY These results are primarily based on a census of the employing businesses in the telecommunication services industry, including Internet Service Providers (ISP). Non-employing businesses predominantly operating as Internet Service Providers were also included. Businesses predominantly engaged in the provision of telecommunication consultancy services were excluded from the Survey. More details are in the Explanatory Notes.

**SYMBOLS AND OTHER
USAGES**

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
ISP	Internet Service Providers
IGP	Industry Gross Product
n.a.	not available
n.p.	not available for publication but included in totals where applicable
OPBT	Operating Profit Before Tax
*	subject to sampling variability too high for most practical purposes
. .	not applicable
—	nil or rounded to zero

Where figures have been rounded, discrepancies may occur between the sum of component items and the total.

W. McLennan
Australian Statistician

SUMMARY OF FINDINGS

INTRODUCTION

This publication presents preliminary results of a survey of the telecommunication services industry in respect of the 1996–97 financial year. A final publication containing information on activity in the industry will be released in the next few months.

THE INDUSTRY

At the end of June 1997 there were 381 businesses operating in the telecommunication services industry. The industry comprised 3 carriers, 296 internet service providers, and 82 other service providers, which mainly provide telecommunication services such as onselling carrier services, network services etc.

In the year ended 30 June 1997, the telecommunication services industry generated \$20,487.5 million in income. Of total income, \$10,020.6 million (49%) was earned through the provision of voice services, \$3,841.7 million (19%) was earned through the provision of mobile services and \$2,475.6 million (12%) was earned through the provision of data and other telecommunication services.

Total expenses for the industry for the year ended 30 June 1997 were \$18,934.3 million, resulting in an operating profit before tax (OPBT) of \$1,556.8 million. The industry gross product (IGP) for the telecommunication services industry was \$10,018.0 million.

CARRIERS

There were 3 carriers operating in the telecommunication services industry at the end of June 1997. These businesses dominated the industry, with a total income of \$18,614.0 million, contributing 91% of the industry total. The major source of income for these businesses was the provision of telecommunication services, of which \$9,365.7 million (50%) was derived from the sales of voice services, \$3,402.6 million (18%) from mobile services, and \$2,315.2 million (12%) from data services and other telecommunication services.

Expenses for the carriers totalled \$16,621.7 million, which contributed 88% to total expenses for the telecommunication services industry. The OPBT for carriers was \$1,996.9 million, and the operating profit margin was 11%.

One or more carriers may dominate some of the statistics presented in this publication. The consent to release these statistics has been obtained from the relevant carriers.

INTERNET SERVICE PROVIDERS

There were 296 businesses at the end of June 1997 predominantly operating as internet service providers. This number does not include businesses, particularly small businesses, which provide internet services but derive the majority of their income from other sources, such as computer services and other business services. In 1996–97 ISP businesses received income totalling \$156.7 million, the majority of which, \$147.7 million (94%), was generated from the sale of internet services.

SUMMARY OF FINDINGS *continued*

INTERNET SERVICE PROVIDERS *continued*

Total expenses for internet service providers were \$187.0 million, of which \$39.0 million (21%) were attributable to labour costs. Domestic interconnection expenses totalled \$32.0 million while transmission expenses were \$29.2 million.

Internet service providers recorded an operating loss before tax of \$30.4 million for the year ended 30 June 1997 and had an IGP of \$19.9 million.

SERVICE PROVIDERS

At the end of June 1997 there were 82 businesses predominantly engaged in service provision other than internet service provision. These businesses include agent/dealers which, for example, onsell telecommunication services, employed 5,826 persons and received income totalling \$1,716.8 million. Of this income, \$654.9 million (38%) was generated through the sale of voice services and \$439.1 million (26%) was earned through the provision of mobile services.

Service providers had total expenses of \$2,125.6 million in the year ended 30 June 1997. The largest individual expense was domestic interconnection expenses which totalled \$686.4 million (32%) and transmission expenses which totalled \$263.3 million (12%). The operating loss before tax of the 82 service providers for the year ended 30 June 1997 was \$409.7 million.

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BUSINESS INDICATORS, By Subindustry

	Carriers	Internet service providers	Service providers (including Agents/Dealers)	Total
Businesses at end June (no.)	3	296	82	381
Income (\$m)				
Income from telecommunication services				
Voice services	9 365.7	—	654.9	10 020.6
Mobile services	3 402.6	—	439.1	3 841.7
Internet services	30.5	147.7	1.7	179.9
Data services and other telecommunication services	2 315.2	1.4	159.0	2 475.6
Total	15 114.0	149.0	1 254.8	16 517.8
Commission income	—	—	81.0	81.0
Income from rebates/incentives	—	—	54.4	54.4
Rent, leasing and hiring income	2 259.0	*0.2	87.4	2 346.6
Other income	1 241.0	7.4	239.3	1 487.7
Total	18 614.0	156.7	1 716.8	20 487.5
Total expenses (\$m)	16 621.7	187.0	2 125.6	18 934.3
Operating profit before tax (\$m)	1 996.9	-30.4	-409.7	1 556.8
Operating profit margin (%)	10.8	-19.9	-24.4	7.7
Industry gross product (\$m)	10 069.3	19.9	-71.2	10 018.0

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INTERNET SERVICE PROVIDERS, Selected Business Indicators

	<i>Value</i>
Businesses at end June (no.)	296
Locations at end June (no.)	323
Employment at end June (no.)	
Full-time	1 334
Part-time	283
<i>Total</i>	<i>1 617</i>
Income (\$m)	
Income from telecommunication services	
Data services	0.5
Internet services	147.7
Other telecommunication services	0.9
<i>Total</i>	<i>149.0</i>
Rent, leasing and hiring income	*0.2
Other income	7.4
<i>Total</i>	<i>156.7</i>
Expenses (\$m)	
Labour costs	39.0
Payments to sub-contractors and consultants	9.0
Commission/rebate expenses	2.5
Domestic interconnection expenses	32.0
International outpayments	5.0
Transmission expenses	29.2
Rent, leasing and hiring expenses	9.4
Purchases	7.3
Other expenses	53.6
<i>Total</i>	<i>187.0</i>
Operating profit/loss before tax (\$m)	-30.4
Operating profit margin (%)	-19.9
Industry gross product (\$m)	19.9

3

INTERNET SERVICE PROVIDERS, Income—By source

<i>Source</i>	<i>\$m</i>
From households	90.7
From business	45.8
From government	8.9
From other	3.7
Total	149.0

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SERVICE PROVIDERS, Selected Business Indicators

	<i>Value</i>
Businesses at end June (no.)	82
Locations at end June (no.)	*385
Employment at end June (no.)	
Full-time	4 676
Part-time	1 149
Total	5 826
Income (\$m)	
Income from telecommunication services	
Voice services	654.9
Data services	123.2
Mobile services	439.1
Internet services	1.7
Other telecommunication services	35.8
Total	1 254.8
Commission income	80.9
Income from rebates/incentives	54.4
Rent, leasing and hiring income	87.4
Other income	239.3
Total	1 716.8
Expenses (\$m)	
Labour costs	229.8
Payments to sub-contractors and consultants	48.7
Commission/rebate expenses	88.3
Domestic interconnection expenses	686.4
International outpayments	88.2
Transmission expenses	263.3
Rent, leasing and hiring expenses	75.6
Purchases	153.0
Other expenses	492.3
Total	2 125.6
Operating profit/loss before tax (\$m)	-409.7
Operating profit margin (%)	-24.4
Industry gross product (\$m)	-71.2

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SELECTED PERFORMANCE RATIOS

	<i>Internet service providers</i>	<i>Service providers (including Agents/Dealers)</i>
Telecommunication services income per person employed (\$'000)	92.2	215.4
Total income per person employed (\$'000)	96.9	294.7
Total expenses per person employed (\$'000)	115.7	364.9
Labour costs per employee (\$'000)	25.7	39.4
Labour costs to total expenses (%)	20.8	10.8
Industry gross product per person employed (\$'000)	12.3	-12.2

EXPLANATORY NOTES

PURPOSE OF THE SURVEY

1 The 1996–97 Telecommunication Services Industry Survey was conducted in part to provide a statistical benchmark to allow policy makers and researchers to assess the impact of the deregulation of the industry, which took place on 1 July 1997.

PRELIMINARY PUBLICATION

2 This publication contains preliminary results from a survey of the telecommunication services industry for the reference year 1996–97. These preliminary results, therefore, are subject to revision, when all data items have been fully edited.

FINAL PUBLICATION

3 A publication providing final and more detailed statistics will be released in the next few months.

SURVEY SCOPE AND METHODOLOGY

4 The Survey results are primarily based on a census of the businesses recorded on the ABS Business Register classified to Class 7120, Telecommunication services, of the Australian and New Zealand Standard Industrial Classification (ANZSIC). This class consists of units mainly engaged in providing telecommunication services to the public by wire, cable or radio. This census excludes businesses predominantly engaged in the provision of telecommunication consultancy services .

5 The ABS Business Register, in general, excludes businesses which do not have any employees. However, all businesses recorded on the Australian Internet Service Provider (ISP) list, which identified both employing and non-employing ISP businesses, were also included in the Survey.

COMPARABILITY WITH 1995–96 SURVEY

6 The 1995–96 results include figures relating to both the information technology and telecommunication services industries. The telecommunication services component of that survey is not strictly comparable with this preliminary publication due to differences in coverage.

- The 1995–96 survey did not include supplementation from the Australian ISP list.
- The 1995–96 survey included a number of telecommunication consultants. Telecommunication consultants have been excluded from the 1996–97 survey.

Therefore, care should be taken when interpreting differences in the results, in particular the number of businesses.

EXPLANATORY NOTES *continued*

STATISTICAL UNIT

7 The unit for which statistics were reported in the Survey was the management unit. The management unit is the highest level accounting unit within a business or organisation, having regard for industry homogeneity, for which accounts are maintained. In nearly all cases it coincides with the legal entity owning the business (i.e. company, partnership, trust, sole operator etc.). In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a 'division' or 'line of business'. A division or line of business is recognised where separate and comprehensive accounts are compiled for it.

RELIABILITY OF ESTIMATES

8 The estimates presented in this publication are subject to possible revision when the preliminary data are more fully edited.

Because the collection was undertaken as a census, the data are not subject to sampling variability. However, other inaccuracies collectively referred to as non-sampling error may affect the data. These non-sampling errors may arise from a number of sources, including:

- errors in the reporting of data by respondents;
- errors in the capturing or processing of data;
- estimation for missing or misreported data; and
- definition and classification errors.

Every effort has been made to reduce non-sampling error to a minimum by careful design and testing of questionnaires, efficient operating procedures and systems, and appropriate methodology.

REFERENCE PERIOD

9 Data contained in the tables of this publication relate to all businesses which operated in Australia at any time during the year ended 30 June 1997. Therefore, the results include data in respect of some businesses which ceased operating during the year. Counts of businesses include only those businesses that were operating at 30 June 1997.

GLOSSARY

Agent/dealer	Businesses which onsell or resell carrier and/or service provider services and receive commission or rebate income in return.
Businesses at end June	A count of management units operating at the end of June 1997.
Carrier	Businesses which provide telecommunication services operating under the Telecommunication Act 1991. These organisations are allowed to own and build network infrastructure within Australia.
Commission income	Commission received from the sale of carrier services and products, and from customer acquisition. It includes both upfront and on-going commissions.
Commission/rebate expenses	Includes commission payments to other businesses or self-employed persons, customer acquisition commission costs, payments to other businesses for connecting a customer to the network, and payments to persons paid by commission without a retainer.
Domestic interconnection expenses	The expense of connection to a domestic network. It includes connection/access payments made to carriers or service providers or internet service providers, inbound interconnection expenses, and bandwidth expenses.
Employment at end June	Includes full-time and part-time employees, employees absent on paid or prepaid leave, managerial and executive employees, permanent, temporary and casual employees, consultants who are employees and working proprietors and partners. This item excludes non-salaried directors, sub-contractors and persons paid solely by commission without a retainer and volunteers.
Income from data services	Includes income from frame relay (including LAN/WAN services and other types of data transmission services); income from dedicated data services (including automatic teller machines (ATM) and electronic funds transfer point of sale (EFTPOS)); income from integrated services digital network (ISDN) (including voice, data, video, and image transfer); income from electronic data interchange (a system which enables business transactions to be carried out over telecommunication networks); income from asynchronous transfer mode (an integrated product that combines voice and data networks and provides high speed data transmission); and income from other data services.
Income from internet services	Includes income from dial-up access (access to the internet via modem and dial-up software), permanent connections, virtual web and web hosting, domain name hosting, web page design, networking services, programming services, consultancy, and other internet services.
Income from mobile services	Includes income from mobile access and connection, mobile calls and airtime usage, messaging services, paging services, and other mobile services.
Income from other telecommunication services	Includes income from telecommunication services other than voice services, data services, mobile services, and internet services. It also includes income from software solutions, multimedia services, and other telecommunication services.
Income from rebates/incentives	Includes rebates/incentives for connections, airtime and usage received from carriers and/or service providers.

GLOSSARY *continued*

Income from voice services	Includes income from local, domestic long distance, and international calls (including facsimile, internet, email, mobile etc.); income from telephone cards; income from teleconferencing/video conferencing; income from specialised voice services including freecalls, 1800 numbers etc., reverse charge calling, calling services, audio calls, operator and directory assistance services, emergency services; and income from other voice services.
Industry gross product (IGP)	This is a measure of the unduplicated gross product of businesses for profit derived from the value of sales of goods and services, government funding and change in stocks minus selected expenses and purchases.
International outpayments	Payments for connection to an international network. They include connection/access payments made to carriers or service providers or internet service providers, outbound or outgoing interconnection, and bandwidth expenses.
Internet service provider (ISP)	Businesses which provide access to the internet or world wide web, to other internet service providers or to the public.
Labour costs	Include wages and salaries, provision expenses for employee entitlements, employer contributions to superannuation and workers' compensation costs.
Operating profit/loss before tax	This is a measure of profit/loss before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners, e.g. dividends paid.
Operating profit margin	The percentage of sales of goods and services available as operating profit, i.e. OPBT times 100 divided by sales of goods and services.
Other expenses	Includes insurance premiums, interest expenses, depreciation and amortisation, bad and doubtful debts, repair and maintenance expenses, advertising expenses, waste management and environmental protection expenses, freight and cartage expenses, motor vehicle running expenses, audit and other accounting expenses, fringe benefits tax, payroll tax, land tax and land rates, marketing and promotion costs, royalties expenses, other management and administrative services expenses, licence fees, telecommunication industry ombudsman fees and other expenses not included elsewhere.
Other income	Includes income from repair and maintenance, income from the sale of telecommunication equipment, interest income, funding from federal, State and local government, net profit on the sale of fixed tangible assets, net profit on foreign loans as a result of variations in foreign exchange rates, net profit on share trading, dividend income, royalties income, and other income not included elsewhere.
Other ISP income	Includes all income not derived from internet services sales.
Payments to sub-contractors and consultants	Payments to sub-contractors, other businesses and self-employed persons for work done or sales made on a contract or commission basis.
Purchases	Includes the purchases of telecommunication equipment, goods for resale, materials, components, containers and packaging materials.

GLOSSARY *continued*

Rent, leasing and hiring expenses	Includes expenses incurred from the rental of land, buildings and other structures, motor vehicles and equipment used by the business.
Rent, leasing and hiring income	Revenue derived from the ownership of land, buildings, vehicles, machinery or equipment rented out for use by those other than the owners.
Service providers	Businesses, including agent/dealers, which provide value added telecommunication services and private network services. These businesses are also commonly referred to as resellers of telephony services.
Transmission expenses	Expenses for the actual usage of a network (as distinct from access to a network). They include usage payments made to carriers, service providers, and internet service providers.

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