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Communications
and Media Authority**

Communications
report
2008–09

Communications report 2008–09

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and Media Authority**

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10 November 2009

Senator the Hon. Stephen Conroy
Minister for Broadband,
Communications and the Digital Economy
Parliament House
Canberra ACT 2600

Dear Minister

I am pleased to provide you with the *ACMA Communications report 2008–09*.

This publication incorporates a report on telecommunications performance for 2008–09, prepared in accordance with section 105 of the *Telecommunications Act 1997*.

The statutory reporting obligations under the *Telecommunications Act 1997* are fulfilled in the following chapters of the communications report:

> 105(3)(a) and (b), which relate to the efficiency of supply of telecommunications services and the adequacy and quality of such services and billing information—Chapters 1, 5 and 7;

> 105(3)(c) and (d), which relate to carrier and carriage service provider obligations under Part 6 of the *Telecommunications Act 1997* with respect to industry codes and standards—Chapter 5;

> 105(3)(e) and (ea), and 105(4), which relate to industry performance in fulfilling universal service obligation and Customer Service Guarantee obligations—Chapter 5; and

> 105(5A), which relates to national interest matters and cooperation with law enforcement agencies—Chapter 4.

Please note that subsection 105(7) of the *Telecommunications Act 1997* requires that you table the report in each House of the Parliament within 15 sitting days of that House after you have received the report.

Yours sincerely

Chris Chapman
Chairman

The ACMA *Communications report 2008–09* draws on data from a range of sources including the ACMA's own databases, information reported by industry, the ACMA's research using third-party public sources, and commissioned surveys and analysis.

The ACMA has a statutory reporting obligation to collect data from industry for monitoring and reporting purposes. However, as part of the Australian Government's regulation reform agenda, the ACMA will continue to work with industry participants to identify opportunities to streamline regulatory reporting arrangements.

Comments
The ACMA welcomes feedback on the communications report. Comments and enquiries about the scope, content and format of the report should be sent to communications.report@acma.gov.au

Further information
For further information about the ACMA and links to the communications report, please go to www.acma.gov.au/communicationsreport.

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Chairman's foreword

I am pleased to present the *ACMA Communications report 2008–09*, the fourth report to be published since the ACMA's establishment in July 2005.

Chris Chapman, Chairman

This report fulfils the ACMA's statutory reporting requirements under section 105 of the *Telecommunications Act 1997* to report on matters relating to the performance of carriers and carriage service providers including consumer satisfaction, consumer benefits and quality of service.

Given the emerging digital economy and increasing network and service convergence, this year's report provides a greater focus on the digital economy and its impact on the telecommunications and broadcasting sectors. It also examines how Australians are using communications and media to participate in the digital economy.

The report provides an insight into how industry and consumers are responding to the challenges and opportunities the digital economy presents and the increasing importance of information and communication technologies in underpinning economic and social activity.

In line with previous years, the *ACMA Communications report 2008–09* discusses telecommunications industry performance against a range of regulatory obligations, from compliance with the Customer Service Guarantee to the provision of emergency call services to Australians and performance in meeting industry codes and standards.

Broadcasting industry performance in meeting regulatory obligations such as Australian content standards is also discussed, as are media ownership and control issues.

I commend the ACMA *Communications report 2008–09* to you as an evidence base for analysing and understanding the changing communications and media sectors. The ACMA welcomes any feedback on its report.

Chris Chapman
Chairman

Executive summary

Legislative basis

The *ACMA Communications report 2008–09* fulfils the Australian Communications and Media Authority's (the ACMA's) statutory reporting requirements under the *Telecommunications Act 1997* (the Act). Section 105 of the Act requires the ACMA to report on the performance of carriers and carriage service providers (CSPs) with particular reference to consumer satisfaction, consumer benefits and quality of service. This report also discusses issues such as the efficiency and quality of the telecommunications industry's supply of carriage services, the Customer Service Guarantee (CSG), the Network Reliability Framework (NRF) and telecommunications industry performance in meeting industry codes and standards.

Scope and structure

The *ACMA Communications report 2008–09* is more extensive than the statutory reporting requirements outlined in section 105 of the Act. It includes a discussion on media ownership and control requirements, convergence and the emerging digital economy and their impact on the telecommunications and broadcasting sectors which the ACMA regulates.

Convergence captures the notion of the merging of previously distinct technological platforms over which voice, data and content has been communicated. It is occurring at the network, service and applications and device level. The term 'digital economy' covers the global network of economic and social activities that are enabled by digital information and communications technologies such as the internet, mobile and sensor networks.[1] These networked digital technologies are facilitating the convergence of voice, data and video (triple-play) services and networks, providing new and different ways for individuals to participate in digital communications.

The challenge of convergence

From past research the ACMA has identified nine key sources of regulatory pressure that are occurring as a result of convergence issues.[2]

Industry developments and usage trends highlighted in this report provide further evidence of regulatory pressure arising from convergence, particularly in the areas of:

1   Regulating for the citizen in an IP-based media and communications environment. Ongoing growth in the use of IP based services provide challenges for public interest protections such as access to the emergency call service and online security.

2   Regulating for the consumer and supporting consumers making informed choices and managing their relationship with service providers, particularly in an environment of ongoing innovation in service packages and changes in the number of service providers operating in the Australian market.

3   Voice regulation, where incremental growth in VoIP services and mobile voice developments pose challenges in applying regulatory requirements that are based on traditional fixed-line voice services.

4   Content regulation, in particular the challenge of applying legacy legislative concepts to new technologies in an environment where content is increasingly available across a wide variety of technological platforms including mobiles and the internet, as well as traditional broadcasting. The report highlights ongoing change in the distribution platforms for content and continued growth in the amount of content downloaded by Australians using the internet, as well as growth in the number of Australians engaged in online content creation and distribution.

Challenges of measuring convergence

Convergence poses challenges when seeking to build an evidence-base for monitoring infrastructure and service provision and consumer adoption of services. This is particularly the case in the rapidly changing voice service market where services are increasingly provided over networks other than the traditional Public Switched Telephone Network (the PSTN). The ACMA uses a range of data to build a picture of the changing voice service market in Australia including its own annual data request to industry, in terms of voice service provision, and commissioned consumer surveys in terms of measuring take-up of voice services by consumers in general.

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1   A collection of wirelessly interconnected devices with sensing, computing and communication functionality streaming observational data to a central data aggregation point. http://www.imos.org.au

2   The ACMA, *Corporate Plan, 2009–11,* October 2009.

For the purposes of analysis presented in this report, when using the term 'fixed-line' in discussing voice service provision or take-up, this is should be taken to mean voice services delivered via the PSTN and other fixed-networks and the use of a landline telephone by consumers.

Key trends

Over the 2008–09 reporting period, competition, network and device convergence and changing consumer behaviour continued to drive developments in the communication and media industry sectors of the Australian economy. The increasing diversification of service delivery and changing consumer patterns of voice and content usage across multiple technological platforms provides new opportunities for service providers and consumers alike. It is also increasingly a challenge to traditional regulatory structures and service definitions.

Communication and media sector driving convergence and the development of the digital economy

Challenges

The investment in alternative infrastructure and networks by service providers and consumer service substitution, are growing challenges to the use of the traditional PSTN. Wireless networks are increasingly playing an important role in the delivery of voice and data services to consumers. Increased use of online communications, such as email, instant messaging, social networking and micro-blogging applications, also offers an alternative to fixed-line and mobile voice services.

Network and device convergence is blurring the boundaries between communication and media services with communication companies offering content services directly to their broadband subscribers.

The expansion of communication companies into traditional media services and changing consumer preferences for online media usage and creation is an increasing challenge to the traditional media sector in Australia, comprising television and radio broadcasters and newspaper publishers.

Response strategies

In response to these developments, communications and media companies are adopting new strategies to retain customers and diversify revenue sources.

The main response strategy adopted by service providers includes shifting from a single service provider model to service bundling. This encompasses providing voice and content services with internet access and the increasing provision of triple-play services to broadband customers including users of 3G mobile services. Other strategies adopted have included the provision of more generous data caps for SMS, MMS and internet users.

The shift to service bundling is most evident in the Australian internet service provider (ISP) market where ISPs are increasingly offering a range of voice and content services to customers in addition to traditional internet access. The Australian Bureau of Statistics (ABS) estimated that at June 2009, 60 per cent of ISPs offered a voice over internet protocol (VoIP) service, 56 per cent a fixed-line telephone service and 36 per cent a mobile service to customers.

The increasing importance of mobile networks as a revenue channel is demonstrated during 2008–09 where revenue from mobile services exceeded PSTN revenue for the first time for Telstra, but continued from previous years for Optus.

For traditional media companies, the main response strategies adopted have included offering time-shifted 'catch-up' viewing online, the provision of new content on digital broadcasting services and the development of online capabilities to complement traditional off-line newspapers to retain readers and diversify sources of advertising revenue. At the end of 2008, online advertising revenue had reached $1.7 billion, a 27 per cent increase since 2007. Currently, nearly 2.3 million Australians access online news sites such as news.com.au.

Changing consumer behaviour

The delivery of voice, data and content services over technologies such as 3G, internet protocol and wireless broadband complements traditional PSTN-based services. Australians are opting for communication solutions which cover multiple service types, with each service meeting a specific communications need with factors such as age, family structure and digital literacy levels shaping communication choices.

The diversification of communications use across multiple technologies is further evidence of the increasing challenge to the traditional PSTN-based regulatory regime. A number of key trends have been reinforced over the 2008–09 period:

Declining dependence on fixed-line telephone services

The number of fixed-line standard telephone services in Australia declined during 2008–09 with approximately 10.67 million fixed-line telephone services in operation at 30 June 2009 compared with 11 million at 30 June 2008. The drop in fixed-line services is accounted for by continuing substitution of these services with other technologies such as 3G and VoIP. It is estimated that approximately 10 per cent of people aged 14 years and over in Australia and four per cent of small and medium enterprises (SMEs) did not have a fixed-line telephone service during the 2008–09 reporting period.

Increased take-up of 3G mobile services

During 2008–09, mobile network coverage increased with GSM networks providing coverage to 96.22 per cent of the population and 3G networks providing coverage to 99.06 per cent of the population at 30 June 2009. Mobile operators continued to announce plans to upgrade mobile networks to support both voice and higher data rate services. In particular, 3G networks, which are able to support triple-play services, were upgraded during 2008–09 for high-speed downlink packet access (HSDPA) protocol increasing the download speed capabilities of these networks.

Australians continued to shift to mobile services with an estimated 24.22 million mobile services in operation at June 2009. This is an increase of nine per cent since June 2008, and represents an overall penetration level of 110 per cent. 3G services continue to drive growth within the mobile service market in Australia, with consumers seeking to take advantage of the increasing functionality and capacity of 3G handsets and networks that support a range of applications such as the internet. At June 2009, there were approximately 12.28 million 3G services in operation, an increase of 44 per cent since June 2008.

Increased take-up of VoIP services

There is a growing level of awareness of VoIP amongst consumers in Australia. This, in conjunction with the shift to higher speed internet services and the bundling of VoIP to customers, is facilitating increased usage of VoIP within Australian households, further eroding reliance on fixed-line telephone services.

Approximately 2.5 million people in Australia were estimated to have access to a VoIP service at home at June 2009, compared with 1.8 million people at June 2008. SMEs are also embracing VoIP with 20 per cent reported using a VoIP service at April 2009 compared with 17 per cent at April 2008.

Continuing shift to higher speed internet services

Depending on their location, Australian consumers have access to a range of internet access technologies including digital subscriber line (DSL), hybrid fibre coaxial (HFC), wireless broadband, fibre to the kerb (FTTK), satellite and optical fibre. Approximately 80 per cent of households in Australia were connected to the internet at April 2009. According to the ABS, there were 8.4 million active internet subscribers in Australia at June 2009 compared with 7.2 million at June 2008; an increase of 17 per cent over the period. Wireless internet's share of the internet subscriber market continued to increase, accounting for 25 per cent of subscribers at June 2009 compared with 11 per cent at June 2008. DSL's share of the market has declined to 50 per cent.

Australians continued to shift to higher internet speeds to support more intensive online participation. At 30 June 2009, 30 per cent of internet subscribers in Australia used an internet service with download speeds of 1.5 Mbit/s to less than 8 Mbit/s and just over 21 per cent using a service with download speeds of 8 Mbit/s to less than 24 Mbit/s compared with 20 per cent and 19 per cent respectively at 30 June 2008.

Consumer satisfaction

ACMA research shows that Australian household consumers are largely satisfied with their communications services, with 80 per cent estimated to be satisfied with both their fixed-line telephone and their mobile service respectively, 78 per cent satisfied with their internet service and over 75 per cent satisfied with their VoIP service at April 2009.

Nevertheless, dissatisfied consumers were complaining about aspects of their telecommunications services in increasing numbers. During the 2008–09 reporting period, the Telecommunication Industry Ombudsman (the TIO) received approximately 481,418 complaints about telecommunication services, an increase of 79 per cent since June 2008. Complaints about mobile, internet and fixed-line telephone services increased by 107 per cent, 81 per cent and 65 per cent respectively during the reporting period. Approximately 202,807 of the complaints received by the TIO were concerned with either billing and payment issues or customer service. Complaints to the TIO about specific services represented less than one per cent of mobile services, 1.5 per cent of fixed-line services and 1.4 per cent of internet services in operation during 2008–09.

Australia in the digital economy

Digital communications and media are underpinning the development of the digital economy in Australia with internet and internet protocol technologies increasingly underpinning service delivery. The importance of the internet to consumers and industry is demonstrated by an increasing depth of online participation and the growing value of internet e-commerce and digital content services.

Australians are spending more time online—an average of 57 hours online during the June quarter of 2009 compared with 47 hours spent online during the June quarter of 2008. The total amount of online content viewed has also increased with an estimated 46.6 billion web pages viewed during the June quarter of 2009 compared with 38.9 billion pages during same period in 2008.

The ABS also estimated that internet users in Australia downloaded 99,993 terabits of data during the June quarter of 2009 compared with 55,434 terabits for the same period in 2008; an eighty per cent increase.

Participation in content creation has also increased which has been facilitated by social networking. During the June quarter 2009, the more mainstream social networking sites of Facebook and MySpace attracted nearly seven million and 3.3 million internet users in Australia respectively.

The internet is increasingly seen as a critical business communications channel to improve operational effectiveness, productivity and market reach. The ABS estimates that the value of goods and services sold online, whether paid for on or off line, was $81 billion during 2007–08 compared with $57 billion for 2006–07. ABS estimates that 56 per cent of businesses in operation in Australia at June 2008 derived less than 10 per cent of their total goods and services income from sales via the internet. At the same time, 29 per cent of businesses derived between 10 and less than 50 per cent of total sales income from internet sales and a further 15 per cent derived more than 50 per cent of their total sales income from the internet.

The increasing importance of the internet to Australian business is further demonstrated by the growth in domain name registrations with 1.42 million domain names registered under '.au' at 30 June 2009 compared with 1.17 million at 30 June 2008. Online advertising has also seen significant revenue growth, increasing by 27 per cent to a total of $1.7 billion, and accounting for 13 per cent of total advertising expenditure at the end of 2008, compared with 10 per cent at the end of 2007.

National interest matters

During 2008–09, 10.3 million calls were made to the emergency service numbers Triple Zero and 112, a decline of 16 per cent when compared with 2007–08. Calls from mobiles continued to account for the majority of emergency service calls—63 per cent at June 2009, reflecting the ongoing shift in consumer use to mobile services. The decline in emergency service call volumes has been attributed to the introduction of a recorded voice announcement in December 2008. This provided people who have accidentally dialled Triple Zero the opportunity to hang up before being connected to an operator, allowing more time for the service to receive genuine calls. Telstra continued to perform above the legislated requirement for emergency call answering with 96.3 per cent of all calls to Triple Zero and 112 answered within five seconds and 98.3 per cent answered within 10 seconds during 2008–09.

During 2008–09, there were 818,190 authorised disclosures of personal information by carriers, CSPs, the Integrated Public Number Database (IPND) manager and emergency call persons, which represents a decline of 18 per cent since 2007–08. The cost to industry of providing communication interception capabilities was $16,623,370 during 2008–09, a 74 per cent increase since 2007–08. This increase was attributed to the replacement of out-dated equipment and the purchase of new equipment to accommodate new technologies and increased bandwidth requirements.

The IPND contained approximately 53.7 million connected records at 30 June 2009 compared with 49.1 million at 30 June 2008.

Telecommunications consumer safeguards and quality of service

At 30 June 2009, there were approximately 39,328 payphones in Australia, operated by Telstra and other companies compared with 45,114 at 30 June 2008, a decline of 12.8 per cent.

The reported number of telephone services covered by the telecommunications Customer Service Guarantee (CSG) decreased by six per cent to 7.5 million services in 2008–09. The performance of the main CSPs in meeting CSG Standard time frames for new service connections ranged between 88.3 per cent and 95.9 per cent for 2008–09 compared with 92 per cent and 99 per cent in 2007–08. During 2008–09, 90.5 to 93.9 per cent of faults were repaired within the required CSG time frames.

The number of call minutes to the National Relay Service (NRS) decreased by nearly three per cent during 2008–09.

Fewer consumers ported their local or mobile numbers in 2008–09. The volume of local ports decreased by 7.6 per cent, while mobile ports decreased by 5.7 per cent. Freephone and local rate ports increased by 6.3 per cent.

The Do Not Call Register continued to provide a critical service for consumers in Australia seeking to avoid unwanted communications from telemarketers. At 30 June 2009, more than 3.54 million telephone numbers had been listed on the register since its launch on 3 May 2007. There is general adherence by telemarketers to the requirements of the *Do Not Call Register Act 2006.* However, 21 investigations were finalised during 2008–09, resulting in 15 businesses being found to have contravened the requirements of the legislation.

During 2008–09, there were 3,947 written complaints concerning spam of which 75 per cent related to email spam and 25 per cent to SMS spam. During the reporting period, the ACMA undertook 25 mid-level and major investigations related to the *Spam Act 2003*.

During the reporting period, the ACMA undertook an assessment of industry compliance with Telecommunication Consumer Protection Code (the TCP Code). The ACMA found:

> 95 per cent of the 39 carriage service providers assessed were compliant with financial hardship provisions of the TCP Code

> 98 per cent of 97 telecommunications carriage service providers assessed were determined to be compliant with requirements to publish a complaint handling policy

> 97 per cent of the 118 carriage service providers assessed were found to be compliant with the direct debiting provisions of the TCP Code.

In addition, all equipment suppliers (ES) were determined to be compliant with the Accessibility Features Code.

Broadcasting industry performance in meeting regulatory obligations

During the 2008 calendar year, Australian commercial television networks met the Australian Content Standard requirements including content quotas for Australian programs (first-release drama and documentary), quotas for children's programming and the minimum 80 per cent Australian content requirement for advertising. All the commercial and national television broadcasters that are required to transmit the high definition television quota complied with this requirement.

All metropolitan digital television services have been rolled out, with rollout continuing to progress in regional and remote areas. Approximately 53 per cent of Australian households were estimated to have converted their main television set to a digital TV by the end of June 2009.

During 2008–09, 1,772 broadcasting complaints were received by the ACMA compared with 1,218 during the previous period. There was an 86 per cent increase in written complaints and a 28 per cent decline in the number of telephone complaints. The increase in broadcasting complaints is attributed to the merger of community broadcasting technical complaints with general broadcasting complaints during the reporting period. The number of broadcasting complaint investigations completed, and the number of investigations with a breach finding, both increased in 2008–09 in comparison with 2007–08.

The ACMA received 1,182 complaints about potential prohibited online content during 2008–09 compared with 1,122 in 2007–08.

Economic benefits resulting from changes in telecommunication services

During 2008–09, Australian consumers continue to derive significant benefit from competition in the communication sector and increasing choice in communications services. Overall, the increase in consumer surplus (the measure of the benefits people gain from the consumption of goods and services) attributable to the telecommunications industry in Australia was approximately $957 million in 2008–09.