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Australian Economy Continues to Boom

The Australian economic scene is the reverse to what is happening in the USA and Europe at present and is probably one of the few economies in the world which is powering along.

For the last two years, as the US economy has headed southward the Australian economy has continued to grow at up to 4% per annum, causing our Reserve Bank concerns, however inflation is still under control and within the limits set of up to 4% per annum.

Recently the Reserve Bank of Australia lifted interest rates by a 0.25% to cool the economy. The inter-bank cash rate is approximately 4.9% compared with 1.5% in USA.

Exports over the last 12 months have been up. Employment is growing and the unemployment rate has declined.

Since June there have been indications of a drought period effecting a wide area of Australia and less buoyant employment figures. Both of these factors indicate a slowing in the Australian economy and deferment of any interest rate rises.

Snapshot of the Australian Market

The building industry has been booming in spite of the introduction of a Goods and Services Tax 1 on 1 July 2000, although the housing sector is expected to cool in the second half of 2002.

Business investment is expected to increase.

The Agriculture Industry is expected to decline due to a possible drought and the consequent export difficulties.

The Motor industry is expected to flourish with domestic sales, exports and manufacturing at record levels.

High Tech stocks and Telcos took a hammering two years ago and consequently firms importing and selling telecommunications equipment are suffering badly as Telcos are not buying equipment.

Some of the smaller Telcos have gone to the wall even though the Telecommunications market for services continues to grow. Many of these firms have been badly managed and have been trying to but market share with expensive marketing and selling services below cost.

Trends in the Telecommunications Sector

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

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

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

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

The telecommunications industry in Australia generated revenues of A\$26bn p.a. in 1999. The industry as a whole has been growing at a rate of 15% a year with the market size reaching A\$30bn by the year 2000.

The cellular mobile phone market has been growing at an impressive rate of 33% for the past year, with a cellular penetration rate reaching 54% compared to fixed teledensity of 60% in the year 2000.

The data transmission component of the sector is a significant area of growth which is estimated to be growing at almost 30% per annum.

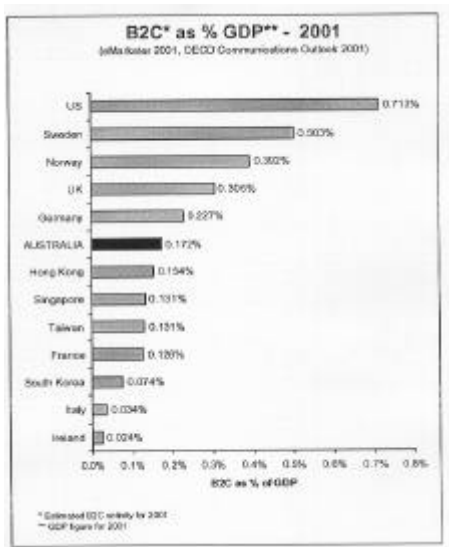


Table 1
B2C as % GDP – 2001

Ref: ACCC Report *Telecommunications Infrastructure in Australia 2001*

Value of B2C & B2B E-Commerce

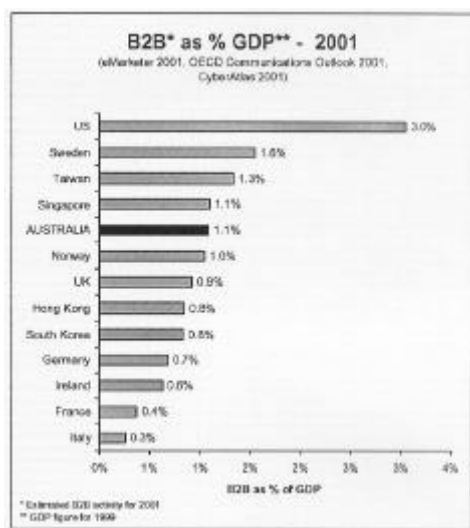


Table 2
B2B as % GDP – 2001

Electronic Commerce is expected to make a significant impact on national and global economies by increasing process efficiency and reducing operating costs. Currently e-commerce is estimated to be in the hundreds of billions of dollars US globally, is still insignificant of the total output of many national economies.

The level of Business-to-Consumer (B2C) activity as a proportion of the annual GDP provides a measure of the economic significance of e-commerce within the economy at large. Refer to Table 1.

Business-to-Business (B2B) e-commerce has significant economic implications, particularly for the profitability of firms in terms of lowering costs of production and product supply. Refer to Table 2.

Australia has the potential to greatly increase its usage of e-commerce systems in the future.

Ref: NOIE Report *The Current State of Play April 2002*