

VoIP: Growth at 500 per cent but voice market still losing revenue

Converged solutions key but dependent on next-generation broadband

Sydney, 14 August 2006 – Australia's leading telecommunications research and analysis firm Telsyte today launched a new research publication, **The Australian VoIP Market, 2005-2010**, as part of its annual Market Demographics and Forecast report series.

The report has found that PSTN carriers stand to lose \$5 in service revenue for every \$1 made by VoIP. For long-term success, VoIP service providers are urged to pursue converged solutions and value-added services, which hinge on next generation high-speed broadband networks.

Telsyte's key findings include:

- ❑ After having grown by 500 per cent in 2005, the Australian VoIP market is projected to enjoy a ten-fold expansion both in terms of users and revenue in the next five years.
- ❑ Consumer growth will outpace business by 50 per cent, thanks to the rise of residential broadband adoption, falling VoIP equipment prices, and improved VoIP service quality, features and ease of use.
- ❑ While VoIP is adding new billable minutes to an otherwise flat voice market, its revenue will not grow fast enough to offset the rapid decline experienced by PSTN and mobile. This will result in an overall voice market that will shrink by 2 per cent per year between now and 2010.
- ❑ The paid VoIP market was only the "tip of the iceberg", with the number of "non-paying" VoIP users estimated to outnumber their "fee-paying" counterparts by at least 3-to-1.
- ❑ The availability of Australia's next-generation broadband networks will inevitably impact VoIP uptake and the future of converged communications, of which voice is simply an integrated part.

PSTN Carriers Face Dilemma

"PSTN carriers have no choice but to join the VoIP bandwagon. Having 80% less revenue is still better than having none at all," said Warren Chaisatien, Telsyte Managing Director. "Mobile operators still have time to breathe since commercial mobile VoIP is not expected until the end of the decade."

Voice services, whether traditional or IP-based, are quickly commoditised and "all-you-can-eat" bucket plans for VoIP are expected within 18 months. According to

Telsyte, value-added and converged solutions will be critical to retain customers and maintain revenue.

"To survive, service providers must aim to make money outside of pure voice services, and deliver VoIP as part of a larger unified communications suite," said Chaisatien.

"In the business market, ICT convergence services – including solutions integration, network and security management, and SLAs – are obvious growth areas. For consumers, value add will come from the delivery of personalised unified communications that include mobile, email/IM, video/TV, and other content," said Chaisatien. "However, these services will rely on the availability next generation, high-speed broadband networks," he said.

Industry Cooperation Essential to Entice Customers to "Paid" VoIP

According to Telsyte, peering arrangements will be key to address the current limitations of VoIP service and stimulate market growth in this sector.

"Barriers to the adoption of VoIP include poor call quality arising from the lack of integration and consistency among IP networks. There are also issues with a lack of service standards, full disclosure of VoIP functionality and number portability," said Chaisatien.

"There is a significant opportunity for carriers to cooperate to address these issues and entice non-paying users to embrace subscription services that offer better features and increased service quality," he said.

The Australian VoIP Market, 2005-2010 provides a snapshot of Australia's 2005 VoIP market, along with associated key performance indicators; brief profiles of a dozen major consumer, business and wholesale VoIP service providers; and analyses of market trends and developments. It offers Telsyte's five-year VoIP market forecast from 2006 to 2010 (in terms of users, revenue and minutes of use by user segment, and its impact on PSTN and mobile voice services) and recommendations for industry participants. In addition, detailed discussion on the five VoIP deployment models and their respective pros and cons is included as a handy reference.

Select data from this report can be obtained upon request.

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About Telsyte

Telsyte is an Australian-based market research and strategy organisation specialising in telecommunications technologies, services and metrics. Telsyte is a wholly-owned business unit of leading independent telecommunications consulting firm Gibson Quai - AAS (www.gqaas.com.au).

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In FY 2005 UXC posted revenue of more than \$242 million and net profit of \$11.7 million. With a market cap of around \$190 million, UXC is an S&P / ASX Top 300 company, and was named in the 2005 Deloitte Technology Fast 50, which recognises the most dynamic and fastest growing

technology companies in Australia. UXC is one of only 14 companies to make the Fast 50 for two years running.

UXC has more than 1,600 staff in offices around Australia and New Zealand, providing its services through three divisions: Business Solutions, Utility Services Group and Intellectual Property Ventures Group.

The largest group, Business Solutions, provides ICT solutions to large and medium corporates and governments across Australia and New Zealand. Brands include CNS, Dytech Solutions, Eclipse Computing, Gibson Quai – AAS, Integ Communications, Opticon Australia, Oxygen Business Solutions, Planpower, QSP, Red Rock Consulting, and XSI Data Solutions.