THE CURRENT STATE OF PLAY

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# Table of contents

## EXECUTIVE SUMMARY

1 - POPULATION AND HOUSEHOLD USE OF SELECTED ICTs
- % of population having ever used the Internet
- % population using Internet during last month
- Points of Internet access
- Population’s use of the Internet by area
- Population’s use of the Internet by age
- Use of PCs and the Internet by households

2 – BUSINESS USE OF SELECTED ICTs
- Use of PCs and the Internet by all businesses
- Small and Medium Enterprises (SMEs) use of PCs and the Internet

3 – USE OF BROADBAND TECHNOLOGY
- Use of broadband technology by home Internet users
- Use of broadband technology by all businesses
- SMEs’ use of broadband technology
- Entry level price of broadband technology: DSL and Cable
- Impact of broadband technology use on Internet users
- Impact of broadband technology use on SMEs

4 – SELECTED ONLINE ACTIVITIES
- Top ten online activities by individuals – any site of access
- Online activities by population: online banking
- Banking and financial services
- Paying bills online
- Buying and selling online
- Online activities by all businesses
- SMEs engaged in e-commerce & Internet banking
- Total value of e-commerce

5 – E-GOVERNMENT
- Home Internet users accessing government websites
- Businesses lodging electronically with government

6 – E-READINESS
- E-government readiness
- E-readiness Rankings

Contact Details
Executive summary

In Australia the Internet is now an established feature of life in industry, households, offices and schools. Online participation continues to expand across age and gender groups, albeit at a slower pace than in previous years, reflecting a pattern of consolidation experienced by other global information economy leaders such as the US, Canada and Sweden. This is true also for business online participation, where Australia performs well in terms of Internet access and is ranked among the most connected and active countries in the world.

There are some aspects of Internet activity, however, in which Australia has recently shown a level of growth well above the prevailing pattern of stabilisation recorded in areas such as total Internet access by population and business. The growth in the uptake of broadband technology in Australia since 2001, for example, has been outstanding, with the percentage of home Internet users using broadband technology growing from 5% in June 2001 to 57% in July 2005. The reasons for this upward trend include a greater level of market competition and the lower entry prices experienced in Australia, as well as the increasing level of sophistication of Australian Internet users who, through broadband, can perform more complex online activities at a greater speed than that offered by a dial-up connection. Rapid growth in the use of broadband technology is not confined to households and population, with data produced by Sensis in 2005 indicating that the percentage of online Small and Medium Enterprises (SMEs) with a broadband connection increased from 43% in 2004 to 63% in 2005.

Also notable is the substantial increase recorded in terms of the value of e-commerce for Australian business in the last five years. The Australian Bureau of Statistics (ABS) estimates that Internet income for businesses in Australia increased from $5.1 billion in 1999-2000 to $33 billion in 2003-2004, representing an increase of 55% over a period of 4 years. The growing economic significance of e-commerce cannot be disputed on the basis that business Internet income in 2003-2004 represented an estimated 4% of Gross Domestic Product (GDP) for the year. For SMEs in particular, rising levels of Internet income were underpinned by strong levels of online activity in areas such Internet banking, placing and receiving orders for goods and services online, and placing and receiving payments online.

Other data presented in the 2005 Current State of Play report include:
- 67% of persons aged 14 years and over in Australia used the Internet in April 2005 (up from 54% in September 2001). Online activities performed were:
  - buying and selling online (59% of Internet users);
  - Internet banking (52%);
  - paying bills online (39%).
- 74% of total businesses in Australia had Internet access in 2003-2004;
- 57% of home Internet users in July 2005 used broadband technology;
- the percentage of online SMEs with a broadband connection increased from 43% in 2004 to 63% in 2005;
- 39% of home Internet users accessed government websites (up from about 27% in June 2002).
1 - POPULATION AND HOUSEHOLD USE OF SELECTED ICTs

Use of the Internet by both population and households in Australia has levelled in the last twelve months, with marginal rates of growth recorded in that period. The majority of Internet users are located in metropolitan areas, although growth in Internet access penetration has continued steadily across all areas and age groups, with younger age groups in particular showing very high participation rates.

% of population having ever used the Internet

At April 2005, 74% of persons aged 14 years and over in Australia had used the Internet one or more times. This percentage increased from 64% in September 2001.

% population using Internet during last month

The percentage of people in Australia aged 14 years and over using the Internet on a monthly basis increased from 54% in September 2001 to 67% in April 2005.
Points of Internet access

In April 2005, the household was the point of Internet access used by the largest proportion of Internet users (87%), followed by work (37%), educational institution (16%), a friend’s house (13%), local library (8%), Internet cafes (5%), and other (3%).

Population's use of the Internet by area

The proportion of persons using the Internet in metropolitan areas and in other areas has remained substantially the same since September 2001. In April 2005, Internet users by area were divided as follows: 72% in metropolitan areas and 28% in other areas (it should be noted that 68% of the Australian population lives in metropolitan areas).

As shown in the graph beside, since September 2001 the proportion of Internet users in both metropolitan and other areas has been increasing.
Population’s use of the Internet by age

Younger Australians tend to use the Internet more than older Australians. In April 2005, 86% of persons in the 14-17 years age group used the Internet, while 40% (still a substantial percentage) of persons in the age group 55 years or more used the Internet.

Use of PCs and the Internet by households

Household use of PCs and the Internet continues to grow, although the rate of growth has somewhat slowed since 2001. In the 4th Quarter 2004, 68% of households leased or owned a computer, and 62% of total households had Internet access.

*ABS. Households with PC = households with access to a home computer.  
a) Nielsen//NetRatings. Households with PC = households which own lease a PC. Households with Internet= home & work PC, PalmPilot, TV, mobile phone, etc.
2 – BUSINESS USE OF SELECTED ICTs

Use of PCs and the Internet by all businesses

The trend for business use of PCs and the Internet is similar to the trend for households shown in the previous graph: faster growth until 2001 followed by a stabilisation period. At June 2004, 85% of all businesses had use of a PC, 74% used the Internet and 25% had a website.

Small and Medium Enterprises (SMEs) use of PCs and the Internet

SMEs' use of both PCs and the Internet has marginally increased from 2004 to 2005. PC ownership has increased from 94% to 95% of all SMEs. The proportion of all SMEs connected to the Internet has also increased from 86% to 88% in the same period.
3 – USE OF BROADBAND TECHNOLOGY

Use of broadband technology by home Internet users

The percentage of home Internet users using broadband technology (ISDN excluded) grew from 5% in June 2001 to 57% in July 2005.

Use of broadband technology by all businesses

In 2003-2004, 41% of businesses using the Internet were using broadband technology, while half of them used a dial-up connection. ISDN accounted for 8% of online businesses.

In 2003-2004, DSL (67%) and cable (28%) were the technologies used by the vast majority of online businesses using broadband.
SMEs’ use of broadband technology

Broadband is the connection most popular among SMEs using the Internet in Australia, with 63% of online SMEs using broadband technology in 2005. Broadband connectivity among online SMEs has risen from 43% in 2004, and this 20 percentage point growth represents a 47% increase from 2004 to 2005.

Entry level price of broadband technology: DSL and Cable

According to Point Topic, the entry level price for DSL access in Australia has slightly increased in the 12 months to May 2005. However, Australia remains one of the countries with the lowest DSL entry level price together with Japan and the US.

The entry level price for cable access in Australia actually decreased in the year to March 2005 from PPP US$36.36 to PPP US$29.08. Taiwan, Japan and France were, together with Australia, the countries with the lowest prices for entry level Cable access.
Impact of broadband technology use on Internet users

“Downloading material easily” (73% of broadband users) and “Easy/quick to send attachments” (64%) are the two impacts of broadband use reported by the majority of broadband users.

Impact of broadband technology use on SMEs

Nearly 8 out of 10 SMEs that use a broadband Internet connection in 2005 stated that the use of broadband has had a positive impact on their business. Only 1 per cent indicated that use of broadband had a negative impact.
4 – SELECTED ONLINE ACTIVITIES

Top ten online activities by individuals – any site of access

The graph above identifies the ten online activities performed by the largest number of Internet users at any site of access (home, work, other) in April 2005. Electronic mail is the single activity performed by the most users, followed by searching for product information, general surfing, and downloading software/files. The next four graphs present online activity data by category, providing an overall percentage representing Internet users performing a range of similar/related activities (e.g., Internet banking, as presented below, refers to Internet users who a) checked their accounts balance, b) transferred funds between accounts; c) reviewed their mortgage/loan status online).

Online activities by population: online banking

Online banking by Internet users in Australia has steadily grown from 38% in 2001 to 52% in 2005.

Online banking includes the following activities: check account balance; transfer funds between accounts; and review mortgage/loan status.
Banking and financial services

In April 2005, 54% of Internet users aged 14 years and over in Australia accessed banking and financial services online.

Banking and financial services included the following activities: check account balance transfer funds btw accounts review mortgage/loan, and other financial services.

Paying bills online

The proportion of Internet users paying bills online in Australia has increased from 25% in September 2001 to 39% in April 2005. Growth, however, has been slower from 2003 onward, with an increase of only 11% in the period from September 2003 to April 2005.

Buying and selling online

In April 2005, 59% of Internet users performed online buying/selling activities. Buying and selling online included: buying/selling/renting property; buying/selling stocks; buying PC software/hardware; buying books; buying recorded music/video; buying travel plus related; buying clothing/accessories; buying tickets; buying food/grocery items; buying other items; and paying bills online.
Online activities by all businesses

42% of online businesses in Australia use the Internet to place orders for goods and services. Businesses in Australia also use the Internet to lodge payments (28% of online businesses), to lodge taxation forms (26%), to receive orders for goods & services (16%), to lodge applications for licences/permits (7%), and to lodge claims for grants / benefits (2%).

SMEs engaged in e-commerce & Internet banking

Most SMEs are active in Internet banking and e-commerce, as shown in the chart beside. Internet banking remained the most popular financial activity online in 2005, while all e-commerce activities except placing orders online recorded small to average percentage growth from 2004 to 2005.
Total value of e-commerce

The ABS estimated Internet income for 2003-2004 at $33 billion. This figure is equal to approximately 2% of total business income for the surveyed firms. Numerically, this estimate is equivalent to 4% of Gross Domestic Product (GDP) for 2003-2004.

5 – E-GOVERNMENT

Home Internet users accessing government websites

Home Internet users in Australia have traditionally shown strong interest in accessing Government websites and online services. In January 2005 Australia had the highest percentage (39.2%) of home Internet users accessing Government websites ahead of other information economy leaders such as the US, Hong Kong, and Sweden.
Businesses lodging electronically with government

Forty six per cent of online businesses in Australia in 2003-2004 lodged forms or other documents electronically with government (up from 44% in 2002-2003).

6 – E-READINESS

E-government readiness

The United Nations, in its “Global E-Government Readiness Report 2004”, assessed the use of E-government across 191 member countries, and ranked UN member countries in terms of e-government readiness and e-participation. In the report, the UN ranked Australia overall sixth with a score of 0.8377.
E-readiness Rankings

The Economist Intelligence Unit (EIU) ranked Australia 10th out of 65 countries in its white paper “2005 e-readiness rankings”. The paper analyses the e-readiness of 65 countries, including the world’s largest economies. A country’s “e-readiness” is a measure of its e-business environment, a collection of factors that indicate how amenable a market is to Internet-base opportunities. It includes factors that range from mobile phone penetration to security of Internet infrastructure, to levels of innovation and entrepreneurship.
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