

On the line: Major telecommunications firms continue to grow

By Matthew Barry

Investments in new infrastructure have supported Australia's major telecommunications companies

Telstra's newly-expanded mobile network boosted revenue by 2.8% in 2017-18

The rollout of the NBN and investment in infrastructure upgrades have supported the Australian Telecommunications Services industry. Over the past five years, Infrastructure upgrades have expanded mobile coverage, shifting demand towards wireless telecommunication services and driving industry revenue growth. However, rising price competition has eroded profit margins and constrained revenue growth for companies within the industry.

Telstra has expanded its network and now provides 4G access to 99.3% of the Australian population. Despite fierce competition, economies of scale have allowed Telstra to invest more heavily into mobile network infrastructure and maintain a strong position in the market. Growing demand for Telstra's newly-expanded mobile network saw the company's revenue increase by 2.8% in 2017-2018 financial year. The company also undertook trials of the fifth generation (5G) mobile network, which is projected to fuel future revenue growth within the industry.

In recent years, Telstra has assisted with the upgrade of the NBN network and have agreed to handover their copper and hybrid fibre-coaxial networks to NBN Co as consumers migrate to the fibre optic network. Although, the federal government

has compensated Telstra for the handover, high NBN connection charges and rising network payments to NBN Co have reduced the firm's profitability. The NBN has caused Telstra to reassess their competitive position in the wired telecommunication sector, leading the company to focus more on their mobile network services and infrastructure.

Like Telstra, Vodafone Hutchison Australia has focused on developing its mobile network coverage through investing in network infrastructure. The company's revenue increased by 5.3% in 2017-2018 financial year, principally due to the rising quality and coverage of their mobile network. These improvements in infrastructure have allowed Vodafone to retain existing customers while also attracting new customers. In August 2018, Vodafone announced a merger with TPG Telecom Limited that was later rejected by the ACCC due to its potential to substantially reduce competition within the sector. As TPG has invested heavily into wireless telecommunication infrastructure over the past two years, the merger would have significantly increased Vodafone's mobile network infrastructure. Vodafone's focus on expanding its wireless telecommunication infrastructure has fuelled growth for the company.

The Telecommunications Services

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industry in Australia has seen shift in demand towards wireless telecommunication. Companies such as Telstra and Vodafone have focused heavily on infrastructure expansion and upgrades. While this infrastructure investment has boosted revenue for the

industry's major players, intense price competition within the industry has limited revenue growth.

Companies mentioned in this report

[Telstra Corporation Limited](#)

[Vodafone Hutchison Australia Pty Limited](#)