



# RESEARCH NOTE

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## Australia's Information Technology & Telecommunications (IT&T) Industry Success Story.

### Market Growth

Information products and services currently account for around 20 per cent of world trade, with a growth rate of 10 per cent annually. In 1994, Australia's IT&T market was worth around \$40 billion. Australia already has the second largest IT&T market share in the \$110+ billion Asia-Pacific region that accounts for 19 per cent of the global market. In 1987, Australia exported some \$650 million of information products and services and by 1991, this had risen to \$1.5 billion. Australia currently exports over \$2.6 billion in IT&T products and services annually, although it also imports twice as much equipment in \$4.8 billion of computer systems and about \$1.6 billion in telecommunications hardware. While this represents a trade deficit, it actually demonstrates that Australian firms can compete in supplying niche markets. Only two OECD members: Japan and Ireland have a trade surplus in IT&T products.

The 300 company-member Australian Information Industry Association (AIIA) has a goal for the nation to achieve \$10 billion in exports, of computer and telecommunications equipment, by the year 2000.

This AIIA "Agenda for Growth" depends on national cooperation without impediments, global market growth, infrastructure and industry development. The following table provides a breakdown of industry incomes by its sectors and demonstrates the re-

markable growth in IT&T activity. As computers, telecommunications, electronics and media converge onto a single medium, they promise to revolutionise society, industry and trade flows. Major Australian IT&T export markets are New Zealand, Japan, and the United States. The new Industry Commission draft report "Computer Hardware, Software and Related Service Industries" contains more detailed breakdowns, as does the AIIA submission into that enquiry. However, readers should note that definitions of the IT&T industry do vary between sources, so an overall view was taken here.

### Marketing Australia

Australia's partnership status with Germany at the world's largest IT&T exposition "CeBIT'95", held in Hanover in March, aimed to raise the international profile of the industry. It included a record number of 160 local companies in a \$9 million effort, building on previous displays. At "CeBIT"'s over the ten years since 1986, 30 or so local firms have signed up \$250 million in

exports. Local strengths include an innovative workforce, technology and market access, plus Government support.

Their involvement was part of the Federal Government's industry innovation program that includes the Partnerships for Development Program (PFD), Fixed Term Arrangements (FTA), the Industry Research and Development (R&D) Grants Scheme and the 150 per cent R&D Tax Concession plan. A related initiative is the \$84 million four-year scheme for Australia's multimedia industry that currently generates \$60 million a year. As well, some 688 local computer manufacturers receive an 8 per cent bounty to compensate for duties on components. This program amounted to \$78m in 1993-94, but may end later this year or in 1996. Government procurement policies have also been subject to recent review and may effect industry outlook. Following the draft report on the computer industry, the Industry Commission plans a similar review of the telecommunications equipment sector.

IT&T Industry Sector	1993 revenues (A\$bn)	1994 revenues (A\$bn)
Hardware	3.7	5.2
Communications	2.3	3.9
Software	1.5	3.8
Services	2.8	6.2
Other IT	1.3	1.4
Telecom Services	12.1	19.4
<b>Total</b>	<b>23.5</b>	<b>39.9</b>

*Sources:* AIIA, IDC Consultancy, 1994 Industry statement and other releases.

## Australia and the IT&T Global Industry

IT&T is a very competitive, global industry, characterised by rapid technological change, multinational companies and high trade flows. Some notable overseas companies now operating in Australia include Acer, Alcatel, CSA, Amdahl, Apple, Bull, Cincor, Canon, Compaq, Digital, Ericsson, Fuji, Fujitsu, GEC, HP, HDS, IBM, Ingres, Microsoft, NCR, NEC, Nokia, NorTel, OKI, Oracle, Pyramid, Siemens, StorageTek, Sun, Tandem, Unisys and Wang. By late 1994, some 47 international companies participated in the PfD and FTA schemes linked to 300 local firms and research bodies. For some, local firms and overseas companies have developed strategic partnerships, providing benefits of access to technology, finance, markets and manufacturing support. Australia does not have a large manufacturing capability in mainframe computer hardware as its electronic component production has ceased.

Australian firms have sought out market niches and links to effectively compete. Local success stories include firms such as Armdec, AWA, CPG, Datacraft, ERG, Exicom, Interfab, IPL, Hey-

corp, Hypertec, Keycorp, Inmartech, Intellect, JNA, Jtec, LSE, Magellan, Mincom, Mitec, Moldflow, Olex, Preton, Qantek, QPSX, Scitec, Stallion, Stanilite, SunTrade, TurboSoft & UMD. Their products cover the whole range of IT&T hardware and software, previously an Australian trade deficit sector. As examples, Stallion now earns most of its processor income from overseas, while Mincom is the world's biggest mining industry software supplier. Australia's QPSX has set the international standard for communication protocols for wide area networks. The carriers Telecom, Optus and Vodafone have also established strategic partnerships with equipment suppliers to consolidate Australia's global status in advanced telecommunications. However, about one-third of their purchases of local equipment still comprise indirect imports of telecommunications equipment, even though Australian companies produce switches, cables, telephones and base stations.

### Industry Operations

Our IT&T now earns more than wheat exports, and equals one-third of coal exports, with a goal to exceed them. The communications industry has provided a thirty per cent surge in job growth over the past two years, ahead of all other

industry sectors measured by ABS (Refer ABS No. 6202.0). In total, the IT&T sector employs about 100 000 people in 1 000 companies. Local exports of computer hardware rose from \$379m to \$553m from 1991/92 to 1993/94 while telecommunications equipment exports rose from a similar level to around \$700m over the same period. Other export sectors include software and peripheral devices. The telecommunications industry spends over \$250m annually on R&D while the computer sector spent a similar amount. The following table provides an overview of the computer services industry sector and its operations as an example of types of IT&T activities.

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Computer Services Industry Operations 1992-93	Data Processing	Information Storage & Retrieval	Computer Maintenance	Computer Consultancy	Total
Businesses At 30-6-93 (Number)	262	67	242	4323	4894
Employment (Number)	2049	636	4778	22599	30061
Operating Profit After Tax (Per Cent)	10.8	10.5	8.5	9.5	9.3
Industry Gross Product (\$Million)	83.2	53.8	429.8	1259.4	1826.2

Source: ABS No. 8669.0 Table 1.