

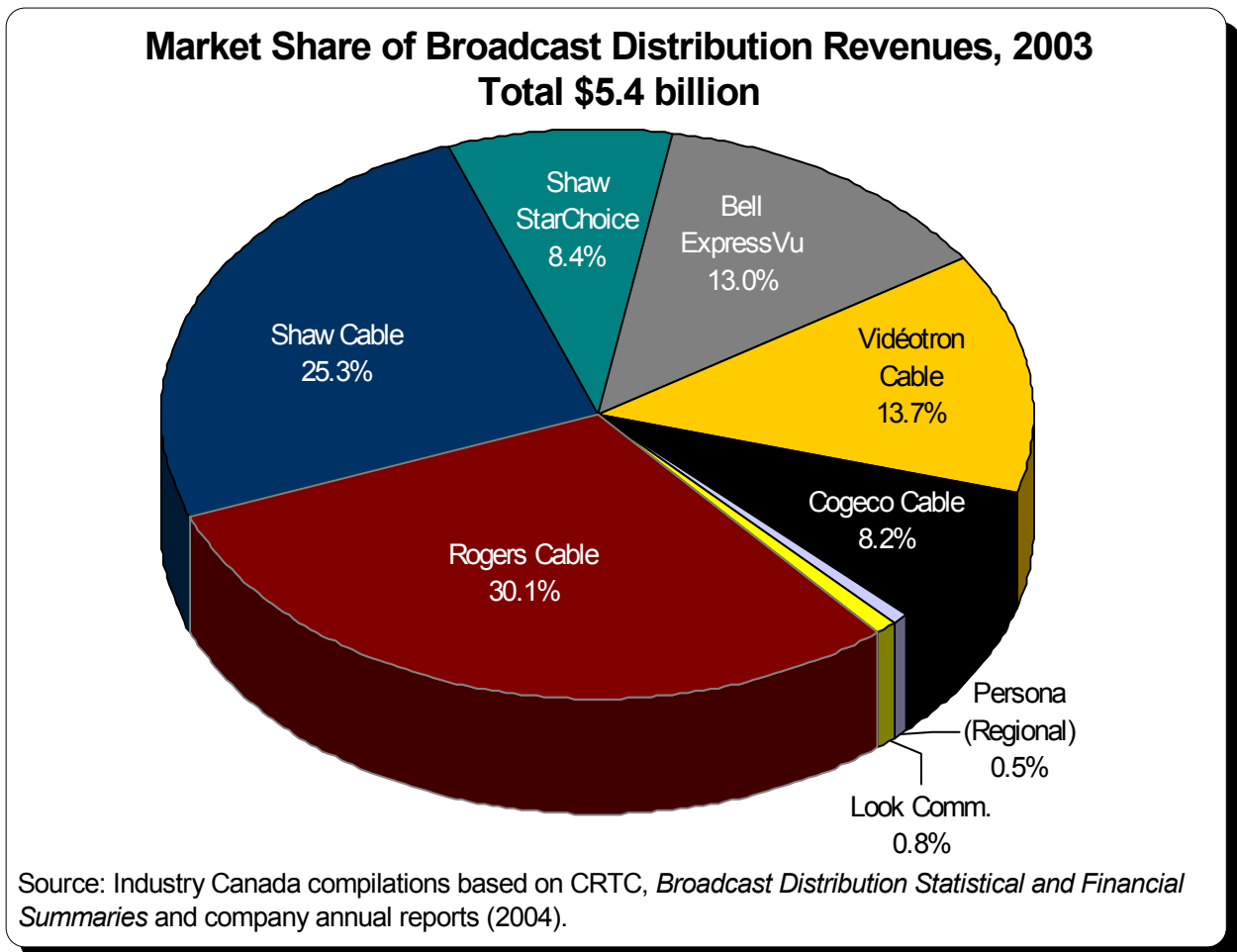
### 3.3 Broadcast Distribution

This section provides an overview of the major participants in the Canadian broadcast distribution industry, with a focus on the revenues and subscribers of cable television, satellite and multipoint distribution service providers.

#### 3.3.1 Broadcast Distribution Revenues

Figure 3.3-1 breaks down the broadcast distribution industry’s revenues by major provider. The two Direct-to-Home (DTH) satellite providers in Canada both increased their respective market shares, with increases of 1.1 percentage points for Bell ExpressVu and 0.6 percentage points for StarChoice, a company owned by Shaw Communications. Rogers Cable, holding the largest market segment, was the only cable company to see an increase in revenue share, growing to 30.1 percent of the broadcast distribution market. Alternatively, Vidéotron saw the largest decrease in market share in 2003, falling 0.9 percentage points to 13.7 percent of revenues, while Shaw Cable fell 0.7 percentage points to 25.3 percent. Look Communications, a Multipoint Distribution Service (MDS) provider, saw a 0.6 percentage point decrease in market share while the other companies’ market shares remained relatively stable in 2003.

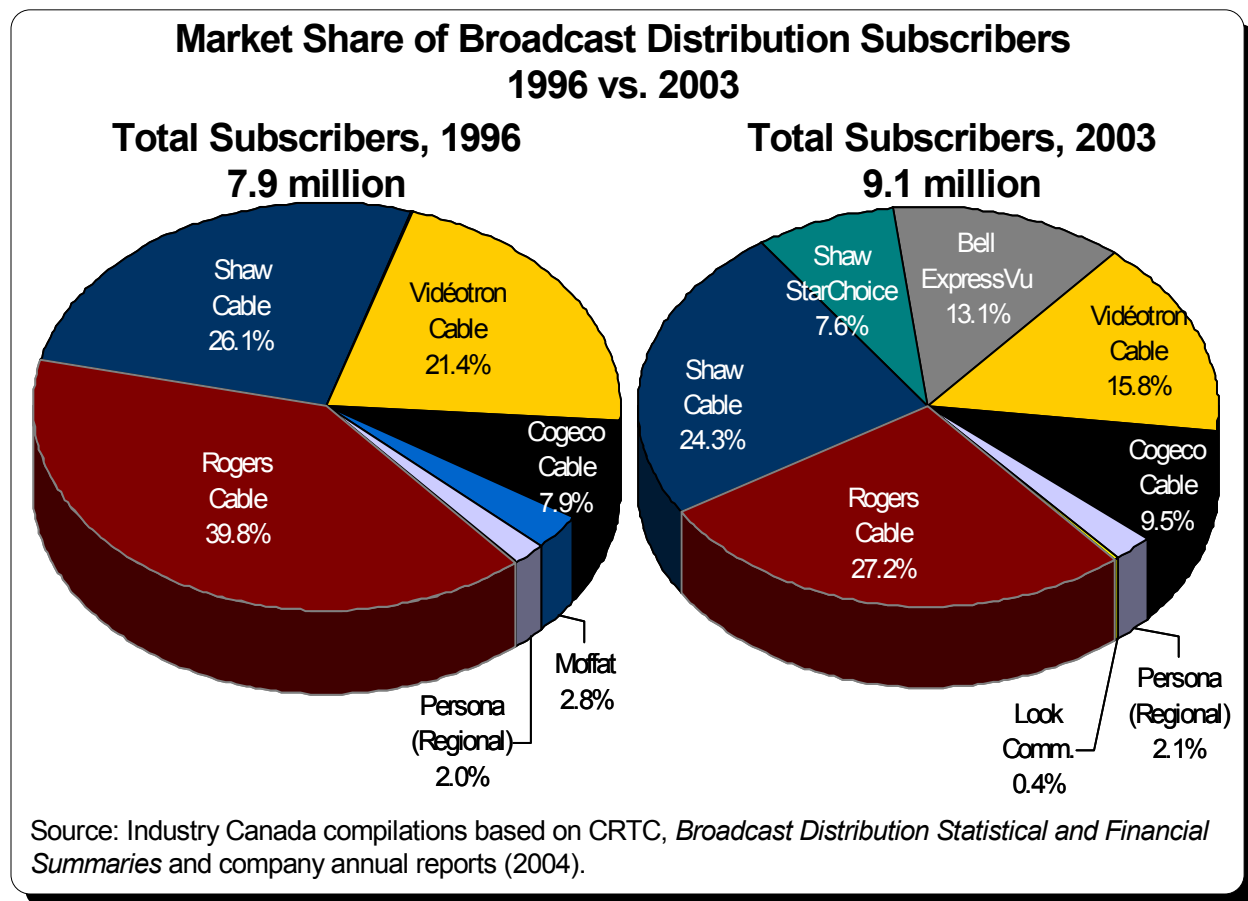
Figure 3.3-1



### 3.3.2 Subscribers to Broadcast Distribution Services

With the introduction of DTH satellite services in 1997, the composition of subscribers in the Canadian broadcast distribution industry has changed significantly over the past eight years. Figure 3.3-2 displays the market shares of broadcast distribution subscribers for 1996 and 2003. Since 1997, Bell ExpressVu and Shaw's StarChoice have continually increased their subscriber market shares, to 13.1 percent and 7.6 percent, respectively in 2003, at the expense of the cable companies by attracting former cable television subscribers as well as new customers. For example, Rogers, which continues to hold the largest market share in terms of subscribers, has seen a sharp decline from its 39.8 percent market share in 1996, to 27.2 percent in 2003. Vidéotron and Shaw Cable have seen respective market declines of 5.6 percentage points and 1.8 percentage points since 1996, even though Shaw made several acquisitions of smaller regional companies, including Moffat Communications in 2000. Cogeco was the only cable company to see an increase in subscriber market share from 7.9 percent in 1996 to 9.5 percent in 2003.

Figure 3.3-2

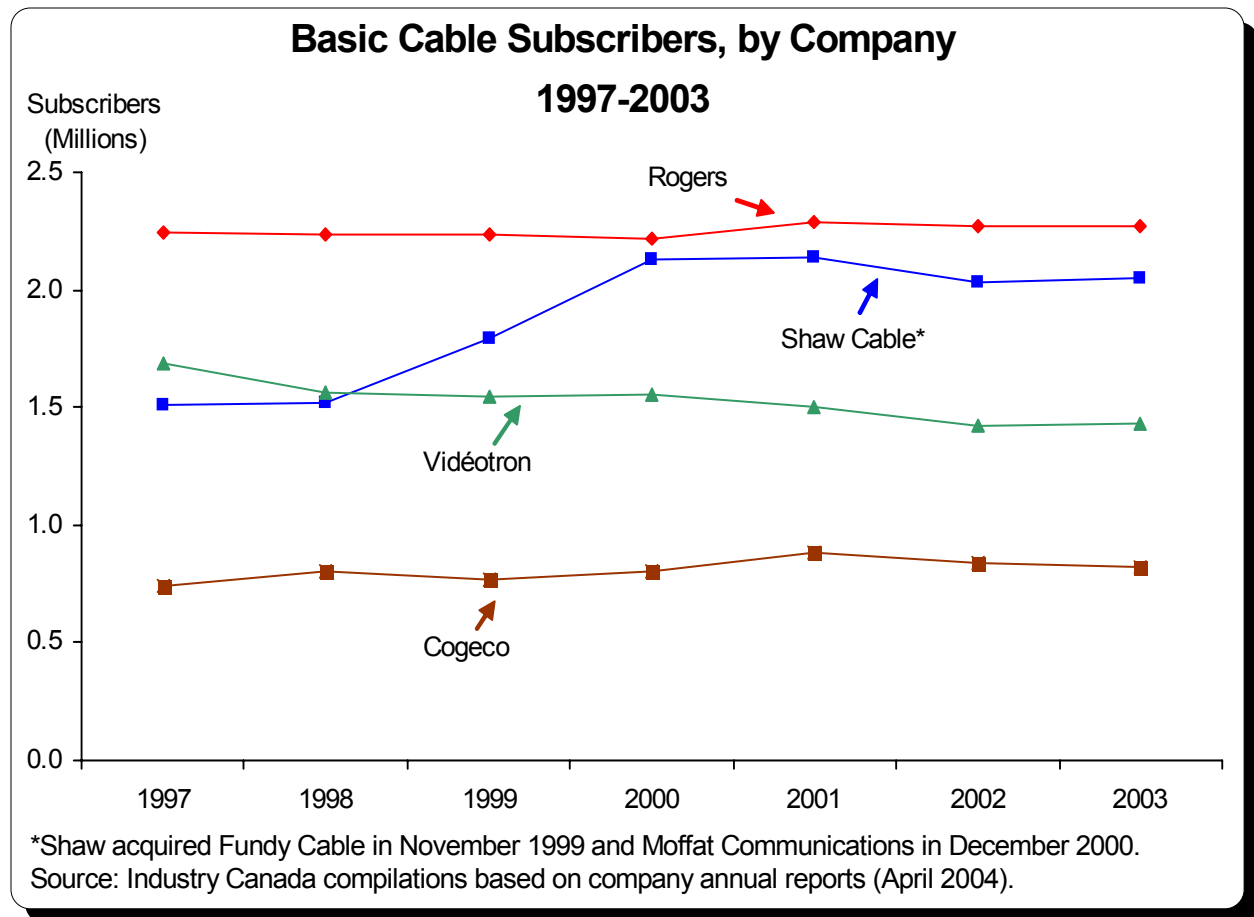


In addition, several Canadian telecommunications service providers have recently begun offering broadcast distribution services using Asynchronous Digital Subscriber Line (ADSL) and Very-high-data-rate Digital Subscriber Line (VDSL) technologies in conjunction with their existing copper infrastructure. SaskTel launched "Max" in the fall of 2002, an ADSL-based digital television service in Saskatchewan, and reported approximately 10,000 subscribers at the end of 2003. Manitoba Telecom Services (MTS) also launched a digital television service in Winnipeg in late 2002 using VDSL technology. By the end of 2003, MTS had 8,693 MTS TV customers. Likewise, Bell Canada is currently deploying VDSL technology to provide its Bell ExpressVu television service to multiple dwelling units in the greater Toronto area to overcome the limitations of DTH satellite service in this market.

### 3.3.3 Cable Distribution Subscribers

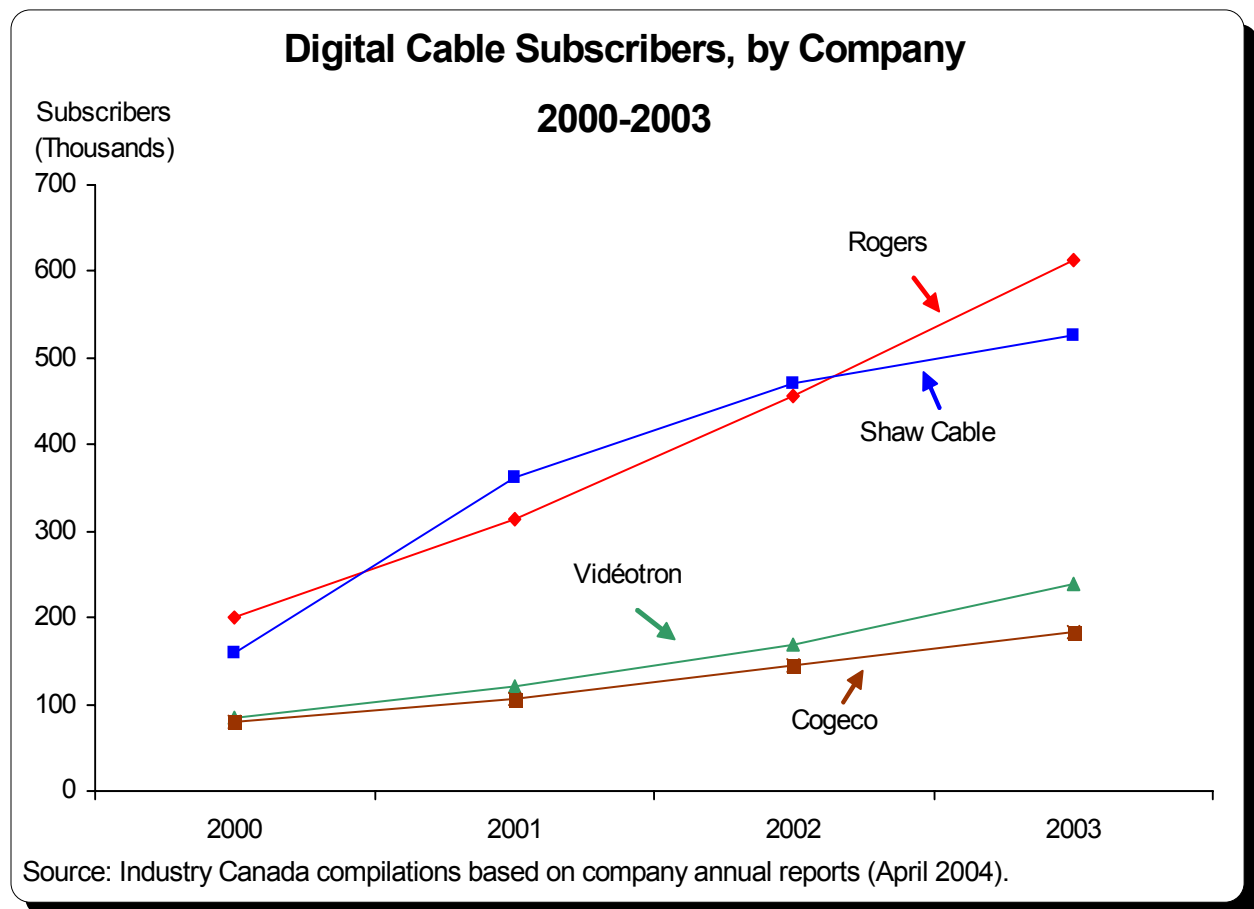
Subscribers to basic cable television services have been essentially stagnant for all of the major cable companies in the past seven years, as shown in Figure 3.3-3. Rogers had the most basic cable subscribers, with 2.3 million at the end of 2003. While Shaw Communications' subscriber base increased dramatically in 1999 and 2000 (due to the respective acquisitions of Fundy Cable and Moffat Communications), its basic cable subscriber base increased only marginally in 2003, by 19,000 to 2.1 million. Similar to the other cable companies, Vidéotron's subscriber base remained relatively stable in 2003 at 1.4 million subscribers. Alternatively, the number of basic cable subscribers for Cogeco Cable decreased by 1.9 percent year-over-year to nearly 821,000 at the end of 2003.

Figure 3.3-3



The larger cable companies in Canada have upgraded their networks with the deployment of digital technology to enable them to provide more channels and enhanced services, including interactive program guides, high-definition television, personal video recorders and video on demand. On the strength of these features, the adoption of digital television in recent years has been considerable. Since 2000, subscriptions to digital television (digital set-top boxes) have increased at a compound annual rate of 44 percent to approximately 1.6 million in 2003. This growth is shown in Figure 3.3-4, as digital subscribers for the top four cable companies in Canada are displayed. Rogers has had steady growth in recent years, finishing with 613,600 digital cable subscribers at the end of 2003, a 35 percent increase from the previous year. Shaw Cable saw its subscriber base increase 12 percent to 527,256 at 2003's year-end. Vidéotron and Cogeco have also seen significant growth to their digital subscriber bases, as Vidéotron's subscriber base increased 41 percent to 240,000, while Cogeco increased by 26 percent year-over-year to 183,087 at the end of 2003.<sup>1</sup>

Figure 3.3-4

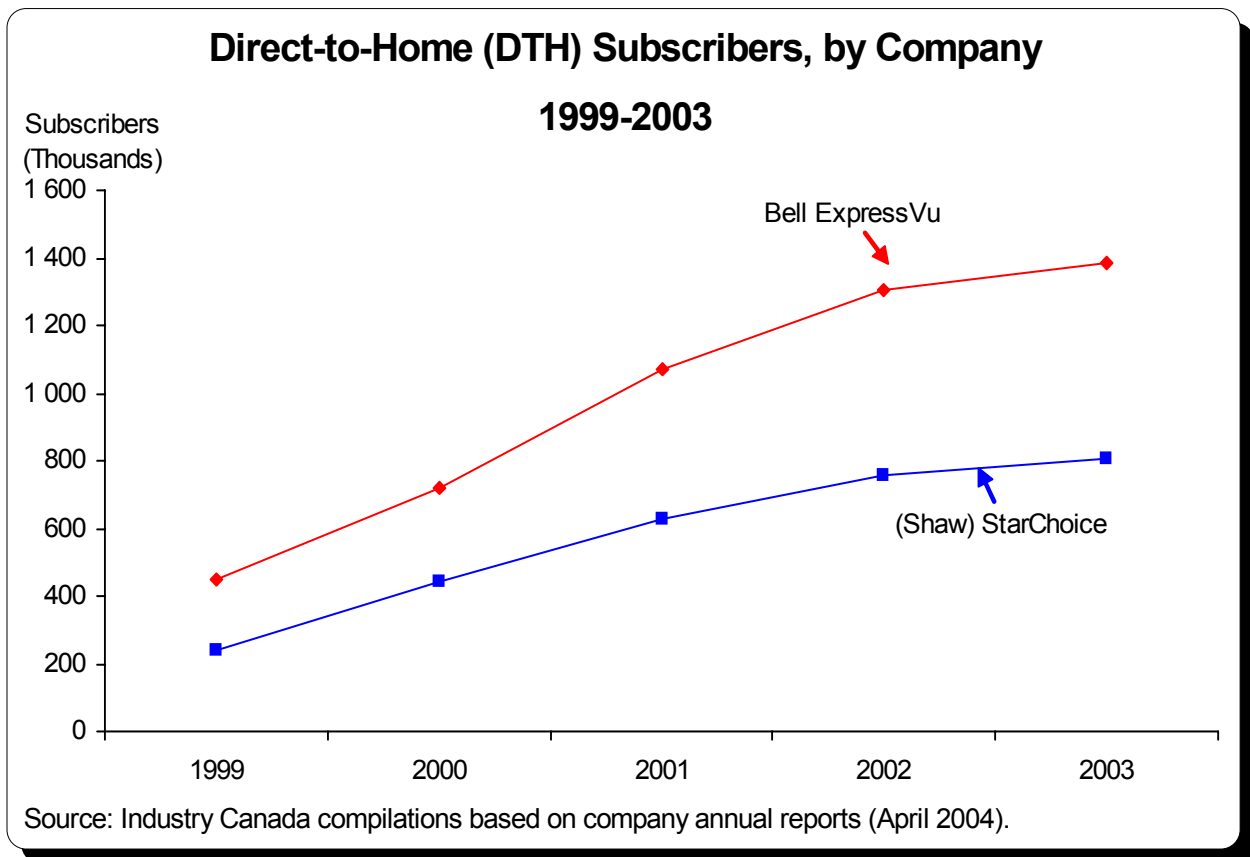


<sup>1</sup> For more information on cable television services in Canada, see the CRTC's Web site, in the section [Industry at a Glance: Broadcasting](http://www.crtc.gc.ca/eng/industry.htm), at: <http://www.crtc.gc.ca/eng/industry.htm> as well as the fact sheet, [Distribution of Cable TV Services in Canada](http://www.crtc.gc.ca/ENG/INFO_SHT/CDBT4.HTM), at: [http://www.crtc.gc.ca/ENG/INFO\\_SHT/CDBT4.HTM](http://www.crtc.gc.ca/ENG/INFO_SHT/CDBT4.HTM).

### 3.3.4 Direct-to-Home (DTH) Satellite & Multipoint Distribution Systems (MDS) Subscribers

DTH satellite television services in Canada are presently provided by Bell ExpressVu and Shaw's StarChoice. These systems provide television programming services similar to those provided by cable companies. For the company's respective 2003 year-ends, Bell ExpressVu and Shaw's StarChoice had a combined subscriber base of approximately 2.2 million, an increase of 6.4 percent when compared to 2002 (Figure 3.3-5). This rate of DTH subscriber growth is considerably slower than the compound annual rate of 34 percent over the past five years. Over this period, the share of DTH subscribers has remained relatively stable, with Bell ExpressVu holding 63 percent of DTH subscribers and Shaw's StarChoice the remaining 37 percent.

Figure 3.3-5



Another technology being deployed in Canada is MDS, which provides television programming services and Internet access comparable to cable and DTH via terrestrial wireless technology. There are three primary players in the Canadian MDS market: Look Communications, Sky Cable and Image Wireless Communications. At the end of 2003, Look Communications had approximately 40,900 subscribers to its LookTV service, compared to 46,500 at the end of 2002. Growth to date in the MDS market has been modest.