

**FOREIGN INVESTMENT POLICY BACKGROUNDER**

**CAN THE CANADIAN MARKET SUPPORT  
FOUR WIRELESS COMPETITORS?**

Some industry observers, and even some incumbent carriers, have recently taken to suggesting that the Canadian market may not be able to support more than three wireless competitors.

A preponderance of evidence from around the globe suggests the exact opposite. If anything, the Canadian wireless market is underdeveloped, with significant growth opportunities ahead. Let's look at the facts:

First, many countries today have more than four major wireless operators:

**INDUSTRY SNAPSHOT:**

**Examples of Countries With Four Or More Major Wireless Operators**

United States	6+	Germany	4
Malaysia	5	India	4
Netherlands	5	Japan	4
Australia	4	Italy	4
Austria	4	Mexico	4
Brazil	4	Singapore	4
Canada	4	Turkey	4
Denmark	4	United Kingdom	4
Finland	4		

Sources: Organisation for Economic Co-operation and Development (OECD),  
Merrill Lynch and Global System for Mobile (GSM) World Association

On this point, the OECD has also noted:

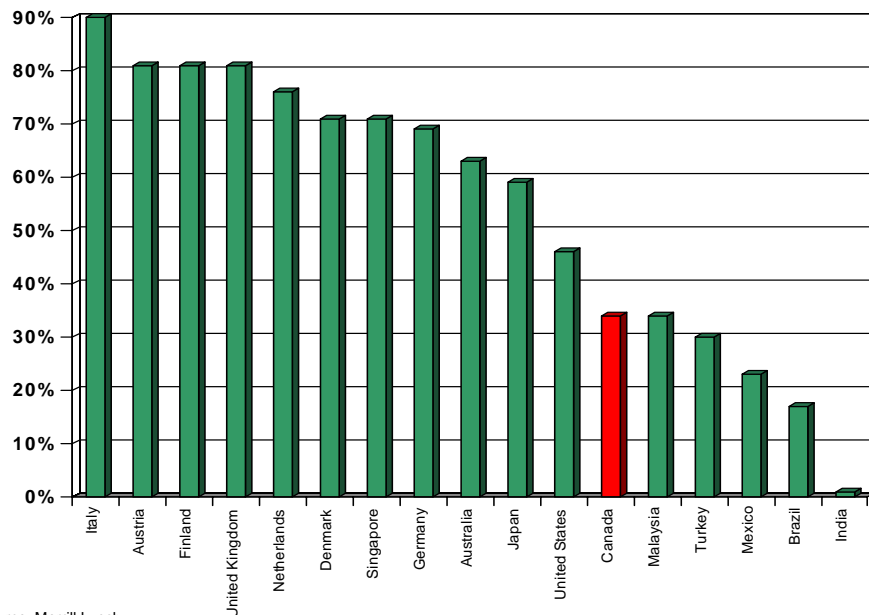
*"Analysis clearly shows a strong correlation between market growth and market openness. During the 1990s, those markets that had liberalized the most, and had four or more operators, have consistently outperformed markets with monopolies, duopolies or three operators."*

"It can be observed that OECD markets with four or more operators have, on average, exceeded the growth rates of those with three operators, duopolies or monopolies in every year since 1993 [...] This presents a strong message to policy makers to seize future opportunities to increase the number of market players in countries with less than four operators competing in the same markets."

Source: OECD, Directorate for Science, Technology and Industry - Committee for Information, Computer and Communications Policy, Working Party on Telecommunication and Information Services Policies, "Cellular Mobile Pricing Structures and Trends", May 2000.

Second, Canada's wireless penetration rates are significantly lower than the rates found in other industrialized countries, indicating that there remains considerable room for growth.

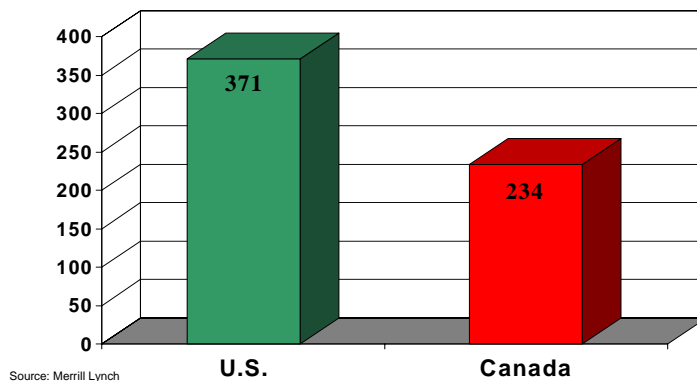
#### GLOBAL WIRELESS MATRIX - Q1/2002 PENETRATION RATES FOR SAMPLE COUNTRIES WITH FOUR OR MORE MAJOR WIRELESS OPERATORS



Source: Merrill Lynch

Third, Canadian wireless consumers use significantly fewer voice minutes per month than in the United States, again pointing to an important growth opportunity in the domestic market.

**AVERAGE MONTHLY USAGE PER USER (in minutes) - 1Q/2002**



Finally, all observers agree that mobile data-related services are still in their infancy. These new services should fuel additional wireless demand.

Of course, for wireless operators to tap into the Canadian growth potential, they will require ongoing access to capital, upon reasonable terms.

January 29, 2003

Microcell Telecommunications Inc.