

1.0 Contribution to the Overall Economy

This section describes the contribution that the communications service industries make to the overall Canadian economy. The focus is on gross domestic product (GDP), employment, salaries, capital investment and price trends. Table 1-1 shows the relationship between the economy and its two major divisions: goods and services. Table 1-2 provides a financial overview of the communications service industries which includes telecommunications services and broadcast distribution.¹

Table 1-1

Overall Economy, Goods and Services Sector								
	1997	1998	1999	2000	2001	2002	2003	2004
GDP (Value Added)	millions of 1997 dollars							
All Industries	816763	848963	896577	946026	961482	992724	1015969	1047254
Services	550439	572928	604506	632764	656397	683167	700307	720049
Goods	266324	276035	292071	313262	305085	309557	315662	327205
Employees	thousands							
Overall Economy	11572	11802	11974	12411	12694	12986	13220	13338
Services	8917	9075	9189	9498	9753	10004	10211	10346
Goods	2655	2727	2785	2913	2941	2982	3009	2992
Average Salary	current dollars per year							
Overall Economy	32429	32912	33317	34107	34698	35405	35898	36695
Services	29955	30330	30703	31425	32109	32781	33226	34006
Goods	40738	41509	41939	42851	43282	44206	44963	45992
Consumer Spending	millions of current dollars							
Overall Economy	510695	531169	560884	596009	622903	657302	688707	722631
Services	274625	286329	300684	318672	332879	349846	368976	389891
Goods	236070	244840	260200	277337	290024	307456	319731	332740
Prices	CPI 1992=100							
All Items	107.6	108.6	110.5	113.5	116.4	119.0	122.3	124.6
Services	109.9	111.9	113.8	116.4	119.3	122.8	127.2	130.1
Goods	105.6	105.8	107.7	111.1	113.9	115.8	118.0	119.7
Overall Economy	% change from last period							
GDP (real)	4.2%	3.9%	5.6%	5.5%	1.6%	3.2%	2.3%	3.1%
Employees	2.8%	2.0%	1.5%	3.7%	2.3%	2.3%	1.8%	0.9%
Average Salary	2.0%	1.5%	1.2%	2.4%	1.7%	2.0%	1.4%	2.2%
Consumer Spending	6.3%	4.0%	5.6%	6.3%	4.5%	5.5%	4.8%	4.9%
Prices	1.6%	0.9%	1.7%	2.7%	2.6%	2.2%	2.8%	1.9%

Numbers may not add up due to rounding.
 Additional Canadian Economy Information: <http://strategis.gc.ca> (under [Economic Analysis, Monthly Economic Indicators](#)).
 Source: Statistics Canada, CANSIM database, as of March 2005.

¹ This reference tool uses available data on the communications service industries based on the North American Industry Classification System (NAICS), which includes telecommunications services and broadcast distribution. See Appendix A for a detailed breakdown of each industry segment. NAICS is the most up-to-date industry classification in use and is jointly developed by Canada, the United States and Mexico. It reflects the industrial structure of the North American economy using reference years 1997 and 2002. The system allows for a more comprehensive coverage of the industry than the previous 1980 Canadian Standard Industrial Classification (SIC).

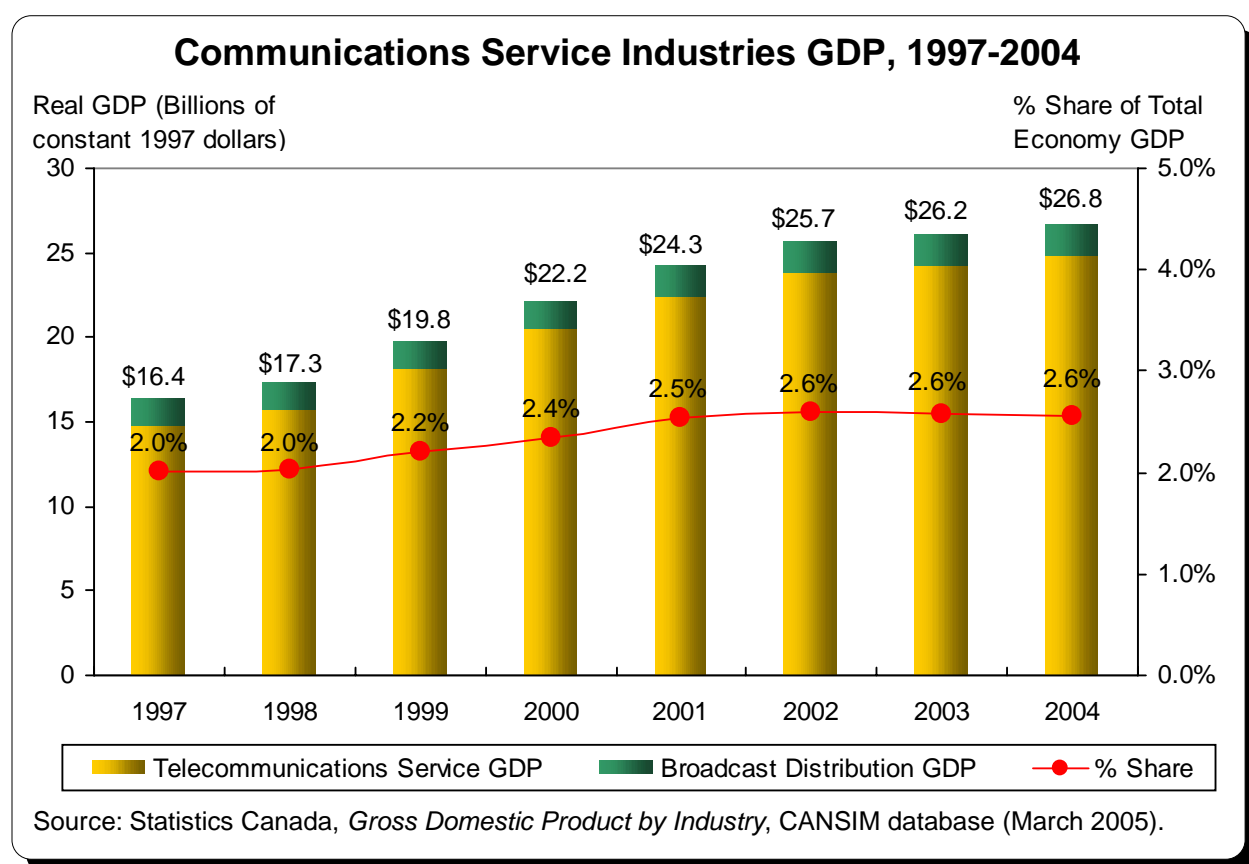
Table 1-2

Communications Service Industries								
	1997	1998	1999	2000	2001	2002	2003	2004
GDP (Value Added)	millions of 1997 dollars							
Communications Services								
Telecommunications Services	14739	15737	18169	20512	22424	23838	24245	24808
Broadcast Distribution	1613	1569	1639	1718	1881	1905	1932	1988
Employees	thousands							
Communications Services	113.8	115.9	116.2	118.4	119.5	119.8	126.4	130.9
Telecommunications Services	99.5	101.3	101.4	103.7	104.9	105.1	110.8	114.3
Broadcast Distribution	14.3	14.6	14.9	14.7	14.6	14.7	15.6	16.5
Average Salary	current dollars							
Communications Services	44910	44755	44834	45109	44937	46257	46331	47037
Telecommunications Services	45225	45085	45318	45688	45285	46560	46639	47588
Broadcast Distribution	42726	42455	41534	41032	42435	44097	44145	43236
Prices	CPI 1992=100							
Communications Services								
Telecommunications Services	111.0	114.3	109.3	111.4	115.8	117.2	117.4	117.8
Capital Expenditures	millions of current dollars							
Communications Services	N/A	N/A	N/A	N/A	N/A	7598.3	6268.7	7076.3
Analytical table								
Communications Services	% of Canadian Total							
Capital Expenditures	N/A	N/A	N/A	N/A	N/A	3.6%	2.8%	2.9%
Employees	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	1.0%	1.0%
Average Salary	138%	136%	135%	132%	130%	131%	129%	128%
Telecommunications Services	% of Canadian Total							
GDP	1.8%	1.9%	2.0%	2.2%	2.3%	2.4%	2.4%	2.4%
Employees	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%
Average Salary	139%	137%	136%	134%	131%	132%	129.9%	129.7%
Broadcast Distribution	% of Canadian Total							
GDP	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Employees	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Average Salary	132%	129%	125%	120%	122%	125%	123%	118%
Communications Services	% change from last year							
Capital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	(17.5)%	12.9%
Employees	(0.4)%	1.8%	0.3%	1.9%	0.9%	0.3%	5.5%	3.5%
Average Salary	1.7%	(0.3)%	0.2%	0.6%	(0.4)%	2.9%	0.2%	1.5%
Telecommunications Services	% change from last year							
GDP	N/A	6.8%	15.5%	12.9%	9.3%	6.3%	1.7%	2.3%
Employees	(0.4)%	1.8%	0.1%	2.3%	1.1%	0.2%	5.5%	3.2%
Average Salary	1.8%	(0.3)%	0.5%	0.8%	(0.9)%	2.8%	0.2%	2.0%
Prices	4.3%	3.0%	(4.4)%	1.9%	3.9%	1.2%	0.2%	0.3%
Broadcast Distribution	% change from last year							
GDP	N/A	(2.7)%	4.5%	4.8%	9.5%	1.3%	1.4%	2.9%
Employees	(0.2)%	1.6%	2.2%	(0.9)%	(0.8)%	0.7%	6.1%	6.2%
Average Salary	0.9%	(0.6)%	(2.2)%	(1.2)%	3.4%	3.9%	0.1%	(2.1)%
Prices	3.1%	7.4%	5.5%	3.8%	3.6%	4.7%	4.8%	3.8%
Numbers may not add up due to rounding.								
N/A: Not available.								
Source: Statistics Canada, CANSIM database, as of March 2005.								

1.1 Gross Domestic Product (Value Added²)

Figure 1-1 shows that the communications service industries produced \$26.8 billion of value added in 2004, a 2.4 percent increase from the previous year.³ Communications services' share of total economy GDP had steadily increased prior to 2001, but since then has remained stable at 2.6 percent of the total economy's GDP. In 2004, telecommunications services produced \$24.8 billion of value added, a 2.3 percent increase from the previous year, while broadcast distribution saw a 2.9 percent year-over-year increase in value added to \$2.0 billion. Between 1997 and 2004, the Compound Annual Growth Rate (CAGR) for communications services was 7.3 percent per year, resulting in a total increase of \$10.4 billion or 64 percent (Figure 1-1).

Figure 1-1

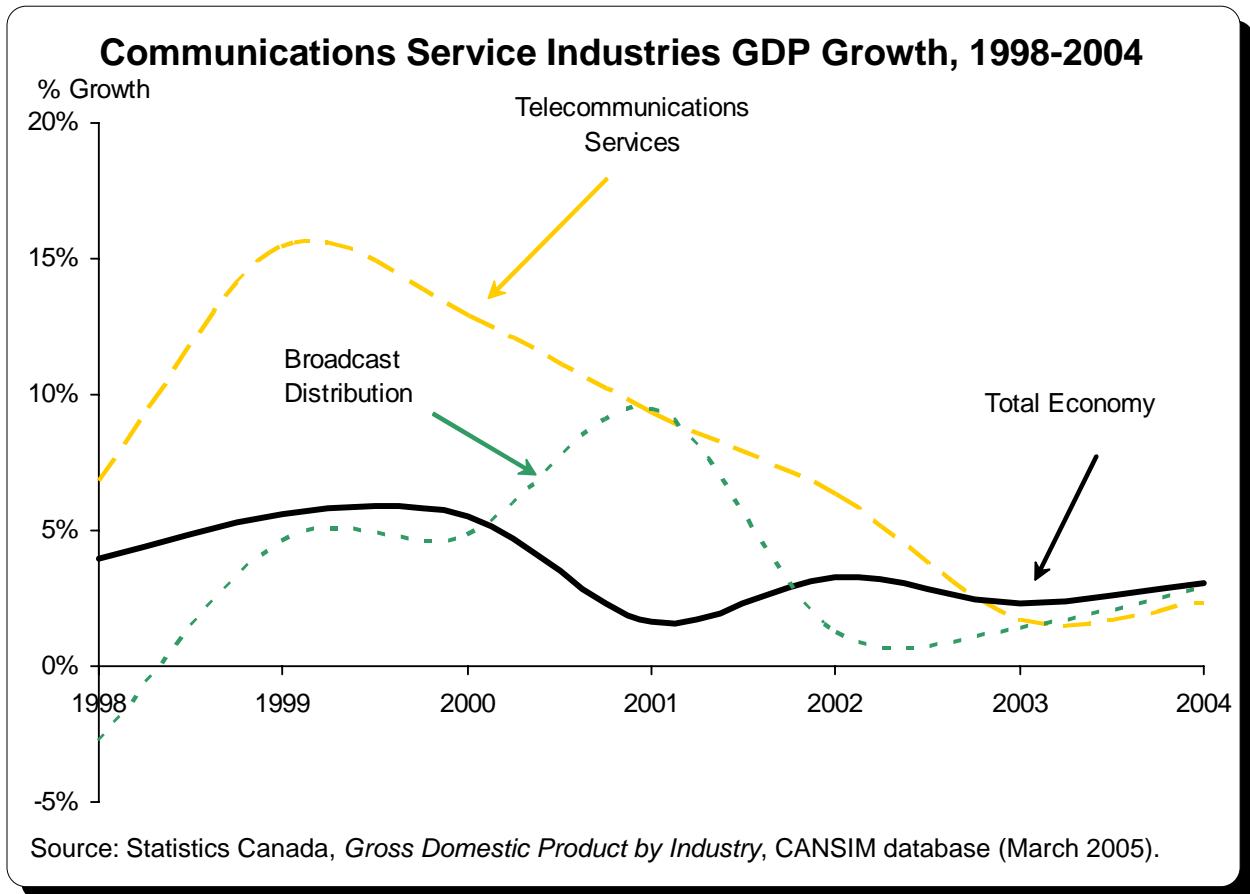


² Value added is the term used to describe the net value of production by an industry group. It is equivalent to the difference between the value of an industry's output and the value of the inputs of materials, energy and services purchased and used by the industry in the production of its output.

³ Constant dollar GDP was used to calculate the communications services' share of total Canadian GDP. The preferred methodology uses GDP in current dollars which is not available.

Between 1998 and 2002, GDP growth in telecommunications services consistently outperformed that of the Canadian economy, while growth in broadcast distribution GDP fluctuated around the rate of the overall economy. In 2004, however, overall economic growth continued to exceed growth in both telecommunications services and broadcast distribution. The overall economy's GDP growth outperformed that of telecommunications services by 0.8 percentage points, despite an increase in the telecommunications services sector's GDP growth rate from 1.7 percent in 2003 to 2.3 percent. Similarly, broadcast distribution growth was 2.9 percent in 2004, 0.2 percentage points less than the overall economy (Figure 1-2).

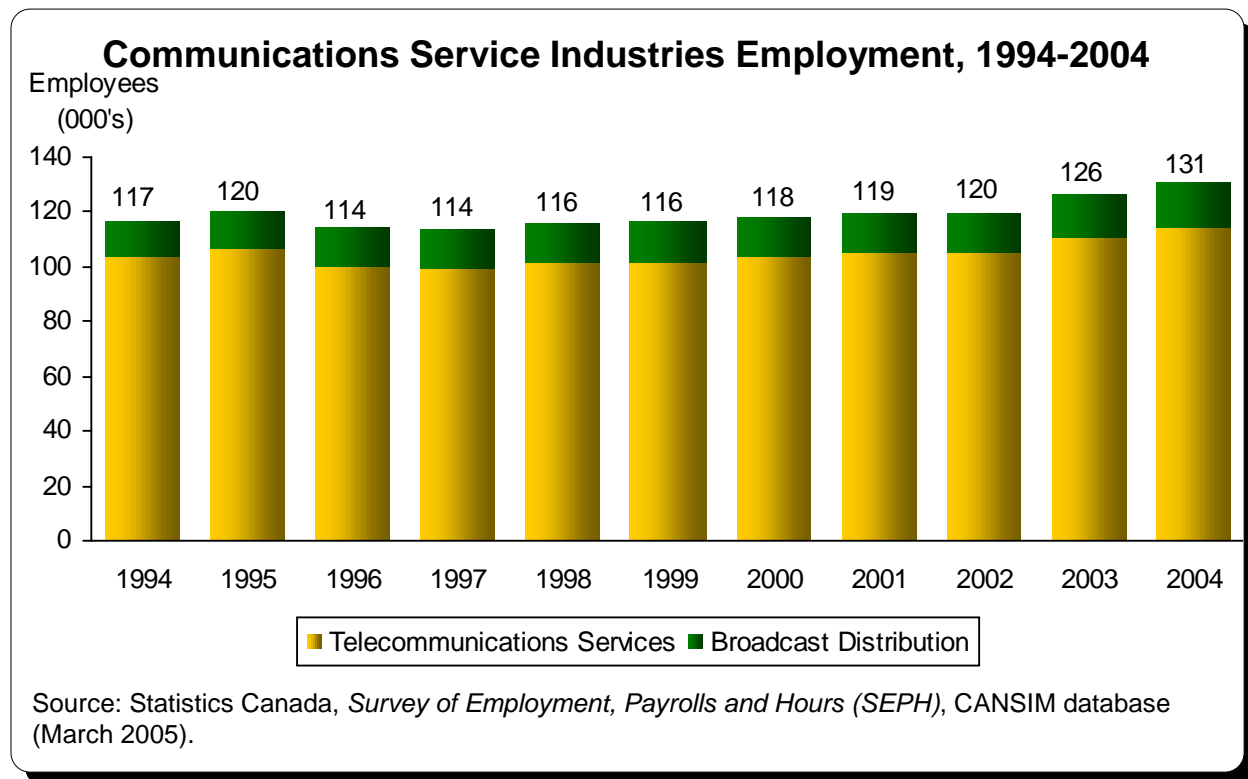
Figure 1-2



1.2 Employment

In 2004, the communications service industries employed 130,926 persons, an increase of 3.5 percent. Since 1994, the composition of communications service employment has remained relatively stable with approximately 87 percent coming from telecommunications services, and the remaining 13 percent from broadcast distribution. Led by the wireline and satellite segments, telecommunications services saw employment grow by 3,512 persons in 2004, whereas broadcast distribution saw employment growth of 966 persons, when compared to 2003 (Figure 1-3).

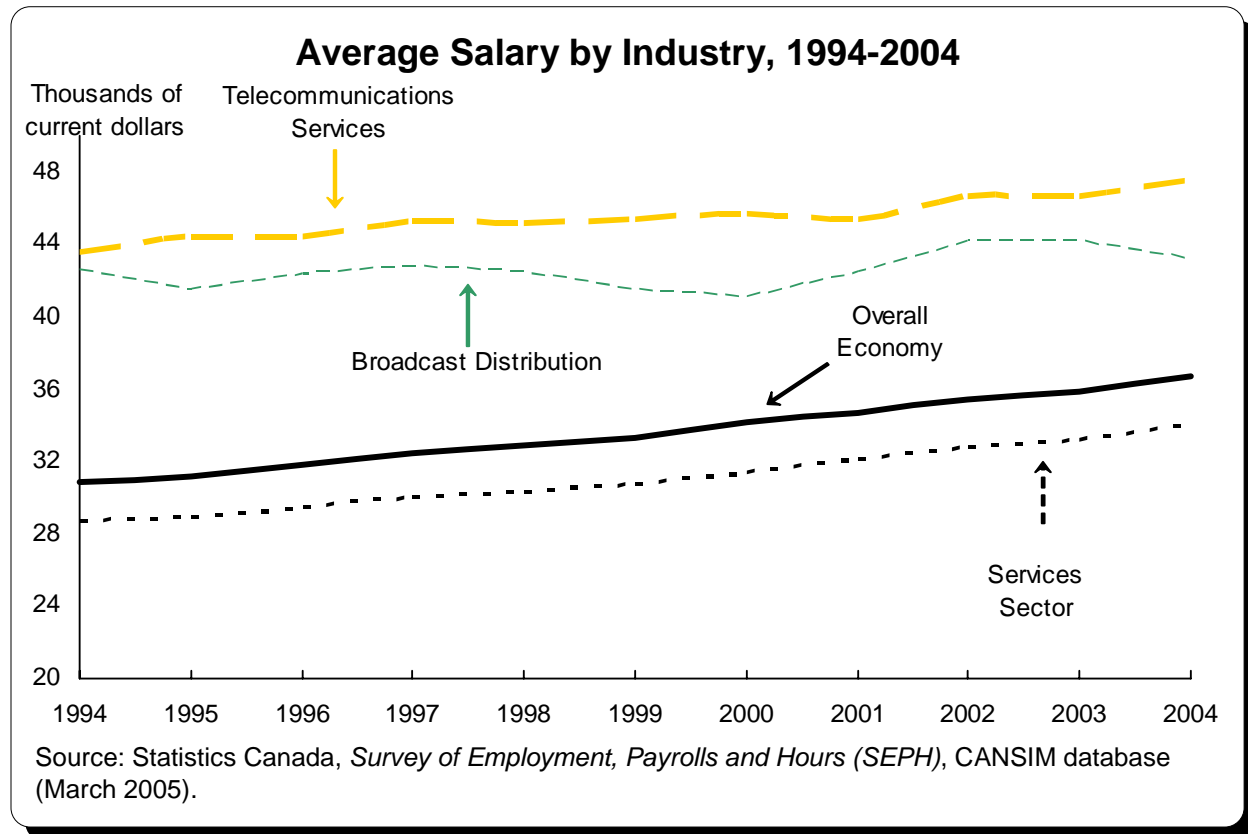
Figure 1-3



1.3 Salaries

Traditionally, salaries in the services sector have been below those of the overall economy. However, both telecommunications services and broadcast distribution have consistently been well above the level of the overall economy. For 2004, the average salary in telecommunications services was approximately \$47,588, an increase from \$46,639 in 2003. Broadcast distribution saw a slight decline in its average salary from \$44,144 in 2003 to \$43,236 in 2004. Despite the decline in the broadcast distribution salaries, both telecommunications service and broadcast distribution salaries were 30 percent and 18 percent higher, respectively, than the average salary in the overall economy (Figure 1-4).

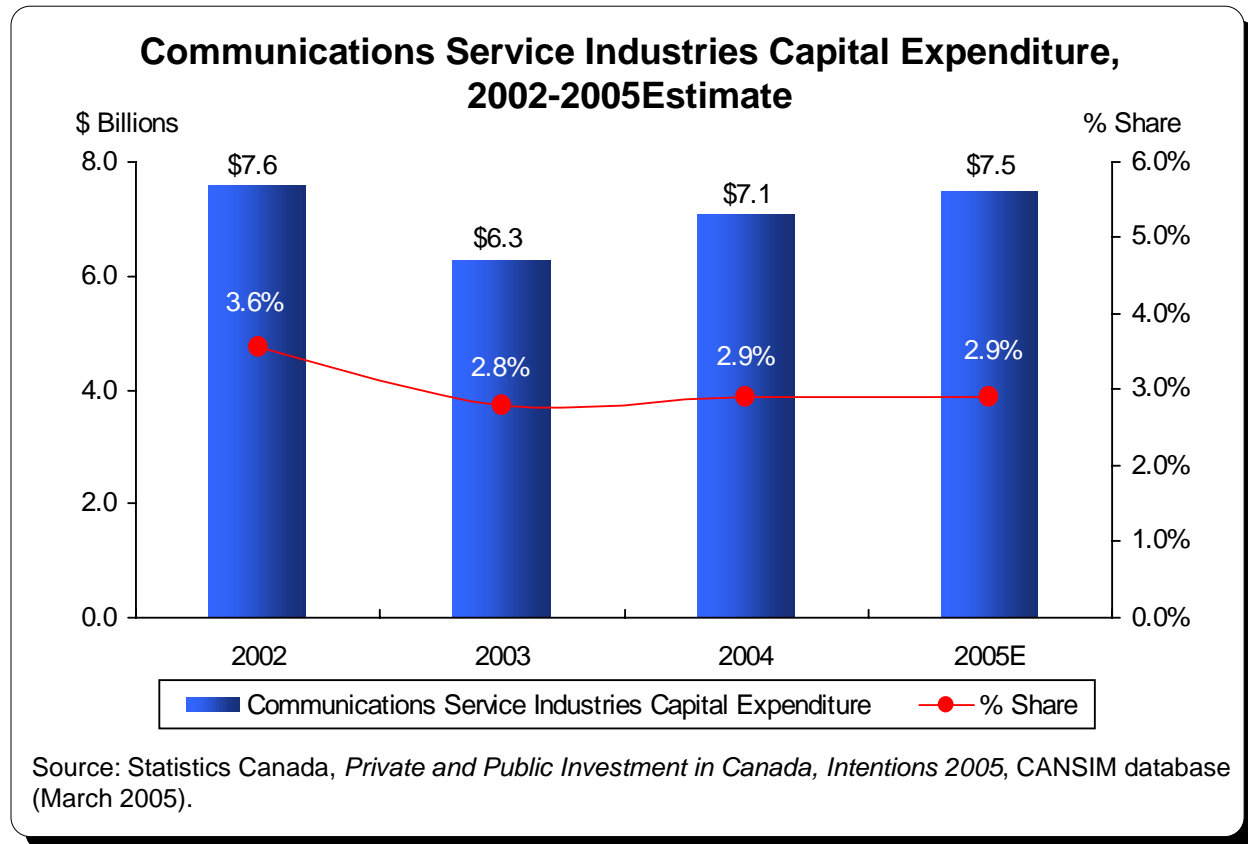
Figure 1-4



1.4 Capital Investment

In 2004, capital expenditures for the communications service industries were \$7.1 billion, in current dollars, an increase of 13 percent compared to the previous year, while capital expenditures for the total economy increased 8.5 percent. This combination increased communications services' share of the economy's capital investment from 2.8 percent in 2003 to 2.9 percent in 2004. In 2005, communications service capital expenditures are expected to increase to \$7.5 billion, an increase of 5.4 percent over 2004 (Figure 1-5).

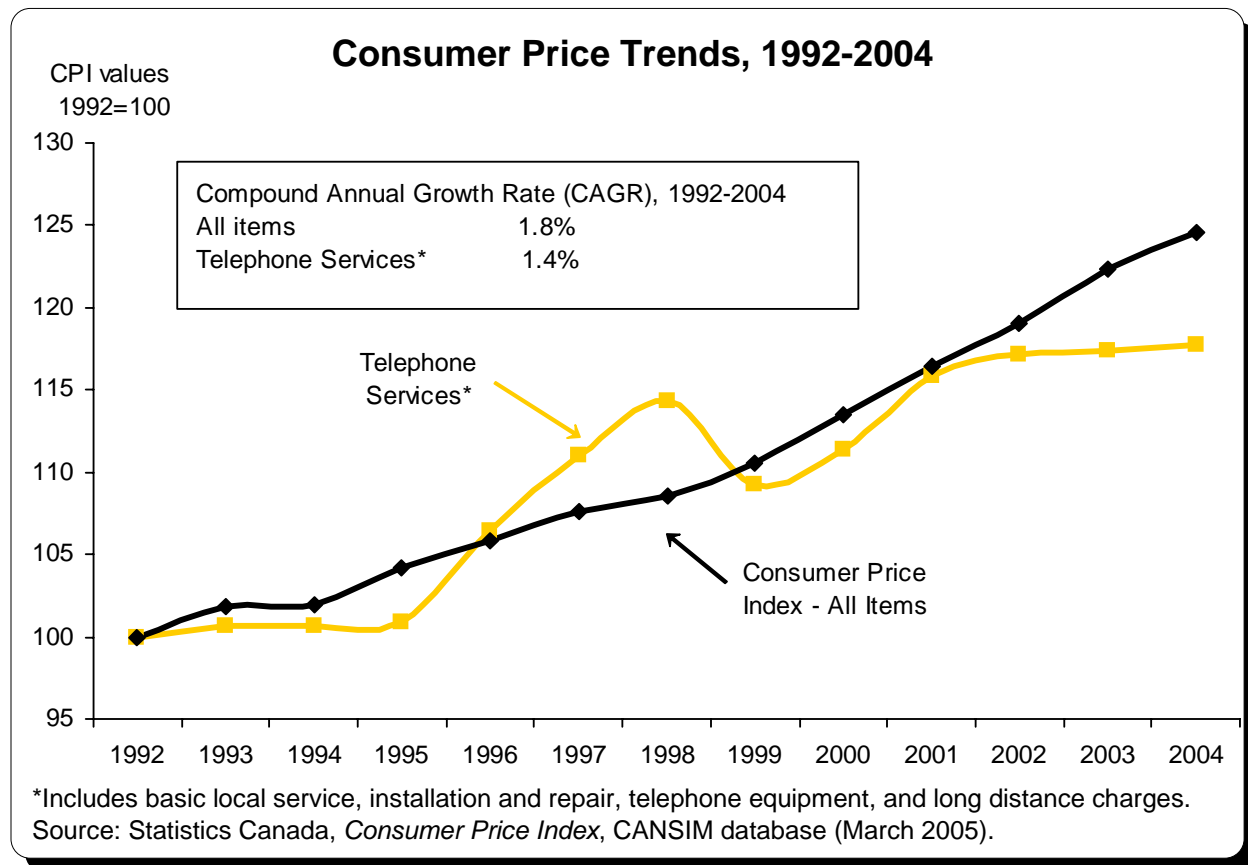
Figure 1-5



1.5 Price Trends for Telecommunications

In 2004, Statistics Canada’s telephone services price index⁴ remained relatively stable, increasing 0.3 percent from 2003, while the all-items Consumer Price Index (CPI) increased by 1.9 percent. Between January 1992 and December 2004, the CPI for all items increased at a Compound Annual Growth Rate (CAGR) of 1.8 percent per year, while the basket for telephone services increased at a CAGR of 1.4 percent per year (Figure 1-6).

Figure 1-6



The effect of local telephone rate increases (rate rebalancing), especially for the major telephone companies, is clearly shown in Figure 1-6. These rate increases were implemented at the beginning of 1996, 1997, and 1998 in order to make the prices for local residential service better reflect the cost of providing local service. Rate rebalancing was a necessary pre-condition to the introduction of competition in the local segment. The rate rebalancing increases are represented in the graph by the jumps in the telephone services price index line beginning in 1996.⁵

⁴ The telephone services price index is a composite of prices for basic local telephone charges, other local charges, installation and repair charges, telephone equipment charges, and long distance charges. Basic local charges and long distance charges make up the majority of the index.

⁵ For additional information, please see Section 6.

The reductions in the telephone price index starting in 1998 can be explained by price declines, predominantly in long distance services, in the face of increased competition in this market segment. In 2000, there was a further increase in the cost of local service in all regions of the country, and including catch-up rate rebalancing by smaller telephone companies. Since 2000, the price index for telephone services has stabilized and, only recently, has diverged from the CPI for all items in the Canadian economy.