

5.0 Company Financial Profiles

This section provides an overview of the corporate structure and financial performance of the major players in the Canadian communications service industries, including telecommunications services and broadcast distribution providers, as of each companies' fiscal 2003 year-end. Section 5.1 focuses on Bell Canada Enterprises while Section 5.2 presents a profile of TELUS Corporation. Similarly, Section 5.3 and Section 5.4 analyze Rogers Communications and Shaw Communications, respectively. Section 5.5 provides financial information for the major publicly traded telecommunications service and broadcast distribution providers for 2002 and 2003.

5.1 Bell Canada Enterprises Inc.

In 2003, Bell Canada Enterprises Inc. (BCE) was the largest telecommunications holding company in Canada.

BCE's total assets remained relatively flat at \$39.3 billion in 2003. BCE's operating revenue decreased marginally to \$19.1 billion, and net earnings decreased 26 percent to \$1.8 billion, primarily due to a net loss of \$30 million on discontinued operations¹ compared to a net gain of \$629 million on discontinued operations in 2002.

At the end of 2003, BCE had four business units. Bell Canada, and Bell's other telecommunications holdings, were by far the most significant segment, representing approximately 88 percent of BCE's total revenue in 2003. BCE's three other business units represented the remaining 12 percent, consisting of Bell Globemedia (7.2 percent), BCE Emergis (1.7 percent) and BCE Ventures and "other"² (3.6 percent).

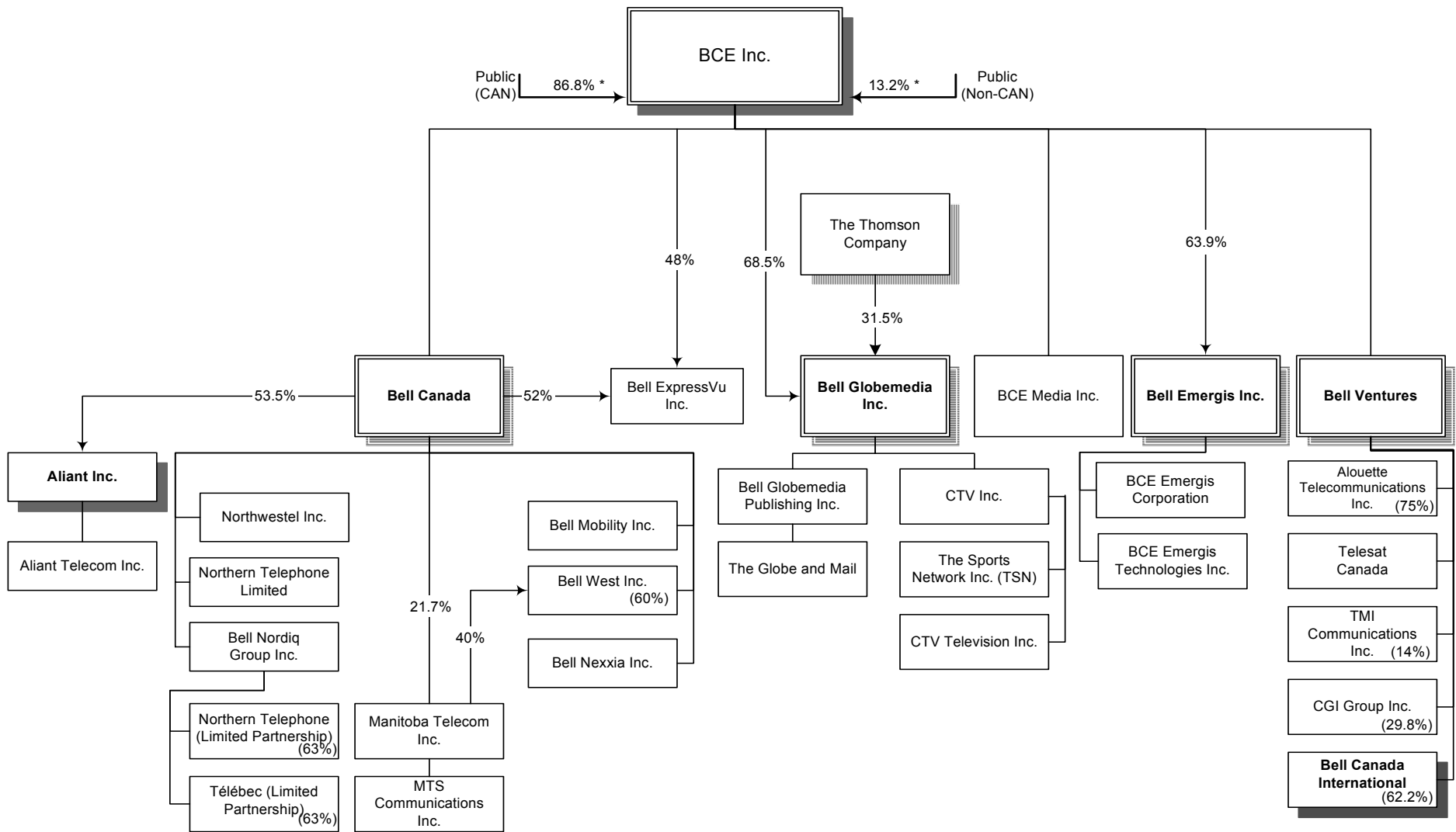
The following section provides an overview of the activities of BCE's business units for the fiscal year ending December 31, 2003. The organization chart can also be used to put the activities of the business units into a wider corporate overview (Figure 5.1-1).

¹ Discontinued operations include Bell Canada International (BCI), Aliant's emerging business segment, Aliant's remote communications segment, and BCE Emergis' U.S. Health operations.

² "Other" includes BCE's corporate, intercompany eliminations and other revenues.

Figure 5.1-1

Bell Canada Enterprises



* Ownership levels are based on CRTC publicly available information as of December 31, 2003. This organization chart is based on publicly available information as of April 2004.

Telecommunications – Bell Canada Holdings (88 percent of 2003 revenues)

Bell Canada is the largest telecommunications company in Canada, providing wired and wireless telecommunications, Direct-to-Home (DTH) satellite and high-speed Internet services to residential and business customers across Canada.

In December 2002, BCE completed a deal with SBC Communications Inc. (SBC) for the repurchase of SBC's 20 percent interest in Bell Canada for \$6.32 billion. In September 2003, SBC sold its remaining shares in BCE for US\$265 million. These shares were the final component of BCE reacquiring the 20 percent stake in Bell Canada held by SBC.

In April 2002, Manitoba Telecom Services Inc. (MTS) and Bell Canada announced the combination of their interests of Bell Intrigna and Bell Nexxia in Alberta and British Columbia to create Bell West Inc. Bell West operates as a competitive local exchange carrier (CLEC), providing advanced data and IP services as well as local and long distance voice services to businesses in Alberta and British Columbia. In February 2004, MTS announced that it had exercised its option to sell its 40 percent ownership of Bell West to Bell Canada. Bell Canada was expected to pay \$645 million through internal funding and was to assume full ownership of Bell West by August 2004.

Bell Canada owns a majority interest (53.5 percent) in Aliant, the largest provider of telecommunications and information technology services in Atlantic Canada. Bell Canada is also a major stakeholder of Bell Mobility, Northwestel, Northern Telephone and Télébec.

Bell Canada

In 2003, Bell Canada's total assets remained relatively flat at \$33.5 billion, when compared to 2002. Bell Canada's operating revenue decreased 2.4 percent to \$16.7 billion, while its net earnings applicable to common shares decreased \$516 million to \$1.8 billion.³

The Bell Canada segment's 2003 total revenues (which include Bell Canada, Aliant, Bell ExpressVu, Bell Mobility and Bell Canada's interests in other Canadian telcos) can be broken down as follows: approximately 37 percent from local services and access lines; 23 percent from data and Internet; 15 percent from both wireless and wired long distance services; 4.6 percent from Direct-to-Home (DTH) satellite service; and 6.2 percent from terminal equipment and other non-telecommunications related services. While most of its revenue was generated from wired local services and access lines, the largest growth came from DTH satellite and wireless services which respectively grew 19 percent and 15 percent, as compared to 2002. However, traditional telecommunications service revenues continued to decline.

³ Information for the Bell Canada segment is taken from BCE's 2003 annual report. As such, Bell Canada's majority interest in Aliant has been consolidated into Bell Canada's operating results.

Aliant

In 2003, Aliant's total revenue increased 1.1 percent to nearly \$2.1 billion, when compared to 2002. Telecommunications revenues, which represented 88 percent of Aliant's operating revenues in 2003, remained relatively flat at \$1.8 billion as the decrease in revenue from wired local and long distance services was offset by wireless and Internet revenue growth.

Wired Local Services and Access Lines

Bell Canada (including Aliant, Northern Telephone, Northwestel and Télébec) provided wired local services through approximately 13.1 million network access lines (local telephone lines) in Ontario, Quebec, Atlantic Canada and the territories as of December 31, 2003. Of the 13.1 million access lines, 8.5 million were residential access lines and 4.6 million were business access lines. Revenue from wired local services and access lines decreased 0.4 percent to \$6.1 billion in 2003, due in part to a 0.8 percent reduction in the number of access lines in service as well as recent regulatory decisions.⁴ The reduction in Bell's access lines is largely due to: consumers migrating to a competitor's wired service; some wireless substitution; and a decrease in the number of second telephone lines as consumers switch from dial-up to high-speed Internet services.

Wired Long Distance Services

In 2003, revenue from wired long distance services declined 3.6 percent to \$2.5 billion when compared to last year. The decrease in 2003 reflects the continued competitive pressure to lower the price of wired long distance services which was only partially offset by the higher demand for these services.

Wireless Services

Bell Canada, through its subsidiary Bell Mobility, operated a wireless Personal Communications Services (PCS) and cellular telecommunications system in large areas of Ontario and Quebec. Bell Mobility, through the Bell Wireless Alliance (BWA) partners (Aliant Mobility, MTS Mobility and SaskTel Mobility), provided wireless service in Atlantic Canada, Manitoba and Saskatchewan. In 2003, Bell Mobility also operated in British Columbia and Alberta through resale arrangements with TELUS Mobility, the latter being the larger wireless operator in British Columbia and Alberta.

Revenue from wireless services were generated from the provision of cellular, PCS, paging and wireless data communications services. In 2003, Bell Mobility's operating revenue increased 15 percent from the previous year to \$2.5 billion. The increase in wireless revenues was primarily due to a 13 percent increase in cellular and PCS subscribers to 4.4 million⁵, combined with increased usage per subscriber, as the majority of wireless subscribers added in 2003 purchased higher revenue, post-paid plans.

⁴ See Section 6 of this report for major Canadian Radiocommunication Telecommunications Commission (CRTC) decisions.

⁵ Total cellular and PCS subscribers excludes paging subscribers. Including paging subscribers, the total number of wireless subscribers was 4.9 million at the end of 2003.

Data and Internet Services

Bell Sympatico, an Internet Service Provider (ISP), offers residential and small business customers Internet access services by way of two connection methods: dial-up access through a phone line; and high-speed access through an Asymmetric Digital Subscriber Line (ADSL).

In 2003, revenue from data services⁶ totalled \$3.8 billion, a 0.6 percent increase from 2002. This was partly due to the 14 percent annual increase in Internet subscribers to approximately 2.4 million, the majority of which were high-speed subscribers. The growth in Internet subscribers was driven by a 34 percent increase in high-speed subscribers to almost 1.5 million, while dial-up subscribers decreased by 9.2 percent to 869,000.

In September 2003, Bell Canada announced an agreement with Nortel Networks to deliver Internet Protocol (IP) telephony and multimedia applications and services to Canadians. In December 2003, Bell Canada stated that it would launch a consumer Voice over Internet Protocol (VoIP) market trial in early 2004 as part of its overall objective to migrate 100 percent of its traffic to a national IP network within three years.

In December 2003, Bell Canada also announced plans to double the speed of its primary consumer DSL offering, Sympatico High Speed Edition, to 3 megabits per second (Mbps) from 1.5 Mbps and its Ultra service to 4 Mbps from 3 Mbps in the first quarter of 2004.

Satellite Services

Bell ExpressVu provides broadcast distribution and wireless Internet access via satellite. Bell ExpressVu's Direct-to-Home (DTH) service is provided through two satellites in orbit, Nimiq 1 and Nimiq 2, operated by Telesat Canada, a subsidiary of BCE.

In 2003, revenue from DTH services increased 19 percent from the previous year to \$761 million, as the number of DTH subscribers increased 6.4 percent to nearly 1.4 million.

Bell Globemedia – Broadcasting and New Media (7.2 percent of 2003 revenues)

BCE has positioned itself as a leading player in broadcasting and media. In September 2000, BCE, along with the Thomson Company and the Woodbridge Company, created a multimedia enterprise called Bell Globemedia.⁷ Bell Globemedia is a communications company that brings together CTV, which operates the CTV Television Network and several specialty and pay channels, as well as *The Globe and Mail* newspaper, to provide information and entertainment services to Canadian customers. In 2003, Bell Globemedia contributed approximately \$1.4 billion to BCE's total revenue.

⁶ Data services for Bell Canada include national and regional IP/Broadband data, local network access, managed network solutions, frame relay, asynchronous transfer mode (ATM), e-commerce and Internet services as well as sales of communications and related equipment.

⁷ BCE Inc.'s ownership of Bell Globemedia was 68.5 percent as of April 2004. At the time, the Woodbridge Company Limited and affiliates owned the remaining 31.5%.

BCE Emergis – E-commerce (1.7 percent of 2003 revenues)

As of the end of 2003, BCE owned approximately 63.9 percent of BCE Emergis. BCE Emergis provides eBusiness solutions to the financial services industry in North America and the health industry in Canada. Its services include electronic invoice, electronic bill payment, e-procurement, e-customer relationship management solutions, selling and business document exchange solutions, transaction processing and security solutions. In 2003, BCE Emergis contributed \$316 million to BCE's total revenue.

BCE Ventures and "Other"⁸ (3.6 percent of 2003 revenues)

The BCE Ventures group includes other operating units such as Telesat Canada, CGI Group Inc., and other BCE investments. BCE Ventures group generated revenues of \$679 million in 2003.

Telesat

Telesat, wholly-owned by BCE, is a facilities-based carrier of the Canadian domestic satellite communications system. As of December 2003, Telesat owned and operated five in-orbit satellites: Anik E1, Anik E2, Anik F1, Nimiq 1 and Nimiq 2. In 1999, Nimiq 1 was launched and in December 2002, Telesat's Nimiq 2 direct broadcast satellite was launched. These satellites are used to broadcast signals for Bell ExpressVu's DTH television service across Canada. At the end of 2003, there were nearly 1.4 million Canadian subscribers to DTH services using Telesat's Nimiq 1 and Nimiq 2 satellites. In 2003, Telesat contributed \$345 million to BCE's total revenue.

In December 2003, Industry Canada approved Telesat's bid to design, build and launch a new direct broadcast satellite that will operate from Canada's orbital position at 72.5 degrees West longitude (WL). It is expected that the satellite will be used to expand advanced DTH services such as High Definition Television (HDTV), local services and new broadcast technologies as they evolve.

Additionally, in 2004, Telesat was scheduled to launch and bring into commercial operation Anik F2, another direct broadcast satellite. Anik F2 is expected to improve access to two-way, high-speed internet services for business and consumers, and provide new capacity for a range of broadcasting and telecommunications services across North America.

CGI Group

CGI is an information technology (IT) company that provides a full range of IT services and business solutions, including outsourcing, systems development and integration, and consulting. As of December 31, 2003, BCE owned 29.8 percent of CGI.

⁸ "Other" includes BCE's corporate, intercompany eliminations and other revenues.

Key historical financial data on BCE is provided in Figures 5.1-2 and 5.1-3.

Figure 5.1-2

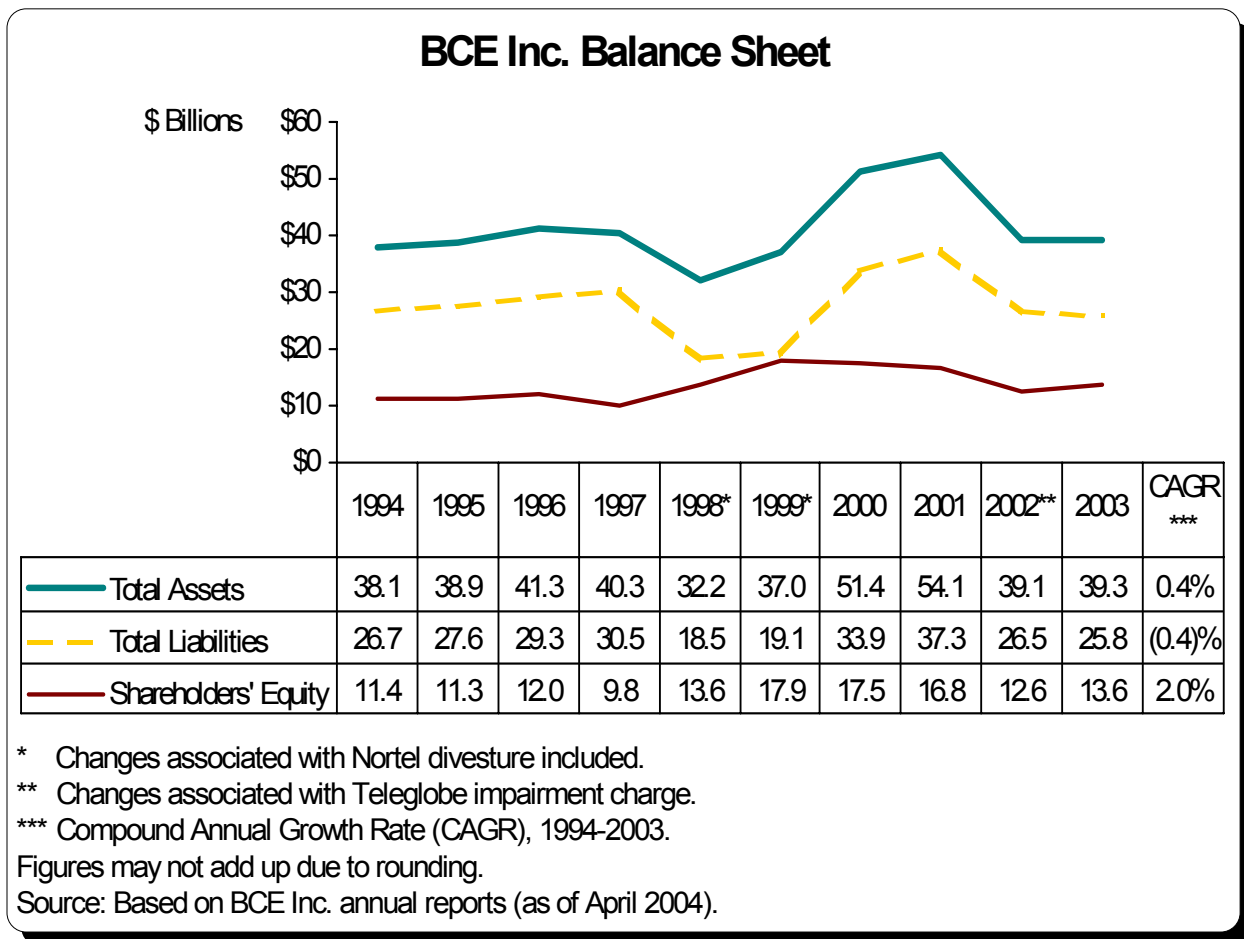


Figure 5.1-3

