2.0 Market Segments[1]

The following provides a detailed description of the communications service industries, including telecommunications services and broadcast distribution. Section 2.1 provides an overview of the Canadian communications service industries. Section 2.2 examines the telecommunications service industry's different segments, focussing on wireline, wireless, resellers, satellite and other telecommunications services, while Section 2.3 provides an overview of the Canadian broadcast distribution industry, including cable TV, Direct-to-Home satellite, and multipoint distribution systems.

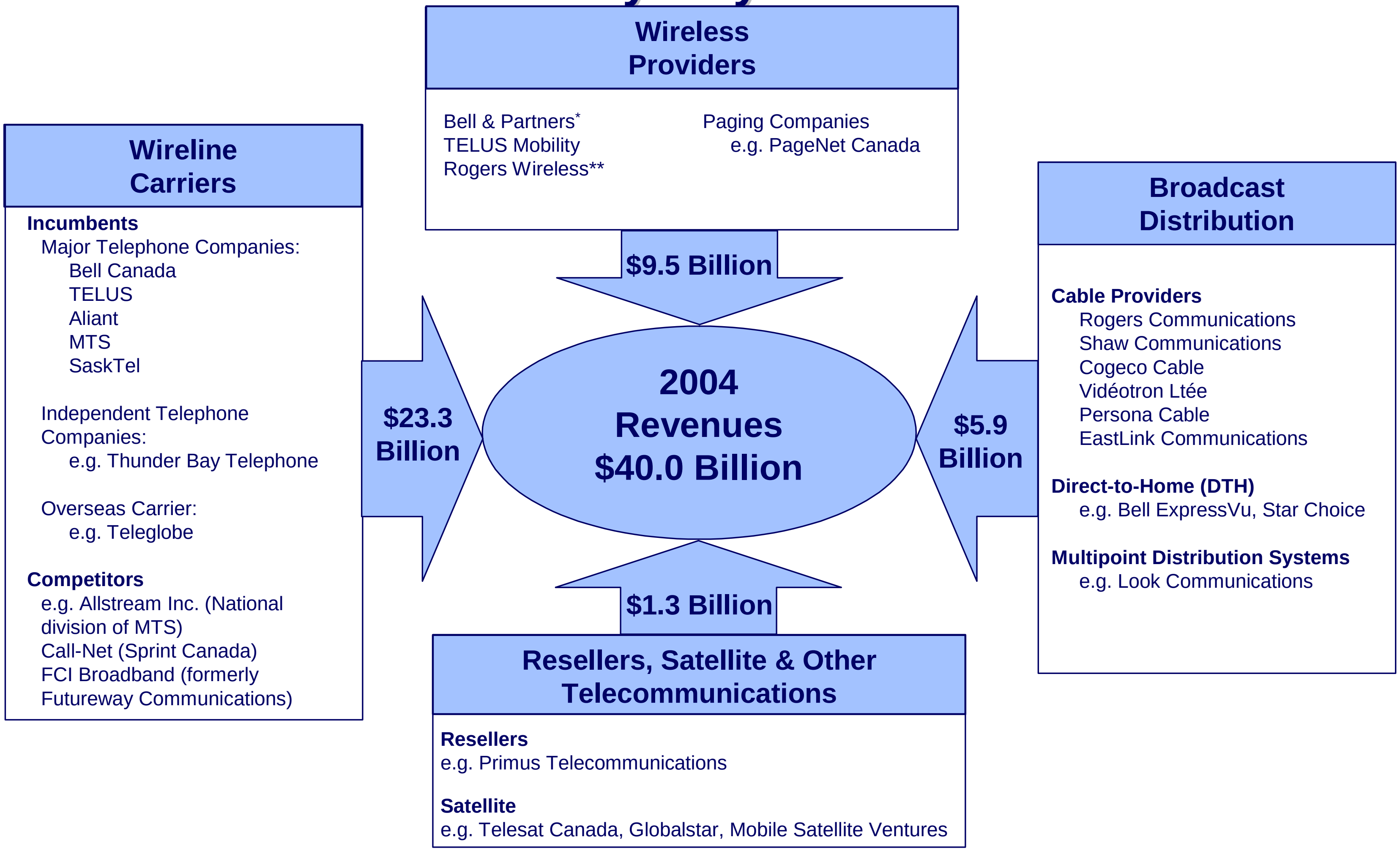
2.1 Canadian Communications Service Industries

Figure 2.1-1 displays the segments that comprise the communications service industries, including wireline, wireless, resellers, satellite and other telecommunications services and broadcast distribution.

[1] This section provides data taken primarily from the Statistics Canada publication on telecommunications service providers, *Survey of Telecommunications Service Providers*, and the Canadian Radio-television and Telecommunications Commission (CRTC) publication on broadcast distribution, *Broadcast Distribution – Statistical and Financial Summaries*, augmented by data found on specific company Web sites. Some aggregate telecommunications services and broadcast distribution data may differ from data presented in Section 1 due to differences in survey structures.

Figure 2.1-1

Communications Service Industries Key Players



* Bell & Partners includes Bell Mobility, Aliant Mobility, SaskTel Mobility and MTS Mobility.
** Rogers Wireless includes Microcell Telecommunications.
Source: Statistics Canada, *Survey of Telecommunications Service Providers* (April 2005) and CRTC, *Broadcast Distribution Statistical and Financial Summaries* (June 2005).

The **Wireline Carrier** segment is the largest in terms of annual revenues capturing approximately 58 percent, or $23.3 billion, of the total $40.0 billion in communications service industries revenue in 2004. This segment includes both incumbent carriers and competitive service providers (Figure 2.1-1). The **Wireline Incumbent Carrier**[2] segment captured 52 percent, or $20.9 billion, of total communications service revenues in 2004. Incumbent Local Exchange Carriers (ILECs) include Bell Canada, TELUS, Aliant, MTS, and SaskTel. This segment also comprises 40 independent telephone companies operating in Quebec, Ontario, and Prince Rupert, British Columbia. **Wireline Competitive Service Providers**[3] captured an estimated 5.9 percent of the market with revenues of $2.4 billion. This segment includes Alternative Providers of Long Distance Services (APLDS) such as Allstream Inc. (National division of MTS) and Call-Net Enterprises (Sprint Canada) and Competitive Local Exchange Carriers (CLECs) such as FCI Broadband, and EastLink Telephone. In addition, this segment comprises Modern Digital Communications Inc., Alternacall Inc., and 248 other licensed international telecommunications service providers (see Appendix B, and References 2-1, 2-2, 2-3 and 2-4).

In 2004, the **Wireless Service Providers** segment generated $9.5 billion in revenues, securing 24 percent of the communications service market. This segment includes Bell and its partners[4], TELUS Mobility, and Rogers Wireless[5]. It also includes paging companies and other radiocommunication carriers, such as mobile radio dispatch service providers (Appendix B, Table B-2).

The **Resellers, Satellite and Other Telecommunications Services** segment, the smallest segment with a share of the total revenue of approximately 3.3 percent, contributed $1.3 billion in revenues to the Canadian communications service industry (Appendix B, Table B-2). Most of these revenues came from the telecommunications resellers, such as Primus Telecommunications, of which there are now 556 operators registered with the Canadian Radio-television and Telecommunications Commission (CRTC) (see Reference 2-5).[6] The satellite service market includes Telesat Canada, Globalstar Canada and Mobile Satellite Ventures.

---

2 Wireline incumbent carriers are companies that, prior to the introduction of competition, provided monopoly local telephone service within their specific regions.

3 Wireline competitive service providers include all telecommunications service providers (carriers and non-carriers) competing with the incumbent carriers in various local and long distance service markets.

4 Bell and its partners include Bell Mobility, Aliant Mobility, MTS Mobility and SaskTel Mobility.

5 Rogers Wireless includes Microcell Telecommunications.

6 The CRTC and Industry Canada do not verify the accuracy of information provided by the resellers.

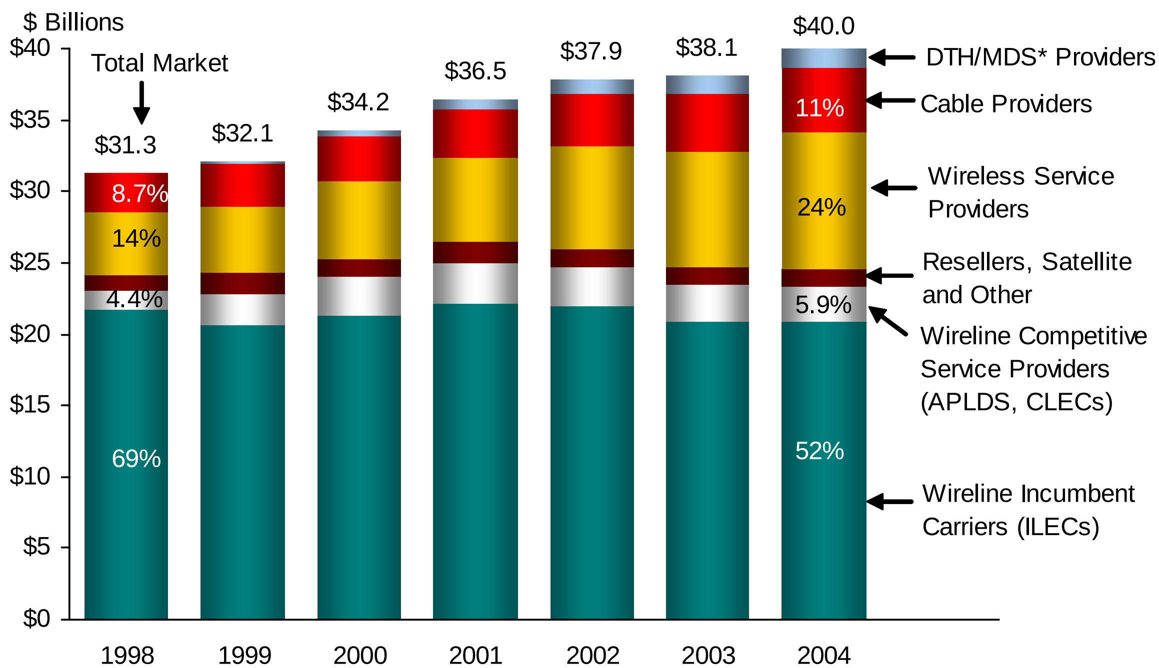
In 2004, the **Broadcast Distribution** segment generated $5.9 billion in revenues, comprising 15 percent of the total communications service market. This segment consists of companies that distribute broadcasting services via communication networks, such as cable, Direct-to-Home satellites (DTH), and multipoint distribution systems (MDS). Cable companies include Rogers Communications and Shaw Communications, whereas Bell ExpressVu and StarChoice provide DTH services. Additionally, there are several MDS providers in Canada, including Look Communications and Image Wireless Communications.

Figure 2.1-2 provides a historical look at the revenues of the communications service industry segments from 1998 to 2004. Wireline revenues as a whole continued their recent decline as revenues for both the wireline incumbent and competitive service providers have decreased since 2001. Alternatively, the wireless, cable, and DTH/MDS segments have driven growth in the communications service industries, as all three of these market segments have seen revenues continually increase since 1998. Revenue in the resellers, satellite and other telecommunications segment has remained relatively stable since 2001.

In terms of market share, the wireline incumbent segment has seen its share of communications service industry revenue decrease substantially in recent years, falling from approximately 69 percent of industry revenue in 1998 to 52 percent in 2004 (Figure 2.1-2). Conversely, all of the other segments have seen an increase in market share. Since 1998, wireline competitors have seen a 1.5 percentage point increase to 5.9 percent of industry revenues, while wireless has seen the largest market share increase, from 14 percent in 1998 to 24 percent in 2004. The cable and DTH/MDS segments have grown to approximately 11 percent and 3.4 percent, respectively, of the communications service industry revenue in 2004, while the resellers, satellite and other telecommunications segment has seen its revenue share remain steady at approximately 3.3 percent of the market.

Figure 2.1-2

Communications Service Industries Revenues
Market Segments, 1998-2004

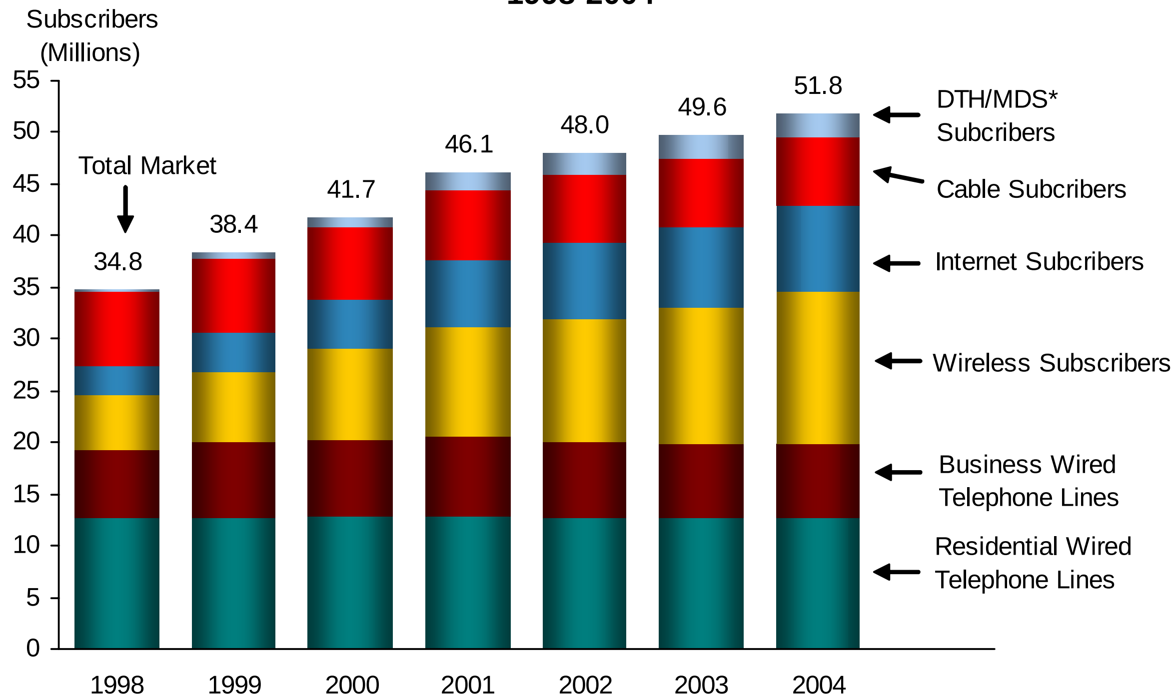


*Direct-to-Home (DTH) and Multipoint Distribution Systems (MDS).
Source : Industry Canada estimates based on Statistics Canada, *Survey of Telecommunications Service Providers*, CRTC, *Broadcast Distribution Statistical and Financial Summaries*, and company annual reports (June 2005).

The communications service industries as a whole have seen consistent subscriber growth since 1998, as the number of subscribers to communications services increased 5.7 percent in 2004, to approximately 52 million (Figure 2.1-3).[7] The wireless and Internet segments contributed to this overall growth as each posted double-digit subscriber growth rates between 2003 and 2004. The DTH/MDS segments also achieved subscriber growth rates of 5.2 percent for 2004. However, the number of residential wired telephone lines and business wired telephone lines have continually declined since 2001, partly offsetting the subscriber growth seen in the wireless, Internet and DTH/MDS segments. Of note, the cable segment posted positive subscriber growth of 0.7 percent in 2004, the first time since 1999.

Figure 2.1-3

Communications Service Industries Subscribers, 1998-2004



*Direct-to-Home (DTH) and Multipoint Distribution Systems (MDS).
Source : Industry Canada compilations based on Statistics Canada, *Survey of Telecommunications Service Providers*, CRTC, *Broadcast Distribution Statistical and Financial Summaries and company annual reports* (June 2005).

7 The total number of communications service subscribers consists of subscribers to wired telecommunications services, wireless, Internet access, and cable/satellite broadcast distribution services.

References:

2-1 Independent Telephone Companies
http://support.crtc.gc.ca/tlcmlsts/default.aspx?indx=28

2-2 Alternative Providers of Long Distance Services
http://support.crtc.gc.ca/tlcmlsts/default.aspx?indx=29

2-3 International Telecommunications Services Providers Licensed by the CRTC (Class A)
http://support.crtc.gc.ca/tlcmlsts/default.aspx?indx=32

2-4 International Telecommunications Services Providers Licensed by the CRTC (Class B)
http://support.crtc.gc.ca/tlcmlsts/default.aspx?indx=39

2-5 Telecommunications Resellers Registered with the CRTC
http://www.crtc.gc.ca/ENG/public/Iplists/Reseller.htm