

# **The Battle for the Canadian Couch Potato: Bundling, Television Internet, Telephone, Wireless**

**April 2017**

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# Contents

<b>COMMENTARY</b> .....	<b>7</b>
<b>SECTION ONE: CANADIAN TV MARKET BATTLE</b> .....	<b>9</b>
Estimated Canadian Total TV Subscribers by Cable, Satellite, Telco, 2015-2019.....	9
Canadian Cable Versus Satellite Versus Telco Subscribers: Estimated TV Market Share, 2015-2019 .....	9
Estimated Canadian Cable, Satellite, and Telco TV Net Subscriber Additions and Growth, 2015-2019 .....	10
Estimated Canadian TV Subscribers by Bell (by Telco & Satellite), Cogeco, EastLink, MTS, Rogers, SaskTel, Shaw (by Cable & Satellite), Telus, Videotron, 2015-2019 .....	10
Estimated Canadian Cable and Telco, TV, Internet, Wireline Telephone Subscriber Overlap, 2016-2019 .....	11
Estimated Canadian TV Revenue by Cable, Satellite, Telco, and ARPU, 2015-2019.....	12
Estimated TV Revenue by Bell Telco, Bell Satellite, Telus, Rogers, Shaw Cable, Shaw Direct, Videotron, Cogeco, EastLink, 2015-2019 .....	12
Estimated TV ARPU by Bell Telco, Bell Satellite, Telus, Rogers, Shaw Cable, Shaw Direct, Videotron, Cogeco, EastLink, 2015-2019 .....	13
Canadian Cord Cutter/Nevers: Accelerating .....	14
Canadian Cord Cutter/Never Household Model, 2010-2019 .....	14
The Canadian Regulatory Environment: Limits On Vertically Integrated Players' Competitive Advantage .....	16
Bell Satellite TV & Shaw Direct: Subscriber Declines, Price Increases, High ARPU.....	22
Canadian Cable TV: Annual Cable TV Subscriber Losses Improve But Will Continue Even as Telco TV Additions Mature .....	23
Rogers, Shaw, Videotron, Cogeco, EastLink: Subscriber Trajectories, Rate Increases, Bundles .....	24
Canadian Telco TV Analysis: Bell, MTS, SaskTel, Telus .....	26
Estimated Total Canadian Telco TV Subscribers Broken Out by Bell, MTS, SaskTel, Telus, Other, 2015-2019.....	26
Bell Fibe: TV & Internet Gains, FTTP Expansion.....	27
MTS TV: No Growth (Yet) .....	30
SaskTel TV: Moderate Gains, FTTP Expansion.....	32
Telus TV: TV & Internet Subscriber Gains, Moderate Residential NAS Losses, FTTP Expansion.....	33
Canadian Authentication, VOD, PVR and HD .....	35
Cable, Satellite, Telco TV Access Providers Authenticated Offerings.....	35
Canadian Cable/Satellite/Telco TV VOD: Growth Constrained .....	37
Estimated Canadian Cable/Satellite/Telco TV VOD Revenue, 2015- 2019 .....	37

Canadian PVR: Penetration Still Rising, Subscribers to Plateau...Pricing by Provider .....	39
Estimated Canadian PVR Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subs, 2015-2019.....	39
Estimated Canadian PVR Penetration by Cable, Satellite, Telco, 2015-2019.....	39
Estimated PVR Subscribers and Penetration by Bell Satellite TV, Bell Telco TV, Rogers, Shaw Cable, Shaw Direct, Telus, Videotron, 2016 and 2017 .....	39
Canadian HD: Penetration Still Rising, Subscribers to Plateau...Pricing & Channel Count by Provider .....	42
Estimated Canadian HD TV Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subscribers, 2015-2019 .....	42
Estimated Canadian HD TV Penetration by Cable, Satellite, Telco, 2015-2019.....	42
Estimated HD TV Subscribers and Penetration by Bell Satellite TV, Bell Telco TV, Rogers, Shaw Cable, Shaw Direct, Telus, 2016 & 2017.....	42

**SECTION TWO: CANADIAN INTERNET ACCESS BATTLE ..... 45**

Estimated Canadian Residential Internet Subscribers by High Speed Cable, Telco, Other Broadband, as Percentage of All Canadian Residences, 2015-2019 .....	45
Canadian Residential Cable Versus Telco Versus Other Broadband Subscribers: Estimated Market Share, 2015-2019.....	46
Canadian Residential Cable Versus Telco Internet Subscribers: Estimated Market Share, 2015-2019 .....	46
Estimated Canadian Residential Cable, Telco, Other Net High Speed Internet Subscriber Additions and Growth, 2015-2019 .....	47
Estimated Share of Canadian Residential High Speed Internet Subscriber Additions by Cable, Telco, Other, 2015-2019.....	47
Shaw, Rogers, Videotron, Cogeco by Estimated Residential Internet Subscribers, 2015-2019, and TV Subscriber Overlap, 2016-2019.....	48
Bell, Telus, MTS, SaskTel by Estimated Residential Internet Subscribers, 2015-2019, and Residential Wireline Telephone Subscriber Overlap, 2016-2019 .....	48
Estimated Non-Residential Internet Subscribers by Bell, MTS, SaskTel, Telus, Cogeco, Rogers, Shaw, Videotron, 2015-2017.....	49
Estimated Canadian Residential Internet Access Revenue by Total High Speed, Cable, Telco, Other Broadband, and High Speed ARPU, 2015-2019.....	50
Estimated Residential Internet Access Revenue by Rogers, Shaw, Videotron, Cogeco, Bell, MTS, SaskTel, Telus, 2015-2019 .....	50
Canadian Cablecos Versus Telcos: Cable Matching Telco Residential Internet Additions .....	51
Bell Versus Rogers, Videotron, Cogeco: Price, Speed, Caps/Overage, Bundle Offers, Network Enhancements, Subscriber Trajectories .....	53
Shaw Versus Telus, SaskTel, MTS: Price, Speed, Caps/Overage, Bundle Offers, Network Enhancements, Subscriber Trajectories .....	58

Bell Aliant Versus EastLink & Rogers: Price, Speed, Caps/Overage, Bundle Offers, Network Enhancements .....	64
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**SECTION THREE: CANADIAN WIRELINE TELEPHONE BATTLE .... 66**

Estimated Wireline Canadian Cable Telephone, Residential Cable Telephone, Residential Telco, Total Residential Telephone Subscribers, Cable Residential Telephone Market Share, 2015-2019 .....	66
Estimated Canadian Residential Wireline Telephone Line Loss, by Cable, by Telco, by Total, 2015-2019 .....	66
Estimated Wireline Telephone Subscribers by Cogeco, Rogers, Shaw, Videotron, Other Cable, and Percentage Loss/Gain, 2015-2019 .....	67
Estimated Wireline Canadian Cable Telephone Subscriber/ Cable TV Overlap by Cogeco, Rogers, Shaw, Videotron, Total Cable, 2015-2019	67
Estimated Wireline Canadian Residential Telephone Lines and Line Loss by Bell, MTS, SaskTel, Telus, Other Telco, and Percentage Loss, 2015-2019.....	68
Estimated Canadian Wireless-Only Household Penetration, 2015-2019 .....	68
Canadian Residential Wireline Telephone: Cable Line Loss and Market Share Gain, Telco Line Loss, Wireless Substitution Progresses .....	69
Rogers Versus Bell Offers/Prices, Subscriber Trajectories.....	70
Videotron Versus Bell Offers/Prices, Subscriber Trajectories .....	71
Cogeco Versus Bell Offers/Prices, Subscriber Trajectories .....	72
Shaw Versus Telus, SaskTel, MTS Offers/Prices, Subscriber Trajectories .....	73
Bell Aliant Versus EastLink & Rogers Offers/Prices .....	77

**SECTION FOUR: CANADIAN WIRELESS TELEPHONE..... 79**

Estimated Canadian Wireless Subscribers, Net Additions, Subscriber Growth, Population, Penetration of Population, 2015-2017.....	79
Estimated Canadian Wireless Subscribers by EastLink, Shaw, Videotron, and Subscribers and Market Share by Total New Entrants and by Total Incumbents, 2015-2017 .....	80
Estimated Net Subscriber Additions by EastLink, Shaw, Videotron, and Subscribers and Percentage of Total Net Additions by Total New Entrants and by Total Incumbents, 2015-2017 .....	81
Estimated Subscriber Market Share by EastLink, Shaw, Videotron, Total New Entrants, and Incumbents, 2015-2017 .....	82
Estimated Subscribers and Market Share by Bell, MTS, Rogers, SaskTel, Telus, 2015-2017 .....	82
Estimated Net Subscriber Additions by Bell, MTS, Rogers, SaskTel, Telus, 2015-2017 .....	83
Estimated Bell, Rogers, Telus Subscribers by Postpaid and Prepaid, 2015-2017.....	83
Estimated Service Revenue by EastLink, Shaw, Videotron, Total New Entrants, Incumbents and Share of Service Revenue by Total New Entrants and by Incumbents, 2015-2017.....	84

Estimated Service Revenue and Share of Total Service Revenue by Bell, Rogers, Telus, SaskTel, MTS, New Entrants, 2015-2017 .....	85
Estimated Service/ Equipment Revenue by Bell, Rogers, Telus, SaskTel, MTS, New Entrants 2015-2017 .....	86
Estimated Data Revenue and Percentage of Service Revenue from Data by Bell, Rogers, Telus, 2015-2017.....	86
Estimated Voice Revenue and Percentage of Service Revenue from Voice by Bell, Rogers, Telus, 2015-2017.....	86
Estimated ARPU by EastLink, Shaw, Videotron, Total Weighted Average New Entrants, Incumbents, and Incumbents/ New Entrants, and Growth Rates, 2015-2017 .....	87
Estimated Voice, Data, and Total Service ARPU by Bell, Rogers, Telus, Percent of Service ARPU from Voice and Data, and Weighted Average Total, Voice, Data, 2015-2017 .....	88
Estimated EBITDA Margin as % of Service Revenue, by Bell, Rogers, Telus, 2015-2017 .....	88
Estimated COA and Churn (Blended), by Bell, Rogers, Telus, 2015-2017 .....	89
Estimated Canadian Wireless Subscriber Smartphone Penetration, 2015-2018, and Estimated Smartphone Penetration by Bell, Rogers, Telus, 2015-2017 .....	89
Subscriber, ARPU, Data and Smartphone Growth .....	90
Wireless Pricing by Player & Region: Bell, Rogers, Telus, MTS, SaskTel, Virgin, Fido, Chatr, Koodo, EastLink, Shaw, Videotron .....	91
Comparing New Entrant and Incumbent & Incumbent Discount Brand Offers/Prices .....	98
Comparing New Entrant Local & LD Voice, Features, Text Plans and Incumbent & Incumbent Discount Brands .....	99
Comparing New Entrant Voice/Feature/Data/Text Plans and Incumbent & Incumbent Discount Brands Voice/Feature/Data/Text Plans .....	100
New Entrant Financial & Subscriber Models .....	102
EastLink Wireless Financial Model, 2010-2017 .....	102
Videotron Wireless Financial Model, 2009-2017 .....	103
Shaw Financial Model, 2009-2017 .....	104
New Entrant & Incumbent Go-Forward Dynamics .....	105
Auction Results: 2015 2500 MHz, 2015 700 MHz/ AWS-3, 2015 AWS-3, 2014 700 MHz.....	108
2500 MHz 2015 Auction License Winners, # of Licenses Won, Price, Population Covered .....	108
AWS-3 2015 Auction License Winners, # of Licenses Won, Price, Population Covered .....	109
Results of 2015 AWS-3 Auction by Bidder, Service Area & Block.....	109
700 MHz 2014 Auction License Winners, # of Licenses Won, Price, Population Covered .....	110
Results of 700 MHz 2014 Auction by Bidder, Service Area & Block ..	110
Wireless Substitution/ Wireless-Only Households .....	111

Estimated Canadian Wireless-Only Household Penetration, 2015-2019 .....	111
Estimated Canadian Residential Wireline Telephone Line Loss, by Cable, by Telco, by Total, 2015-2019 .....	111
Estimated Canadian Residential Wireline Telephone Lines and Line Loss by Bell, MTS, SaskTel, Telus, Other Telco, and Percentage Loss, 2015-2019.....	112
Estimated Canadian Wireline Residential Telephone Lines and Line Loss by Cogeco, Rogers, Shaw, Videotron, Other Cable, and Percentage Loss, 2015-2019 .....	112
<b>SECTION FIVE: CANADIAN BUNDLE BATTLE BOTTOM LINE.....</b>	<b>113</b>
<b>SECTION SIX: PROFILES .....</b>	<b>115</b>
BCE Inc./Bell Canada/Bell Aliant/Bell MTS .....	116
Cogeco .....	126
EastLink .....	128
Rogers Communications Inc. ....	130
Saskatchewan Telecommunications .....	135
Shaw Communications Inc./Shaw Direct/Freedom Mobile.....	137
Telus Corp. ....	141
Videotron/Quebecor Inc. ....	145

## Commentary

**Now in its 15th year of publication, The Battle for the Canadian Couch Potato: Bundling, TV, Internet, Telephone, Wireless** (147 pages) contains analysis of product offers (including price comparisons), strategy, and subscriber/financial performance metrics **by Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, CRTC, Innovation & Statistics Canada. **Commentary, please see Table of Contents for what is included in this Report:**

We estimate 2016 Canadian Cable, Telco Satellite TV access provider (not including OTT) revenue declined 1.3% to \$8.97 billion; we forecast \$8.92 & \$8.85 billion for 2017 & 2018 and that residential broadband access revenue will exceed TV access revenue in 2019. We forecast higher TV ARPU growth 2017-2019 than 2016. We forecast Cable, Telco, Satellite will have 56.4%, 26.3%, 17.3% of Canadian TV subs YE2017, from 57.6%, 24.2%, 18.2% YE2016; Telco TV additions continue to mature. YE2016 we estimate 65% of TV subs had PVR, 84% HD.

Canadian TV subscriber decline and cord cutter/never household additions are accelerating: We estimate 2016 saw a decline of 220,000 Canadian TV subs, 2015 a decline of 190,000 TV subs, and we forecast a decline of 247,000 for 2017. Hence Canada's TV subscriber base is declining by 2% per annum, for 2019 we forecast a 3% drop. As illustrated in our Canadian Cord Cutter/Never Household Model, 2012 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 3.8 million Canadian households (26% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 3.43 million (23.8% of HHs) YE2015, and forecast 4.18 million (28.4% of HHs) YE2017. 2015 saw 333,000, 2016 saw 362,000 and we forecast 388,000 2017 cord cutter/never household additions.

2016 Canadian residential broadband sub additions were we estimate 409,000 & revenue grew 9% to \$7.48 billion; we forecast 381,000 and 8% for 2017. Cable matched Telco on annual residential broadband additions in 2016, whereas 2013-2015 Telcos were adding on average twice the annual subscribers. We forecast similar Cable & Telco annual additions through 2019.

Canadian residential wireline telephone lines declined we estimate 6% in 2016 and we forecast 6% for 2017. 2016 Telco residential wireline telephone line loss was 7.5%, whereas Cable residential wireline telephone line loss was 3%. We estimate Cable represented 42% of residential wireline telephone subs YE2016 and we forecast 43% for YE2017.

Almost 1 million wireless subscribers were added in 2016 (2012 was the last year Canada added over 1 million wireless subscribers) and wireless service revenue grew 6%, we forecast 900,000 & 5% for 2017. We forecast Canadian wireless new entrants (EastLink, Shaw, Videotron) will have 7.3% of the market YE2017, up from 6.6% year-end 2016. We forecast 2017 Canadian wireless service (weighted) ARPU will grow 1.7%, 2016 saw 2.4% growth. We forecast Canadian wireless subscriber smartphone penetration at 79% YE2017 up from 76% YE2016. Canadian wireless-only households annual additions continue to be significant; we estimate Canadian wireless-only households at 37% YE2016 and forecast 42% YE2017 and 49% for YE2019.