



The Daily

Statistics Canada

Tuesday, July 15, 2003

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MAJOR RELEASES

There are no major releases today.

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OTHER RELEASES

Internet service providers: Struggling to remain competitive 2001

Despite strong year-over-year growth in operating revenues, Internet service providers (ISPs) in Canada are struggling to turn a profit, according to a new research paper profiling the \$1.3-billion industry.

About 45% of all ISPs surveyed reported a loss in 2001, according to data from the Survey of Internet Service Providers and Related Services.

While operating revenues rose 27% to \$1.27 billion in 2001, this increase was only about half the gain of 42% in 2000. At the same time, industry operating expenses surged 36% to \$1.55 billion, a significantly faster pace of increase than that of revenues.

As a result, the overall operating margin of ISPs grew from a loss of 13.9 cents for every dollar of revenue in 2000, to a loss of 22.2 cents for every dollar of revenue in 2001.

The paper *Struggling to remain competitive: A study of factors impeding growth for Canadian Internet service providers* examines the industry's perception of factors that impede the growth of business, and highlights significant distinguishing characteristics between small, medium-sized and large firms.

ISPs reported five principal obstacles to growth: competition, cost-related impediments, delays in obtaining facilities from suppliers, access to financing, and access to markets.

Six out of every ten ISPs rated competition as their chief obstacle to growth. The structure of the industry has changed dramatically in the last few years. The number of access providers has shrunk, as cable companies and large telecommunications carriers increase their presence in the market. This has created an environment of intense competition and a battle for subscribers.

In terms of costs, ISPs have sustained worsening operating margins over the past few years, largely the result of high expenditures associated with providing Internet access services.

More than half of all respondents reported that the cost of leased lines from upstream providers was a significant barrier. Small ISPs in particular perceived this to be their highest impediment to growth, rating it slightly higher than competition.

Although the ISP industry is predominantly made up of small and medium-sized firms, it is the larger

players who dominate the business. Together, small and medium-sized firms represented about 96% of the survey population, but they generated only 21% of industry operating revenues.

The analysis for this paper was conducted using data from the 2001 Annual Survey of Internet Service Providers and Related Services, and results are based on the responses of about 250 firms.

Struggling to remain competitive: A study of factors impeding growth for Canadian Internet service providers (63F0002XIE2003044, free) is now available on Statistics Canada's website (www.statcan.ca). From the *Our products and services* page, under *Browse our Internet publications*, choose *Free*, then *Service industries*. Also available are data from the 2001 Annual Survey of Internet Service Providers.

Available on CANSIM: table 354-0006.

Definitions, data sources and methods: survey number 4303.

For general information or to order data, contact Client Services (613-951-0410; fax: 613-951-6696; servicesind@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Heather Archibald (613-951-0403; heather.archibald@statcan.ca), Service Industries Division. ■

Supply and disposition of crude oil and natural gas

December 2002

Data on the supply and disposition of crude oil and natural gas are now available for December 2002.

Available on CANSIM: tables 126-0001, 131-0001 and 131-0002.

Definitions, data sources and methods: survey number 2198.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (1-866-873-8789; 613-951-9497; energ@statcan.ca), Manufacturing, Construction and Energy Division. ■

NEW PRODUCTS

Analytical paper series - Service Industries
Division: Struggling to remain competitive: A study of factors impeding growth for Canadian Internet service providers, no. 44
Catalogue number 63F0002XIE2003044
(free).

New motor vehicle sales, May 2003, Vol. 75, no. 5
Catalogue number 63-007-XIB (\$13/\$124).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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Thursday, June 5, 1997
For release at 8:30 a.m.

MAJOR RELEASES

- **Urban transit, 1996** 2
Despite the emphasis on taking urban transit, Canadians are taking it less and less. In 1996, about 1.4 billion trips were taken on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4
Growth in productivity among Canadian businesses was relatively weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

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